Legislative Assembly of Alberta

The 31st Legislature
First Session

Standing Committee on the Alberta Heritage Savings Trust Fund

Friday, June 27, 2025
1 p.m.

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Standing Committee on the
Alberta Heritage Savings Trust Fund

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Boitchenko, Andrew, Drayton Valley-Devon (UC)
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Kayande, Samir, Calgary-Elbow (NDP)
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Standing Committee on the Alberta Heritage Savings Trust Fund

Participants

Ministry of Treasury Board and Finance
- Brittany Jones, Director, Investment Strategy
- Stephen J. Thompson, Acting Assistant Deputy Minister, Treasury and Risk Management

Alberta Investment Management Corporation
- Justin Lord, Senior Executive Managing Director, Global Head of Public Markets
- Gary Smith, Senior Managing Director, Client Strategy and Investment Product Management

Ac

1 p.m. Friday, June 27, 2025

[Mr. Yao in the chair]

The Chair: 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.

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

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

Dr. Smith: Gary Smith, AIMCo.

Mr. Lord: Justin Lord, AIMCo.

Mr. Thompson: Stephen Thompson, treasury and risk management for Treasury Board and Finance.

Ms Jones: Brittany Jones, treasury and risk management for Treasury Board and Finance.

Mr. Lamb: Tim Lamb, Auditor General's office.

Member Kayande: Samir Kayande, MLA, Calgary-Elbow.

Mr. Koenig: Trafton Koenig with the office of Parliamentary Counsel.

Mr. Huffman: Warren Huffman, committee clerk.

The Chair: We will now go to those who have teleconferenced in, starting with Mr. Wright.

Mr. Wright: Hello, everyone. Justin Wright, MLA for the charming constituency of Cypress-Medicine Hat.

The Chair: Mr. Brar. I ask that you turn on your camera and unmute yourself, please. There you go.

Member Brar: My name is Gurinder Brar, MLA from Calgary-North East.

The Chair: Thank you so much.

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

Ms Armstrong-Homeniuk: Jackie Armstrong-Homeniuk, MLA, Fort Saskatchewan-Vegreville.

The Chair: Thank you so much.

Mr. Ellingson: Court Ellingson, Calgary-Foothills.

The Chair: Thank you, sir.

For the record I'll note the following substitutions. Ms Armstrong-Homeniuk for the hon. Mr. Boitchenko and Mr. Ellingson for Mr. Kasawski.

All right. We 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 meetings can be accessed via the Legislative Assembly website.

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All right. Let's go to the agenda, shall we. A draft agenda was made available to all members. Does anyone have any changes or additions to the draft? I'm looking in the room and online. Anyone have any concerns, questions?

We see that we have some good friends who have just logged on. Mr. Stephan, will you please introduce yourself? You have to take yourself off mute, sir. A lawyer and accountant – there we go.

Mr. Stephan: There we go.

MLA Jason Stephan, Red Deer-South. Very happy to be here, Chair.

The Chair: Thank you, my good friend. You saved yourself from a jab from me there.

All right. Back to the draft agenda. Does anyone have any concerns or questions about the agenda, online or on the phones?

I see not. If not, would someone move that the agenda be accepted?

Mr. Rowswell: So moved.

The Chair: Mr. Rowswell moves that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the proposed agenda as distributed for its June 27, 2025, meeting. All in favour in the room, please say aye. All on the phones for supporting the agenda, please say aye. Does anyone disagree with this? Perfect. That motion is carried. Thank you all so much.

Next we're going to go to the approval of the minutes. We have the draft minutes from April 14, 2025. Does anyone have any errors or omissions to identify in the room or on the phones?

If not, would someone move that the minutes be approved? Mr. Rowswell. He's a trooper. He moves that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the minutes as distributed of its meeting held on April 14, '25. All in favour, please say aye. On the phones, please say aye. Oh, that's half hearted, isn't it? All right. Any noes? Didn't think so. That motion is carried. Perfect.

Hon. members, we now turn to the 2024-25 annual report of the Alberta heritage savings trust fund. The committee clerk has received the draft of the annual report from Treasury Board and Finance on June 24. That report was made available to the committee members on the internal website. I'll note for everyone's information that this report is confidential until it is approved by the committee.

Before we hear from our guests, I'd like to briefly review the committee's mandate with respect to the fund's annual report. As stated in section 6(4)(b) of the Alberta Heritage Savings Trust Fund Act, one of the functions of this committee is to approve the fund's annual report. Furthermore, section 16(2) of the act requires that after the committee approves the annual report, copies of the report are furnished to all Members of the Legislative Assembly of Alberta and the Clerk of the Assembly on or before June 30, after which the report shall be made public.

At this time I would ask Treasury Board and Finance officials to provide an overview of the annual report, followed by remarks from AIMCo. Then we're going to open the floor to questions from committee members.

With that, please, our guests, the floor is yours. Ms Jones.

Ms Jones: Thank you, Mr. Chair. Good afternoon, committee members and guests. My name is Brittany Jones. I'm the director of investment strategy with Alberta Treasury Board and Finance. I am joined today by my colleague Mr. Stephen Thompson, who is the acting assistant deputy minister of treasury and risk management. We're here to present the final results of the Alberta heritage savings trust fund for the fiscal year 2024-25 on behalf of the department.

It's actually a very positive year this year. The value of the fund increased by $4.2 billion. That's from $22.9 billion last year to $27.2 billion this year. Again this year we're pleased to report that it has established another new all-time high.

The growth in assets was driven by two main factors. First of all, the absolute returns on the investment portfolio were strong. As of March 31, 2025, the one-year return on the heritage fund was 9.7 per cent. This resulted in gross investment income of just over $2 billion and net investment income of $1.9 billion. As a reminder, the Alberta Heritage Savings Trust Fund Act was amended in 2023 to retain income, so all of that income was retained in the fund.

Secondly, the increase in the net asset value of the heritage fund also reflects a contribution of $2 billion that was made later this year. This allocation was made in Budget 2024 and it was transferred in the fourth quarter, so you will see that show up on the financial statements this year.

The returns on the fund are also noteworthy over the longer term. The heritage fund has two main performance targets that are articulated in its statement of policies and goals, and these are both measured over a five-year period. The first measure measures the real return on the fund to make sure that the fund is retaining its purchasing power over time. This particular performance objective is CPI plus 450 basis points, or 4.5 per cent, over that five-year period.

The second is to outperform a passive representation of what the portfolio looks like over that five-year period by a margin of 1 per cent. I'm pleased to report that for this latest five-year period, the heritage fund has exceeded both of these objectives. The heritage fund returned 9.6 per cent on a five-year annualized basis compared to the 7.4 per cent real return target. Also, the fund surpassed its 8.5 per cent passive target. That's actually a 1.1 per cent return, that's higher than the passive benchmark. These results signal that the heritage fund is growing in real terms and also that active management is adding value to the fund.

During the fiscal year most asset classes contributed positively, and our colleagues at AIMCo will dive deeper into that in a moment. The returns were led by well-performing equity markets, with equity investments returning 14.2 per cent in 2024-25 and generating more than $1.5 billion in income. Fixed-income and interest-bearing securities also contributed positively. They returned 7.5 per cent and produced income of $222 million.

Inflation-sensitive and alternative investments are usually very consistent contributors to the fund; this year they returned only 7.4 per cent in aggregate. That was mostly pulled down by real estate, but infrastructure did return 12.9 per cent, which is quite strong. This asset class was able to contribute almost $300 million in earnings.

Investment expenses, while higher on an absolute basis, actually declined as a percentage of the total value of the fund, so they are trending positively in that direction.

