

February 26, 2010

Heritage Fund earns \$1.7 billion over first three quarters

Edmonton... The Alberta Heritage Savings Trust Fund earned \$1.7 billion in net investment income over the first three quarters of 2009-10, an increase of \$300 million over the first half of the year.

The fund is now forecast to earn net income of \$2.1 billion by the end of the 2009-10 fiscal year - three times greater than the \$711 million forecast in Budget 2009.

All realized investment income will be transferred to the General Revenue Fund to support low taxes and the programs and services that Albertans consider priorities.

Legislation requires that funds be retained in the Heritage Fund to protect its value against inflation. As inflation is forecast to be negative for 2009-10, there will be no inflation-proofing this fiscal year. However, about \$300 million will be retained for inflation-proofing in 2010-11.

In addition to the \$1.7 billion in realized income, the fund also earned \$420 million in unrealized gains in the first three quarters on 2009-10. These unrealized gains, which represent the value of the assets held if they were to be sold at current prices, are retained in the fund, raising its value to \$14.4 billion.

In the first nine months of the fiscal year, the Heritage Fund's investments earned a return of 15.2 per cent, compared to a loss of 15.1 per cent for the same period last year.

During this period, the fund outperformed its benchmarks in Canadian equities, global equities, hedge funds, bonds and money market securities. Canadian and global equities, which comprise 50 per cent of the fund's investment portfolio, had the highest return of all asset classes.

The Heritage Fund is invested with the intention of providing a solid long-term rate of return of inflation plus 4.5 per cent. Over the past 10 years, the fund's return was 4.4 per cent, including 0.1 per cent in value added by the investment manager.

The Alberta Heritage Savings Trust Fund third quarter update can be viewed online at www.finance.alberta.ca.

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