



Legislative Assembly of Alberta

The 30th Legislature
First Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Friday, June 21, 2019
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First Session**

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

Gotfried, Richard, Calgary-Fish Creek (UCP), Chair
Orr, Ronald, Lacombe-Ponoka (UCP), Deputy Chair

Allard, Tracy L., Grande Prairie (UCP)
Eggen, David, Edmonton-North West (NDP)
Getson, Shane C., Lac Ste. Anne-Parkland (UCP)
Glasgo, Michaela L., Brooks-Medicine Hat (UCP)
Irwin, Janis, Edmonton-Highlands-Norwood (NDP)
Jones, Matt, Calgary-South East (UCP)
Nielsen, Christian E., Edmonton-Decore (NDP)

Office of the Auditor General Participants

W. Doug Wylie	Auditor General
Nelson Robe-From	Principal

Support Staff

Shannon Dean	Clerk
Stephanie LeBlanc	Acting Law Clerk
Trafton Koenig	Parliamentary Counsel
Philip Massolin	Manager of Research and Committee Services
Sarah Amato	Research Officer
Nancy Robert	Research Officer
Michael Kulicki	Committee Clerk
Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk
Karen Sawchuk	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications
Danielle Antoniuk	Communications Consultant
Jeanette Dotimas	Communications Consultant
Janet Laurie	Communications Consultant
Tracey Sales	Communications Consultant
Janet Schwegel	Managing Editor of <i>Alberta Hansard</i>

Standing Committee on the Alberta Heritage Savings Trust Fund

Participants

Ministry of Treasury Board and Finance

Athana Mentzelopoulos, Deputy Minister

Stephen J. Thompson, Executive Director, Capital Markets

Alberta Investment Management Corporation

Dale MacMaster, Chief Investment Officer

Kevin Uebelein, Chief Executive Officer

8:30 a.m.**Friday, June 21, 2019**

[Mr. Gotfried in the chair]

The Chair: Good morning. I would like to call this meeting to order and welcome everyone to the first meeting of this committee of the 30th Legislature.

I'm Richard Gotfried, MLA for Calgary-Fish Creek and chair of the committee. I would now ask everyone at the table to introduce themselves, beginning with the deputy chair, to my right.

Mr. Orr: Good morning. Ron Orr, MLA, Lacombe-Ponoka.

Mr. Jones: Good morning. Matt Jones, MLA, Calgary-South East.

Mrs. Allard: Good morning. Tracy Allard, MLA for Grande Prairie.

Ms Glasgo: Michaela Glasgo, MLA, Brooks-Medicine Hat.

Mr. Getson: Shane Getson, MLA, Lac Ste. Anne-Parkland.

Mr. MacMaster: I'm Dale MacMaster, chief investment officer with AIMCo.

Mr. Uebelein: Kevin Uebelein, CEO of AIMCo.

Mr. Thompson: Steve Thompson, executive director of capital markets with Treasury Board and Finance.

Ms Mentzelopoulos: Athana Mentzelopoulos, deputy minister, Treasury Board and Finance.

Mr. Robe-From: Nelson Robe-From, principal with the office of the Auditor General.

Member Irwin: Janis Irwin, MLA, Edmonton-Highlands-Norwood.

Mr. Nielsen: Good morning, everyone. Chris Nielsen, MLA for Edmonton-Decore.

Ms Antoniuk: Good morning. Danielle Antoniuk, LAO communications.

Ms Laurie: Good morning. Janet Laurie, communications services.

Mr. Koenig: Good morning. I'm Trafton Koenig with the Parliamentary Counsel office.

Dr. Massolin: Hello. Philip Massolin, manager of research and committee services.

Mr. Kulicki: Good morning. Michael Kulicki, committee clerk.

The Chair: Great. Thank you.

Before we turn to the business at hand, a few operational items. Please note that the microphones are operated by *Hansard* staff, so there's no need for members to turn them on or off. Please set your cellphones and other devices to silent for the duration of the meeting. Committee proceedings are being live streamed on the Internet and broadcast on Alberta Assembly TV. Meeting transcripts and archived video and audio streams of the proceedings are obtained via the Legislative Assembly website.

Are there any changes or additions to the draft agenda? If not, would a member like to move that the agenda for the June 21, 2019, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adopted as distributed? Moved by Member Allard. Seconded by Member Glasgo.

Mr. Kulicki: No need for seconders.

The Chair: Okay. No need for seconders. Oh. No seconders required in the committee. All in favour? Any opposed? The motion is carried. Thank you.

In terms of committee orientation, if participation in committee meetings is via teleconference, we need to move that. Section 6 of the Legislative Assembly Act permits participation in committee meetings "by means of telephone or other communication facilities that permit all Members participating in the meeting to hear each other." The committee rooms are equipped to facilitate meeting participation via teleconference, and committees have a choice of passing a motion, which must be passed unanimously, to approve meeting attendance via teleconference for the duration of this Legislature. A motion to approve teleconference attendance for the duration of the Legislature does not preclude the committee from determining that members must attend specific meetings in person. In those cases a motion would be moved at the end of a particular meeting, requesting that all members attend the subsequent meeting in person.

Would a member be prepared to move that

for the duration of the 30th Legislature the Standing Committee on the Alberta Heritage Savings Trust Fund permit committee members to participate by teleconference, subject to the proviso that the committee may require members' attendance at a particular meeting upon passage of a motion to that effect.

Mr. Getson: I would so move.

The Chair: Moved by Member Getson. Seconded by Member Jones.

Mr. Kulicki: No seconds.

The Chair: Oh, no seconds. Sorry. I'll get used to that.

Any discussion? All in favour? Any opposed? The motion is carried unanimously. Thank you.

We've had a new addition to our team here this morning. Would the member please introduce himself for the record?

Mr. Eggen: Good morning. My name is David Eggen. I'm the MLA for Edmonton-North West.

The Chair: Thank you, Mr. Eggen.

For your information Standing Order 56(2.1) outlines a process for substitution of committee members.

A temporary substitution in the membership of a standing or special committee may be made upon written notification signed by the original Member and filed with the Clerk and Committee Chair, or through an email communication sent directly from the original Member to the Clerk and Committee Chair, provided such notice is given

- (a) on a business day, not less than 24 hours prior to the meeting for the substitution of the Chair or Deputy Chair, and
- (b) prior to the scheduled start of the meeting for the substitution of any other Member.

A link to an e-mail template can be found on the committee portal through OurHouse, or the committee clerk can provide the template upon request. When substitutions occur, it is the responsibility of the original committee member to ensure that the substitute has been provided with all the necessary meeting material. You are reminded that members of the Legislature who are not committee members or official substitutes may still attend and participate in the meetings, but they may not move motions or vote.

Now, with respect to the mandate and meeting schedule, the mandate for this committee is found in the Alberta Heritage Savings Trust Fund Act, a copy of which is available on the committee's internal website. A brief summary of the mandate was also covered in the e-mail from the committee clerk. As noted, the committee's primary functions are to review the overall performance of the fund, to approve the annual report, and to receive the quarterly reports, which usually means at least four meetings per year. The schedule of committee meetings tends to follow the reporting cycle of the fund, meaning that meetings are generally held in March, June, September, and January. Additionally, the committee holds a public meeting every year, which is generally held in the fall. I will have more to say about this under item 7 of the agenda, which we'll get to later this morning.

Meetings are held at the call of the chair. Generally the committee clerk will contact members to determine their availability for a number of dates, and we've been pretty good on polling people to ensure we try to meet, obviously, the challenges of late-night sittings and various other things. Meeting notices are e-mailed to members once a meeting date and time are set, and briefing materials are usually posted on the committee's internal website a few days before the meeting.

During meetings the chair will keep track of members wishing to ask questions, and every effort is made to ensure that all members have an equal opportunity to participate in discussions and to ask questions. Questions which require detailed responses may be read into the record, and a written response will be provided to members through the chair.

To minimize interruptions during committee meetings, I would also ask that teleconferencing members e-mail the committee clerk if they wish to be added to the speakers list – it just allows us to give them an opportunity as well – during discussions of particular items of business. Certainly, within the committee here we've discussed this with the committee clerk. Please make him aware that you want to be added to the speakers list. Either myself or the deputy chair will also try to identify those with a nod of the head or just raise your hand.

In terms of committee support, staff from the Legislative Assembly Office support the committee in our work. As with other committees of the Assembly, Parliamentary Counsel is available to assist the committee if it requires legal advice. Research services can provide the committee with research support if necessary. LAO communications services provide the committee with communication support, particularly with respect to the annual public meeting, which we'll discuss later this morning. Finally, the committee clerk provides general administrative and procedural support and is the committee's main co-ordinator.

The committee also relies on technical expertise. Before us today you have Alberta Treasury Board and Finance officials, who administer the fund and complete the various plans and reports which the committee must review, and, of course, Alberta Investment Management Corporation officials – again, thank you for being with us today – who make investment decisions on the fund and attend meetings to respond to our questions. We will hear from them in a moment, when we begin our review of the fund's third-quarter report and the annual report.

