



Legislative Assembly of Alberta

The 31st Legislature
First Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Thursday, February 6, 2025
1:30 p.m.

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First Session**

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

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Standing Committee on the Alberta Heritage Savings Trust Fund

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Ministry of Treasury Board and Finance

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Brittany Jones, Director, Investment Strategy

Stephen J. Thompson, Executive Director, Capital Markets

Kate White, Deputy Minister

Alberta Investment Management Corporation

Ray Gilmour, Interim Chief Executive Officer

Amit Prakash, Chief Fiduciary Management Officer

1:30 p.m.**Thursday, February 6, 2025**

[Mr. Yao in the chair]

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

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

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

Mr. Lundy: Good afternoon, everyone. Brandon Lundy, MLA, Leduc-Beaumont.

Mr. Sinclair: Hello, everyone. Scott Sinclair, MLA for Lesser Slave Lake.

Mr. Prakash: Good afternoon, everyone. Amit Prakash, AIMCo.

Mr. Gilmour: Good afternoon. Ray Gilmour, AIMCo.

Ms White: Good afternoon. Kate White, deputy minister, Treasury Board and Finance.

Mr. Thompson: Good afternoon. Steve Thompson, Treasury Board and Finance.

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

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

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

Ms Steenbergen: Good afternoon. Christina Steenbergen, LAO communications.

Ms Govindarajan: Vani Govindarajan, Parliamentary Counsel.

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

Mr. Huffman: Good afternoon. Warren Huffman, committee clerk.

The Chair: I'm now going to go to those who are joining virtually. I ask that you do unmute yourselves as well as turn on your cameras when you introduce yourself, please. Let's start off with Mr. Bouchard.

Mr. Bouchard: Hi, everybody. I'm Eric Bouchard, MLA for Calgary-Lougheed.

Mr. Ellingson: Hi, everyone. Court Ellingson, MLA for Calgary-Foothills.

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

The Chair: Mr. Kasawski.

Mr. Kasawski: Thanks. I'm Kyle Kasawski, MLA for Sherwood Park. Sorry I'm not there in person today. I'm looking forward to a good meeting.

The Chair: Thank you so much for that.

For the record I will note the following substitutions. We have Mrs. Johnson for Mr. Dyck, Mr. Lundy for Mr. Rowswell, Mr. Wiebe as acting deputy chair, Mr. Sinclair for Mr. Boitchenko, and Mr. Ellingson for Member Brar.

We have a few housekeeping items to address before we turn to the business at hand. Please note that the microphones are operated by *Hansard* staff. Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly television. 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 camera while speaking and mute your microphone when you are not speaking as well as wear ties. Members participating remotely who wish to be placed on a speakers list are asked to message the committee clerk, and those in the room should signal the chair or committee clerk. Please set your cellphones and other devices on silent for the duration of this meeting, as I am doing right now.

With that, let's get right into business. Agenda approval. A draft agenda for today's meeting was made available to all members. Does anyone have any changes or additions to the draft agenda? If not, I do ask that a member would move a draft motion to adopt the agenda. Mrs. Johnson, you move that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the proposed agenda as distributed for its February 6, 2025, meeting?

Mrs. Johnson: Correct.

The Chair: Any discussion? All in favour, please say aye in the room. On the phones, all in favour? Anyone opposed? On the phones, anyone opposed to accepting the agenda as written? I see none. The motion is carried. Thank you all so much.

All right. Next we have the draft minutes from our October 1, 2024, meeting. Do members have any errors or omissions to note? If not, would someone like to move a draft motion that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the minutes as distributed of its meeting held on October 1, 2024? Mr. Sinclair. Any objections? All right. That motion is carried. Thank you so much. Oh, right. My apologies. They're making me do it all proper. All in favour of the motion to approve the minutes? All in favour in the room, please say aye. On the phones, please say aye. Anyone opposed in the room or on the phones? Speak now or forever hold your peace. Excellent. That motion is carried. Thank you so much.

All right. Renewing the Alberta heritage savings trust fund update. As members may be aware, the Premier held a press conference last week, on January 29, to announce changes to the management of the Alberta heritage savings trust fund. Officials from the Ministry of Finance and Treasury Board have offered to provide some comments about this announcement and respond to questions from the members at today's meeting.

With that, I'd like to turn the floor over to the minister and his officials to provide some opening remarks about these changes. Please go ahead.

Mr. Horner: Thank you very much, Chair, and thank you to the members of the standing committee for inviting me to speak about our plan for the Alberta heritage savings trust fund, which we all know as the heritage fund. Premier Smith has made clear this government's commitment to securing Alberta's long-term prosperity and to meeting our obligation to leave our province stronger for future generations of Albertans. As part of this commitment we have developed a road map to grow the heritage fund to at least \$250 billion by 2050. This road map is more than

just a report; it's a thoughtful plan to restore the original vision for the heritage fund and to renew it for modern times. It's about ensuring a secure future for our families, children, and grandchildren.

This was the vision of former Premier Peter Lougheed and his government when they created the fund in 1976. They set aside a portion of Alberta's oil and gas revenue in the heritage fund each and every year. As well, initially all investment income from the heritage fund was reinvested into the fund with no withdrawals. Under these policies the heritage fund grew rapidly from an initial \$1.5 billion investment in 1976 to reach almost \$10 billion within five years. If this approach had been maintained over the last five decades, the heritage fund could have reached upwards of \$250 billion today, generating over \$20 billion annually. Unfortunately, Alberta departed from this visionary path. We lost focus and allowed shorter term considerations and needs to take precedence.

Now we are charting a new course, one which restores the original vision for the heritage fund while at the same time adapting it to current realities and opportunities. Our government started this work in '22-23 by making amendments that require income generated by the fund to stay unless a withdrawal is authorized by Treasury Board. Since '21-22 no such withdrawals have been made, and almost \$5 billion in additional heritage fund income has been retained within the fund in just the past three years. There has also been an additional \$2.75 billion in transfers and new deposits to the heritage fund in the past two years, including \$2 billion of new funding committed in the most recent budget.

Another key part of the plan was establishing the Heritage Fund Opportunities Corporation this past fall. The corporation will provide independent oversight and ensure the fund's assets are managed efficiently to maximize returns. Last week I was pleased to announce that the chair of the board will be Joe Lougheed, son of former Premier of Alberta Peter Lougheed. Mr. Joe Lougheed will be supported by a mix of board members from Alberta and abroad who have the skills and experience needed to successfully fulfill the corporation's mission.

With a mandate to deliver long-term maximization of Alberta's provincial wealth, the board will be grounded in the principles of stewardship, independence, and enhancing our Alberta identity. The corporation's mandate includes seeking partnerships with global sovereign wealth funds that will expand Alberta's influence and investment opportunities. The corporation will draw upon global best practices from countries that have achieved long-term success in managing similar funds.

As you may recall, in the fall we travelled to Singapore and Japan to meet with managers of some of the world's most successful funds, representing over \$5 trillion in funds under management on behalf of governments and other clients, including major pension funds. Not only were we able to learn from their experiences and best practices; these initial meetings established a foundation for future investment relationships to be built over time. By strengthening these types of partnerships, the heritage fund's profile will be elevated internationally, unlocking access to new top-tier opportunities.

The initial deposit to the new corporation will be the \$2 billion earmarked for the heritage fund in Budget 2024. The corporation will also oversee the existing heritage fund asset, working closely with AIMCo.

By renewing the heritage fund, strengthening governance, and expanding investment opportunities, we are ensuring a more prosperous and resilient future for all Albertans. We will ensure that Alberta's wealth is not merely preserved but actively grown for future generations. This is a key component of our broader plan for Alberta's long-term financial independence and stability. The

Premier has provided the vision and the leadership to grow the fund. We must continue it for the sake of our children, grandchildren, and all future Albertans.

I thank you for your time today. I do have time to take a few questions from the committee before I turn it over to Deputy Minister White, but I do hope that your conversations are fruitful.

1:40

The Chair: Thank you so much for that, Mr. Horner, for your remarks, and again thank you so much for taking the time to meet our committee and provide this presentation, especially under very unique circumstances.

With that, he did mention that he does have a moment of time to answer a couple of questions, but his officials will stay behind to answer any other questions that we may have. So with that, I will give His Majesty's Loyal Opposition – do you have a question, or would you like some time to formulate something?

Member Kayande: Actually, I believe that Member Kasawski has a question.

The Chair: Ah, Mr. Kasawski.

Mr. Kasawski: Yeah. I'm sorry, Chair. My first time online, so I might be a little a little slow at this.

