



Legislative Assembly of Alberta

The 31st Legislature
First Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Monday, October 6, 2025
1 p.m.

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First Session**

**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

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Brar, Gurinder, Calgary-North East (NDP)
Cyr, Scott J., Bonnyville-Cold Lake-St. Paul (UC)*
Johnson, Jennifer, Lacombe-Ponoka (UC)**
Kasawski, Kyle, Sherwood Park (NDP)
Kayande, Samir, Calgary-Elbow (NDP)
Petrovic, Chelsae, Livingstone-Macleod (UC)***
Stephan, Jason, Red Deer-South (UC)
Wiebe, Ron, Grande Prairie-Wapiti (UC)
Wright, Justin, Cypress-Medicine Hat (UC)

* substitution for Ron Wiebe

** substitution for Andrew Boitchenko

*** substitution for Jason Stephan

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Standing Committee on the Alberta Heritage Savings Trust Fund

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Ministry of Treasury Board and Finance

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Sheldon Wagner, Director, Investment Policy and Governance

Alberta Investment Management Corporation

Justin Lord, Chief Investment Officer

Amit Prakash, Chief Fiduciary Management Officer

1 p.m.

Monday, October 6, 2025

[Mr. Yao in the chair]

The Chair: I'd like to call this meeting on 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 by videoconference. We shall begin to my right.

Mrs. Johnson: Jennifer Johnson, MLA for Lacombe-Ponoka.

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

Mr. Lord: Justin Lord, chief investment officer, AIMCo.

Ms Jones: Brittany Jones, Treasury Board and Finance.

Mr. Wagner: Sheldon Wagner, director, investment policy and governance, Treasury Board and Finance.

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

Mr. Kasawski: Kyle Kasawski, MLA for Sherwood Park.

Mr. Quirk: Adam Quirk, legal counsel with the office of Parliamentary Counsel.

Mr. Huffman: Warren Huffman, committee clerk.

The Chair: We will now go to those folks who are online. With that, we do ask that you turn on your cameras and unmute yourselves.

Mr. Rowswell.

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

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

Mr. Cyr: Scott Cyr, MLA, Bonnyville-Cold Lake-St. Paul.

Mrs. Petrovic: Chelsae Petrovic, MLA, Livingstone-Macleod.

The Chair: And finally, Mr. Brar.

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

The Chair: Thank you so much for that.

For the record I will note the following substitutions: Mrs. Johnson for the hon. Mr. Boitchenko, Mr. Cyr for Mr. Wiebe, and Mrs. Petrovic for Mr. Stephan.

A few housekeeping items to address before we turn to the business at hand. 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.

Those participating in the videoconference are encouraged to, again, turn on your cameras while you're speaking and mute your microphones when you are not. Members participating remotely who wish to be placed on the speakers list are asked to message the committee clerk. Those in the room are asked to just signal us with

a hand gesture of sorts. Again, please set your cellphones and other devices to silent for the duration of this meeting.

With that, we're going to go to the approval of the agenda. A draft agenda was made available to all the members. Does anyone have any changes or additions to the draft agenda? I see none. If not, would someone like to move that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the proposed agenda as distributed for its October 6, '25 meeting? Jennifer Johnson raises her hand. Any discussion? All in favour in the room, please say aye. Oh, look at that: nonpartisan. I love it when you guys hold hands and work together like this. How about you online, anyone object? We'll just go with that.

Samir, I'm looking at you.

Member Kayande: I approve.

The Chair: Atta boy.

Member Kayande: Yay.

The Chair: Thank you so much for that, sir.

Okay. That motion is carried. Thank you so much.

All right. Next we're going to the approval of minutes. We have draft minutes from our June 27, '25 meeting. Do members have any errors or omissions they wish to note? If not, would someone consider making a motion to approve the minutes? Mr. Kasawski – thank you so much for that – moves that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the minutes as distributed of its meeting held on June 27, '25. Any discussion on this? Is there anyone opposed to this online or in the room? Fantastic. That motion is carried.

Ah. Mr. Wright, would you please announce yourself to the audience?

Mr. Wright: Hi. Justin Wright, MLA for Cypress-Medicine Hat.

The Chair: Sir, we can see your magnificent photo, but you have the ability to turn on your camera so we can see – oh, look at that handsome man. Incognito with the glasses; I get that. He gets mobbed when he goes out in public.

Mr. Wright: So sorry. Unfortunately, bouncing between meetings; just trying to get back to the office for this one. Ran a little bit late.

The Chair: Yes, the office.

All right. The Alberta Heritage Savings Trust Fund Act requires that the committee receive and review quarterly reports on the operation and results of the heritage fund. Accordingly, we are here today to review the 2025-26 Alberta heritage savings trust fund first-quarter report. The report was publicly released on August 28, '25, and a copy was made available to members on the internal committee website. We are pleased to have officials from the Ministry of Treasury Board and Finance, AIMCo, and the office of the Auditor General joining us to provide an overview of the report and answer any questions members may have.

With that, I shall turn the floor over to Treasury Board and Finance and AIMCo for your presentations. Whoever wishes to start first, please go ahead.