Before proceeding to this business, however, I'd first like to invite Nelson Robe-From from the office of the Auditor General to explain the role of the Auditor General with respect to the fund.

Mr. Robe-From: Sure. Thank you very much. I'll just start by saying that we are the legislated auditor who provides an opinion on the financial statements of the fund. We provide that opinion annually, and we verify the existence, accuracy, completeness, and

evaluation of the assets of the fund. We also ensure that the financial statements are fairly presented in accordance with public-sector accounting standards. Beyond that, we also have a performance audit mandate, and the Auditor General under the AG Act has the ability to conduct performance audits that look at the efficiency, effectiveness, and economy of processes at both AIMCo and Treasury Board and Finance, but at the highest level the audits that we've been conducting have been opinions on the financial statements.

I think I'd leave it with that. If there are any questions.

The Chair: Are there any questions for the office of the Auditor General?

Seeing none, thank you very much, Mr. Robe-From, for that and for the oversight of the particular operations that we are charged with overseeing.

The Alberta heritage savings trust fund third-quarter report for 2018-2019 was released on February 27, 2019. Committee members were sent notification of its release, and the report was posted to the committee's internal website. As mentioned, the Alberta Heritage Savings Trust Fund Act mandates that one of the functions of the committee is to receive and review quarterly reports on the operations and results of the heritage fund.

We are pleased to have Kevin Uebelein and Dale MacMaster from AIMCo and Athana Mentzelopoulos – did I do okay with that? – and Stephen Thompson from Treasury Board and Finance here to assist us with our review. I'd like to turn over the floor to TBF and AIMCo to present to us, and then we'll move forward to any questions after.

Thank you.

Mr. Thompson.

8:40

Mr. Thompson: Thank you, Mr. Chair. With respect to the third-quarter report the mandate is to review it, not necessarily approve it, so our comments this morning are focused on the annual report. If that is okay with the committee, we will proceed with discussing that and open it to questions.

The Chair: We still need to have a motion to receive the third-quarter report, Mr. Thompson, so we do have to have at least a brief discussion on that particular report, if you would indulge us on that.

Mr. Thompson: Absolutely. Certainly.

Mr. MacMaster: Well, my comments are mostly also around the fourth quarter, the annual report, as it's the most recent performance data but, you know, we could take that as read. Happy to take any questions you might have on the third quarter. I would caution that because of the way we value the illiquid assets, the annual report is a more complete picture of the performance of the fund.

The Chair: Are there any questions from members with respect to the third quarter?

Mrs. Allard: I was just going to say that I'm prepared to still move and discuss the annual. I think that's a more robust discussion.

Mr. Gotfried: Okay. Seeing that, would a member move that the Standing Committee on the Alberta Heritage Savings Trust Fund will receive the 2018-2019 third-quarter report on the Alberta heritage savings trust fund.

We have a mover. Thank you, Member Allard. All in favour? Any opposed?

The motion is carried.

Now we can move on to the more meaty part of the business, which is the annual report. Turning now to the draft 2018-2019

annual report of the heritage savings trust fund, members will be reminded that the report must be approved by the committee and furnished to all members and the Clerk of the Assembly by June 30. So we have our work cut out for us here today. The draft report was posted on the internal website earlier this week. Please note the draft report is confidential and that, once approved by the committee, the final version will be tabled in the Assembly and distributed to all members on Monday afternoon, thereby making the report public, when it can be released.

I would now turn it back over and ask Treasury Board and Finance to give us a review of the annual report.

Mr. Thompson: Thank you, Mr. Chair. I am prepared for a more fulsome discussion on the annual report.

Good morning, and thank you for the opportunity to present the heritage fund's 2018-19 annual report to this standing committee. I'm presenting today on behalf of Lowell Epp, the assistant deputy minister of treasury and risk management, who is ill today and sends his regrets. I'm accompanied by deputy minister Athana Mentzelopoulos, and we will be happy to answer questions as we go through. Minister Toews is unable to attend today and sends his regrets.

As there are a number of new members to the committee, I will briefly explain the roles of some of the different players involved in managing the heritage fund's assets. The Alberta Heritage Savings Trust Fund Act establishes the investment goal for the fund, which is to maximize the long-term income of the fund at a prudent level of risk. The act gives the responsibility for fulfilling this mandate to the President of Treasury Board and Minister of Finance.

There are two important aspects in fulfilling this mandate: setting an investment policy for the fund and the implementation of this policy. The investment policy for the fund provides direction to the investment manager on how the fund is to be invested and is established by the minister. The target long-term return for the fund is to earn a return equal to the rate of inflation plus 4 and one-half per cent. In other words, the fund is expected to achieve this target because of the types and the mix of asset and investment classes identified in the investment policy.

Currently the heritage fund's investment policy states that 50 per cent of the fund's investments are to be invested in equities, 30 per cent in inflation-sensitive and alternative assets such as infrastructure and real estate, and 20 per cent in fixed income, primarily bonds. The responsibility for implementing the investment policy has been delegated to the Alberta Investment Management Corporation, commonly referred to as AIMCo. In order to measure value-added by the investment manager, the investment policy sits at a policy benchmark based on the asset mix. This investment benchmark is based on the performance of the broad market indices to indicate what the portfolio should earn over the long term without actively managing the fund.

The S&P/TSX composite index, which measures the performance of equities traded on the Toronto Stock Exchange, is an example of such an index. The investment policy states that the investment manager, AIMCo, should enhance the fund's returns by 1 per cent over a five-year period through actively managing the fund's investments through the selection of specific investments and through adjusting the actual asset mix to respond to expected market conditions. The final responsibility set out in the legislation is for this committee to review quarterly reports and to approve the annual report of the heritage fund.

The heritage fund has had another good year in 2018-19, earning a return of 8.0 per cent during the year. The fund's market value at March 31, 2019, was \$18.2 billion, an increase of \$800 million from

the previous year-end. Returns during the year were driven primarily by inflation-sensitive and alternative investment asset classes, which had a return of 11 per cent during the year. The heritage fund also benefited from a strong rally in the investment markets during the final quarter of the year, reversing third-quarter losses. The fund had a net income of \$937 million for the year. As required by legislation, the fund retained \$374 million of its net income to protect it from inflation, with the remaining \$563 million of the fund transferred to the province's general revenue fund.

While the short-term returns are important, the focus of the heritage fund is to maximize investment earnings over the long term. As previously mentioned, the heritage fund's performance is measured by comparing the actual return over a five-year period to the target returns established by the investment policy. Over the past five years the heritage fund has achieved an average annual return of 8.8 per cent. The first target for the long-term return of this fund is to earn a return that is 4.5 per cent higher than inflation. Inflation has averaged 1.5 per cent over the past five years, so the resulting target return is 6.0 per cent for the five-year period, and the performance of the fund exceeds this target by 2.8 per cent.

The second target for the long-term return of the fund is for the fund to have actual returns that are 1 per cent higher than the returns of the policy benchmark. This target measures the value added by the investment manager, AIMCo. The policy benchmark had a 7.7 per cent return over the past five years. Through active management the fund has therefore earned 1.1 per cent more than the policy benchmark over the past five years. This means that returns on active management have exceeded the target return of 1 per cent over those five years.

The 10-year return on the fund was 10.8 per cent, which is greater than both targets for the performances of the fund.

Finally, I would like to add a brief update on the Alberta growth mandate. As of March 31, 2019, the heritage fund has invested in 32 separate transactions, which represents a total commitment of \$406.2 million. As in the past we will continue to provide the committee clerk with periodic reporting regarding investments made under this mandate.

This concludes my prepared remarks. Thank you.

I'll turn it over to AIMCo.

The Chair: Thank you.

Mr. Uebelein: Thank you. Mr. Chair and members of the committee, it's a pleasure to be able to present to you this morning. Since for many of you this is your first time at the heritage fund standing committee, with your permission I'd like to just spend a couple of moments of more broad introduction. I've been privileged to lead AIMCo now for almost five years. AIMCo consists of about 475 employees, the vast majority of which live and work here in Alberta, while our investment scope is truly global. Regardless of where we live and work, our objective and our goal is to try to truly build a crown jewel for Alberta.

As Steve has already reported and as you can see in the annual report, the heritage fund's 2018-2019 annual performance was quite strong, and the more important longer term performance, both the five- and 10-year numbers, is very strong, indeed.

Dale and I will be happy to answer any specific performance-related questions in just a moment, but I'd like to begin, if I may, just by describing some of the broad characteristics which I believe help drive AIMCo's investment performance success. AIMCo manages investments on behalf of 31 different Alberta entities with an aggregate asset total of about \$115 billion. That means that the heritage fund at \$18 billion represents about 15 per cent of the total assets under the AIMCo management umbrella, if you will. But

while it's only 15 per cent, the heritage fund does represent the second-largest of our clients.

Our objective is to bring to each one of our Alberta clients all the necessary expertise and attention to meet the specific investment requirements of each client while at the same time using our aggregate scale to maximize benefit to all. This means that the depth of investment expertise and risk management expertise and the range of asset and subasset class exposure that the heritage fund can access through AIMCo is much greater than if the heritage fund tried to manage its assets on its own.

