Legislative Assembly of Alberta

The 29th Legislature
Fourth Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Annual Public Meeting

Thursday, October 25, 2018
7 p.m.

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Fourth Session

Standing Committee on the
Alberta Heritage Savings Trust Fund

Coolahan, Craig, Calgary-Klein (NDP), Chair
Schreiner, Kim, Red Deer-North (NDP), Deputy Chair

Cyr, Scott J., Bonnyville-Cold Lake (UCP)
Dang, Thomas, Edmonton-South West (NDP)
Ellis, Mike, Calgary-West (UCP)
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* substitution for Robyn Luff

Ministry of Treasury Board and Finance Participants

Rod Babineau	Manager, Portfolio Analysis, Capital Markets
Lowell Epp	Assistant Deputy Minister, Treasury and Risk Management

Alberta Investment Management Corporation Participants

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Mark Prefontaine	Chief Client and Stakeholder Relations Officer
Kevin Uebelein	Chief Executive Officer

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Standing Committee on the Alberta Heritage Savings Trust Fund

Public Participants

Leigh Bond
Lou Duigou
Max Fawcett
Paul Gervais
Rick Haney
Frank Hanus
Alex Herdman
Cec MacKenzie
Chris Power
Darcy Tkachuk

7 p.m. **Thursday, October 25, 2018**

[Mr. Coolahan in the chair]

The Chair: Good evening, everyone. I would like to call the 2018 public meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund to order. My name is Craig Coolahan, the MLA for Calgary-Klein and chair of the Standing Committee on the Alberta Heritage Savings Trust Fund.

The committee is pleased to be holding this meeting on the heritage fund in the Edmonton Federal Building in Edmonton, Alberta. Holding a public meeting of the Alberta Heritage Savings Trust Fund is required pursuant to the Alberta Heritage Savings Trust Fund Act. The nonpartisan staff of the Legislative Assembly arrange and promote these public meetings. I would like to thank all involved for making this important meeting possible.

The Alberta heritage savings trust fund is a large part of a better Alberta. The fund generated nearly $2 billion for the year ended March 31, 2018. This public meeting is an opportunity for Albertans to participate in a discussion about the status of the fund, what lies ahead for 2019, and how the fund will continue to provide a brighter future for our province in the years to come as well as to hear from the investment professionals hired to get the best possible return for the fund.

I'd now like to ask members of the standing committee to introduce themselves, starting on my right.

Mrs. Schreiner: Good evening. Kim Schreiner, MLA for Red Deer-North and deputy chair of the committee.

Mr. Dang: Good evening. Thomas Dang, MLA for Edmonton South-West.

Dr. Turner: Good evening. Bob Turner, Edmonton-Whitemud.

Mr. Cyr: Scott Cyr, the MLA for Bonnyville-Cold Lake.

Mr. Horne: Good evening. Trevor Horne, MLA for Spruce Grove-St. Albert.

Mr. Ellis: Mike Ellis, MLA for Calgary-West.

Ms Fitzpatrick: Maria Fitzpatrick, MLA, Lethbridge-East.

The Chair: Thank you. For the record, Ms Fitzpatrick is substituting for Ms Luff.

We also have a member on the phone. Can you introduce yourself, Member McPherson, please?

Ms McPherson: Karen McPherson, MLA for Calgary-Mackay-Nose Hill.

The Chair: Good. Thank you.

The Standing Committee on the Alberta Heritage Savings Trust Fund's mandate is to review and approve the performance of the fund and report back to the Legislative Assembly and Albertans.

The President of Treasury Board and Minister of Finance is ultimately responsible for the fund and its investments. The department looks after setting the fund's long-term strategy, developing its investment policies, and monitoring the performance of its investments. Joining us on the panel from Alberta Treasury Board and Finance are Mr. Lowell Epp, assistant deputy minister, treasury and risk management, and Mr. Rod Babineau, manager of portfolio analysis, capital markets.

The Alberta Investment Management Corporation, or AIMCo, is responsible for making and managing investments in stocks and bonds and other investment instruments within the fund's portfolio. Joining us from AIMCo are Mr. Kevin Uebelein, chief executive officer; Mr. Dale MacMaster, chief investment officer; and Mr. Mark Prefontaine, senior vice president, client relations.

I'm happy to remind you that tonight's meeting is being broadcast live on Alberta Assembly TV and streamed in both audio and video formats on the Legislative Assembly website at assembly.ab.ca.

I'd like to encourage everyone to join the conversation and contribute to our discussions during the live broadcast. You can submit your questions via e-mail at committees@assembly.ab.ca or through the Legislative Assembly of Alberta's social media on Facebook, Twitter, or Instagram using the hashtag #abheritagefund. The contact information is found on the bottom of your screen.

We will endeavour to respond to as many questions as time will allow during the question-and-answer segment of the meeting, which will immediately follow our panel presentations. Your input is important to us, and I encourage you to participate.

Please note that this meeting is being recorded by *Alberta Hansard,* and transcripts from this meeting will be available online on the Assembly website in due course.

By the end of this meeting we'll have walked you through the history, mission, long-term performance, and future of the Alberta heritage savings trust fund.

With that, let's take a look at the video on the Alberta heritage savings trust fund, followed by presentations by Alberta Treasury Board and Finance and AIMCo as well.

[A video was shown from 7:04 p.m. to 7:08 p.m.]

The Chair: Great. I hope you enjoyed that. It's the same one as last year, but I think it's better this year somehow.

Now I'd like to invite Mr. Lowell Epp with Alberta Treasury Board and Finance to present a financial update on the heritage fund. Mr. Epp.

Mr. Epp: Thank you, Mr. Chair and members of the committee as well as the public attending in person or following online. It's good to be here. Minister Ceci is unable to attend this evening and sends his regrets. I am certainly pleased to be here to speak on behalf of the department and to have the opportunity to discuss with you Alberta's heritage fund and its recent performance.

To start, I want to talk about the investment philosophy of the fund and its basic objectives. As was mentioned in the video, the Alberta heritage savings trust fund was created in 1976, and over time its purpose has changed with the priorities of government and Albertans. At one time the fund supported capital projects including libraries, health facilities, and parks. Today it gets its mandate from the Alberta Heritage Savings Trust Fund Act. This legislation sets the fund's investment objective, which is to maximize long-term financial returns for the fund subject to an acceptable level of risk.

The President of Treasury Board and Minister of Finance, Minister Ceci, is responsible under the legislation for investing the heritage fund. This responsibility includes establishing investment policies for the fund. These policies guide how the fund is invested, its tolerance for risk, and the benchmark for evaluating investment performance. This policy, called Statement of Investment Policy and Goals, can be found on the heritage fund's website at albertaheritagefund.com.

The Alberta Investment Management Corporation, or AIMCo, manages the fund's investments on a day-to-day basis. Following the legislated objective, AIMCo uses strategies that can be expected to generate investment returns on a consistent basis over the long term. Investments are pooled with those of other AIMCo clients to keep costs efficient. The heritage fund is worth about $17.4 billion, but once other endowment and pension funds are included, AIMCo has more than a hundred billion dollars under its management.

7:10

This economy of scale helps to minimize investment management costs and provides AIMCo's clients an opportunity to participate in investment transactions that they would not be able to do if they weren't pooled together.

The investment policy for the heritage fund establishes a target allocation for the fund. At the broadest level the fund has a target allocation of 50 per cent to equities, 30 per cent to inflation-sensitive and alternative investments, and 20 per cent to fixed income, but the policy allocations give AIMCo some flexibility to make investment decisions that may change the balance of the portfolio. Policy portfolio can be seen as an expression, or one expression, of the fund's risk tolerance.

The largest allocation in the fund is to equities, which includes shares of companies in Canada and around the world. AIMCo invests on the fund's behalf in public stock markets as well as makes investments in private companies. Equities form the largest part of the portfolio because they can be expected to provide the highest returns over the long run.

Inflation-sensitive and alternative investments are intended to provide a combination of investment returns and protection against inflation. Examples of these and the most prominent investments in this class are real estate and infrastructure investments, whose revenues can be expected to rise with inflation. Fixed-income investments include the bonds and debts of governments and companies. The fund is invested in both publicly traded bonds and private-market loans. This segment of the portfolio provides stability and has the lowest risk within the portfolio.

At March 31, 2018, as you can see on the chart, the actual asset allocation was 42.8 per cent to equities, 37.6 per cent to inflation-sensitive and alternative investments, and 18 and a half per cent to fixed income. There was also a 1.1 per cent allocation to strategic opportunities. This special asset class allows AIMCo to find opportunities that don't easily fit into one of the other three buckets.

Net income earned by the heritage fund's investments contributes to the cost of public services and programs, including health care, education, social services, and infrastructure. Since its creation in 1976 the heritage fund has provided more than $43 billion to these priorities. In addition, two endowments – the Alberta Heritage Foundation for Medical Research endowment fund and the Alberta heritage scholarship fund – were established with money from the Alberta heritage fund. Income generated by the fund has been an important part of the government's budget for 40 years or more.

As I mentioned, the heritage fund is invested to maximize returns over the long term. The historical performance of the fund is shown on the chart on the screen. Over the past five years the heritage fund has been very successful and has produced an annual average return of 10.4 per cent. In the last 10 years the fund has earned a very respectable rate of return of 7.7 per cent. This period even includes the financial markets crisis of 2008-09. The heritage fund's long-term investment goal is to earn a return of 4 and a half per cent plus inflation over a five-year period. There is also a goal that the investment manager, AIMCo, should add another 1 per cent, or 100 basis points of performance, using their own expertise and the flexibility that is provided to them in the investment policy to earn additional returns, commonly referred to as value-added.