Thanks for that presentation, Minister. I want to ask a little about, like, the legal oversight for the Heritage Fund Opportunities Corporation. Is it identical to what exists for AIMCo, like, in terms of auditing, FOIP, and reporting? What are the differences of the new entity?

Mr. Horner: Well, I would probably let Deputy Minister White go into more detail, Member Kasawski, but I'd say that it'll have a high level of transparency and reporting. I'm expecting quarterly reports. When it comes to, you know, the legal answers, I better let Deputy Minister White answer that, but the highest level of diligence, governance is key. The team that has kind of led us through this process made it clear that the sovereign-wealth-style funds that are most successful around the world really lean on the best governance and transparency, and that's definitely what we're going to build here in Alberta.

The Chair: A follow-up, sir?

Mr. Kasawski: Yeah. I'll follow up. I just wasn't sure if the minister was opening up for someone else to provide some answer to that, too, but I'll have a follow-up.

The Chair: Actually, you're right. I'll put you on pause for a moment here while Deputy Minister White answers the question.

Ms White: Just to supplement the minister's response, yes, we are expecting that we will be putting in place all the same oversight and legal rigour that you would expect with any statutory corporation, but there is a slight difference right now. This is registered as a business corporation with a view to making it a statutory corporation. But our practice thus far and our plan to continue is to use all of the same steps, processes, and procedures that we use with statutory corporations to ensure that highest level of governance, oversight, and arm's-length operation for the HFOC board.

Thank you.

The Chair: All right.

Mr. Kasawski: Yeah. A follow-up would be great, Mr. Chair.

The Chair: Go ahead.

Mr. Kasawski: Yeah. Today there's been a lot in the news, with some serious allegations reported about another organization under the government, the AHS, like AIMCo, which had its board unexpectedly fired and replaced, possibly to avoid accountability. What mechanisms are going to be in place with the HFOC to assure Albertans, you know, that nothing similar can happen with their heritage savings trust fund money?

Mr. Horner: Well, I think, as Deputy Minister White said, we're going to have the highest level governance and oversight. You know, I'm not here to comment about the other matter that you mentioned, but I know that the Auditor General is looking into that. So we will see what comes from that and make sure that, you know, the public purse is – nobody wants to stretch dollars further than me. We'll see what becomes of that, but Albertans can expect the highest level of governance and oversight with the heritage fund.

I would just remind everyone that this is more, not less. You know, when we started this endeavour, it was people within my department, great people, great civil servants that were tasked with the SIP and G and the oversight on the heritage fund's investment to AIMCo. This will provide more oversight. We're going to have a board with expertise and experience, and I think it'll be easier to see that for Albertans. We'll have a dedicated team that's charged with this great task of this ambitious goal of \$250 billion by 2050. So, yeah, I think it's more, not less.

The Chair: Thank you for that answer, Minister.

After that, I'll now go to government caucus. Mrs. Jennifer Johnson, please go ahead.

Mrs. Johnson: Yeah. Thank you, Mr. Chair. Through you to the minister, first, thank you for coming today and to all of your team as well. We really appreciate that. It was exciting to hear that the government is committing to build this to \$250 billion by 2050. As highlighted in the recent announcement, this move will help achieve financial stability for Alberta and the generations to come. It was a welcome return to the original intent of the fund as it will help reduce our province's reliance on volatile nonrenewable resource revenues.

My first question is that I would like to ask a little more about how the measures made in this announcement will help to achieve this goal of \$250 billion by 2050. Could the Treasury Board and Finance representatives please explain to the committee how the establishment of this new Crown corporation, the Heritage Fund Opportunities Corporation, will strengthen and broaden partnerships with other global sovereign wealth funds?

Mr. Horner: Yeah. Well, thank you for the question. I think when I envision this or when I'm trying to explain this set-up to people, I picture the Heritage Fund Opportunities Corp as the asset owner on behalf of Albertans. So that is their mentality, to guide the heritage fund over time. They're going to give the SIP and G, the statement of investment policies and priorities and goals, to AIMCo, for the heritage fund assets under management by AIMCo, and then they will also have the ability to do direct investing within the HFOC with the seed capital that we're starting them with, the \$2 billion. We think this structure will add more oversight and expertise and rigour and be able to look at, you know, all of the requirements to reach this ambitious goal by 2050.

Just to remind everyone, it doesn't require more deposits over time. It just requires the diligence to leave the retained earnings in the fund. I've heard lots of different ideas about how to get Alberta off the oil and gas roller coaster, as you say, and this is the best one I've seen, but it requires, you know, patience and diligence and the ability to deal with our short-term budgeting challenges over the

next 25 years to get to a place where we're able to pull substantial annual dollars from the heritage fund and take up some of that structural deficit that is currently being filled by bitumen royalties. We think the structure is the right one to put us on this new path to this ambitious goal, but it will still require diligence and patience and commitment but with top-level oversight and governance.

The Chair: Did you have a follow-up?

Mrs. Johnson: Through you, Chair, to the minister, thank you for that answer.

My follow-up question is: with the establishment of the new Crown corporation, how will Alberta's heritage savings trust fund compare to other global sovereign wealth funds across the world, and what lessons have we learned from these funds to ensure Alberta builds on and expands its already existing reputation worldwide?

Mr. Horner: Well, we're approaching this with what we call the Alberta model, the team that we've been working with. Maybe just to circle back to the start, we put out an RFP to look at how we should be investing the heritage fund, making sure that we had a modern approach, and that's how we met some consultants that we've been working with over the last year and a half with great expertise in board governance of other sovereign wealth funds, a lot of experience of other sovereign wealth funds, and they've also, you know, seen what can disadvantage sovereign wealth funds. Very key to them in this journey we've been on is having the highest level of governance and diligence and being able to ensure that the best decision-making is made possible. We think that this set-up will put us there.

Obviously, we're quite small, in the early days, compared to a lot of the other sovereign funds, but I think that makes us nimble. We're able to take time when we look at investments. A lot of the big funds have a hard time getting returns that outweigh the market. You look at Norway and the like: they're so big that they basically have to invest in the entirety of the market, and their returns kind of reflect that. We're hoping to be diligent and careful and patient, look for good opportunities, and, yeah, begin down this path, and we think this structure is the right one.

1:50

Mrs. Johnson: Thank you.

The Chair: With that, we'll next go to Mr. Ellingson.

Mr. Ellingson: Thank you, Mr. Chair. The government has with these announcements made considerable changes to the governance of the Alberta heritage savings trust fund with this creation of the Heritage Fund Opportunities Corporation. Going forward, will this committee have the ability to ask questions to Treasury Board and Finance, AIMCo, and this new entity of the Heritage Fund Opportunities Corporation? Will all three be included in the questioning of this committee in the future?

Mr. Horner: I might turn this over to my deputy, Mr. Ellingson, but you're always free to ask me about any of them in the House at any time or offline.

Deputy Minister White, do you want to comment?

Ms White: Yeah. Just in the affirmative. Our expectation is that all three entities will be available on these meetings. We do expect as the Department of Treasury Board and Finance that the new board will take more of a lead role in the new corporation, but we will certainly be here at the meetings and available to answer questions for yourselves in the committee.

The Chair: Do you have a follow-up, sir?

Mr. Ellingson: Thank you. I do have an additional question, yes. This is kind of a net-new question, if that's – maybe I'll bounce. It's not specifically related to my previous question, so I'll let you bounce to government and then come back with my next question.

The Chair: Sounds good. Thank you so much for that.
We will go to the government side. Mrs. Johnson.

Mrs. Johnson: Yes. Thank you, through you, to the minister. I'd like to ask – and you addressed this already a little bit, but if I could ask again about the staffing arrangements of the new corporation and learn a little more about the people behind this key component of Alberta's financial future. It's been announced that Joe Lougheed will chair this new Heritage Fund Opportunities Corporation. Could the Minister of Treasury Board and Finance please explain to our committee what makes Mr. Lougheed the right person to champion growth and continued opportunity for the good of Alberta's heritage savings trust fund?

Mr. Horner: I think Mr. Lougheed has many qualities that make him the right person: some legal expertise, his work with Calgary Economic Development, investment expertise, obviously, his father's legacy, that started the heritage fund that all Albertans care so much about. So we think he's the right person. We'll have more to say, you know, in the weeks and months as the board is fully populated. I expect to have a board that always has strong Alberta representation but also global expertise. We'll have more to say about that in the weeks and days to come.

With that, Chair, I'm afraid I'm going to have to leave you in the capable hands of my deputy. I'm afraid I have another meeting, but I do hope you all have a great meeting, and I've appreciated my time.

The Chair: Thank you so much, Minister. It is a privilege for us to have you on our committee. Thank you so much.