Mr. Wagner: Thank you, Mr. Chair. Good afternoon, committee members and guests. My name is Sheldon Wagner. I'm the director of investment policy and governance within treasury risk management of Treasury Board and Finance. I'm joined to my left by my colleague Ms Brittany Jones, who is our director of investment strategy. We're here to present the first-quarter results

of the Alberta heritage savings trust fund for the fiscal 2025-26 period on behalf of the department.

The heritage fund has had a promising start to this fiscal year. As of June 30 the fund's fair value increased to a reported \$27.6 billion, up from \$27.2 billion at the end of last fiscal year. This represents a 1.7 per cent year-to-date return. While the fund saw positive growth, its investment performance for the quarter did lag the policy benchmark return.

On July 18 the Alberta government announced a significant \$2.8 billion deposit into the heritage fund from the 2024-25 cash surplus. This contribution is expected to push the fund's total value past \$30 billion for the first time in the fund's history. Following legislative amendments introduced in 2022 and 2023, all income generated by the heritage fund continues to be reinvested for compounding returns. This strategy is key to the heritage fund's long-term growth and helps to ensure the fund remains a valuable and a viable financial asset for Albertans. For the quarter net investment income was \$344 million, contributing to a \$451 million overall increase in the heritage fund's fair value.

The heritage fund's strength is driven by its diversified portfolio, which continues to deliver strong results. Equities, which make up 47.1 per cent of invested assets, returned 4.6 per cent in the first quarter. The equities allocation of the portfolio includes Canadian, foreign, and private equity. While public equities performed well, private equity investments did lag. Fixed-income and interest-bearing investments, which represent 23.5 per cent of the fund's assets, had a slightly positive return of .3 per cent in Q1. Inflation-sensitive and alternative investments, which are 29.1 per cent of the portfolio and include positions in real estate, infrastructure, and renewables, saw a negative return of minus 1.4 per cent for the quarter.

The heritage fund has two key performance objectives, and both are measured over a rolling five-year period. The first is to outperform a real return target of the Canadian consumer price index plus 4.5 per cent while the second is to outperform a passive management benchmark by 1 per cent. The heritage fund's performance for the latest five-year period is commendable, surpassing both benchmarks. The fund achieved an annualized return of 8.9 per cent compared to a 7.6 per cent real return target and a 7.8 per cent passive benchmark target. These results confirm that the heritage fund is growing in real terms and that active investment management is benefiting fund performance.

The Alberta heritage savings trust fund continues to be a pillar of financial strength for the province. The fund's positive return in the first quarter reinforces its importance in supporting long-term fiscal stability. As the heritage fund grows both in size and relevance, it is becoming an even greater source of pride for Albertans. To ensure continued success, the department is working closely with the Heritage Fund Opportunities Corporation to improve investment oversight and develop a revitalized investment strategy for the heritage fund. This collaboration will help manage the increasing complexity of the fund's global multi-asset portfolio, with the goal of ensuring that the heritage fund will benefit Albertans for generations to come.

That concludes our prepared remarks, and at this point I will pass the mic over to AIMCo. Thank you.

Mr. Prakash: Thank you. Good afternoon. We're very happy to be here, to come in front of the committee to provide an update as well as answer any questions on the investment strategy for the heritage fund. I will start by giving a brief update on what's happening on AIMCo's front, on the corporate front, and then my colleague, Mr. Lord, will give an update on the investment strategy and share with you what's happening in the markets and the outlook.

1:10

Firstly, on the executive front we have one update for the committee. I'm very pleased to report that Justin Lord, sitting to my right, was appointed the chief investment officer of AIMCo a few months ago. Justin was in an interim position since late last year, so we are very, very pleased to have him in the role. Certainly from our perspective, we're fortunate that we have someone with the experience at AIMCo, with our clients, with our province that is in this really important role for our clients, including the heritage fund. Again, very happy for that. That's the last of the executive changes relative to the changes late last year.

In addition, a couple of other things on the corporate front. You've heard us speak about strengthening our operating platform, which in our parlance we refer to as business transformation. It's both technology enhancements and improvements but equally taking the opportunity to revisit manual and archaic processes which are fit for purpose for new systems, new technology to truly make us a lot more efficient, scalable, transparent, and robust. That business transformation initiative is going well, with the expectation that in Q1 the new system, the new platform comes online. We've been working closely with our clients, including the Treasury Board and Finance team, on what that means for clients from a reporting perspective, from the capabilities perspective and some of these things that we will be able to strengthen and some of the areas that may be net new in terms of what we might be able to do in a more scalable manner. So that's working well.

In addition, just a quick update. We continue to deepen our presence, deepen our roots in Alberta. We have 400-plus employees in the Edmonton office, where we are headquartered. In addition, we've got roughly 80 employees in the Calgary office. All of that to say that our presence in Alberta continues to be strong and to strengthen.

Then, finally – we love numbers, so amongst other things we send out a client survey twice a year to gauge, get direct feedback from clients on the various things that we are focused on on their behalf. Happy to report that over the last few years we've seen a consistent improvement across the different sort of categories and dimensions that we solicit clients' feedback on. The next one is on the docket for over the next few weeks.