So with inflation being 1.6 per cent over the last five years and the 5.5 per cent we expect to earn above inflation, that makes 7.1 per cent the target for our return over the last five years. The five-year average annual return of 10.4 per cent is 3.3 per cent higher than our target return. The 10-year average annual return meets the target as well despite the bad year that the fund had in 2008-09 as a result of the global financial crisis.

Even though the primary focus of the fund is to deliver long-term results, we still look at shorter term numbers such as the annual returns. During the fiscal year ended March 2018 the heritage fund earned a gross income of just over $1.9 billion. After investment expenses of $134 million, net income for the fund was $1.8 billion for the 2017-18 fiscal year. The strongest contributor to the income was the equity segment of the fund, which generated $1.1 billion in gross income, as you can see on the chart. By legislation a portion of the fund's earnings are retained to protect against inflation. This year $230 million was kept in the fund to protect its value. The remaining $1.6 billion in net income was transferred to the government's general revenue fund to support public programs and services.

In terms of performance over the last year the fund earned a return of 8.5 per cent. We measure the year-by-year performance using a passive benchmark, how the fund would have done if it had been invested without the active management of AIMCo. The passive benchmark is what the government could have invested in without having expert investment managers such as AIMCo. Examples of this would be the stock exchanges such as the S&P 500 and the TSX.

This past year the benchmark earned a return of 7.1 per cent, meaning AIMCo's active management had a performance of 1.4 per cent. The results of active management may and do fluctuate from year to year, but we expect a positive effect for the fund's returns over the long term. The chart shows the performance of benchmark returns for the various segments in the fund. As you can see, there were strong positive returns from the equity assets in the portfolio.

In Budget 2015 the government announced that 3 per cent of the heritage fund would be allocated to directly invest in Alberta growth. Since then about $386 million has been invested across 31 separate investments. The Alberta growth mandate gives AIMCo a sharpened focus on Alberta to encourage further heritage fund investments that generate benefits to the province such as jobs without sacrificing long-term financial returns. Investments that fit into the Alberta growth mandate must also meet the heritage fund's legislated requirement to maximize long-term investment returns at a prudent level of risk. This legislated requirement has not changed. AIMCo will continue to seek out strong, Alberta-based investment opportunities that maximize returns for its clients.

To reiterate, AIMCo's independent management has a proven track record, earning an average annual return of 7.7 per cent for the heritage fund in the last 10 years. Day-to-day investment decisions by AIMCo continue to be made independently of government. As such, questions regarding specific investment decisions should be answered by AIMCo. We will continue to provide the committee clerk with periodic reporting regarding investments made under this mandate as progress is made.

Thank you, Mr. Chair. That concludes my remarks.

The Chair: Okay. Thank you very much, Mr. Epp.

Now I'll ask Mr. Uebelein to provide AIMCo's presentation regarding the fund. I understand that you also came armed with your own PowerPoint this time. That's a nice change, I guess.

Mr. Uebelein: We'll get to the PowerPoint in a moment.

Thank you, Mr. Chair. Thank you, other members of the committee. And to everyone who's here visiting in person or online, thank you for your interest in the Alberta heritage savings trust fund. AIMCo has been charged with managing the heritage fund's investment assets now for over 10 years. We take that responsibility very seriously indeed. It's our pleasure at events like this to be able to answer questions that you may have.

As Lowell Epp has already said, you can see that our published annual investment performance for the fiscal year 2017-18 was quite strong indeed, and the longer term five-year performance is very healthy. However, it's also important to underscore a few realities of long-term investing. First, as truly long-term investors we tend to view short-term market downturns not so much as threats but, rather, as opportunities, allowing us to invest in quality assets at lower prices. On the other hand, short-term run-ups in asset values, while they may be nice, really aren't the true test of our investment acumen. The true test will continue to be our long-term, five-year or even longer, track record.

7:20

Second, too often we describe performance simply in terms of investment returns, but in reality there are at least two other variables that must also always be taken into account at the same time when we're evaluating our investment performance. One of these is taking into account the risk being taken in achieving the necessary return. The other is the cost being expended in the pursuit of that return. In both of these respects AIMCo tries to be very diligent indeed. Whenever we publish or describe our investment returns in any way, it is always reported after taking into account one hundred per cent of our costs and never on a gross basis. Against our peer group we are viewed as being one of the most cost-effective managers across Canada. Meanwhile AIMCo has a robust risk management culture, and this mindset, combined with the necessary tools and governance, allows us to monitor and actively manage our investment risk.

Third, as we stay focused on long-term investment returns, we also believe that being a responsible investor aligns very positively with strong investment performance, particularly over the long term. Responsible investing for AIMCo means that we encourage the companies that we invest in to be progressive and proactive in dealing with environmental and societal issues and that they be proactive in being the best governed businesses that they possibly can be.

This happens to also be Responsible Investing Week across Canada. It's good timing. We hosted a program earlier this week here in Edmonton called the Changing Face of Responsible Investment to a sellout crowd, so we're excited that this is of interest in Edmonton and across Alberta. Self-plug: we've also just published our latest Responsible Investment Report, and we have a stack of these available for anyone who's come. We encourage you to take a copy or to read it online. The online report is actually very good as well.

Finally, before I pass it over to Mark, I'd like to briefly share with the public one other piece of AIMCo news; that is, that this very week we launched the AIMCo Foundation for Financial Education. This is a newly formed charitable foundation that affords all of AIMCo's employees a new and exciting way to direct our passion for what we do and our expertise in finance towards making Alberta stronger through strengthening financial education across the whole province. You can also learn more about that by accessing it on our website, aimcofoundation.ca.

That's all for me. Thank you very much, and I look forward to any questions that you might have.

The Chair: Thank you.

Mr. Prefontaine: Thank you, Kevin. Thank you, Mr. Chair and committee members and those in the gallery and joining us online. It's my privilege to talk a little bit more about AIMCo. You will have clearly heard from Kevin's comments AIMCo's focus on our aspirational vision of enriching the lives of Albertans by building prosperity, security, and opportunity across generations and our focus on our mandate, that we clearly understand, to maximize risk-adjusted, net investment returns in a manner responsive to our client needs and expectations.

As Mr. Epp alluded to, we do so by serving many clients, all of whom represent Albertans. We're here tonight to talk about the heritage fund, and that's an important client of ours. But it's not our only client, and as Mr. Epp alluded to, the heritage fund reaps a number of benefits as a result of the aggregation of interests amongst all of our 32 clients. I won't describe each one of them that you see on this slide but certainly talk about public-sector pension funds like the local authorities pension plan and the public service pension plan as well as other entities associated with the province of Alberta like the Agriculture Financial Services Corporation, the Workers' Compensation Board, and the Credit Union Deposit Guarantee Corporation. We're quite proud to serve all Albertans via those clients and others. As Mr. Epp alluded to, when we aggregate the assets of those clients, it does amount to in excess of a hundred billion dollars.

AIMCo itself was formed in 2008 as a Crown corporation. We're quite proud to be headquartered here in Edmonton, but we do have a global presence, with offices in Toronto, London, and Luxembourg. As alluded to previously in this presentation, our role of implementing the strategic asset allocation by our clients, including that of the heritage fund by the Department of Treasury Board and Finance, is to efficiently and effectively implement those strategies. In doing so, since 2009 we've been able to garner in excess of $60 billion in investment returns. In addition to that, focusing on our role of maximizing value-add in excess of the benchmarks, since 2009 AIMCo has been able to add an additional $5 billion for our clients' benefit, including the heritage fund.

Our focus is on a number of key success drivers described by this particular graphic, and it's quite intentional that at the centre of that graphic is client satisfaction. We clearly understand that our role is to serve our clients and serve all Albertans through those clients. At the top of this particular graphic it should be no surprise that we have a keen focus on investment performance. AIMCo is an investment management firm, and we clearly understand the importance of investment performance. Supporting that entire exercise is making sure we're doing business the right way. As indicated by Kevin, this week is Responsible Investing Week, and we take that quite seriously, but it's also focusing on our people, developing our staff and clearly making sure that we're making the right investment into the organization and, while doing so, clearly keeping our eye on things like fiscal discipline, operational discipline, and strategic performance.

We are global. We have a global footprint, but we're also a local champion. We are focused on serving the needs of Albertans and making sure that we're serving our clients to the best of our abilities so that we can not only help them achieve their objectives, but we can maintain a level of sustainability by attracting and retaining globally competitive talent. As Kevin has already alluded to, we do so in a manner that makes sure that we are responsible corporate citizens.

With that, Mr. Chair, I'll pass it back to you.

The Chair: Excellent. Thank you.

Before I open the floor to your questions, I would like to remind everyone that you are welcome to join the conversation and submit your questions to the committee or our panel of experts. Once again, you can submit your questions via e-mail at committees@assembly.ab.ca or through the Legislative Assembly of Alberta social media sites such as Facebook, Twitter, or

Instagram using the hashtag #abheritagefund. As mentioned, your comments are important to us, and we will attempt to answer as many questions as possible during the meeting.

Now we'll open the floor to questions from our in-house audience. Let's start here first. Please be sure to state your name for the record before you begin speaking.

Mr. Bond: My name is Leigh Bond. I'm a director with an organization called PACE. On June 11 Bill 10 received royal assent. The bill provides the framework to give a property assessed clean energy program to Albertans, to building owners to upgrade their buildings with energy efficiency and renewable energy upgrades. In the U.S. the program has reached $5 billion in placements. My question is on whether AIMCo is considering investment in PACE projects. If not, would you consider that?

