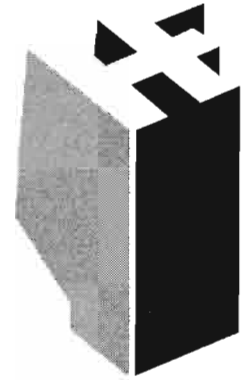


ALBERTA HERITAGE  
SAVINGS TRUST FUND

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1995 - 96 ANNUAL REPORT

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## TREASURY

Honourable Jim Dinning  
Provincial Treasurer

Additional copies of this annual report and copies of the future quarterly reports  
on the Alberta Heritage Savings Trust Fund may be obtained by writing:

Heritage Trust Fund  
302 Terrace Building  
Edmonton, Alberta  
T5K 2C3

or by telephoning (403) 427-4414

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# PROVINCIAL TREASURER'S REPORT

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I'm pleased to report that during this past year, the Heritage Fund's \$12 billion in assets made a substantial contribution of just over \$1 billion to help support essential programs for Albertans in health, education and other priority areas.

At the same time, major changes happened this year with the sale of the province's remaining interest in Syncrude, and the restructuring and sale of the investment in Vencap. This, combined with repayments of principal by provincial corporations and other provinces, increased the Cash and Marketable Securities portfolio by \$1.1 billion. But the most significant changes come as a result of last year's review of the Heritage Fund. These changes set the stage for a new direction for the Fund — a direction which will secure the future of the Fund and ensure that it continues to benefit future generations of Albertans.

In last year's review, Albertans sent us a clear message: keep the Heritage Fund, but give it clear objectives and manage it differently. As I said in last year's annual report, "The challenge is to come up with a plan that's consistent with the wishes of Albertans and the province's overall fiscal plan."

This year, we've done exactly that . . . introduced a clear direction for the Heritage Fund, set new objectives and established a new governance structure for how the Fund is managed. From now on, the Fund will be managed prudently with clear investment objectives. The result will be improved accountability, a strong commitment to keep Albertans well informed about the status of the Fund, and a determined focus on prudently getting the best return.

In the past, the Fund has had conflicting rate of return and social and economic objectives. We have always been concerned about protecting our investments in the Fund, but we have not followed a clear, long-term strategy of getting the greatest financial returns on our investments. From now on, the objectives will be clear.

To set a new direction for the future, a new mission has been established along with specific objectives. The new mission is:

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

The mission comes with two specific objectives: to maximize long-term financial returns and to meet the short and medium term income needs of the province's fiscal plan.

Initially, most of the Fund will be invested to generate income to support the fiscal plan, but within ten years all of the Fund's assets will be invested to maximize long-term financial returns.

We're also taking other deliberate steps to protect the future of the Fund.

An oversight committee of MLAs will monitor the Fund's financial performance, approve business plans on an annual basis and ensure that Albertans have regular, up-to-date information about the Fund. They'll also be responsible for annual meetings with Albertans to provide people with an opportunity to ask questions and learn more about the Fund.

An operations committee involving private sector expertise will work with Alberta Treasury in setting investment criteria and performance measures for the Fund.

We've also limited the type of investments that can be made from the Fund. It can no longer be used by government for economic development or social investment purposes. The focus is on getting a solid financial return rather than using the Fund's resources as a tool for implementing government policies. We now have a distinct, arms length relationship between the Fund and the government of the day.

Finally, many Albertans said they would like to see the Fund continue to grow or at least be protected from inflation. Income from the Fund will continue to flow into the general revenues of the province to help fund priority programs in education, health and social services. But the amount transferred each year will be adjusted so that the Fund's value doesn't erode.

With the changes we've put in place this year, Albertans can be assured that their Heritage Fund will be preserved to serve future generations of Albertans. We found out how strongly Albertans feel about the Heritage Fund. We've charted a strong new financial course for the Fund. And we look forward to future years of solid financial performance.

Jim Dinning  
Provincial Treasurer

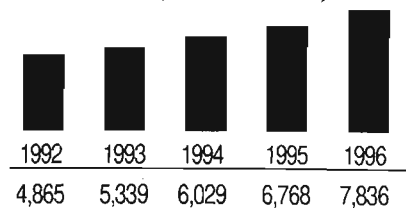
# 1995-96 HIGHLIGHTS



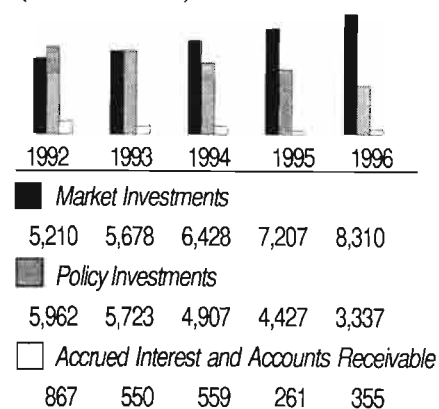
- ◆ **Income**—The Fund earned \$1,046 million in 1995-96, up 14% from 1994-95.
- ◆ **Cash and Marketable Securities**—The Cash and Marketable Securities portfolio increased by about \$1.1 billion to \$7.8 billion at year end. The portfolio earned a market value rate of return of 8.8%.
- ◆ **Holdings of Alberta Debt Declining**—\$1,621 million of Alberta direct debt and Alberta provincial corporation debt held by the Heritage Fund was repaid.
- ◆ **Vencap**—The Fund made a \$34 million gain on the sale and restructuring of its investment in Vencap.
- ◆ **Syncrude**—The province sold its remaining 11.74% interest in Syncrude for an estimated gain of \$10 million.
- ◆ **New Directions**—The Legislature passed a new Alberta Heritage Savings Trust Fund Act in May 1996 which sets a new direction for the Fund.

The Fund's governance structure and investment objectives will change starting later in 1996-97. By 2005, the Heritage Fund will be fully invested in an Endowment portfolio designed to maximize long-term financial returns.