And finally, we have this week our client investment symposium in Edmonton. We hold this once a year and invite many of our investment partners from across the globe to come to Alberta, come to Edmonton and spend roughly a day in a conference-type setting speaking to various topics germane to our investments and our investment strategy. It also provides an opportunity for our clients to be meeting with world-class partners and investors from across the globe in Edmonton.

With that, I'll turn it over to Mr. Lord for his opening remarks.

Mr. Lord: Thank you, Mr. Prakash.

Good afternoon, everyone. It is a pleasure to have the opportunity to be here with you. As introduced, I'm Justin Lord, the chief investment officer of AIMCo. This is a post that I was appointed to in July, not too long after the last time that I would have presented in front of the committee as the head of public markets, having held roles across public equities and public markets over the last 13 years at AIMCo.

As noted by our peers at Treasury Board and Finance and in the report, the fund started off the fiscal year with a solid quarter, generating a 1.7 per cent return year to date. We've actually seen that continue over the second quarter of the fiscal year as well, owing much to the same forces that generated the positive returns in Q1, given the outperformance and the appreciation of the public

equity exposures more broadly, as my colleagues had mentioned. I did want to draw attention to the five-year annualized returns over a longer period of time. Without going into or repeating the detail, those are standing at 8.9 per cent, exceeding both of the benchmarks as outlined.

As Amit shared – and I wanted to share a little bit with the committee from an investment strategy perspective and what we are doing at AIMCo. We'll be talking about this with our clients broadly tomorrow at our symposium. I will be focusing on the vision for evolving AIMCo's investment strategy. I recently presented on this to our board of directors, and I thought the committee members might be interested as well.

I do want to start by stating that AIMCo's investment philosophy has been sound and does remain so. We're committed to the principles of long-term investment management, our risk discipline, and a client-centric culture. These things have served us well and will not change in the near to medium term by any means, but as market conditions and the investment world change, there's more that we must do to meet our clients' objectives and investment needs.

Our focus has been to review and refine the portfolio to utilize our structural edge and optimize our risk taking across the AIMCo platform or product platform. Our updated investment strategy that the team and I are working on will ensure that we focus on playing where we can win and drawing on these structural advantages and durable skill on your behalf. On that, we do have many sources of edge to draw upon. Our scale creates access to investment opportunities and capabilities that are commensurate with a fund of the size of AIMCo, generating favourable opportunities from strategic partnerships and market access more broadly. Our diverse product platform is designed to be comprehensive and client centric, as mentioned, with products that cover the continuum of investments across public, private asset classes across the capital stack, so to speak.

Our ability to manage liquidity, to be countercyclical, to invest when risk is most attractively priced, and, last but not least, obviously, our client's long-term time horizon allows us to invest with patience on their behalf. This comes together with the expertise of an experienced investment team, differentiated insights, unique market perspectives, all competitive edges in identifying opportunities.

Likewise, we've been focusing on advancing the capabilities to manage client portfolios to reflect each client's unique needs, and we've heard clients clearly on this front. You want portfolio management processes that reflect a unique consideration, your unique considerations, not necessarily a prescriptive implementation of our asset mix overall. Advancing the management of client portfolios while harnessing the scale and expertise of the total fund will allow us to optimize capital management and investment outcomes on your behalf. We made progress over the last year, and we'll keep strengthening those processes. The result: the heritage fund benefits from the focus of a single-client fund on a large multiclient manager platform.

To close, the outcome of our work and targeted changes to ensure that we are able to deliver absolute and excess returns commensurate with your risk appetite and return expectations – we will be sharpening how we implement, as Mr. Prakash had mentioned, systems and processes that are efficient and agile, ensuring fast and informed decision-making capability. Each asset class will have its own implementation of our revised investment strategy as this evolves over the last calendar quarter of the year. That will reflect the distinct market dynamics, opportunities, and relative strengths of the team. I will say that the investment landscape is continuing to evolve. As such, we will at AIMCo as well.

Looking forward to sharing more details as this work progresses within the investment team at AIMCo and speaking about markets and positioning via your questions today. Thank you.

The Chair: Thank you so much for that. First off, Mr. Lord, congratulations on your new role. We wish you well on that. I have no doubt under your leadership we'll be matching Norway's fund in no time. A trillion: that's not hard to match, right?

Okay. Well, with that, we'll now look to committee members for questions on the report. Do we have any questions? I understand Mrs. Jennifer Johnson has the first.

Mrs. Johnson: Thank you, Mr. Chair, and thank you to each of you from Treasury Board and from AIMCo for joining us here today. I'd like to offer my congratulations, Mr. Lord, as well, on your new job. It's nice for you to be here, and I wish you all the best.

1:20

I think you've touched a little bit on this. I'll start with a main question, and then I have a follow-up if we could go there. On page 1 it says that the fund has achieved a 1.7 per cent fiscal year-to-date return, and you mentioned that. Can you discuss the key asset allocations and investments that contributed to that 1.7 per cent growth in the first quarter?