All right. With that, we'll go back to . . .

Mrs. Johnson: Can I have a follow-up?

The Chair: Oh, go ahead.

Mrs. Johnson: Yeah. I do have a follow-up if I may. There is an emphasis put on the world-class board for this corporation. Could someone please expand on the factors behind the selection of board members and what they will contribute to the overall growth of this fund?

Mr. Thompson: Thank you for the question. Yeah. When we say that we're a world-class board and remembering that we're focused on Alberta and the heritage fund, we'll expect to have a diverse board balanced between Alberta membership and global leaders in investments, in sovereign wealth funds, experienced in sovereign wealth funds in terms of deal-making and proven leadership in large organizations. We do have quite a pipeline already building.

The Chair: Thank you for that, sir.

With that, Mr. Ellingson, back to you, sir.

Mr. Ellingson: Thank you, Mr. Chair. I guess we would hope, having just recently dismissed the entire board of AIMCo and recreated that board, that that would also be a world-class governance board for AIMCo, with its \$170 billion under management. Did the government feel in making these changes that

AIMCo was unable to achieve these objectives even with the new management that's recently been appointed?

Ms White: Thank you so much for the question. To be very clear, the government has very strong faith in the current board, and the current management at AIMCo could not be any more pleased to see the actions that are taken by AIMCo to respond to the minister's challenge in the minister's letter to ensure that we have the very, very best investment returns for not only the heritage fund but for all the pension funds that are managed by AIMCo and for the pensioners and future Albertans. Very, very confident in AIMCo.

You should read the \$2 billion sandbox as an opportunity to partner with just sovereign wealth funds. To be very clear, you know, the entirety of the largest part of the asset of the heritage fund will stay with AIMCo. Nothing but faith and confidence in AIMCo and their ability to achieve that. But the \$2 billion will be really focused where sovereign wealth funds can partner with sovereign wealth funds. As you look through the heritage fund road map that was released last week, it really does reference these club deals, and we've seen club deals be successful, yes, in the pension world but also have the ability to be successful as sovereign entities, or in this case subsovereign entities, working as governments with each other but backed by the very best investment due diligence.

So, no, you should not read the sandbox of the \$2 billion inside the Heritage Fund Opportunities Corporation as anything detracting from AIMCo. Nothing but confidence in where AIMCo is headed.

The Chair: Did you have a follow-up, Mr. Ellingson?

Mr. Ellingson: I do, Mr. Chair. Thank you. Thank you for that response. I guess what I'll ask is, just to push it a little bit further, that I don't think there's anything in the charter for AIMCo that prevents it from kind of, like, also treating what they have in the Alberta heritage trust fund as a sandbox or carving some of that out as a sandbox. I don't think that any sovereign wealth funds around the planet would be confused or unwilling to work with an agency that manages pensions as well as a wealth fund. I guess I'll ask the question, then, to you. If it's the priority to partner with sovereign wealth funds to achieve a return for the heritage trust fund, why are we leaving \$23 billion behind? If we're trusting AIMCo to steward that \$23 billion and ostensibly maybe receive the same returns, what are we achieving here?

Ms White: Yeah. Again, I appreciate the question. You're absolutely right, Mr. Ellingson. There's nothing that would stop AIMCo from partnering with a sovereign wealth fund, and they have in the past. But there are instances where sovereign wealth funds prefer to partner with sovereign wealth funds rather than pension funds. There would be nothing to stop AIMCo right now from partnering with a sovereign wealth fund, as I said, and they would in the past.

You know, the minister alluded earlier to the statement of investment policy and goals. The board of Heritage Fund Opportunities Corporation is going to be working with AIMCo to set the statement of investment policy and goals for both pieces, and what we're actually hoping is there could be some additional synergies for the Heritage Fund Opportunities Corporation sandbox and AIMCo. Now we have the opportunity to have a look at who is the best investment manager for that deal. Our expectation, given that we're let's call it 25 and two, is that most of the time, like over 95 per cent of the time, we expect it's going to be AIMCo. But this sandbox allows us to do something a little bit different and potentially offer something new that AIMCo could also take advantage of.

You should think of it as kind of playing complements, really, if we're going to go back to economic language. We really see the Heritage Fund Opportunities Corporation and AIMCo as potentially complementing each other. But we're hoping to work very closely together, and we don't think either amount is being left behind.

2:00

As I said, the board will manage the statement of investment policies and goals for both pools of capital, and the sandbox will be able to do things slightly differently. Remember, AIMCo has got to tailor investments for not just the heritage fund but all of its clients and does so well. We don't see any of this money being left behind, to answer directly your question.

The Chair: Thank you for that.

Mr. Ellingson: Thank you.

Mr. Chair, if I may ask one more supplementary question, if we already have examples maybe of sovereign wealth funds out there, has AIMCo already had the experience of having reached out to sovereign wealth funds where those funds have said, "No, we'd rather not partner with you because you're not a sovereign wealth fund"? Do we have some of those examples?

Ms White: No. Certainly, we don't have examples where – at least I wouldn't, and I would not ask my AIMCo colleagues to comment on this. I can't give you an example where they've said no, but what we have seen is that in these meetings that Minister Horner was alluding to, there may be a few more opportunities that are open to us, so less in the negative and more in the positive. Frankly, this is something that we're going to be trying to prove out. That's been laid out very well in the road map.

You know, there was a question asked earlier about reporting. We're going to be looking really hard to make sure that this is the right model, and we'll have two slightly different pools to have a look at and are very confident that there'll be synergies as opposed to detractions.

But, no, I don't have an example where a sovereign wealth fund wouldn't work with AIMCo. What we're suggesting is that there may be opportunities, and we believe, based on our research, that there are opportunities that may not have ever been offered, if that's fair.

Mr. Ellingson: Thank you.

The Chair: With that, we'll go next to Mr. Lundy, and then we'll have to end this portion of the committee.

Mr. Lundy: All right. Thank you, Mr. Chair, and thank you to our officials, of course, for joining us and to the minister for gracing us with his presence earlier. This is, obviously, an exciting announcement. I'm glad our government is taking this deliberate action to get to \$250 billion by 2050. As the minister mentioned, this is returning it to its original vision, so it's very exciting.

As we also heard, as part of the recent announcement more than \$40 billion has been transferred to the government from the fund since it was created. I think a big part of why we're moving forward in this way is to focus on reinvestment. From the recent announcement I understand that reinvestment is key to the fund's growth. How can you ensure that capital remains within the fund to support the long-term growth rather than being redirected for other more immediate priorities?

Mr. Thompson: Thank you for the question. You're correct. The reinvestment is key here and not even just reinvestment; simply not

draining earnings away from the fund is key to success. Legislation can always be changed. Certainly, the key commitment of this government has been to reinvest all the fund earnings into the fund rather than diverting them back into general revenue, so in '22-23 the act was amended to require that income generated by the fund stay in the fund unless a withdrawal is authorized by Treasury Board. This safeguard ensures ensuring long-term growth and financial security.

Establishing the HFOC board and corporation is an important component in maintaining the course on reinvestment. The board is expected to maintain a long-term strategic vision and ensure that the returns of the heritage fund are growing to meet future objectives. The most powerful tool to protect the heritage fund into the future, frankly, will be ensuring that Albertans are aware of and proud of the heritage fund and that it's growing to meet their future requirements. There's nothing more powerful than an engaged public on this matter.

The Chair: All right. A special request to just extend this by a few more minutes. Do you folks mind answering a couple more questions on this topic?

Mr. Thompson: Happy to do so.

The Chair: Thank you so much.

With that, we'll go back to His Majesty's Official Opposition. Mr. Kayande.

Member Kayande: Thank you. Thank you very much, Mr. Chair, and thank you for the indulgence. What I've heard and what some of the materials say is that, basically, the \$250 billion target will be met with a 9 per cent annual rate of return, which is higher than the current benchmark that AIMCo is required to meet of, I believe, inflation plus 4 and a half, yet the actual benchmark for the HFOC will not be changed. So there appears to be a delta there. I guess my question is – of course, I can show, like, a whole bunch of pretty pictures on a graph that show astronomical returns just by changing a return expectation. Real life doesn't work that way. What kind of volatility expectations are tied to that particular reaching for a 9 per cent yield? What risks are we taking with Peter Lougheed's legacy, frankly?

Ms Jones: Thank you for the question. I do want to provide some clarity on how the road map was written and some of the factors that are going to happen in the future. One of the big things is that right now we took the value of what the heritage fund was expected to be at the end of this year plus the \$2 billion contribution, and then we took the \$250 billion as an estimate of where we could go. We see it as an attainable place that we could go, but we know that there's definitely a lot of diligence, like the minister was saying, involved in maintaining this. The 9 per cent return simply came from the difference between the target we have of \$250 billion and where we are today, understood that the benchmark and the rate of return don't necessarily match right now.