## CASH AND MARKETABLE SECURITIES (IN \$MILLIONS)



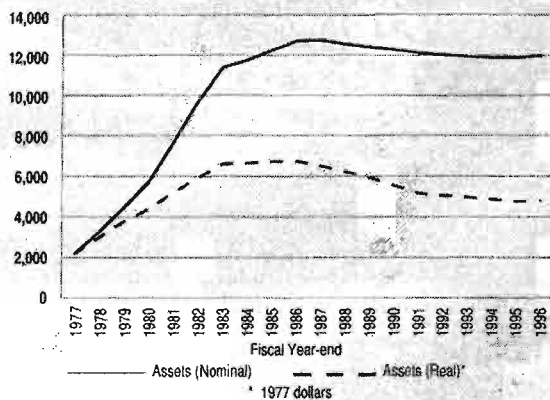
## TYPE OF ASSET (IN \$MILLIONS)



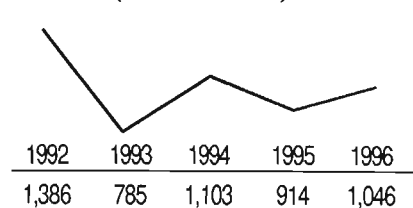
## 1 THE HERITAGE FUND IN NOMINAL AND REAL TERMS

The Heritage Fund reached its peak in 1987 and has since declined in value.

Millions of Dollars



## INCOME EARNED ON FINANCIAL ASSETS (IN \$MILLIONS)





# BACKGROUND

The Heritage Fund is composed of five different divisions and a portfolio of cash and marketable securities, established at various points in time beginning in 1976. The following briefly summarizes the investment objectives of each division.

## 1. Alberta Investment Division:

Makes debt or equity investments to strengthen or diversify the economy of Alberta. Investments in this Division are expected to yield a reasonable return, but not necessarily a commercial return. No new investments were made in 1995-96.

## 2. Canada Investment Division:

Loaned funds to other provincial governments or their agencies at the rate at which the most credit-worthy Canadian province could borrow at the time of the loan. Lending activity was suspended in 1982.

## 3. Commercial Investment Division:

Invests in Canadian stocks and money market securities. Investments are expected to yield a commercial return or profit.

## 4. Energy Investment Division:

Designed to invest in debt or equity to facilitate the development, processing or transportation of energy resources within Canada. There are no investments in this Division.

## 5. Capital Projects Division:

Funds were spent on projects that will provide long-term economic or social benefits to the people of Alberta. Accordingly, projects in this Division do not necessarily yield a financial return. The last year of spending was 1994-95.

## 6. Cash and Marketable Securities Portfolio:

Funds not immediately required for other divisions are invested in short-term and medium-term money market securities, marketable bonds, deposits and mortgage-backed securities.

The Heritage Fund's \$12 billion of assets can be divided between \$8.3 billion of market investments, \$3.3 billion in policy investments and \$355 million in accrued interest and accounts receivable. Market investments are liquid investments that can be readily bought or sold in an ordinary bond or stock market. Policy investments were made to meet objectives like strengthening or diversifying the economy of Alberta and these investments were originally purchased to be held for the long-term.

## 2 TOTAL HERITAGE FUND INVESTMENTS AT A GLANCE

69% of the Fund's investments are in liquid money market securities, marketable bonds and Canadian equities.

March 31, 1996

### By Division

	\$ millions	% of total
Capital Projects Division	9	0.1
Accrued Interest & Accounts Receivable	355	3.0
Commercial Investment Division	475	3.9
Canada Investment Division	605	5.0
Alberta Investment Division	2,722	22.7
Cash and Marketable Securities	7,836	65.3
<b>Total</b>	<b>12,002</b>	<b>100.0</b>

### By Type of Asset

#### Market Investments

Short and Mid-term Money Market Securities	3,395	28.3
Marketable Bonds	4,696	39.1
Canadian Equities	219	1.8

#### Policy Investments

Debentures	2,596	21.6
Projects	469	3.9
Corporate Securities	272	2.3

#### Other

Accrued Interest and Accounts Receivable	355	3.0
--	-----	-----

**Total** 12,002 100.0

# ECONOMIC CLIMATE



## Highlights

- ◆ *The Cash and Marketable Securities portfolio and Commercial Investment Division are influenced by the performance of the Canadian economy and Canadian and international financial markets.*
- ◆ *Some of the investments in the Alberta Investment Division depend in part on the performance of the Alberta economy.*

The Canadian economy weakened markedly in the first half of 1995 in response to slowing growth in the US and higher domestic interest rates. The economy rebounded in the second half of the year as the US economy strengthened and domestic interest rates fell. Robust exports were the major source of economic growth last year. For 1995 as a whole, the Canadian economy grew by 2.2%, down from 4.6% in 1994.

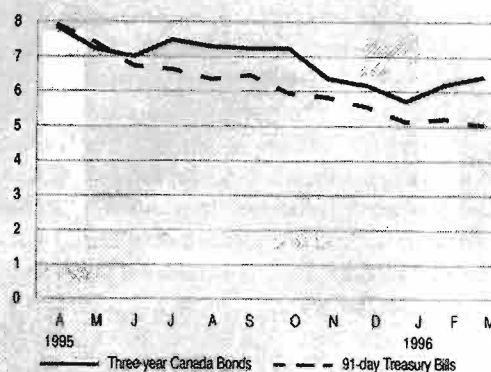
Canada's inflation peaked in May 1995 at 2.9%. Since then, inflation has dropped steadily, averaging 2.1% for 1995 as a whole. In February 1996, Canada's inflation was 1.3%, close to the lower end of the Bank of Canada's target band for inflation.

With stable interest rates in the United States, no significant inflationary pressures in Canada, and a weak Canadian domestic economy, the Bank of Canada was able to achieve lower interest rates during 1995-96. As a result, the spreads between Canada and US interest rates, both short-term and long-term, have narrowed substantially. This has periodically exerted downward pressure on the Canadian dollar. However, for the most part, the Canadian dollar has held its ground.

## 3 YIELDS ON THREE-YEAR CANADA BONDS AND 91-DAY TREASURY BILLS

*Both medium and short-term rates trended downward through the year, with a small jump in medium-term rates towards the end of the year. The spread between medium and short-term rates widened during the year.*

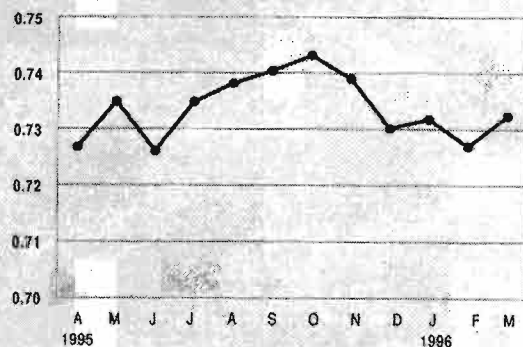
Yield in Percent



## 4 THE CANADIAN DOLLAR (APRIL 1995 TO MARCH 1996)

*The value of the Canadian dollar peaked in the middle of the fiscal year.*

U.S. Cents per Canadian Dollar, Average for the Month





Reflecting the market conditions described above, investment returns, as measured by Scotia McLeod's indices, were 7.4% on 91-day treasury bills, 12.0% on short-term bonds (average term: 3 years), and 15.8% on long-term bonds (average term: 20 years). The returns on bonds were high because as interest rates decline the price of a bond goes up. This increase in price is included in the market value rate of return.