This year was a period of significant growth and change. In addition to strong investment performance and income generation, other important developments to enhance the fund value have also made considerable progress. That includes the creation of the Heritage Fund Opportunities Corporation, and we will have more to say about that in coming quarters. Overall, this past year has been transformative, and the fund is growing in both size and relevance, making the heritage fund an even greater source of pride for Albertans. We very much eagerly anticipate its future.

This concludes my prepared remarks. At this time we'll pass it over to AIMCo.

1:10

Dr. Smith: Thanks, Ms Jones. I'm Gary Smith from AIMCo. Thanks for having us here today. Today I'll provide a few updates on AIMCo and the Alberta heritage savings trust fund. Justin will pick it up when I'm done to talk a little bit more about results and market matters.

I'll start off with some organizational updates. First thing to note is that the last time we had a meeting, I think April 14, we announced that John Walsh had been appointed chief legal officer and Janice Guzzo had been named chief human resources officer. Indeed, John's first day on the job was the date of the last meeting. I'm happy to say that in the two and a half months since then he's jumped in with both feet and is making a very strong contribution on a whole range of files.

The remaining executive position to be filled is that of the chief investment officer, or CIO. I believe that at the last meeting it was said that that search had just begun; that search is now well and truly under way, and we expect to conclude that search and make an announcement in the near term. In the meantime, Justin Lord, to my right, remains head of public markets, and Peter Teti is the acting head of private markets.

One other announcement regarding the corporation worth noting is that a new board member was appointed, Sandra Lau. Sandra is well known to folks in Alberta. She worked at AIMCo for over 20 years. She was chief investment officer for a period of time, and she served Alberta with distinction over that period. We very much welcome Sandra's involvement with the board. She'll bring a level of knowledge of the Alberta environment and AIMCo to the board that I think will be helpful to that body as it governs the organization.

The second point I want to speak about is business transformation. We continue to progress on business transformation, which is our buzzword for the major overhaul of our key investment and accounting systems that we're engaged in at this point. What this will do is that it'll lead to improved analysis and decision-making for clients and for various operational improvements. We're very excited about that, and we continue to engage with clients, including our friends at Treasury Board and Finance and the heritage fund, on various matters related to business transformation, the idea being that we want all parties along for the journey.

As Ms Jones alluded to, the Heritage Fund Opportunities Corp is standing up. We're relating to both Treasury Board and Finance and the HFOC regarding portfolio reporting matters and various other client matters that link in through business transformation.

Finally, I think that at the last meeting there was quite a bit of talk about geopolitical environment. Topical in April, of course, was tariffs. That hasn't gone away, but it's changed a few times in the months since. Also, a few other matters have emerged in a big way, including taxation and conflict in the Middle East. Because those are difficult matters, I'll pause and defer to Justin to talk about those as he talks about broader performance matters and investment outlook.

With that, I'll pass it to Justin.

Mr. Lord: Thank you, Mr. Smith and Mr. Chair, committee members. As introduced, I'm Justin Lord. I'm the senior executive managing director, global head of public markets at AIMCo. Certainly, I'm privileged to be here today. I'll try not to be too repetitive with respect to the wrap-ups. I have a few points with respect to total fund performance, asset class performance, then some brief commentary as it relates to current positioning and outlook.

As Ms Jones had outlined, it was a very good fiscal year for the fund, generating 9.7 per cent returns, however, underperforming the policy benchmark by 40 basis points. The five-year net return sits at 9.6 per cent, outperforming both the CPI-based and the passive benchmark by a healthy 220 and 110 basis points, or 2.2 and 1.1 per cent, respectively. Lastly, to recap the 10-year rate of returns as well, the fund sits at a positive 7.4 per cent, which exceeds both of those benchmarks as well by .9 and .7 per cent respectively.

Looking at the annual results, and this will follow along within the draft report as well, fixed-income and interest-bearing securities in the portfolio generated a positive 7.5 per cent, outperforming the benchmark. You know, we can get into some of the details perhaps in Q and A or later on, but this asset class has struggled over a longer period of time given the direction of interest rates as a whole, largely driven by contributions across the universe bond portfolio, the private debt and loan portfolio, and the mortgage portfolios.

Inflation-sensitive and alternative assets. As Ms Jones alluded to, this does make up approximately 30 per cent of the fund's asset mix and returned 4.7 per cent, underperforming benchmarks by 1.5 per cent. This was focused in positions amongst the real estate and renewable resource portfolios, with both asset classes trailing their benchmark over the short term.

Public equities in general had a very positive year, with the equity composite returning 14.2 per cent, outperforming the equity composite benchmark by .3 per cent. Global equities led the way here, generating 15.2 per cent, followed by emerging markets at 14.4 per cent, both outperforming their benchmarks adding value from an active management perspective.

Within the equities composite there were solid absolute returns from Canadian equities generating 13.3 per cent and private equities generating 11.5 per cent. Both of these, however, did lag their benchmark as a function of stock selection with respect to the Canadian equity composition. From a private equity perspective it does have a public market benchmark, and it was difficult for the private assets to keep up on that front. Long-term results within private equities still remain above those benchmarks quite handily as we, you know, would expect to judge this asset class on a longer term horizon as well. We typically do not receive appraisals for our illiquid asset classes in the first quarter of the year, so we would expect further updates coming throughout the year both at the end of calendar Q2 and the end of the calendar year as well.

AIMCo has been positioned and is currently positioned cautiously with respect to public markets this year as we navigate what is a seemingly unprecedented global trade and geopolitical environment. We are actively monitoring the changing trade environment as well as any potential legislation that could impact global trade flows, having a potential impact on macroeconomic activity and global growth. Also on our risk radar is, obviously, the continued cycle of escalation with respect to the Russia-Ukraine war as well as the conflict in the Middle East.

Equity markets and fixed-income markets have had a volatile start to the year from a calendar perspective, but looking at those returns year to date, it might go unnoticed if not looking at, you know, the events of April. Equity markets in general are up year to date, with Canadian and European markets leading, followed by emerging markets, and we actually have a new high today on U.S. equity markets overall post the recovery in April.

Credit markets, quite a similar story with a little bit of volatility that we experienced in April, have returned to fairly tight or high valuation levels that we had been witnessing throughout much of the last couple of years.

With respect to illiquid asset classes we obviously don't see the same day-to-day or market-to-market volatility that we would in public markets in general, but we have seen a muted amount of activity as a function of the uncertainty across the broader investing and risk environment as a whole, and that translates into lower deal flow, lower transaction activity, et cetera.

Throughout the year we will be continuing to monitor the impact of policy and geopolitical volatility on markets and macro data, paying close attention to large cap equity earnings and the changing employment environment or any potential consumer trends that could be signs that there are impacts upon the economy that could change the future path of growth and, in turn, impact on asset valuation or asset performance as it relates to the fund's exposures. The portfolios have ample liquidity and risk budget to take advantage of any market weakness or volatility as it might present itself in that type of environment.

That'll conclude my prepared remarks from a performance and outlook perspective, and perhaps I can hand it back to Mr. Chair.

The Chair: Thank you all so much for your presentations.

With that, we'll now go to our question-and-answer stage. Do any of our members have any questions for Treasury Board and Finance or AIMCo? Mr. Kayande.

Member Kayande: Thank you, Mr. Chair. I'm just trying to figure out what the Q4 performance was versus the passive index. I think that Q1, Q2, and Q3 are reported separately, and Q4 is reported in aggregate. Do you have the specific breakdown of what the Q4 performance versus the passive index is, the alpha generation?

Mr. Lord: That we do. Q4 net returns, as referred to by AIMCo data – I would have to cross-reference with the report – would be approximately 67 basis points absolute return versus a policy of 56 basis points, a slight value-add of approximately of .11 per cent.

