Legislative Assembly of Alberta

The 31st Legislature
First Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Tuesday, January 30, 2024
1 p.m.

Transcript No. 31-1-3

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Standing Committee on the
Alberta Heritage Savings Trust Fund

Yao, Tany, Fort McMurray-Wood Buffalo (UC), Chair
Rowswell, Garth, Vermilion-Lloydminster-Wainwright (UC), Deputy Chair

Boitchenko, Andrew, Drayton Valley-Devon (UC)
Bouchard, Eric, Calgary-Lougheed (UC)
Brar, Gurinder, Calgary-North East (NDP)
Gray, Christina, Edmonton-Mill Woods (NDP)*
Hunter, Grant R., Taber-Warner (UC)
Kasawski, Kyle, Sherwood Park (NDP)
Kayande, Samir, Calgary-Elbow (NDP)
Lunty, Brandon G., Leduc-Beaumont (UC)**
Wiebe, Ron, Grande Prairie-Wapiti (UC)

* substitution for Samir Kayande
** substitution for Andrew Boitchenko

Also in Attendance

Johnson, Jennifer, Lacombe-Ponoka (Ind)

Office of the Auditor General Participants

W. Doug Wylie	Auditor General
Tim Lamb	Principal

Support Staff

Shannon Dean, KC	Clerk
Teri Cherkewich	Law Clerk
Trafton Koenig	Senior Parliamentary Counsel
Philip Massolin	Clerk Assistant and Director of House Services
Nancy Robert	Clerk of *Journals* and Committees
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Christina Williamson	Research Officer
Warren Huffman	Committee Clerk
Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications
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Transcript produced by *Alberta Hansard*

Standing Committee on the Alberta Heritage Savings Trust Fund

Participants

Ministry of Treasury Board and Finance
Brittany Jones, Senior Manager, Portfolio Analytics and Research
Stephen J. Thompson, Executive Director, Capital Markets

Alberta Investment Management Corporation
Amit Prakash, Chief Fiduciary Management Officer
Marlene Puffer, Chief Investment Officer

1 p.m. Tuesday, January 30, 2024

[Mr. Yao in the chair]

The Chair: All right. Hello, everybody. I'd like to call this meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund to order and welcome everyone in attendance.

My name is Tany Yao, and I'm the MLA for Fort McMurray-Wood Buffalo and chair of this committee. I'd ask that members and guests at the table introduce themselves for the record, and then I will call on those joining in by videoconference. We'll begin to my right.

Mr. Rowswell: MLA Garth Rowswell from Vermilion-Lloydminster-Wainwright.

Mr. Hunter: Grant Hunter, MLA, Taber-Warner.

Mr. Wiebe: Ron Wiebe, Grande Prairie-Wapiti.

Mr. Lunty: Brandon Lunty, Leduc-Beaumont.

Mr. Prakash: Amit Prakash, AIMCo, chief fiduciary management officer.

Dr. Puffer: Marlene Puffer, chief investment officer at AIMCo.

Mr. Thompson: Stephen Thompson, Treasury Board and Finance.

Ms Jones: Brittany Jones, Treasury Board and Finance.

Mr. Lamb: Tim Lamb, principal, office of the Auditor General.

Member Brar: Gurinder Brar, MLA for Calgary-North East.

Ms Gray: Good afternoon, everyone. Christina Gray, MLA for Edmonton-Mill Woods.

Mr. Kasawski: Hi there. I'm Kyle Kasawski, MLA for Sherwood Park.

Ms Steenbergen: Christina Steenbergen, LAO communications.

Ms Sorensen: Good afternoon. Rhonda Sorensen, manager of communications.

Mr. Koenig: Trafton Koenig, Parliamentary Counsel office.

Ms Robert: Good afternoon, everyone. Nancy Robert, clerk of *Journals* and committees.

Mr. Huffman: Warren Huffman, committee clerk.

The Chair: Thank you so much, everybody.

We're now going to go to those joining virtually. Please unmute yourself and introduce yourself when I call your name. Mrs. Jennifer Johnson.

Mrs. Johnson: Good afternoon. Jennifer Johnson, MLA, Lacombe-Ponoka.

The Chair: Thank you so much. It's an absolute pleasure to have you in our meeting.

I see that's all we have online.

For the record I will note the following substitutions. We have Member Gray for Member Kayande and Member Lunty for Member Boitchenko.

We do have a few housekeeping items to address before we turn to the business at hand. Please note that the microphones are operated by *Hansard* staff. Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and videostream and transcripts of the meeting can be accessed via the Legislative Assembly website. Those participating by videoconference are encouraged to please turn on your camera while speaking and to mute your microphone when you're not speaking. Members participating remotely who wish to be placed on the speakers list are asked to message the committee clerk, and those in the room should signal the chair or the committee clerk. For yourself, Mrs. Johnson, you can use the hand signal on the computer to let us know if you want to speak. For everyone, please set your cellphones and other devices to silent for the duration of this meeting.

With that, a draft agenda was made available to all members. Does anyone have any changes or additions to the draft agenda? If not, would someone like to make a motion to approve the agenda? We have Member Kasawski, who would like to move the motion. Is there any debate on this motion?

Seeing none, with that, all in favour of the motion? All opposed? Online? Oh. She cannot vote. Sorry. With that, the motion is adopted.

All right. Next we'd like to do the approval of minutes. We have the draft minutes from our November 6, 2023, meeting. Do members have any errors or omissions to note? If not, would someone like to make a motion to approve the minutes?

Mr. Hunter: I move the minutes.

The Chair: Mr. Hunter. All in favour of the motion? Any opposed? Seeing none, thank you. The motion is carried.

With that, we now go to part 4, which is the Alberta heritage savings trust fund second-quarter report 2023-24. The Alberta heritage savings trust fund second-quarter report for 2023-24 was released on November 30, 2023. Members were notified when the report was posted to the committee's internal website. As committee members will be aware, the Alberta Heritage Savings Trust Fund Act mandates that one of the functions of this committee is to receive and review quarterly reports on the operation and results of the heritage fund. We are pleased to have representatives from AIMCo and Treasury Board and Finance here to provide us with an overview of the report and answer any questions members may have.

I'll turn the floor over to AIMCo and Treasury Board and Finance. Please begin when you are ready.

Mr. Thompson: Thank you, Mr. Chair. Good afternoon, committee members and guests. My name is Stephen Thompson. I'm the executive director of capital markets at the Department of Treasury Board and Finance. I'm joined by my colleague Ms Brittany Jones, who is our senior manager of portfolio analytics and research. I'm here to present the results of the Alberta heritage savings trust fund for the second quarter of fiscal '23-24 on behalf of the department.