Ms Jones: I'll start. Thank you for the question. As mentioned in the opening remarks from both sides, equities have been quite a large driver of performance, and it is one of the heaviest weighted assets in our portfolio.

I will turn it over to AIMCo to talk a little bit more about how equities perform.

Mr. Lord: Okay. Certainly.

The 1.7 per cent growth in the quarter was, as Ms Jones stated, primarily the result of strong returns in public equity markets as a function of the overall equity allocation to the fund. We saw returns in the quarter of about 8.4 per cent for Canadian equities, 5.8 per cent for foreign equities. These allocations are approximately 8 and a half and just a little under 31 per cent of the allocations of the funds, so certainly contributing quite positively. Those were outsized considerations; we've seen significant appreciation of equity markets across the last couple of years. Canada is actually leading year to date between Canadian and emerging markets post a rocky start to the calendar year given the volatility of Q1. I will say that most of the other asset classes did experience a negative return in the quarter, off-setting some of the strong performance that has been illustrated within the public equities market.

Mrs. Johnson: Thank you. I'll follow up, then. The benchmark return was 3.2 per cent, and the current performance is about 1.5 per cent below that benchmark. What steps are being taken to mitigate losses in the future?

Mr. Lord: It is true that the fund returned a positive 1.7 per cent in the quarter, which did not match the policy benchmark of 3.2 per cent. Those numbers are not indicative of losses at the fund level. The absolute return we would still consider to be quite healthy given the positive figure and the overall return of the fund. The fund did lag the policy benchmark in several areas, which has contributed to that underperformance, notably real assets, which would include real estate, infrastructure, and the renewable resources portfolios containing timberland, farmland assets, et cetera, and private equity, so within the real asset portfolio.

With interest rates moving higher over the last couple of years alongside higher inflation combined with geopolitical tensions and

ongoing tariff disputes, there were implications of pricing pressure on both assets and their underlying goods or services, resulting in a lack of appreciation that was able to keep up with public market benchmarks in some cases or the CPI-plus-inflation benchmarks that some of these asset classes do have as well.

Real estate, as we've spoken at the last number of meetings, has faced headwinds with respect to the overall industry and also from a portfolio composition perspective in office, retail, and particularly certain areas that are exposed to development. We're working diligently to manage our clients' many investments across these areas to maximize value over the coming years, and we do anticipate that it will take some time to see this performance return. There are I guess some positive trends that we are seeing in the real estate market, that we are seeing from an inflation perspective, that make us optimistic that these asset classes will be able to catch up in the future.

The other asset class that we wanted to touch on was private equity. The private equity segment of your portfolio is indexed against public equity, which, as we mentioned, is having another very strong year, with a one-year return of 16.9 per cent on top of the fiscal quarterly return of 5.8 per cent, as mentioned, and a fantastic five-year number as well. The five-year return number is very healthy compared to public markets, and in the short term it's been very difficult for private equity to keep up with public markets. From a portfolio construction perspective we would expect differences between a private equity and a public equity portfolio as well. If they were acting the same, the correlation or the diversification benefits would certainly not be present in the portfolio.

With respect to talking a little bit more about private equity and the impacts or perhaps the headwinds that that industry is facing, it's been a tough environment, like real assets, where financing costs have increased. Tariffs have provided for some potential volatility or uncertainty, as has the geopolitical uncertainty that abounds in the marketplace today. We are seeing less liquidity in the private equity market. You have seen fewer exits or lower distributions. I would also note that these assets are not valued on a daily basis, so there is a bit of a lag as we've seen a stabilization post the volatility of the first half of the calendar year. Once again optimistic that the team's portfolio construction process is sound, and we'll be looking forward to year-end valuation updates on that front.

Mrs. Johnson: Thank you. I really appreciate that.

If I may just have one small follow-up? No?

The Chair: Sorry.

Mrs. Johnson: I think he's already touched on it. Should we come back later?

The Chair: Yeah. Why don't we come back later? We'll just give some other members – I do have Mr. Rowswell.

Before I go to Mr. Rowswell, I'd ask His Majesty's Official Opposition. Mr. Kasawski, you have a question?

Mr. Kasawski: I do.

The Chair: Absolutely. Go ahead, sir.

Mr. Kasawski: Thank you, Mr. Chair. As we know, there's a lot of uncertainty in this world, but one thing we are certain of is that Connor McDavid has been signed for a two-year contract with the Edmonton Oilers. I think everyone in the room and across Alberta feels much better.

The Chair: And for a low number, I might add.

Mr. Kasawski: Focused on the cup.

There was a bit of a mention about HFOC, the Heritage Fund Opportunities Corporation. It was established earlier this year, and now the board is in place. I suppose what we're asking for at this point is: at what point can we expect some reporting to come in from HFOC, or at least a plan for it?

Ms Jones: I'll take that one. Thank you. That's a great question. The board has met twice now, and conversations are under way to get some of those board members in front of this committee. That could be as soon as the annual meeting, potentially. We're not sure exactly what the attendance will be there, but after that I would expect that you would start seeing members of HFOC.

