



Legislative Assembly of Alberta

The 31st Legislature
Second Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Friday, October 16, 2026
1 p.m.

Transcript No. 31-2-5

**Legislative Assembly of Alberta
The 31st Legislature
Second Session**

**Standing Committee on the
Alberta Heritage Savings Trust Fund**

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

de Jonge, Chantelle, Chestermere-Strathmore (UC)*
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)

* substitution for Justin Wright

Office of the Auditor General Participants

Phillip D. Peters, KC	Auditor General
Tim Lamb	Principal

Ministry of Treasury Board and Finance Participants

Brittany Jones	Director of Investment Strategy
Stephen J. Thompson	Assistant Deputy Minister, Treasury and Risk Management

Alberta Investment Management Corporation Participants

Kelly Featherstone	Chief Client Relations Officer
Justin Lord	Chief Investment Officer

Heritage Fund Opportunities Corporation Participants

Joe Lougheed, KC	Board Chair
Aarnoud van Weelden	Chief Executive Officer

Support Staff

Shannon Dean, KC	Clerk
Trafton Koenig	Law Clerk
Vani Govindarajan	Parliamentary Counsel
Adam Quirk	Legal Counsel
Philip Massolin	Clerk Assistant and Executive Director of Parliamentary Services
Nancy Robert	Clerk of <i>Journals</i> and Committees
Abdul Bhurgri	Research Officer
Rachel McGraw	Research Officer
Warren Huffman	Committee Clerk
Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk

Rhonda Sorensen
Christina Steenberg
Amanda LeBlanc

Manager of Corporate Communications
Supervisor of Communications Services
Managing Editor of *Alberta Hansard*

1 p.m.

Friday, October 16, 2026

[Mr. Yao in the chair]

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

I'm Tany Yao, the MLA for Fort McMurray-Wood Buffalo and chair of this committee. I'd ask that members, guests, and staff at the table please introduce themselves for the record, and then I'll ask those who are joining remotely to do the same. We shall begin to my right.

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

Mr. Loughheed: Joe Loughheed, chair of the Heritage Fund Opportunities Corporation.

Mr. van Weelderren: Aarnoud van Weelderren, CEO, Heritage Fund Opportunities Corporation.

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

Mr. Thompson: Steve Thompson, assistant deputy minister, treasury and risk management, for Treasury Board and Finance.

Ms Jones: Brittany Jones, director of investment strategy for Treasury Board and Finance.

Mr. Peters: Phil Peters, Auditor General.

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

Mr. Kasawski: Kyle Kasawski. All roads lead to Sherwood Park, and I'm pleased to be the MLA for Sherwood Park, where it's also the start of the Trans Mountain expansion. The Pacific Link will run through Sherwood Park as well.

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

Mr. Quirk: Adam Quirk, legal counsel.

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

Mr. Huffman: Warren Huffman, committee clerk.

The Chair: We will now go to those folks who are joining remotely. I ask that you do unmute and please turn on your cameras when you introduce yourself when I call you by name.

MLA Wiebe.

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

The Chair: MLA Ellingson.

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

The Chair: MLA de Jonge.

Ms de Jonge: Hello, Chair. Good afternoon, everyone. Chantelle de Jonge, MLA for Chestermere-Strathmore.

The Chair: And MLA Johnson.

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

The Chair: Thank you, all.

For the record I will note the following substitution. Ms de Jonge is acting in for hon. Mr. Wright.

A few housekeeping items to address before we turn to the business at hand. The microphones are operated by LAO 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 by videoconference are encouraged to please turn on your cameras while speaking and mute your microphone when not speaking. Members participating remotely who wish to be placed on the speakers list are asked to message the committee clerk. Please set your cellphones and devices on silent for the duration of this meeting.

Mr. Stephan, could you introduce yourself, please.

Mr. Stephan: I'd be delighted. Jason Stephan, MLA for Red Deer-South.

The Chair: Thank you, sir.

A draft agenda was made available to all members. Does anyone have any changes or additions to the draft agenda? If not, would someone like to move that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the proposed agenda as distributed for its October 16, 2026, meeting? Thank you, sir. Mr. Kasawski moves that. All in favour of, please say aye. And all opposed in the room or online, please let me know. Perfect.

Yes. Just for the record moving forward, when we're asking for votes, if we're asking for yeses, whether you're online or in person, we'll just be asking everyone to do the same as when – and if you're saying no, same thing. We're just going to try to keep it a little bit cleaner. All right.

Anyways, that is carried.

Next we have the draft minutes from our September 29, '26, meeting. Do members have any errors or omissions to note? If not, would a member like to move that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the minutes as distributed of its meeting held on September 29, 2026? Mr. Rowswell. Any discussion? All in favour in the room or online, please say aye. Anyone opposed in the room or online, please say no or nay. Fantastic. That is carried. Thank you, all.

Okay. Hon. members, we now turn to the 2025-26 annual report of the Alberta heritage savings trust fund. The committee clerk received a draft of the annual report from Treasury Board and Finance on October 6. That report was made available to the committee members on the committee's internal website. I note for everyone's information that this report is confidential until it is approved by the committee.

I'd like to briefly review the committee's mandate with respect to the fund's annual report. As stated in section 6(4)(b) of the Alberta Heritage Savings Trust Fund Act, one of the functions of this committee is to approve the fund's annual report. Furthermore, section 16(2) of the act requires that after the committee approves the annual report, copies of the report will be furnished to all Members of the Legislative Assembly and the Clerk of the Assembly on or before June 30, after which the report shall be made public. Now, I will note for the record that the committee was unable to fulfill that obligation as the annual report on the fund was not made available to committee members until October 6. The committee has met at its earliest opportunity to review the report.

Before proceeding, I'd also like to note that officials from the Heritage Fund Opportunities Corporation are in attendance with us today. This is the first Alberta heritage savings trust fund meeting that the Heritage Fund Opportunities Corporation has attended, so I'd like to welcome you today.

At this time I'll ask that Treasury Board and Finance officials provide an overview of the annual report, followed by remarks from AIMCo and HFOC, and then we will open the floor to questions from committee members.

Please, the floor is yours.

Mr. Thompson: Thank you, Mr. Chair. Good afternoon, committee members, colleagues, and guests. My name is Steve Thompson. I am the assistant deputy minister of treasury and risk management for Treasury Board and Finance. I'm joined today by my colleague Ms Brittany Jones, who is our director of investment strategy. We're happy to be here to present the final results of the Alberta heritage savings trust fund for fiscal '25-26 on behalf of the department.

The heritage fund delivered another year of strong investment performance. The fund returned 8 per cent in '25-26 net of fees and grew to \$32 billion in value. This represents an increase of \$4.9 billion from the previous fiscal year and establishes a new high-water mark with the highest value for the fund since it was established in 1976. With this growth, the heritage fund remains on track to achieve its interim target of \$35 billion in 2027 and its long-term goal of \$250 billion by 2050. The increase in financial assets was driven by the Alberta government's decision to retain and reinvest 100 per cent of the heritage fund's annual net income and contribute an additional \$2.8 billion from surplus cash, as announced in July of 2025.