The reason for that is that, as alluded to before, the HFOC board is now going to be involved in setting the investment strategy. The current benchmark right now of CPI plus 4.5 over a five-year rolling average comes from the existing statement of policies and goals. That's the existing benchmark, and that benchmark is subject to change when the new board comes in and approves the new investment policy. As you know, the benchmark is going to be linked to what the actual expected returns are, and when we do the financial modelling, we're not necessarily looking at, like – these investment policies will be updated over time; the benchmarks will be updated over time. So I totally understood where you're coming

from. The estimates within the road map are just more simple until the board gets involved and fully approves the investment strategy.

Member Kayande: Thank you, Brittany. Thank you, Ms Jones. Apologies. If I'm understanding correctly, then, what the 9 per cent comes from is a back calculation of what we need in order to hit \$250 billion, as though if I were saving for retirement and had only \$2,000 put away and wanted a million dollars, I could calculate 20 per cent a year.

Is that not a little bit problematic? Like, you've hired some very high-priced consultants here who have told you how sovereign wealth funds invest their money. That's certainly not the calculation of return expectation that I'm familiar with, and most certainly we are all aware that there is a risk-return trade-off in all of these things. So let me ask directly the expectation of volatility if we start reaching for yield in order to hit a politically determined \$250 billion target that may or may not be actually grounded in reality.

Mr. Thompson: We have actually done extensive modelling on the investment thesis that we're exploring, and that will form the basis of what the SIP and G will look like once the board is in place to approve it. The volatility numbers I don't think we have specifically and likely wouldn't speak to them.

Ms Jones: There will be, like, risk metrics, volatility metrics that are set within that investment policy and approved by the board that will definitely speak to what you're talking about. One of them is definitely a measure of downside protection and tail risk.

Mr. Thompson: Certainly the investment horizon for the heritage fund will be extended. We are looking at a much longer term horizon than we had in the past. That does allow us to take a little bit more risk, yes, with the expectation of a higher return, but once that policy is set and approved by the board, it will be available for review.

The Chair: We go to government caucus for one final question. Mr. Sinclair, go ahead.

Mr. Sinclair: Thank you, Mr. Chair. Thank you, everyone. I know Minister Horner is offline now, but I appreciate all the work you guys are doing on behalf of Albertans. I'd like to, you know, thank you guys. I appreciate providing greater context, I think, to those who are curious about this if they're not that experienced in it. I think it's very important that we make clear to Albertans that what we're doing with their hard-earned money is what we're all hoping for, which is prosperous for generations. I just have a question and then a follow-up if there's time. Do you have a short list of other sovereign-wealth-type funds that the Heritage Fund Opportunities Corporation would be best served by working with in the short, medium, long term?

2:10

Mr. Thompson: Certainly. I mean, the sovereign wealth landscape is growing. There are many funds from many different jurisdictions of varying success and professionalism. The best in class that we see globally would be those funds coming out of Singapore, Temasek, GIC, which are owned by the Singaporean government and have very successful track records in terms of governance models and in terms of alignment with the goals of their people.

We look at Australia future fund as a model for total portfolio management and for rapid growth. You know, we can look at Alaska. Alaska has an interesting fund that we may or may not model but would certainly benefit from a relationship with. Then if we look at some of the Middle Eastern funds, which have, again,

radically different mandates but interesting investment styles that could lend themselves to partnership, there's a PIF out of Saudi Arabia, Qatari funds that are interesting globally. We do have connections with many of these, not all.

Mr. Sinclair: A follow-up quickly, if I may, Mr. Chair. I appreciate the answer. Again, thank you for all your guys' time and hard work. The scope of, I guess, where I started with my introduction is that I'm from a small town in northern Alberta, representing Slave Lake. I think if there was a takeaway – and I appreciate all the discussions we've had so far – what would be the key message that you would deliver to what I would call, you know, regular Albertans that maybe don't necessarily follow the *Wall Street Journal* or speak in the language so eloquently like the member opposite does across the aisle, which I appreciate the experience? I was just wondering if there's something you could summarize as a key takeaway for the people that might be interested.

Thank you.

Mr. Thompson: I would just say that this fund belongs to Albertans. It belongs to current Albertans, but more importantly it belongs to future generations of Albertans. You know, the 2050 target was chosen because that was the date that we've announced when we're hoping the economy will be net carbon neutral; that suggests a different future for natural resource revenues, so it's about planning for our future.

The creation of this corporation, the establishment of a world-class board, the clarity of a mandate, and a very specific target as to size and performance over the coming years are meant to benefit all of Alberta. It's meant to make Alberta great. It's meant to secure the future of our financial stability in the long run. What we found in our review of the heritage fund and in our review of its mandate is that not a lot of Albertans really understood what the heritage fund was about, why it existed, or if it was still around. We would like that to change. We would like every Albertan to know that the heritage fund is here, the heritage fund will grow, and it will be here for the benefit of their children. I think that's the most important thing here.

Mr. Sinclair: Thank you.

The Chair: Well, that will wrap up our questions for this item. I would like to thank the minister and his staff for their comments and responding to the committee members' questions.

With that, I would like to move on to the second-quarter report. As committee members are aware, the Alberta Heritage Savings Trust Fund Act mandates that one of the functions of this committee is to receive and review quarterly reports on the operation and results of the heritage fund. The Alberta heritage savings trust fund's 2024-25 second-quarter report was released on November 21, 2024. Members were notified, and the report was posted to the committee's internal website. The officials from Treasury Board and Finance, AIMCo, and the office of the Auditor General are here with us still today. They will provide us with an overview review of the second-quarter report, and afterward we'll respond to members' questions.

I'll now recognize the ministry and AIMCo for their opening comments.

Ms Jones: Thank you, Mr. Chair, and I'm sorry for not wearing a tie.

Good afternoon, committee members, colleagues, and guests. My name is Brittany Jones, director of investment strategy at Treasury Board and Finance. We're here to present the results of the second quarter.

The heritage fund began the fiscal year on a very positive note, and the strong performance continued through the second quarter with the fund further establishing new highs. As of September 30, 2024, the fund's fair value has grown to \$24.3 billion. This is up from \$23.4 billion at the end of the first fiscal quarter. This is an increase of \$900 million over one quarter and an accumulative increase of \$1.4 billion since the fiscal year end.

Under the legislative amendments introduced in 2022-23 all income generated by the fund remains invested unless a withdrawal is specifically authorized by Treasury Board. This policy has played a key role in supporting the fund's ongoing growth and ensuring that it remains a valuable financial asset for Albertans.

In the second quarter the fund achieved a return of 3.7 per cent, contributing to an overall fiscal year-to-date return of 5.9 per cent. Over the quarter the fund slightly lagged its relative benchmarks. Net investment income for the quarter was \$616 million, bringing the total net income for the year so far to \$1.13 billion. This performance is particularly notable given ongoing economic uncertainties in global markets.

The strength of the fund is driven by its diversified portfolio, which continues to deliver strong results. Equities, which make up 46.4 per cent of the portfolio, returned 5 per cent in the second quarter and 17.9 per cent year to date. I just want to clarify that year to date is three months given the December year end. The equities allocation of the portfolio includes Canadian equity, global equity, and private equity. While public equity outperformed expectations, private equity has lagged expectations.

Fixed income investments, which represent 23.4 per cent of the fund's assets, provided a return of 3.5 per cent in the quarter and 5.1 per cent year to date.

Inflation-sensitive and alternative assets, accounting for 30 per cent of the portfolio, contributed a 1.8 per cent return for the quarter and 2.8 per cent year to date.

Looking at the longer term picture, the fund has delivered an average annual return of 7 per cent over the last five years, aligning closely with its real return target of 7.2 per cent, calculated as inflation plus 4.5 per cent over our rolling five-year period.

The Alberta heritage savings trust fund continues to be a pillar of financial strength for the province. Its strong performance in the second quarter reinforces its importance in supporting long-term fiscal sustainability. We remain committed to ensuring that this fund continues to benefit Albertans today and for generations to come.

Thank you for your time, and we welcome any questions you might have.

The Chair: Thank you so much for that.

With that, we'll go to – oh, my apologies. Is there any more commentary?

Ms Jones: Nope. Sorry. Now we're ready to pass it over to our colleagues at AIMCo.

The Chair: Okay. There we go.