There will be a search, an executive search for a CEO. That's one of the things that this is a little bit contingent on, because without a CEO in place, there's really not a clear staff that's built, so we're waiting for that CEO to really come in and be able to set some strategic direction there. In the background, however, HFOC is staffing with some individuals that will be able to help, administrative support and other things like that.

In the meantime the department, as stated in the opening remarks, has been working with HFOC, and AIMCo has actually been working with HFOC as well in order to streamline things going forward. I don't have a clear answer for you at this time exactly when you're going to start seeing everybody, but it's on the agenda to start getting everybody in front of you.

The Chair: Follow-up?

Mr. Kasawski: Yeah. The \$2.8 billion: what does it do while it's sitting idle?

Ms Jones: Right now the \$2.8 billion has been allocated. It has to be funded before the end of the year, so as per the legislation it will have to be turned into cash and invested by March 31 at the latest. However, if there's room to do something with that sooner, the board will take advantage of that.

Right now the board is thinking about strategy options. There are really three pools of cash that we're looking at right now: the balance fund that we have with AIMCo, \$2 billion that has been funded that's sitting in CLS, as well as the \$2.8 billion. So the board right now is working on an investment strategy that encapsulates what to do with all of these different sources of funds.

The Chair: Next we shall go online. Mr. Rowswell, you have a question for our guests. Your mute button is on.

Mr. Rowswell: There we go.

The Chair: Perfect.

Mr. Rowswell: Okay. Sorry about that, everybody.

On page 2 the 12-month rolling returns on the fund show the benchmarks at 11 and a half over the rolling 12 months, and ours was 9.2. Can you explain just what factors contributed to the shortfall on your management relative to the benchmark?

1:30

Mr. Lord: Yeah, certainly. I think that the answer is going to be quite similar to the individual quarter commentary as well. The pressure or the underperformance across illiquid portions of the portfolio, as mentioned, across the inflation-sensitive real assets, private equity, et cetera have persisted in the face of what has been, you know, a volatile geopolitical macroeconomic environment.

Some of the valuation impacts, given the volatility associated with interest rates, or over that time period increasing rates – we’ve since seen rates start to come down, but we haven’t seen that benefit translate through. Then, last but not least, certainly from an impact perspective it has been the continued outperformance versus expectations of public equity markets in general and certainly impacting the relative returns versus the private equity portion of the portfolio’s allocation.

Ms Jones: If I could just add one other comment as well. Illiquid benchmarking is very difficult because these benchmarks are not perfect, and AIMCo has worked very diligently with clients to try to find what benchmarks can and should be. In this particular aspect of the portfolio you are looking at benchmarks like CPI plus 450, which is just absolute constant. Also, we were talking about how private equity is benchmarked against a public index. In that area we will see a little bit more deviation as well.

Mr. Rowswell: Yeah. That kind of lends it to my follow-up question. You’re saying that private equity isn’t in our benchmark, so how do you pick a benchmark? You’re looking at: public markets did so well relative to, say, private. So the benchmark: is it in there and not in ours? Like, I’m confused as to how you pick a benchmark and how you get a proper comparison.

Ms Jones: I’m happy to start that process. The department has decided to adopt all of the benchmarks that are currently in AIMCo’s product descriptions.

The benchmarks and AIMCo’s product descriptions: I will let AIMCo speak to the process that they go through talking to the clients on bringing these benchmarks up.

Mr. Lord: Yes, certainly. Perhaps before Mr. Prakash touches on the product description and the approval processes, client consultation, et cetera, I will just mention that this is something that’s very easy for public markets. You have an underlying benchmark in public markets, whether that is public equities or public fixed income, that is in fact liquid and tradable. If, for example, you have a benchmark of the S&P 500, let’s say, you can go out and transact in fairly significant size on a daily basis to manage that benchmark risk overall. Much more difficult in illiquid assets, in private asset classes.

When looking at the trade-off between how best to gauge the effectiveness of a management team versus the opportunity cost in the portfolio construction process, this is a dialogue that is constantly evolving with our broader client base as well in hopes that you’re able to, you know, fairly assess the efficacy of the team that is managing those illiquid asset classes but also in constructing a portfolio that is meeting the goal of the fiscal return targets that a client or that the heritage fund might have.

Mr. Prakash, do you want to talk a little bit about how we set those benchmarks? I’ll give you the difficult part of it.

Mr. Prakash: Yeah. Let me just give a quick preface of the benchmarks. The policy benchmark referred to in the annual report is effectively a weighted average of the different asset classes multiplied by the returns for equities, bonds, et cetera. So that’s where the extent that an asset class benchmark that we refer to may come in there. That is number one.

Number two. AIMCo, as we manage it and consistent with what Mr. Lord said: each of the asset classes has a benchmark, so private equity has a benchmark, et cetera. Now, in most cases the same benchmarks are reflected in the client policy benchmarks, but sometimes they are not. When we speak to the private equity return and the benchmark return, we are normally referring to what

happened to the private equity investment pool and then, secondly, what happened to the benchmark related to that asset class or private equity benchmark, which is a public equity benchmark at the moment.