1:20

Member Kayande: So 11 basis points value-add. Is that right? Or 1.1?

Mr. Lord: I believe 11 basis points, yeah.

Member Kayande: Okay. Thank you. Which is great. I mean, thank you for that.

It looks to me like overall the value-add has been a little bit volatile over the last two or three years and indeed has been negative for a few quarters. It looks to me like a major reason for the improvement in value-add over the five-year term as compared to last year's report is that one horrific year, the 2019 year, fell off. Can you talk a little bit about your expectation? I believe that it's not enough that we exceed the passive benchmark but that there is, like, a 100-basis-point hurdle rate that Albertans are entitled to. It looks as though, it seems like it's kind of difficult to come by. If we just exclude 2021, for example, it's been volatile and relatively low. Is this concerning to you? Is this kind of where you see yourself being on track, or do you think that improvements are possible here?

Mr. Lord: From our perspective, you're one hundred per cent correct with respect to the shorter term analysis. I'll refer to the 10-year returns, which would include those difficult years at the beginning of the pandemic; 2020 in particular, with the 10-year returns sitting at 7.4 per cent both, you know, 90 and 70 BPs, .9 and .7 per cent, above the respective benchmarks. That is obviously a positive indication from a value-added perspective. We are striving to hit those excess targets within risk budget.

Improvement definitely can be made, is being made, and has been made through a number of the strategic adjustments from 2021 to today, to be quite honest, as it relates to the product platform, the broader risk review within the internal processes. I think we have seen a correspondent response in performance since then as well. This is an ongoing focus of any investment management team, AIMCo in particular, to ensure that we're able to generate the top quartile, the required returns on a risk-adjusted basis that our clients deserve.

Member Kayande: Thank you.

Mr. Rowswell: Thank you to AIMCo and Treasury Board officials for being here today. As you know, the overall goal is to grow to at least $250 billion by 2050. We're implementing the reinvestment strategy already, and that's staying in there and being reinvested, so it's moving in the right direction given that economic uncertainty can be difficult to predict.

Albertans should feel the fund can ensure a secure, stable future. Page 3 mentions the Heritage Fund Opportunities Corporation and its role in securing this future and helping to get to that point. Can the minister highlight the specific processes or decisions that the opportunities corporation will manage?

Mr. Thompson: Thank you for the question. Surely, the Heritage Fund Opportunities Corporation is really meant to professionalize the management of the heritage fund, which up until its creation had been managed through the Treasury branch within Treasury Board and Finance. It's meant to bring professional expertise to bear with respect to the asset allocation decisions, investment policies, investment strategies, and it's meant to have a dedicated resource to develop those parameters for the fund. It does have a specific mandate from the minister to grow the fund for the long term. It's meant to focus the attention of a professional group of staff solely on the heritage fund rather than as a component of the Treasury function within the broader government.

It's still being stood up, obviously. We do have a board chair in place, Joe Lougheed. That's been announced publicly. We have been recruiting for the board. There have been no announcements to the board as yet. There will be an inaugural board meeting in the coming months at which time the investment policies, the investment strategies will be approved. That will be done in consultation with Treasury Board and Finance, with AIMCo, and with whatever staff are brought into the Heritage Fund Opportunities Corporation.

Mr. Rowswell: On page 3 it also mentioned transparency and independent decision-making. Can you outline how transparency is achieved in the broader framework? You know, how are you going to manage this?

Mr. Thompson: I mean, the corporation will have its own financial statements. They will be audited by the Auditor General. They will be released publicly and available for scrutiny. The intent once the corporation is stood up is that it make the investment decisions, the asset allocation decisions, the investment strategy and policy decisions independent of ministerial oversight. I mean, the minister ultimately is responsible as shareholder of that corporation and has responsibilities under the heritage fund act for the heritage fund itself. But the intent is that it very much operates independently and with its own decision-making capabilities.

The Chair: Any other questions from anyone in the room? Go ahead, Mr. Kayande.

Member Kayande: Thank you. I note that in your communication with geopolitical uncertainties one thing that did not come up was Alberta separatism. We have a member of this very committee who said in May of 2025 that many Albertans and others are concluding that they and their families would have more freedom and prosperity leaving Canada and endorsed separatism by saying that it's time for Alberta to explore other options. We have a Premier who said that she's not going to prejudge what citizens are going to do for a petition and said that she supports a sovereign Alberta.

We also have Nancy Southern, the CEO of ATCO, who said that she cannot start a hydrogen project with separatism on the table because her partners will not pursue it without investment certainty. The CEO of the Calgary Chamber of commerce, Deb Yedlin, said that she was concerned about the ripple effects that separatism conversations can have. The Business Council of Alberta has said that its members do not support separatism and said that it won't build a pipeline any faster.

On page 7 of the annual report, roughly a third of the fund's Alberta-based investments are in real estate. Under the threat of separatism is it likely that real estate values will remain the same, increase, or decline?

Dr. Smith: Yeah. In a higher probability, if the probability rises to a certain point, I think it would make sense that there would be pressure on valuations of Alberta-based assets, certainly. One of the ways that we address that: obviously, you reference the report, the holdings we have, but, you know, we invest so much outside of Alberta to globally diversify, to protect against the sort of local risks that crop up in many jurisdictions, this one being very close to home.

Mr. Thompson: If I could just supplement.

The Chair: Mr. Thompson.

Mr. Thompson: Thank you. Just to supplement, I will point out that the investments currently made in Alberta are made not for political reasons but for their financial viability and for their expectation of investment growth in return. That is not expected to change going forward irrespective of the political motivation.

Member Kayande: Okay. That actually leads perfectly into my follow-up. We do have a mandate here to run this fund for the benefit of Albertans and with a return expectation. As the risk of separatism has increased, it seems very likely that we will be going to a referendum next year as that is what the Premier wants. As we get closer and closer to a separatism referendum, do you anticipate . . .

1:30

Mr. Rowswell: Point of order.

The Chair: A point of order has been called.

Mr. Rowswell: Standing Order 23(h), (i), (j). There's a bit of false accusations there. Also, I think we're here to review the report, and we're not here to speculate on future things and how they may impact. We should be talking about the actual report and have questions revolve around it.

The Chair: Rebuttal, Mr. Kayande?

Member Kayande: Yeah. I mean, I do not believe that this is a point of order. I believe that every investor in Canada is assessing the risk of separatism in Alberta just as they assess the risk of separatism when making investments in Quebec. I believe that, frankly, if we are not to discuss separatism in this committee, the government should not be talking about separatism, and members on this committee should not be supporting separatism. I think that I have consistently referred to language within the report, and therefore this is not a point of order because this is a question of legitimate debate regarding the Alberta heritage savings trust fund and its investment strategy and results.

The Chair: I didn't actually hear a question when you were mentioning that, but I would ask that you tie your comments to your question and just stay within the lines if you can. That'd be great.

Member Kayande: Thank you, Mr. Chair. The question is, because Mr. Thompson said that the mandate to generate high returns is not going to change: how are Treasury Board and Finance and AIMCo assessing portfolio changes in regard to separatism?

Mr. Thompson: With respect to the Treasury Board and Finance, we do not have a specific mandate to assess the financial impact of separatism. That's not on the radar as a significant financial risk at this time.

Mr. Lord: From an AIMCo perspective, as it relates to investment strategy, our stress testing from a risk management and scenario analysis perspective has centred around geopolitical risk, tariff, and/or global trade volatility risks. We have not run sensitivity analysis as it relates to the risk associated with an Alberta separatist action.

Member Kayande: Thank you.

The Chair: All right. Mr. Wright, did you have your hand up for a question?