Mr. Gilmour: Thank you, Chair, and good afternoon to the members of the committee. I'd like to begin by sharing some initial observations of the organization since I was appointed in November. AIMCo was purpose-built to provide investment management and to do so in the best interests of its clients. With that mandate in mind I made it my first order of business to meet all of AIMCo's clients, which actually began on the very first day. During that first meeting I listened and I heard their perspectives on what is working well and also where they felt instances of misalignment were beginning to appear. What I shared with them

then and what I share with the committee now is my conviction that the most important elements necessary for a successful operation of AIMCo do already exist within the organization. What it has lacked is some stability.

Having personally met nearly every one of the Canadian colleagues within AIMCo, along with my senior leadership team from all of our offices, I have been thoroughly impressed with the expertise and the commitment to excellence that permeates throughout the organization. There is a strong culture of collaboration and a deep sense of responsibility and stewardship that drives our common purpose to serve our clients and, ultimately, all Albertans.

The misalignments identified by our clients, which I have also observed, predominantly involve growth within functions that do not directly affect our capacity to achieve our objectives. We have begun addressing these issues, and I have also requested that each team conduct a thorough assessment to identify additional measures that can be taken into account to ensure we fully align our efforts with the objectives of our clients. I am confident we will continue to enhance our ability to deliver on behalf of all stakeholders.

2:20

To close, I have found that AIMCo's commitment to delivering long-term value and maintaining the trust of our clients is unwavering. As we look ahead, I am confident that we are well positioned to navigate the evolving financial landscape and to continue delivering excellent results. I'm excited to be part of AIMCo and to work alongside such a talented and driven team. Together we will restore stability to the organization as we strive to uphold the values and standards that define AIMCo, build on our successes for the benefit of the heritage fund and for all of our clients.

Thank you, and with that, I would now like to turn it over to Amit to provide some additional perspective on the performance of the fund.

Mr. Prakash: Thank you, Ray, and good afternoon. Good afternoon, all. It's a pleasure to be here. I'll add just a bit more colour to Ms Jones' comment on the performance as well as briefly describe how we are positioned at the moment and what the outlook is, including a quick comment on tariffs, and we can pick it up later in the discussion.

Firstly, since we were here last, the value of the heritage fund has increased by \$1.4 billion. You know, we're very pleased with that, of course. The 10-year performance of the heritage fund now is 7.7 per cent, ahead of the benchmark by 40 basis points per year. This translates into roughly \$700 million of additional value that's been created by AIMCo's management of the heritage fund. Also, just a detail in terms of looking at the performance over shorter periods of time is that over the last five year periods, three of the five 12-month periods we've again outperformed the respective benchmark. Of course, our focus always is on the long-term returns for the heritage fund.

We will get into the specific asset classes likely during the Q and A, so I'll skip that for the moment, but I would simply add that in addition to the September 30, 2024, returns, the fund continued to perform well in the last calendar quarter of the year, growing another 3 per cent, and ended the year roughly at \$25 billion.

In terms of the outlook and how we are positioned at the moment, needless to say, there's a fair bit of volatility. There has been a fair bit of volatility, and we expect that to continue in the markets. Not the least of it is some of the policy changes from the administration south of the border but equally narrow events such as the Chinese AI entity DeepSeek coming out with its AI model a few weeks ago.

Relative to that, we are slightly underweight equities and are cautious as we look forward.

And then, finally, on the tariffs again we've taken a look at the exposures that the portfolio has and the various sectors it may impact and likewise the geographies. At the moment we're focused on ensuring that there is enough liquidity resiliency in the portfolio, but no knee-jerk reactions or actions are needed at the moment.

With that, thank you, Mr. Chair, and back to you.

The Chair: Treasury Board, AIMCo, thank you so much for your remarks.

With that, we will open the floor to our committee members. Mr. Kasawski, did you have your hand up earlier?

Mr. Kasawski: Yeah. Thank you, Mr. Chair, and thanks for the presentations from the ministry and from AIMCo. You know, the day after the public meeting that we had last quarter, the decision was made to fire the board of AIMCo and the executive staff, and Mr. Gilmour is here today as a result. A similar firing of the board of AHS took place, and we're learning today that the media – it appears that there's been cover-up of political interference and possible kickbacks . . .

Mr. Lundy: Point of order.

Mr. Kasawski: . . . and that there was a replacement of the board and the CEO . . .

The Chair: A point of order has been called.

Mr. Kasawski: . . . to prevent investigation into improper conduct.

The Chair: Mr. Kasawski, can you hold your comments, please.

Mr. Kasawski: I need to know, Mr. Chair: were there similar concerns at AIMCo behind the sudden replacement of the board?

The Chair: Mr. Kasawski, there's a point of order called.
Can you shut off his mic?

Mr. Kasawski: How can the public trust what the government is doing?

The Chair: Go ahead, please, Mr. Lundy.

Mr. Lundy: Thank you, Mr. Chair. I'd like to call a point of order of 23(b). The member opposite has made a second reference now to AHS, which is clearly not what we are discussing at this committee meeting. I think this is a fairly straight point of order under 23(b) that is not relevant to the discussion.

Thank you.

The Chair: Mr. Kayande, do you have a response?

Member Kayande: Thank you, Mr. Chair. I do not believe that this is a point of order, frankly, because of the very similar methodologies used with both boards now. I mean, the AHS board has now been fired a second time. That is definitely a place where there is a divergence between what happened, between the AIMCo board and the AHS board.

But I think that given that this is a meeting for the heritage savings trust fund, is a meeting for Albertans – this is Albertans' investments that we're talking about and the management of their investments – I think that it is not a point of order to be highlighting and asking questions about a particular pattern of behaviour that this government has shown ostensibly and perhaps in order to avoid accountability. You know, like a literally midnight firing or 8 a.m.

firing of an entire board and management team on the day after a very public public hearing calls into question whether this is actually how the government wants to operate. So I believe there's a point of debate. I think this is a reasonable question for Albertans to want answers to.

The Chair: I would ask that you keep it on the business of the second-quarter report on the Alberta heritage savings trust fund. The questions you allude to deal with AHS and the Ministry of Health. Certainly you're aware that estimates are coming up; you'll have your opportunities to ask a lot of those questions then at that time. But I'll give you the liberty of just getting to the point of what your question was, Mr. Kasawski.

Mr. Kasawski: Thanks, Mr. Chair. Yeah. It's just that the timing of the change of executive was the day after our public meeting, and we actually heard Stephen talking about how important it is to have the public paying attention to the Alberta heritage savings trust fund in his presentation. So I need to know: were there similar concerns at AIMCo behind the sudden change to their board and their replacement of their CEO, which has happened since the last quarter?

Ms White: In terms of the timing, when the board was excused versus the heritage fund public meeting was purely coincidental. If there would have been any political interference, I would suggest that the board would not have been let go, and there would have been interference directly in. So purely coincidental in terms of the timing. Obviously it's not ideal to in a public manner let a board go and senior management. One had nothing to do with the other, and there was absolutely no suspicion of political interference in anything to do with AIMCo.

Thank you.

The Chair: With that, we'll go to the government side. Mr. Wiebe, do you have a question online?

Mr. Wiebe: Yes. Thank you very much, Mr. Chair. Thank you for joining us here today. I think I can speak for everyone here when I say that there's been a great deal of public interest in the overall status of the Alberta heritage savings trust fund.

The preamble to the Alberta Heritage Savings Trust Fund Act as outlined on page 7 of the second-quarter report describes the mission of the fund as follows:

To provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial returns on those savings for current and future generations of Albertans.

Before getting into the substance of the report, as you all know, the government of Alberta has recently made an announcement regarding the fund. My question is: can you unpack in greater detail what this announcement means for Alberta's heritage savings trust fund going forward as it relates to the mission of the fund, which I previously highlighted?

Thank you.

Mr. Thompson: Thank you for the question. You know, the creation of HFOC and the new mandate align very closely with the goals of the act. What we can expect is a more focused organization. We're expecting an improved governance framework with a dedicated board of experienced directors, enhanced independence, again, with a focus solely on investment returns, arm's length from government under its own steam, governed by the board of directors with the professional staff and professionalism as we bring skilled financial professionals in who are solely dedicated to the growth of

the fund. They're much more able to focus on strategic partnerships, on enhanced deals, much more so than something run out of a government department.

2:30

Ms White: Could I add a supplement?

The Chair: Yes.

Ms White: I would like to supplement. We're moving this out of the department where Steve and Brittany, who, everyone on the committee knows, really do an excellent job, but I want to reinforce the point that Minister Horner made earlier and to some of the questions we heard about: how do you actually reach this large target? The focus that Steve is talking about is incredibly important. Right now this is all done out of the Treasury department, and they also actually in Steve's group float all of Alberta's bonds. These things are inexorably linked, but I do want to take a chance to put on the record how pleased we've been with the performance of Steve and Brittany and the Treasury team.