Despite heightened geopolitical instability, volatile energy and commodity markets, and global trade and tariff concerns, which have complicated the outlooks for inflation, monetary policy, and investor sentiment, the heritage fund achieved positive returns across most asset classes in '25-26. Additionally, the fund generated \$2.4 billion in net investment income for the period. The fund's performance was led by returns on global public equity markets, with total equity investments yielding 16.3 per cent and producing income of \$2.0 billion. That's really awkward to say.

Fixed-income and interest-bearing securities also contributed positively, returning 2.7 per cent and yielding \$346 million. Inflation-sensitive and alternative assets, including infrastructure, real estate, and renewable resources, contributed \$174 million in earnings. Total investment expenses increased by 2.7 per cent, to \$189 million in '25-26 from \$184 million in the prior year. However, as a percentage of the fund's average market value these expenses decreased to .66 per cent from .73 per cent in the prior year.

Over the longer term the heritage fund's performance is measured against two primary objectives over a rolling five-year period. The first objective 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 policy benchmark by a margin of 100 basis points, or 1 per cent.

Over the past five years the heritage fund has exceeded both of these objectives. The fund has returned 8.2 per cent on an annualized basis, surpassing its real return target of 7.7 per cent by 50 basis points. This result indicates that the fund continues to preserve and grow its purchasing power over time. The heritage fund also exceeded its relative return target of 7.6 per cent over the same period, outperforming the policy benchmark by 60 basis points and demonstrating value added through active management.

Shifting to fund governance, throughout the '25-26 fiscal year the department continued to support the Heritage Fund Opportunities Corporation in assuming its role as the functional owner of the heritage fund assets. This included the phased transfer of select investment oversight responsibilities as well as ongoing assistance in developing the corporation's operational capacity, policy framework, and processes necessary for full operational readiness. With these positive results and achievements, the heritage fund

continues to expand both in value and influence. Its core mandate remains unchanged, which is to preserve and grow the provincial wealth for the benefit of all Albertans. The progress of the past year reflects the government's continued commitment to the heritage fund and the fund's foundational role in supporting the province's fiscal strength, financial stability, and future prosperity.

This concludes my prepared remarks, and with the chair's permission I will yield to my colleagues from AIMCo.

The Chair: Absolutely.

Mr. Lord: Thank you, Mr. Chair. May I have permission to invite AIMCo's chief client relations officer, Kelly Featherstone, to provide brief opening remarks before I speak about the portfolio in the market?

The Chair: Please, Ms Featherstone. And please introduce yourself at the podium.

Ms Featherstone: Thank you. I'm Kelly Featherstone. I'm AIMCo's chief client relations officer. In this role I lead our client relations, client strategy, investment product management, communications, corporate identity, and sustainable investing functions, joining our chief investment officer, Justin Lord. I'll start by providing a brief update on AIMCo, our strategy, our business transformation project, and some of the important work under way with our clients. Then Justin will share some thoughts on what we are seeing in the market.

1:10

Over the past several months we have moved from reviewing and refining our investment strategy towards implementation. Our objective remains straightforward, to focus our risk and resources in areas where AIMCo can create the greatest value for our clients and to build an investment platform capable of delivering that value consistently over the long term. That work includes strengthening our public equities platform, enhancing how we manage capital across the total portfolio, and developing capabilities that allow us to better implement individual client objectives.

One of the most significant milestones for AIMCo this year was a successful go live of our new investment platforms on July 13. This represents the culmination of more than two years of preparation and an important step in modernizing the infrastructure that supports our investment activities. We are now in stabilization, and there is still work ahead as we embed new platforms and processes across AIMCo. Client engagement will continue to be important as our reporting and risk capabilities evolve.

For the heritage fund specifically, our role continues to evolve alongside the ambitions of the fund. We remain committed to working closely with the Heritage Fund Opportunities Corporation and Treasury Board and Finance as the fund's investment strategy develops. We'll also continue to place significant emphasis on dialogue with our clients. Earlier this month we hosted the AIMCo Investment Symposium on October 1, bringing together clients and AIMCo investment professionals for broader discussions on market and investment opportunities.

With that, I'll stay brief and pass it along to Justin.

Mr. Lord: Okay. Thank you, Kelly.

Good morning, Chair, members of the committee. Thank you for having us here today to share a little bit about what we're seeing through an investment market lens as it relates to the Alberta heritage savings trust fund. As my colleagues from Treasury Board and Finance have covered the performance results in detail, I'll touch on those briefly again to set the stage and then spend a little bit more time talking about what we're seeing across global markets as it relates to our products and your portfolio.

For the fourth quarter, as stated, of the fiscal year ending March 31 the heritage fund returned .3 per cent net of fees, outperforming its benchmark by approximately 26 basis points for the full fiscal year as per the report and the topic of discussion. Today the fund returned 8 per cent and ended the year, as noted, at approximately \$32 billion.

Equities, global equities, public equities in particular, were the largest contributor during the year to the overall performance of the portfolio while credit and infrastructure also contributed positively. Over five years the fund has generated an 8.2 per cent rate of return, exceeding its real return and policy benchmark, as noted by our Treasury Board and Finance colleagues.

Now turning to markets, the investment environment has changed, is changing, is constantly changing. I think I could open most of these meetings with that statement. The previous regime that has really been supported by falling interest rates, stable rates of inflation and the prior regime of inversely correlated stock and bond or fixed-income markets have faded. Today rates are higher, inflation is higher and more volatile, and returns vary more widely across sectors, companies, and asset classes in general. Growth and corporate earnings have remained quite resilient, supported by investment in artificial intelligence related capital expenditure, infrastructure, and energy even as geopolitical conflict, trade policy, and fiscal deficits are adding to potential increased uncertainty in the future, certainly from an interest rate perspective overall.

In public equities we remain constructive over the long term but are attentive to valuation and the degree of concentration across global equity markets, in particular across global developed and emerging markets as it relates to the allocations of the fund.

There are a small number of technology and/or AI-related companies, be it hyperscalers, memory producers, et cetera, that have driven a significant share of the returns, making markets much more sensitive to any change in direction of earnings over the coming number of quarters. We're maintaining exposures to companies with durable earnings while remaining disciplined, obviously, on price and continuing to manage those exposures that are diversified across regions, investment styles, which would also include complementary absolute return strategies within our suite of public-market products.

In fixed income higher yields have restored meaningful income to the asset class on a go-forward basis, but persistent inflation, government borrowing, and fiscal deficits globally could keep long-term yields elevated over the medium term. We therefore remain cautious about relying too heavily on duration or increasing duration exposure at this current time.