Mr. MacMaster: I'll take that one. I'm not familiar with PACE, but AIMCo makes significant investments in renewables through our investments in infrastructure, so we have investments in a number of different jurisdictions in wind and solar.

The Chair: Excellent. Thank you.

Anyone else from our audience?

Mr. Fawcett: Yeah. My name is Max Fawcett. I have a question about the divestment movement and how that's affecting your view of portfolio companies that are in the oil and gas business. I think it was earlier last week that the San Francisco pension fund announced that it was divesting from a number of oil and gas companies. They also shortlisted a number of Canadian ones, including Baytex Energy, and said that they were on the watch list. I'm wondering: what's your view of this movement? Is it informing your conversations with the companies you invest in, and are you encouraging them to step their game up in terms of sustainability given the pressure that's coming?

Thank you.

The Chair: Thank you.

7:30

Mr. MacMaster: Thank you. First of all, we don't have any limitations on energy and oil and gas. We are, you know, all for responsible investing, and you can see our annual report there. It tells about all our activities. We're big proponents of engaging with our investee companies rather than exit. That's our approach. Energy is a very important industry to Albertans. We've made significant investments in that area, and we're proud to say that the energy industry in Alberta is among the best in the world in terms of responsible behaviour around the environment. So while we recognize that certain people, certain investors have, you know, divested, we're not restricted in that way.

The Chair: Excellent. Thank you.

Dr. Power: My name is Chris Power. I'd like to thank the speakers for their comments. I just wanted to correct a couple of issues. The Alberta Heritage Foundation for Medical Research has not existed since 2009, so I'd recommend removing the icon from your slides. That's concerning.

I wanted to ask what the plans are for future investment in postsecondary education and knowledge creation, notably research. Currently Alberta Innovates has been tasked with supporting medical research, and it's fallen behind compared to previous years. It was always the bulwark of funding postsecondary education, and we know that that's really the future. We live in a knowledge-based economy, and without that, we will not be able to move forward. I'd like to know what the plans are for future investment in these areas of postsecondary education and research.

Thanks.

The Chair: Who would like to field that?

Mr. Epp: I think that's a question for committee members.

The Chair: So the question, Dr. Power, was around – sorry; could you be succinct on the question, please?

Dr. Power: The question is that Alberta Innovates, which is ostensibly responsible for biomedical research and other areas of research in the province, has cut back substantially in the last few years, to the point where in the most recent announcement they were going to support, I think, 20 graduate students, postdocs, et cetera, which is in contrast to Ontario or B.C., where they're supporting upwards of 3,000. I'm wondering what the future plan for investment is in postsecondary education and also in research as well, because research and postsecondary education are very closely linked. I didn't hear anything about that tonight, and I'm not hearing about that from Alberta Innovates either.

The Chair: It's an important question. It's just that I think it's a little difficult to answer in this forum at this time. We have our investment managers here and our Treasury Board, who are managing the trust fund and don't necessarily direct what it supports in the medical field, I guess. I mean, I suppose that AIMCo could make an investment in that, but what would happen with the investment once it made money? They can't answer that question, I guess. Right? Did you have any input on that, gentlemen?

Mr. Epp: Well, I believe that beyond the mandate of the heritage fund to make these sorts of investments, those are separate decisions. I would also note that while the Alberta heritage foundation may have been disbanded, the endowment fund still exists.

Dr. Power: We'd love to see it put into action. If I could leave you just with that, that we'd like to see some action in the area of postsecondary education, in universities and that area.

Thanks.

The Chair: Thank you for your question.

Anyone else from our in-house audience? Hello.

Mr. Duigou: My name – and I know I'm going to have to spell it – is Lou Duigou. I don't quibble with anything that I've heard here tonight. In fact, I want to commend the board or the committee and AIMCo for managing the fund and earning something like – I have 8.5 per cent from the newspaper. I saw a little different figures but good figures, good returns. I wish I could make that. My question is: why is the fund so small and is not growing, as it does in, say, Norway or Alaska, for the future?

I realize that a lot of the interest that it has earned has gone to buy services in health, education, and so on, but that's what supposedly keeps our taxes down. The point I'd like to make is that we are not paying our way in this province, have not been for years, because we're relying on the income from the treasury fund. To me, that's not allowing it to grow.

The other thing is that when I was a kid in school, I learned something about compound interest. That doesn't seem to be one of the factors here. All the interest that has been earned is turned over to general funds, as somebody said, and the government makes decisions as to how that will be spent and where. But it doesn't grow the fund itself. I'd like to know: why is it so small after all these years? [applause in the gallery]

The Chair: Okay. I don't think we've ever had applause in here.

There were a couple of questions in there. Who would like to start, maybe with the Norway piece?

Mr. Epp: I think you answered your own question. The reason the fund hasn't grown is because a decision was made, and it dates back to the legislative change in the late '90s to the Alberta Heritage Savings Trust Fund Act. The decision was made to take most of the income except for that needed to inflation-proof the fund. All other income is taken out of the fund. So interest does not compound due to that decision.

Mr. Duigou: Thank you for that comment. I think I realized that. I think it's a political decision as to how the fund will be allowed to grow. Either we add to it, or we allow the interest to compound, something to make it grow. It hasn't really grown in I don't know how many years. I've always heard $17 billion, $18 billion, and that's it.

The Chair: Thank you for your question.

Did anybody want to add to that? No? Thank you.

Anyone else from the audience?

Mr. Hanus: Mr. Chairman, my name is Frank Hanus, and I have more of an observation than a question. It's more or less in support of the argument that the previous speaker made. I just got back from a trip to Scandinavia. The trip included a stopover in Norway. The Norway fund from the oil money is about $1.1 trillion and is growing. They started in about 1990. The fund is invested about 66 per cent in stocks and 30 per cent in fixed income and very little, 1 per cent maybe, in the other investments.

Norway, unlike Alberta, has about 5.2 million people only, and we have 4 million in Alberta. Norway hasn't been really spending much of the money on infrastructure over there. They are competing with, out of all the countries, Albania for the least amount of roads in Europe. It is the first time ever – like, when we travelled to Norway, we saw that they are expanding the roads to Lillehammer, the place where they used to have the Olympic Games. They are also spending some new money on infrastructure projects in Oslo, on the opera house and so on. So, really, it's one way of keeping the money and growing it up. Another one is that we have a deficit in the infrastructure as well, so there is a need, I guess, to be averted. You can spend it and not have very much money, like the heritage fund is, or keep it and not spend it, competing with Albania for roads.

Thank you.

The Chair: Thank you for your comments, sir.

Anyone else from the audience? Go ahead.

7:40

Mr. Gervais: Thank you, Mr. Chair. My name is Paul Gervais. Impressive numbers from the management of the fund. I think you're doing a great job. But further to the gentleman who spoke earlier, I too am concerned about not reinvesting and growing the fund. I look at the fund as dollars per capita in the province. I've been an Albertan all my life, and I remember when the fund first began. On a per capita basis it seems to me that the fund has actually shrunk in size. I wonder if it's time to have a conversation – you know, I look at this $43 billion in cumulative transfers – and think about what that could have done for the fund today, if we couldn't have a conversation about that.

Thank you.

The Chair: Mr. Epp or Mr. Babineau, would you like to comment on that?

Mr. Babineau: I can comment on that. The per capita value of the fund is determined by a couple of things, and there's a chart in the annual report that shows the per capita value. One of the things that the heritage fund has done is that they've inflation-proofed the fund, so that actually keeps the real value. One thing that hasn't been done: it has not grown with population. The Alberta population has doubled, probably, in the last 20 years, and that's primarily due to our robust economy. When people move here, they don't bring a portion of the heritage fund to deposit in. So that's one of the things that has caused it to go down over time.

You can see it, definitely, in the annual report. There's a chart that shows how it's slowly lost its per capita value. It has sort of stabilized with our inflation-proofing. It's just the way the legislation is written.

The Chair: Thank you.

Anyone else from our audience? Excellent.

Mr. Haney: Yeah. My name is Rick Haney, and I'm from Edmonton. I circulated a little bit of a questionnaire to be delivered. One of the things that I'm concerned about in Alberta regarding the heritage trust fund is just what was mentioned: where do we invest the money, and why aren't we investing it in our own oil sands in Alberta?

We have a Prime Minister that let the pipeline fall through his fingertips, and the reason it fell through is that B.C. doesn't want diluted bitumen coming through their backyard, and neither does eastern Canada. Nobody wants it in their backyard: 30 per cent diluted condensate and 70 per cent oil. So why the devil are we not investing our money, tax money and heritage trust fund money, into refining our own oil in Alberta and shipping refined oil east, refined oil west?

The United States: they don't need our oil. They're going to be shipping millions of barrels of oil per day from the Midwest to the Cherry Point refinery in Vancouver, Washington, and from there they're going to be selling Canada refined oil – for Vancouver's airports, for Vancouver's cars and trucks – at a premium, that we should be putting into our own bank account.

Nobody wants to listen to the people that say: we're already building carbon capture facilities in Fort Saskatchewan that are refining bitumen, and we're shipping clean, green oil down east, down south, down to the west coast. So why can't we put that premium into our bank accounts instead of carbon-taxing the heck out of us? Use the money from the sale of the refined oil. Sure, it's going to cost money, but I'll tell you right now that the oil industry is setting aside $300 billion – $300 billion – to put into the energy industry sector to refine their oil around the world in antiquated oil refineries that are polluting the atmosphere worse than what we do in Fort McMurray.

The Chair: Thank you for your question, Mr. Haney. Maybe we'll get to a response. I think the question was: why aren't we taking money from the heritage savings trust fund and investing it into the Alberta oil sands? There has been significant investment in Alberta companies; that's for sure. Maybe we could speak to that, please.