8:50

These same benefits of scale accrue to all of our other clients, big or small. For instance, when AIMCo invests in very large, complex, and high-value quality assets such as infrastructure, real estate, or private equity assets, the size of those investments and the level of expertise necessary to commit to those investments and manage those assets are, frankly, beyond the scale of any single one of our clients, but all clients benefit from the exposure to these unique, high-quality assets via the effective pooling under the AIMCo umbrella. Scale is an important advantage for the heritage fund as it pools its interest with AIMCo with the other Alberta clients.

Another advantage is AIMCo's ability to internally manage the substantial majority of these assets in-house and, frankly, to do it with people who I would stack up against the best on Bay Street or Wall Street. Managing in-house over 80 per cent of our clients' assets drives incredible value, especially since we operate on a cost-plus-zero basis, with no added cost from a profit component.

Finally, because of the incredibly stable asset base that we get to work with, AIMCo is truly a long-term investor, and we can reap better long-term returns as a result. Unlike retail pools or other forms of investment capital, we have very predictable long-term asset flows, which allow us to truly take the long view. You'll learn from Dale and me over the next few sessions that we have together that we look at the investment world in a different way as a result of our long-term view. Specifically, a truly long-term investor views short-term market downturns not so much as threats but, frankly, as opportunities because it allows us to buy high-quality assets at lower prices.

Conversely, short-term run-ups in value: they may be nice, but they're not a true test of our investment acumen. The true test will remain being our five-year and 10-year track record.

I'm going to end my prepared remarks there, but hopefully you can tell that I'm very proud and excited about what AIMCo is doing, and I could frankly bore you for the rest of our session if you would let me.

Dale?

Mr. MacMaster: I'll continue with the boredom.

Welcome, new members of the standing committee. I'll make a few comments on performance, and then with the chair's permission perhaps we could open it up for questions. The heritage fund returned 8 per cent for the fiscal year ending March 2019, which is down slightly from the previous year but, I would suggest, a good return given the volatility that we've seen in equity markets and the extreme low interest rate environment, which makes it challenging for savers and investors like the heritage fund.

As Mr. Thompson pointed out, the Finance department sets the asset mix, and our job at AIMCo is to invest the funds efficiently with a mandate to add value over the benchmarks that Mr. Thompson alluded to. We do this with an eye towards managing costs and risk while attempting to deliver top quartile performance relative to those benchmarks. From my point of view, then, pages 14 to 19 in your annual report are probably the most important

pages for your scrutiny. The table on page 14 is particularly relevant as it shows total performance, both short term and long term, and shows our performance relative to the benchmarks so that you can get a sense of how AIMCo has been able to deliver value for all Albertans.

The good news is that by those measures AIMCo has succeeded in fulfilling its mandate over all periods. AIMCo and its clients are long-term, active investors, and we believe that we can add value over the long run, so that's at the forefront of our focus. The 10-year return for the fund at 10.8 annualized: that's net of costs. AIMCo was able to add 1.2 per cent over the benchmark return of 9.6 per cent.

Markets investing can be volatile and short-term returns can also be unpredictable, but I'm also pleased to report that even in the one-year period we were able to add 150 basis points over the benchmark return of 6 and a half per cent, for a total return of 8 per cent. For me a one-year return of 150 basis points is quite exceptional. You can see from the table that AIMCo exceeded its total return target and active management targets over all periods as well, which is also part of the heritage fund objectives.

At AIMCo we regularly measure our performance relative to global peers in the investment community as our mission was always to aspire to be among the best investment managers in the world. By way of comparison, a top quartile manager, just for example, in that universe went at about half a per cent of value on a 10-year basis whereas AIMCo has added 1.2 per cent. You get a sense that we're well above a top quartile performance relative to that global peer group. Obviously, we're very pleased to share these results with you and all Albertans, who stand to benefit from the heritage fund performance.

AIMCo's success at achieving these results in part can be attributed to the decision 11 years ago to form a Crown corporation at arm's length from government dedicated to the mission of investing the provincial assets. This allowed the necessary investment in people, processes, and systems that are required to be world class in the area of investing. As Kevin pointed out, we've attracted close to 500 people from over 50 countries in offices here in Edmonton, Toronto, London, and Luxemburg. The combination of scale and talent and the fact that we are long-term investors allow us to adopt strategies that are innovative and not available to many other investors. We have the advantage of a blue-chip board with the immense talent that helps guide our very important mission.

As we look forward in the coming year, I would caution the committee, as I sometimes do, that future returns are likely to be more modest. Interest rates are extremely low and in some parts of the world negative. The current expansion and bull market is the longest in the postwar period, and valuations in some assets are quite rich. However, we are long-term investors, and we think that we are well positioned to take advantage if markets become unhinged, as they sometimes do.

I will leave it at that and take questions if you'd like.

The Chair: Thank you to our presenters. I will remind you that this is not a boring topic. We actually like to hear positive numbers and the great performance of your group.

I would like to open it up for discussion, questions, or comments from members, first recognizing Member Nielsen.

Mr. Nielsen: Well, thank you, Mr. Chair. Good morning, everyone. I just want to thank everybody for coming here this morning. I have to admit that when I was on this committee in the first year of the 29th Legislature, I remember some potential discussions around, you know, "We need to be cautious" and whatnot. The good news was that at the last second we had some fantastic returns, so I'm

excited to hear that we need to be cautious because there are probably some really good things coming up here. Thank you for giving this note of caution.

I wouldn't mind jumping in here a little bit. I know we've seen a lot of green-energy companies that have been leaving Ontario as a result of some of the Ford government's policies that have come through. If I'm not mistaken, some of those investments have actually relocated right here, in Alberta. I'm just wondering what portion of the fund is invested in green energy and what kind of growth we are seeing in that sector and maybe some of the kinds of returns that the fund may be getting from those green-energy investments.

Mr. MacMaster: Yeah. I mean, to answer your question specifically, I don't have a number. That's kind of a difficult question, to say what is green per se. I can tell you that we continue to make investments in renewables. For instance, in the infrastructure portfolio we have significant investments here in Alberta as well as in the U.S. southwest in wind and in solar through our partnership with sPower. We've just recently completed a large transaction in Europe, a company based in Spain that's also involved in wind and solar. This is an area of interest for us. Years ago governments were supportive of initiatives in this area and were providing subsidies. Quite frankly, the economics have improved as the costs have come down for renewables. It's an area we continue to invest in, for sure.

Mr. Nielsen: Just a follow-up question, Mr. Chair?

The Chair: Yes, of course.

Mr. Nielsen: Thank you. I have to ask, then: with the current government's cancellation of the climate leadership and pullout of key investments in green energy, wind and solar, have you received any kind of maybe potential political direction to cancel any heritage fund investments in renewables, or will you continue to invest in these areas going forward?

9:00

Mr. Uebelein: I can answer that. The answer is absolutely not. We really do take our investment independence very seriously. We will continue to look at all forms of energy investments on their merits alone. Frankly, I find it interesting when I encounter folks across Alberta who ask me when we invest in a renewables infrastructure investment whether it was the NDP that told us to do it, and we say adamantly: it was not; it's because it's a good investment. Likewise, when we recently invested in a pipeline in the oil sands, when people ask us whether there was any influence, the answer is adamantly: no, there was not. I think you can expect to see us continue to invest across the spectrum of energy so long as we find good investments for our clients.

Mr. Nielsen: I definitely trust in your expertise in that.
Thank you, Mr. Chair.

The Chair: Thank you.
MLA Jones.

Mr. Jones: Yes. Thank you. I just first wanted to comment that after reviewing in more detail – I have in my past career – AIMCo's performance and the heritage trust fund, I'm impressed. I think your fees are extremely reasonable for what you've achieved on an active basis.

My questions revolve around the Alberta growth mandate. To me, this doesn't fit the overall mandate of the overall fund. The fund is supposed to diversify, and I see a lot of Canadian, Alberta oil and

gas energy companies, which, to me, is kind of the opposite of diversifying Alberta. I just wanted your comments. Is that challenging for you? How is that portion of the portfolio, relatively small, of course, performing? I see a lot of those investments were entered into in 2015. I can't imagine it's doing so hot.

Mr. Uebelein: On one hand, it has been challenging, and the challenge has been the following. AIMCo's mandate is a very simple and very straightforward one; it is to maximize investment return per unit of risk for the benefit of our clients. When we're asked to also maximize other variables, even though they are variables that we dearly hope will accrue to the benefit of Alberta, it tempts us to dilute our one core mandate as legislated. We were very careful in crafting this growth mandate of the heritage fund so that we could remain true to our sole mandate.

You'll see it written as an increase in our allocation to certain types of Alberta investments. We're held accountable to increasing, if you will, the asset mix with a slight tilt towards Alberta investments as opposed to necessarily having to make a decision on investment between alternative variables, one being maximizing investment return and the other one either stimulating the economy in other ways, with the hope that by investing in Alberta, these other things would be a by-product, if you will. That initial struggle on how to define this growth mandate was difficult, and explaining it every quarter to the heritage fund standing committee has been somewhat of a challenge.