Over the quarter the return of the fund, net of fees, was negative 1.1 per cent. The value of the fund declined $230 million, falling to $21.4 billion after reaching an all-time high of $21.6 billion at the end of June. With the exception of cash and equivalents in private equity, most asset classes produced negative returns over the quarter. The higher-for-longer rate narrative globally caused public equity returns to stall and bond yields to rise, putting pressure on broader public market performance. Less liquid assets such as real estate and infrastructure also faced modest declines over the quarter.

Over the fiscal year to date, however, the return on the fund remained positive at 0.9 per cent, which is in line with the passive benchmark return for the fund. Despite the challenging conditions, the fund generated $1.1 billion in investment income, which compares favourably to the $46 million generated for the same period in the prior year. This was mainly driven by the performance of global equity markets.

Over the longer term the heritage fund has two main performance targets. The first is to outperform a real return target of the Canadian consumer price index plus 450 basis points, and the other is to outperform a hypothetical passive management benchmark by a margin of 100 basis points. Both are measured over a rolling five-year period. Inflation has driven CPI-plus benchmarks higher, and this impacts both the real return target and the passive benchmark. Alternative assets such as private equity, infrastructure, and renewable resources have seen a CPI target benchmark that produces higher return expectations as inflation persists. This has increased 80 basis points since March 2021, for example. The higher target also translates to asset class benchmark returns that the asset manager, AIMCo, is expected to surpass over the long run.

Over five years the fund has returned 5.9 per cent. The passive benchmark returned 5.4 per cent over the same time period, leading to an active management return of 50 basis points, or 50 basis points lower than the 1 per cent target. At the reporting date the CPI plus 450 basis points real return target was 6.9 per cent. Over five years this reflects a return 1 per cent lower than the real return target.

Lastly, for the quarter, total investment expenses were $75 million compared to $48 million in the prior year. This 56.3 per cent increase is due to increases in both investment costs and performance fees. The investment expense as a percentage of each dollar invested rose from 0.2 per cent to 0.4 per cent.

Overall, despite the slight downturn over the quarter the heritage fund remains positioned to grow well into the future. We look forward to reporting on these coming quarters.

That concludes my prepared remarks, and at this point I'd hand it back over to AIMCo.

Dr. Puffer: Thank you. It's a pleasure to be here. Thank you for having us to provide you with an update on the Alberta heritage savings trust fund for the second quarter. We're looking back to the quarter that ended September 30, as Stephen mentioned. If we look back, it's one where investors were really anxious to hear from the U.S. Federal Reserve on the path of their policy for interest rates. Inflation was trending lower and printing below 4 per cent, approaching 3 per cent, and that was alongside a really strong economic growth path with positive surprises in economic growth and low unemployment.

Investors were disappointed by the U.S. Federal Reserve's comments in September, where higher for longer was the main narrative that sent shocks through the market. Most other central banks, whether it's Canada, the European Union, or the U.K., followed a similar approach, and then most central banks have remained reluctant to cut rates too soon because they really want to avoid stoking a second run-up of inflation. So there's some caution there.

In that quarter, as stocks fell, bond yields rose, and that, of course, means negative bond returns, so there really wasn't much shelter from the storm during that quarter. As a brief recap in terms of public markets, in the equity markets July was slightly positive for most global public equity markets, up 1 or 2 per cent for that month. August was relatively flat as investors were waiting for that next big move by the U.S. Federal Reserve. That was an update that was in early September. Then in September that triggered a negative return for most public equity markets, between 1 and 4 per cent, depending on the location, and also a similar order of magnitude for fixed-income asset classes. So it was not a pretty quarter in the markets. The net result was a negative return for the heritage fund of just over 1 per cent, and it did trail the policy benchmark by about a third of a percentage point, as Stephen mentioned.

1:10

We are pleased to share that during the period both AIMCo's public equity and public fixed-income assets did manage to dampen the severity of the downturn because they did outperform their respective benchmarks through strong securities selection. For example, in fixed income we've been overweight in higher yielding corporate securities, that have been offering a very strong risk-reward profile.

Only private equity and private debt and loans generated positive returns in the quarter of 1.6 per cent and 2.3 per cent respectively. Private equity holdings have tended to be holding up quite well even as public equity markets struggled during that period. Private debt, which is a segment of the fixed-income portfolio, generates roughly about a 9 to 10 per cent net income per year from interest and did deliver on this during the quarter. That asset class has tended to be quite a stable generator of return even as interest rates have moved, and the main reason for that is because those loans that we get into making reset as interest rates reset, so the total return tends to stay relatively robust.

We did trail the benchmark for the quarter overall, and that is, as was already explained to some degree, because the benchmark is a pretty tough one at the moment, particularly in that quarter as inflation was running pretty high.

We have an additional asset class that has generally done quite well over the long haul. Private infrastructure, for example, has generated a five-year return of almost 8 per cent, at 7.8. That's well ahead of even the more recent CPI plus 4.5 per cent, which amounts to 6.9. So some of the asset classes have done very well against the challenging inflation benchmark even as inflation has risen and public markets have been where there was a bit of a struggle.

This quarter and the recent six months have admittedly been somewhat challenging. We're encouraged by the long-term results, and as of today the heritage fund is up another $800 million from the end of September, up to a total value of $22.2 billion, so a testament to the strong asset mix and its performance over the longer haul, and we'll take a little bit of that credit along with our colleagues here in terms of the implementation.

With furthering this growth in mind, we're really proud of a few key accomplishments and events during the quarter. We did officially open our Singapore office. That is a really important avenue for us to further diversifying the portfolio, particularly at the moment, with a focus on our infrastructure investments on your behalf. We're looking at some very good opportunities there.

Secondly, we announced the sale of an investment in the region into the Indian energy market called Virescent renewables infrastructure trust. Mostly we invest for the long haul in infrastructure, and we tend to hold those investments for a very long period. This was an opportunistic approach to actually liquidate an investment that we held in partnership with KKR, and in the three short years this investment returned about three times the capital that we had invested, so it was opportunistic to liquidate that. It was a proof of concept of our move into the Indian market, and we continue to look at opportunities there.

Third, we are undertaking a very significant business transformation, so technology as well as business processes, at AIMCo, and we have spent much of this past year undertaking a really extensive planning process to ensure that this really goes well. This will serve clients by replacing more than a hundred legacy systems that, as in many organizations over the last decade or two, have been built up over time and put in one integrated system that will serve the bulk of our needs, with only a handful of additional add-ons. We're confident that that will be a successful transformation, and we've really dug our heels in on the initial planning phases this year.

With that, I will turn to my colleague Amit.

Mr. Prakash: Thanks, Marlene, and good afternoon, all. I'll just give you a brief update on some of the business activities within the organization. Firstly, on a high note, we very recently heard that AIMCo has been named as one of Canada's top employers of young people as well as one of Alberta's top 80 employers. The Alberta employer of choice: we've been in that slot for 10 years, but this is the first time that we've been named as one of the employers of choice by young people nationally. Now, this is certainly music to our ears. Talent and a talent pipeline for investment managers is really, really, critical, so we're really pleased that the efforts we've been making to make AIMCo and Alberta an attractive destination for young talent – that's been really encouraging.