Thank you.

The Chair: Thank you.

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

Mr. Wiebe: Yeah. Thank you, and thank you for the answer. I just want to follow up. Will this change affect the way the fund evaluates success, and, more specifically, will the proposed changes adjust the benchmarks in the future, and how would that do that?

Thank you.

Ms Jones: Hello. Thank you for the question, MLA Wiebe. This is actually quite interesting from a benchmark perspective. This is something that we've looked at for a long time. The current benchmark has been in place since 2011, so we do expect some things to change. One of the big changes here is that before there was actually an income-producing fund. We weren't actually looking out into the future. We were looking shorter term, five years, 10 years, beating the relative benchmark and beating the real return benchmark. But now we're looking at other things like the probability of reaching the \$250 billion, which is something that HFOC will be monitoring very closely. One of the big successes for them will be to continuously improve that probability. As the years go on, as we see some of this success, as we see some of these returns, as we look at the total portfolio and where the total portfolio could go, we're going to see that probability improve, and I think that that's something that Albertans can be really proud of and look at as well.

Mr. Wiebe: Thank you.

Mr. Chair, can I get another question?

The Chair: It's related?

Mr. Wiebe: No. It's a different question.

The Chair: We will swing back to you, sir.

We'll go back now to the New Democratic caucus if they have a question. Mr. Kayande.

Member Kayande: Thank you, Mr. Chair. To Treasury Board and Finance – actually, I don't know who answers this. What is the process for ethics approval for AIMCo board members? What do they have to do?

Ms White: AIMCo board members and all board members of statutory corporations have to go through a conflict-of-interest

screening. You'll notice that the OAG reports on the conflict-of-interest screening, and if one is not done, the departments get written up for not asking their board members. Again, this is all provincial corporations that go through it. That's the process. It doesn't necessarily have to be through the Ethics Commissioner, but it does have to be a screening.

Member Kayande: Okay. Interesting. I didn't know that.

When it comes to the board members of AIMCo, then, were they screened through the Ethics Commissioner or not, and, either way, were any of them required to make divestitures in order to sit on the board?

Ms White: I can tell you that AIMCo board members, I mean, there are a couple that were reappointed that may – I couldn't speak of the nature of their previous conflict screening. AIMCo has quite a robust conflict process, and every board member has to go through and declare conflicts at every meeting, as you would expect in an organization such as this. Certainly, the overall conflict screening, not necessarily done by the Ethics Commissioner, is a part of the nomination package that goes forward to government.

Member Kayande: Thank you.

The Chair: With that, Mr. Wiebe, did you have another question, sir?

Mr. Wiebe: Yes, sir. All right. Looking at page 7 of the report, I want to take a look at the accounting practices and get a better grasp of what the impact of recent changes may have been on the performance of the fund. Like I said, on page 7 the fund's investment consists primarily of direct ownership in units of pooled investment funds. The contracts to buy and sell financial instruments are between the Alberta Investment Management Corporation, AIMCo, and a third party to the contracts. AIMCo controls the creation of the pools and the management of the administration of the pools, so I'm interested to learn more about how these organizations will work together. My question is primarily: what changes, if any, will happen to the processes going forward with the creation of the Heritage Fund Opportunities Corporation?

Ms Jones: Thank you again, MLA Wiebe. First of all, thank you. This is a wonderful question. For anybody looking for some information on this, it is in note 2 of the financial statements that are available in the heritage fund reports. The fundamental structure of the fund's investments and the role of AIMCo in managing pooled investment funds will remain unchanged. AIMCo will continue to be responsible for the management and administration of these pools, including executing contracts with third parties, as mentioned.

The introduction of the Heritage Fund Opportunities Corporation will lead to adjustments in governance and oversight, as we've spoken about at length here, but the specific changes to investment processes or operational workflows are still being determined, and a lot of this will be determined when the executive team and board are put in place as well. We can provide further details as they become available.

Mr. Wiebe: Okay. Thank you.

The Chair: Thank you, sir.

With that, back to the New Democrat caucus. Any of your cohorts online want a question, or to you, Mr. Kayande?

Member Kayande: I'll just do it.

The Chair: All right. They're too slow to the draw, so back to you.

Member Kayande: They're too slow. That's right.

Part of the old management team strategy was a very expensive private credit strategy. It involved offices in New York, and I believe the Singapore office was related to the same strategy as well although I'm not entirely sure about that. Is the new management team going to change strategy on that? Yeah. That's my first question. What is the new management team's approach on private credit, and is that continuing to be a go-forward strategy for the new management team?

Mr. Gilmour: Thank you for the question. I can certainly share with the committee today that we are reviewing all aspects within AIMCo at this point in time. I can't identify any specifics today, but it is an area that we are reviewing as it turns, as we look at the operations, as we look at the focus on performance, as we want to take a look at the cost structures within AIMCo, and as we move forward in those regards. I can certainly share with you that we are reviewing all areas at the current time.

Member Kayande: Private credit specialists are extremely expensive. They had to be hauled out of whatever previous operation they were in, in Blackstone or Apollo or wherever. What impact is the uncertainty of a management review going to have on a credit book that in this case sounds like, you know, if key people leave, that credit book could end up stillborn?

Mr. Gilmour: I'm not sure. I'll try to answer your question the way I think I interpret it. As we're doing it right now – and one of the things that I certainly focused on when I went to AIMCo was ensuring that we had stability throughout the organization. Regardless of the changes that were happening, we have a team of asset expertise and managers that interact with partners across the world. Our focus was to make sure that we continue those relationships and continue to develop those relationships worldwide. We have continued to do that, but as with any organization when you go through a change and as you're moving forward, you want to be able to ensure that you're operating as effectively as possible, delivering on the clients' expectations, and moving forward. It's not like we are just, you know, looking at one piece; we're ensuring that we've got stability in the organization and managing those relationships, and we are treating it accordingly.

2:40

Mr. Prakash: If I might add to that, true for private credit but true for other investment teams as well is the huge focus on having deep bench strength across different asset classes. Whilst we certainly have one or two individuals off private credit in New York, a big chunk, a large part of the team is in London, and there's another part that is in Canada. So we have presence across different offices.

The Chair: With that, we'll go back online.

Mr. Bouchard, I understand you have a question, sir.

Mr. Bouchard: I do. Thank you, Mr. Chair. Once again, apologies for my lack of dress; I'll make sure it's a first and last offence.

Looking at the fund itself, I see some big numbers on page 1 of the report. We have \$24.3 billion in assets as of September 30, 2024, with a 3.7 per cent second-quarter return, a 5.9 per cent fiscal year-to-date return, and a 7 per cent five-year return. While these numbers are significant, some of the key returns are not looking exactly as we would want, with the 3.7 per cent return falling short of the benchmark by .2 per cent. Can you expand on the factors that are behind the shortfall?

Mr. Prakash: Yeah. Thank you for that question. At the risk of repeating what I repeat every time I'm here on your behalf, we apply a long-term lens in managing the portfolio. What that means is that over shorter periods of time, certainly over a three-month period, you know, you do get the total performance and the relative performance to the benchmark, that moves up and down. Again, the perspective is that certainly over longer periods of time the heritage fund can at least do well relative to the benchmark.

But coming back to the performance for that period specifically, the key drivers that have impacted the performance are the inflation sensitive and alternatives and, in particular, the real estate portfolio, which is roughly 16 per cent of the heritage portfolio; that has performed poorly. The asset class was roughly just slightly above being flat for the quarter.

Now, the areas that are weak in this space are the office market, certainly both in Canada and in U.S.; in addition, the legacy office and retail assets have also seen declining values that we're starting to see, certainly, in Canada, that flattening out. In fact, we got slightly positive marks for the Canadian real estate portfolio in December. Then, lastly, the portfolio also was structurally slightly overweight. The office segment in Alberta: that continued to be painful.

Finally, the other asset class also I would mention is renewable resources. Again, a much smaller part of the portfolio: that was up 2 and a half per cent, and even that was one of the ones that impacted the performance for the quarter. Again, the longer term perspective: that portfolio has delivered 11.6 per cent per year for the last 10 years. Really, a strong place for the heritage fund to have invested in, but certainly over the shorter term the performance was relatively weaker.

Thank you.

Mr. Bouchard: Thanks.

May I ask a quick follow-up, Mr. Chair?

The Chair: Yes. Go ahead.