Mr. MacMaster: Sure. First of all, the heritage fund is invested in the oil sands, in the energy business. In terms of AIMCo's total funds under management, we have close to $8 billion invested in Alberta, and the heritage fund has a billion and a half invested in Alberta. That's a significant investment over what most global managers would own in Canada. Canada represents less than 1 per cent of the global investment space. It's a big investment. More importantly, the 3 per cent allocation to promoting development in Alberta has largely been invested in the energy sector in part because it's been so depressed in the last couple of years, since 2014, when oil prices fell out of bed. We made significant investments in that area, and we continue to look at investing in Alberta because, as you all know, the oil differential is at an all-time wide and the valuations on equities based in Alberta in the energy sector are at an all-time low. So we continue to hunt there for opportunities.

The Chair: Excellent. Thank you.
Did you want to ask another question?

Mr. Haney: What I'm asking, part of it, is that the MLAs go back to all of their constituents and all of their members and start talking about this: refining our oil here, spending our money on ourselves, buy local, support local.

The Chair: For 25 years, sir. Honestly, we've been talking about that for 25 years.
Any other questions from the audience?

Mr. Herdman: Hello there. My name is Alex Herdman from Rosedale. I must have been falling asleep. This fund: is anything here liquid, or is it all invested in – where? Like, do we have any at all here in Alberta?

Mr. Epp: The entire fund is invested. It's not held in cash. About 9 per cent of the fund is invested in various Alberta assets, including equities and real estate.

Mr. Herdman: Like, I could not see a pile of cash? I could only see what's on the books?

Mr. Epp: Yes.

Mr. Herdman: Thank you.

The Chair: Thank you for your question.
Anyone else at this time?
Okay. Do we have any questions via e-mail or Twitter, Mrs. Schreiner?

Mrs. Schreiner: Yes, we do, Mr. Chair. We have a question that was sent via e-mail from Rory J. Koopmans of Edmonton. Mr. Koopmans' question is:

> Why is there not a regular "citizen-at-large" or average joe/jane Albertan sitting on the [Alberta] Heritage Savings & Trust Fund Committee with full voting rights? I would think that a regular citizen would bring a unique perspective to the committee & ensuring that the Heritage Fund is stable for future generations. After all, it is their money.

The Chair: That's an interesting question. I guess I will answer that. Currently the Alberta Heritage Savings Trust Fund Act dictates who is on the committee, so it is all set up for elected officials to be on those committees. I don't think there's any plan to change that at this point. That's why we have a public meeting as well, because it gives the opportunity for people to ask questions. It's also in our Standing Orders for the Assembly. It lays out who is on the committee. I don't think we have ever had that type of committee in the Assembly in which a citizen has been on there. Not a bad idea. I'd hate to be the person to choose that one person sitting on the citizen committee. A very difficult task that would be. For now there are not, I don't think, any plans of changing elected officials being on the committee.
Do we have any other questions online?

7:50

Mrs. Schreiner: Yes, we do. Thank you, Mr. Chair. We have a question that was sent via e-mail, again, from Teri Ormberg. Teri's question is: "Why is the monies that will be going into general revenue from the carbon tax not going into the Heritage Savings Trust Fund instead [of] into general revenue?"

The Chair: Okay. I think I have to answer that one as well. Currently none of the carbon tax revenue is going into general revenue. It is all going into the carbon tax fund, which is being distributed. You can see online where it is being distributed. Currently none of it is going into general revenue, and none of it is going into the heritage savings trust fund. It has been directed, the carbon tax fund, into rebates and also into other green initiatives. That is its mandate, and that's what it will continue to be used for.
Any other questions?

Mrs. Schreiner: I do. Thank you, Mr. Chair. I have a question for the committee. This question comes via Twitter from @SledgeBeeftree of Edmonton. "Is there a way to use heritage funds to 'beef' up control of invasive species like mountain pine beetle or sage grouse??. Would be good long term investment for our AG sector. Has the cmte discussed this?"

The Chair: Anybody on the committee? I don't recall ever discussing this. I'm not sure how actually that would play out, to be honest with you. Anybody like to take a stab at that? You come from an agriculture riding.

Mr. Cyr: I can say that for many Albertans, especially in northern Alberta, our forests are something that we cherish. I think that the pine beetles clearly are a threat. This is something that Environment and Parks is needing to put as a priority, which I'm sure they are right now.
I do want to remind the audience that this committee is more for asking questions and trying to see how the fund is being invested. It is less to do with the actual direction of how to invest the money. That is where we put a lot of our faith into AIMCo and the fine work that they're doing. We've seen some really good returns. As for protecting our forests, I do believe that we need to lean on our Environment and Parks department and make sure that they're doing their job and protecting our forests.

The Chair: Okay. Thank you, Mr. Cyr, and thank you for the question online there.
Does anyone in the audience right now want to ask a question? If not, we'll move to committee members for now. Okay. Anyone from the committee? Mr. Cyr.

Mr. Cyr: Thank you, Mr. Chair. I'd like to thank the audience for being here tonight. I know that you probably had a lot of things to do, but this is an important fund, which we all need to make sure is well managed. I do have a quick question. What we've got here is a statement that the Premier has made. She made a statement that she is looking to go with joint governance of the pension plan. I was wondering if the Premier's office has contacted AIMCo to see if there are going to be structural changes to how your pension plan is being managed. If so, can you give us an update on kind of what you're looking to see?

Mr. Uebelein: We've been in conversation with government over plans that we believe are under way to bring joint governance of some of the pension plans. All of our conversations have been centred around making sure that there are means available so that AIMCo can continue to do its job of maintaining important aspects that Lowell Epp and others have made reference to. That is primarily that we can continue to aggregate those assets of all of our clients, whether they're pension clients or the heritage trust fund, and pool them together to enjoy the benefits of scale that we've had up to now. All of the indications that we've had through those conversations are that we will be able to continue to enjoy that pooling. Our primary concern is to make sure that we can still do our job well and serve all of those clients. The issues around governance of the pension plans are really outside of our purview.

Mr. Cyr: May I ask a second question, sir?

The Chair: Yes. Try and focus it on the heritage savings trust fund, please.

Mr. Cyr: It does. It's about the viability of the AIMCo group, who is managing our fund at this point. With $110 billion sitting under your pooled assets, I can see that $71 billion of that is within pension plans. Are we looking at significant changes on how you're going to be investing funds going forward? My question is that it looks like you're going to have more than 65 per cent of your fund being able to dictate to you on how to invest, which could directly affect how the Alberta savings trust fund is being invested.

Mr. Uebelein: Our clients already have a very rich relationship with us in terms of, frankly, that they set asset allocation strategy. We do a lot of listening to all of our clients to try to meet their investment objectives. Again, we want to make sure that in whatever future state any of our clients might be, we can still do our jobs effectively, and we're optimistic that we'll be able to do that.

The Chair: Okay. Thank you.
Dr. Turner.

Dr. Turner: Thank you very much. Actually, thank you to the ministry as well as AIMCo staff for being here and, in particular, thanks to the audience. Some great questions tonight that have been quite thought provoking. Just in reaction to the previous questioner, I do think it's important to congratulate AIMCo for doing such a great job in managing the public-sector pension situation. At last year's meeting I asked questions about how we're closing the unfunded liability levels and got a very positive response from you. We also discussed how the actual contribution rates for the current employees are able to be reduced and actually improving the lives of a lot of Albertans as a result.

I'm actually going to ask some questions about things that are in the news today and over the last few days, and that's the actions of the governor of the Bank of Canada and the Bank of Canada in adjusting the interest rates that are charged for overnight deposits. That, I think, is what he controls. The announcement earlier this week of a .25 per cent rise in that rate is the fifth adjustment since July of 2017. Even more worrisome was the governor of the Bank of Canada's announcement that he's going to be less cautious about raising the rates going forward. In fact, he is talking about moving from the current 1.75 per cent to a target of 3 per cent, which would be a target that, he says, would maintain full employment as well as making sure that growth is encouraged. I know that there's not a lot of discussion about whether that target is actually justifiable.

Bringing it back to our situation, we do need investment in industries in this province, whether they be oil and gas or forestry or agriculture or other infrastructure. Many Albertans have committed to mortgages that have adjustable rates, and those folks are going to be seeing increased costs of those mortgages. I'm just wondering. From an investment manager's point of view, while the rise in interest rates might actually give you better returns on your fixed income products, looking at the economy of Alberta, do you think that the governor of the Bank of Canada is on the right track?

8:00

Mr. MacMaster: I'll take that question. That was a long question.

Dr. Turner: Sorry.

Mr. MacMaster: Let me try and tackle that. By the way, I was just looking at some numbers today, and I think Alberta led growth in 2017, at over 4 per cent growth. Despite the challenging times, it had a pretty good year. Not as good this year, though.

The Bank of Canada is attempting to normalize rates. We've just gone through a period of very, very unusual monetary policy where around the world central banks took rates essentially down to zero to try and stimulate growth after the credit crisis. So central banks around the world, starting with the U.S. and to a certain extent Canada, are trying to normalize rates. They're trying to bring rates back to the sort of levels that we saw prior to the credit crisis, but the intent is not to create a recession. I think what the Bank of Canada was trying to describe was the attempt to normalize rates and still keep growth around 2 per cent, not throw the economy into recession. That's a delicate balancing act, and I think that's what's going on.