We continue to see opportunities in private credit, where floating rate structures with strong covenants in senior secured forms of debt are providing portfolios, our client portfolios and your portfolio, attractive yield and structural downside protection. The fund's private credit portfolio has performed well, returning 6.3 per cent during the fiscal year and generating significant value-add for that portion of the allocation as well. We do note that there has been, as we've discussed in prior meetings, a lot of capital attracted to pockets of this market, and certainly the team is focused on not only the quality of underwriting that they perform but the relative value that's present across the subsectors in the vast private credit market.

Within private markets overall and some of the inflation-sensitive asset classes referred to, infrastructure remains particularly attractive. Rising power demand, data centre development, electrification, and energy security themes are creating opportunities across power generation, electricity transmission, natural gas infrastructure, as well as digital connectivity both here in Canada, here in Alberta, and abroad. The asset class provided growth, income, and inflation

protection and we think will continue to do so, with the caveat being that entry price is critical and a key component from a valuation perspective in how we purchase assets on behalf of our clients and yourselves for that long-term income generation and inflation protection. Infrastructure did return 4.1 per cent during the year and 8.7 per cent annually over five years, ahead of its benchmark as well.

Real estate and private equity remain selective. Higher financing costs have pressured valuations, and reduced transaction activity has contributed to longer exit timelines in private equity in particular. In real estate we're seeing early signs of stabilization evident in Canada first, and the portfolio remains focused on allocating capital with the goal of generating high-quality income from those properties in general.

In private equity manager selection, obviously, entry price and liquidity matter more as capital has returned more slowly and as the historical premium for holding private companies has compressed when compared to public equity market benchmarks, as alluded to in the performance versus public equities overall. We continue to see selective opportunities with strong middle-market managers as per the strategy's mandate as well as in the secondary market overall.

Stepping back, I think it's important how all of these investments work together in your portfolio. Diversification is not simply about one asset class versus another, private assets versus public assets in particular. It is really focused on, I guess, when different asset classes can be exposed to the same underlying factors or drivers of valuation and/or performance, so we focus on the role that each of the asset classes plays in your portfolio. We need our asset classes to provide growth, income, inflation protection, diversification, liquidity, and alpha or excess return. Our objective is to build a resilient portfolio on your behalf, remain disciplined on price and underwriting process, and put capital to work where we believe that you are being compensated for the incremental risk that you're taking.

To conclude, we're certainly in an environment with a number of uncertainties that are present, but it's not without opportunity as well. Our focus is on maintaining a resilient and diversified portfolio, exercising discipline on price, and allocating risk where we believe it is most attractively priced.

With that, I'll conclude my remarks. Thank you for the time today. Kelly and I are happy to take questions as it would relate to the report or the performance details contained herein.

The Chair: Thank you very much.

Mr. van Weelderren.

1:20

Mr. van Weelderren: I just want to thank you for the opportunity, Chair, to come today with Mr. Lougheed, our chair.

The heritage fund, as detailed in the report, was mobilized with the board of directors at the beginning of '25 and since has spent considerable time and effort working towards moving forward. We work closely with Treasury Board and with AIMCo as we develop the policies and procedures. Specifically, the statement of investment policies and goals has been reviewed, and we are working towards producing an updated approval thereafter. We're excited by the work that has been done and the transparency that's been provided by AIMCo as well as the support that we've been offered by the Treasury Board.

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

We'll now proceed to questions from committee members. As we've done with previous meetings, members can ask a question and a follow-up, and we'll try to alternate questions between caucuses as much as possible. I'll be maintaining a speakers list, so

please alert the committee clerk or myself if you'd like to ask a question. I have Mr. Rowsell with question 1.

Mr. Rowsell: Thank you very much, Chair, and thank you to AIMCo and Treasury Board officials for coming here today. I'd like to congratulate you on a strong performance, 8 per cent. We understand that, you know, we exceeded the real growth target by a certain amount, but compared to the passive one, it was quite a significant miss. Can you first walk us through what led to the active management target being missed?

Mr. Lord: I'm happy to take that question. From a relative return perspective, the shortfall was concentrated primarily in real estate and private equity, which more than off-set the positive contributions made by global equities and fixed-income portfolios. Of the minus 2.49 per cent versus the passive benchmark, private equity represents approximately two-thirds of that slippage. Real estate: another significant portion of that. Slight detractors from infrastructure and Canadian equity with positive contributions from a number of the other public equity fixed-income allocations, as detailed in the report.

Focusing perhaps first on infrastructure and Canadian equities, the Canadian equity portfolio overall generated very solid total rates of return. The underlying return drivers in the index were really some of the metals, materials, names, gold in particular, as well as Shopify, and to the degree that some of the active managers in the portfolios did not hold the same relative exposure or they were underweight, that contributed to the underperformance of the Canadian equity portfolio.

Infrastructure: we tend not to focus on shorter periods of time given the nature of the valuation process, and looking at and referring back to the five-year returns, the portfolio is performing as expected and exceeding those benchmarks. We did have some movement in some of our large-platform holdings that created some less-positive performance than the CPI plus benchmark, which obviously remains quite steady over a period of time.

Private equity is an asset class that we've spoken about in this forum a number of times and is garnering a lot of attention from myself, our executive committee, and the board given the challenges that the asset class is experiencing. Private equity was the largest detractor versus its benchmark on the AIMCo platform last year, reducing the total heritage fund active return by 1.44 percentage points in relative value. The broader private equity environment, as alluded to, is really characterized by a reduction in transaction activity, a reduction in liquidity. Companies are staying private for longer within private equity portfolios, decreasing those rates of return. There have also been a number of impacts to those portfolios over this time period as it relates to the potential threat from artificial intelligence impacting valuations in the software sector in particular, and our portfolio was not immune to that.

I will also say that the rates of return of public markets in general have been quite outsized over the last number of years and certainly benefiting those allocations of the heritage fund. But when we're comparing the private equity asset class to a public equity benchmark, there is certainly a mismatch in both the underlying portfolio construction, or the makeup of the portfolio, as well as what's driving that underlying performance. We're spending more time in private equity from a broader opportunity set right now as liquidity returns to that market and attractive secondary opportunities both on the buy and sell side are starting to present themselves as well. I think that in the go-forward environment the private equity asset class does offer a potential – a significant amount of diversification versus some of the concentration that we are seeing in large-cap equity markets that are publicly traded.

I'll also touch on real estate here a little bit as well with the overall detractor of 75 basis points in the portfolio. Foreign real estate accounted for the majority of this shortfall, with office and industrial properties the largest relative detractors. Elevated interest rates, inflation, continued geopolitical uncertainty continue to pressure those valuations while we've seen better performance in the Canadian market.

The real estate market globally is in a slow bottoming process. We are starting to see attractive relative valuations as holders of assets refinance and reposition their portfolios. We believe AIMCo and the dry powder, or unallocated capital, in our real estate portfolios will be able to take advantage of this deal flow over the coming years, but we don't view it as a V-shaped or a sharp bounce back opportunity in that space. We are focused on maintaining a resilient, high-quality diversified portfolio of real estate assets across both products and managing the underlying development pipeline or development exposure of those assets as well.