Mr. Wright: I did. I did. Thank you, Mr. Chair, and, through you, to our guests at the end of the table. On page 34 of the annual report I saw that the fund had around $6 billion worth of interest-bearing securities as of March 2025, which is a noticeable increase from the $590 million from the last annual report. I was wondering. Could you folks expand and explain to this committee how they increased the value so substantially on our interest-bearing securities over this reporting period?

Ms Jones: This is note 6 of the financial statements you're looking at?

Mr. Wright: Yes, I believe so. On page 34 of the annual report.

Ms Jones: Yeah. When we look at the total proportion of what's invested in the fund, interest-bearing securities were 23.6 per cent in 2024 and 23.9 per cent. Keep in mind that the interest-bearing securities section includes mortgages and private debt and loan as well, so you'd see an appreciation of those securities, which would lead to that. There were no additional allocations made per se to the cash.

Mr. Wright: All right. Could you perhaps explain to this committee if the overall value of our interest-bearing securities is projected over this coming year to increase going forward? And if so, what kind of returns are we expecting on these interest-bearing securities?

Ms Jones: I can start from the asset allocation side of things and have AIMCo pick up from a return perspective. From an allocation perspective, as my colleague Mr. Thompson has stated, the Heritage Fund Opportunities Corporation is taking a look at the investment strategy, and any changes to the asset allocations will be subject to approval by the HFOC board. So at this moment in time I can't say for certain exactly how that asset allocation is going to change, but the board and staff will be looking at options there.

I'll pass it over to AIMCo from a return perspective.

Mr. Lord: Thank you, Ms Jones.

Forward-looking returns will be a function of the interest rate environment, the credit environment, valuations, et cetera. I would not expect, as of the current day, that we would have a similar rate of return next year for interest-bearing securities just given the benefit that had occurred from interest rates moving lower. As an example, the Bank of Canada 10-year interest rate over the fiscal year for the fund moved from approximately 3.5 to 2.9 per cent. Given the duration of exposure that would have been a very positive tailwind for the exposures overall as well as a fairly benign or overall not-too-volatile credit market or an area where you were generating returns from both the credit exposure and the rate exposure overall. The forward-looking rate of return will be a function of those interest rate changes and income distributed by the portfolio as a whole.

Dr. Smith: If I may just embellish that a little bit. Longer term expectations over time: we're looking at, for most fixed-income securities, government securities, investment-grade returns over the longer horizon of around, you know, call it mid-lower to mid-single digit returns.

Mr. Wright: Well, thank you for that answer.

Mr. Chair, may I continue?

The Chair: I'll get back to you, sir, if that's okay. I just want to see if anyone in the room has another question.

Go ahead, Mr. Kayande.

Member Kayande: I'm sorry. Did he have another question?

The Chair: He did, but we'll go back to you. I gave him two. We'll turn to you, and we'll go back to him.

Member Kayande: Okay. Thank you, Mr. Chair.

Looking at currency risk, because suddenly this has become a big deal, since tariff Liberation Day the U.S. dollar has materially weakened, and that is a risk to, from my reading and common sense – I believe that every penny of Canadian dollar strength amounts to $660 million, I think, of fair value of the fund that increases. Like, how do you think of the interaction between import tariffs in the United States, which should increase their currency, just basically going back to the macro I remember from 25 years ago, versus it looks as though the U.S. has become a less secure place to invest money; therefore, financial flows are actually declining, tending to reduce the value of the dollar. So far it seems as though it's that financial flow impact that's dominating. How do you see that going forward, and how are you assessing risk around that, especially given the investable universe in advanced economies?

Dr. Smith: This is the question that's on a lot of people's minds, you know, whether the U.S. dollar – are the historical patterns that we've seen over the last decades going to carry on going forward? It's a question on a lot of people's minds, a very good question. You noted correctly what's happened over the last few months. We bear in mind that the administration in the States has been in place for five months, and we've seen some unintuitive or unexpected moves in the currency over those five months.

That said, it's likely still far too soon to come to any conclusions about the general properties of the U.S. dollar. So we're looking at this with great interest. We haven't changed our view of the world based on the last few months. That said, it is something that we're actively watching over time and expecting to, you know, revise our thoughts on it as appropriate, but no major changes at this point, sir.

1:40

Member Kayande: I think if my math is right, the Canadian dollar has strengthened by about six cents since April, something like that, depending on the day you take as your baseline, and you did correctly point out that five months is a very short time. Do you think a government that is hostile to investment and engaging in clearly negative activity for its own government, for its own people, can materially alter the investment climate and the ability of a society to take in foreign capital so materially within such a short period of time as five months? Could this be permanent? Is that feasible?

Mr. Lord: That is certainly a risk that we are discussing as an organization. I think the implications there span beyond just a currency or a U.S. dollar exposure perspective and impact the global flow of trade, the global flow of investment dollars, and the potential productivity or profitability of U.S. equities as a whole.

With that, from a bottom-up perspective and as an example, we are underweight U.S. equity markets within the composite in favour of Canadian and emerging market and European exposures, I will say, more on a valuation-led thesis than a potential, you know, contagion thesis on this front. But that is something that is certainly a risk to the future multiple or the premium that we have seen being built into U.S. equity markets as global leaders should this volatility from a policy perspective continue.

Member Kayande: Thank you.

The Chair: All right. Mr. Wright, the floor is yours, sir.

Mr. Wright: Well, thank you, Mr. Chair, and thank you to the folks at the end for taking the question. Now, as we've been really looking over the last number of years, we've seen a number of inflation sensitivities that are really impacting global markets and national GDPs resulting from, you know, some good policies from countries around the world and some rather poor ones resulting in some very negative responses.

Now, the Fraser Institute found that Canadian GDP growth was at near stagnant levels, resulting in a .6 per cent GDP growth and putting it near the bottom of virtually every developed nation and often quoted as inflationary pressures and inflationary-sensitive spending, creating an environment of unrest in investment assets. Now, as I'm looking at our report on page 16, one important part of this class of assets is, of course, real estate investment. As the Canadian dollar continues to hover around between 69 and 74 cents U.S. and our ability to buy real estate, with Canadian real estate going up and virtually everybody else's real estate costs going up as well – real estate assets make up a large portion of our Alberta heritage savings trust fund portfolio of alternative investments, and this is done to provide long-term diversification.

Could you explain to this committee why the value of the Alberta heritage savings trust fund real estate portfolio decreased in these times by .4 per cent over the reporting period? Could you also explain to the committee if the heritage savings trust fund will be seeing more real estate investments going forward despite this year's slight downturn, overall, in real estate returns and current federal policy impacts?

Mr. Lord: Okay. Thank you for the question. If I skip over one of the points, please remind me.

As noted in the report, the performance of the real estate asset class in general has suffered as both an industry from a total return perspective since the pandemic and has, within the AIMCo portfolio, also underperformed those numbers as a function of the composition of the Canadian and the global real estate portfolios.

Our conviction in the asset classes does remain very strong. We're confident that the market is beginning to turn around for certain segments of the real estate market, where we are seeing rent growth and/or net operating income growth as it relates to industrial logistics properties, multifamily properties, high-quality retail properties as a whole. The office market has remained challenged over the last number of years, in particular lower quality office. We're starting to see that A or AAA top-tier office real estate perform well or better in this type of environment.

As it relates to my prior comments with respect to private markets, the amount of activity has been somewhat muted. A number of potential transactions are still being assessed across the asset class where we think there is good value currently to potentially grow the assets overall. I will say that with the one caveat that in general most of our clients are near their allocations to the asset class, so a lot of the activity will be more portfolio management led transactions than necessarily increased allocations at the total portfolio level.

Anything else to add on that?

Dr. Smith: No. I think that covers it.

The Chair: Thank you so much.

Mr. Wright: All right. Thank you.