Secondly, we continue to work closely with clients on developing our product platform. So this quarter, or this first half of the year, we will implement the fixed-income platform changes that we consulted with clients last year. We are embarking on a review of the private equity benchmark with the clients, which will have multiple benefits for the heritage fund and other clients, in addition to the business transformation that Marlene mentioned.

So, again, a busy 2024 as we get started, and I look forward to many discussions at the committee. Thank you.

The Chair: Thank you so much for all that. Thank you for the presentation.

Before we go to the question portion of the meeting, I'll ask our good friend from Calgary-Lougheed to please introduce himself. Mr. Bouchard.

Mr. Bouchard: I'm assuming that's me. Hello, everybody. Eric Bouchard from Calgary-Lougheed. Apologies. Had some issues logging on.

The Chair: Thank you very much for that.

With that, we will now turn to the question portion of our meeting. I'll open the floor to committee members for any questions they may have for AIMCo and Treasury Board and Finance. Ms Gray, please go ahead.

Ms Gray: Thank you very much, and thank you to Treasury Board and Finance officials as well as AIMCo for your reports. I'd like to better understand the 56.3 per cent increase in expenses. If I understood the opening remarks, this is tied to costs and fees, so the environment that may exist. Can you just break down the costs and fees just a little bit more so that I can understand that increase?

Mr. Prakash: Thank you for the question. The costs and fees that you see in our reports cover not only the operating expenses but we also include the performance fees, including our managers' fees as well. Typically a bigger component of the overall fees tends to be the performance fee that gets paid to either third-party managers or even some of the strategies that we manage in-house to which that framework applies. So normally, or in general, when you see a larger number attached with performance fees, typically what that means is that the strategies are doing really well; therefore, those numbers go up in those circumstances.

And typically the smaller portion of the operating expense, which hovers in and around the 20 basis point mark: we will see a marginal tick up on that number as the business transformation kicks in. But we expect that to hit a steady state over the next two or three years.

Ms Gray: Thank you. Yes. A tick up because of organizational change: that certainly makes some sense to me.

I guess this is a slight two-part question. You've said that the costs and the money being paid for performance, an excellent performance, usually means the strategies are doing well, but we see a 56.3 per cent increase in this quarterly report, which has been characterized as: oh, guys, this is not great. So why are the fees increasing when we're getting a quarterly report with the second-quarter value-add by manager negative .3 per cent and we're below the benchmark? Can you just square that circle for me?

And just as an addition to that, what will we do to contain the growth of the cost increases of expenses going forward?

Mr. Prakash: Again, great question. I'll start with the way the internal performance fee framework is set up. That uses a four-year running performance rather than one-quarter.

1:20

Again, the intent is that the incentive structure is such that we're all focused on longer term performance delivery for our clients rather than short-termism. Therefore, what you see on the performance side is effectively an impact over four years rather than one-quarter. By and large, the same sort of arithmetic applies to external managers as it does for internal managers.

The Chair: Thank you so much for that.

Next we have Mr. Rowswell.

Mr. Rowswell: Thank you. A few relative questions. You did mention asset classes that did well and ones that did not so well. I just wanted to – like, private equity did well and private loans. So the private equity: how do you value that? Like, how do you – it must be difficult to value, right? I was just wondering what the process was for valuation.

Dr. Puffer: Private equity, as noted, they are private assets, so there's no public market to use to value. So we have a full process that we use in conjunction with our external fund managers – where many of our assets are held is by external fund managers. They will provide a valuation in their view as to, you know, based on their comparables, their expertise in the market, and where we have co-investments, there's a valuation provided as well by the external manager partner.

Then our team internally provides their own views about that valuation as well. We have an independent valuation committee internally that goes through a detailed process to determine the valuation based on the things you might expect: cash flows, comparables, and the forecast of what the performance of the entity is expected to be.

Do you want to add some colour to that, Amit?

Mr. Prakash: Yeah. Just a couple of other things.

Again, the key things we look at, what the team looks at is earnings and cash flows, but in addition we look at the other companies' public market valuations. We look at recent transactions if similar firms have been sold. Likewise, we look at the macroeconomic environment, so the team will look at what's happening with inflation and interest rates. Some asset classes such as real estate, et cetera, have a greater impact when inflation and/or interest rates change, so that's part of the consideration as well.

The other practice we employ, and many in the industry have started to employ, is also to make greater use of surveys when there aren't comparable transactions. You know, that helps, getting to a better estimate of valuation.

Then, lastly, as good practice we will go external for many of the illiquid holdings that we have to get external valuation in addition to what the AIMCo team does. Those are some of the things we do for private equity and illiquid valuations.

Mr. Rowswell: I'll just do a quick follow-up. Relative to the economic expectations for the coming year, I'm just wondering if you have a feel for that.

Dr. Puffer: We do. We don't have a crystal ball, unfortunately, but we're certainly expecting that global growth is going to be relatively slow, below sort of long-term trends in 2024. We expect – I talked about the central banks and the policy-setting in my introductory remarks, and we expect that the central banks around the world are not going to be moving in lockstep during this period because inflation is variable across various marketplaces. So it's not going to be a nice, even approach across the world. We'll see bumps and bruises, potentially, in various markets.

Europe, for example, just narrowly escaped having a technical recession with their data that was announced today, so we really expect that softening in labour markets is going to sort of dominate this next – certainly, the front end of the year. With the inflation paths remaining unclear and in many cases still quite resilient to wage growth, even as labour markets are softening, really expecting some disinflation to take hold in aggregate, but it remains uncertain as to when the policy-makers will act. Those are sort of the wild cards. The softish landing is kind of what we're calling that.

China used to be the big driver of growth and is no longer really going to hold the world up in terms of the growth rate, so that's a headwind for global growth, without a doubt. You know, we'll be leaning more toward more of the developed markets to really drive growth, and it will be somewhat sluggish. That weaker activity is really going to be dependent on what happens with the policy rates, but we don't really expect that in the absence of, you know, major geopolitical events really getting in the way or the armed conflicts that are under way, really expanding. If those things remain relatively subdued, we expect that we'll sort of bump along in a reasonable slow growth path for the next year.

The Chair: Mr. Kasawski.

Mr. Kasawski: All right. Thank you, Mr. Chair. Okay. First off, let me just say – $800 million since September I think is what I heard. Like, that's great news. Yeah. We'll take the wins, right?

In December 2023, so just a month ago, AIMCo released its climate-related financial disclosure report. On page 8 of that report you identified several short-, medium-, and long-term risks, including and related to investment in high-emitting sectors. In terms of short, medium, and long term what are those timelines? Like, what is a time example of that?