The Canada-US exchange rate averaged US 73.37 cents in 1995-96. It started the fiscal year at US 73.82 cents and strengthened to over US 75 cents in early October, before falling. The exchange rate finished the fiscal year at US 73.36 cents.

Interest rate fluctuations mainly affect the income earned in the Cash and Marketable Securities portfolio as a significant portion of the portfolio matures and is reinvested each year. Changes in interest rates also affect the income earned in the Commercial Investment Division because assets not invested in equities are held in short-term interest bearing securities. In addition, the interest rate on some provincial corporation debentures held under the Alberta Investment Division are re-set every five years.

The Canadian stock market, as measured by the Toronto Stock Exchange (TSE 300 Composite Index) experienced substantial growth during 1995-96, particularly in the second half. Reasons for this growth included a declining interest rate environment and robust export demand (the TSE has a large number of companies with significant export sales).

The TSE 300 index of Canadian equities earned a return of 17.9% in 1995-96. In the United States, the S&P 500 stock index earned a return of 28.3% (in Canadian dollars), while equities in Europe and the Pacific Basin averaged approximately 15.4% and 3.6%, respectively.

## THE ALBERTA ECONOMY

Alberta's economy experienced real growth in 1995 of 2.3%, compared to 2.2% for the Canadian economy. As in 1994, Alberta's economic growth was due mainly to strong exports to the U.S. and the rest of Canada. The competitiveness of Alberta's industries in U.S. markets is due partly to the decline in the Canadian dollar against the U.S. dollar since early 1992. Economic growth in 1996 is expected to be led by exports of agricultural products, manufactured goods, crude oil and natural gas.

Alberta's export revenue for agricultural, food and beverage products in 1995 was markedly higher than the comparable 1994 figure. Total export value was a record \$4.2 billion, up 16% from \$3.6 billion in 1994.

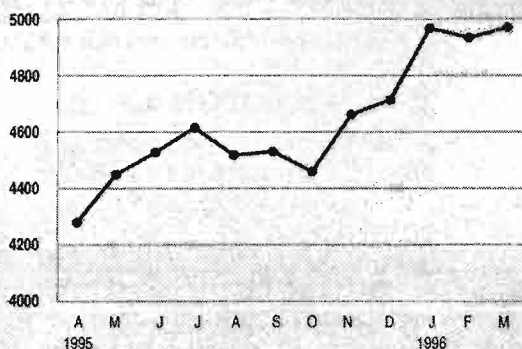
The price of oil declined during the first four months of 1995-96, from an average of US\$ 19.87 a barrel in April to an average of US\$ 17.26 a barrel in July. Through the rest of the year, prices generally increased ending in a sharp jump from an average of US\$ 18.78 a barrel in February to an average of US\$ 21.18 a barrel in March 1996. The price of natural gas trended higher during the year from averaging Cdn. \$1.25 per mcf in April 1995 to averaging Cdn. \$1.71 per mcf in March 1996.

Market pulp prices moved higher through the middle of the fiscal year and then dropped sharply. For example, the price of Northern Bleached Hardwood Kraft pulp delivered in the U.S. increased from US \$775/metric tonne (MT) at March 31, 1995 to a peak of US \$875/MT during June to December before declining to US \$425/MT at March 31, 1996.

### 5 TSE 300 COMPOSITE INDEX

*The Canadian stock market, as measured by the TSE 300 index, experienced significant growth over the past fiscal year.*

*Closing Index Value at End of Month*





# HIGHLIGHTS OF PERFORMANCE

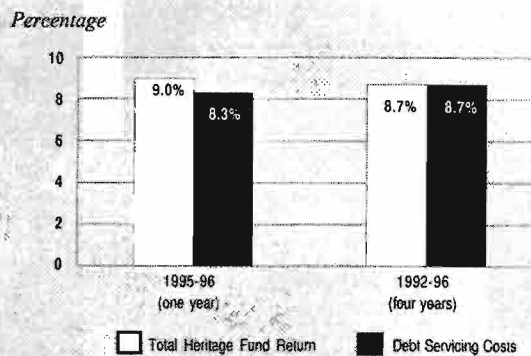


## Total Heritage Fund

- ◆ *Provided \$1,046 million in income*
- ◆ *Earned a book value return of 9.0%, which was above the 8.3% cost of Alberta's General Revenue Fund debt.*

## 6 RETURN VS DEBT COSTS (BOOK VALUE INTERNAL RATE OF RETURN\*)

*The Heritage Fund generated a higher return than the cost of the province's debt in 1995-96.*



\* See Measuring Returns on page 79 for a description of this return calculation

## MARKET INVESTMENTS

### Cash and Marketable Securities Portfolio (Size: \$7.8 billion)

- ◆ *Increased by about \$1.1 billion during 1995-96.*
- ◆ *Earned \$581 million in income, a market value return of 8.8%.*

### Commercial Investment Division (Size: \$475 million)

- ◆ *Market value increased by \$87 million during the year, and now stands at \$747 million (book value of \$475 million).*
- ◆ *Generated \$34 million in income.*
- ◆ *Total market return of 12.9%.*

## POLICY INVESTMENTS

### Canada Investment Division (Size: \$605 million)

- ◆ *Returned \$103 million of income in 1995-96.*
- ◆ *Over \$300 million of principal was repaid in 1995-96.*

### Alberta Investment Division (Size: \$2.7 billion)

- ◆ *Returned \$296 million in income.*
- ◆ *Over \$600 million of investments repaid or sold during 1995-96.*
- ◆ *Investment in Syncrude project sold.*



# NEW DIRECTIONS

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## Highlights

- ◆ *The Fund's governance structure and investment objectives will change starting later in 1996-97.*
- ◆ *By 2005, the Heritage Fund will be fully invested in an Endowment portfolio designed to maximize long-term financial returns.*

### THE REVIEW PROCESS

The government announced during 1994-95 that a public review of the Heritage Fund would take place. The key part of this was a public consultation process that culminated in 14 recommendations from an All-Party Review Committee on changing the Fund. Their report was debated in the Legislative Assembly and was given general approval.