Finally, the last comment in terms of the process. We go through and have been going through over the last few years almost 95 per cent of the different pools we manage for clients, in deep consultations with clients across a variety of aspects of those pools including benchmarks. Therefore, what you see here for heritage is the result of that process and the benchmarks across the various asset classes.

Mr. Rowswell: Thank you.

The Chair: Next we shall go to Mr. Kayande. Samir, can you hear us?

Member Kayande: Yes, I can, Mr. Chair. Thank you. You can hear me fine?

The Chair: You’re five by five.

Member Kayande: Okay. Perfect.

I appreciate AIMCo’s commentary that they followed up with in regard to the question that I asked in the last meeting regarding Brexit and the implications on the portfolio and on returns. My understanding of what the answer was is that while the impact on the heritage fund’s returns was minor, Brexit of course, you know, had a negative impact on asset returns in the U.K., which I think is reasonable. We are now looking at in Canada two potential referendum questions on separatism, one in Quebec specifically. I guess my question is: does AIMCo have a similar risking process that they’re putting in place for a potential increase in country risk in Canada as a result of separatism referendums in Quebec and in Alberta?

Mr. Lord: I can take that. No, we do not have a specific stress-testing scenario for those items mentioned.

Member Kayande: So even though you did that for Brexit, you’re not going to do that for Canada.

Mr. Lord: We have not at this time, no.

Member Kayande: Okay. Thank you.

The Chair: Next we shall go to our resident accountant, Mr. Scott Cyr. Mr. Cyr, can you hear us okay?

Mr. Cyr: I can. I’m just rereading some of the fascinating annual report.

Thank you, Mr. Chair, and I also would like to thank the good work that our AIMCo and Treasury people are doing in this portfolio. Now, clearly, when we’re considering what’s happening in the world – and you touched on it briefly with the tariffs. I am curious on, I guess, the credit risk that we’ve got and our debt securities. I’ve got two parts to the question, but we’ll start off with: can you elaborate on the role of the debt securities in this portfolio and what you’ve done to limit the credit risk that we’ve got?

Mr. Lord: Yeah, certainly. The debt securities in the portfolio – and I believe these are referenced in one of the notes of the quarterly report; I don’t have the exact note in front of me – would span across a combination of the fixed-income allocations and the private mortgage as well as private debt and loan allocations of the fund. We have been watching credit markets quite closely given the

continued spread, compression that we are seeing in the market across all forms of credit exposure as assets continue to flock to private credit in light of the current environment and what we're seeing in public equity markets from a valuation perspective as well.

1:40

The overall credit-monitoring process is a function of the risk-monitoring or risk-control process that would exist in individual products, product descriptions as well as something that would be reported on to our clients and monitored on a daily basis from an investment-risk perspective. In some cases we do have exposure to credit hedges across our products where those would be applicable to the individual product description, be that in our universe bond portfolio or some of the fixed income allocations of the fund or the absolute return allocations that are used as a form of portable alpha, excess return, generating risk in the equity products as well.

Have I covered off on the entirety of your question? Apologies if I've missed something there.

Mr. Cyr: You did a great job there. My apologies for not telling you the page that I was looking at. We were on page 13 of the annual report.

Now moving on to the next page, page 14 of the annual report. I'd like you to go down to the credit rating. There's a chart there; the investment grade AAA and BBB minus. It went up by 1.8 per cent, and then the speculative grade went up by 3.8 to 4.1, so .3, and then the unrated went down. Now, is it just that the investments that we've got are, I guess, improving in this time of turmoil that we're seeing from our southern neighbours, or is it that we are shifting our assets into more stable investments?

Mr. Lord: Okay. I'm happy to take that one as well. These types of movements are typically due to a blend of general movements in the underlying prices of those instruments, whether they are public or private. Even with securities across the private credit portions of the portfolio, they are still mark to market quite frequently. Less of this fluctuation is a function of allocation decisions, for the most part.

I would like to note – and I think it's in this note in particular – that the unrated portion on the row in note 6 is in fact, yes, private mortgages and private debt. Those are the two illiquid strategies. We have seen some additional allocation to private credit and also a very strong performance from that asset class in particular. These strategies are funded by calling capital from the investment grade bucket to the degree that there is a portion of unallocated capital versus your asset mix. We also have, given the relatively short duration or the amortizing nature of the portfolios, a little bit of fluctuation as loans are paid down and capital is reallocated over the course of the year. We would expect that fluctuation to be quite normal based on those fund flows as well as the market prices of those securities.

I will say, just in a final point, that all those holdings, including the private mortgages and the private loans, are valued regularly using market best practices, and so they will have a small degree of price volatility as a whole.

Mr. Cyr: Thank you for that.

The Chair: All right. Next we'll go to Mr. Kasawski, followed by Mr. Wright.

Mr. Kasawski: Thank you, Mr. Chair. AIMCo was great enough, good enough to provide from Andrew Davis a comment on private equity. We have AIMCo invested it looks like in 90 private equity funds. Just in general, coming from a layman's term, I'm noticing

that cash flow is a little tighter across the world. I imagine that businesses at some point are going to get a quarterly report where cash flow is tightening up from their businesses, things are not coming in. I guess I'm looking for some explanations, some comfort. When you have these investments in private equity funds which are leveraged, when would we be triggering a concern that maybe we are too leveraged or that the debts are not being repaid within the private equity funds for the businesses that they own? I hope that kind of makes sense.