Dr. Puffer: Well, I'd say that short term we generally think of as under a year, medium term kind of the one to five year, and long term, really, beyond that. When it comes to climate, you know, there's been an awful lot of talk around what's happening by 2030 as being an important time-stamp that many, many companies, for example, have focused on as having goals related to meeting targets by 2030, so that's why that particular period is particularly important in the climate discussion. And then there are other targets, not set by us but by companies that we invest in, that are set right out into the 2050 time zone, so that's 20-plus years out.

Mr. Kasawski: Okay. So long term is a pretty big window.

Dr. Puffer: It's a pretty big window.

Mr. Kasawski: Okay.

Mr. Prakash: If I may add, the other bit that we would focus on is both to better be able to describe and measure. So there's the work that is done on taxonomy in terms of what counts as green, what doesn't count as green, et cetera, and that part in many ways is foundational to be able to have an informed discussion. And then the second bit is where there's constant evolution in terms of the ability to measure, whether it's greenhouse gas emissions or the various other metrics. Again, even as the other entities are busy with targets and business plans, as an investment manager we're just putting in the foundational work in order to be able to do that more effectively.

Mr. Kasawski: I do have a follow-up.

The Chair: Absolutely.

Mr. Kasawski: Yeah. Thank you very much. In terms of long term and, like, the world's goal towards carbon neutrality by 2050, is that factoring into any of your decision-making at this time?

Dr. Puffer: It is most definitely factoring into our decision-making. As you all are aware, we invest with a long horizon. You know, I mentioned some of the infrastructure investments, for example, that we hold, and many of those have been held for well over a decade and expect to be held for a decade or decades. The same is true for our real estate investments. As an example, many of those are held for the long term. So we look at the long-term horizon in all of our investment decisions, especially in the private markets.

You know, taking into account what's happening with regard to climate, we have to be aware of what the trends are in the marketplace that will affect both our public and private market holdings. Virescent is an interesting example, that I mentioned earlier, that we decided to actually exit after a few years. There are a lot of interesting dynamics in the investment marketplace today where certain investors are under a lot of pressure to divest or really reduce their exposures to fossil fuels, and therefore they are bidding up the price on the renewable energy space. So we have already made investments with that long-horizon view in a number of areas in the renewable space, so we've actually taken the opportunity to liquidate some of those into the hands of those who are really keen to hold those even at lower rates of return.

1:30

We actually have a strategy that we're really working on, that we're focused on for this coming year and beyond, and that is in the space of the energy transition and being able to invest in the decarbonization of a variety of industries. We're not just stuck playing in either fossil fuels or in renewables; we are actually looking at opportunities that are in that in-between zone of being strong stewards of capital, where we think there's going to be a very strong investment case for actually taking industrial companies, for example, from brown to greener and getting paid for that by other investors as well.

The Chair: With that, we have Mr. Rowswell, followed by Mr. Brar.

Mr. Rowswell: Page 1 of the second-quarter report compares the performance of the fund over the past quarter and over the past four years relative to the benchmark. I'd like to build on Member Gray's question relative to that. I'm just wondering. First, I'd like to know how the benchmark return is determined.

Mr. Prakash: Thank you for the question. The benchmarks for each of the investments we have, so public equities, fixed income, private equity, et cetera: every single investment has a benchmark. Likewise, the investment guidelines that we manage the heritage fund relative to, as provided by the Treasury Board and Finance team: again, every allocation has a benchmark attached to it. The types of benchmarks, you know, that I'm referring to, for example: for Canadian equities one of the main ones is the S&P/TSX composite index; roughly 200-plus Canadian equities, the big banks, et cetera, are part of that index. Likewise, for Canadian bonds it's FTSE Canada Universe Bond Index, again, one of the main benchmark indices that is used by institutional investors. Effectively, the benchmark on that page is a weighted average of the various benchmark returns and then the weight allocated in the policy mix to those benchmarks. So that's effectively how the policy benchmark is calculated.

Mr. Rowswell: All right. Thank you.

Like was said, you know, the five-year return is 5.9 per cent. That's half a per cent over the benchmark – the goal is 1, right? – and it seems like the fund performs almost exactly like the benchmark or not much more than. Is that what we should expect going forward? Like, what are you doing to get to the 1 and maybe surpass it? I know it's hard. Like, 1 is a big deal, right? I'd just like to know, you know, if you have a plan on how to get there and meet your goal.

Mr. Prakash: Absolutely. I'll start with the 10-year number. The performance of the fund is 8.1 per cent relative to a policy benchmark of 7.3, so it's ahead by 80 basis points over the 10-year period.

One of the things that makes investment management exciting is that typically this path doesn't tend to be a straight line. Over this period we've gone – well, these days we're going through a period of high inflation, fortunately coming off, a war in Europe, and COVID four years ago. So right in the midst of this 10-year period the ability to deliver value to the portfolio comes from both the security selection – we do different asset classes – as well as the introduction of new areas within the portfolio.

I'll give two or three examples and then sort of bring it back together in terms of how that's been impactful for the heritage fund. For example, about maybe six, seven years ago, when we started to see the renewables space getting sufficiently big and more attractive, we launched a full separate vehicle that focused on renewables investments, breaking it away from infrastructure, where historically it had been a smaller part. The benefit of doing that: over the last five years renewables are up 14 and a half per cent, 13.3 over the last 10-year period. That's one example.

The second thing. This goes back post the global financial crisis, so 2009-2010. When the banks started to pull back their balance sheets, that was an opportunity for the private credit space to start, and, you know, 10 years later that is a 1 and a half trillion dollar asset class. We've done that.

The third one, two examples. Marlene spoke about the energy transition, where we will be making our first investment over the next few months focused on some of the grey-to-green, brown-to-green type opportunities, as well as some of the total fund capabilities that we are building and building upon, where the clients will start to benefit over the next year or two as they get operationalized.

Those are the variety of things that we're doing both on the asset classes and what we're doing, where we're investing as well as how we're investing. Thank you.

The Chair: Thank you so much for that.

Next we have Mr. Brar.

Member Brar: Thank you for the opportunity to ask questions. From page 15 of the annual report of last year we have seen that the top 10 domestic real estate holdings are listed there, and most of them, I mean, nine out of those 10, are in Ontario. It is also mentioned there that real estate, especially the commercial real estate, demand has gone down due to remote work, and in the past five years the benchmark has not been met.

My question: is there any plan to diversify that even within the domestic market and within sectors as well? Most of them are in Ontario. Do we plan to diversify in other parts of Canada? Also, if retail is going down, are we planning to invest in some other sectors?

Thank you.

Dr. Puffer: Those are great questions. As you note, some of the largest holdings we have in real estate are the retail malls in particular. They were chunky investments made some time ago. The malls we do own are flagship, so they are expected to really be quite resilient as we've now been recovering from the COVID period. With that, yes, the real estate in both retail and commercial generally has been challenged. COVID has made it difficult. The change in work habits and so forth has certainly made all of that challenging, but we absolutely have a number of strategies that we are adding to the portfolio, both across Canada and globally, where we are seeing really good opportunities.