The Review Committee based its recommendations on the following five guiding principles:

1. The Fund should be retained, but not at the status quo.
2. The management of the Fund should be at arm's length from the political process.
3. Private sector investment managers should be involved in investment decision making, along with Alberta Treasury staff.
4. The Fund should be more transparent; the Fund's managers should be more directly accountable to the people of Alberta.
5. The role of government is to set objectives for the Fund.

The government has announced changes to the Fund that address these principles for change.

### CHANGES STARTING IN 1996-97

During the spring session, the Legislature passed a new Alberta Heritage Savings Trust Fund Act which sets the new direction for the Fund. The Act, which will come into force when it is proclaimed later this year, and other related changes to the Fund are described below.

#### *Heritage Fund Mission Statement*

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

Given the income needs of the government's fiscal plan over the short and medium term a transition period is needed before an investment strategy of maximizing long-term financial returns can be fully pursued. The existing divisional structure of the Heritage Fund will be replaced by two portfolios: a Transition portfolio and an Endowment portfolio.

Over a maximum ten year transition period starting in 1996-97 assets will be transferred from the Transition portfolio to the Endowment portfolio. A minimum of \$1.2 billion in assets will be transferred annually from the Transition portfolio to the Endowment portfolio so that, by December 31, 2005, all assets of the Heritage Fund will be in the Endowment portfolio. The Transition portfolio will contain investments that support the short-term to medium-term income needs of the government's consolidated fiscal plan while the Endowment portfolio will be invested to maximize long-term financial returns. To ensure accountability each portfolio will have a well-defined investment objective and performance of each portfolio will be measured separately against its own objective.

As part of the new framework, the Heritage Fund's principal will be "inflation proofed" by keeping a portion of the Fund's income in the Fund. However, until 1998-99 income will only be kept in the Heritage Fund for inflation-proofing if the consolidated budgetary surplus exceeds \$500 million. It is proposed that foreign investments by the Heritage Fund will be limited to 20% of Fund assets. This is similar to the restriction on private and public sector pension funds.

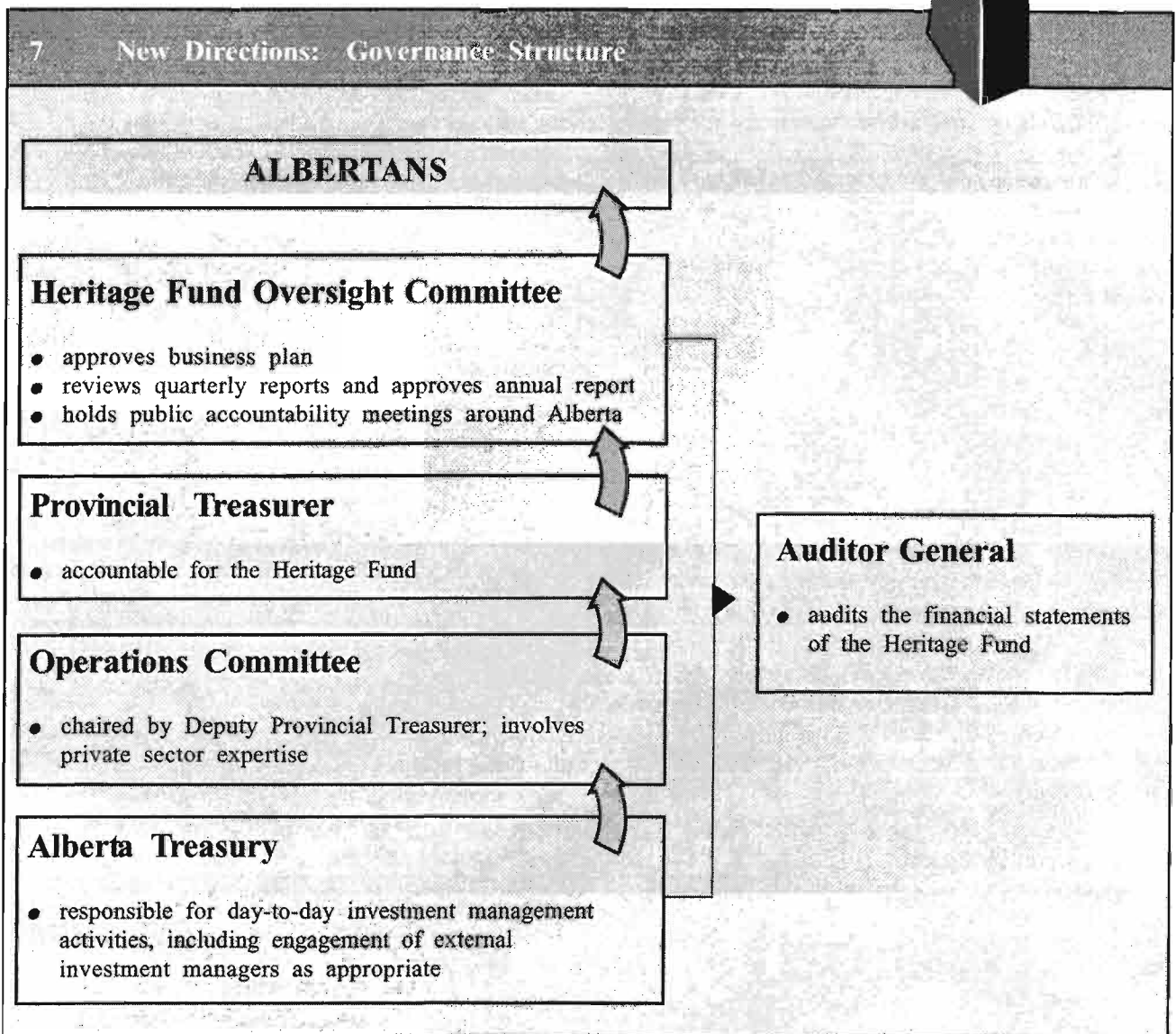


Over the long-term, the Endowment portfolio will strengthen the financial position of the province because long-term total returns should be higher than debt costs and higher than the return on the Transition portfolio.

## GOVERNANCE STRUCTURE

On April 18, 1996, the Government set out its new governance structure for the Heritage Fund. The structure provides improved accountability and a new management structure that builds on the five principles identified by the Review Committee and is consistent with the new investment framework.

