

June 24, 2008

Heritage Fund continues to grow, reaching record \$17 billion

Edmonton... The Alberta Heritage Savings Trust Fund reached a fair value of \$17 billion in 2007-08, the highest reported value in its 32-year history.

In 2007-08, the Fund grew by \$463 million. This reflected \$918 million in deposits from the surplus and \$466 million for inflation proofing. Offsetting this was a \$921 million decline in unrealized capital gains.

“The Heritage Fund felt the effects of the global market over the past year,” said Iris Evans, Minister of Finance and Enterprise. “I remain confident, though, that the Fund will continue to grow over the long term as we save for the future and improve the quality of Albertans’ lives.”

On a fair value basis, the Fund’s realized investment income of \$824 million was offset by the decline in unrealized capital gains, resulting in a market value loss of \$97 million, or negative 0.7 per cent. The Fund’s average annual return over five years was 11.1 per cent.

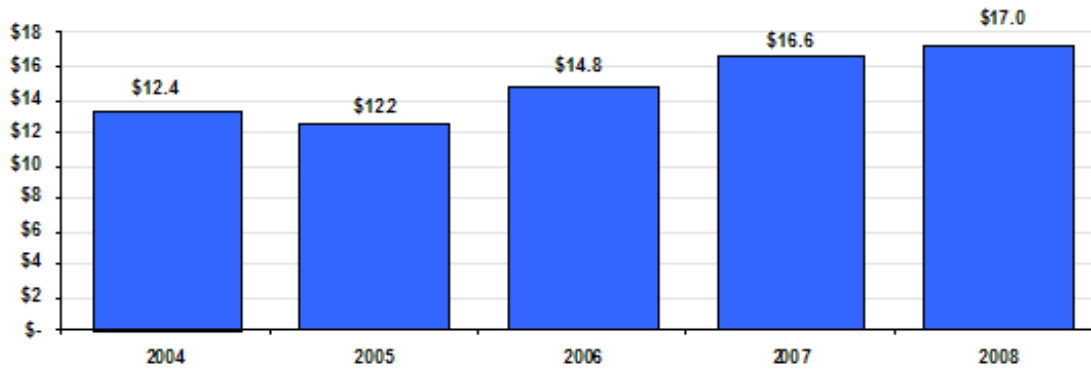
The decline in unrealized gains was mostly related to the strong Canadian dollar and its impact on U.S. and non-North American equities. Also playing a part was a softening of world equities markets related to the slump in U.S. housing prices, credit concerns with sub-prime mortgages and Asset-backed Commercial Paper issues.

The government deposited \$918 million into the Fund based on its new in-year surplus allocation policy. In all, the government has contributed nearly \$4 billion to the Heritage Fund in the last three fiscal years. In addition, the government has also made contributions to the Medical Research Endowment, Scholarships Fund and Science and Engineering Research Endowments over the last three years.

The government retained \$466 million of earned investment income within the Fund in 2007-08 to protect its value from inflation. Since regular inflation-proofing began after the elimination of the accumulated debt at March 31, 2005, \$1.1 billion of earned income has been retained in the Fund. The remaining \$358 million in earned investment income was transferred to the General Revenue Fund to support programs and services for Albertans.

The Heritage Fund is invested in a balanced portfolio including stocks, bonds, real estate, private equities and other assets. Since its inception in 1976, transfers from the Heritage Fund have contributed more than \$30 billion to Albertans’ priorities such as health care, education, infrastructure and the elimination of the accumulated debt.

FAIR VALUE OF THE HERITAGE FUND
At March 31 (in billions)



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