Multifamily is an example. Rental price inflation has been substantial. It hurts those who need to pay the rent, but it's good for the investors in those properties, so we're certainly looking at and continuing to invest in areas there across various urban cores across the country. Industrial properties are driven more by consumer demand, and we don't expect a massive growth in the economy, but that area in real estate will tend to outperform.

We also invest in areas that are related to – really, you can think about it as being related to the trends in AI. Data centres are another interesting example in that they kind of straddle the real estate and infrastructure portfolios. We own in both. It's another example of an area of growth that is a diversifier in the real estate markets.

Does that answer your question?

Member Brar: Yeah. Thank you.

The Chair: Thank you for that.

Next we'll go to Mr. Rowswell.

Mr. Rowswell: It's my last set of questions, and it's relative to risk management. Obviously, that's a critical part of the whole investment decision, and given the numbers indicated in the quarter report, the fund's assets have been managed prudently. You know, you've been doing a good job that way. I'm just wondering: could you explain your approach to risk management in the context of the fund in this last quarter, different asset classes, and stuff like that? You've talked a bit about that, but I want to give you a chance to expand on it.

Mr. Prakash: Thank you for the question. Risk management is something that we think deeply about, all aspects of risk, market risk and enterprise risk, in all its flavours. Normally the first line of defence in any of the portfolios we manage for our clients is the diversification and policy mix within those portfolios, and for that we work closely with our colleagues in Treasury Board and Finance in terms of, you know, the mix of the portfolios.

1:40

In addition to that, on a regular basis, daily basis, we measure the risk; the expected risk of the portfolio, both the overall total risk as well as the active risk, meaning active risk relative to the policy benchmark, the different positions we have relative to the benchmark. That gets actively managed.

Thirdly, we have robust processes in place in terms of the counterparties that we trade with, whether it's equities or bonds or any of the derivatives that we trade. We have a clear and robust process: who we trade with, how much we trade with them, what our exposures are, how the collateral is managed. That's another aspect of risk that we manage.

Then, lastly, we also look at the foreign exchange exposure that the portfolios have, again, relative to the benchmark exposures, and to the extent that there is a mismatch, then we're looking at those as well.

That's a broad-brush description of the way we think about risk; how we measure it, how we monitor it, how we report it.

Mr. Rowswell: Then that's all long-term stuff that's probably pretty consistent as you move through. Do you think of any slight changes that you might expect in the next quarter, or is that just a long-term plan that you follow and you adjust on the fly a little bit?

Mr. Prakash: From a risk management perspective typically there is constant improvement in terms of what we look at and how we look at it. So that part, you know, is an ongoing process. For example, recently we've added a fixed-income tool called hedge mark that allows us to look at the interest rate related risk more effectively using that tool. Those kinds of incremental changes happen consistently.

The second bit. In terms of managing the portfolios and, equally, to add value, there is activity we engage in, which would be tactical in nature, where we are looking at the opportunities in the market, both equities and bonds typically, and we will position the portfolio to take advantage of that, again, not in a substantive way but certainly something that we do regularly.

The Chair: Thank you very much.

With that, we go to Ms Gray.

Ms Gray: Thank you very much. My questions are just around keeping the heritage savings trust fund plan investment strategy updated. At the first meeting of the heritage savings trust fund for the 31st Legislature we heard that a policy review is done annually as per the legislation and had been completed January 2023 and is continuously updated. I'm asking, now that we're into January 2024, if that has happened, and then if you could talk to me about how that fits with what we heard from AIMCo, the product platform changes with the fixed-income changes coming and the review of private equity now beginning with clients. How do those two things work together?

Mr. Thompson: Sure. I can take a stab at that. We are, as we say, constantly reviewing the investment strategy and the statement of investment policies and goals. When we talk to AIMCo about the small changes that you're referring to, we would consider it more of a portfolio rebalancing. We haven't changed the ultimate goals for the heritage savings trust fund. You know, the mandate comes through the legislation. The statement of investment policies and goals is, by nature, long term, so we wouldn't expect substantive changes every time we do an annual review of it. When we say "annual review," we don't set a date and sit down and review it each year; we review it on a constant basis.

You know, we have daily reports actually from AIMCo now, so we can tell when we're getting away from what we think is an optimal asset mix. AIMCo does have the capacity to adjust the asset mix on their own volition within bands that we set for them. We constantly have discussions over what they see as emerging market trends, what asset classes they feel are appropriate for the heritage fund for the long term. The role of Treasury Board and Finance as asset owner is to challenge those assumptions or collaborate in coming to the best decisions on deployment.

Typically we don't see very large changes. I think that last time we talked a bit about deploying a little more into private debt and loan, which, as you've heard, has been a very successful move for us. We have contracted – and I believe we've mentioned this to the committee before – with an external consultant to look at a broader asset mix strategy. That's something that's done probably once a decade, where we will challenge our assumptions around the asset mix and the long-term view for the heritage fund.

The important thing to remember: when we talk about the long-term view – I know we talked a little bit about this earlier in this committee – the long-term view for the heritage fund, if you come back to the legislative mandate, is intergenerational. So that's even beyond 20 years. I don't know how long I'm going to live but hopefully 20 years. The strategy needs to be robust over a very long term, so we're not likely to make rapid moves across asset classes simply in response to market conditions over the quarter.

Ms Gray: Thank you very much.

My follow-up question was exactly going to be about the asset mix study. I think we heard at committee that you had a partner selected in June, and you were expecting, hoping that to be done towards the end of fiscal. I believe the language used at the time was: this asset mix study is about changing the fundamentals around the plan, or it can be depending on what you get back. Could you just update us on the timelines for that work and if you have a sense for when we might hear the results of that study?

Mr. Thompson: Certainly. We are nearing the end of that engagement with the external consultants. At the department level we do have some preliminary results on hand that we're not able to share yet. Once we have evaluated what we will consider in terms of changing, we have a duty to consult with AIMCo on any proposed changes that we would make to the asset mix, so that process would likely take months, I would say conservatively. As we move into that process, we should be able to present what has been proposed in terms of asset mix changes to the committee, but I would think after the fiscal year-end is more likely than before.

Ms Gray: How would we see some of those changes through the reports?

Mr. Thompson: We'll probably be back in. I will say that we will likely not be in a position to publicly release all of the elements of the reports. A lot of it will be commercially sensitive and advice to minister, you know, which may or may not be taken. But you will obviously see if there are changes in the asset mix or within the investment strategy even outside of the asset mix; those will be public.

The Chair: Thank you very much, Ms Gray.

With that, we'll go to Mr. Hunter.

Mr. Hunter: Thank you, Mr. Chair, and thank you for being here today. You know, I was thinking about your job, and I was thinking that probably the scariest word is "transition." I'm interested in your strategy in terms of being able to, first of all, quantify or qualify transition and what that looks like and then protect an asset that is intergenerational. You just said those words, which I – that is in the mandate for you. I'm just wondering how you do that. I mean, how do you make it so that it's not just rolling the dice? Sometimes I would imagine it feels like that. How do you make sure that the strategy is sound for our children and grandchildren?