The new structure sets up an oversight committee of MLAs to provide overall direction, evaluate the performance of the Fund and report regularly to Albertans. Ongoing investment decisions will be made within Alberta Treasury. The Heritage Fund business plan will be reviewed and recommended to the Provincial Treasurer by an Operations Committee which will include people from the private sector who have related business and financial expertise.





# MARKET INVESTMENTS

## **CASH AND MARKETABLE SECURITIES**

The Cash and Marketable Securities portfolio invests funds not immediately required by the other divisions in high quality income earning investments.

The Cash and Marketable Securities portfolio is the largest component of the Fund. Of the Heritage Fund's \$12.0 billion of financial assets at March 31, 1996, \$7.8 billion, or 65.3%, were in this portfolio. Cash and Marketable Securities increased by \$1,067 million during 1995-96. This increase was due primarily to maturities, repayments and disposals in other divisions.

In 1995-96, the Cash and Marketable Securities portfolio contributed \$581 million, or 56% of the Heritage Fund's investment income. This compares with \$418 million, or 46% of the Heritage Fund's investment income in 1994-95.

New investment in other divisions of the Heritage Fund except the Commercial Investment Division has virtually ceased. For example, lending to provincial Crown corporations was reduced and has now stopped, and no new project investments have been made for several years. Many of the investments the Heritage Fund made in previous years have either matured, been repaid or have been sold. As the Heritage Fund received large amounts of cash from these sales and repayments and since it does not make new policy investments (consistent with the government's policy of getting out of the business of being in business), the size of the Cash and Marketable Securities portfolio has increased significantly.

Given the Heritage Fund review, the objective has been to protect the Fund's capital and position the Fund for future change. As a result, the most prudent investments have been Canadian fixed income securities such as treasury bills, promissory notes, mortgage-backed securities and government and corporate bonds with maturities up to five years.

## **INVESTMENTS**

The portfolio invests in two fixed income market segments: short-term securities and mid-term securities.

### ***Short-term Securities***

Short-term securities have a remaining term to maturity of less than one year. Because of the short duration of these securities, the market value of the short-term portfolio approximates cost. As shown in Table 8, the total value of short-term investments at March 31, 1996 was \$3,140 million, or 40% of the Cash and Marketable Securities portfolio.

Of the \$3.1 billion of short-term securities held at March 31, 1996, \$89 million was invested in Province of Alberta securities, compared to \$1,516 million one year earlier. During 1995-96, the Province reduced its debt to the Heritage Fund from the budgetary surplus and by borrowing in financial markets. When the province borrowed from the Fund, it paid market rates of interest to the Heritage Fund rather than to banks or other investors.

When mid-term securities have less than one year remaining to maturity they are reclassified as short-term securities. Maturities are then generally reinvested in mid-term securities.

### ***Mid-term Securities***

Mid-term securities have a remaining term to maturity of between one and five years.

As interest rates increase, fixed income securities decrease in market value. Conversely, as interest rates decrease, fixed income securities increase in market value. The mid-term portfolio is recorded at the lower of cost or market value. At March 31, 1996, the market value of the mid-term portfolio was \$17.9 million above cost. This compares with a market value of \$51.2 million below cost at March 31, 1995.

As shown in Table 8, the book value of mid-term cash and marketable securities investments was \$4,696 million, or 60% of the total cash and marketable securities portfolio.

# MARKET INVESTMENTS



## 8 SUMMARY OF CASH AND MARKETABLE SECURITIES PORTFOLIO AS AT MARCH 31, 1996

Securities	At Cost					
	Short-term		Mid-term		Total	
	(\$Mil)	(%)	(\$Mil)	(%)	(\$Mil)	(%)
Cash and Cash Equivalents <sup>1</sup>	78	1.0	0.0	0.0	78	1.0
Government Securities <sup>2</sup>						
Alberta	89	1.1	285	3.6	374	4.7
Other Governments	1,996	25.5	3,753	47.9	5,749	73.4
Corporate Securities	977	12.5	658	8.4	1,635	20.9
Total	3,140	40.1	4,696	59.9	7,836	100.0
Average Term to Maturity (years)	0.30		3.30		2.12	
Modified Duration (years)	0.28		2.78		1.80	

<sup>1</sup> Includes deposits in Consolidated Cash Investment Trust Fund.

<sup>2</sup> Includes government guaranteed securities.

## 9 Prudent Management and Investment Practices

Procedures for the management and administration of the assets of the Heritage Fund are founded on the principles of separation of duties and checks and balancing of all investment activity. Day-to-day transactions in the equity, bond and money markets are only done in the Cash and Marketable Securities portfolio and the Commercial Investment Division as investments in other divisions are usually held until maturity.

There are two separate areas in Alberta Treasury that are involved in the day-to-day investment activity of the Heritage Fund. The Investment Management Division is responsible for managing the investments in the Cash and Marketable Securities portfolio and Commercial Investment Division.

The Banking and Cash Management Division is responsible for record keeping, reporting, control monitoring and settlements.

Once a decision has been made to invest in a chosen security, the Investment Management Division contracts with a dealer to purchase it. Before the transaction can be settled, both the dealer and the investment area in Treasury independently write orders, or "tickets", that are sent to the settlements area in the Banking and Cash Management Division. Only if both orders match will the settlements area in Treasury instruct the province's custodian (a chartered bank) to settle the purchase. If a trade order is not consistent with the policy on approved dealers and issuers, the

settlements area will not settle the trade. Settlement of a purchase involves paying cash for a security; settlement of a sale involves receiving cash for a security.

The custodian holds the marketable securities owned by the Heritage Fund in either an electronic or physical form. The custodian's holdings are reconciled with the settlement area's internal reports and any discrepancies are followed up. The custodian is only authorized to settle against specific money limits and specific securities. All settled transactions are reconciled to cash movements daily. The custodian reports all its settlements separately to the settlements area.

# MARKET INVESTMENTS



## RATES OF RETURN

For the fiscal year ended March 31, 1996, the Cash and Marketable Securities portfolio earned a market rate of return of 8.8%. This compares with a market rate of return of 6.5% in 1995. The higher return in 1996 over 1995 was due primarily to the increase in value of the mid-term portfolio as interest rates declined during the year and because a higher percentage of the portfolio was allocated to the mid-term portfolio. Approximately \$1.7 billion was added to the mid-term portfolio over the second half of the 1995-96 fiscal year.