To your point about people who have taken on mortgages, I mean, I think everyone around the room reads a newspaper and has seen that debt-to-income levels are at all-time highs, and of course there have been some unintended consequences when you take rates down to zero. People take on sometimes too much debt, so the bank is very mindful of that, but the good news is that Canadians seem to be, you know, taking heed and reducing their debt levels. That has some implications for consumption because if you're paying down debt, you have less money to spend on retail, so we're going to see the impacts of that.

I guess that's a long-winded way of saying that the difference from other business cycles that we've seen since World War II is, I think, that the central banks are trying to normalize without tipping into recession. That said, I don't think he really has too much further to go because, quite frankly, at 2 per cent growth, with the challenges we have around things like trade and energy, you know, there's only so much that we can take. I think he may try and do a couple more, but we'll see if the economy can hold up to it.

Dr. Turner: Well, thank you for that. I guess I'll keep my adjustable-rate mortgage intact.

The Chair: Are you sure? It's too late.

Dr. Turner: Well, I'm still making money on it. Don't worry.

I'm going to ask a shorter question that's unrelated to this. I was interested to read earlier this summer that AIMCo had made an investment in a signal property here in Edmonton, the Edmonton Tower. It's a significant investment, and I think it shows a lot of faith in the economy of Alberta and in Edmonton. I just would like to get your comments on how this investment fits into the strategy of AIMCo.

Mr. MacMaster: Sure. Well, real estate does form a good-sized portion of the heritage fund, and the building referred to is the Edmonton Tower, which AIMCo purchased on behalf of its clients recently. It is a terrific investment for the fund, quite frankly. There was a lot of building that happened in the Ice District. Quite a lot of capacity came on at one time, and we were able to extract a very attractive price. In fact, that building can't be, you know, reconstructed to its current standards at that price we purchased, so it's a terrific investment for the fund.

Dr. Turner: Thanks.

The Chair: Thank you.
Do we have any questions, e-mail?

Mrs. Schreiner: Yes, I do. Thank you, Mr. Chair. This next question was sent via e-mail from Dorothy. Dorothy's question is: "How long has AIMCo managed the HF and what were the worst performance years for the fund?"

Mr. Uebelein: Well, AIMCo was formed in 2008, and it's been managing the heritage fund since its formation, but many of the core team members in AIMCo, including Dale MacMaster, chief investment officer, here to my left, were part of the team that were part of AIM before it was spun off from government. Many of the same team members managed the heritage trust fund when it was embedded more deeply within government.

The second question is quite easy. That first year of AIMCo's existence, the year of the financial collapse on a global basis, was a year of blood, sweat, and tears for all investment managers, and AIMCo was no different. We've recovered quite strongly since then. We hope that we don't have another miserable year like that any time soon, but frankly years like that do recur, unfortunately.

The Chair: Thank you.
I'll ask if anybody in the audience here would like to ask a question.
Seeing none, I'm going to go to Mr. Ellis.

Mr. Ellis: Well, thank you very much. Thank you, Chair, everyone, for being here and to all those who are watching online.

A question to AIMCo. We obviously in Alberta receive a significant discount for our price of oil to the United States. I believe you indicated that you have certainly a billion if not billions of dollars invested in the energy industry and especially here in Alberta. I guess my question has to do with that significant price in what we sell our oil for here. How does that affect your returns on investments in Canada in the energy industry and your decision-making?

Thank you.

Mr. Uebelein: Well, we do have significant investments in Alberta that include exposure to the oil and gas business, really, across the value chain. Any time the differential is as high as it is today, that's not a good thing. The only people who are benefiting from that would be the so-called shippers who are paying that lower price for that oil being shipped, either through pipeline or by rail. They're reaping remarkably high margins as a result of this oversupply and lack of ability to transfer.

There are a few other technical issues that are more short term in nature that we hope will be mitigated in the next few quarters. The experts on Dale's team that look at this very closely hope that the differential will go back closer to normalized levels, which one could argue are always too high anyway, but closer to normal, sometime in 2019, hopefully, in the first half but perhaps the second, third quarters.

Mr. Ellis: A follow-up if you don't mind?

The Chair: Sure.

Mr. Ellis: Thank you. Somewhat unrelated, again, to AIMCo: I know you mentioned client satisfaction, and I'm sure that, certainly, as the longest serving member of the heritage trust fund committee, you know, I'm very happy to see these numbers and what you folks have done for the people of Alberta. I guess my question has to do with other possible clients in Alberta. Have there been others who have approached you who hold funds or significant amounts of money that are interested in being a part of your corporation?

Mr. Prefontaine: I'm happy to take that. Thank you very much for the question. AIMCo is created by legislation, and therefore we've got a legislated mandate as to whom we can serve. Simply put, that would fall into the public sector and quasi-public sector. We were quite proud that in early 2017 we were able to bring onboard as a net new client the city of Medicine Hat for a portion of the assets that they manage and that they own, so we are from time to time approached. We're very cognizant of our legislative mandate, the fact that in order for anyone to be a client or for any organization to be a client of AIMCo, they have to become a designated entity. There's an entire process, and we work with the department staff to work through that. There are from time to time others that approach us, but the most recent example is the city of Medicine Hat.

The Chair: Thanks.
Mr. Dang.

Mr. Dang: Thank you, Mr. Chair. I'd like to thank AIMCo as well as the officials from the Ministry of Treasury Board and Finance for being here today. It's always great when we can have interesting questions posed from the public. It is Albertans' money, so I think it's always great that we have this opportunity every year.

Now, I am consistently impressed – I've been on this committee for a few years now – with how well AIMCo is able to perform. Every single year you speak extensively about how you look past short-term interests and that you're not so concerned about things like short-term volatility and that you have long-term investment goals. I guess I have a two-part question if you'll indulge me, Mr. Chair. The first part is about that long-term investment. Is the landscape currently around global investment changing in a significant way that would impact the health of the fund?

8:10

Mr. MacMaster: Well, as a long-term investor I would say no. The landscape is always challenging, and there is a business cycle. I would say that we've had a long bull market. You know, it's quite extended. It's probably one of the longest since the Second World War. You know, the central banks are raising rates, and it's a tricky time, and you see the volatility we've seen in the last few weeks. This is fairly common, but as long-term investors we try and see through that, right?

I mean, I looked at a chart today that goes back on equity prices to 1875, and, you know, it's just a straight, nice line upwards. It's the miracle of compounding, right? There are speed bumps along the way, and 2008 was a particularly ugly one. While you're in the midst of that, it's not great, but if you're able to see beyond it, then you see it as a buying opportunity. It's exactly the way we're looking at the market today. We're long-term investors. We have liquidity, and should things fall out of bed, we wouldn't be anxious buyers. We're disciplined, we're long term, and we'd be able to purchase assets at reasonable prices, and that's the game plan.

Mr. Dang: Thank you. That's good to hear.

I guess I have just a little bit of a follow-up question here, maybe, about two shorter term impacts. How is the increasing price of things like oil impacting the health of the fund and how about also the increasing price of the Canadian dollar as we move forward?

Mr. MacMaster: Okay. Well, world oil prices have been going up. Unfortunately, Alberta has not been able to benefit as much as it could without the pipeline capacity, so there's a large differential. That's been unfortunate. That's one impact on Alberta.

The Canadian dollar has actually been under pressure for quite some time, and there are a couple of reasons for that. The most significant one is the interest rate differential between the U.S. and Canada. The U.S. has been more aggressive at raising interest rates. There's a spread, which means that interest rates in the U.S. are slightly higher than in Canada. That drives more capital to the U.S., and therefore the U.S. dollar gets stronger and the Canadian dollar gets weaker. That's probably a predicament that the Bank of Canada is not unhappy with given that growth is somewhat lacklustre. Trade has been disappointing. You know, a cheaper Canadian dollar means perhaps we can get better trade. That's something we're probably going to have to live with for a while.

Another impact on the Canadian dollar, more of a smaller impact, is oil prices. Again, the Canadian dollar usually rallies a little bit or gets a little stronger when oil prices are higher, but again because of this differential in Canada it's not participated in and is below where it normally would be with oil prices where they are.

Mr. Uebelein: So if you saw the differential shrink, you might see a slight strengthening of the Canadian dollar alongside that.

Mr. Dang: Thank you.

The Chair: Thank you.

Anybody in the audience with a question? Sure. Come on up. You can go after this. Yeah, perfect. Just restate your name, please.

Mr. Hanus: Frank Hanus. The heritage fund invested some money in Alberta farmland in addition to the timberland investments previously. What was the expectation of that investment? Is it in just private farmland, to do something with it? What is it? Can you please expand on it?

Thank you.

Mr. MacMaster: The investment was in a fund called Bonnefield, which is part of our infrastructure fund which invests in agriculture. The expectation for returns there are in the area of 7 to 8 per cent.

The Chair: Sir, thank you.

Mr. Haney: This one has got to do with rebates. When you're looking at investment potential for companies, how about the ones that get rebates from the federal government or the provincial government for things like solar panels, windmills? Do you invest in companies that get rebates?

The Chair: Sorry, sir. Just state your name again, please. I forgot that. Just state your name, please.

Mr. Haney: I can't hear you.

The Chair: Your name for the record, please.

Mr. Haney: Oh. Rick Haney.

The Chair: Okay. Thank you.

Mr. Haney: I thought you might all have that etched in your brain by now. But, anyway, have a good one.

Mr. MacMaster: Sure. I'll answer that question. To encourage the development of renewables, wind and solar, very often governments will have to subsidize those. As I mentioned earlier, we are investors in renewables, so we've invested in those companies.

Mr. Uebelein: I would only add that as the costs of these technologies continue to decline, the need for subsidies in order to make them viable options in terms of generating power has decreased to the point where in many cases these are absolutely viable investments for adding to the power grid without any tax subsidies or any other sorts of so-called rebates.