Mr. Rowsell: You mentioned the real return growth comparison there with the consumer price index plus 4.5 per cent, and I'm just wondering if – like, how do you establish the 4 and a half per cent, and is that realistic? Is there another way to measure real growth other than the consumer price index, and is it an adequate measurement of how we're doing?

Mr. Thompson: That's a very good question. Historically this measure has been considered appropriate because it requires the heritage fund to maintain its capital stock at a certain level and then grow at a rate greater than inflation, which really moves you forward to the benefit of future generations. Like, if you're not outstripping inflation, you're not even going to preserve value. You know, how we arrived at that was quite a while ago with a lot – it's an iterative process. It's an analysis of all of the risks ahead of the portfolio. It's a consideration of the risk appetite of the fund. The asset mix is reflected by the real return target, so when you look at the asset mix, it is designed to achieve that target. You're balancing your growth expectations with your preservation of capital.

What I will say on the development of that return target is that with the creation of the Heritage Fund Opportunities Corporation we have handed that mandate over to the new corporation, to the board, to the staff as they're onboarded. Part of their mandate will be to review these targets and to ensure their validity or to come up with new targets, you know, subject to approval, to measure their success against their mandate. The mandate has changed a little bit over the past few years, obviously, so this target, while we feel it is appropriate right now, may not be as we move forward.

I don't know if my colleagues want to expand on that.

Mr. van Weelderen: Sure.

Since July 1, when I joined, we've been working within the investment community and with consultants to work through our asset allocation and what the targets look like. That's been beneficial for us in terms of understanding the risks, the returns, and the benefits of diversification, as Mr. Lord and Mr. Thompson spoke of, so we expect to see some slight changes to it going forward. We still believe that it does make sense, again, on an inflation-adjusted basis for the benefit of the public to use that as a benchmark. It's just a question of what that is relative to the risks and returns that were expected and the time horizons.

Yeah. I think that's helpful.

1:30

The Chair: Thank you for that.

We'll next go to His Majesty's Loyal Opposition. Mr. Kasawski.

Mr. Kasawski: Well, thank you, Chair, and thank you, everybody that has come to Edmonton on a Friday afternoon. I appreciate that, and it's good to have you here to review this. I do want to highlight that in the report the Auditor General was able to review this June 2026, we're dealing with the fiscal year that ended in March 2026. It began in April 2025. There's been a lot of highlighting the uncertainty in the world, so we have to try to dial our heads back to what it was like, really, a year ago from today.

I did a little bit of research, and it looked like Canadian equities in that period of time, from April 2025 to March 2026, were on fire. Looks like they almost went up 31 per cent in that period of time. I'll come back to this, but I want to highlight that on the policy range for the fund Canadian equities can be invested in the equity portfolio 5 to 15 per cent. That's on page 9. During this fiscal year that we're reviewing now, it was down near the low end of 6 and a half per cent, so there was more room from a policy direction to invest.

The next thing I'd like to point out, Mr. Chair, is just to kind of go back even further if we can go back to almost two years ago. In November 2024 the entire board of AIMCo was replaced, and this fiscal year starts four months after the board was replaced and we brought in a new board chair and new board members and then a lot of new senior staff in AIMCo. In every way this is the current government's Alberta heritage savings trust fund that they have definitely made their imprint on because the board and the senior staff here are since the replacement back in November 2024.

It's worth noting that the current chair of AIMCo, the Hon. Stephen Harper, you know, is supportive of investment in Canada. He even attended the Canada Investment Summit in September and really has bought into the elbows-up strategy and was there to really present his belief in investing in Canada. Looking at our current government, it's impossible to deny that today advance voting is going on on a referendum to advance separatism that was brought in by this government. This government put this board in place. We have a board that is federalist, at least from the public reports we get of the chair. There's often sometimes a tension or a consternation or apprehension or prolonged deliberation that could happen when you have leadership moving in two different directions, a government moving in one direction on separatism and a board chair that is moving in: stay in Canada; elbows up; let's invest in Canada.

Looking at the report, to me it's clear that if we would have invested more in Canadian equities, we probably would have had a better return. I'm pleased with 8 per cent, but when I look at note 10, you have a policy benchmark of 10.5 per cent, which I can only assess was brought in by this current board, and we're off that by – I hope I'm using it right – 25 points. We were supposed to get 10 and a half per cent of our policy benchmark, and we got an 8 per cent, so to me that's 25 points of separation if I have that right. We're way off on our equity return, and it feels to me like investing in Canada would have been a good opportunity.

If you can go back a year ago, what was the thinking around holding back investment in Canadian equities? Was the tension between the board chair and the government on separatism and staying in Canada a factor in that? What held us back from getting a better return or getting closer to our policy benchmark return?

Mr. Lord: I can certainly address the concerns, and I'll allow my colleagues between Treasury Board and Finance and the Heritage Fund Opportunities Corporation to speak about policy. You are correct. Over rolling one-year periods we will see deviations between Canadian equities, emerging market equities, and global equities. In general we manage to our clients' targets, which exist within those ranges, as you quoted. There was not a significant

overweight or underweight to that target over that time period across equities.

We've discussed some of the hedging activity that we undertake in the past, where we will express views to protect downside in certain markets as well. Our clients, the heritage fund as well, tend to have a smaller allocation to Canadian equities than they do global equities as a function of also the concentration of the exposure in natural resources and Canadian financial institutions as well as the degree of correlation to Canadian GDP or Canadian-related exposure, which ultimately impacts for pension plans, their benefits and contributions for endowment, and/or insurance clients' other forms of their liabilities or revenues. To that degree we look to manage a diversified portfolio of equity exposure that captures, obviously, global trends leading to appreciation across equity market, equity beta in general.

In hindsight, looking backward over that one-year period, more value would have been added by owning more Canadian equities. There is not a direct mandate to invest more or less in Canada across any asset class within AIMCo's portfolios on behalf of our clients or our products. Our role is to ensure we're managing those exposures, generating the most attractive risk-adjusted rate of return for each of the exposures.

I don't have the exact heritage fund Canadian weight in front of me. It's going to be around the AIMCo number, which is a little north of 40 per cent exposure across equities, fixed income, to a degree private equity, real estate, and infrastructure. As of right now we are seeing attractive opportunity sets within the infrastructure asset class overall in Canada both in power generation and in energy transportation, be it midstream or pipeline assets, as well as the potential opportunities in data centres, which is very much talked about right now.

I will also note that the underperformance certainly versus the passive benchmark was contributed to by the Canadian equity allocation, more the construction of the Canadian equity product overall. A number of changes are under way on our equity platform to evolve both the Canadian and emerging market products, to use all of the tools in the tool box, so to speak, from an institutional investor perspective and, much like the global equities product does, make use of various active and passive and portable alpha strategies to ensure beta efficiency and alpha or excess return consistency throughout cycles and periods of time.

