Legislative Assembly of Alberta

The 31st Legislature
Second Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Annual Public Meeting

Thursday, October 30, 2025
6 p.m.

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Standing Committee on the
Alberta Heritage Savings Trust Fund

Yao, Tany, Fort McMurray-Wood Buffalo (UC), Chair
Johnson, Jennifer, Lacombe-Ponoka (UC), Deputy Chair

Ellingson, Court, Calgary-Foothills (NDP)
Kasawski, Kyle, Sherwood Park (NDP)
Kayande, Samir, Calgary-Elbow (NDP)
Rowswell, Garth, Vermilion-Lloydminster-Wainwright (UC)
Stephan, Jason, Red Deer-South (UC)
Wiebe, Ron, Grande Prairie-Wapiti (UC)
Wright, Justin, Cypress-Medicine Hat (UC)

Ministry of Treasury Board and Finance Participants

Brittany Jones	Director of Investment Strategy
Sheldon Wagner	Director of Investment Policy and Governance

Alberta Investment Management Corporation Participants

Amit Prakash	Chief Fiduciary Management Officer
Justin Lord	Chief Investment Officer

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Standing Committee on the Alberta Heritage Savings Trust Fund

Public Participants

Robert Ascah
Jeff Manchak
Greg Meeker

6 p.m. **Thursday, October 30, 2025**

[Mr. Yao in the chair]

The Chair: Good evening. I'd like to call the 2025 public meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund to order.

I'm Tany Yao. I'm the MLA for Fort McMurray-Wood Buffalo and chair of this committee. Tonight the committee is pleased to host its annual meeting to hear questions from members of the public who are interested in the Alberta heritage savings trust fund.

I'd ask that members and guests seated at the table introduce themselves for the record, and I'll call on those joining in by videoconference. We shall begin to my right.

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

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

Mr. Wiebe: Good evening, everyone. Ron Wiebe, MLA, Grande Prairie-Wapiti.

Mr. Stephan: Hello to all the Albertans tuning in. Jason Stephan, Red Deer-South.

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

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

Ms Jones: Good evening. Brittany Jones, Treasury Board and Finance.

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

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

Mr. Kasawski: I'm Kyle Kasawski, MLA for the mighty hamlet of Sherwood Park.

Mr. Ellingson: Court Ellingson, MLA, Calgary-Foothills.

The Chair: With that, I will now go to our member who's joining us virtually. Mr. Wright, could you please unmute yourself and introduce yourself.

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

The Chair: Thank you, sir.

There are no substitutions for tonight.

The Alberta Heritage Savings Trust Fund Act requires the committee to hold a public meeting on the fund every year. The nonpartisan staff of the Legislative Assembly Office arranged to promote these public meetings. I'd like to thank all those involved for making this happen.

The Alberta heritage savings trust fund was established in 1976 with funds from nonrenewable resources as managed by the Alberta Investment Management Corporation, also known as AIMCo, with direction from the Ministry of Treasury Board and Finance. Tonight's meeting provides an opportunity for Albertans to participate in the discussion about the status of the fund and its investments and to find out what's in store for the future. The investment professionals who manage the fund to get the best possible return are here to answer your questions.

Our proceedings are being broadcast live on Alberta Assembly TV, and the audio and video of this meeting are streamed live on the Legislative Assembly website at www.assembly.ab.ca as well as the Legislative Assembly's Facebook, X, and YouTube accounts. I'd like to encourage everyone to join the discussion during our live broadcast. More information about this committee and its mandate can be found on the Standing Committee on the Alberta Heritage Savings Trust Fund page on the Legislative Assembly website.

If you would like to participate, you may come in person here to the Queen Elizabeth II Building until 8 p.m. You can call in at 1.800.717.1738 and use conference code 79940. You can also submit your questions via the web form on the committee's website, and you can e-mail questions to committee.admin@assembly.ab.ca. You can also post questions on Facebook or X by using #abheritagefund. This information will be displayed on the screen for the duration of the meeting.

We hope to respond to as many questions as time will allow during the question-and-answer segment of the meeting and will immediately follow our panel presentations. The committee will alternate questions between those joining us in person, on the phone, and via social media and e-mail. Your input is important to us and I encourage you to participate, but I will ask that those participants please keep questions and comments respectful and relevant to tonight's topic, the Alberta heritage savings trust fund.

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

Sorry. We will go right to the Treasury Board and Finance presentation. My apologies. Okay. With that, we will go to Treasury Board and Finance for their presentation, please.

Mr. Wagner: Thank you, Chair. Good evening to the committee, guests, and members of the public. We are pleased to be with you tonight. I must say, whoever managed to schedule this meeting between game 5 and game 6 deserves a medal. Go Jays.

My name is Sheldon Wagner, and I am the director of investment policy and governance for Treasury Board and Finance in the division of treasury and risk management. I'm joined by my colleague on my left, Brittany Jones, who is the director of investment strategy within our group. We appreciate the opportunity to present to this evening's annual public meeting of the Alberta heritage savings trust fund. We'll run through a brief history of the heritage fund this evening and discuss the 2024-25 fiscal year results. Out of interest, we'll also highlight the three Alberta heritage endowment funds and talk further about the purpose and work of the Heritage Fund Opportunities Corporation.

To begin, the heritage fund is Alberta's main long-term savings and investment vehicle. The fund's mission is mandated by the Alberta Heritage Savings Trust Fund Act to benefit all Albertans both today and in the future. Albertans can take pride in knowing that this wealth fund is very unique in Canada and there is no other province that has one like it. The heritage fund was created in 1976, which is almost 50 years ago now – it's hard to believe – starting with that deposit of $1.5 billion. The fund was initially designed to strengthen and diversify the provincial economy, improve the lives of Albertans, and save for the day when nonrenewable resource revenue declines and disappears in order to build sustained provincial wealth to benefit all Albertans.

Initial government policy dedicated 30 per cent of nonrenewable resource revenue to the heritage fund. However, due to growing fiscal challenges, all regular contributions were suspended by the late 1980s. Starting in 1982, most of the heritage fund's net income was diverted to the government's general revenue fund, and this helped to pay for government services but severely limited the fund's long-term growth potential. Following public consultation in 1996, the heritage fund's mandate and investment policy were realigned to focus on maximizing long-term financial returns rather than to fund economic development activities within the province. Of particular note, in 2006 government contributions to the heritage fund were restarted and new rules were brought in to ensure that some income was saved to inflation-proof the real value of the assets in the heritage fund.

Recently the government has taken bold steps to support the heritage fund's original vision of reducing reliance on nonrenewable resource revenue. These actions, as outlined in the heritage fund road map which was released earlier this year, are already transforming the fund into an even more powerful long-term provincial wealth fund. Historically most of the heritage fund's income was withdrawn to pay for current spending needs. The government has suspended this practice. Amended legislation now allows for 100 per cent of the fund's net earnings to be reinvested. This change is designed to protect the heritage fund against inflation and to improve long-term growth through compounding.

The government has also implemented savings discipline through its fiscal framework. A portion of any surplus cash in a given fiscal year is now allocated to the heritage fund. Since 2023 the government has contributed over $2.75 billion in new capital to the heritage fund. An additional $2.8 billion deposit from the 2024-25 surplus was also announced this past July. With more than 5 and a half billion committed since 2023, the fund is well on its way to nearly doubling in size in just the last five years.

Ms Jones: To ensure that the heritage fund is managed effectively and protected for future generations, a clear and robust oversight structure is being put in place. We thought we'd dedicate a slide to explain the governance and flow of information which supports and safeguards the heritage fund. Starting from the top, the Minister of Finance is responsible for the heritage fund and answers directly to the Legislative Assembly, which is elected by Albertans.

6:10

The heritage fund operates under the Alberta Heritage Savings Trust Fund Act. The Department of Treasury Board and Finance, acting under the minister's direction, performs key administrative and policy functions, including supporting investment policy development for the heritage fund, monitoring the fund's investment performance and compliance, preparing quarterly and annual public financial reporting for the fund, and then the management of the fund's investments involves two entities. AIMCo as the current investment manager is responsible for executing and managing the investments of the heritage fund according to the approved statement of policies and goals, or the SIP&G, and the Heritage Fund Opportunities Corporation, which is being established right now, is meant to provide an additional layer of independent and professional oversight. HFOC has been mandated to update and improve the heritage fund's current SIP&G. As well, the corporation will collaborate with AIMCo on the asset mix that the portfolio will develop.

The all-party heritage fund standing committee, present here this evening, provides a critical layer of legislative scrutiny. The department and AIMCo currently present and provide updates to this committee, which is responsible for reviewing the heritage fund's performance and financial reporting, approving the annual report, and providing a separate report for the Legislature as to whether the fund's mission, as defined in the Heritage Savings Trust Fund Act, is being met.

