



June 30, 2009

Heritage Fund impacted by market downturn

Diversified portfolio protected fund from larger losses

Edmonton... The sharp decline in world equity markets and the global economic and credit crisis led to the Alberta Heritage Savings Trust Fund losing \$3 billion in value in 2008-09, a decrease of 18.1 per cent from last year. This left the fund's fair value at \$14.0 billion as of March 31, 2009.

"Last year was tough for investors around the globe, including the Heritage Fund," said Iris Evans, Minister of Finance and Enterprise, who released the Heritage Fund's 2008-09 Annual Report. "In the face of this loss, Albertans need to remember that the fund is invested for the long-term, and that as the markets recover, the Heritage Fund will grow once again."

The decline in value of the fund's net assets by \$3 billion includes actual losses of \$2.57 billion, and a decrease of \$490 million in unrealized portfolio gains. Unrealized portfolio gains represent the profit that would be made if the assets in question were sold. At Budget 2008, the fund was forecast to earn \$769 million in investment income.

Approximately 90 per cent of the fund's net loss came from investments in publicly traded equities, which were severely impacted by the global financial crisis. The fund's diversified portfolio of investments protected it from the full impact of losses of 30 to 40 per cent in world equity markets over the last year. The fund did see positive returns in some of its investment holdings, including real estate, money markets and private income.

Because the fund had negative income over the last fiscal year, no money will be transferred to the General Revenue Fund (GRF). The loss also means there will be no dollars retained in the fund for inflation-proofing purposes.

With the turmoil in the markets and the economy over the past year, the five-year annualized return for the Heritage Fund is 2.6 per cent, down from 11.1 per cent last year. The ultimate goal for the Heritage Fund is to achieve a long-term average rate of return of 4.5 per cent plus inflation. As the economy recovers and markets stabilize, government is confident the Heritage Fund will once again meet its investment target and its goal of providing value to 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 and infrastructure.

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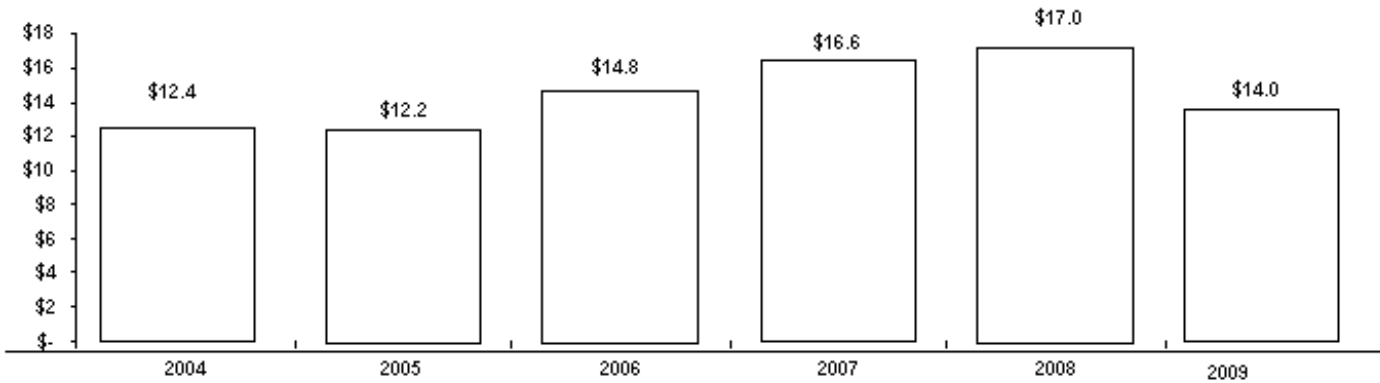
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Fair Value of the Heritage Fund 2004-2009

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



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