The Chair: Excellent. Thank you.

Member McPherson, on the phone, do you have any questions?

Ms McPherson: Thank you, Mr. Chair. Yes, I do have a question. It's got a couple of parts to it, and it's regarding the NAFTA negotiations. That's been going on for well over a year, and of course recently there was an announcement that an agreement had been reached. I'm wondering two things. What, if any, effect has the length of negotiation had on the heritage savings trust fund, and is there an expectation that the new USMCA will have any effect on the fund in the near and the long-term future?

Mr. MacMaster: Sure. I think that probably the biggest impact from this, you know, fairly lengthy trade negotiation was the uncertainty around it and what the outcome would be. It was more of a macro sort of potential impact that may have kept investors on the sidelines. I don't think it was particularly meaningful, but now that the deal has been signed or was essentially agreed to, perhaps some uncertainty has been lifted. The Bank of Canada actually mentioned in a statement yesterday that having that signed would lift somewhat of a cloud.

The Chair: Good. Thank you.

Mr. Cyr.

Mr. Cyr: She said that she had more than one.

The Chair: Oh. Were you finished, Member McPherson? Sorry. It was a two-part question?

Ms McPherson: Well, yeah, just on the past, what effects it's had, and what effects we can expect to see in the future.

Mr. MacMaster: From the new trade deal: is that right?

Ms McPherson: Yes. That's correct.

Mr. MacMaster: Yeah. Well, I don't think it's going to be very, very big. There wasn't a great deal changed, in my understanding. Canada lost a little, perhaps, because it looks like we've had to, you know, agree to allow imports of dairy, which I understand will be subsidized by the feds. That's the deal they negotiated. And then on autos a little bit will be lost to I guess it was Mexico and the U.S. It doesn't appear to us that Canada gained anything. It looked like, from the way the negotiations went, that Canada wasn't going to come out ahead. It was: how much would we lose?

This is the best deal that was negotiated. I don't think it's going to be impactful from a macro point of view. In fact, having the deal signed at least lifts this uncertainty, which is good.

And now the real attention, of course, is on China. The U.S., I think, has targeted China. That's the real target, and that has, in fact, greater implications for the fund, again from a macro perspective. You know, the equity market gets a little bit excited when these headlines come out, and if there are more tariffs put on China in order to extract better trade terms, that could potentially be a negative for markets.

The Chair: Thank you.

We will go to Mr. Cyr.

Mr. Cyr: Thank you, Mr. Chair. I'd like to go back to the joint governance comment that the Premier had made. Have you struck a transition team?

The Chair: Mr. Cyr, you really have to focus on the fund.

Mr. Cyr: I am. This is going to affect the earnings of our Alberta heritage savings trust fund if 65 per cent of the money you manage suddenly leaves your investment portfolio.

Mr. Uebelein: As we concentrate on making sure that today and tomorrow, notwithstanding any changes in how our clients might be organized, we can continue to do our work, we have allocated individuals, mostly in our finance and operations group, to make sure that we can manage any adjustments that we need to make to our so-called middle and back offices. We're completely insulating the investment team from, you know, any distractions in that regard.

Mr. Cyr: One more quick question?

The Chair: Yeah.

Mr. Cyr: Okay. This is regarding AIMCo. Are there any requests right now for a review or an update of the board structure or the management team?

Mr. Uebelein: No.

Mr. Cyr: Thank you, sir.

8:20

The Chair: Questions from the audience at this time? I know you've got them. Okay. Here they come. Excellent. Thank you.

Just state your name, sir.

Mr. MacKenzie: My name is Cec MacKenzie. I'm an old geezer. Actually, the reason I came tonight was to find out how you folks have been looking after the baby that we started in Alberta Treasury back in 1974-75. I happen to have been the senior official at the time. We told the first Treasurer that if you're going to make any comment about the size of the fund, you should say: roughly $1.2 billion. He choked on that, thinking that that was way, way too high. We ended the year at $2.1 billion, and that's what's in this first annual report that came out.

I've been checking off what you've been doing compared to what was planned. You've done very well. You've kept up, I think, the general principles. I guess you could say that the Lougheed influence was in there, and you've pretty well followed it, so I'm very pleased with that.

I am as worried as you are about what's going on in the world right now. I made the mistake of taking out a subscription to *The Economist* and am shocked – shocked – that there's more to the world than that President of the United States. I can understand why you might be spending a lot of your time on research on just how you should go. I don't know if there really is going to be any good way that will last more than a few months, maybe years. There are a lot of changes on the way.

I think the only thing that I noticed about – this precedes what you folks have been doing. One of the things, as an Edmontonian, that I was looking forward to is a fantastic investment in capital city park. Fish Creek park went ahead just fine, but the city of Edmonton still doesn't have a capital city park. There's a lot of caving going on there.

I don't look forward to the split that is being talked about. Back in the days when we were at Treasury, there were a few of these clients that should have stayed with the Alberta Municipal Financing Corporation, one of the predecessor organizations to AIM. They wanted to go away, and they thought they could do a better job of raising money. They put the organization into bankruptcy and had to be, you know, bailed out. So, hopefully, whoever is deciding that there should be a split will change their mind and keep everything under one roof. I just hope that's what's going to come out.

All the talk about the great things that Norway is doing: if you go over there and you talk to the people – I talked to the bus driver that was driving our bus around. I asked him what kind of a car he had. He said: "I can never afford a car. Taxes are too high. Then when I do get it, I can't afford the petrol for it anyway." So there are ups and downs.

You're doing a good job, and I'm very pleased that you're looking after things for us.

The Chair: Thank you so much for that. Thank you so much for coming, Mr. MacKenzie. Nice to have you here. That was very interesting.

Who had a question? Mr. Horne.

Mr. Horne: Yes. Thank you, Chair. I had a bit of a larger question, but Member McPherson beat me to it, so I suppose I'll follow up a bit on the new USMCA and some of the concerns that have been coming out of it. In particular, there's been a lot of ink on the aluminum and steel tariffs. I'm wondering if there are any impacts on the fund because of those tariffs and if there are any larger thoughts on that.

Mr. MacMaster: No, I don't think there have been. We're hopeful that there'll be a settlement there on those tariffs. There have been some positive comments coming out, so we're hopeful that that gets settled.

Mr. Horne: Okay. Thanks.

The Chair: Thank you.

Mr. Ellis.

Mr. Ellis: Thank you very much. I forget which presentation it was, but it was about the heritage fund and 3 per cent, of course, going to 31 separate investments, $386 million that has been invested so far. Then I think one of the comments – and please don't quote me; I'm just paraphrasing here – talked about a priority on jobs. I guess my question is: given that we've talked about, you know, Calfrac in the past and your investment with Calfrac – obviously, you don't control or have not asked them as to what they do specifically with their money as they invested outside of Alberta at the time I had asked that question – when you've invested this money, has it been with a priority on rate of return, or has it been on what jobs you are going to create for Albertans?

Mr. MacMaster: Well, our mandate is always economic return. Investment returns are our priority. That's our mandate, full stop. The 3 per cent growth mandate was really about putting an allocation dedicated to Alberta equal to 3 per cent, roughly $500 million, into the fund at the time. That could reasonably, you know, help create jobs, build new infrastructure, diversify the economy, support Alberta's growth, connect Alberta's companies to export markets, develop subject matter expertise within Alberta, and that's what we tried to do with this program, including Calfrac.

Mr. Ellis: Thank you.

Thank you, Chair.

The Chair: Excellent. Ms Fitzpatrick.

Ms Fitzpatrick: Okay. Well, Mr. Ellis touched on the first part of my question, but the second part of my question is: with Alberta's current economic recovery, are investment opportunities through the Alberta growth mandate being significantly impacted?

Mr. MacMaster: In terms of performance?

Ms Fitzpatrick: Yes.

Mr. MacMaster: Actually, a few months ago, I think, we presented performance results that were pretty good. I think they were north of 30 per cent, 35 per cent, so they've actually done really well. Part of that was, you know, timing – timing is everything – and at the time we made a lot of these investments, things were quite depressed, 2014-15. Our timing was pretty good. Some of these companies have recovered quite nicely, so the performance has been good.

Ms Fitzpatrick: That's all I had.

The Chair: Good. Thank you.

Ms Fitzpatrick: Thank you.

The Chair: And we'll ask for anybody in the audience out there next, please. I know your name, but you can just state it anyway.

Mr. Haney: I was going to say that. It's Rick Haney. We've seen a lot of information in the news about marijuana. Are you folks looking seriously at any investments from the heritage trust fund going into the marijuana funds, that seem to be astronomically going through the roof in some cases? We haven't got a lot of information on it, but are you considering any investments in the industry?

Mr. MacMaster: Yes. The heritage fund has two holdings, Aurora Cannabis and Canopy Growth. Aurora Cannabis is $410,000 in market value, and Canopy Growth is $3.7 million, for a total of $4 million. These represent passive investments in the index, and these cannabis companies are large enough that they've been included in the benchmark now. They're going concerns.

The Chair: Mr. MacMaster, are those companies Alberta companies?

Mr. MacMaster: That's a good question. I don't know off the top of my head.

The Chair: No worries.

Mr. Uebelein: I know Aurora has a large presence in Alberta, but where it's incorporated I don't know.

The Chair: Yeah. That's the name that tipped me off that it might be Albertan.
How about Mr. Cyr?

Mr. Cyr: Thank you, Mr. Chair. I'd like to go on a different topic this time. I see a sigh of relief over there. This week the Premier suggested that Ottawa buy unit trains and locomotives to help move Alberta oil. The heritage trust fund in the past has been used to buy blue and gold grain hopper cars and the grain terminal at Prince Rupert to move Alberta grain. Those cars are old and are being phased out. Would AIMCo ever recommend using the Alberta heritage savings trust fund to purchase capital assets like this again?