The investment approach to the heritage fund is that the heritage fund assets are primarily invested in diversified pools through AIMCo. There's currently a cash surplus sitting within Treasury Board and Finance that will be deployed in the coming months. The fund is currently invested using a total portfolio approach articulated within the SIP&G that emphasizes diversification to ensure that all assets contribute to growth while carefully managing downside risks. Return expectations for the heritage fund are reasonable and achievable, and the construction of the portfolio is meant to meet those objectives.

The heritage fund act states that investments should be managed to maximize returns within a prudent level of risk, which is also articulated in the investment policy and requires a disciplined, long-term approach to investments. The heritage fund activity is guided by the statement of policies and goals, which we have referred to in the previous slide. This is a living document that is reviewed regularly to keep pace with changing financial markets, and the authority for this investment policy is being delegated to the Heritage Fund Opportunities Corporation, which is expected to have the professional staff to give it the insight that it requires to ensure that this fund is managed the best way it can be for future generations.

We'll now move on to the heritage fund 2024-25 financial results and overall performance. The net financial assets of the heritage fund grew to $27.2 billion in 2024-25, setting a record value. This represents a $4.2 billion increase over the prior fiscal year. For the year the heritage fund investment return was 9.7 per cent net of fees. Over the last five- and 10-year periods the fund has earned annualized investment returns of 9.6 and 7.4 per cent respectively. Last year the heritage fund generated over $1.9 billion in net investment income, and since inception more than $42 billion of the investment income has been transferred to the general revenue account. With that income that has been generated, $8.8 billion of it has been retained through the inflation and capital retention rules.

It's important to note that the $27.2 billion figure does include a $2 billion surplus contribution from the Alberta government, which was allocated in Budget 2024. The $2 billion is intentionally excluded from the existing investment strategy right now, and these funds are being held in a liquidity solution while the Heritage Fund Opportunities Corporation finalizes a new investment plan for the heritage fund.

Mr. Wagner: The heritage fund's growth during '24-25 was largely driven by nearly $2.1 billion in earned investment income, which was off-set by $184 million in direct investment costs and investment management related fees. Equities were the largest contributor to investment income, generating $1.5 billion for the year. The additional $2 billion surplus contribution, which was allocated at year-end under the province's fiscal framework, provided a significant boost to the fund. The heritage fund also reported $346 million in net remeasurement gains for the year.

Recent strategic actions taken by this government, including retaining and reinvesting all earnings and making new capital contributions, are helping to drive the heritage fund's value higher over time. Combined with generally strong investment returns, the fund's value has increased by more than 65 per cent since the end of fiscal 2019-20. The total value of the heritage fund is expected to surpass $30 billion this year following the government's July announcement of an additional $2.8 billion contribution for 2025-26. A lot of fiscal years there.

In terms of measuring investment performance, the heritage fund relies on two distinct metrics, a real return target and an active management target. The real return target assesses whether the heritage fund's investment growth is outpacing inflation. The goal is to exceed the Canadian Consumer Price Index by 4 and a half per cent over a rolling five-year period. The active management target evaluates the skill and value added by the fund's investment manager. The target is to earn 100 basis points, or 1 per cent of value, above the return of the passive policy benchmark, also over a rolling five-year period. Taken together, these two metrics provide a holistic picture of the heritage fund's success, confirming both that the asset allocation is achieving appropriate real returns and that the investment manager is delivering good, long-term value.

Ms Jones: Just to quickly go over the asset mix and weightings of the total portfolio, the portfolio is guided by a long-term strategic asset allocation, which is currently under review. That long-term strategic asset allocation targets 20 per cent fixed income, 32 and a half per cent inflation-sensitive and alternative assets. These include asset classes like real estate, infrastructure, and renewable resources. Equities, at 47.5 per cent, include both public and private equities.

As of March 2025 the fund was slightly overweight fixed income. It was slightly underweight inflation-sensitive and slightly underweight on the equities side. These weights do change as markets move and things are rebalanced. Therefore, there is a policy range around these different targets in order to allow the asset manager some type of latitude in these allocations.

Going into the returns on those asset classes, over a one-year period fixed income returned 7.5 per cent, and the benchmark within that asset class returned 7.3 per cent, realizing an active management return of 20 basis points. Inflation-sensitive and alternative assets slightly underperformed to their benchmark. Infrastructure was a clear highlight, returning 12.9 per cent. Returns from real estate and renewable resources fell below their benchmarks.

The equities have been a very strong performer for quite some time within the heritage fund portfolio. As we saw in the previous slide, this encompasses quite a big portion of the portfolio. It returned 14.2 per cent over the last year whereas the benchmark returned 13.9 per cent, again, showing value for management.

When we flip to a five-year picture, two notable trends emerged regarding the heritage fund's performance. Fixed-income and equity asset classes exceeded their respective benchmarks with even larger margins over the longer period. Returns from inflation-sensitive and alternative investments have struggled to beat the benchmark. In previous meetings we have talked about some of these benchmarks being more difficult to beat in circumstances like this, being linked to CPI and being absolute return benchmarks, but overall the asset class did provide a value lift to the portfolio.

6:20

Looking at total fund performance, as noted, the heritage fund total return was 9.7 per cent for the fiscal year, and this slightly trailed the passive benchmark. Worth noting here is that portfolio returns and their respective benchmarks can fluctuate significantly from year to year due to the relatively short annual investment periods being observed. Longer term performance certainly provides a more representative measure of success, as we'll see in the next slide.

Evaluating performance over five years offers a more complete picture of the heritage fund performance against its benchmarks. Since the fund is managed for the longer term, this period better reflects its success and minimizes the noise of shorter term volatility. The relative performance of the heritage fund for the last five-year period is very positive. The fund achieved an annualized return meeting its expectations. This performance exceeded the real return benchmark of 7.4 per cent, which is, again, that measure of whether or not the portfolio is constructed to meet its objective. It also outperformed the passive benchmark by 8.5 per cent, which is showing the value of active management.

Mr. Wagner: Moving on now from heritage fund performance and results, let's briefly have a look at the three dedicated Alberta heritage endowment funds. While these funds are connected with the heritage fund, Albertans may not be fully aware of the existence, purpose, or value that these important provincial assets have.

Alberta's three heritage endowment funds together are worth more than $6.1 billion. Some of the initial seed capital for these endowments was provided by the heritage fund under its original pre-1997 mandate, which at the time included making direct social investments to improve the quality of life for Albertans. Combined these endowments distribute more than $140 million annually in research and technology funding and postsecondary education scholarship support. In total more than $3.6 billion has been paid out of these funds since being established.

To explore the endowments in a little more detail, we can start with the largest of the three, which is the Alberta Heritage Foundation for Medical Research endowment fund. Quite a mouthful. Established in 1980 with $100 million, this endowment has helped build the province's medical research capacity. Its primary goal is to support health and medical research within Alberta communities, focusing on advancing technologies and innovation to improve health care outcomes. It's now worth over $2.7 billion, and the medical research endowment distributes about $55 million annually.

Next we have the Alberta Heritage Foundation for Science and Engineering Research endowment fund, which was established almost 25 years ago. This endowment aims to develop internationally recognized expertise by supporting the province's science and engineering research facilities, attracting top researchers, and facilitating the commercial application of new knowledge. The fund disburses an average of about $36 million annually, with proceeds used to build critical infrastructure like university labs and commercialization programs, which position Alberta as a world leader in applied science and innovation.

Last is the Alberta heritage scholarship fund, which today is worth more than $1.8 billion. This is dedicated to supporting students across Alberta, and this endowment enhances access to advanced ed and fosters academic excellence. Annual transfers of approximately $51 million ensure thousands of students receive scholarships and bursaries each year, with nearly 240,000 scholarships awarded over the past decade alone.

The three heritage endowment funds are operationally distinct from the Alberta heritage savings trust fund despite sharing the common heritage name. Each endowment is administered by its respective minister under its own provincial statute and mandate. To ensure the endowments remain sustainable for the long term, the annual disbursement from each is limited to 4 and a half per cent of its three-year average market value, and the endowments have historically been invested using an asset mix similar to the heritage fund itself, resulting in comparable long-term returns. Collectively, the heritage endowments share a broader vision to strengthen, diversify, and grow the provincial economy while improving the lives and livelihoods of Albertans into the future.

Ms Jones: This last section is simply to go over why the Heritage Fund Opportunities Corporation was created. As we know, the provincial government is committed to significantly growing the heritage fund, recognizing that strong governance is key to achieving ambitions and long-term financial objectives.

As the heritage fund grows in both size and complexity, a more specialized governance structure is needed with more dedicated support. It is also understood that the fund must be invested and managed differently to meet the $250 billion target by 2050. To create the conditions necessary for higher long-term returns and to fulfill the fund's original mission, the government established the Heritage Fund Opportunities Corporation to provide the strong leadership and enhanced accountability that the fund requires in order to grow well into the future.