I might draw you to the annual report and our global developed allocation within equities generating consistent one-year and five-year excess returns. A lot of the work that we're undertaking from active management, whether that's done internally or with partners externally, will continue to evolve. The goal that I have for the equity team would certainly be to be able to present to the heritage fund numbers on a one-year, five-year, and 10-year basis across all of our products that exceed those benchmark rate of returns.

The degree at which the timing of those returns across global, emerging, or Canadian equities outperform is, obviously, quite difficult to predict. It is a function of a number of factors from a macroeconomic sentiment and valuation perspective. We tend to take bets or take risk within our clients' allocations when those opportunity sets are priced at extremes from an under- or overvaluation perspective.

That covers off on the performance item, but I'll allow both of my colleagues here joining me to talk about policy.

1:40

Mr. Thompson: Thank you, Justin, for that.

To the policy question, AIMCo's mandate is quite singular. The mandate from government is to invest the heritage fund to maximize return over the long term. We've been given a goal to reach \$250 billion

by 2050. We do not consider the politics of the board chair. We do not assign politics to AIMCo. AIMCo is mandated to maximize investment return. AIMCo's mandate is outlined clearly in the investment management agreement, available online, between the government and AIMCo outlining AIMCo's responsibilities, and our statement of investment policies and goals is available outlining how we expect them to achieve those goals. There is never a discussion between AIMCo as our mandated investment manager and Treasury Board with respect to politics. It is purely on investment management, maximizing return, and meeting our risk parameters.

The Chair: Follow-up, Mr. Kasawski?

Mr. Kasawski: Yeah. I just want to make sure everybody – so I suppose I'm hearing – and I'll just be frank. I'm low-level investment understanding; you're high-level investment understanding. The gap of what I heard Mr. Lord say: I was, like, having trouble following it. That's just me being real.

My impression is, though, that from a leadership perspective for this fiscal year that we're reviewing, we had an AIMCo board that was fully appointed by this government, and they would have been looking at direction on how to give you investment choices, tell you how to make them, just: here's our policy direction. It feels like you were held back on or you weren't nimble enough to respond to the growing Canadian market, which returned, like, 31 per cent versus global equities, which I think was 19 per cent. Both doing really well. But clearly, you would have had people in the building saying, "Canada's going really well right now; maybe we should put more money towards it," and something was holding back the leadership from making the decision to push more into Canada, which would have improved our bottom line of 8 per cent to closer to our policy goal.

So having a separatist government and having a board that was focused on investment: there was no way that the consternation in making the decision with policy was being held back by the separatist government?

Mr. Lord: No. The AIMCo board is focused on the overall governance of AIMCo's policies and procedures, risk controls, et cetera. Management would set strategy and have that approved, but there is not a directive from the board with respect to asset allocation, to weighting, et cetera. Transactions of certain sizes do require board approval from an overall risk, reputational risk, and checks and balances from a due diligence perspective but not the underlying investment decision itself.

Coming back to that Canadian equity weighting, the amount of Canadian equities that we will own at a certain period of time will be within a band or an acceptable range from an active risk perspective according to our client's asset mix policy. I don't want to be argumentative. Looking at a five-year basis, you see in the portfolio 14.4 per cent and 14.3 per cent returns on the five-year basis between Canada and global equities. You will see deviations across the globe on a year-over-year basis. Year to date this year we're seeing global equities and U.S. equities outperform Canada, emerging market equities as well. Canadian equities still play an important role in our clients' portfolios from a broader diversification perspective although the construction of the Canadian equity marketplace is much different, and there will be different periods of time when certain sectors are outperforming as well.

Sorry to go down the incorrect rabbit hole on the question on the first attempt.

The Chair: I will go next to – before I do, though, Mr. Kasawski, comments like "separatist government" are unhelpful and not . . .

Mr. Kasawski: Sorry. I didn't hear you, Mr. Chair.

The Chair: I'm sorry?

Mr. Kasawski: I didn't hear you.

The Chair: Comments like "separatist government" aren't helpful in this environment, so please avoid your politics here.

Mr. Kasawski: Okay.

The Chair: Next we'll go to Mr. Stephan on the line here.

Mr. Stephan: Thank you, Mr. Chair, and thank you to members of the Alberta heritage board for coming and speaking with our committee today. First of all, thank you for clarifying your policy to maximize returns for Albertans on the objective merits. I think that's something that we can all understand and agree with. I don't really understand the last line of questioning, but, in any event, thank you for clarifying what I thought I already knew and reconfirming it.

I do want to ask about the investment expenses of the heritage fund. I think you had mentioned that it is over \$180 million, and I'm concerned with the cost of that probably being in large part driven by our private equity portion. I note that Norway has virtually zero private equity at all, and the individuals with that stewardship to maximize returns, like we do, opted for that approach because it was more transparent, more liquid, and less expensive. I'm just wondering why we, you know, looking to maximize returns for Albertans, haven't looked at Norway. Over the long run it's very hard to beat the market. We're not beating the market. Could you please share with us why we're not – why we have so much private equity when it's not liquid, less transparent, and costs more?

Thanks.

Mr. Lord: Okay. I'm happy to chime in, and perhaps we'll reiterate a couple of comments with respect to diversification as well. It is rightfully pointed out that private equity has underperformed public equity, and there are costs associated with private equity exposures in general. Over a longer period of time on a net return basis, net of fees, private equity has outperformed public equities. We're looking at a longer period of time that's ten years. The last four years it has certainly – the asset class has lagged behind. I will note the imperfect benchmarking of private equities to public equities, but certainly from an opportunity cost or a portfolio construction perspective it is a consideration to be made from both a policy and an active risk management perspective.

Going forward, we do see the prospects for the asset class improving and providing valuable diversification, certainly, as it relates to large-cap technology exposure and the underlying themes that are driving some of the AI-related businesses and performance that we are seeing in large-cap U.S. equities and, in particular now, emerging market equities as well. Would it be helpful to provide a bit of a recap of the overall costs in this answer as additional information?

Mr. Stephan: I think I'd like to understand, maybe just in respect of your response: has Norway got it wrong? I mean, I know it's a subjective judgment, but they're a much bigger fund. They've been very successful. They made the very deliberate choice to avoid private equity because there's great liquidity in the public market. You mentioned that that was an issue with private equity. It's much more transparent, too, because when we're trying to give Albertans a true picture of where we sit as a fund and our values, private equity, of course – it's hard to value those securities until there's a liquidity event. Some of those investments that we may have reported at cost may be under water. They may be worth nothing.

I know there's an effort to get a true value, but, in any event, Norway seems to just sort of avoid that issue, and their costs are way lower, too. You know, they do a lot of index investing, public stocks, and they seem to be doing really well. I'm just wondering why – you know, you've sort of said without kind of – well, you've said that you've chosen this as part of your makeup, but has Norway got it wrong, then? It seems that they're doing very well. Could you just comment on that?