When it came to investing those dollars, however, since we were able through this early effort to focus on just doing the best possible investments in Alberta, we found that more straightforward. We have gone through a very vicious economic cycle in Alberta, so particularly in the earlier years of this growth mandate we found some deep value, largely but not entirely in the energy sector, that we were happy to invest in.

I think that's the sum total. The tricky part is making sure that we're staying true to our mandate but at the same time trying to accomplish, you know, what the government, through Treasury Board and Finance, has asked us to do from an asset allocation standpoint.

Dale, would you add anything?

Mr. MacMaster: Yeah, perhaps. I think you also asked how the investments have done. The returns have been 23 per cent, so they've done quite well, better than the overall portfolio. Just by way of background, the heritage fund has \$1,400,000,000 invested in Alberta throughout the portfolio, and AIMCo in totality has close to \$8 billion invested in Alberta.

You know, Alberta traditionally has been a very good place to invest for obvious reasons. There's a young demographic, a growing population, favourable business environment, tax policies, a well-educated workforce, and for many years Alberta led Canada's growth, so it was a terrific place to invest. Now, in 2014, when the oil prices corrected, it became more challenging, and capital over the last few years has evaporated from the oil patch, as you well know. We were able to step in and find good, quality investments in our own backyard. Of course, we're global investors, scanning the world for the best opportunities, and, quite frankly, many of them were right here because of that and remain so.

The Chair: Do you have a follow-up question?

Mr. Jones: Yeah, just one other follow-up question. Can you describe or comment on the benchmark for the fund that you're outperforming, just for the benefit of . . .

Mr. MacMaster: Sure. Basically, each of the asset classes has a benchmark for the asset class that is generally accepted by the marketplace, so, you know, global equities that have MSCI global, which is the typical benchmark that investors like the heritage fund would have, Toronto, S&P, TSX, et cetera. Real estate has the MSCI – they call it IPD – real estate benchmark, and so on. These are all generally accepted benchmarks. They're approved by Treasury Board and Finance and our own board and also our clients. As you probably know, we have a pool structure. We have 31 clients, and all of those clients participate in some ways in these various pools.

Mr. Uebelein: I was just going to say that the heritage fund's benchmark ends up being a weighted composite benchmark based on the asset mix.

Mr. Thompson: If I might . . .

Mr. Jones: A final, very brief question. Or you – go ahead.

Mr. Thompson: Just to say that if your question is specifically: what is the benchmark return for the growth mandate? It is not separate from the asset classes in which it sits, so whatever asset class that specific investment would fall in is where the return comes in.

Mr. Jones: Yeah. I haven't had the chance to review in detail the . . .

The Chair: Maybe we can just limit the follow-up there to one follow-up, and we'll move on.

Mr. Jones: It's very brief.

The Chair: Okay. Very quickly, then.

Mr. Jones: If I looked at five, 10 years plus of benchmarks, have the benchmarks been consistent?

Mr. Thompson: Yes, they have.

Mr. Jones: Thank you.

The Chair: Thank you.

I'd now like to recognize MLA Eggen, Edmonton-North West, please.

Mr. Eggen: Well, thank you. I appreciate your analysis in writing, and perhaps you can provide some clarification for me here this morning in regard to whether – I just can't see clearly whether there is a percentage that the heritage and savings trust fund must be invested in for the province of Alberta and whether that percentage is either mandated by cabinet or is part of your standard operating procedure that you've chosen for yourselves.

Mr. Thompson: Well, the growth mandate itself is mandated up to 3 per cent; it is not targeted at 3 per cent. So it does currently fall within that mandate. Specifically, investments in Alberta are not required under the act. I'll talk to AIMCo about what their motivation is for their specific investments, but outside of the growth mandate anything invested in Alberta just needs an investment standards test, which I'll let Kevin and Dale talk to.

Mr. MacMaster: In terms of percentage the heritage fund has close to 8 per cent invested in Alberta. I hope that answers your question.

Mr. Eggen: Yeah. No, that's what I was just curious to know, if that has been examined or if that is a reflection of just making choices around where the fund can get the best return, or is there an element of sort of – as you said before, there's no real bottom in terms of what percentage of the total fund is invested in the province of Alberta.

But I just feel as though it seems low – right? – because, of course, we are engaging in other elements of government policy to try to diversify the economy and to stimulate growth. You know, perhaps the heritage savings trust fund might be a tool by which we can help to achieve those goals. I don't know if you could provide some comment or perspective on that. I mean, I know that this probably is a discussion that has carried on in the heritage savings trust fund since the last time I was on this committee, more than a decade ago.

9:10

Mr. Uebelein: Well, certainly, our objective is to maximize risk-adjusted return for all of our clients, including the heritage fund, and as such we diversify across asset classes and on a global basis. In fact, 8 per cent in Alberta from our perspective is a pretty massive overweight against Alberta's representation in the total economy, which is closer to one-half per cent. So you might think of that as a 7 and a half per cent overweight. We're very comfortable with that overweight because as Dale has already said – I won't be redundant – we see a lot of good investment opportunities in our own backyard.

Frankly, we have in some instances, not all but in some, a home-field advantage. We understand the marketplace around the block and across town better than we might understand the marketplace in far-flung places. Real estate is a great example of that and infrastructure to a lesser degree.

These are not mandated percentages apart from the growth fund, yet we still have effectively overweighted Alberta quite substantially.

Mr. Eggen: Thanks a lot.

The Chair: Thank you.

MLA Getson from Lac Ste. Anne-Parkland.

Mr. Getson: Yeah. Personally, I'm new to the committee. Thank you very much for the detailed information. Mine are more 30,000-foot-type questions.

Mr. Uebelein: I'm better at those.

Mr. Getson: Awesome. If you can let me digress in that regard. So all of these are going to be predicated with why at the end of it. Looking at the biggest area that you see for growth, which sector are you guys kind of seeing on the radar? You've mentioned risk. Which sectors do you think are the most volatile or risky areas, and why? Then the steady performers that seem to be the mainstay of trends. Then, again, the other thing that perked my ears up was the potential undervalued assets that we have in our own backyard, and which ones are kind of looking like the bargains that are on the street and that you might be pursuing?

Mr. MacMaster: Sure. Well, maybe I'll start at kind of a higher level. If we look at the asset mix, where do we see potential for returns and risk? You know, if we look at last year, we had really terrific performance from the illiquid asset classes, so real estate, infrastructure, and private equity. The listed equities were much more volatile. We saw two corrections of over 10 per cent, one in February and then something a little bit more dramatic in

December, with, you know, a close to 20 per cent correction in equity markets. That was driven by the threat of higher rates, you know, trade concerns, the U.S.-China trade issues, and the fact that we're 11 years into this bull market and evaluations are stretched, so the typical end-of-cycle sort of volatility that we've seen in past business cycles, right? You know, interest rates are low, so bonds, not great.

If we look at this and look forward, to me fixed income is going to be a challenged area, right? Rates are low and in many parts of the world negative. You know, we saw a drop of 100 basis points in 10-year rates in the last few months, so now interest rates are back to where they were two years ago despite all you heard about rising interest rates last year. That's gone away. Why? You know, there's a sense that we could have a recession on our doorstep, right? So fixed income to me looks quite challenged. Equities: also challenged. Because of late-cycle dynamics earnings have been dropping off late cycle.

Where do we see opportunities? Well, if interest rates stay low, probably infrastructure, real estate, and private equity will continue to do well. Those areas we favour. Now, I caution that valuations there are also frothy, but we have very experienced teams that look at, basically, everything, you know, globally and are very selective, so we still think we can find opportunities there. That would be at a high level where we think the best opportunities are.

In terms of sectors, I won't say too much other than to say that the breadth of this bull market in equities has been narrowing, you know, focused mostly on technology and what we call the FANG stocks – Facebook, Alphabet, Netflix, so on – and valuations there are pushed. Growth stocks are excessively valued in today's market whereas value stocks have underperformed. In the equity portfolio we favour those although our performance there has suffered in the last year and a half because of the underperformance of value. But we think long term, buying a toonie for a loonie, as Warren Buffett likes to say, is the way to go, and we are long-term investors. Hopefully, that gives you some sense of what we think.

Mr. Getson: It does.

May I have a follow-up?

The Chair: One more question.

Mr. Getson: The one follow-up is somewhat related. Again, attention deficit leads me down another path on the tech side of things. How does the Bitcoin world play into this? It's kind of a wild card out there.

Mr. MacMaster: Yeah. I'm trying to ignore what's going on with Bitcoin. You know, that's just an area of deep speculation. We don't attempt to try and understand. Nor does, I think, anyone. If you look at the performance of that, it's been quite wild, and people have lost a lot of money. It's an area of speculation and excitement. You see this in markets from time to time, whether it's gold or the dot-com bubble of the early 2000s, and cryptocurrencies is one of the latest fads. We would caution investors.