The governance framework is guided by the core values of transparency, accountability, and sound financial stewardship, and this is being baked into its overall design. It's structured as an arm's-length provincial entity, ensuring full, independent, and professional decision-making to protect investment strategies from short-term external pressures or undue influence. The corporation is currently being operationalized to oversee both the heritage fund and the other public endowment assets and building the specialized tools and expertise required. There will be a search for a chief executive officer that will be announced soon.

HFOC is governed by a highly qualified and independent board of directors, and this board of directors was specifically chosen for their specialized financial and corporate governance experience, with representation drawn from Alberta and other international jurisdictions. The board of directors is ultimately accountable to the Minister of Finance.

HFOC will ensure that the heritage fund is geared towards achieving generational growth, prioritizing long-term capital appreciation over immediate investment income. To facilitate this, the authority to set and revise the heritage fund's statement of policies and goals has been delegated to this board. This empowers support to shape long-term investment strategy by refining investment objectives, asset allocation, and risk tolerances, aligning investment policy with the legislated standard of maximizing returns over the long run, and engaging additional investment managers or pursuing internal investment strategies which are best suited to ensure the needs of the heritage fund over time.

HFOC will collaborate closely with AIMCo, the existing investment manager, and this has been a very positive collaboration to date. The corporation's success will be measured against the statement of policies and goals, which will continue to be publicly available, ensuring that the public's trust is paramount. Albertans will always know how their heritage fund is being managed. Success will be driven by clearly defined benchmarks and metrics and financial performance, and governance will continue to be audited regularly and shared publicly.

Thank you, Mr. Chair.

The Chair: Ms Jones, Mr. Wagner, thank you both so much for that presentation.

We're now going to go next to AIMCo, and we will hear from Mr. Lord and Mr. Prakash. Please go ahead.

Mr. Prakash: Thank you, Mr. Yao. Again, thank you for inviting us to present to the committee today and answer your questions and equally to the members of the public who are in the room as well as online. We look forward to hearing from you, and of course we will engage with you.

My name is Amit Prakash. I am the chief fiduciary management officer at AIMCo, and I oversee AIMCo's interaction with our clients as well as the collaboration we have with our clients on the policy mix, on their portfolio construction, asset allocation, et cetera. I'm joined today by my colleague Justin Lord, chief investment officer of AIMCo, who will also share his thoughts with the committee and the public momentarily.

I'll start with providing some update on AIMCo, some of the changes we've announced, and then provide a brief update to the committee and the public on some of the key areas we are working on and then, finally, wrap up my remarks in terms of some of the things that we've been doing more locally in Alberta.

6:30

Firstly, a few organizational updates. As I mentioned first and foremost, one of the key announcements this year, a few months ago, was the appointment of Mr. Lord as the chief investment officer, which certainly we are very excited about in that Justin has been with the organization for many years, and we look forward to his leadership over the next couple of years.

The two other announcements were retirements from the executive team. Suzanne Akers, who is the chief risk officer, will be stepping down from AIMCo at the end of March, and Cecilia Menghini will take over from Ms Akers at the beginning of January next year. So they'll overlap for a few months, and Ms Akers would leave at the end of March.

The second announcement was my announcement in that I would be stepping down from AIMCo as well, retiring from AIMCo at the end of March. We are in the process of looking for someone else to step into my role. I'll just jump ahead and say it again: it's been a pleasure to be in front of this committee over the years, so I'll certainly miss that.

A couple of other things on business transformation. That's one of the big initiatives that we've been focused on. The key objective is to have a platform that allows us to be both future-proofed, be more robust, be more scalable as we look over the next five, 10 years, both with the improvement and enhancement in technology as well as the growing needs of an investment management shop such as AIMCo. I'm glad to again report that we are still on target to have the transformation delivered by spring of 2026. We've engaged with all of our clients, including the Treasury Board and Finance team in the context of the heritage funds and endowments. Again, we're excited that we're able to have a much stronger operating platform to manage these monies for the longer term.

Secondly, in terms of two quick mentions, we've outgrown our presence in Calgary so we are moving into a bigger office space there. Of course, the headquarters remains in Edmonton, where we have about 400 employees, but certainly our footprint in Alberta has grown. Thematically around the same thing, one of our annual events, the client investment symposium, was held in Edmonton at the beginning of October, where we had many of our partners who we invest alongside. They flew from across Canada, from the U.K., from Australia, et cetera, to spend time with our clients, with the board members, and certainly members of Treasury Board to, again, exchange ideas, share thoughts and insights both of the here and now as well as the future areas such as AI, et cetera.

With that, I'll wrap up my remarks and turn it over to Mr. Lord.

The Chair: Did you want to pause and watch the video now?

Mr. Prakash: Sure.

The Chair: All right. Next we're just going to show the AIMCo video, please. Hopefully. Or not.

[A video was shown from 6:34 p.m. to 6:35 p.m.]

The Chair: Back to you, Mr. Lord.

Mr. Lord: Thank you, Mr. Chair. Happy to be here today. Ms Jones and Mr. Wagner have provided a fantastic summary of the annual report, that I'll be referencing as well, spending a little bit more time on some of the subasset classes from a performance perspective, touching on market outlook, current positioning as well as referencing some of the longer term performance attribution items that were summarized by the Treasury Board and Finance team as well.

We're diving in a little bit further to these results in the same categories within fixed income, as Ms Jones has mentioned. Fixed-income and interest-bearing securities returned 7.5 per cent last year, outperforming their benchmark. This was largely driven by positive absolute returns from universe bonds, private debt and loan, as well as mortgage portfolios; the latter two making up for the respective outperformance as well.

Within inflation-sensitive categories and alternatives, which make up approximately 30 per cent of the portfolio: as noted, returning 4.7 per cent but underperforming benchmarks by approximately 150 basis points or 1.5 per cent. The real estate and renewable resource allocations were detractors, with both asset classes failing to outperform their benchmarks during the year.

With respect to public equity the returns were quite robust, as noted, within the public equity composite, generating 14.2 per cent and outperforming their benchmark by .3 per cent. Global equities led the way with 15.2 per cent rates of return, followed by emerging markets at 14.4 per cent, both outperforming their respective benchmarks. Canadian equities underperformed despite returning 13.3 per cent in the year, as did private equities, generating 11.5 per cent returns, both having good years but lagging their benchmarks, in particular private equities lagging their public market benchmark overall.

Long-term results are still above those benchmarks despite the outperformance in public markets, as mentioned, as of late. AIMCo has been cautiously positioned in public markets this year from the start in January throughout the late spring as we look to navigate a seemingly unprecedented global trade and geopolitical environment. Despite some positive developments and market reaction we are actively monitoring the current and ever-changing trade environment as well as any potential legislation that could impact global trade flows, having a potential impact upon macroeconomic activity and global growth.

We're additionally focused on the risks of the continued conflict in eastern Europe as well as in the Middle East. Equity markets and fixed-income markets have certainly had a volatile start to the year but have continued to push higher to new all-time highs in public equities and near record valuations or tightness from a credit spread or credit market perspective across both investment-grade and noninvestment-grade debt.

In illiquid asset classes we don't expect to see the same day-to-day volatility given they are not publicly traded or publicly listed, but we have seen a fairly slow market across private equity, infrastructure, and real estate portfolios as a function of the uncertainty both globally and locally. We had hoped that early 2025 would provide some momentum to these asset classes, especially real estate and private equity, though this has yet to play out given the ongoing global growth or trade-related concerns that we're currently navigating. We see the pressures of higher inflation, rising operating costs, and constrained revenue growth as well as higher borrowing costs, all pushing through the various aspects of these properties, asset classes, and/or underlying businesses as a whole. We continue to focus on maximizing the value of these many underlying investments for the heritage fund in the years to come.

I would like to zoom out a little bit and follow up on some of Treasury Board and Finance's comments with respect to the longer term performance of the fund and asset classes. That has been detailed in the annual report as well. As noted, the heritage fund has had a five-year investment objective of outperforming inflation index of CPI plus 4.5 per cent. The fund's five-year return of 9.6 has outperformed this benchmark by 2.2 per cent. In addition, the fund has a five-year investment objective to outperform its passive benchmark of 1 per cent per annum. This was also achieved with 1.1 per cent of outperformance per annum over that five-year period.

As many may be aware, inflation, as I just mentioned, has been at unprecedented levels in recent history or over the last number of years. It has created some market headwinds for the performance of various asset classes, but we're pleased, from a portfolio construction perspective, to be able to generate a five-year result despite these challenges across the investing landscape. Further out, looking at 10 years, the fund has returned a respectable 7.4 per cent, outperforming CPI objective by approximately 90 basis points, .9 per cent, and the passive benchmark by .7 per cent.

6:40

Simply put, the fund has done quite well over five and 10 years, and our anticipation on a forward-looking basis would be that inflation would continue to moderate, interest rates will move into territory that is more neutral, which will allow asset classes such as real estate infrastructure to return to the spotlight, so to speak. We do anticipate that high starting valuations today, most notably in public equities, will present a mid-term or near-term challenge with respect to future returns over that time period or return expectations over that time period.