### 10 RETURNS OF THE CASH AND MARKETABLE SECURITIES PORTFOLIO

Periods Ending 31-Mar-96

	Total (%)	Cash & Marketable Securities Total Return (Market Value)		ScotiaMcLeod Market Indices	
		Short-term (%)	Mid-term (%)	91-day T-bills (%)	Short-bond (%)
1-Year	8.8	7.4	11.2	7.4	12.0
3-Years	6.7	6.0	7.9	6.0	8.2
5-Years	7.9	6.8	9.0	6.8	9.8
10-Years	9.3	8.8	9.4	8.7	9.8

Market indices have been chosen that provide a point of reference for the returns of the short and mid-term portions of the Cash and Marketable Securities portfolio. The short-term portion of the portfolio had a market return of 7.4% in 1995-96, the same as the ScotiaMcLeod 91-day Canadian Treasury Bills index. This compares with a market return of 6.2% for the short-term portfolio in 1994-95.

### 11 RETURNS IN 1995-96

*Investment returns on medium-term securities were lower than the comparable market index because securities held over the course of the year were, on average, of shorter term and higher quality.*

#### Cash and Marketable Securities Portfolio Rates of Return

Short-term marketable securities (duration: 0.28 years)	7.4%	
ScotiaMcLeod 91-day T-bills index (duration: 0.25 years)	7.4%	
Mid-term bonds (duration: 2.78 years)	11.2%	
ScotiaMcLeod Short-bond index (duration: 2.61 years)	12.0%	

Note: Duration is as at March 31, 1996

The mid-term portion of the Cash and Marketable Securities portfolio had a market rate of return of 11.2% for the fiscal year ended March 31, 1996 compared to the ScotiaMcLeod short-bond index return of 12.0%. This compares with a market return of 7.3% in 1994-95.

While the duration of the mid-term portfolio was higher than that of the index at year end (2.78 years compared to the Scotia McLeod Short-bond index duration of 2.61 years), the duration of the mid-term portfolio on average during the course of the year was shorter than the duration of the ScotiaMcLeod Short-bond index. As well, the mid-term portfolio primarily invests in Government of Canada bonds. Due to their higher credit rating, these securities offer lower yields than other government and corporate securities that also make up the ScotiaMcLeod Short-bond index. For these reasons, the return on the mid-term portfolio is expected to be lower than the return on the ScotiaMcLeod Short-bond index.

# MARKET INVESTMENTS



## COMMERCIAL INVESTMENT DIVISION

The Commercial Investment Division was established in 1982 as a means to diversify the investments of the Heritage Fund. The Division has an emphasis on Canadian equity (stock) investments with the balance of investments in money market securities. The Division grows by an amount equal to the net investment income earned on its investments.

Investments in stocks help diversify the investments of the Heritage Fund since money market and bond portfolio returns generally have low or even negative correlations with stock returns. Correlation measures the degree to which returns on two types of assets (e.g., stocks and treasury bills) tend to move together or move independently over time.

In addition to the diversification benefits, another advantage of holding a stock portfolio is that, over a long-term investment horizon, stocks are expected to provide a higher return than fixed income securities.

### INVESTMENTS

The Division's investments consist of Canadian equities and money market securities.

#### Canadian Equities

The equity portfolio is invested in a broad range of Canadian companies which are bought and sold on the Toronto Stock Exchange (TSE). The investments are managed on a "passive" basis meaning that securities are purchased roughly in proportion to an existing market index such as the TSE 100 composite index (a subset of the TSE 300 index). While the Division cannot own bank stocks and does not invest in small companies or real estate companies, the rate of return on the Canadian equities portfolio should approximate the returns earned by "investing" in the TSE 100 index. At March 31, 1996, the market value of the equity portfolio was \$492 million compared to a book value of \$219 million. During the year, the equity portfolio earned \$11.4 million in dividends and \$7.4 million in realized capital gains.

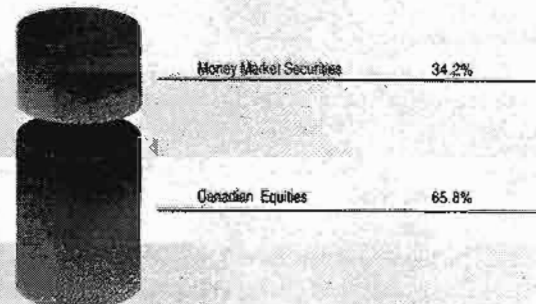
#### Money Market Securities

Money market securities constituted 34% of the Division's investments at year end. Money market securities are being held until the revised investment policies are approved and implemented for the Heritage

## 12 COMMERCIAL INVESTMENT DIVISION - ASSET ALLOCATION (MARKET VALUE)

*The Commercial Investment Division consists of Canadian equities and short-term investments.*

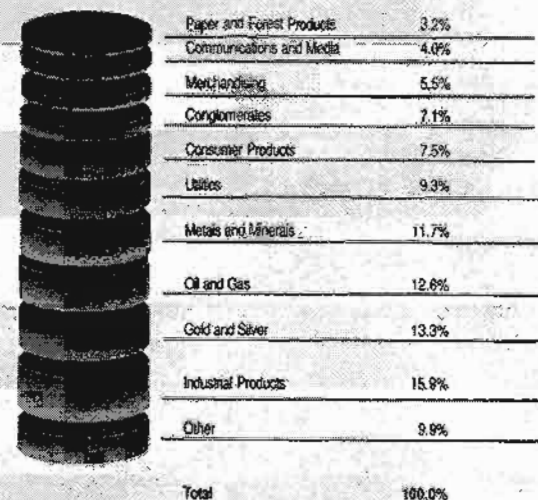
Percent of Market Value March 31, 1996



## 13 CANADIAN EQUITIES BY SECTOR

*A broadly diversified equity portfolio.*

Percent of Market Value



# MARKET INVESTMENTS



Fund. The portfolio contributed \$14.7 million in interest income in 1995-96 and had a market value of \$255.4 million at March 31, 1996 (the market values of short-term marketable securities such as these approximate cost).

## RATES OF RETURN

For the fiscal year ended March 31, 1996, the Commercial Investment Division earned an overall market rate of return of 12.9%. This compares with a market rate of return of 6.8% in 1994-95. The higher return in 1995-96 was mainly due to the strong performance of the Canadian stock market in 1995-96.

Market indices have been chosen that provide a point of reference for the returns of the Canadian equity and money market portions of the Commercial Investment Division.