Mr. Bouchard: Sure. I'm just curious, yeah, what steps, if any, are being taken to ensure that the fund meets the benchmarks moving forward?

Mr. Prakash: I'll focus the response on real estate. Again, a great question, where we look forward rather than look backward. I'll give you a slightly longer answer to respond to it fully. With the changes in our leadership of the real estate team, roughly about two and a half years ago, we took an opportunity to revisit the strategy, and one of the strategy changes that is being worked upon over the last year and a half is to balance out the exposures within the portfolio relative to the heavier exposure it had to office and retail, which was roughly in the 60 per cent range of the portfolio a few years ago. That's moving towards sub or in and around the 40 per cent mark.

In addition, rearranging the process of changing the sectoral exposures also meant we needed to carefully look at which holdings we had, which were strategic, which made a lot of sense over the longer term as opposed to others which may have been good transactions but weren't a cohesive part of the portfolio. The real estate teams have been on this process for the last 18 months, and in terms of readjusting the portfolio, in 2024 we had sales of about a billion dollars. Then as we move forward there are more changes coming in the portfolio that will position it to be an effective and impactful part of the portfolio going forward.

Having said that, we're happy to see that the marks are getting positive. The real estate malls we own have done well, and some of

the new investments in the grocery-anchored malls have done well as well in addition to residential, et cetera.

Thank you for your question.

Mr. Bouchard: That's great. Thank you very much.

The Chair: With that, next we'll go to Mr. Kasawski. Go ahead, sir.

Mr. Kasawski: Thanks, Mr. Chair. I guess the question is coming back to board members and the conflicts that they have that are cleared by AIMCo. I just need to understand from AIMCo's perspective and our agility and ability to invest the funds. If you have someone who works with a private equity firm and maybe provides working capital through that firm to Tourmaline or Whitecap Resources or Steelhead LNG or H Cycle, is AIMCo limited from being able to invest in those Canadian equities as well?

Mr. Prakash: We have a robust compliance process in place to ensure that if there are any conflicts of any nature, they are fully flagged ahead of time rather than – and that's part of the due diligence process. In very few instances that could be an AIMCo employee or it could be board members or any of the others that we deal with. Yeah. That's how we've dealt with any such situations in the past, and that's how we would deal with it in the future.

The Chair: A follow-up, Mr. Kasawski?

Mr. Kasawski: Yeah. Thank you very much, Amit. I think, then, the question is that I want the fund to have the ability to invest in opportunities, and if there is a conflict, how do we raise that publicly so that then from the public view we're not going to feel that the fund is being used to support investments made by board members?

Mr. Prakash: Okay. Maybe I'll start with answering a narrower question. To the extent that there is potentially, hypothetically, a possibility for a conflict, there are various avenues that are available, including individuals recusing themselves from that decision, et cetera. Again, there's a policy and a process in terms of how that happens. The second part, which goes to the heart of your question, is, you know: does that restrict us, AIMCo more broadly or the heritage fund more specifically, in terms of not being able to invest in certain attractive opportunities?

Now, I'll respond again in a shorter sense. Over the years as I've been a part of the investment committee, there are a few instances that that has come up, but by and large it isn't relative to our investable universe. It isn't something that, you know, restricts us in any meaningful manner.

2:50

The Chair: All right. Any other questions regarding the 2024-2025 second-quarter report? Go ahead, Mr. Kayande.

Member Kayande: All right. Thank you very much. I just have a question about the process. This is from the subsequent event section of the report, as you might imagine. There was almost an operational dance that had to occur in order for the board to be removed. I believe the minister was then appointed as the sole board member. He made the change in the – like, can you describe exactly what happened and how this was in the context of the operations of the various enabling statutes?

Mr. Thompson: Certainly. You're right that the process was quite prescriptive as to what was necessary. The removal of the board required an order in council, and the appointment of minister then

as sole shareholder and sole board member was subsequent to that removal, and the minister as board was able to appoint the new management team. That's really how it rolled out, and the timing was limited by the opportunities to present to cabinet and to have the Lieutenant Governor sign the order into force. That's really what resulted in the timing of all of those operations.

Member Kayande: Okay. So I'm left with a question. I guess that, you know, obviously there's a move for the government as a priority to bring the CPP in-house, into management with AIMCo. Would a similar process be followed if AIMCo were actually managing Albertans' CPP funds?

Ms White: Yeah. First of all, I'll be very clear. Nothing that has happened with AIMCo has anything to do with CPP or APP.

The process. There is a very prescriptive process should Albertans choose to choose an APP. Of course, the government has already laid out – and it's legislatively required at this point – that there would have to be a referendum. Albertans would have to support that. Assuming, you know, that that had happened, then there are a tremendous number of steps that are prescribed in the CPP act that the government would have to follow, and we would have to pass full legislation that was deemed comparable with CPP as an APP. This process was quite prescriptive. Bringing on an APP would be incredibly prescriptive and would require a full piece of legislation to be passed in the House, so certainly wouldn't happen through order in council.

But as the government has laid out, those would be actions that would follow a referendum. Then there would need to be several other decisions made. Then there would need to be a very lengthy legislative process. So it would look and feel much different than this event did.

Member Kayande: Thank you.

The Chair: Next we will go to Mr. Bouchard online. Mr. Bouchard, did you have another follow-up question?

Mr. Bouchard: I do, yes. Thank you, Mr. Chair. I have a couple of questions regarding the overall performance of the fund relating to the information on 12-month rolling returns on page 2 of the report. First question is: how and why was the fund's rolling return of 13.4 per cent in 2024 improved upon the 8.1 per cent recorded in 2023?

Mr. Prakash: I'll start with that. Two big drivers for those return numbers: firstly, fixed income, which was quite weak the previous year, around 3 per cent, rose by 10.7 per cent in that period. So that was one big difference, and a lot of that, of course, is driven by the Bank of Canada starting to cut the interest rates and the bond interest rates coming down.

The second one was the immensely strong performance of public equities, which rose over 26 per cent in the most recent period relative to 14.8 per cent in the previous period. Again, the strong equity returns were driven by a variety of reasons, including the strong returns in the tech sector; the inflation, certainly at that point, coming down; interest rates weakening; and a huge amount of tailwind behind equity. So those are the two reasons why we see such a healthy return in the most recent period.

Mr. Bouchard: Thanks. Despite the improvement, the funds still underperform the policy benchmark by 2.1 per cent. Can you provide a little more insight for this discrepancy?

Mr. Prakash: Absolutely. The culprit, unfortunately, is the same as my previous response, which is the inflation-sensitive asset class

of real estate was front and centre and renewable portfolios sort of secondly, but effectively that cluster of strategies is what described the weaker performance.

Mr. Bouchard: Thank you.

The Chair: Go ahead.

Mr. Thompson: We'd just like to supplement Mr. Prakash's response. You know, as we look, as we pull up a little bit from the specifics that he's talking about in each asset class and we look at asset mix, our focus now on the fund growing rather than being available for supplementing revenue each year is going to allow us to move away from liquid asset classes such as fixed income, which has not been performing very well for as long as I've worked here. We'll be able to pull out of things like fixed income. Even cash: we won't need the same allocations to cash. Our requirements for liquidity will be quite low, and so we will be looking at those sorts of asset class moves to enhance returns going forward as well. I just wanted to take it up a level from that.

The Chair: Thank you so much for that supplemental answer.

Just a reminder to everyone that estimates will be coming up as will session with all sorts of time in question period to ask questions. With that, Mr. Kasawski, you have a question online?

Mr. Kasawski: Thanks, Mr. Chair. Yeah. This quarterly report will be, I think, the last quarter before Trump. So now we'll be looking at our financial returns after Trump, after the election, and now we're looking at a future world with tariffs that are pending. What were the risk calculations that were used to factor political risks like Trump that led to quarter 2, and then going forward, how is AIMCo accounting for the risk that we are facing with the potential tariffs and the President of the United States?

Mr. Prakash: Thank you for the question. It certainly has kept us busier than usual over the last week, week and a half. I'll start the response with a narrow focus and then zoom out and have a broader response.

Firstly, as we looked across the portfolios across the different asset classes, you know, we have a good sense of which part of the portfolios may get impacted by tariffs, particularly if that translates into inflation and also if it is directly in the sector; for example, the automotive sector. As we looked across the asset classes, clearly fixed income through various channels, both through rates channels, potentially growth channels, gets impacted. Public equities, where we are, again, slightly underweight relative to the exposure, there is exposure particularly through the oil and gas sector, through the automotive sector, again, consistent with the benchmark in and around that. But as you go beyond these two asset classes, so if you look at the private equity exposures, you have most of the sectors that we invest in on your behalf, that tend to be asset-light sectors – for example, software technology, business services, health care, financials, et cetera – and then the second part is, again, just focusing on private equity for the moment. Only 5 per cent of those investments are in Canada. So in many ways they are naturally, not at least directly impacted by tariffs.