With that, I'll conclude my performance-related marks and pass it back to you, Mr. Chair.

The Chair: Thank you so much for your presentations, Mr. Lord and Mr. Prakash.

With that, before I open the floor to the questions from the public, I'd like to remind everyone that we encourage Albertans to join the conversation and submit their questions to the committee and our panel of experts. If you would like to participate, you may come in person to the Queen Elizabeth II Building until 8 p.m. tonight. You can call in at 1.800.717.1738, conference code 79940. You can also submit your questions via the web form on the committee's website or e-mail questions to committee.admin@assembly.ab.ca or post your questions on Facebook or X by using the hashtag #abheritagefund, and all these things should be on your screens. The committee received a number of questions prior to the start of the meeting through e-mails and social media, and we're going to try to work to address everyone's questions during the meeting.

That said, I'm now going to open the floor for questions to members from the public. We're going to begin with our live audience in the gallery, so if anyone would like to please raise their hands if they would like to ask a question about the fund.

As you approach the podium, I ask that you, again, please first introduce yourself.

Dr. Ascah: Good evening, Mr. Chair. Robert Ascah. I'd like to, first of all, start by reviewing the transcript from last November 6 on HS-80. Some of you will recall that I had questions about the Alberta growth mandate that had been asked in previous sessions. I was basically asking for a spreadsheet that showed the investment value, the book value when they were invested, and the value at the end of March 2020, when the government wound down the growth fund and declared that it had reached all its targets.

Now, on there there's quite a bit of dialogue between Mr. Prakash, Mr. Thompson, who was there from the department, the chair, Mr. Hunter, Mr. Thompson. But I'll draw to your attention that Mr. Hunter wanted a little bit of clarity about how the follow-up is to happen. Mr. Thompson said, "We will go back to the 2022 reports [and] examine the issue in question in terms of investment return and loss, and we will provide full details on what we can." Mr. Hunter, "Will it be posted so that the doctor will know? When would the next time be that he can find this information out?" Mr. Thompson, "Certainly get [back] directly to Dr. Ascah." Thank you.

To my knowledge, there's been no follow-up, and one parenthetical comment I would make is that I think committees need to have minutes. Minutes tell members on the committee what's going to happen, as Mr. Hunter, I think, was interested in doing. So that's my first question. Where is the follow-up?

The Chair: I just need to clarify. Minutes are kept on these committee meetings. They're available on the Assembly website, with the Legislature. But you were unable to find those? Well, we will endeavour to try to address those issues. Thank you for that, Dr. Ascah.

Do we have anyone else in our audience who wishes to pose a question to our panel of experts here today?

If not, we can go to some of the online questions that were posed to us. I understand that there might have been a few.

Mr. Rowswell: All right. I've gotten some e-mails. I'm handling the e-mail questions tonight. The first one: I'll read it. My concern is that it may not fit what you guys have control over, but I'll supplement the question and see if it makes sense to answer. This is from Melissa Cox out of Leduc.

> Why is the government refusing to use the Heritage Fund to supplement education funding? If its purpose is to support public services, it would seem a no brainer to pull some out to end the teachers strike and get our kids back to school.

If the department can tell us the relationship you have with AIMCo and how it relates to this review and if that question kind of fits what we're talking about or not.

Ms Jones: The Alberta Heritage Savings Trust Fund Act is quite clear that money is to be kept inside of the fund unless Treasury Board votes otherwise to take income out of the fund. As the legislation was changed in 2023, the real focus was to keep money in the fund to allow it to compound for the future. I can't speak directly to this question, but I can refer back to the Sustainable Fiscal Planning and Reporting Act. That determines the contributions that go into the heritage fund. We're really the investment side of it. We deal with those contributions when they come in, but we don't have the power to determine how the money gets to us or what the heritage fund is used for.

Mr. Rowswell: Yeah. So this is policy. That's more for government to decide, as opposed to what you guys are here to talk about tonight.

Go ahead. Absolutely.

Mr. Wagner: The current spending needs, for instance for education or health care, are generally funded by the government's general revenue fund, which is the government's annual operating account. That account collects taxes, royalties, fees, general provincial revenues. All operational-type spending is funded through and paid by that general revenue fund, and that's subject to the annual budget process. By comparison, the heritage fund is set up as a permanent wealth fund designed to maximize generational returns. So one is really more for short-term program spending whereas the heritage fund is looking to provide prosperity and strategic growth over a much longer period of time.

Mr. Rowswell: Okay. Given that, I'll ask my next question, which might give a contrast to the types of questions that you can answer. This is from Brenda Johnston from Edmonton.

> With the volatile states of currencies, commodities, investments in general, and the risk of more declines, What portion of the Heritage fund is being invested in precious metals? If precious metals are not currently being held in the fund's asset management, why not? When we are seeing many countries go to gold backed currency, and many investors converting their portfolios to physical metals experiencing substantial gains?

Ms Jones: Thank you for that question. The Statement of Investment Policies and Goals does not currently have an allocation to precious metals directly, so that's why there won't be that direct allocation. That being said, an asset mix review is under way. I can't comment whether or not something like that would be added into the portfolio.

As far as potential indirect exposure, I will pass it over to AIMCo to comment.

6:50

Mr. Lord: Certainly. Thank you, Ms Jones.

As noted, there is no direct exposure via products to precious metals within the product suite at AIMCo. The indirect exposure that Ms Jones would be referring to would be via metals- and materials-based businesses or sectors across various parts of the fund's asset mix, predominantly within public equities, predominantly within Canadian public equities as a whole.

Thank you.

The Chair: With that, we'll go back next to our guests in the room. Is there anyone who wishes to ask another question? Again, just introduce yourself to our audience, please, and go ahead.

Mr. Meeker: Certainly. My name is Greg Meeker. Just last year we had a talk about an investment advisory group that's domiciled in Switzerland but has an office in Calgary, PNYX Group SA. I don't think last year we could have very much clarity on what they were doing or what they were hired to do. Again, I view AIMCo as the government of Alberta's investment manager as the ones to sit on all questions of investment policy and the like. Now, this group: we paid them $4 million last year, $1 million in the first quarter. I'm wondering how long we can consider to see that go on and what the scope of their engagement is.

The Chair: Thank you, Mr. Meeker, for that.

Mr. Meeker: Thank you.

Ms Jones: I'm happy to take that question. There's a clear line in the sand right now between where the investment policy sits and where AIMCo's role is on securities selection. One of the main reasons that PNYX Group came into the equation was to help the government take a look at the governance around managing this fund and where there could be improvements. A lot of that conversation is what helped to establish the Heritage Fund Opportunities Corporation, where it was uncovered that there was a need for tools, resources, a dedicated budget, a professional team to manage the heritage fund well into the future. A lot of the value there came from governance and oversight planning. The scope of their engagement is quite wide, and I am happy to follow up in writing on what the scope of that mandate was rather than specifically going into details right now.

The Chair: Thank you so much for that.

Next we'll go back online to a question. Mr. Rowswell.

Mr. Rowswell: All right. We have Dave McAvoy from High River, and he says: "Given a deficit, will deposits be suspended?" Maybe you can describe how deposits happen or don't happen.

Mr. Wagner: I can take that. In answer to that question, the province's fiscal framework determines how surplus cash is allocated. In each year if there is a surplus cash position, half of that must be dedicated either towards debt repayment or be deposited to the heritage fund, and then the other half can either go into further debt repayment, an additional deposit to the heritage fund, or into a one-time initiative that doesn't have permanent spending increases.

The recent announcements of a $2 billion deposit into the heritage fund last year and the more recent $2.8 billion deposit for the heritage fund allocated for this fiscal year: those determinations are based on the closing position from the prior fiscal year. As we had a surplus position in 2023-2024 and 2024-2025, that means we have this excess cash that needs to be deposited into the heritage fund as part of the existing fiscal framework. That just provides savings discipline in those years where there is extra wealth to save for the future. That said, we are in a new year, and there is a different fiscal position. It won't be until the end of this fiscal year that we can see whether or not there will be a surplus that will get allocated to the heritage fund.

The Chair: Thank you so much for that, Mr. Wagner.

Is there a follow-up to that?

Mr. Rowswell: Yep. There sure is. There's another one here. Again, this is an example of where this might not be related to the discussion we're having tonight, but I'll read it so that people know that I'm not picking these things. James Frey from Edmonton:

> By limiting the amount of revenue available to handle population growth and inflation, putting money in the bank is a big risk. With the cost of education and healthcare, we need more sources of revenue. We can't simply cut. For too long, Conservative governments have refused to look at revenue and have focused only on expenses. It's time that Alberta has a serious discussion about changing the income tax structure. Discussing the [Alberta heritage savings trust fund] without discussing revenue sources presents a skewed argument. Will the government be prepared to talk about changing the income tax rates or introducing a PST?