1:50

Mr. Thompson: I'm happy to chime in on that. Norway is a very different fund than the heritage fund, understanding that they were born around the same time. Norway has been quite singular in purpose since its inception, and the heritage fund has had varying iterations of purpose over its life. Norway is the largest sovereign wealth fund in the world, with over \$2 trillion U.S. in assets now, and that means that it's much more difficult for them to invest the way AIMCo does. Norway needs to be everywhere in every market, and their investment strategy is essentially to buy the entire investable universe, ex Norway, and that has worked very well for them.

Over the life of the Norwegian fund they have not been subject to income drawdowns, to any money being drawn out of the fund. You know, the fund has been allowed to simply retain everything and grow, so that lends itself to a much different investment strategy than a fund that, up until quite recently, saw all of its income diverted into general provincial revenues.

I come back to my colleagues who are joining the table this time from the Heritage Fund Opportunities Corporation. Again, part of their mandate will be to decide: is this active management strategy what we should embrace going forward? You know, they will bring some expertise to the table as they staff up. Their board is mandated to examine these very issues. I'm not saying whether what we're doing is right or wrong versus Norway. I'm saying simply that they're very different funds with very different purposes. We have the opportunity with the heritage fund to re-examine what it is we're doing right now.

I don't know, Aarnoud, if you would like to expand on that.

Mr. van Weelderren: Sure. Yes, Chair. Definitely. What we've gone through in the last three months is that we've worked with consultants throughout the industry and have had the opportunity to receive good feedback and had dialogues as it relates to our comparisons of where we are relative to sovereign wealth funds globally. It's been interesting to see that spectrum and the differences.

Speaking specifically to one specific fund relative to where we are, I echo Mr. Thompson's remarks that the difference in size makes it slightly different in terms of the manner in which it's invested. I'd also move back to some of the considerations around maximizing return on a risk-adjusted basis. That's very important. What that leads us to as an opportunity is having diversification across a number of products, which include private equity, real estate, infrastructure, absolute return products as well. That's very helpful when we look at it on a portfolio basis from the standard deviation or volatility and what that looks like from a potential drawdown perspective or expected total losses.

I think it's very important when we think through the asset allocation as it exists and the comparisons to other sovereign wealth funds, what ultimately the benefits and considerations are relating to each of the asset classes and the benefits that each of them has to increasing, again, returns on the risk-adjusted basis.

So we look at returns. We look at the risks. In our review of quite a few of the other sovereign wealth funds, it is quite fascinating to see that some of them have slightly higher returns but at a risk level

that's significantly increased. It's something that we're very cognizant of and we spent a considerable amount of time on over the last three months addressing and working through. Again, that is part of the effort and what will be released in the weeks and months ahead with any changes.

The Chair: Thank you, all, for that.

Next we shall go to Mr. Kayande.

Member Kayande: Thank you very much, Mr. Chair. I guess I want to start with, you know, that the separatism debate, over which we're going to a referendum question literally on Monday, one working day from now, is not what I would consider a standard political disagreement. I certainly know many folks who have left Quebec over the years who have not spoken to close family members for 50 years.

This is a very, very divisive question that cuts to the heart of who we are as a people, who we are as families . . .

Mr. Rowswell: Point of order.

The Chair: A point of order was called.

Mr. Rowswell: It's under 23(b) and 23(i). It's subject matter other than what we're here to talk about and imputes false motives on individuals and parties. I would like it if we could ask questions that are relevant to what these fine people are here to answer today, and it's not the politics of the issue.

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

A counter?

Mr. Kayande: Thank you, Mr. Chair. I'm happy to discuss the relevance of separatism in this meeting. We have, by the materials that the heritage fund has provided to us, not hit our benchmark by – we've missed our benchmark by 250 basis points, I believe, on \$32 billion. It is well known that the president and CEO of the Calgary Chamber of commerce is quoted:

Low taxes, quality public services, access to markets, investment and talent reinforce one another . . . Today's report . . .

Speaking of a report on the cost of separatism, points to a feedback loop in which weaker growth reduces revenues, fiscal pressures lead to higher taxes or reduced services, and those changes further affect investment and labour attraction.

The Alberta Chambers of Commerce:

The Alberta referendum and discussions about separation are now the leading source of business uncertainty in the research, ranked first by 24% of respondents and among the top three by 47%. This is followed by

Followed by, emphasis mine,

. . . Canada-U.S. trade relations, tariffs and CUSMA, inflation and input costs, and provincial and federal government policies.

The costs of separatism and their impacts on the Alberta heritage savings trust fund returns are a legitimate focus for this committee because our purpose is as an oversight over the heritage fund operations as created by Peter Loughheed in its original inception.

Thank you, Mr. Chair.

Mr. Loughheed: If I may, Mr. Chair. This report is to . . .

The Chair: Sorry, Mr. Loughheed.

I'll allow you to finish your question. It's not a point of order at this time, but I suppose when you make comments, like earlier, that this is a separatist government, that doesn't help this. That would follow a point of order. Certainly, finish your question and just stay within the parameters of what you commented on there, and we should be okay.

Member Kayande: All right. Thank you very much, Mr. Chair. I have to remember where I was when I picked up, if you could give me a second.

Right. You remember, Mr. Lord, I believe I asked you last year about what your contingency planning was around Alberta separatism if there were a referendum, if there were a successful referendum, and tied it to Brexit, for which you had significant contingency planning in place, which I assume was very helpful when the worst-case scenario happened and the U.K. actually exited from the EU. I ask again because at that time you had said that there was no contingency planning around Alberta separatism. Did that lack of contingency planning around Alberta separatism harm the alpha, the excess return of the heritage fund, to the tune of 250 basis points, which on \$32 billion is a lot of money?

Mr. Lord: No, it did not. I will reiterate the attribution conversation from earlier in the meeting with respect to the contribution of underperformance versus the passive benchmark owing largely to our illiquid asset classes, in particular private equity. We've also discussed – and I think it's worth reiterating as well – the imperfect nature of a private asset class being benchmarked to a public asset class over a short period of time. I've stated at this committee before that the perfect benchmark is one that is tradable and replicable and one that you are really measuring active risk, much like in an equity portfolio, versus that passive benchmark, so you can attribute what those active underlying decisions are.

2:00

The same type of benchmarking attribution is much more complex or ambiguous when looking at a benchmark for private equity as a whole. There is not an underlying tradable benchmark. This becomes a policy decision over a longer period of time, and certainly it is worth noting that the underperformance of the portfolio versus the public equity benchmark is contributing two-thirds, or almost 70 per cent, of that 250 basis points.