Mr. Uebelein: To be sure, the underlying technology behind Bitcoin and other cryptocurrencies will have an application across many businesses, but with Bitcoin and other cryptocurrencies alone there's not a valuation model that we understand that would cause us to invest in those for their own sake.

Mr. Getson: Yeah. I guess where I was going on that wasn't necessarily picking up a ton of Bitcoin but on some of the infrastructure and investing. You know, some of the things I've seen is that some of the junior oil companies have assets that they

can drop into some of these hotels or that they're diversifying. It was just a quick comment or a question on that, and that's where it went.

Thank you.

Mr. Uebelein: Thank you.

The Chair: Thank you.

I'd like to recognize Member Irwin from Edmonton-Highlands-Norwood, please.

Member Irwin: Thank you. I'm learning a lot, so I really appreciate this. You kind of touched a little bit on how you arrive at some of the decisions you make when investing. I'm just curious, again as a newcomer to this conversation, like, what other factors are used to decide your investments. For instance, is gender-based analysis used in arriving at your investment decisions?

Mr. Uebelein: I'm going to take your question and maybe broaden it a little bit to environmental, social, and governance practices and responsible investing, which we have worked very diligently over the last five years to integrate deeper and deeper into our investment process across all asset classes. Frankly, this is something that is easier for firms like AIMCo to do because, going back to my opening remarks, of the long-term nature in which we invest.

In short, what we really believe is that management teams that are thinking in a progressive way about environmental, social, or governance issues are highly correlated with winning management teams. In other words, they're thinking where the puck is going as opposed to where the puck is today. When we're evaluating the strategy and management's core competencies, when we see that they're thinking proactively about any of these issues, that's a plus mark. Management competency is just one variable that we look at. We also look very closely at just the numbers. In other words, is this good value vis-à-vis the price that's being offered?

But I can tell you that Dale and his responsible investment team have moved tremendously from responsible investing sort of being an appendage that we look at separately to drawing it and integrating it into the decision process. That has everything to do with looking closely at the role of gender treatment and gender equality at the board and executive level, which is something that all companies should be struggling with, but also how they deal with a whole range of governance and social issues.

Mr. Thompson: If it could just add to Kevin's comments, the mandate for investment under the act is actually focused entirely on financial returns. At the moment, much like with the Alberta growth mandate, anything on gender-based analysis or ESG issues as we talk about in the industry – environmental, social, and governance – would come entirely from AIMCo's analysis and wouldn't be specifically mandated by the minister or through the asset mix.

9:20

Mr. Uebelein: The illustration that I usually use is the following. If you're a day trader, then how you treat your employees, whether you have any women on the board or not, or any of these issues is of very little concern. You're trying to make a quick buck as a day trader. You're looking for value, and you're hoping to flip that stock. If you have the view that you want to make an investment in a management team to help them build wealth, whether it's here in Alberta or anywhere else, for a five- or 10-year period, then you're deeply concerned about whether they're thinking about issues that are important over the long run. That's the fundamental difference. If we were day traders, I wouldn't be able to look you in the eye and say we think this merits any analysis in our investment.

Member Irwin: Great.

The Chair: Member Irwin, do you have a follow-up question?

Member Irwin: No. That's great. Thank you.

The Chair: Okay. Thank you.

Next on our list is MLA Glasgo from – where are we here? I'm going to get these all right – Brooks-Medicine Hat.

Ms Glasgo: Thank you. It's a new constituency. I'll let it slide.

I'm looking at page 11 here in the annual report and seeing that actual net income was \$593 million less than expected. Now, the report cites volatility in late December and lower than expected returns in equity as factors. Would you just be able to elaborate on this for the committee, please?

Mr. MacMaster: Well, just to be clear, you know, we don't target income at AIMCo. We're targeting total return and relative return relative to benchmark. From our standpoint investment income is an outflow of that but not a targeted thing. Depending on how much fixed income is in the portfolio and how much coupon interest there is and depending on our trading activities, that will determine what the income is.

Mr. Thompson: With respect to investment income, there are amounts budgeted annually for investment income in the province's budget. Yes, this is \$600 million off of that. It was primarily driven by equity volatility during the year as Dale will attest. I will point out that this report is for the 2018-19 fiscal year, and we are now well into the first quarter of the '19-20 fiscal year. We are looking back a fair bit here, and there has been some performance since then that we don't have reports on as yet. We will expect significant volatility in investment income from year to year, and primarily that is due to the difficulty in forecasting the moves in global financial markets.

The Chair: Do you have a supplemental?

Ms Glasgo: No.

The Chair: Okay. I'd like to recognize MLA Allard from Grande Prairie.

Mrs. Allard: Thank you. I'm also new. I think everyone's new.

Thank you for being here today. I've enjoyed getting some background on what we're looking at here today. I just wanted to ask – again, I'm kind of at the higher level. Statement of investment policies and goals I understand are set by the ministry. I'm just wondering how often that's reviewed. Is it a collaborative effort, or how does that work?

Mr. Thompson: It is a collaborative effort. It was last changed, gosh – I've only been here five years. It would have about 10 years, Dale, would you even say? It's been a long time since the SIP and G has changed. The fundamental goals of the fund, though, have not changed, so a wholesale change to the SIP and G, the statement of investment policies and goals, would not necessarily be required. It was last reviewed not in tremendous depth I think about five years ago. I can get a definite date on that.

But we discuss regularly with AIMCo the appropriateness of the asset mix, you know, due to changing financial market conditions or changing return profiles. As Dale said, fixed income has been particularly low for the past few years and will likely continue to be low. We do give AIMCo some flexibility around the asset mix,

which is written right into the SIP and G, and for now that appears to be okay.

Mrs. Allard: I do have a follow-up. Just your last comment about the flexibility. I'm probably echoing MLA Jones, but I was a little bit surprised to see some of the prescriptive nature, particularly the Alberta growth mandate. As a personal investor I know that the more flexibility and the less prescriptive the rules are around what your mandate is, potentially the better your return. So if you can comment again on that for me.

Mr. Thompson: Sure. The one thing I would point out with the Alberta growth mandate is that it is not an asset class unto itself. All of the investments that are within that mandate also have to meet the fundamental criteria that they are profitable investments or that AIMCo believes they will become profitable investments and fit all the investment return targets of the fund.

I'll let you guys expand on that if you'd like.

Mr. Uebelein: Generally speaking, I would agree with your statement. The more flexibility of investment, the better our chance of identifying value at the right time.

Mrs. Allard: Perfect. That is the answer I was looking for.

The Chair: Okay. Thank you, MLA Allard.

I'd like to recognize Deputy Chair Orr from Lacombe-Ponoka.

Mr. Orr: Thank you, all of you, for being here. I do want to begin with saying that I really congratulate you on your discipline. Of course, that is where the results come from. I think you've done a fantastic job at a very reasonable cost to Albertans, so kudos to you all on that.

My question is a bit of a detailed one, I guess. A year or two ago – forgive me; I'm asking for you to help me clarify something here – there was a legislative change granting some of the union pension funds greater autonomy over their funds, which I have no issue with. My question to you in that regard is, though, to clarify for me: does that extend only to policy and goals, or would it also give them authority, if they chose, to actually withdraw funds from your management to another manager? If so, where I'm going with this is: then could that put you in a liquidity issue, having to liquidate a whole bunch of stuff that might impact your results?

Mr. Uebelein: Thank you for that question. With regard to its potential impact to the heritage fund I would say the following. The legislation, so-called Bill 27, which did give a greater autonomy to three of our clients, in the short run should have little or no impact on the heritage fund investing. After five years those pension funds will have the ability to make decisions to take assets from AIMCo and place them with other managers. That could have an impact. It would definitely have an impact on our scale. Whether or not it has an immediate negative investment impact for the heritage fund, we've worked very hard in negotiating our investment management agreements with those funds to make sure that there is as little immediate negative impact on the so-called remainders. If you're a leaver, you shouldn't have a first mover advantage to the disadvantage of the rest of the investors in the AIMCo umbrella. But there's only so much one can do in terms of negotiating those sorts of unforeseeable issues were that to happen at the end of five years. Certainly, our goal is to work as hard as we can so that separation never happens, but it could.

Mr. Orr: Okay. Thank you. Of course, it's their choice, but I think they'd have a hard time finding a better manager, just personal preference anyway.

Second question, different direction. Correct me if I'm wrong, but I think I noticed that you're overweight in your alternatives. I think the goal is 30 per cent; you're at 37 per cent. Just wondering if you could comment on why that is. I guess maybe my question might be related to the fact that we see more and more public equities going private. Is that part of the reason, that it's harder to find public equities that meet your value criteria? WestJet is one of the more recent ones, but there have been a lot of others, too, over the last five years. If you could just comment on that for me, please.