Again, this doesn't relate to what you guys do. The reason I'm reading this is so that people online, when they're sending in the e-mails, will understand the type of question that we're able to handle at this venue. I will go by, because there are other ones related to social programs, and it's similar kinds of questions. I'm just handling it that way.

This almost is kind of what we just talked about here. Linda R. from New Norway:

> Why were funds added when the budget was [in] deficit . . .

That's kind of what you spoke about; it's a year later. Yeah.

Mr. Wagner: Yes. That's the fiscal framework at work.

Mr. Rowswell: Yeah.

> . . . and unable to meet the demands of education or health care.
> Why were funds used for the "across BC" pipeline initial work?

Again, those are government decisions that are done there.

Here's Milo S., and it's from X.

> Is the SIP&G and the various documents available online?

Ms Jones: Yes.

Mr. Rowswell: Okay.

The Chair: Can we clarify where online we could find these documents?

Ms Jones: Absolutely. The alberta.ca page actually has a direct link to the heritage savings trust fund page, which has the statement of policies and goals as well as other items that may be useful, links to the annual reports. Every annual report since 1976 is publicly available online. There is also a link to the heritage fund page through the Legislative Assembly website.

The Chair: Thank you so much for that.

Next we'll go back to our guests in the house here, if anyone would like to. Dr. Ascah, please.

Dr. Ascah: Go ahead.

Mr. Manchak: Thank you.

The Chair: I love the spirit of co-operation in our audience.

Please introduce yourself.

Mr. Manchak: Yeah. I'm Jeff Manchak. I'm a parent and teacher from Sherwood Park. You've had a similar question, Mr. Chair, already from online right now, but I'm going to ask anyway given that I've got the opportunity here.

As I understand it, one of the founding objectives of this fund was to invest in projects that would improve life in Alberta but may not return a financial return. You know, 1976 – hey, 50 years. That's pretty fantastic. I've heard it described as a rainy day fund, so I wanted to say that our education system is being deluged right now. Absolutely deluged. This is not just a rainy day; this is a monsoon. This government has acknowledged that the population growth in our schools is unprecedented – I heard that word a lot in the Legislature the other day – and classroom sizes and complexities are soaring. Meanwhile teachers are drowning. See the metaphor? I'm playing on the metaphor here. Rainy day. I'm a teacher; I have fun with that stuff.

Alberta teachers presented an offer late in the bargaining that ended abruptly on Tuesday morning that included class-size caps and complexity metrics, that would stop the deluge and help teachers get their heads above water. So here's my question. Since this fund could be used to not increase taxes or increase deficit and in the past has been used to tackle projects – I understand we're under savings. That's the direction right now, that we need to grow the fund. I also understand that the annual returns are in the neighbourhood of $450 million a year, things like that. I'm wondering if the committee and then maybe everyone else had considered that maybe the gap between the offer that the teachers put at the table, the most recent offer that was rejected handily, and where the government position was – I think the difference was $2 billion, If I do a little quick math, $2 billion over four years: that's about $500 million a year. Boy, we closed the gap quickly without touching the principal in the heritage savings trust fund while still being able to reinvest in an education system that is quite literally drowning right now. So I'm curious. I don't know if, Chair, you wanted to comment or if you're allowed to comment or just turn it over to whomever, but that's sort of where I'm at right now as I'm hoping that it gets back to where it needs to go.

7:00

The Chair: Thank you very much for that question, Mr. Manchak. Again, I think we've identified that the questions you have are more towards government policy than they are regarding our AIMCo or Treasury Board and Finance guests here today. But we do thank you for your question. We've received several questions on that theme here online as well. As you heard Mr. Rowswell, he did hint on something like that as well. We appreciate that question. Thank you so much for that.

Next do you have some online? Yeah. There we go.

Mr. Rowswell: This is from Mike N. from Facebook. This is one of the endowment funds, I'm guessing. "What was the science fund used for," and he's got in question marks: "COVID research? Was that research used by the government?" Is that something that you can answer?

Mr. Wagner: No. The short answer is that we can't comment on what those funds were specifically used for.

Mr. Rowswell: Okay. Fair enough.

Ms Jones: Yes. I can comment a little further on the governance around it. The endowments are owned by the ministries, and that particular endowment: where the spending goes is the decision of the Ministry of Technology and Innovation. The Minister of Finance is responsible for the investment policy for that. So we can comment as far as investment policy but not as far as spending.

The Chair: Thank you so much for that.

With that, we'll go back to in-house. Before you step up, Dr. Ascah, is there anyone else in the audience who might want to have another question?

Okay. Dr. Ascah.

Dr. Ascah: Just a comment following up on the questions both online and from our schoolteacher from Sherwood Park. I have a little bit of a problem where we have a public meeting on the heritage fund, which is kind of a sacred icon of the province, and the government is waxing about $250 billion, and the Treasurer, the minister, is not here to answer policy questions. I don't know how you can divide a discussion of the heritage fund and its future and not have an individual here that is capable of answering those very important questions that Albertans have. Now, this may be unusual, but I think in the circumstances that someone should advise the minister of the concerns of the Alberta public.

Now, my specific question is on page 15 of the annual report, and it's a little rhetorical. Why would an internationally diversified equities portfolio hold $120 million in RBC shares and less than $31 million in firms such as Apple, NVIDIA, Microsoft, Amazon, Alphabet, and Meta? Has any analysis been made within the department or AIMCo on the losses associated with this approach? And an additional question is that perhaps you're using derivatives to get exposure to the Magnificent Seven, but it strikes me that there should be more investment returns showing up for those major companies.

Mr. Lord: Sure. I can comment on that. Thank you for your question. Certainly, the risk controls that would predicate the amount of positioning across the various equity products that the heritage fund are allocated to would determine the weightings of these underlying securities. I do not have the exact active weights in front of me for that time and place, but I can note that there has not been significant slippage with respect to the active positioning in those portfolios in aggregate. The underlying weights represented here would be a function of the allocation to the asset class across Canadian equities, global equities, and emerging market equities made up of individual securities, made up of allocations to both external managers and/or derivative contracts to underlie the required index or beta index for those products.

The Chair: Thank you so much for that.

Next we'll go back online. We have another question.

Mr. Rowswell: This is from Mike N. from Facebook again. He just asked: is it possible to get a copy of those slides that we saw? Is there a place that he can go online to take a look?

Ms Jones: We can certainly publish the slides. Whether we publish it on the heritage fund website, our investor relations website, we will get back to the committee. Yeah. There's no problem having them publicly available.

The Chair: We can also put those on the Assembly website, which we will do. To our friends who are listening and watching: we'll ensure that these documents are put up online through a few various means.

With that, is there anyone else in the room that has any questions they might wish to ask? Mr. Manchak, go ahead.

Mr. Manchak: I just had a thought as I got back to my seat and was listening to the discussion regarding the endowment funds, and it popped into my head. I'm curious. What would it take to create an endowment fund to support public education in Alberta? Now, I know we may not be able to support with operational dollars because that comes out of a different pot of money. I understand that, but perhaps we can support the growth in our education institutions that is necessary to bring in the thousands upon thousands of teachers that will be required to keep up with the unprecedented growth in our education system. I'm curious to know if we could comment on that. What would it take to create an endowment fund that would support the growth of public education at our public education institutions that train our teachers, that train our education assistants, those kinds of things?

The Chair: Thank you, Mr. Manchak. I believe that might also be out of scope of our guests, but we can pose a question to them and see if they can answer that in any way.

Ms Jones: I can make one comment. The heritage fund as well as the three endowments: they are all an act of the Legislature. I can't comment on the government actions that would bring such a thing to the Legislature, but it would require an act of the Legislature.

Mr. Manchak: We're on the policy end of things again with nobody here to be able to discuss policy; I get it. Thank you. Okay. Appreciate it.

The Chair: Thank you, Mr. Manchak.

Next we'll go online. We have some more questions.

Mr. Rowswell: We've had some new ones show up here. This is from David J. on X. "I understand AIMCo exited its investment in the London City Airport. How did this sale affect the [heritage fund]? And how much did Alberta make on the sale? Have those funds been redeployed? If so where?"

Mr. Prakash: Thank you, Mr. Chair. I'll take the question. Let me just describe what we did and then come to the question of impact secondly. AIMCo sold its 25 per cent stake to Macquarie, which is a global entity very active in this space. Two of the other major pension plan managers out of Ontario, both the teachers' plan as well as OMERS, sold their stake as well in 2025. The specific financial terms are confidential, consistent with these transactions.