3:00

I'll take one more example, which is infrastructure. Again, about 10 per cent of the portfolio is in Canada, 52 per cent in the U.S. As well, about 75 per cent of the portfolio has regulated or contracted revenues, which means if tariffs translate into higher inflation on higher charges or rates, that automatically translates into cash flows for those types of investments.

The first review we did was across the asset classes to make sure we understood where the exposures would be, recognizing that there is a fair bit of uncertainty in terms of the level of tariffs, the length of tariffs, the differential sector exposures.

The second bit we did just from a process perspective is that our risk policy has a provision of needing of developing market and credit-risk contingency plans. We activated it about a week or so ago to see if there were any specific actions we needed to take place at the top of the house outside of the asset classes. Again, the assessment was that there wasn't anything we needed to do immediately.

Then the third thing is more the longer term, you know, how we work with clients in managing portfolios. The word you hear in that context is to ensure that the portfolios are resilient. We measure liquidity multiple different ways, but one of the headline metrics for the SLCR metric, which is a liquidity metric, is roughly 300 per cent for the heritage fund at the moment. All of that to say that it leaves room both for opportunities as well as to manage risk because liquidity is really, really important.

Then, finally, in terms of, you know, as we look at the crystal ball going forward, the way we think and approach that is: what are the transmission mechanisms by which the portfolios get impacted? I'll admit that looking at the political crystal ball and assessing what the U.S. administration may or may not do: that part isn't necessarily a primary focus, if you will. We're more focused on what's happening on the interest rate side and the inflation side on real deals, on currencies, and therefore our portfolios. So that's how we're approaching it, and that's how we look to manage it over the next little while.

Mr. Kasawski: Thank you.

The Chair: With that, just to remind all of our members, we do have 27 minutes left in our meeting and we do have two other portions to get to.

If there are no other questions, I would like to thank our guests from Treasury Board and Finance and AIMCo and the office of the Auditor General for being here today. We do have other business; you're more than welcome to stay and enjoy the proceedings. I'm sure you'll all watch us online. Thank you so much for that.

With that, I'll now look to a member to move a motion to receive the fund's 2024-2025 second-quarter report. Would a member like to move that

the Standing Committee on the Alberta Heritage Savings Trust Fund receive the Alberta heritage savings trust fund 2024-2025 second-quarter report as distributed?

Mrs. Jennifer Johnson.

All in favour of, please say aye – sorry. I'd like to open that up for discussion. I see no concerns, questions, comments.

With that, all in favour of the motion to receive the report, please say aye in the room. On the phones, all in favour of, please say aye. Anyone opposed in the room or online? I see none.

That motion is carried.

Thank you so much.

All right. With that, the next item on our agenda is a review of the committee's 2024 annual public meeting. The Alberta Heritage Savings Trust Fund Act requires that the committee hold an annual meeting with the public to inform Albertans about the status of the fund and respond to questions. The meeting was held here at the Queen Elizabeth II Building on November 6, 2024. Albertans were invited to pose questions related to the fund either in person, on the phone, by e-mail, or through the Assembly's website and social media channels. A summary document from the Legislative Assembly Office communications services was posted to the

internal website, which provides a breakdown of the public's participation at the meeting. Ms Steenbergen with LAO communication services is with us here today to provide an overview of the report. I will turn the floor over to her.

Ms Steenbergen.

Ms Steenbergen: Thank you, Mr. Chair, and good afternoon, everybody. I trust everyone has had a chance to see the report, so I will keep this very short and sweet since we are tight on time.

As you can see, when we presented the original communications plan, we had a budget of between \$25,000 and \$44,000. We ended up coming in at \$32,419.35. A lot of that was we were able to see kind of what advertising we did the year before, especially with social media and digital ads, and we were able to kind of come up with some more creative ways to get the word out.

Most surprising was the advertising that we did on X. We recently started paying for verification purposes for Twitter/X, so we were able to advertise. As you can see on the report, we got almost a million impressions, which means a million people within Alberta saw our posts regarding the meeting. Unfortunately, a million people did not tune in, but that did increase the amount of people that came to the website, so we're pretty happy with that.

We did do digital billboards this year as well, which was something that was new. Unfortunately, because of privacy policies we can't use the tracking that is enabled with some of the digital billboards, but we do think they got about 40,000 views, so it's pretty significant. There were three in Calgary, three in Edmonton. We think that did pretty good.

Again, Facebook and Instagram with Meta did pretty well as well, as it usually does. This time we did an event, which got a significant amount of people interested, but that doesn't always mean that they're going to come out to the meeting. But, again, we're really just pushing people to get to the website and learn a bit more about the fund.

Again, we also did organic social media on top of the paid social media, and that really did well as well.

Overall, we're pretty happy with how things went, and I'm very happy to answer any questions that anyone has.

The Chair: Thank you so much for your comments today.

Members, do you have any questions about the report on the public meeting?

Member Kayande: Actually, I'd like to move a motion which has been, I believe, made available to the clerk and approved by Parliamentary Counsel.

The Chair: Why don't we finish this item first, with LAO communication services?

Member Kayande: Okay.

The Chair: Any questions regarding the report on the public meeting? Anyone online?

Excellent. I see none.

Ms Steenbergen, thank you so much for your presentation. Our committee greatly appreciates that.

Now, Mr. Kayande, please go ahead with your comment.

Member Kayande: Yeah. I'd like to move a motion, please, which I believe we've made available to the committee clerk – oh, there it is – that

the Standing Committee on the Alberta Heritage Savings Trust Fund hold a two-hour public meeting no later than May 31, 2025, at the Queen Elizabeth II Building to address the recently

announced changes with respect to the management of investments of the Alberta heritage savings trust fund.

Our rationale is that the last public meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund happened on November 6, 2024. The following day the board of AIMCo, the CEO of AIMCo, and three other executives were fired by the Minister of Finance. Because the government chose to gut AIMCo's management and restructure the Alberta heritage savings trust fund to now include a Crown corporation to grow the trust fund, the content of that meeting and the public questions are inoperative. As a result, the public should have an opportunity to meaningfully engage with AIMCo and Treasury Board and Finance about the substantial changes that have been made to the Alberta heritage savings trust fund and the investment management of the fund. They deserve an opportunity to do that as soon as possible. The heritage fund belongs to the people of the province, and they have the right to fully understand these changes.

The Chair: Okay. We have a motion – thank you very much – on the board here. Are there any comments, questions, debate on this? I see none.

With that, we will take it to a vote. Anyone who supports this recommendation in the room, please say aye. On the phones, anyone who's supportive of this recommendation, please say aye. I recognize Mr. Ellingson and Mr. Kasawski. All in the room who are opposed to this motion, please say no. Online, all opposed to this motion, please say nay or no. Okay.

That motion is defeated.

Thank you very much.

3:10

We will now move on to the committee's annual report to the Legislative Assembly. Hon. members, section 6(4)(c) of the Alberta Heritage Savings Trust Fund Act requires the committee to report to the Legislative Assembly on whether the mission of the heritage fund is being fulfilled. The last report to the Assembly was tabled on April 22, 2024.

The practice of the committee has been for the committee clerk to prepare a draft report covering the committee's activities for the current fiscal year and then distribute it for the committee's consideration and approval at our next meeting. Once approved, the report will be tabled in the Assembly. Do members have any comments or questions regarding this reporting process? Anyone online with any comments or questions on that, on the annual report to the Legislative Assembly? Anyone in the room? I see none. Well, that said, then, the draft report will be prepared for review at our next meeting.

Now we'll move on to other business. I'd like to note for the record that the committee received written responses to questions asked at our public meeting on November 6, 2024, from Treasury Board and Finance and AIMCo. They were made available to committee members on the internal website prior to today's meeting.

Are there any other issues for discussion today?

With that, our next meeting will be at the call of the chair after the release of the fund's third-quarter report.

If there's nothing else for consideration today, I will call for a motion to adjourn. Would a member move that the February 6, 2025, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adjourned? We can open that up for debate. Let me see support here. Someone needs to move that. Mr. Sinclair, you move that?

Mr. Sinclair: I'll move the motion.

The Chair: Thank you so much for that. All in favour of the motion to adjourn today's meeting, please say aye. Online? Excellent. Anyone opposed, online or in the room? With that, the meeting is adjourned.

Thank you all so much for your time. Thank you. Take care. God bless.

[The committee adjourned at 3:13 p.m.]