Mr. MacMaster: Yeah. I can make a couple of comments there. First of all, the heritage fund has done very well with its exposure in the illiquids as you can tell from the performance. The heritage fund has had generally more of those than some of our pension clients, who have been a little slower to embark, you know, on the journey to the illiquids. It was good judgment on the part of the Finance department to make those allocations. The success of those investments, of course, has lifted the valuations and has put the heritage fund in an overweight position. That's a good thing. We are taking steps to reduce that. For instance, we've sold the \$900 million in real estate in the last year to get that back in line, to rebalance the portfolio.

9:30

Mr. Orr: So you intend to go back to the target weightings, then?

Mr. MacMaster: Yeah. The second part of your question about private or public is an astute one. You're quite right. The number of publicly listed companies has dramatically been reduced in the last few years for a number of reasons: Sarbanes-Oxley's regulations in the U.S.; the growth of activism and short-termism, which has driven public market equities into the hands of private assets; and also the immense dry powder that's available in private equity hands, well over a trillion dollars is sitting, you know, waiting to be deployed. So you're quite right.

Mr. Orr: Okay. Thank you, sir.

Mr. Uebelein: There's one other factor that drives this overweight, at the risk of overanswering your question. Dale is quite right that since alternatives have performed extremely well, all other things being equal, it would rise in terms of its asset class. But also remember that every year our earnings generated by the heritage fund, minus an amount to keep it whole from an inflation protection standpoint, are effectively hoovered off for the general account. If you think about how you generate the cash for that hoovering, if I may, it's usually and almost always going to come from the liquid assets because it's very difficult to say: "We need cash. Go sell a pipeline." It just doesn't happen that way. This adds, on an almost annual basis, to this further tilt.

Mr. Orr: Okay. Yeah. I appreciate that.

The Chair: I would like to recognize MLA Nielsen from Edmonton-Decore.

Mr. Nielsen: Thank you, Mr. Chair. It's kind of funny, over the last four years, the number of times I've had people asking about the heritage savings fund. I figured there would be the odd people that would be keeping an eye on it, but surprisingly there's a lot of people that ask about it. Of course, I get the chance to talk about the great job that AIMCo has done managing that fund.

When we're talking about economic diversification, sort of trying to protect against some of the boom-and-bust roller coasters that we've seen over the decades, there is concern about potential big tax giveaways, things like that, that could hurt future generations. I think that the critical need to make sure that the fund continues to grow is there. I guess, for some people that have been asking me: what kinds of emerging areas is AIMCo maybe looking at investing in? Are there any kind of up-and-comers that you might be excited about?

Mr. MacMaster: Sure. I mean, at AIMCo we're always reviewing new strategies, new approaches, and there are a few exciting areas we're working on today. As I mentioned earlier, we have offices in London, Toronto, and Luxembourg. We're doing some groundwork now to look at the potential of something in Asia. China is a rapidly growing economy. It will probably overtake the U.S. in being the largest economy in the world. There's a tremendous amount of innovation happening there, and it's going to drive growth in the other countries adjacent to it in that region. We feel that we need to probably have boots on the ground there in order to get the economic story and make investments. Our success with our London office is encouraging us to look there. That's one area of growth. We're presuming that Asian exposure will grow in our client portfolios. That's one area.

We're also doing some very exciting things around artificial intelligence and using machine learning tools to develop new ways to select assets and to tactically position the portfolio in creating what we're calling a liquid proxy for the illiquid assets. Like everyone, you read about it in the paper every day, and we're doing our part in the world of AI as well. So lots of exciting things, really.

Mr. Nielsen: Awesome. Thank you for that.
I appreciate that, Chair.

The Chair: Any follow-up questions?

I'd like to recognize MLA Eggen from Edmonton-North West.

Mr. Eggen: Thank you. Again, I'm just trying to refresh my memory from when I sat on this committee before. I'm wondering if you could help me to know if there is a mandated either percentage or amount that the heritage savings trust fund puts back into the general revenues of the provincial budget and whether that percentage and/or dollar amount is mandated by the government or by any other means.

Mr. Thompson: All of the earnings from the fund are swept into general revenue with the exception of a holdback for an amount equal to inflation. That amount this year would have been \$374 million retained in the fund for inflation-proofing and \$563 million transferred to general revenues. That's consistent with prior years, and it comes from the direction of the minister.

Mr. Eggen: Just as a follow-up, then: have you received any instruction and/or direction to increase that amount or to somehow make any adjustments to compensate for diminished revenues from the other government problems or challenges that the budget is facing in this current fiscal year?

Mr. Thompson: There have been no instructions to that effect.

Mr. Eggen: Thank you.

The Chair: Thank you.

Member Irwin, did you have a question?

Member Irwin: Nope.

The Chair: I'd like to recognize Member Allard from Grande Prairie.

Mrs. Allard: Thank you. I just wanted to follow up on Member Orr's question about the pooling and the potential for losing some clients with some flexibility that they've just been given. I'm just wondering if you can comment on the synergy achieved with respect to target on the scale and the pooling that you currently have.

Mr. Uebelein: Well, in my opening remarks I made reference to the power of the collective in an organization like AIMCo. In brief, when your scale diminishes for any reason, unless you are able to trim your sails in terms of your costs, then, all other things being equal, your unit costs, in other words the drag effect of costs per dollar of assets invested, will rise. Remember, we're quite unique. Rather than charging a fixed asset management fee, which a commercial asset manager would do, embedded in which is a profit of typically between 25 and 45 per cent, we're a cost transfer, so costs plus zero. If assets diminish because of market movement or for any other reason, the costs to the remaining clients, such as the heritage fund, will rise unless we're able to trim our sails. Trimming our sails has implications in terms of the capability set that AIMCo would have.

We believe quite strongly – and this would be a much longer, separate meeting – that there's no fat existing right now in AIMCo. We try to only spend money if we think it's going to be accretive to the net investment performance, so cutting costs in order to maintain fee levels would mean a diminished capability set of one sort or another.

Mr. MacMaster: I would just maybe add one comment to that. Obviously, scale is really important to us, but our clients, including the heritage fund, get tremendous benefit from our ability to manage the entire portfolio. We've constructed portfolios in various combinations of risk and return that are somewhat unlike what you might find at other funds, to the benefit of our clients. If you think about it, when we have the entire portfolio, we're able to tactically manage the portfolio, manage liquidity in its entirety, manage risk. If we're only managing part of the portfolio and the rest of it is, you know, hither and there, it's very difficult to manage holistically. To us that's very important and a very important benefit to our clients.

Mrs. Allard: One follow-up if I can.

The Chair: Yes, please.

Mrs. Allard: This may have already been answered, but I just wanted for you to comment. Do you believe that there is risk in terms of losing these clients? I know that it was asked by the other member. That's one of the concerns that I was reading in the report. If you lose your scale, then what, essentially?

9:40

Mr. Uebelein: We think there are a lot of great arguments, including the one that Dale just made, for keeping the band together, if you will, but that freedom is a risk that's difficult to calculate, and we worry about it quite a bit, to be honest.

Mrs. Allard: Okay. Thank you.

The Chair: Thank you. I'd like to recognize Member Getson, please, from Lac Ste. Anne-Parkland.

Mr. Getson: Perfect. Well, thank you again. Another 30,000-foot question because that's all I'm really good at in these ones. I've had

some exposure to some international investment that actually wants to come into Canada because they're facing – and it's in the Asian market – the tariffs for outgoing products going to Asia where they put it in frame, bring those manufactured products back here, and they're getting a double dip. One of those groups is trying to make a decision currently between Houston and our own backyard. That's maybe capitalizing on some of the areas you're talking about, undervalued and a stable environment.

The second one is emerging or growing markets. Again, we have the open for business and cannabis acts. That's expanding outwards. I understand now there are some trade relations that have opened up to the European Union as well as specific countries themselves such as Germany for the medical usage. Are you seeing some of those areas being that quasi-emerging Alberta advantage that we've talked about with the stability, the new investment, and potentially some of the trade disparities between the U.S. and China actually being a windfall to us?

Mr. MacMaster: Well, maybe just a general comment on trade: you know, we went through our own issues around USMCA and negotiating with the U.S. on that trade pact. You know, trade issues and putting tariffs in place have short-term implications for economies and markets, and very often governments help offset that because they view them as temporary, and this is what we've seen in, say, aluminum and steel.

We are long-term investors, and we do believe that trade is beneficial to all parties when trade pacts are formed, but from time to time, as we see with the U.S. and China, negotiations create a lot of huffing and puffing and tariffs that create short-term volatility and opportunity. I guess what I'm saying is that we look beyond that in many ways. To the extent that Canada, you know, is maybe benefiting from this, there are obviously places where Canada is losing vis-à-vis China in terms of agriculture and others. Whether those are tariff related or more politically motivated, I'm not quite sure.

Mr. Getson: I guess a follow-up question. In your opinion, investing: are we creating a healthy environment, from what you're seeing, to allow outside investment or even internal investment to take another look at Alberta again?

Mr. MacMaster: Well, I think we have obvious problems around energy policy, which has, you know, resulted in a flood of capital from Alberta, from the energy sector. That's well advertised. I'm sure you're well aware of that. I mean, we really need that sorted out. There have been tens of billions of dollars that have evaporated from the oil patch. We don't have access. We don't have pipelines. Trans Mountain got approved, but it's still highly questionable as to whether that will be built given the feelings around that, so stay tuned.