I think the reason – I'll let my colleagues at both the heritage fund and Treasury Board and Finance comment on this with respect to having two benchmarks in place, being able to benchmark longer term rates of return from a total return perspective to ensure that the fund is meeting its goals as well as relative return benchmarks that are certainly a part of the annual performance discussion and analysis process that we use internally to hold our portfolio managers accountable and that our clients use to hold us accountable as well.

Member Kayande: A follow-up. My question is, frankly, around separatism. Can you confirm that there are no contingency plans for the Alberta heritage savings trust fund in regard to the separatism referendum occurring on Monday?

Mr. Lord: We have not spent any time stress testing that particular item. I'll refer to my colleagues beside me if they would like to make any additional comments.

Mr. Thompson: No. I would just reiterate that our expectation of AIMCo is that the heritage fund assets be invested in a globally diversified portfolio to allow for all manner of contingencies globally. That is the expectation. That is the mandate, and we have not given them specific instructions around anything Alberta specifically related.

The Chair: Okay. Next we shall go to Mr. Wiebe.

Mr. Wiebe: Hello, everyone. Thank you for being here. As we've discussed in this committee before, the governance of the fund itself has changed as the Heritage Fund Opportunities Corp has begun collaborating with AIMCo. The report highlights the appointment of

the HFOC's full board. If you turn to the table on note 9, page 41, you'll notice that the committee has started recovering its operating cost, costing a total of \$2 million. I'm just wondering: can the officials give the committee a broad overview of this year's operating expenditures? Also, can the officials update the committee on AIMCo and HFOC's collaborative process and how the two entities have been working together?

Thank you.

Mr. Loughheed: I'm happy to start answering that question, through the chair. In terms of HFOC and our board we onboarded certain expenses with respect to legal accounting, oversight of financial controls and took some of those obligations away from the Department of Finance. Those were incurred in the past, well, during the fiscal year-end, of course, thereafter.

One of the larger contracts, which is referenced in here, to the consultant PNYX: that contract was not continued, so you see a reduction in those costs. We will evaluate what types of investment counsel and advice we'll need on a go-forward basis and do appropriate RFPs to determine the best advisers on a go-forward basis and report back to this committee with respect to any new advisers that we may, through management, be hiring in the future.

Thank you.

Mr. van Weelderen: I'll make a comment on the work that we've been doing with AIMCo as well as with the Treasury Board. It has been very extensive in the last three and a half months. I think we're on calls at least two to three times a week with AIMCo; similarly with Treasury Board. As we have worked through developing and considering changes to investment policies and reviewing asset allocations as well as the subasset class allocations and the investment products themselves, it has been very extensive. It has been incredibly supportive between all the groups. We worked together, and it has been very positive. Expectations are that we'll continue to do so.

One of the components and the important aspects of the establishment of the Heritage Fund Opportunities Corp is the independence in making investment decisions. We've also had the same level of support as we've clarified that role with AIMCo given that they are a delegated investment manager. We continue to see them as an important partner, but having that independence is something that's important for potentially new opportunities in the future. Again, the support and clarity of responses that we do get from AIMCo and their guidance has been critical to the success that we've had today.

The Chair: Thank you for that.

Mr. Wiebe, did you have a follow-up?

Mr. Wiebe: No. That's good. Thank you.

The Chair: Thank you very much.

Next we go to Mr. Kasawski.

Mr. Kasawski: Thanks, Mr. Chair. I'll just segue off of Mr. Wiebe's line of questioning. I think I heard Mr. Loughheed that PNYX is no longer under contract. Well, then I've lost one of my questions. I was just going to point out that when I went to that website two years ago – it looks like they've improved it at least, so maybe losing us as a client helped them to decide that it was time to update their website.

So we won't go into what was going on with PNYX, but, you know, we learned from Ms Jones at a previous meeting that it is within policy that the heritage savings trust fund can stand up HFOC. Coming back to that, I guess there are two things I'd like to know. One is: what has been the opportunity cost? Now we've had about \$2 billion that, if I

understand it correctly, has just sort of been parked there in some sort of cashlike state, so what's the opportunity and cost on that if we've missed out on, let's say, 8 per cent return?

Then if we can just get into, from the HFOC's perspective, this – I'm trying to understand being nimble and independent of AIMCo. If you can kind of envision a scenario where your investment opportunity is that you're going to be able to invest whereas AIMCo would be held back. Does that make sense?

Ms Jones: Mr. Chair, if I could begin, I will begin with the cash deployment process and the \$2 billion that you had mentioned. The \$2 billion was committed on March 31, which was basically the end of the fiscal year, at the same time that we were establishing the Heritage Fund Opportunities Corporation. For a brief period of time that \$2 billion was parked within a government account within TRM so that we could basically assess where it was best suited to go.

A few months into that, following multiple discussions, the decision was made to send that over to AIMCo. That cash was actually deployed in October, November of last year, so that cash has been sitting in AIMCo generating the return, basically, since October of last year. Subsequent to that, in February the \$2.8 billion was also deployed, but this time with the \$2.8 billion we didn't let it sit in any sort of cash account. It went directly to AIMCo as soon as, basically, we were able to. So all of the surplus amounts are now invested completely into the total portfolio, as you see today.

I will just pass this over to our colleagues at AIMCo to expand.

Mr. Lord: Yes. Certainly, to expand on that, when the heritage fund or another client contributes funds to AIMCo, it is immediately invested as per their policy. There are a number of asset classes, as we've touched on, that are liquid, that cannot be immediately invested in, and we have set planning policies and procedures to bank or allocate risk assets in an accommodation of liquid public equity and fixed-income exposures to be generating that rate of return as opposed to sitting in cash or earning an uneconomic rate of return or not contributing to the overall risk-adjusted return of the portfolio. In these particular cases, the transaction sizes were quite manageable over a one- to three-day time period from a broader public-market perspective overall.

2:10

To the degree that we are deploying capital across our client accounts where there are subtarget allocations, infrastructure in particular, given some of the disposition activity that we have had over the last year or two, that will be funded via transactions that would generate liquidity by reducing the public equity and/or fixed income, depending on the asset class and the banking methodology allocations in return as well.

Mr. van Weelderen: Mr. Chair.

The Chair: Yes.

Mr. van Weelderen: Just to answer the question as well as it relates to the Heritage Fund Opportunities Corp being held back by AIMCo, I would just state absolutely not, from my experiences so far in the last three and a half months. Again, they are a key partner for the Heritage Fund Opportunities Corp. They've provided exemplary service.

Again, given our opportunity and ability to work with other investment managers, even to date what we have found so far is that it's been a very healthy relationship as it relates to thinking about existing products and how they could be evolved. Then when speaking to third parties, it allows us an opportunity to think more proactively about areas where there could be improvements. Again, circling back with AIMCo to the extent that we see fit has been

something that's been very helpful, to have them as a sounding board with such great expertise and longevity.

The Chair: Fantastic. Thank you.

A follow-up?