8:30

Mr. MacMaster: Well, let me start by saying that the asset mix for the heritage fund is provided by our colleagues in Finance. If there was a particular company that was involved in that business that we thought was appropriate investment, we might.

Mr. Cyr: May I ask a follow-up, sir?

The Chair: Sure.

Mr. Cyr: Thank you. Clearly, getting our oil out of the province needs to be a priority. This actually would create Alberta jobs if we were to reduce the differential that we're currently taking. This would also help your investments. It just seems to make sense that you might make an investment – again, until you do the math. Sir, you've done a fabulous job, you and all of your colleagues over there. I'm just putting the question out there. It seems to work hand in hand with the direction you're already going.

Mr. MacMaster: Yeah. I mean, it's just a hypothetical question, I suppose. Again, our mandate is clearly investment returns and the best risk-adjusted returns we can get across the globe. It's just based on that that we have to make the decision, so it's hypothetical. Don't know.

Mr. Uebelein: I think Dale's right to say that that wouldn't be ruled out. We talked about some technical elements that are poised to improve. There's Enbridge line 3, which is down right now. It should be back up. That's close to 200,000 barrels per day of additional throughput of oil going in that direction. There are also lines that currently are bringing product, if you will, into Alberta that could conceivably be reversed, so more oil could be going out. All of these are things that are probably short- to intermediate-term solutions, that in many respects are superior to more rail stock. Rail stock is an inefficient – it's a means of getting oil out so, by all means, should be considered, but I think watching when Enbridge line 3 is back online is going to be a much quicker and more efficient means of shrinking that differential.

Mr. Cyr: Thank you, sir.

The Chair: Ms Fitzpatrick.

Ms Fitzpatrick: Okay. My question may sound a little silly, but I'm going to go back to the cannabis question. My understanding is that people who use cannabis want munchies after. And I'm asking this because Frito-Lay is in my riding. Is there any thought of any investing in companies that provide munchies, that seem to be the follow-up to the cannabis?

Mr. MacMaster: It's not a silly question. We don't know what this is going to lead to. It's a relatively new business. There are probably all kinds of spinoffs, you know, that could result, but we'll see how it goes.

Ms Fitzpatrick: Okay. Thank you.

The Chair: Excellent. We've never talked this much about cannabis in one of these meetings.
We have a question from Twitter, I believe. Mrs. Schreiner.

Mrs. Schreiner: Thank you, Mr. Chair. This is from STCyr, @DSCyr1.

Mr. Cyr: Go Cyr.

Mrs. Schreiner: The question is: "Clean energy is a new normal. Is there a focus on clean energy investments?"

Mr. MacMaster: Absolutely. We've got significant investments in renewables. In fact, we're looking at a transaction, you know, as we speak. It's a growth area. It's nice to make investments that have environmental benefits as well, so we continue to shop the world for those.

The Chair: Excellent. Mr. Dang.

Mr. Dang: Thank you, Mr. Chair. Yeah. Thank you again. I think it's really interesting that in the report we've identified perhaps specific exposures, and I noticed that currency exposure is down quite a bit. Can you maybe explain to me some of the exposure that the fund has and whether it's changed substantially in the last year?

Mr. MacMaster: Sorry. Which exposure would that be?

Mr. Dang: I mean, I noted that there was some currency exposure, some other exposure, so just how that's changed in the last little bit here.

Mr. MacMaster: I don't believe that the asset allocation has changed much. From time to time we'll tactically shift the portfolio around. Again, you know, AIMCo does not decide on the asset mix; it's our colleagues at Finance, and then we invest that asset mix. We execute on that, and we have the ability to make small, you know, shifts in the asset mix. We call that tactical asset allocation. Earlier in the year we were underweight fixed income and a little overweight equities, and we reversed that recently and remain underweight equities and a little bit overweight.

Currencies are largely a reflection of the asset mix, so if we're in emerging markets, then we have emerging market currency exposures. If we're in the U.S. equity market, we have U.S. equity exposure. Those have not changed that much.

Mr. Dang: A quick follow-up? Thank you, Mr. Chair.

I think you explained that pretty well. So would you say, with those tactical moves there, that you're able to manage those risks pretty effectively and you're comfortable with them?

Mr. MacMaster: Well, the bulk of the risk is going to come from the asset mix, and that's something that the fund accepts in order to earn a return. Again, that's why we can't get too excited about what happens in the market, because we're long-term investors – right? And then AIMCo – well, let's just say that roughly 95 per cent of the risk the fund is taking is in the asset mix. AIMCo has a very small amount of active risk that it manages to try and add some value. We call that the active return for the active risk we take.

Mr. Dang: Thank you.

The Chair: Thank you.

Anybody from the audience right now? Mr. Haney. I think we just found our public member.

Mr. Haney: It's Rick Haney again. I just wanted to ask you folks: have you ever heard of Neatbit? It's a product up in Fort McMurray. It's an oil product, and it's called Neatbit. There's a proposal right now in front of the B.C. government to build a refinery up by Terrace to refine Neatbit. Now, you've heard of dilbit; that's a diluted bitumen. Railbit is shipped by rail, and Neatbit they're planning on shipping by rail to Terrace, B.C.

Now, the Neatbit oil is like peanut butter. They heat it to 30 degrees Celsius. They put it into heated railcars. Now, the railcars are going to be heated to 30 degrees Celsius, and then they're going to go down on an established rail line to Terrace, where it's going to be refined – 200,000 barrels a day – and from there the finished product is going to be shipped to Vancouver.

Now, the thing with Neatbit that's unique is that if there's an accident and the railcar flips off and it's punctured, as soon as the air hits the Neatbit, it goes back to peanut butter. So it's not explosive when it's being shipped, but it is at 30 degrees Celsius. That is a proposal that's going right now to B.C., and they're going to mine that Neatbit in Fort McMurray. It's something that's not out there really, but it's online. It's strange that if you haven't heard about it, if you go online, you might not find it.

The Chair: Okay.

Mr. Haney: I can't find it again. I don't know what Google does, but if you're not going where Google wants – they maybe took it off.

The Chair: Thank you, Mr. Haney.

Did anybody want to comment on that?

Mr. Uebelein: Thank you, Mr. Haney. The three of us sitting at this table personally aren't familiar with Neatbit, but hopefully you'll appreciate that we have teams that are looking at this. We as an organization have looked at, over the years, many different potential technologies to try to treat bitumen in ways that would make it easier to transport or safer to transport, so I wouldn't be surprised if someone in our organization is familiar with Neatbit. I just can't personally say whether we have or not.

The Chair: Fair enough. Thank you.

Anybody else from the audience? Okay. Seeing none, I will go to Mr. Ellis.

8:40

Mr. Ellis: Well, thank you, Chair. I just want to follow up on a question that was asked earlier by the gentleman that was asking about postsecondary education and research. When I was a member of one of the previous legacy parties, I was very humbled, along with some colleagues, to have been invited to the University of Alberta, where one of the scientists there had taken me and my colleagues on a tour of the cancer research centre. I mean, it was impressive to me. I don't have a background in this, but what was described to me is a completely world-class facility. As well, the scientist that gave us the tour indicated that not only was he there because of investments from the heritage trust fund but the money for this facility was because of the heritage trust fund. And the students that were there: again he gave credit to the heritage trust fund.

If it's not you that was making that investment, as he gave the credit to the heritage trust fund, I guess my question is: who was making the investment in this cancer research facility? The staff, the scientists that were there, which again were world class, cutting edge, top of the line? Who was making that investment, and is it still being invested in?

Thank you.

Mr. Epp: I would guess that the government either invested directly with budgeted funds or that the Alberta Heritage Foundation for Medical Research endowment fund was providing funding, or the Alberta cancer legacy fund, which is about a $450 million, $475 million fund.

Mr. Ellis: Okay. You have no idea if they would still be investing in this?

Mr. Epp: I don't know. You'd have to ask the minister responsible for Alberta Innovates.

Mr. Ellis: Okay.

Dr. Power: I can answer Mr. Ellis's question. My name is Chris Power. I live here in Edmonton. I'm a doctor and also a scientist.

The Alberta Heritage Foundation for Medical Research funded that research that you saw and was responsible for bringing top-class scientists to Alberta. That is no longer in existence, as I made the point earlier. In 2009 it was shut down. It became Alberta Innovates: Health Solutions and, subsequently, just Alberta Innovates. As I told you a few moments ago, that's not investing in the future, in that it's not supporting the training of highly qualified personnel, nor is it supporting research any longer in the area of biomedical research. That was why I raised the question, because I am concerned about it.

Just so that it's clear where the responsibility lies, Alberta Innovates is accountable directly to Treasury Board. That's why I asked the question, Mr. Epp, because Treasury Board is responsible for Alberta Innovates. There isn't any investment happening today. As I told you, there were 20 positions supported compared to thousands in other provinces.

The Chair: Thank you, Dr. Power.
Did you want to follow up on that, Mr. Epp?

Mr. Epp: No.

The Chair: Okay. Thank you.
Any other questions in the audience at this time? It's our favourite, Mr. Haney.

Mr. Haney: The Banting institute is responsible for insulin. They were doing some research in oral medication for type 2 diabetes, where the oral medication that they were giving to animals was giving very positive results for type 2 diabetics, to remove the need for insulin. Metformin is the most famous for diabetics. I'm a diabetic.

The Chair: Are we getting somewhere near the heritage trust fund?

Mr. Haney: I've got a question.