I think there are tremendous issues around the leading industry in Alberta and the challenges of getting more development and creating more jobs and getting the economy back to where it was. You know, GDP growth in Alberta is – what? – 2 per cent, likely to be 1.6 per cent this year, down from a Canada-wide leading 4 per cent-plus several years ago. You see that in unemployment, well above 6 per cent. It was under 5 per cent – I think it was under 4 per cent at one point several years ago. There's still lots to be done here for us I think.

Mr. Getson: I appreciate it. Thank you.

The Chair: Thank you. Are there any more questions from the members?

Seeing none, would a member like to move that

the Standing Committee on the Alberta Heritage Savings Trust Fund approve the 2018-2019 Alberta heritage savings trust fund report?

Moved by Member Jones.

Is there any discussion on this? All in favour? Any opposed?

The motion is carried.

Thank you.

First I'd like to thank our presenters from Treasury Board and Finance and also from AIMCo and the office of the Auditor General for providing us some rather robust information. We've heard of vicious economic cycles, we've heard of end-of-cycle conversations as well, but it's very clear that we are in very good hands. We have a high-performing investment process here in Alberta, which we're grateful for.

Having completed the items of business that require the presence of AIMCo, Treasury Board and Finance, and the office of the Auditor General, I think it would be appropriate at this time to have a five-minute recess to allow our guests to leave the table with our thanks and provide members with a quick break before we take up the remaining items on the agenda. We will recess now for five minutes.

Again, thank you to our presenters for being here today. Thank you for your good work. I'm assuming that we will have access to you for other questions throughout the year as well as at the quarterly report periods. Again thank you very much for being here today and for your very robust answers.

Thank you.

[The committee adjourned from 9:46 a.m. to 9:53 a.m.]

The Chair: Welcome back, everyone. Thank you for everybody's diligence and hard work and patience.

I'm going to take an opportunity here. I was remiss this morning, but today is actually National Indigenous Peoples Day, and I'd like to ensure that we recognize that. There are many activities happening around this city and around the province today in recognition of that. In fact, I met with a gentleman this morning who was going to River Cree resort for a full day of activities. Again, I'd like to recognize that and ensure that we all take that into account as the importance of the indigenous populations of this province contribute greatly to the vibrancy and diversity of this province.

Welcome back. We'll now turn to item 6 on the agenda, the draft annual report of the committee of the Assembly. Section 6(4)(c) of the Alberta Heritage Savings Trust Fund Act requires the committee to "report to the [Legislative Assembly] as to whether the mission of the Heritage Fund is being fulfilled." The draft of this report to the Assembly was posted to the committee's internal website a few days ago for members to review. I'm sure you've all done so diligently. The report covers the activities of the committee during the 2018 calendar year.

At this time I would like to open the floor to discussion on the draft report. Are there any questions, discussion, comments? The report is very clear. It's obviously reporting the activities of this committee prior to most of us being here, so hopefully it will be an opportunity as we go forward for us to make it even more interesting and less boring, as we heard about some of the financial information today. From the questions today I don't think any of us actually consider this topic to be boring. Money is very important to how we operate this province, and certainly the Alberta heritage savings trust fund is very important.

Would a member like to move that

the Standing Committee on the Alberta Heritage Savings Trust Fund approve the draft annual report of its activities during the 2018 calendar year.

So moved by Member Irwin. All in favour? Any opposed?

Motion carried.

Thank you very much.

Our next order of business is the annual public meeting. Under the Alberta Heritage Savings Trust Fund Act this committee is required to hold an annual public meeting to inform Albertans about the status of the fund. This meeting has traditionally been held in October before the start of the fall sitting of the Assembly although this does not have to be the case. In order for LAO staff to begin preparations for the meeting, the committee will need to decide on a location and a date.

For a bit of background on the annual public meeting, since 2011 it has been held in Edmonton, and luckily since 2015 it has been held in one of the committee rooms on the second floor of the Edmonton Federal Building, which are fully equipped for broadcasting the meeting on Assembly TV as well as live streaming it on the Assembly website. Although the committee is not required to hold the public meeting here, previous committee members have agreed that this is the most practical and cost-effective option for reaching members of the general public, saving the committee from having to travel to other locations, renting outside venues, and equipping venues for broadcasting and live streaming, which can be extremely expensive.

The deputy chair and I were briefed by the LAO staff a few weeks ago on this issue, and we recommend that the committee follow what has become the status quo and have the meeting here at the Edmonton Federal Building sometime this fall. But before we discuss setting the meeting date, would members like to have any discussion about the location of this year's meeting?

MLA Eggen.

Mr. Eggen: Yeah. I concur. I think that by having the meetings here, you know, there's a certain simplicity, I suppose, and economy to that. I think we should resist the temptation to do otherwise. I know that some of the meetings have been moved out to, you know, different places, different cities, and it's just been a bit of a logistical gong show, right? Here we are with this beautiful place, and we all come here to the capital anyway, so I think it's a good idea.

The Chair: Thank you to the member. In fact, as we look back at the statistics, we've been saving about, I think, \$20,000 by hosting the meeting here. In the interest of fiscal prudence and, as you mentioned, the beautiful and well-equipped facilities here, thank you for your comments.

Member Allard.

Mrs. Allard: Yeah. I agree with the member. I think Edmonton makes the most sense although I do see that it was in Grande Prairie a couple times. I'm happy to see that that happened. As the Member for Grande Prairie I just had to put that on the record. But I did want to ask a question because I'm looking at the report that we just approved, and I see that in '14, '15, '16 there were 1,000 or 2,000 people joining the meeting via television, and then it wasn't applicable. Was that a cost decision, or do we know why? Does anybody know why?

Ms Laurie: I think that that has to do with – that was through Shaw – being able to measure viewers via Assembly Online or our online television through Shaw as a television broadcaster. We're not able to actually accurately gauge how many people tune in via those channels.

Mrs. Allard: So it's not that it's not available; it's just that it's not measurable.

Ms Laurie: No. It is available. It's not measurable.

Mrs. Allard: Okay. Perfect. Perfect.

The Chair: Is it maybe that before we could track it through the eyeballs onto the website, and now it's actually through the broadcast?

Ms Antoniuk: Thank you, Mr. Chair. We can still track the number of viewers online through Assembly Online, that are watching through that broadcast. But there's also Assembly TV now, and that would be replacing what we had previously done through Shaw and other markets like that. We don't have those numbers.

The Chair: Member Allard, do you have a follow-up?

Mrs. Allard: No. I think that's good. Thank you.

The Chair: Okay. Member Getson.

Mr. Getson: Yes. I think we're all in near-violent agreement that this is a great facility to have it and to have the venue here.

Again, coming back to the numbers. Being the new person, how many people actually show up in person versus the capita? How much are we spending per head, if you would, that are actually taking advantage of this? I guess if there is a large value, is it from the broadcasting? Is it from advertising? What's the biggest cost mover?

The Chair: Let's get to our experts here.

Ms Laurie: I would be happy to get back to you with a more complete answer. What I think we saw last year was in the neighbourhood of roughly 40 to 50 people actually present for the meeting and then quite a bit more engagement via social media online. What typically happens at the annual meeting is that – we broadcast it last year on our YouTube channel, also via Assembly TV, which is Shaw and Telus, and Assembly Online – viewers would submit questions, which communications would then facilitate through the deputy chair and the chair to ask and respond to live during the meeting, so that level of engagement is something that we work toward.

10:00

Mr. Getson: Do we get, I guess – again, attention deficit. Sorry. I have caffeine in my system today; it's worse in the morning. Are we getting lots of pre-scripted questions, like, annually that are coming into the committee and those are facilitating discussion, and then you have the on-stream ones at the same time, the live ones?

Ms Laurie: We're not scripting anything.

Mr. Getson: Okay.

Ms Laurie: We take questions from Albertans.

Mr. Getson: And it's live when it comes in?

Ms Laurie: Exactly. Yeah.

Mr. Getson: Okay. Thank you.

The Chair: So I think we're in agreement that the venue is preferential for us to continue to hold it here at the Edmonton Federal Building.

Turning now to the date, the public meeting is usually held in October right before the start of the fall sitting of the Assembly although this does not have to be the case. I would just note that the

committee's scheduling this fall needs to be taken into account, taking into account the main estimates as this committee is not authorized to meet during the time period when the main estimates are under consideration by the legislative policy committees. As well, the federal election this year will be held on Monday, October 21, and it would perhaps be prudent for the committee to schedule the meeting on a date after the federal election has been held.

Taking these matters into account, I wonder whether the committee might want to consider having this year's public meeting on Thursday, October 24, 2019, from 7 to 9 p.m. This date is after the federal election, but we likely won't be involved with the main estimates at that time, allowing us the latitude to use this great facility. Do any members have any questions or comments about the timing?