The Chair: Did you have a follow-up, Mr. Wright? You're okay?

Mr. Wright: Not at this point in time. I'll turn it back over to you, Mr. Chair.

The Chair: No worries. Thank you so much, sir.
Mr. Kayande.

Member Kayande: Thank you, Mr. Chair. Going back to my previous question. I guess if government – and I completely agree, totally agree, Mr. Lord, with your viewpoint that backing away from the U.S. market should not be something that's done on a what-might-happen kind of way rather than looking at valuation, yet at the same time, of course, the valuation comes from the overall political environment. You have to discount U.S. growth. You have to discount U.S. financial flows. That will, in and of itself, when you look at an overall business level model, reduce the value that you're prepared to pay for that. Wouldn't you also expect that to happen if the separatism conversation takes hold here in Alberta?

Mr. Lord: I think that's a logical conclusion on a smaller scale, but we have not conducted any analysis on that front.

Member Kayande: Okay. Thank you.

Secondly, have you looked at your analysis of U.K. assets? What happened after Brexit? Did you have assets in the U.K.? What happened to your marks on those?

Mr. Lord: We certainly do have assets in the U.K. I don't have the specific sensitivity analysis in front of me at this time. I would be able to follow up on that if I might, but that is a logical comparison.

Member Kayande: Okay. Thank you. I'm very interested in seeing that because we now have, I think, five years of history.

The Chair: All right. Next, we shall go to Mr. Stephan online. The Member for Red Deer-South has the floor.

Mr. Stephan: Wonderful to be here. Overall, it does sound like good results and good news for Albertans with the heritage trust fund. Very happy about that. I wanted to ask: for the year under question, the annual report, could you share with us what has been the best investment in terms of realized result and what has been the worst investment realized result? What are some lessons learned, I guess, from those two opposite ends of the continuum here? I'd sure like to hear what the best investment result is specifically and specifically your worst investment result in the annual report.

Thanks.

1:50

Mr. Lord: Thank you for the question. Following on the real estate commentary, we'll touch on worst first and with, obviously, the benefit of hindsight. Real estate was the only negative performing asset class on a one-year basis. I'm excluding the strategic opportunities given the very small size and nature of that allocation and for the reasons previously mentioned as it relates to the overall impact on net operating income across the real estate industry as a whole.

As it relates to the best performing asset within the annual report, it would be noted on page 11. Within equities, global equities in particular, with a benefit from earnings growth and multiple expansions, as witnessed in U.S. equities in particular, which make up approximately 70 per cent of the global developed equity index, would lead to that being the largest contributor. Within that portfolio as well there were 120 basis points, or 1.2 per cent, of excess return generated as a function of the portfolio construction as it would relate to a number of both internally and externally managed mandates in the agriproduct at AIMCo.

Dr. Smith: If I may, I think that there was a question about lessons learned as well. Mr. Lord took the asset class level, which I think is entirely appropriate. But I think the lesson learned, and forgive me if it seems a little bit trite, is that in any given year it's difficult to know exactly what's going to happen, so the importance of having a broadly diversified portfolio across asset classes, across geographies, across sectors is really of paramount importance. Now, at the end of the day, the folks at Treasury Board and Finance are responsible for the asset mix, and that will in due course roll over to HFOC, but that basic principle of ensuring you're broadly diversified, because it is virtually impossible to predict with any degree of precision, is a key consideration.

The Chair: Thank you for that.

Mr. Stephan, did you have another question?

Mr. Stephan: Yeah. Sorry; you made a comment that Treasury Board was responsible for the asset mix determination. I didn't think that they were responsible for the asset mix determination. I thought that was within your stewardship. Could you elaborate on that statement?

Mr. Thompson: The minister, under the act, is responsible for the asset allocation, and those responsibilities have been delegated to the Department of Treasury Board and Finance and specifically the treasury and risk management division. So the asset mix is actually landed upon at the department level.

Mr. Stephan: Thanks. I learned something.

I wanted to just ask one other question that I had, and this is about the opportunities corporation. It sounds like it's operating somewhat independently from the overall heritage trust fund. Is that right?

Mr. Thompson: Thank you for the question. The Heritage Fund Opportunities Corporation will have the mandate to be the one determining the asset mix, as we've just discussed now lives with the department, and they will have independence as to how that asset mix is arrived at. They will also be responsible for the development of the statement of investment policies and goals that directs the investment of the overall fund. They will be the oversight portion of the heritage fund itself. The fund itself won't change; it will just simply be directed by an independent corporation rather than by a division within the department of government.

Mr. Stephan: Okay. I just wanted to ask kind of a supplemental on that. Will the clients of – I guess we've got the heritage trust fund. We also have pension funds that are clients of AIMCo as well. You know, you've got a separate entity now deciding on certain investments. How do you deal with situations where both the fund in general and the corporation are interested in participating in the same investment?

Mr. Thompson: I think the way to think about it most cleanly is to think that the Heritage Fund Opportunities Corporation as a client of AIMCo will be on equal footing as the pension fund corporations that now exist. At the moment all of the pension fund clients of AIMCo are represented by independent corporations, so teachers' and PSPP, whereas the heritage fund is represented by government, solely trusteed by the minister. The corporation will simply add a new layer, add an independent corporation responsible for the management of the fund. Nothing is coming away from AIMCo. AIMCo is simply receiving its direction directly from the Heritage Fund Opportunities Corporation rather than from the department.

Mr. Stephan: Okay. Thank you.

The Chair: Do we have any other questions on the list? Mr. Kayande, go ahead.

Member Kayande: Thank you, Mr. Chair. I know this doesn't matter at all because it's tiny, tiny dollars, but I'm really interested in deposit and short-term, how those returns can be so variable with respect to the passive index. It's just a real curiosity. I think it underperformed the passive index by – I don't know; am I seeing this right? – like, 100 basis points in the last year, and it outperformed by 260 basis points over the last five. Can you talk about that a little bit?

Ms Jones: That's actually a great question. Thanks for asking that. I'll start. There was actually a benchmark change that has happened. Our colleagues at AIMCo had mentioned that they had gone through all of the different product descriptions. One of the changes was that the heritage fund used to use a Universe bond benchmark for the cash allocation, actually. When you look at it over five years, that's mostly what you're seeing. That's why you'll see some variability there. We've recently changed it, so now it's actually the same as the AIMCo benchmark in the product description, which is the 30-day T-bill. That's one of the reasons for the variability.

Dr. Smith: As I was preparing for this meeting, I looked at the numbers and I had exactly the same question earlier this week and got exactly the same answer, that this was a benchmarking issue. I know well that the money market product we have has done nothing crazy, has not deviated from the benchmark that we use. You know, it is a liquidity-motivated pool as opposed to a value-add pool. So I understand your concerns for seeing that number, and I shared them, but I'm now assuaged that the reason is administrative and not financial.

Member Kayande: Thank you. That's the best possible answer, because reaching for yield in money market is – I want to thank you, like, really, from the bottom of my heart, for the additional disclosure that you seem to have provided this year around top holdings. I think this is something that the people of Alberta have been asking for for a long time, and I'm really glad that you've put it out because it allows the people to see kind of how their money is being managed.

Of course, no good deed goes unpunished. I have some questions about those names and especially around private equity. I didn't realize Howard Midstream was actually a significant material part of the overall heritage fund, accounting for, I believe, $590 million. Now, is that cost or market? Can you just tell me more about that? Like, is it cost? Is it market? If it is market, what's the cost base on that? What's AIMCo's share of Howard Midstream overall and the heritage fund's share of that pool in AIMCo? You know, just kind of what that business looks like.