Mr. Thompson: Well, it's bringing a professional lens to all of the decisions around it. The mandate of the fund is quite clear; it's to preserve its economic value for future generations.

1:50

As investment professionals we understand quite well risk-taking behaviours when it comes to all investment decisions, and the goals of the policies that we set are to ensure the greatest opportunity to preserve the real value of the assets held in the fund and to grow them while achieving a financial return. It is difficult. When you talk about transition, transition is in so many theatres now, and, you know, we talk about the transition of the energy sector as an investment opportunity. AIMCo has described quite well what their approach to that will be, and transition is a more constructive approach to investment management than divestment. I believe AIMCo has capitalized on that on our behalf, with our consultation, and within the parameters of the existing investment policies.

I think, overall, the best approach is a slow-moving target. I mean, we don't want to have reactionary changes to investment policies based on investment themes, based on current events and news. So it often looks as though not much is happening, but it doesn't mean that nothing is being considered and that we're not aware of the overall direction of the demographics, of immigration, of changes to our industries. Those are all things that we have to consider when we're considering how we set our investment policies for the fund.

Mr. Hunter: Just maybe a follow-up. The Alberta heritage trust fund is a legacy, but it has also provided us with many transfers of monies to general coffers, general revenue funds, and has built roads and hospitals and schools and infrastructure in Alberta. I mean, look, there's obviously an appetite by, I would say, the majority of Albertans to make sure that we continue to see that fund grow and to provide us with those things that we need in terms of capital projects and so forth.

When you were putting together a strategy for, like, an ESG strategy, which is a transition strategy – I mean, it's, you know, tantamount to transition – how do you qualify or make sure that that is going to be able to provide us with those things that we still had in the past, which is that transfer of money for building the roads and the hospitals and the schools and all that stuff?

Mr. Thompson: Sure. I mean, that comes back to the basic mandate of the fund, which, as we've said, is to protect the real value of those assets. When funds are transferred out and used for other purposes, that takes pressure off the fiscal plan for government, and that's largely what's happened over the past few decades of the fund's existence. As you say, it's been used to build roads, hospitals, railcars at one point, I believe, and these were all monies that would have otherwise had to be raised either through increased taxation or increased borrowing. There's really no other way to create cash for those expenditures.

When we talk about the ESG piece, it's important for us as finance professionals to ensure that the dialogue around ESG considerations is on investment return for an assumed risk. ESG has been a bit of a thematic investment theme in the investment space, and we've seen the rise and fall of many a firm with pure ESG motives, who've abandoned the more capitalistic investment return motives. To my mind, ESG is best used as a risk screen and a way to identify investment opportunity. It's not in and of itself an asset class. It's not a specific investment that you want to make. There are real considerations – be they climate change; be they the maturation of the energy sector – that fundamentally impact investment choices, whether it's asset allocation from our perspective or investment selection from the perspective of AIMCo. That's where the opportunities are with ESG. Then when we talk about transition finance, our goal in our interactions with AIMCo is to ensure that the conversation is about those opportunities and not about the more thematic episodes or considerations of what may be a stylistic approach that fades.

The Chair: Thank you for that.

Next we go to Mr. Kasawski.

Mr. Kasawski: Thanks, Mr. Chair. The Trans Mountain expansion might be completed this year. It's expected that it's going to be. Recently AIMCo was reported to have expressed some interest in buying a stake in the expanded Trans Mountain pipeline. Maybe first to the Treasury – no. We'll start with maybe AIMCo. AIMCo, would you consider buying a stake in the Trans Mountain expansion or Trans Mountain pipeline company for the heritage savings trust fund?

Dr. Puffer: Should it be made available, we will look at it in the same way we look at any other infrastructure investment that suits the mandate of our infrastructure portfolio. We invest in similar sorts of assets in Canada and elsewhere. It goes in the pipeline like anything else.

Mr. Kasawski: Okay. A follow-up. Treasury – maybe this might lead to a homework assignment, but I'm happy to deliver those – what is the anticipated impact of the nonrenewable resource revenue for the Alberta Treasury when the new Trans Mountain pipeline expansion is completed and fully operational? I can phrase that in a question that might make a great report to the committee.

Mr. Thompson: I would not know that off the top of my head, but that is information that would likely feed into our forecast both for WTI or WCS prices, and we may be able to tie that back to potential revenue implications. But I would have to take that away to my colleagues in Treasury Board and come back to this committee. We'd be happy to present something to the committee.

Mr. Kasawski: That would be amazing.

Mr. Thompson: It may be useful to wait until the budget forecasts are publicly presented because the numbers in there would be the most up to date, so we could base it off that but certainly before the next committee meeting.

Mr. Kasawski: Thank you.

The Chair: With that, we will go next to Mr. Hunter.

Mr. Hunter: Thank you, Mr. Chair. I'm interested, again, about risk management. I have been on this committee a few times. This is my ninth year as an MLA. I remember asking questions about, you know – it just seemed like everybody seemed to recognize: okay; we're going into an inflationary period; what can we do to mitigate that risk? And I remember feeling like the answers were: well, we're going to probably do what most people do. So have we learned anything from how we've managed that risk now that we've kind of gone through, like, quite a high inflationary period?

Dr. Puffer: Do you want to start?

Mr. Prakash: I can start. Yeah. I'll go. We'll both take turns at it.

Again, thank you for the question. One of the lessons learned clearly for us and many other investors, amongst others, as you and many of the institutional investors allocate to the inflation-sensitive bucket: real estate has been a staple in that bucket, you know, for decades. Infrastructure is typically a part of that over the last 15, 20 years as well. What we've found through the episode particularly with COVID is that real estate over the last four, five years and through the recent inflation episode hasn't been a good hedge for inflation relative to what historically this asset class had done. A lot of it, clearly, is to do with the discussion previously, whether it's shopping malls and/or office towers which have been impacted by COVID, so that specific instance. On the flip side, the areas, the asset classes that have done well: they effectively were right down the middle of the fairway. The infrastructure asset class: many of the things we own there have contractual payments that we receive that go up with inflation. That worked, you know, as the textbook would describe. Any of the shorter dated fixed income, both private debt and loan as well as mortgages, behaved as one would expect, notwithstanding higher inflation. The big lesson again was a reminder that a diversified portfolio tends to be a good line of defence, a good way of thinking about it.

2:00

Secondly, within real estate as well, the rethink about how the different sectors, particularly office and retail, you know, how the portfolios need to be positioned in order to minimize that risk: that, I would say, was the second sort of big learning for me.

Dr. Puffer: I have nothing to add. You did a great job.