Seeing none, would a member like to move that the Standing Committee on the Alberta Heritage Savings Trust Fund schedule the 2019 annual public meeting for Thursday, October 24, 2019, from 7 to 9 p.m. at the Edmonton Federal Building.

Moved by Member Allard. All in favour? Any opposed?

Motion carried.

Thank you, members.

Moving on to the next order of business, preparation of the draft communications plan. This is probably the meat of this particular conversation and probably the most expensive component but very much about ensuring that there is public awareness. In preparation for the annual public meeting it has been a common practice to direct LAO communications staff to prepare a communications plan to provide pertinent information about the public meeting to Albertans. The communications staff usually receive this direction from the committee at a meeting held earlier in the spring, and then the committee reviews the plan around this time and either approves it or recommends changes. However, due to the dissolution of the 29th Legislature the communications staff still need to receive direction to prepare this plan.

At this time I would like to invite the LAO communications staff to say a bit more about the communications plan and how it supports the public meeting, and then the committee can discuss how it would like to proceed with the next steps. I would note that if the committee wishes to direct the communications staff to prepare a draft communications plan, then in the interest of moving the process along, the committee may wish to authorize the chair and perhaps the deputy chair to approve the communications plan after members have had a chance to review it.

I'd like to open up the floor for our LAO communications staff to share the plan.

Ms Laurie: Thank you, Mr. Chair, and thank you very much for the opportunity to address the committee today. My remarks will be brief, and I'll just provide some general background to the role that communications has typically played to support the work of the committee. As was mentioned, in previous years the committee has directed communications to prepare a plan specifically to support the public meeting. Should it be the will of the committee, communications would undertake a similar approach for the 2019 annual meeting. The plan would seek to notify Albertans about the public meeting hosted by the committee and to encourage participation, as we said, either in person or via social media. Ultimately, communications will aim to foster engagement with Albertans about the fund in general and about the annual meeting in particular by raising awareness and making the meeting accessible for all Albertans.

Having Albertans as such a broad target audience means that our tools and tactics need to accommodate for diversity within that

broad group. Geographic and demographic differences will impact how communications would recommend reaching all Albertans. As such, the plan would combine various strategies, including traditional advertising, social media, and media relations as well as leveraging all of the members of the Assembly and their communications via their constituency offices. We would endeavour to leverage these strategies by maximizing no- or low-cost promotional activities while ideally increasing engagement for the meeting.

Finally, we would also report back to the committee following the meeting with a measurement of our activity. We would come back to you with a report detailing what level of engagement we'd achieved through various means, with some hard numbers on that. That would be a follow-up piece. This is just sort of a brief overview of how we would be able to support the committee.

I would just like to thank you for making time for us on the schedule today.

The Chair: Thank you.

I would like to open it up for questions.

Mr. Getson: How can we help you? Again, looking at some of the numbers here, it looks like only one person that attended actually heard from their MLA. We're free advertising. How can we help you?

Ms Laurie: Yeah. I think that would be a really important way, that once we receive direction from the committee, we would want to leverage members as much as possible. We will prepare information, obviously, about the fund itself and about the meeting that we would then anticipate that members could distribute amongst their channels within their constituencies. That would be an important piece.

Thank you.

Mr. Getson: You're welcome.

The Chair: MLA Jones.

Mr. Jones: Thank you. I would imagine that AIMCo does their own publications of various types throughout the year and that they would be happy to demonstrate their performance by encouraging people to review this meeting. So perhaps partnering with AIMCo to notify the public – I've seen them in publications like magazines.

Ms Laurie: Yeah. That's a very valid suggestion. Thank you.

Ms Glasgo: Just with the closeness to the federal election, I feel like people are probably going to be a little bit overinundated with communications, specifically online and anything to the effect of anything political. I'm just wondering if you have a strategy, then, in your communications to make sure that this stands out. I know, from my own personal perspective, I was in a comms position before this, and we used a lot of infographics, like, things that are more straightforward that you can look at at once, see all the information, and save it. I think, for the benefit of all MLAs and for our staff specifically, they don't want to make these infographics themselves at the risk of messing up the details or whatever. I think my suggestion would be for your team to maybe produce, like, a social media package or a media package for this that we could then disseminate to our constituents. Word of mouth is one thing, but also having that tangible there – members of this committee could even use MSAs or our LAO budgets to actually put this out to the community and try to get more engagement here in person. The numbers – I mean, for what we're spending on communications, we

also have to be prudent and recognize that we could be getting a lot more return, for lack of a better word, on that, I think.

Ms Laurie: I think that's a really valid suggestion, and I appreciate that as well.

The Chair: Thank you, MLA Glasgo. I think that's a good point, that we have an opportunity here to have maybe a communications plan about the communications plan, particularly to our 87 members that can push that out. I know that in most of our offices we have maximized or we have the ability to communicate with, particularly, those constituents who tend to be more engaged or interested in that. I think that having some consolidated communications that we can use, again, a communications plan about the communications plan to all the MLAs and constituency offices, would be very helpful. Thank you for that question.

Are there any other questions from the members?

Mr. Orr: I've got to raise this question: what are we doing here for budget for you guys? How does that work?

Ms Antoniuk: I believe the budget has already been set. That is my understanding.

Mr. Kulicki: If I may, Mr. Chair, I could speak briefly to that.

The Chair: Yes, please.

Mr. Kulicki: The total budget for this committee is \$44,000. Typically the budget for the annual public meeting has been around \$23,000. The bulk of that \$23,000 has been spent on the communications aspect of the public meeting. The benefit of having it here at the Federal Building is that we don't have to increase that cost by going to an outside venue. Again, most of the budget for the meeting as a whole would be for the communications piece of it.

10:10

The Chair: Mr. Clerk, I believe we have shared this with the committee as well, reflecting the cost for the last three years.

Mr. Kulicki: I can make that available on the internal website for all members.

The Chair: I'm holding a document here, which we'll share with the committee members, indicating that 2018 was just over \$23,000; 2017, just over \$22,000; and 2016 was a little more frugal; it was about \$18,000. We'll obviously direct our staff to do the most frugal and fiscally responsible expenditures that we can to reach the audience, but that budget is set. So thank you for that question from the deputy chair.

Mr. Orr: So we don't have to approve a communications budget as a piece of that? Okay. I know that in other committees we have. That's why I asked the question.

The Chair: All right. I think we're in good shape there.

Again, seeing no further questions, would a member like to move that

the Standing Committee on the Alberta Heritage Savings Trust Fund direct Legislative Assembly Office communications services to prepare a draft communications plan in support of the 2019 public meeting and authorize the chair to approve the plan after it has been made available to the committee to review.

Moved by Member Getson. We don't need a seconder. All in favour? Any opposed?

Motion carried.

Members of the committee, thank you for your diligent work today.

We are now on to other business. Are there any other items of business that members wish to raise today?

Mr. Jones: Just one other suggestion for the communications plan would be that the CPA and CFA organizations and wealth managers and, of course, the banks would be included in that. The demographic that will be interested in this meeting, likely, is part of one of those three entities, and it's free.

Ms Laurie: Okay. Thank you very much.

Mr. Jones: They will advertise it for free, for sure.

The Chair: Maybe we'll consider this sort of as another business discussion, but if any members of the committee have ideas or suggestions for us to either save money or to increase our reach, as long as the communications team is willing to accept those, maybe we can channel those through the clerk, if we could, to ensure that we can maximize our reach. Any suggestions you have as MLAs for yourselves or constituency offices in ways to enhance our communications and reach to members, again, noting that we will be competing a little bit with something called a federal election at that time – I think they will outspend us significantly. So I think we're in good shape with that.

Are there any other business items that anybody would like to discuss?

All right. Seeing none . . .

Oh, sorry. There was one. MLA Allard.

Mrs. Allard: Sorry. Me again. We talked a little bit about general overview, and I just wanted to ask. Maybe we can table it for another meeting. There are some investments listed, most notably,

I think, Trident, that I believe has gone bankrupt since. I just wanted to know if we can request from AIMCo if there are any significant losses as a result of companies that have collapsed, particularly within Alberta but within the fund, in the last year. We didn't touch on that today, and I thought it might be too detailed, but I think it's a relevant question.

The Chair: In a brief conversation with our presenters today – I think they're willing to accept any questions or outreach, written outreach. Again, I would suggest that if we have those, maybe we channel those through the clerk so that they're officially channelled through the committee, asking for written responses to any questions we have on specific investments.

Mrs. Allard: Just for the next committee meeting to discuss that.

The Chair: Yes. So let's maybe add that to the next meeting for our procedure on how we can reach out to, particularly, the resources that we have available to us. Thank you, Member Allard.

All right. The next meeting will be in September at the call of the chair. The committee clerk will poll members in late August for a date.

At this time would a member wish to make a motion to adjourn?

Mr. Nielsen: So moved.

The Chair: MLA Nielsen. Thank you for making that motion. Moved by Member Nielsen that the meeting be adjourned. All in favour? Any opposed?

Thank you, members. A great meeting. Thank you to our staff and support team here as well as to communications for joining us today.

[The committee adjourned at 10:14 a.m.]