Mr. Lord: Happy to take that briefly. That would be the current value, or the most recent valuation, of Howard Midstream, which sits within the infrastructure products as a whole. I don't have the specific cap table in front of me to be able to relate the exact percentage of shareholder ownership or how that flows through to heritage fund. That can be a follow-up item as well.

2:00

This has been a successful investment for clients of AIMCo overall as one of the leading processors and gatherers of petroleum products in the Delaware and Permian Basin, a long-standing relationship with the infrastructure team, but we will look forward to following up with more specific details as to the concentration.

Member Kayande: Thank you.

The Chair: With that, we'll now go online. I believe Mr. Wiebe had a question.

Mr. Wiebe: Yes. Thank you, Chair, and thank you to the committee here.

I want to go back to the annual report. On page 11 the one-year return for infrastructure has exceeded its one-year benchmark return by almost 5 per cent, and I have a couple of questions around this asset class. It seems to be well performing this year. Can the ministry provide some of the factors that resulted in infrastructure holdings performing well?

Then I also have a question just regarding Howard Midstream. I see it accounts for about 22 per cent of the total infrastructure holdings. However, when compared to last year, the weighting seemed to be spread out more amongst other holdings. Just wondering if the ministry can provide the committee with some further details on Howard Midstream and the reason the allocation is higher weighted to this holding.

Thank you.

Mr. Thompson: We'll defer to AIMCo on that specific asset.

Mr. Lord: Certainly. We will confirm, but I'm quite certain, for your second question, it would be a function of valuation increases within the portfolio. Speaking specifically about the underlying holdings within infrastructure that led to the excess return, it relates to valuation increases in a number of the fund positions within the allocation across holdings like Cando rail, Puget Energy, and most specifically the sale and disposition of our investment in the Asia Pacific-based data centre company AirTrunk, which was a commitment made by the infrastructure team of approximately $400 million. It exited last year for over a billion dollars at north of a 30 per cent IRR. Maybe going back to one of the earlier questions, that's probably the best individual transaction that we had seen at AIMCo over the recent history.

Dr. Smith: One embellishment on that as well is that by selling AirTrunk, of course, that increases the concentration in other assets such as Howard Energy, which is part of the reason that Howard Energy has risen as well.

Mr. Lord: Thank you for that.

The Chair: Mr. Wiebe, did you have another follow-up?

Mr. Wiebe: Sure. I'll go to page 15 of the report. The top 10 global public equity holdings show quite a wide range of investments. However, when compared to the previous fiscal year, the weighting allocations are paced pretty differently. Can the ministry indicate whether this strategy was a result of active or passive management? And can the ministry provide further insight into these weightings and how they are calculated?

Mr. Thompson: Again we'll defer to AIMCo. This is specific to the investment side.

Mr. Lord: Certainly, the exposure and the weightings of the exposure would be impacted by the degree of outperformance that we had seen in global developed markets as a whole last year. That would be the largest contribution.

Around the margin there would be incremental changes as the active weightings of individual securities representing sectors and country exposures within the products do change as valuation changes, as risk changes over the course of the year, as new products are added or rebalanced, et cetera. The largest contribution there would not have been the active reallocation or tactical bet between the four categories of publicly traded equity products that you see; it would have been a function of the outperformance associated with global developed equities as compared to emerging markets, privates, and Canadian equity markets, in particular the U.S. equity market.

The Chair: Thank you so much for that.

Mr. Kayande, go ahead.

Member Kayande: Thank you, Mr. Chair. Looking at the trend on investment expenses, it looks as though in-house AIMCo expenses were up 27 per cent. While I do appreciate that expenses as a percentage of assets under management are down, assets under management increased by $2 billion just because it got an extra chunk of money that is in a short-term money market that has very small expenses attached to it, and it's not because of higher returns in, like, private equity portfolios, for example, because those are also down. So what's going on with a 27 per cent increase in expenses at AIMCo? Yeah, that's the question.

Dr. Smith: It's a good observation. That's really driven by the changes that have happened organizationally in the sense of shuttering of the Singapore and New York offices and some of the other staffing changes that happened through the year. These are really more one-time events related to those factors than any general trend in cost.

Member Kayande: That's actually my follow-up: how much of those expenses in terms of a dollar amount are related to subleasing One Vanderbilt, the Singapore office, closing out the private debt strategy? I imagine that there were some very expensive people that needed to be severed. As well, are there any dollars in that number for winding down the private debt strategy, or is that portfolio as it exists – like, were there actually private debt placements that now have to be monitored in some way? Are you going to sell them in a secondary market? How are you winding that piece of the business down?

Mr. Lord: I'll take the latter part of the question first as it relates to the private debt and loan business, and my colleague Dr. Smith will cover off on the cost commentary.

We are not winding down the private debt and loan business overall. This has been a very successful asset class and a well-established asset class within AIMCo where we actually see a number of clients increasing allocation given the growth in private credit markets overall. We think that's a trend that continues and likely an area where clients will continue increasing allocation certainly given the current valuation environment that we're seeing across equity markets as it would compare to private credit as a whole. The private debt and loan portfolio is probably the most liquid of the illiquid, or the private, asset classes as a whole, but it is not in wind-down mode, just to clarify, as a function of the changes which were more isolated to corporate strategy and office location.

I'll let Dr. Smith speak to those items.

Dr. Smith: Yeah. I don't have much to say because I don't have the specifics and the dollar values you asked for, so we'll leave that as a follow-up item from me.

Member Kayande: Okay. Thank you.

The Chair: All right. Next we have Jackie Armstrong-Homeniuk. Ms Armstrong-Homeniuk, the floor is yours.

Ms Armstrong-Homeniuk: Hello. Good afternoon, everybody. Great to join you today. I have just a couple of questions for you there. Looking at the long-term asset mix on page 9 of the report, I see that there was no specified target for emerging markets, but when looking at page 11, we see that there is a one-year return of 14.4 per cent. I assume that emerging markets are classified under the larger global developed equities. Can the ministry clarify why the target for emerging markets would not be reported separately in the long-term asset mix?

Thank you.

Ms Jones: I can start with that one. That's a great observation. We don't want to be overly prescriptive to AIMCo in certain aspects of managing the portfolio. As my colleague Mr. Thompson alluded to earlier, the department is responsible for the asset allocation, which means broadly giving a long-term policy asset mix. Within that asset mix there is some latitude that's also given to the asset manager to generate returns. In that, you will see that there is a dedicated allocation to Canadian equities, and that is a function of being a Canadian fund. However, from the emerging market standpoint that prescriptive nature is not there. This is one where we would give more general leeway to the investment manager rather than specifying a direct target amount.

2:10

Ms Armstrong-Homeniuk: Thank you.

Is it all right if I go with my next question, Chair?

The Chair: Yes. Please go ahead.

Ms Armstrong-Homeniuk: Okay. Following up on emerging markets, I see it has slightly overperformed the one-year benchmark return at 14.4 per cent, which is quite the opposite of the previous fiscal year's 6.9. This is clearly a notable difference. Can the ministry point out the major factors that contributed to the emerging markets' asset class performance?

Thank you.

Mr. Lord: Certainly. Thank you. Emerging market equities have underperformed global equities for a number of years. We are starting to see that reverse as a function of, in general, dollar weakness and stable economic growth in a number of those countries. Specifically on the active side emerging market managers and the emerging market product have struggled to add value, and we have transitioned a number of the strategies within the product. We'll be working with our clients over the next number of quarters and into 2026 to ensure that all of the equity products enable the structural and competitive advantage of the platform to ensure that they are meeting their asset allocation needs from the underlying equity beta and that AIMCo is able to more consistently generate excess return across their products using global developed as a prime example.

The Chair: Mr. Kayande, go ahead.