Mr. Hunter: Just as a follow-up, Mr. Chair. I'm old enough to remember the 2008 great housing crash. You know, there was an interesting book. I think it was *The Big Short* or something like that. Anyways, I'm not sure how much was fiction and how much was true, but it was a very good read. I will say that there seemed to be a theme in there, and that is that pretty sophisticated asset managers seemed to be pretty obtuse when it came to what was going on.

I'm just wondering. We've just, again, gone through this I would say affordability crisis. We're still kind of in it right now. How do you forecast the concerns with the real estate, you know, bubble, possible real estate bubble in Canada? I mean, I've read lots of stuff about it. I think that there should be some analysis to see whether or not it's true or not or qualifying or quantifying that risk.

Dr. Puffer: You can go ahead if you want. You did a great job on the first one.

Mr. Prakash: In terms of specifically the work that we're doing on real estate, we can speak to – we just refreshed our real estate strategy. A big part of the discussion was around the sector, so we could delve into that in terms of what we're thinking. Whilst all the oxygen normally gets, you know, sucked up, by and large, by the office buildings and the retail conversation, the part of these sectors that are part of the real estate landscape that's doing really well, we talked about industrial. Think about all the Amazon orders that the whole country places, the warehouses that are being built, including in Alberta, including in the region here, the data science centres, the life centres, et cetera. They're a big part of real estate that is really, you know, doing pretty well. Part of the thesis is to actually look at the longer term trends, particularly in office and retail, and reposition the portfolio such that we are more in sync with where the world is going relative to where it was.

Certainly, given the size of the portfolio, it does take time. You know, we're engaging with clients in terms of how the transition happens over the next few years, but that's how we are thinking about it. That's how we're approaching it to ensure we are moving the portfolio in a direction that's consistent with how the world is changing.

Dr. Puffer: You did a great job. I think I'll just also add that, remembering some of what is difficult for individuals in the economy around the housing crisis, as I mentioned earlier, there's opportunity in that from an investment point of view with multifamily rental housing as an example of an area that is expected to do quite well from an investment perspective.

The Chair: Mr. Brar.

Member Brar: Thank you. On page 2 of the second-quarter report it is mentioned that the portfolio is 28.4 per cent foreign equity compared to 7.5 per cent of Canadian public equity, and there's a significant difference between these two. Is there any plan to expand that portfolio in Canadian public equity rather than having this big difference?

Ms Jones: Yeah. We can start. The weights to equity are stipulated in the statement of policies and goals. Deviations from that wildly – so Canadian equity, for example – would take us away from our risk targets as well. So there wouldn't be any substantial changes within the public equity portfolio prior to any of the changes that will come out at a later date, that we've talked about.

The Chair: Sorry, Mr. Brar. A follow-up?

Member Brar: No. I'm good.

The Chair: Okay. Sorry about that.
Mr. Hunter.

Mr. Hunter: Thank you, Mr. Chair. On page 7 of the report it's talking about the valuation of investments. It says:

> Investments are recorded at fair value. As disclosed in Note 3, the Fund's investments consist primarily of direct ownership in units of pooled investment funds.

What would be the example of indirect ownership?

Mr. Prakash: We hold securities directly as well as when we use a third-party manager, let's say BlackRock, in which case we potentially may hold a BlackRock vehicle, a BlackRock fund. In that case we own it through another third-party's vehicle, if you will.

Mr. Hunter: And what percentage – it says that it consists primarily of direct ownership. What percentage of that is indirect?

Mr. Prakash: I don't have the numbers in front of me but happy to do that as a . . .

Mr. Hunter: Just a ballpark figure, I mean. Is it less than 10 per cent?

Mr. Prakash: Okay. I'll give you a slightly different answer, but I'll give you a flavour. Of our entire book roughly 30 per cent is managed externally; 70 per cent is managed internally. In external, however, if it's in the illiquid asset class, then the classification may be a little different, but in broad strokes that's how our current book looks like.

Dr. Puffer: It varies quite a lot by asset class.

Mr. Prakash: Thank you. Yes.

The Chair: A follow-up?

Mr. Hunter: No. That's okay.

The Chair: Okay.
Mr. Kasawski.

Mr. Kasawski: Thanks, Mr. Chair. The heritage fund has seen strong performance from the investments in renewable resources. I think you mentioned it was, you know, an Indian renewables energy trust that was jointly owned with KKR that has been sold with 3X, or three times, so great return. However, in our own report for the quarter, renewables just represent about 3 per cent of the asset allocation. I think mentioned in previous meetings, these investments were primarily in Australia and New Zealand and the United States. So I'm wondering, particularly about our ESG and our carbon neutrality goals, why the investments aren't being made in Alberta's renewable energy industry.

Dr. Puffer: There are a number of parts to your question, so if I can just make a few broad comments and you can follow up if you need to. Broadly speaking, we actually have – there's a segment of the policy that is about renewables specifically. That piece refers specifically to timberland, farmland, agricultural related assets as opposed to renewable energy, which is its separate category. Just to be clear on terminology, which is as clear as mud sometimes.

That percentage is referring to that specific category. We do invest on your behalf in a number of aspects of the renewable energy sector that sits in a variety of parts of the portfolio, some of it in public markets, the bulk of it in infrastructure. So you'll see investments that are across the world in that area. We certainly look at opportunities that are here locally in Alberta, and we put them up against: what are the opportunities that are across the world in those areas? We evaluate the risk, return, trade-offs in a really fair, equitable fashion and aiming of course as well to have a diversified portfolio, both sectorwise, geographically, and then working in some instances with partners who have expertise that is helpful to us in selecting some of those investments. Does that answer the question?

2:10

Mr. Kasawski: Yeah. Clear as renewables. Yeah.

Just a quick follow-up. Since August 3 have you looked at anything in Alberta in terms of renewable energy?

Dr. Puffer: Since August 3. Oh, that's a good question.

Mr. Prakash: We're always looking at opportunities any and everywhere. Nothing specific about the province.

The Chair: Mr. Bouchard, do you have a question? The floor is yours, so off mute.

Mr. Bouchard: Apologies for that. Thank you, Mr. Chair. The second page of the report indicates that 18.2 per cent of the fund's assets are invested in real estate. Can you explain how much of that is invested in foreign real estate compared to domestic real estate and how these two types of holdings performed over the last quarter?

Dr. Puffer: Yes. I can take that. Current allocations: approximately 11.9 per cent in Canadian real estate – that experienced a slight negative return in the quarter of minus .3 per cent – and the foreign investment is about 6.3 per cent, and the return on that was a little bit more negative at minus 3.3 per cent.

The Chair: Do you have a follow-up, Mr. Bouchard?

Mr. Bouchard: Thank you for that. Sorry. I turned off my mic again. I'll just do a quick supplemental if I can. Given that real estate is an inflation-sensitive asset, how would you say recent inflationary challenges have affected their performance over the last quarter?