7:10

Now, the London City Airport demonstrated stable growth since we acquired our interest. However, because of COVID and the incredible negative impact it had on travel, both the business travel for a couple of years as well as leisure travel, certainly being a smaller airport in the U.K., it was significantly impacted. Now, the investment, of course, from our perspective, has been disappointing, but on the sale we were able to get terms which we thought on balance were attractive relative to the context of that investment. The specific impact to the heritage fund is something I don't have in front of me, but happy to follow up if helpful.

Mr. Rowswell: On the follow-up side, then, would that be posted on Assembly TV? Where would that be? Where would they be able to access that follow-up?

The Chair: Those things will be attached to the minutes of the next meeting when they're approved. So, again, back on the Assembly website.

Mr. Rowswell: Okay. Very good.

Another one from David J. from X.

> I understand AIMCo has avoided cryptocurrency and rightly so. Now that Jamie Diamond has had a change of heart, what is AIMCo's point of view on Bitcoin, which is different from other cryptocurrencies, and what are AIMCo's Bitcoin holdings?

Mr. Lord: I can handle that question. Thank you. We can confirm that AIMCo does not hold any direct investment in cryptocurrency or crypto-related companies on behalf of our clients. Our exposure to crypto through any passive or external fund investments is de minimis. Cryptocurrencies are not an asset class nor an investment that we believe to be a prudent fit for our clients' asset mix at the current time, and we are not pursuing products of the like.

Thank you.

The Chair: Thank you so much for that.

Next we'll go back to our guests in the house. Does anyone wish to have a question? Absolutely, Mr. Meeker. Please go ahead.

Mr. Meeker: Thank you, Mr. Chair. I'm just wondering, looking for comment. I mean, the Alberta government sort of announced that the Heritage Fund Opportunities Corporation will operate in the manner of a sovereign wealth fund, and we would assume, then, the best practices of a sovereign wealth fund would apply. I'm just going to put out a thought, a concern that was actually not mine, but it was raised by a fellow who works for the Fraser Institute, Steven Globerman. He wrote an article where he had a number of concerns. I'm just going to read one of the concerns that I share.

> A second insight is the financial danger posed by [sovereign wealth funds] investing in [favour of] domestic industries and companies. Beyond the risk of corruption, pursuit of industrial policy objectives contributes to sub-par investment returns. This is why many [sovereign wealth funds] are forbidden or restricted from investing domestically. At a minimum, the [Heritage Fund Opportunities Corporation's] savings and development investments should be carried out by legally separate companies.

Again, that was a comment, and I was just wondering if we were interested at all in providing a comment on the risk of corruption and pursuing industrial policy objectives through a sovereign wealth fund.

Thank you.

The Chair: Ms Jones.

Ms Jones: Thank you, Mr. Chair. Thank you for that question. Establishing the Heritage Fund Opportunities Corporation is actually adding a layer of independence between how the SIP&G, or the asset allocation, of the fund is constructed right now, which is in the department, adding a layer of separation where that portfolio construction is now going to be done by an independent corporation. That independent corporation will be given the arm's-length investment management terms that are similar to those of AIMCo, where the government does not tell AIMCo how to invest those funds from a security selection standpoint. So I think it's a valid concern, but the heritage fund, as its mandate and mission states in the Heritage Savings Trust Fund Act, is to maximize financial returns within a prudent level of risk.

The heritage fund is meant to be a globally diversified fund. We won't shy away from the opportunities within domestic markets if they provide those returns, but the number one goal for these funds is to maximize returns for the general public and not to be swayed by any pressures that would prevent that from happening.

The Chair: So just to clarify, there's no political influence in the decision-making of AIMCo?

Ms Jones: Absolutely correct. This is meant to provide, like, a second layer of independence.

The Chair: Thank you for that.

Mr. Rowswell: I have a question that can relate to that, actually.

The Chair: Please.

Mr. Rowswell: This is from Gregory B. by e-mail. "I am wondering if the fund follows any Corporate Social Responsibility investing principles." It's kind of related to what you're talking about there.

Ms Jones: Thank you for that. The corporation is in the process right now of setting up those types of policies, so the policy is not yet available for us to comment on publicly. However, what I can refer back to is AIMCo's responsible investment policy that the heritage fund does follow.

If that's relevant, I can ask AIMCo to speak more on that topic.

Mr. Prakash: Thanks, Ms Jones. Yes. AIMCo has a strong responsible investment policy and guidelines, which we work with each individual client to ensure are applied appropriately to their portfolio. The types of things that are covered as part of responsible investment include the work we do in better understanding the governance of our portfolio companies to ensure, whether it's the board structure, whether the compensation structure, that it's fit for the purpose. Likewise, on the social side we ensure that the diligence of our investments includes assessing the labour relations of the entities we own and ensure that they are in compliance with all the regulatory requirements, et cetera, that are applicable to those portfolio companies. Finally, this is a strategy that we review with clients, particularly our active engagement portfolio companies, how we vote on voter proposals, et cetera, and that's, again, an annual process.

Thank you.

The Chair: Thank you very much for that, Mr. Prakash.

Did you have another online?

Mr. Rowswell: Yeah. I've got a couple more here that we can do. This is from Kim H. from Facebook. "What could we learn about investing and using the fund from other similar funds across the globe?" They highlight Norway, so if you can talk about that and kind of compare the two, I guess, is what the question might be.

Ms Jones: Absolutely. Thank you for the question. Sovereign wealth funds around the world are very, very interesting. All of them have different strategies behind them and different reasons, purposes, mandates. The difference between Norway and, say, the heritage fund, for example, is that the heritage fund has paid out quite a bit of income over time. So you see that the value of Norway is substantially different than the heritage fund today. The goal to get to $250 billion: one of the big challenges there and one of the things that was uncovered was that the retention of income was certainly what propels that growth forward.

As far as some of the differences between the different sovereign wealth funds, I'd like to also invite AIMCo to comment.

Mr. Prakash: Thank you, Ms Jones. I'll add a couple of other attributes which we see with institutional pools of capital or sovereign funds. Firstly, a laser-sharp focus on good governance: that tends to be the foundation for any well-managed sovereign fund. Clarity of purpose, along some of the questions we had, whether it is for return seeking, development purpose, whatever the purpose is, just so there isn't any confusion: that tends to be really good. Then, thirdly, which also Ms Jones referred to, typically professional staff: that helps operationalize the investment strategies.

Thank you.

7:20

Mr. Rowswell: Yeah. I've got one more here.

The Chair: Sure. Please.

Mr. Rowswell: This is Mike N. from Facebook. His question: "Is there a resolution that we can pass to ensure that the Minister in charge of this fund is present at these meetings?" I'll try to answer this. It kind of relates to some of the questions we've had tonight relative to policy in that the purpose of this meeting is to explore the fund, how it's invested, how it's managed, what direction it gets relative to that management on the fund. To bring policy into this discussion might devolve it into just a policy meeting, and we have lots of venues that we discuss policy, mainly the Legislature, for sure, and stakeholder meetings that we have with people that we meet. I understand the motivation for trying to tie some policy in, but this meeting is more about the investment and the direction that comes from Treasury Board and how the asset mix should be and how it gets managed that way. That's kind of the logic behind why we do it that way. I just thought it would be important to say that.

The Chair: Thank you very much for that, Mr. Rowswell.

Next, we will go back to our guests in the house. Does anyone have a question? Dr. Ascah. Always a pleasure.

Dr. Ascah: A comment and a question. It's a segue into this discussion of a sovereign wealth fund, and with respect to our officials from the Finance department, as a political scientist I'm not entirely convinced that the sovereign wealth fund is really immune from political influence. In fact, as far as I assume that the HFOC appointments will all be made by cabinet, there you have politics involved, whereas today we have a nonpartisan public service that's doing the statement of investment and goals. So that's just a comment.

With respect to Mr. Meeker's comments on Globerman, I think, again, the sovereign wealth fund is a very important issue because we know that Norway, which has, I think, $2.4 trillion Canadian in assets, invests all its money outside Norway, therefore eliminating all opportunity for influence, corruption, and graft.

Now, I'd like to read something from the throne speech and put the government's glowing future of the heritage fund in some context.

> First, this government is committed to grow the . . . heritage trust fund to well over $250 billion by 2050, mirroring sovereign wealth funds in other energy-rich nations such as Norway, Saudi Arabia . . .

which the Premier is in or is travelling to,

> . . . and the U.A.E.

Now, just to give you some context, I did some basic numbers on the Norwegian fund. If we assume a return of 6 per cent, it would be about $10 trillion and the heritage fund would be $250 billion. In fact, the difference would be considerably larger than it is today. In addition, the Saudi fund today is worth $1.46 trillion Canadian. We don't know what it will be worth in 2050. So I just want to caution the members of this committee: let's not gild the lily more than we need to.

That's my final comment. I guess I'm still left hanging on this business about the growth fund. For some reason I couldn't find the minutes on the website. Was there something in the minutes that said, "Yes, we're going to answer Ascah's question," or no?

Thank you.

The Chair: Thank you so much for this comment, Dr. Ascah. Again, we'll endeavour to try to identify that for you if we can.