Member Kayande: Thank you, Mr. Chair. Getting back to Howard Midstream, I love it because I know a little bit, a thing or two, about Midland and Delaware Basin midstream operations. When you follow up, if you could also provide some insight and colour into whether these are primarily acreage dedications because that sets up risk as rig counts decline, which they are right now in the Permian, and as well, to the extent possible, whether there is any exposure to NGL pricing or fractionation spreads. Did Howard originally pay for acreage dedications in the state line Permian area? That was a thing that was being done a lot when these large acreage dedication positions were being put together in the '16-17 time frame.

Secondly, sPower is another very large partnership that you have in energy. I'm interested in kind of similar metrics around: what it is at cost; how much liquidity has been injected for project build-out; you know, the cap table, what the share is of that, what the leverage is in the structure.

And, finally, you may be able to answer this: what's the impact of the various provisions of the Inflation Reduction Act that are being repealed on that portfolio? The asset geography: like, is that primarily ERCOT? I believe AES is primarily Midwest, so is it contiguous with AES's operations, or is it more, you know, dispersed? How much of the valuation is based on the cash flow-producing assets versus the development pipeline?

Dr. Smith: I can take part of that.

Member Kayande: Yeah, I know it's a lot.

Dr. Smith: Sadly, the details I won't have, but I can give you a little bit of colour on the Inflation Reduction Act and the consequences of the repeal because that is a question that's been on our minds, and I had a chance to speak with our head of infrastructure about it just this week.

If you'd forgive me for answering a slightly different question than the one you've asked, the IRA, as we would call it, was important for certain technologies like carbon capture, hydrogen, et cetera. So the repeal of that act: many of the projects that were related to those things will likely fizzle as a result of the repeal. Renewables, though, generally speaking, have become economic these days without the need for the subsidies of the IRA. Of course, there's going to be some impact, but those things are more cost-competitive now. The fact of the matter is, given the way the world is going and AI and everything else, we need every electron we can get. Renewables are feeding into that broader production stream and our economic.

With respect to AES that specific name did come up in our conversation. The tax credits associated with the IRA die if your assets are operational after 2028, and they'll lose eligibility at that point. We're in good shape with AES. All those projects that are in flight with respect to AES are expected to land before that date, so we'll be getting the credit.

With respect to our portfolio we're not expecting a significant impact because of the changes in the IRA. One thing, of course, is that sentiment in the space is one of the largest victims of that. A lot of smaller players are going to get shaken out, but we're very fortunate. We are in a good position and should not be hurt significantly by this.

Member Kayande: Thank you very much.

The Chair: Are there any other questions we have online? Mr. Stephan, go ahead.

Mr. Stephan: Hi. Thank you, Mr. Chair. I just had a question. I think I kind of referenced this a little bit in our last meeting. Warren Buffett said that for many investors, investing in the S&P 500 index fund would be a good way to go. Of course, we have the benefit of hindsight, but my understanding is that over the past five and 10 years the annualized return of the S&P 500 has beaten AIMCo. Now, you know, I mean, there's always the benefit of hindsight. I appreciate that, but I know that some sovereign funds such as Norway have gone towards, as I understand it, having almost no private equity, having everything publicly traded securities. So it's very easy to value, from a transparency perspective, the value of the fund. I'm just wondering if AIMCo is looking at perhaps doing some more index fund investing, and as well: what do they think about Warren Buffett's advice?

Thanks.

Mr. Thompson: If I could, I'll start that one off if you don't mind, Mr. Chair. I'm not going to argue with Warren Buffett. It's not something that's worth doing on the record. But one of the fundamental investment beliefs, as stated by the minister, is that active asset management adds value, and that is our expectation of AIMCo. That is why we have benchmarks in place to measure the value-add that AIMCo brings.

You know, in terms of comparing the heritage fund to Norway, as much as we've seen substantial growth in the heritage fund over the past few years, we're talking about a $27 billion fund versus something that is north of U.S. $2 trillion in size. Very different investment mandates. Norway invests globally in pretty much everything other than Norway, so their investment mandate is to basically buy all of the investable universe that is available to them outside of their own country, and it's a very different investment strategy. When we get to a trillion dollars in size, maybe we will look at something different, but our aggressive growth strategy, you know, our aggressive growth targets, that the minister and Premier have referred to with the heritage fund in recent days, lend themselves more correctly, I think, to an active management strategy.

I'll pass it over to AIMCo to just weigh in on what they feel about active asset management.

2:20

Mr. Lord: Yes, certainly. As it relates to Mr. Buffett's comments, who I will not argue with or refute as well, AIMCo has access to a number of different strategies or tools or products to generate active return on top of their benchmarks as compared to a retail or an individual investor as a function of the structure, scale, and team overall. I think the team, in particular, does use passive strategies where it makes sense within the equity products right now either synthetically or physically, so achieving that exposure via derivatives markets, either futures options or total return swaps, to then allow for liquidity to be used in the form of either absolute return or stock selection strategies to seek that excess return.

I think, coming back full circle, that concentrating the exposure in a passive benchmark only is really just a different form of risk-taking at the total portfolio level. You'd be giving up the decision-making to an index provider, essentially. In the case of the U.S. market or the S&P 500, which, Mr. Stephan pointed out, has performed very well over the last 10 years, it is also currently quite expensive and concentrated from a sector composition perspective. Not that those characteristics would mean that that becomes uninvestable, but it fits within the diversified approach of the fund and our clients overall of maintaining equity exposures that are broadly diversified geographically to ensure a lower risk rate of return over a longer period of time.

Dr. Smith: I might just jump in on that as well and just say that it sort of relates to something that I talked about a few minutes ago. You know, there's no denying what the S&P 500 has done in the last while. I'll let the Treasury Board and Finance folks kick me under the table if I'm getting over my skis here because they are responsible for the asset mix, but one of the reasons you see asset mixes like we see with the heritage fund is to provide a smoother ride than you would get from the S&P 500. We've had some great numbers the last little while. To be sure, we've seen some horrid numbers out of the S&P 500 over periods of time, and we will again in the future. I wish I could tell you exactly when, but if I knew that, I wouldn't be here. Just bear in mind that we're not only looking for return; we're looking for a risk-moderated return over the long run, which is why we have the broader diversification.

The Chair: Thank you so much for that.

Mr. Kayande, did you have any final questions for our guests?

Member Kayande: I'm good. Thank you. Thank you very much, Mr. Chair.

The Chair: Fantastic. With that, do we have any other questions from anyone on the lines today? I see none.

If there are no further questions from any of the members, I'm going to call for a motion to approve the Alberta heritage savings trust fund 2024-2025 annual report. Can I get a mover for that? Mr. Rowswell moves that

> the Standing Committee on the Alberta Heritage Savings Trust Fund approve the Alberta heritage savings trust fund '24-25 annual report.

All in favour in the room, please say aye. On the phones, can I get an aye? Anyone in the room or on the phones reject this proposal? I see none. With that,

> the motion is carried.

Should we let them loose? All right. We will allow our good friends from Treasury Board and Finance as well as AIMCo. We want to thank you all for your time. Hope you enjoy the rest of the afternoon, what's left. Thank you, guys, so much. We really appreciate all your hard work for Albertans.

Mr. Thompson: Thank you, Mr. Chair.

Mr. Wright: Thank you, everyone.

The Chair: I really wanted to keep them all afternoon, though.

With that, everyone, this is where the deep discussion gets in, and that is our annual public meeting. Hon. members, at our last meeting the committee began planning its annual public meeting, which it is required to hold under section 6(4)(d) of the Alberta Heritage Savings Trust Fund Act. As members will recall, the committee decided to once again hold the meeting here at the QE II Building and to follow the same format we used at last fall's public meeting.