Dr. Puffer: I think we've addressed a fair bit of that in the previous questions. You know, as mentioned, I'll just hit a couple of the highlights. Amit, feel free to add. A lot of the impact in that quarter was around valuations resulting from interest rate movements themselves directly, and that was a volatile interest rate period. We continue to really recover in real estate in a variety of sectors from the COVID impact on the various areas.

As Amit recognized earlier, the normal relationship that we typically see of a fairly long term – it's over a long term that inflation tends to positively correlate with real estate values. It mostly comes through the income component of real estate rents going up, you know, other areas going up, and we've seen that break down somewhat because of the shift due to COVID-19, particularly in office and to some degree retail.

Mr. Bouchard: Got it. Okay. Thank you.

The Chair: With that, I have no further questions in the queue. Any members on His Majesty's Loyal Opposition? No. Government side? No.

With that, thank you so much for your presentation.

Seeing no other questions, this concludes our discussion of the report. We thank you, to our guests from Treasury Board and Finance and AIMCo, for being here today. You're welcome to leave or stay as you wish. Thank you so much for your time and efforts on this.

I will now look for a member to move a motion to receive the fund's 2023-2024 second-quarter report. Mr. Wiebe moves that

> the Standing Committee on the Alberta Heritage Savings Trust Fund receive the Alberta heritage savings trust fund 2023-24 second-quarter report as distributed.

Any discussion on this?

Seeing none, all in favour, please say aye. All opposed?

With that, thank you so much.

> The motion is carried.

Thank you all so much for that.

The next item on the agenda is a review of the committee's 2023 annual public meeting. The Alberta Heritage Savings Trust Fund Act requires that the committee hold an annual meeting with the public to inform Albertans about the status of the fund and respond to questions. This meeting was held here at the Queen Elizabeth II Building on November 30, 2023. The public was invited to attend in person, and the meeting was broadcast on Alberta Assembly TV and live streamed on the Assembly website and its social media channels. A document from LAO communication services was posted to the internal website, which provides a breakdown of the public interaction with the committee that occurred during the public meeting as well as the advertising summary.

At this time I'd like to call on Rhonda Sorensen and Christina Steenbergen with the LAO to provide an overview of that report and some additional information regarding the broadcast of and public response to the meeting. Please, the floor is yours.

Ms Steenbergen: Thank you, Mr. Chair, and good afternoon, everyone. I trust that everyone has had a chance to review some of this, but I'd like to just highlight some of the more successful points of our communications plan. Best news being that we actually did come in under budget by about just over $4,000. Some of the highlights that I would like to point out are that this was the second in-person public meeting since the COVID pandemic. We did see an attendance of 16 people in person, which, I guess, since 2019 it's been the highest. So that's good. We're kind of getting out of there, which is great.

We've noticed that our online attendance – we live streamed on Facebook, YouTube, and X, formerly Twitter – was increased by about 23 per cent. We had the most engagement on Facebook, which is on point for the majority demographic that participated in the meeting, which was great, to see them on digital media. We also had a significant increase in our YouTube with 26 peak live viewers, and the live stream in general reached over 600 screens, which is something that we're very happy to see. We're hoping that we can keep increasing digital engagement.

The digital advertising we did led over 4,000 people to the Assembly website, and we had about a 36 per cent response rate for questions, which we're very happy to know. We had 66 total questions at the meeting. Based on this, we consider it a pretty successful campaign, and we look forward to putting together a proposal for next year and are happy to answer any questions.

The Chair: Thank you, Ms Sorensen, Ms Steenbergen.

Do members have any questions about the report on the public meeting?

Ms Gray: My only question is – it's so great that you can get so much detail on the digital ads and that participation. But the print budget was the largest piece, and it's so much harder to evaluate how many people saw it. Did that drive engagement, or was it more on the digital side? I guess I'm just curious: on the print side would you consider the print spend that we did, like, kind of the base minimal amount, and what is your impression of whether those dollars were well spent when it comes to this meeting?

Ms Sorensen: If I may, Mr. Chair. Thank you, Ms Gray. I agree that it's very difficult to get any statistics on print, and it is a very high-cost medium. As you recall, the turnaround of the committee being appointed and the meeting was fairly quick, so we stuck to kind of the direction from the previous year simply due to time constraints. Seeing what we're seeing in digital media – we're seeing a lot more response – definitely, I think, without committing to anything right now, you're going to see us leaning more towards that in our recommendations for the next public meeting, to put more of the emphasis on that and come in at a much lesser budget.

Ms Gray: Thank you.

The Chair: Mr. Kasawski, you also have a question?

Mr. Kasawski: Yeah. Thanks very much. Great report and, I think, really good job with our attendance. The questioners had themes, it seemed like. Is there a way that when they sign up, maybe in the future, we can sort of wonder what they want to ask questions about, to prepare, like, AIMCo and Treasury for those kinds of questions? Some of them I didn't anticipate, and I think it made us feel like we're hiding something when we're not.

Ms Sorensen: Mr. Chair, if I may. It's a great comment. We can do what we can, but often we don't know who's signing up. They're just popping online. It could be somebody who just saw an ad and pops on at, you know, 7:30 at night and decides to ask a question. What we can try and do is perhaps work with the committee in advance to see if there are any standards that we could put in place so that we can kind of monitor before we're putting the questions through to the committee, in so much as we can control that. There is a lot that we can't control, but we can perhaps do something to mitigate some of the questions that are a bit of a surprise just so that we can be better prepared.

Mr. Kasawski: Great.

Ms Sorensen: Thank you.

2:20

The Chair: Perfect. Any other questions for the Legislative Assembly Office? Seeing none.

Hon. members, section 6(4)(c) of the Alberta Heritage Savings Trust Fund Act requires the committee to report to the Legislative Assembly on whether the mission of the heritage fund is being fulfilled. The last report to the Assembly was tabled on March 31, 2023. The practice of the committee has been for the committee clerk to prepare a draft report covering the committee's activities for the current fiscal year and then distribute it for the committee's consideration and approval, after which the report is tabled in the Assembly at its next meeting. Do members have any comments or questions regarding this reporting process?

Seeing none, that draft report will be prepared for review at our next meeting.

I would note for the record that the committee received written responses to questions asked at our public meeting on November 30, 2023, from Treasury Board and Finance and AIMCo. They were made available to committee members on the internal site prior to today's meeting.

Are there any other issues for discussion today?

Seeing none, I want to thank everyone for this wonderful committee meeting. It's just good to see everyone working so well together. The next meeting will be at the call of the chair after the release of the fund's third-quarter report. Stay tuned for further details.

With that, we just need a motion to adjourn. Mr. Hunter. With that, Mr. Hunter moves that the January 30, 2024, meeting of the Standing Committee on the Heritage Savings Trust Fund be adjourned. All in favour, please say aye. All opposed? With that, the motion is carried.

The meeting is adjourned. Thank you very much.

[The committee adjourned at 2:21 p.m.]

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of the Legislative Assembly of Alberta