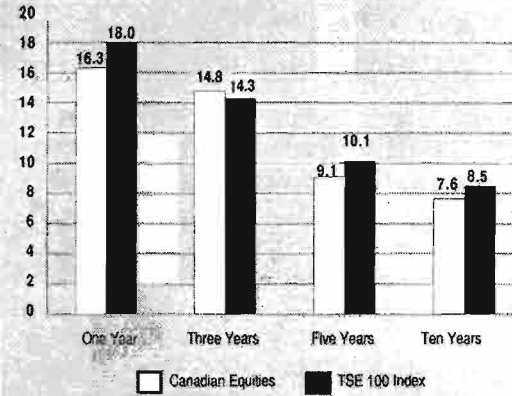
In 1995-96, the returns on the Division's equity portfolio were 16.3%, compared to the TSE 100 index which earned 18.0%. The higher return of the TSE100 compared to the Commercial Investment Division is largely due to the strong performance of the financial services sector which recorded a return of 23.1% and accounts for 16.5% of the TSE 100 index. The Division is not permitted to invest in bank stocks which make up a large part of this sector.

The money market portfolio returned 7.0% compared to the ScotiaMcLeod 91-day Treasury Bills index which returned 7.4%. This lower return compared with the index was primarily due to the shorter maturity schedule of the Division's money market securities.

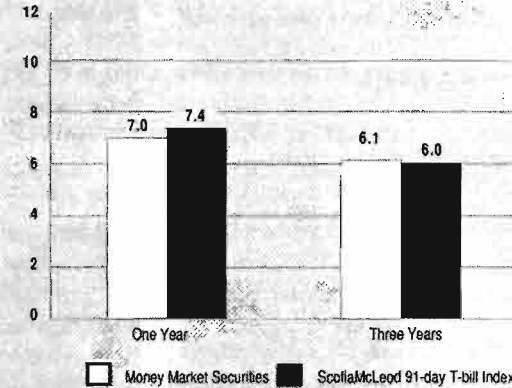
## 14 RETURNS OF COMMERCIAL INVESTMENT DIVISION

### Commercial Investment Division (Rates of Return)

#### Canadian Equities



#### Money Market Securities\*



\* Five-year and ten-year data not available



# MARKET INVESTMENTS

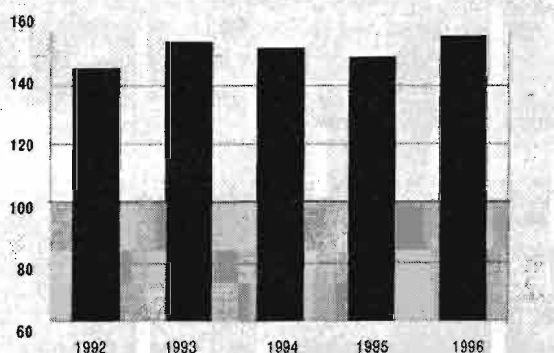


## 15 COMMERCIAL INVESTMENT DIVISION

- MARKET VALUE VS BOOK VALUE

*Market value has exceeded book (cost) value by over 40% for the past five years.*

*Total market value of Division assets as a percentage of book value*



## 16 Securities Lending

Securities lending involves lending a security (e.g., a common stock or a bond certificate) to an approved financial institution (e.g., a bank or investment dealer) generally for several days for a fee. Securities from the Heritage Fund's Cash and Marketable Securities portfolio and the Commercial Investment Division are used for this purpose.

Financial institutions borrow securities for many different

reasons. These include managing financial risk and increasing the ability to trade in certain securities. Standardized systems have been developed to make this process profitable for both the security lender and borrower. Alberta has contracted with a chartered bank to manage its securities lending activities. Under this contract, the bank assesses security borrowers, ensures that they provide sufficient

collateral and agrees to absorb all losses should there be a default.

The fees earned from securities lending are set competitively in the marketplace. In 1995-96, the Heritage Fund earned \$1 million from securities lending, including \$0.86 million in the Cash and Marketable Securities portfolio and \$0.14 million in the Commercial Investment Division.

# POLICY INVESTMENTS

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## *CAPITAL PROJECTS DIVISION*

### **VENCAP EQUITIES ALBERTA LTD.**

Vencap was launched in 1983 with a \$44 million public share and convertible debenture issue and a \$200 million participating loan from the Heritage Fund.

In August 1995, the province exercised an option to purchase one special share of Vencap for \$1, giving the province 20% of the voting rights of the company. In October 1995, the province entered into an Arrangement Agreement with Vencap and Vencap Acquisition Corporation, a wholly owned subsidiary of Onex Corporation. Under the terms of the agreement, the province purchased an additional 3,999,999 special shares of Vencap in January 1996 for an aggregate exercise price of \$3,999,999. The province then converted all the special shares into Vencap common shares.

Under a Plan of Arrangement the assets and liabilities of Vencap, including the \$200 million loan to the province, were assumed by Vencap Acquisition Corporation and all outstanding common shares, including those held by the province, were purchased by Vencap Acquisition Corporation for \$8.50 per share.

Under the Arrangement Agreement the province received a total value of \$174.4 million. This was made up of a \$136 million repayment against the participating loan, \$30 million net cash received on the purchase and sale of the common shares and \$8.4 million as the present value of the remaining balance on the rescheduled loan. The net gain to the province from these transactions amounts to approximately \$34 million.

The remaining \$64 million of the secured loan has been rescheduled with \$11 million to be repaid in January 2001, and the balance of \$53 million repayable in July 2046. These loan repayments will bear no interest. The book value of the loan was adjusted to the present value of the remaining loan repayments and will be increased each year by the amortization of the discount. This amortization was \$0.4 million between January and March 31, 1996.

#### Investment:

- in 1995-96: nil
- at March 31, 1996: \$9 million



## *CANADA INVESTMENT DIVISION*

Investments in the Canada Investment Division were approved by the Investment Committee (Cabinet) and were limited to debentures issued by the federal government (or its agencies) or provincial governments (and their agencies). Six provinces — Manitoba, Quebec, Newfoundland, New Brunswick, Nova Scotia, and Prince Edward Island — or their agencies borrowed money from the Canada Investment Division during the period 1977-82. Investments were made at market rates of interest determined by the rate at which the most credit-worthy province could borrow at the time the debentures were issued. In March 1982, lending was suspended indefinitely to ensure that funds were available to meet priority needs in Alberta.