The Chair: Okay. Excellent.

Mr. Haney: The Banting institute came to the Canadian government to request investment funds to fund human testing on this oral medication, and our illustrious federal government turned them down. They didn't think that diabetes was bad enough. Something your folks can look into is to find out where we are on the testing of that. They were going to have to go to penny stocks to try to raise the money they needed to fund this for diabetics. This would make a huge impact on our medical institutions that deal with diabetics, heart attacks, amputations. And you all know the story.

The Chair: Thank you, sir.
Sir, you had a question? Just state your name, please.

Mr. Tkachuk: Sure. My name is Darcy Tkachuk. The last name is spelled just like the hockey player.

I just want to ask you about the inflation-proofing of the fund. I'm looking at the chart, the bottom of the highlighted section. In the figures there it says that $230 million was put into inflation-proofing last year, but it doesn't look like that's kept up with inflation throughout. I'm thinking that if you look at the chart for 2007-2008 and 2008-2009, it drops significantly. It drops something in the order of about $4 billion or $5 billion in one year. There are actually figures in the annual report about that. What appears to be happening is that when there's a bad year and there's a net loss in the fund, it goes down, and there's no money to inflation-proof with.

The following year, of course, the markets recover, and there was a substantial increase in the value of the fund. The very following year the government took $2 billion out of the fund but didn't make up for the about $3 billion or $4 billion loss of the previous year. As a consequence it kind of goes to the question that was asked earlier: why is the level of the fund not increasing?

It appears that in years when there's a poor level of return and no money to put back into the fund, the value of the fund decreases, and inflation-proofing only happens with a portion of the proceeds for that given year when there's money available. As a consequence the fund can't grow. Could you comment on that? Am I seeing that inflation-proofing is only happening in the years when there are positive returns and that in bad years the shortfall is not made up?

The Chair: Thank you for your question.
I think we'll go to Treasury Board on that.

Mr. Epp: You make a very astute observation. The way the legislation is written, we inflation-proof in years where the income is sufficient to do so. So if we would have made just $230 million this year, all of it would have been kept in the fund. But any earnings in excess of the rate of inflation, or the amount needed to inflation-proof the fund, are transferred to the general revenue fund. You accurately described the effect. In bad years we lose money, and that money is never returned, or the fund isn't built back up. That is accurate.

The Chair: Thank you.
Anybody else from the audience at this time?
Seeing none, we'll go to Dr. Turner.

Dr. Turner: Yeah. I was very interested in the comments that Mr. Uebelein made towards the end of his presentation about the foundation for financial literacy. I'd actually like to hear more about that and how it might impact financial literacy among young Albertans in particular but probably even among some of us older Albertans. How are you going to operationalize financial literacy for Albertans?

Mr. Uebelein: Thank you for that question. First, I want to stress that we've just announced the successful launch of the foundation this week, so we're just now beginning the process of creating partnerships with community-based programs. We will be in all cases trying to lend expertise and resources, meaning donations from AIMCo employees and others in the future who may want to donate to the foundation, to grassroots community-based programs, many of which already exist but are starved for those resources or expertise, with the objective of lifting the overall level of financial education across Alberta. This is not a program just focused on Edmonton; it's focused across all Alberta. And we really want to be age blind, colour blind, gender blind. We want to raise the level of education everywhere.

8:50

Beyond just education, we also hope to increase the number of Albertans who feel financially enabled or empowered, if you will. That's different than just having a greater knowledge base. I think we all know friends or family members or acquaintances who have made wise financial decisions and the positive impact that that has not only on themselves but on their family, their loved ones, and indeed on their whole community. Unfortunately, we all know people on the other side of that equation, who either out of lack of knowledge or by being, frankly, tricked or coerced have made poor economic decisions. They, frankly, are oftentimes hamstrung for the rest of their lives and need to rely on the help of others.

Honestly, we're going to start small, but we are setting our sights very high. We want to increase the number of positive examples that we just described and, with the partnership of these grassroots initiatives all across Alberta, decrease the number of negative examples.

Dr. Turner: Thanks.

The Chair: Excellent. Thank you.

Mr. Tkachuk, did you have another question?

Mr. Tkachuk: Thank you. I do have another. I'm a little less complimentary about the management of the fund. I'm looking in particular at the fees that were paid: $139 million last year, $134 million the year before that. That's within a hundred million dollars or so of what was actually put back into the fund for inflation-proofing, so a substantial amount of fees. Compared to other very large institutional funds – I'm thinking of the Ontario Teachers' fund and things like that – fees in the order of .79 per cent and .74 per cent of the total amount being managed seems kind of high. My question is: how does that compare with other large institutional funds? Typically private investment advisers charge those kinds of fees on a much smaller portfolio, so .79 seems a little rich.

Mr. Uebelein: Darcy, thank you for that question. We are very mindful of the costs that we employ to invest the assets. We try to do everything we can, including being a not-for-profit. In other words, it is cost-plus-zero for all of our clients to keep those costs down. Then we continually try to benchmark our costs, our fully loaded costs, using independent, third-party evaluators to compare ourselves with our peer group, including the Canadian peers but also other institutionalized managers. In all of those cases the signals we get back are that indeed we are managing at a very low cost and – this is just as important – not just at a low cost but still delivering value-add; in other words, a return above the benchmark net of all those costs.

To put this a little bit in perspective, Lowell Epp described about 140 basis points, or 1.4 per cent, of additional return on that $17.4 billion of the heritage fund in the last fiscal year above the benchmark after all those costs that you described. So 140 basis points on $17.4 billion is about $240 million, again after all the costs, of additional dollars that either go into the revenue account or help to top up the inflation-proofing. So we're as self-critical as we can be in terms of not spending money unless we think that it contributes towards making more money net of those expenses for the heritage fund.

I appreciate your comments, and you have very good attention to detail. I wish I had some analysts that could go through the annual reports as well as you have.

The Chair: Great. Thank you.

Sir, I saw you had your hand up. Did you want to come to the microphone? State your name again, please.

Mr. Duigou: Lou Duigou from St. Albert. I am really pleased at something that I just heard before this last speaker, and that's about economic literacy in this province. As a retired educator I often asked myself this question while I was superintendent of schools: how come our kids leave school after grade 12 and don't really understand much about how our economic system works? Whether it has to do with investments or anything like that, there just isn't that level of literacy that I think should be there. I really want to commend AIMCo for promoting that by establishing a foundation. I think it's very timely because Alberta Education is in the process of rewriting the curriculum at this time and for the next couple of years. This is a good time to come in and talk to the people building the curriculum.

Thank you.

The Chair: Excellent.

Member McPherson, we're running out of time here. You want to ask a question? We might get to one or two more.

Ms McPherson: Thanks very much, Mr. Chair. This actually relates to the Foundation for Financial Education. I'm just wondering if this charity is related to the heritage savings trust fund. Is it being funded by the trust fund?

Thank you.

The Chair: You're going to have to ask that question again. You cut out. You came back at the end there. I'm not sure where you were before.

Ms McPherson: I'll just start over again. The Foundation for Financial Education: is the charity related to the heritage savings trust fund, and is it being funded by the trust fund?

Mr. Uebelein: No. Thank you for that question. It is important to clarify that, particularly as there are people, you know, listening in and watching. As a not-for-profit asset manager, unlike many of our for-profit competitors, who would typically take a portion of their profits to give back to their community, AIMCo doesn't have that traditional outlet. For years our employees have been volunteering for things like the food bank, volunteering to help youth empowerment and social services, have raised money out of their own pockets, and will continue to do that.

We wanted to be able to capture the imagination and the excitement of our employees who've dedicated their careers to the finance industry in a way that would really supercharge us, so we've created a charitable entity that is currently one hundred per cent funded by employee donations only. Because it has charitable status with the revenue service, we're hoping that other individuals across Alberta – who knows where? – will also donate once we've proven that it's worthy. But none of the sources of revenue are coming from any of our clients.

The Chair: Excellent. Thank you.

One last, I think, scan of the live audience here. Anybody? I think we might just have time for one more.

Mr. Hanus: I have just a follow-up question about the management fees that the heritage fund is charging. I was working at the Alaska permanent fund, and their assets are about $66 billion. The management fee last year was about $119 million, which is about 19 basis points, .19 per cent. I'm not quite sure, I guess, why their management fee would be so low in comparison to the heritage fund of .7 per cent.

Thank you.

Mr. MacMaster: Well, one potential reason, right off the top of my head, is asset mix. This is one of the reasons, you know, why the fees may appear high for the heritage fund, as 44 per cent of the assets are illiquid in private assets, which are more expensive to manage. In the case of that particular fund, Frank, it could be that there are just public market equities and fixed income, which are much cheaper to manage. That could be one answer. I'm not familiar with their asset mix.

The Chair: Thank you so much.

Unfortunately, we have run out of time this evening. But before I close, I would like to sincerely thank all of you for your participation tonight. Thank you so much. I think I can speak on behalf of the entire committee when I say that we've enjoyed spending the evening with you and engaging in conversation about the Alberta heritage savings trust fund. In turn, we hope that you've found the meeting informative and valuable. We tried to address as many of your questions and comments as possible in the time allocated for tonight's meeting.

For those of you who would like to offer feedback on our meeting, please go to assembly.ab.ca and answer our short survey.

To our TV and online viewers, thank you so much for tuning in. And to those of you who made it here tonight, thank you very much. We really appreciate you taking the time to be here as part of our live audience.

More information about this committee and its mandate can be found at assembly.ab.ca/committees/abheritagetrustfund.

This meeting is now adjourned. Thank you.

[The committee adjourned at 9 p.m.]

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