And then, Mr. Lord, you did mention that there is some liquidity risk, it sounds like, because the opportunity to exit out of positions is drying up a little bit. You mentioned it in your initial report. Just looking at a world where cash flow is tightening up and knowing that we're invested in private equity in a lot of funds, how can we just feel a little more comfort with our investments in those funds?

Mr. Lord: Yeah. Certainly. I'll take that. Thank you for the question. Two very relevant points as it relates to cash flow, et cetera. Not quoting specifically across what makes up the private equity fund universe in our product, but any type of leverage that is at the underlying company or operating level would be very similar to that which would exist in public equities as well. We don't use leverage at the total portfolio level within the private equity asset class. We have not seen any elements of distress from the portfolio en masse, and we can certainly follow up to a greater degree with respect to a level of granularity there.

What I will say is that we have started to see perhaps some pockets of liquidity certainly presenting themselves via the secondary market in private equity. There is still a fair amount of capital across both GPs, private equity shops as well as institutional investors and/or retail investors, looking to continue to allocate to the space. We see that as a potential opportunity to raise liquidity should it be attractively priced, and/or, vice versa, we would also be looking at taking advantage of some of the illiquidity to add to positions or to add allocations either at the fund or coinvestment level to the portfolio should illiquidity present a really attractive pricing opportunity for a solid operating business overall.

This is all said with the backdrop of a public equity market that is continuing to appreciate and that is remaining perhaps more expensive than historically we would traditionally expect to pay for public equity exposure, so we think that there are some opportunities still. I will also note that there is a relatively small allocation compared to public equities at the heritage fund level.

Mr. Kasawski: Just a quick follow-up?

The Chair: Sure.

Mr. Kasawski: So then as public markets are becoming – maybe the valuation is getting a little weak. Are there triggers that we have in the fund that will, you know, get us to get out of public markets at some point because they've become overvalued?

Ms Jones: I'll take this one. Thank you. That's a great question, and that's certainly something that is on the top of the mind for the board right now, assessing all of these different asset classes. What is the investable universe? What are the true objectives of the heritage fund? What is the true risk tolerance? Where do we want to go with that? One other thing that I would like to mention is that the heritage fund has ceded three endowments along the way as well, and those three endowments are also under review.

All of the things that go into portfolio construction right now we're taking a very close look at, including geographical diversification and so forth, not just listed versus private investments. We do feel and over time you've seen it written that the heritage fund does believe

in active management, and that does lead us to look at what other asset classes can provide some stability, downside protection, and so forth. So that's definitely on the top of the mind for the board members right now.

Mr. Kasawski: That didn't answer my question.

Ms Jones: Oh, no?

The Chair: Reiterate your question.

Mr. Kasawski: If you're a public company and maybe a comfortable price-to-earnings ratio is, let's say, 20 nowadays, and now we're getting to 25, does that signal something to the managers that they should be getting out of investments?

Ms Jones: I'll let AIMCo speak to the security selection aspect of it.

Mr. Kasawski: I appreciate your commentary.

Mr. Lord: Yeah. Certainly. I'll touch on another item with respect to liquidity. We do look across the equity allocations for opportunities with respect to valuation. Valuation in and of itself, or high valuation, is not always a catalyst for a market correction or a price depreciation as well. In fact, we've seen expanded valuation multiples across large-cap equities be supported by the continued above-expectation or above-average growth within a certain part of the large-cap tech and consumer sectors in global equities. This is justified for the time being as well, but when you are paying more for an asset, the downside is certainly larger should those expectations change in the future, and that is something that we are cognizant of with respect to our tactical positioning and/or hedging activity that we would undertake within the equity products.

1:50

We are currently right around neutral weight equities overall but paying very close attention certainly to the broader macroeconomic, geopolitical environment as a source of risk as well as the quite lofty regressive growth expectations, which have been beaten over the last number of quarters by large-cap equities. But it certainly is a biweekly conversation at our tactical risk allocation committee and off-setting biweekly investment committee meetings.

Mr. Kasawski: Okay. You guys want to give me any stock tips?

The Chair: All right. Final questions go to Mr. Wright online. If anyone else does have further questions, though, we will have to ask for the committee to extend. But I'll just leave it to Mr. Wright for now.

Mr. Wright: Well, thank you, Mr. Chair. I'll be brief with my questions. On page 20 I see that there's some information on the Heritage Fund Opportunities Corporation, which notes that the board of directors of the Heritage Fund Opportunities Corporation, or the HFOC, was formally appointed in July 2025 and delegated authority to direct asset transfers between AIMCo and the HFOC. However, investment activity has yet to commence. What strategic opportunities and objectives does the department envision for the HFOC in complement with AIMCo's existing investment mandate? As well, how will the department ensure transparency and accountability of the HFOC beginning operations, especially regarding its impact on the fund's performance and governance?