The committee may now want to choose a date for that meeting. The meeting frequently has been held in the evening on the final Thursday in October before the start of the fall sitting of the Assembly. That would put this year's public meeting on Thursday, October 23, 2025, from 6 to 8 p.m. Again, this is for the public. I also note that last year's meeting was held during the first week of session, and if members prefer that, we'd be looking at Thursday, October 30, 2025, from 6 to 8.

Do I have any suggestions, proposals, pitches for a date and time, or do you guys think that these might be fine, October 23 or October 30?

Mr. Rowswell: So we'll accept either one, and then you'll make the decision, or we need a decision today on the date?

The Chair: We need to make that decision here today.

Mr. Rowswell: Okay. Well, I think it would be easier for our Calgary colleagues to be here on the 30th. How do you feel about that?

Member Kayande: I think it would be easier for our non-Edmonton and non-Calgary colleagues as well to be here on the 30th.

Mr. Rowswell: Great. I think that would be good, so I'll move it for the 30th.

The Chair: All right, I have a motion that we look at Thursday, October 30, from 6 to 8 p.m. Is everyone good with this date?

All right. Let's do this officially.

Mr. Wiebe: Agreed

The Chair: Sorry. Go ahead.

Mr. Wiebe: I just said agreed.

The Chair: Sorry about that, sir. All right. Sorry. I have to do this as a proper motion.

Mr. Rowswell moves that

> the Standing Committee on the Alberta Heritage Savings Trust Fund hold its annual public meeting on Thursday, October 30, 2025, from 6 to 8 p.m. at the Queen Elizabeth II Building.

All in favour in the room, please say aye. On the phones, agreement? Does anyone on the phones, on the video, disagree with October 30? Perfect.

> That motion is carried.

Thank you, guys, all so much.

At our last meeting the committee tasked the Legislative Assembly Office with creating a communications plan to advertise this year's public meeting. The report was made available on the internal site ahead of today's meeting for members to review. Ms Sorensen from LAO communications services is here online to go over the plan and to respond to any questions that members may have. I will now turn it over to Ms Sorensen.

Ms Sorensen: Thank you, Mr. Chair, and thank you for allowing me to join you online. I would love to be there in person, but I'm on home days, so I'll join you from online.

This year we're actually going to recommend a different approach than we have in the past simply because we've seen that over the years we've had a very consistent number of people attending in person, and where we do see some modest growth is in our online audience. With that in mind, we're going to recommend that the committee focus largely on no-cost and low-cost tactics and forgo some of the larger cost options that we've utilized in the past. This is going to help us develop a baseline comparison for participation in use of our promotional dollars than what we've done in previous years. Hopefully, by doing that, we can attract a similar number of people both online and in person while getting a better return on our investment.

One of the no-cost and low-cost options we're recommending is the digital advertising that we've done in the past, and to do that, we would be doing some videos, some organic content, some paid advertising on social media. We would of course update the websites and develop some e-cards that members could send to interested parties, and we would look at some province-wide radio advertising also just to supplement the online. In total, we would be looking at a province-wide cost of anywhere between $5,000 and $11,000. That's assuming that the committee agrees with the recommendation to spend between $3,500 to $5,000 on online advertising and social media and $6,000 on radio advertising.

I have included some additional high-cost options just for the committee's reference should they choose to try to attract a larger audience. But, quite frankly, in the years I've been doing this, I haven't seen a whole lot of change in the audience numbers, so I think the focus should be on just informing that engaged audience that this is taking place. But some of the higher cost options are there for you to see should the committee choose to go that route as well.

With that, Mr. Chair, we'll leave it to you.

2:30

The Chair: Thank you so much, Ms Sorensen, for that.

Does anyone have any questions or comments for Ms Sorensen? Go ahead, Mr. Kayande.

Member Kayande: Yeah. Just the notion of spending money on X, on Elon Musk's platform. Using taxpayer money for the benefit of somebody who wants Canada to become the 51st state is not, I think, something that we should be doing.

The Chair: Your objection is noted.

Any other concerns, questions, comments?

Ms Sorensen: If I may, Mr. Chair, I just want to point out that we actually have a number of free advertising dollars that, if we chose to use X, we would utilize. We wouldn't actually be billing that to the committee. However, the point is well taken. Should the committee choose not to go on X, we can look at other platforms as well.

The Chair: We certainly want to maximize our exposure. Is this, like, a personal issue, or do you object to that medium being used? It is considered one of largest platforms to get information out.

Member Kayande: My objection, and I believe the people of Alberta would also have an objection, is to taxpayer funds going to Elon Musk. I believe that we as a committee should not be advertising on Twitter.

The Chair: Yeah. Noted.
Oh, Mr. Wright, you're on mute.

Mr. Wright: My apologies, everyone.
I was just going to note that X still has, I believe, the single largest user base. As well, it is not solely – there are significant investors that do also make up that entity. I feel that it would be the best avenue currently to be able to get our message out there that these proceedings are happening. And I really appreciate the fact that it can be for the great, low price of potentially free ninety-nine.

The Chair: Mr. Kayande, do you want to push this forward? Do you want to make an actual vote on this? Is this something you just want to comment on just for the record?

Member Kayande: Yeah, I'd like to do a motion on this, please.

The Chair: Okay. Just give us a moment here. We might not have the words exact, but I would assume that the motion would be something along the lines of that

> the communications plan be amended to remove the use of X in advertising for the public meeting.

Is that fair?

Member Kayande: Correct. Yes. Thank you.

The Chair: All right. With that on the floor, I'll open it up for – well, we've kind of had a discussion. Any other comments, questions, queries on that motion? Mr. Wiebe.

Mr. Wiebe: Yeah. Thank you. I'm of the opinion that we need to get the word out. It really doesn't matter who owns some of the businesses that we advertise with. It's the fact that we reach a broader audience. So I would object to this motion.

The Chair: Any further comments, questions?
All right. Let's go to a vote on that. All in favour of the motion to remove X from the advertising platform, please say aye. On the phones, can I get an aye or an agreement towards removing X from our communications plan? All right. All in the room opposed to this motion, please say aye. On the phones, against this motion? All right, then.

> That motion is defeated.

Thank you very much for that.
Any other comments, questions for Ms Sorensen?
If there are not, I'll look for a member to move a motion to approve the draft communications plan. Mr. Rowswell moves that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the communications . . .

Mr. Wright: We lost audio with the room.

The Chair: Can you hear me now?

Mr. Wiebe: I can hear you.

The Chair: Oh, perfect.
We have a motion on the floor. Moved by Mr. Rowswell that

> the Standing Committee on the Alberta Heritage Savings Trust Fund approve the communications plan as distributed.

All in favour of the communications plan in the room, please say aye. On the phones, can I get agreement for this motion? All opposed in the room, please say opposed. On the phones, is there anyone opposed to this communications plan? I see none.

> That motion is carried.

Thank you, all, so much.
Are there any other issues for discussion today by any of the members?
If there are no other issues for discussion today, our next meeting will most likely be in September after the release of the fund's 2025-2026 first-quarter report.
If there's nothing else for consideration today, I'll call for a motion to adjourn.

Mr. Rowswell: Might as well keep the pattern going here.

The Chair: All right. Mr. Rowswell moves that the June 27, 2025, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adjourned. All in favour, please say aye. Anyone object? Anyone want to hang out all afternoon with me? Oh, I'm sad inside.

Mr. Ellingson: I mean, it's raining outside, so, you know, we can hang out here for a while longer.

The Chair: In Calgary, yes.
All right. Well, it sounds like that motion is carried.
This meeting is adjourned. It's been a pleasure, everyone. Thank you so much.

[The committee adjourned at 2:37 p.m.]

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