Nobody online. Well, with that, why don't we go to a member of Her Majesty's Loyal Opposition? Please, go ahead, Mr. Ellingson.

Mr. Ellingson: His Majesty's Loyal Opposition.

The Chair: His Majesty. Right.

Mr. Ellingson: We've even got a picture of him in the Chamber now.

Yeah. I actually just wanted to do a quick follow-up from Dr. Ascah's previous question. This is like a blend maybe between a question and a recommendation, food for thought. If we were in a corporate meeting with shareholders, we would have a CEO, a president, and board members here. I can appreciate that there aren't a ton of Albertans online or present in the room, but Albertans are the shareholders of the heritage fund, so I think we should take these comments seriously.

Maybe this is something for the government to take back: you know, what kind of broad-based community engagement we want to have around the fund, the education levels of how the fund is administered, and what Albertans would really like to see from the fund, at the very least just to listen to Albertans. Clearly, a lot of Albertans did step up tonight and ask some questions, and I think it's worth it, maybe even outside of tonight, to do some more of that listening.

The Chair: Thank you for your comment. All right. Well, thank you so much for that.

Next we have a question from Mr. Stephan.

Mr. Stephan: Sure. There's a *Financial Post* article just from a couple of days ago that says, "How soaring government debt could play a starring role in the next great financial crisis." In terms of some of the summaries that were provided about the fund and some of the considerations that you have, I think everyone would collectively agree that these are pretty turbulent times and difficult to invest in as well. But these are individuals' retirements, a lot of the clients. You know, these are pension funds. I think that's kind of the largest component. I know it's not directly the heritage fund, but I know you're kind of investing alongside the fund in many instances. My question is: what do you consider to be the greatest emerging risk to the value of the fund in this case, and what specific steps are you taking to mitigate against that risk? I'd really be interested in that.

Ms Jones: Thank you for the question. Just to clarify, this is related to securities selection, correct?

Mr. Stephan: Yeah. Well, just in terms of financial risk, what do you see, you know, from a macro perspective? What is the greatest risk, and, as it relates to security selection or strategy, what steps are you taking to mitigate against that risk that you've identified as something that is of concern for the fund's value?

Mr. Lord: Certainly. Thank you for your question. There is no shortage of risks that the team is thinking about across asset classes and geographies. In your question you alluded to one of longer term fiscal concern and how that might be impacting fixed-income markets currently as yield curves are steeping. Certainly, the attention that some alternative exposures, precious metals have garnered recently in market-to-market performance is a function of that as well.

Broadly we assess the risk landscape from a geopolitical, a trade perspective, a macroeconomic perspective constantly by our investment strategy and economics and research teams. We perform a number of various stress tests across the portfolios for scenarios related to all of those items that I just mentioned. These are very difficult to quite often predict and also protect explicitly against.

7:30

What I will say is that from a process and portfolio construction perspective diversification allows for that protection or the mitigation of those risks or of one event having a large impact on the portfolio. Outside of that within various asset classes and/or strategies within the portfolio there are some exposures that do benefit or provide for hedging or profit in those types of scenarios. The team is actively monitoring the efficacy of those types of strategies or the costs of those types of hedges when applying them to the portfolio.

I hope that answers the question.

Mr. Prakash: Maybe I'll add a few more things to what Mr. Lord said and just sort of paint a picture of the longer term picture. If you think about the last 20, 25 years, we saw the growth of the heritage fund over that period. If you think about that, we had 9/11, the first tech blow-up, the great financial crisis in '08, the Europe blow-up, a couple of wars in Europe, COVID, and here we are.

One of the things we're really focused on as investment managers for the heritage fund is to ensure that we are keeping the noise away from the signal. Part of that is what Mr. Lord referred to, the range of work we do, ensuring it's diversified across strategies, geographies, asset classes, et cetera. As well, not only does one play defence in that sense; dislocations also give us the opportunity to take advantage when there are market breakdowns, where having liquidity is really, really important to be able to take advantage of that. At the moment, for example, for each dollar of liability the heritage has about $2.7 worth of liquidity, one of the metrics we measure. That, again, allows us to play offence in the face of the thousand risks that are on at any point in time.

I hope that helps. Thank you.

The Chair: Thank you so much for that.

Next we'll go back to our friends in the room here. Does anyone in the room have a question they'd like to pose to our guests? Dr. Ascah.

Dr. Ascah: I lied. I think this is my last question, and I'm surprised that it hasn't been asked yet. It's really to AIMCo, and I'd also be interested in the department's view on the application of artificial intelligence to investing and portfolio construction, that kind of thing.

Ms Jones: Thank you for the question. From a Treasury Board standpoint we don't have a comment at the moment, but we are happy to go back to the department and come back to the committee if there is a response. However, we are happy to pass it over to AIMCo.

Mr. Lord: Okay. Thank you, Ms Jones. Yes. Certainly artificial intelligence associated cap ex and themes are very prevalent in markets today. Specifically how AIMCo is using artificial intelligence or machine learning applications can be thought of as one of both efficiency from a data-management, information-management perspective across a number of our departments to ensure increased data quality and a reduction in time spent analyzing those types of files in general.

What is very interesting to us would be the application of AI techniques to be able to add value for our clients for the heritage fund. We have a number of different processes under way exploring the efficacy of that as a whole, and then specifically across the portfolio there are certain exposures to those companies that are benefiting from the proliferation of the artificial intelligence cap ex spend as it relates to a number of different asset classes both in public equities, infrastructure across those companies that are manufacturing the chips, or the picks and shovels, so to speak, as well as data centres, power supply, et cetera.

Maybe a little bit broader of an answer, but it is an interest to both the operational and investment management teams within AIMCo. There are very active discussions with respect to investment strategy currently and how to apply these techniques to our processes to be more efficient.

The Chair: Thank you so much for that, Mr. Lord.

Next, we'll go back online. We still have another question.

Mr. Rowswell: Yeah. Sheila I. via e-mail, "Why is the Alberta Heritage Fund managed by Stephen Harper and not someone who is an expert in world economics?"

Maybe you can describe Stephen Harper's role and where we're at.

Mr. Prakash: Mr. Harper is the chair of the AIMCo board. Similar to other boards, the key function of Mr. Harper and the other board members is the oversight of AIMCo. The management of the investment strategy is done by the management team led by Mr. Lord and supported, of course, by professionals across asset classes, risk, et cetera.

The Chair: Mr. Harper is also an economist, isn't he? The former Prime Minister?

Mr. Rowswell: It's not my question.

The Chair: With that, I'll go back to our friends in the room. Does anyone else have a question for our guests here today? All right.

With that, we'll go to our elected officials. Please, Mr. Kayande, go ahead.

Member Kayande: Thank you very much, Mr. Chair. Thank you for your discussion on political risk, motivated by my colleague Mr. Stephan on the other side. I appreciate that. When we think about, like, inflection points and political risks and how you evaluate investment performance, would you say that our government denying basic fundamental rights is one of those inflection points in how you evaluate a jurisdiction for its political stability and its investment returns?

Mr. Prakash: Yeah. Let me attempt to answer that question. We look at risk in multiple dimensions. Certainly geopolitical risk is one of the things we actively look at.

One of the foundational aspects of how we invest, particularly in the private markets: the guidelines include that we would, for example, invest in OECD countries by and large. Of course, there are exceptions depending on the specific situations. Secondly, the responsible investing guidelines very clearly stipulate that if there are any sanctions, if there are any Canadian rules or international rules, et cetera, we abide by those, and if that is applicable to any of the countries, then we don't invest in those countries. Those ones are outside the sandbox in terms of what are eligible investments.

Then outside of that, in the case of specific situations, we – Mr. Lord and team and the risk team – just from a market perspective, certainly look at whether some of those investments are appropriate or not. In the case of Russia, where we did have some investments pre the invasion, that was assessed. The sanctions came in, and basically the window got shut. That's the way we approach that.

Outside of that one of the other bits that we mentioned as well is doing scenario analysis. We've done it, amongst others, on some of the global flashpoints, particularly material from the investment holdings of our clients in the heritage fund.

Member Kayande: Thank you.

Just one follow-up on that if you would permit me.

The Chair: Yeah, go ahead.

Member Kayande: When we think about countries that are on the edge, like, say, Hungary, for example – I don't know if they're in the OECD – Poland, you know, like, former Soviet bloc countries that their transition to democracy has sometimes been a little bit rocky, a little bit challenging: do you spend a little bit of time looking at the governments of those areas and saying, "Hey, this is a rights-based jurisdiction where we can guarantee that rules apply and that our money has a chance of being put to work and being returned?" Like, how do you think about that?

7:40

Mr. Prakash: Absolutely. I mean, particularly if we are doing direct or private investments in those markets, part of the due diligence is exactly around the rule of law, the ability to repatriate capital, the tax policy, et cetera. All of that is part and parcel of the due diligence.