Mr. Kasawski: Yeah. I appreciate that. I wasn't suggesting that AIMCo is holding HFOC back. I'm trying to get some clarity on where AIMCo would be held back and say: "Hey, this isn't with our investment policy to invest. HFOC, this is where you operate." I was kind of hoping we could just sort of – I'm just trying to imagine how the investment would be different. What type of investment would be different?

Mr. van Weelderen: Great question. Where we've moved to just in recent history is that we've had the opportunity to speak with quite a few other sovereign wealth funds globally. Finding out about what other opportunities exist in areas where AIMCo may not generally have purview: that's been interesting. Again, we need to be staffed up in a position to be able to process that appropriately, to screen it, to assess it, and to compare it to other alternatives.

It'll take some time for us to get to that, to do it appropriately, and do so in a fiduciary manner. Again, each one of those investments and considerations that we go through requires us to have a relationship, understand what the risks, returns are and how that benefits or hurts the portfolio in total. From a diversification perspective it is really important.

There are mutually exclusive areas where it does look like we can provide access to some opportunities that would be very beneficial to the heritage savings trust fund. We're still working through that, and we'll do so pragmatically and methodically.

The Chair: All right. Fantastic.

I'll just remind everyone that we have 16 minutes left in our meeting. If there are any other questions, we may have to ask for an extension.

Are there any further questions? Mr. Kayande.

Member Kayande: Thank you, Mr. Chair. I'm looking at the top 10 public equities that the heritage fund owns, and that list includes Nvidia, Alphabet, Meta, Amazon, ASML, Broadcom. It's a who's who of everyone exposed to AI, which is no surprise because these have been, like, extremely profitable investments for a great number of people. I guess my question is: how do you look at AI concentration risk? Is it different than looking at overall tech risk, which would have included a bunch of software companies, which, frankly, are not doing as well? Since you've got a new IT system and risk management system, do you have a mechanism by which you can, for example, examine what the AI factor tilts in your portfolios are? Have you done a rigorous understanding of, you know, what the actual AI exposure is in the private equity, the private debt markets, the less obvious places other than just, "Oh, yeah, Broadcom and Nvidia are AI companies"?

Mr. Lord: Yeah. That's a fantastic question and a topic of debate at our investment committees, at our 8board meetings currently and, to be quite honest, across each of the portfolio construction processes within our products or asset classes.

You rightfully point out the exposure from a global public equity perspective. There are various active positions across those names where they would be overweight or underweight versus the benchmark, but this cohort of names has increased in concentration in global markets as a function of the rapid market cap growth, as a function of the underlying earnings growth, and/or the valuations of the earnings that are generated by these companies. We've been somewhat encouraged through the last

quarter, through the calendar second quarter of the year, that you've seen multiples compressed across this cohort by approximately 15 per cent. Valuations haven't kept up with the earnings growth, but there is still concern from our perspective that that level of earnings growth is unsustainable. So certainly assessing that and the concentration across public markets.

Canadian markets are diversifying to that. There's less AI exposure within Canadian public markets as there is compared to global public markets. I would say that the degree of concentration of AI-related factor exposure in emerging markets has increased as well, predominantly from Taiwan allocations and South Korea.

We have spent time with our risk team, with our technology team as well assessing both the AI factor risk, which is inferred mathematically via correlations and rankings across our exposures in public markets, but we've also developed a taxonomy that distills down the underlying AI exposure across each of our investments within our illiquid asset classes. There is what looks to be an overweight of AI exposure in infrastructure, but that is due to a lot of that exposure coming from our utility and/or power generation associated with offtake agreements with hyperscalers, associated with renewable-power-generation assets in the United States.

One item that I will note: not all of Apple's, Alphabet's, Microsoft's market cap or underlying earnings growth can be associated to AI as well, so there's inherently a qualitative process, a risk assessment process, that we manage to discuss and determine what is too much concentration and/or what is not enough. Calling the end of this current period of capital investment and above-trend earnings growth is something that is difficult, and we look to use all the tools in our tool kit to protect the left tail or draw down risk where we can via a protective option and/or overlay exposures within the equity products and/or at the total client fund level as well.

I would say that global investors are grappling with that same problem; hence, why we're looking for additional ways to diversify our portfolio, your portfolio, across asset classes, in particular, you know, going back to some of the elements of private equity, private credit, and/or infrastructure that are not directly associated with the broader AI investment value chain as a key strategic initiative from a capital allocation perspective on our end.

Member Kayande: A follow-up?

The Chair: Sure.

Member Kayande: I realize this is a hard question to answer, but the backlash against AI data centre siting in most of the United States and parts of Canada: would you say that that is negative for a good portion of our portfolio that is geared to AI investment? Or would you say that it is potentially positive because it allows those companies that are backstopping the AI and power booms to catch up to where the customer is? My understanding of the space is that while the investment is there, the customers are not necessarily paying sufficiently for that investment to earn a return.

2:20

Mr. Lord: I think you could answer that out of both sides of your mouth in both ways.

The way that I would see it and the way that we approach it – and maybe I'll focus on infrastructure – is on very high-quality exposures across the portfolio that are generating cash flow, that are not speculative, that are long term in nature and linked to the underlying components of our strategy overall. A lot of the backlash that we've seen, as you mentioned, globally with respect to data centres and data centre builds is in response to the sheer amount of demand for that compute. You're seeing the same in chips, but really the amount of approved data centre locations and/or the allocated power across a number of different grid systems is a fraction of that.

We tend to take a more conservative approach when looking at the AI value chain in general, certainly in infrastructure since we're on that topic, to avoid the speculative build-it-and-they-will-come type of strategies that are garnering more of that not-in-my-backyard attention, particularly in the United States right now as well.

That's how I would characterize that. There are certainly opportunities that that creates for some of our power-generation assets like our AES renewables platform that provides behind-the-meter direct interconnect activity for data centres on-site that are underpinned by long-term contracts with some of the most credit-quality entities on that list that you referenced from a public equities perspective.

Member Kayande: Thank you.

The Chair: All right. At this time I'm looking for a motion to approve the annual report. Mr. Rowsell moves that

the Standing Committee on the Alberta Heritage Savings Trust Fund approve the Alberta heritage savings trust fund 2025-26 annual report.

Any discussion?

All in favour in the room or on the lines? All in favour, please say aye. Fantastic. Anyone opposed online or in the house? Fantastic.

That motion is carried.

Thank you so much.

Are there any other issues for discussion today? No? Perfect.

The committee's next meeting will be our annual public meeting on October 26 from 6 to 8 p.m. As a reminder, the purpose of this meeting is to allow members of the public to ask questions and learn about the fund. However, as we get 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 is nothing else for consideration today, I shall call for a motion to adjourn. Would anyone like to move that? You know what? Let's give this one to Mr. Kasawski. He moves that the October 16, 2026, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adjourned. All in favour, please say aye. Anyone opposed, we're not listening to you.

Thank you so much. This meeting is adjourned.

[The committee adjourned at 2:23 p.m.]