Mr. Wagner: Thank you for your question. The Alberta government saw the need for an independent, professionally managed

organization to oversee the growth of heritage fund assets. This corporation is designed to provide the independent oversight needed to ensure that the value of the heritage fund continues to grow to achieve that long-term objective of growing the fund to \$250 billion by 2050. The new corporation is in the process of developing a revitalized investment strategy for the heritage fund, and HFOC will work and continue to work in collaboration with AIMCo to make sure that long-term asset growth is prioritized.

In terms of ensuring transparency and accountability for HFOC, the corporation is an independent provincial corporation, and it does operate at arm's length from government. This is on purpose to ensure that the corporation is making independent decisions for investments and investment strategy. The corporation's government structure is centred on transparency and sound financial stewardship in order to support investment decisions that will maximize long-term returns. Clearly defined benchmarks and metrics will guide, ultimately, the fund performance evaluation, and adjustments will be made as needed to ensure that the heritage fund stays on track for that growth target of \$250 billion by 2050. Ultimately, reporting on heritage fund performance and governance will be publicly disclosed and regularly audited, as is currently the case for the heritage fund and its endowments.

Mr. Wright: Thank you for that.

Mr. Chair, if I may have one follow-up. Referencing page 13, specific investment policies and guidelines ensure that the fund is managed in a fiscally prudent way to permit appropriate risk levels. According to the target policy asset mix the equities asset class increased by just under \$500 million from the 31st of March this year compared to the other asset classes, which stayed relatively the same. Can you explain the reason behind this increase, and is there any strategy behind this increase?

Mr. Lord: Yes. Certainly. I'm happy to take the question. The underlying increase in the public equities or the equities balance is a function of the year-to-date appreciation, or appreciation of the asset class over that time, without any specific large changes to asset allocation.

Mr. Wright: Thank you.

The Chair: Thank you for that.

With that, unless there are any further questions for this – okay. We're going to have to extend the time on this. We're going to have to ask the committee to extend by another 30 minutes. Is that your wish?

Mr. Kasawski: I don't think we'll need 30 minutes, but, yeah, that would be my wish.

The Chair: We'll extend past the end time.

Okay. The question to the committee is if we wish to extend time past our 2 o'clock time in order to ask more questions of Treasury Board and Finance. That is the question. Does anyone object to extending time? That's my one question. In the room? On the line? Does anyone object to extending our time?

Mrs. Petrovic: Chair, if I may. It's Chelsae Petrovic.

The Chair: Yes.

Mrs. Petrovic: Just a quick question. Is it absolutely necessary? I do have meetings planned for 2 p.m. I'm just curious if it's

absolutely necessary that we continue to extend. I feel like Treasury Board has answered these pretty significantly, so just curious to see if this is absolutely necessary to cancel 2 o'clock meetings of constituents for this.

Sorry. Thank you.

The Chair: Thank you very much for that.

Mr. Kasawski.

Mr. Kasawski: It's necessary.

The Chair: All right.

Does anyone else besides Mrs. Petrovic object to extending the time?

Mr. Wright: I have a very similar time constraint starting at 2 o'clock with constituents.

The Chair: All right. At this time I'm going to decline this.

With that, the committee should now consider a motion to receive the first quarter report. Can I get someone to raise that? Jennifer Johnson moves that

the Standing Committee on the Alberta Heritage Savings Trust Fund receive the '25-26 first quarter report on the Alberta heritage savings trust fund.

Any discussion? Go ahead. Let's discuss.

Mr. Kasawski: Yeah. Mr. Chair, I would love to receive this report, but as we haven't been able to ask all the questions, I'm not going to be able to vote in favour of it.

The Chair: That's fine.

All right. Anyone else have any comments, questions, suggestions? Seeing none, all in the room who support this motion,

please say aye. On the line, all in favour of receiving the first quarter report, please say aye. All opposed in the room, please say no. On the phones, if you're opposed to this motion, please say no.

That motion is carried.

Thank you very much.

That will conclude today's business with respect to the fund's first quarter report. I'd like to thank our guests from AIMCo, Treasury Board and Finance, and the office of the Auditor General for being here today. You're welcome to stay if you wish. Thank you for joining us here today.

With that, we'll now move to other business. AIMCo provided written responses to questions asked at the committee's April 14 and June 27, 2025 meetings. Responses were posted on the committee's internal site for committee members to review.

Are there any other issues for discussion today? I see none.

The next thing is that the committee's next meeting will be the annual public meeting on October 30, 2025, from 6 to 8 p.m. As a reminder, the purpose of the meeting is to allow members of the public to interact with the committee and learn about the fund. However, as we go through the questions, we may have time for committee members to ask some questions, so members may want to prepare a few questions for that meeting.

If there's nothing else for consideration today, I will call for a motion to adjourn. Jennifer Johnson moves that the October 6, 2025, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adjourned. All in favour, please say aye. On the phones? All opposed in the room? I hear none. Online, anyone opposed to adjourning today? Okay. That motion is carried.

The meeting is adjourned. Thank you so much, all.

[The committee adjourned at 2 p.m.]