Secondly, it also drives, sometimes in many instances, the strategy, how we approach a market. If the investment opportunity is attractive but that market at the margin, as you say, may be difficult to navigate, then we certainly look for strong partners which allow us to amplify our reach, both whether it is local partners or investor partners that allow us to engage in those investments in a much more risk-adjusted manner than otherwise. So those are some of the things we do.

Member Kayande: Thank you very much.

The Chair: Next we'll go to the government side.

Mr. Wiebe, you have a question.

Mr. Wiebe: Thank you, Chair. My question, I think, was touched on a little bit already before, but I just want to get maybe a little bit more clarification regarding the fund's returns. On page 8 of the report the fund achieved a five-year annualized return of 9.6 per cent and outperformed the target by about 2.2 per cent. Additionally, AIMCo has exceeded the passive benchmark of 8.5 per cent by 1.1 per cent. So my question is: could the ministry give us some further insight into the investment strategies and asset class that contributed most significantly to this outperformance?

Ms Jones: Thank you for the question. Analyzing these two particular investment objectives is really able to tell: is the asset meeting its objective? Which is that first part, achieving a return of 9.6 per cent that outperforms the real return target. The second part of your question, which was what performed the best according to the passive benchmark, I will pass over to AIMCo.

Mr. Lord: Thank you, Ms. Jones. I'll walk through the asset class, the respective asset-class categories, with some additional comments starting with fixed income. As noted the fund did outperform in all subsegments of fixed income, including money markets, universe bonds, private debt and loan, and private mortgages. With money markets certainly being a smaller allocation and very low risk, we'll focus on the three others.

Within the universe bond portfolio the fund returned 1.8 per cent and outperformed the benchmark by approximately 1 per cent. That includes bonds of Canada's government provinces, major Canadian corporations, as well as some niche strategies that seek to extract additional value from the market where we may have a competitive advantage via internal teams or external partnerships. Our exploitation of those structural competitive advantages or developed skill set have allowed us to generate consistent outperformance on behalf of the fund over a number of years.

Within private mortgages we work with dozens of large investment partners and source mortgage-related opportunities across a number of different subsegments of the real estate market, whether that is apartments, multifamily real estate, grocery-anchored real estate, et cetera. Our private pipeline of opportunities based on these strong partnerships and the team's deal flow allows for us to drive additional value for the fund. We've generated a five-year return of approximately 3.3 per cent, outperforming the benchmark for that asset class by .7 per cent.

Within private debt and loan: this has been a fast-growing part of the portfolio from a client allocation perspective, certainly topical from a market perspective as well. Our team sources direct lending opportunities via both partners and with those partners' portfolio companies directly to spreading across loans to private equity funds, collateralized loan obligations, et cetera. These can be considered somewhat riskier loans as compared to government bonds or some of the traditional fixed-income portfolio products. The fund commensurately also generates a higher rate of return. The five-year return in the fund is approximately 7.9 per cent and has outperformed its benchmark by approximately 3 per cent.

Moving on to equities. Within public equities or within equities more broadly we have seen significant outperformance in Canadian global and private equities with some detraction from emerging market equities.

Within Canada and globally we consistently seek to capitalize on both competitive advantages, which goes far beyond traditional stock selection, to beat a market. We employ a balanced blend of internally managed and externally managed strategies across fundamental, systematic, or quantitative strategies and absolute return approaches to achieve that diversified foundation of outperformance. Canadian equities have returned over that time period approximately 18.2 per cent, outperforming their benchmark by 1.5 per cent, while global equities as a product have returned similarly strong numbers at 17.8 per cent per year, outperforming the benchmark by approximately 2.4 per cent.

Within private equity – and this will reflect back to some of my opening comments – we have earned a respectable rate of return of 15.4 per cent per year, outperforming that benchmark over a longer period of time. Our approach in private equity has been steady for a number of years, and we maintain a tight group of investment partners, who are established private equity firms with long and established track records. We invested in their funds to gain access to the underlying performance as well as to generate co-investment and deal flow that we invest on behalf of our clients. This approach provides a best of both worlds whereby we're able to lower the program costs while offering the opportunity to increase the net returns of the fund overall.

Mr. Wiebe: Can I have a follow-up?

The Chair: Yes.

Mr. Wiebe: I'm just wondering. Do you have any safeguards in place or strategic adjustments that can be considered to ensure that we have continued success?

Mr. Lord: Yes, certainly. Going back to some of the comments by my colleague Mr. Prakash: managing a client's portfolio holistically from a liquidity perspective, introducing strategies and constructing a diverse portfolio to ensure that we have the ability to take advantage of any type of those adverse opportunities that usually present as very attractive periods of time to allocate additional capital to some of the riskier strategies, and to some degree strategies within public markets as a whole also have exposure to either equity market downside or hedging strategies as well as credit hedging strategies to varying degrees over time based on the pricing of those underlying instruments and at the discretion of the portfolio managers.

Mr. Wiebe: Thank you.

The Chair: With that, we're in the ninth inning here. Last call for any of our guests in the room who would like to ask a question to our guests here. Why not? Mr. Meeker?

Mr. Meeker: Sorry. I don't mean to draw things out to 18 innings or something like that. I'll just tell you what concerns me as a citizen of Alberta, you know, for comment or not. I mean, I'm not responsible for HR at AIMCo. Nobody in this room, I don't think, directly is. It's causing me concern that the chief executive officer still has the interim label, and it's been almost a year, right? In another week it's going to be a year as an interim.

I have seen organizations, investment organizations in particular, founder without the leadership that they deserve. I would just throw it out there. I don't know if it causes anybody in here concern, but it causes me concern that it's a year later and there's no continuous CEO in place at the investment manager for the fund.

Thank you.

The Chair: Mr. Meeker, thank you very much for that comment. Again, the purpose of this meeting as per the act is to hold a public meeting that discusses the investments and the results of the fund, but your point is noted and is on the record. Thank you very much for that. It is a very reasonable thing to comment on.

With that, do we have anyone left online or on the phones? No.

With that, Mr. Kasawski.

Mr. Kasawski: Well, Mr. Chair, I'm so thrilled to be able to address the group again. I want to thank everybody here. Especially I want to thank all the members of the Legislative Assembly Office that have put this meeting together for the public and the presenters from Treasury Board and AIMCo.

Really, I just want to say – I'll get to a question, but Mr. Prakash, you've been a great servant and honest broker, and it's been wonderful to be able to meet with you at these meetings over the last couple of years, so thank you for all your service to Albertans.

7:50

Mr. Meeker had brought up a question, which was on my mind as well, about PNYX, and Ms Jones, I just want to say that you would bring back a scope, I think, to the committee, or to the public, about what PNYX is doing with that $4 million fee.

Ms Jones: I'm happy to bring something back to the committee.

Mr. Kasawski: Great, and I just wanted to get clarification, then. I had heard when we were in this meeting, when we had brought up this PNYX group, about their fees that are being paid by the Alberta heritage savings trust fund, that there was something about it being similar or being part of HFOC or the future of that. So I just want to know if fees from the heritage savings trust fund are being used to stand up HFOC in this current scenario. That's what I had heard, and you can clarify if that's what is going on.

Ms Jones: Thank you for your comment. As part of the Alberta Heritage Savings Trust Fund Act and the investment management agreement there is a cost recovery in place for standing up the heritage savings trust fund. Under the investment management agreement between the government and HFOC, HFOC is able to basically act on a cost-recovery basis, so any of the stand-up costs do fall under that cost-recovery methodology. I hope that answers your question.

The Chair: With that, I would like to sincerely thank everyone for their participation tonight. Thank you to everyone in the audience for coming out and for folks calling in and e-mailing us online. I can speak on behalf of the entire committee, I think, when I say that we've enjoyed spending this evening with you all here today as we discussed the heritage savings trust fund. Ms Jones, Mr. Wagner, Mr. Lord, Mr. Prakash, thank you again so much. Again, Mr. Prakash, I echo Mr. Kasawski's words: we wish you well.

With that, there is a survey posted on the Assembly's website seeking your opinion on tonight's meeting and how we can improve it for next year. There will be links to the survey on the Assembly's Facebook and X accounts, and any feedback you can provide will be appreciated.

To everyone who interacted with the committee or watched the proceedings this evening: thank you so much for your interest and participation. The engagement regarding the fund and the work of the committee is greatly appreciated, and we look forward to next year's meeting.

I will now call for a motion to adjourn. Would a member move that the 2025 public meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adjourned? I see Mrs. Johnson. Can I get a seconder on that? No, we don't need a seconder. All in favour? Anyone opposed? Our good friend online, I don't even think we need your vote today. You drive safe, my friend.

With that, the motion is carried. The 2025 public meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund is now adjourned. Thank you, everybody, so much. Take care.

[The committee adjourned at 7:53 p.m.]

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