Interest rates on the debentures currently held in the Canada Investment Division range from 11.0% to 13.9%. During 1995-96, the Division earned a book value rate of return of 13.2%. Book value rates of return rather than market value rates of return are used to measure the results of Canada Investment Division investments because the investments are held for the long-term and are not traded on public markets.

Some of the debentures in the Canada Investment Division contain a feature that allows the borrower to repay them early. If a borrower decides to do this, in many instances, a premium over the face value of the debenture is paid to the Fund. During 1995-96, the provinces of New Brunswick, Nova Scotia, Newfoundland and Prince Edward Island, as well as the New Brunswick Electric Power Commission exercised their redemption options and repaid debentures early at a premium.

During 1995-96, \$103 million was received by the Heritage Fund in the form of interest and premiums on early redemptions. Every year all interest payments have been received in full and on time.

These debentures had a market value of \$686 million compared to a book value of \$605 million at March 31, 1996.

#### Investment:

- in 1995-96: nil
- at March 31, 1996: \$605 million

# POLICY INVESTMENTS



## 17 Canada Investment Division Investments at March 31, 1996 (in \$ millions)

Province/Provincial Agency	Par	Cost	Coupon Rate (%)	Maturity Date
New Brunswick Electric Power Commission	50.0	49.6	11.3	Jan 2005 <sup>a</sup>
Newfoundland and Labrador Hydro	75.0	74.6	11.3	Dec 1999 <sup>a</sup>
Newfoundland and Labrador Hydro	75.0	74.9	13.4	Jan 2001 <sup>a</sup>
	<b>150.0</b>	<b>149.5</b>	<b>12.3<sup>b</sup></b>	
Newfoundland Municipal Financing Corp.	25.0	24.9	11.3	Dec 1999 <sup>a</sup>
Newfoundland Municipal Financing Corp.	35.0	35.0	13.4	Jan 2001 <sup>a</sup>
	<b>60.0</b>	<b>59.9</b>	<b>12.5<sup>b</sup></b>	
	<b>210.0</b>	<b>209.4</b>	<b>12.2<sup>b</sup></b>	
Nova Scotia Municipal Finance Corp.	5.0	5.0	11.3	Jan 1997 - Jan 2000
Nova Scotia Municipal Finance Corp.	6.3	6.2	13.4	Dec 1996 - Dec 2000
	<b>11.3</b>	<b>11.2</b>	<b>12.5<sup>b</sup></b>	
Province of Prince Edward Island	9.0	8.9	13.5	Mar 2000 <sup>a</sup>
Province of Prince Edward Island	20.0	19.9	13.9	Apr 2001 <sup>a</sup>
	<b>29.0</b>	<b>28.8</b>	<b>13.8<sup>b</sup></b>	
Hydro-Quebec	200.0	196.4	11.0	Oct 2004 <sup>a</sup>
Hydro-Quebec	110.0	110.0	11.8	July 2005 <sup>a</sup>
	<b>310.0</b>	<b>306.4</b>	<b>11.3<sup>b</sup></b>	
<b>Total</b>	<b>610.3</b>	<b>605.4</b>	<b>11.7<sup>b</sup></b>	

<sup>a</sup> Can be redeemed prior to maturity by the issuer.

<sup>b</sup> Weighted average.

# POLICY INVESTMENTS

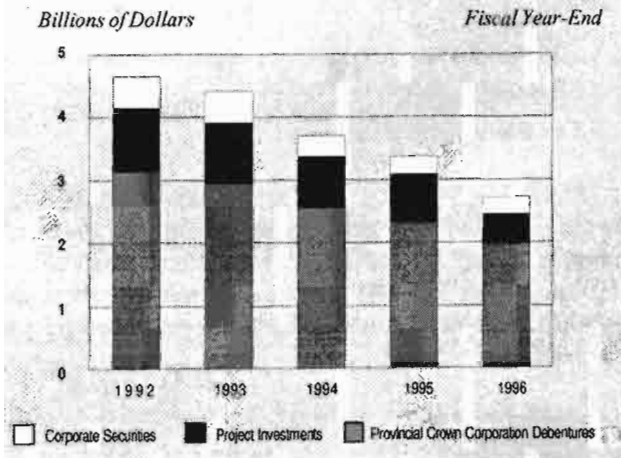


## ALBERTA INVESTMENT DIVISION

The Alberta Investment Division has made investments in provincial Crown corporations, corporate securities and in project investments.

**18 ALBERTA INVESTMENT DIVISION (BOOK VALUE)**

*Provincial Crown corporation investments have declined by about \$1.2 billion since 1992.*



The Heritage Fund holds debentures issued at market rates of four provincial Crown corporations: Alberta Social Housing Corporation (ASHC), Agriculture Financial Services Corporation (AFSC), Alberta Opportunity Company (AOC) and the Alberta Municipal Financing Corporation (AMFC).

Heritage Fund investments in provincial Crown corporation debentures totalled \$2.0 billion at March 31, 1996, a decrease of \$342 million from 1994-95 due to debenture repayments. The majority of the repayments were made by ASHC. As it continues to dispose of assets not required for its social housing objectives, ASHC uses the proceeds to repay its debentures issued to the Heritage Fund. In 1995-96, these repayments totalled \$245 million.

No corporation has ever missed a payment of principal or interest to the Heritage Fund. Like other income from the Heritage Fund, the interest income from provincial Crown corporation debentures is used for budgetary purposes. ASHC, AFSC and AOC each receive grants from the General Revenue Fund to enable them to deliver their programs for social housing, farmers and small businesses at less than their cost.

Effective April 1994, the provincial Crown corporations no longer borrow from the Heritage Fund. The corporations are meeting their financing requirements by having the province borrow in the financial markets on their behalf.

The Alberta Investment Division's investment in corporate securities, which includes NOVA Corporation shares, TransCanada PipeLines Limited convertible subordinated debentures and Canadian Western Bank common shares, totalled \$263 million at March 31, 1996.

At March 31, 1996, investments in projects totalled \$469 million. Project investments were made to help strengthen and diversify the economy of Alberta. However, in keeping with "getting out of the business of being in business", in November 1995, the province sold its remaining 11.74% interest in the Syncrude project to Athabasca Oil Sands Investments Inc.

In 1995-96, \$296 million or 28% of the Heritage Fund's total investment income was earned from Alberta Investment Division investments. Of this, \$211 million was earned from investments in provincial Crown corporations.

During 1995-96, the book value rate of return on Alberta Investment Division assets was 9.5% compared to 9.2% in 1994-95.

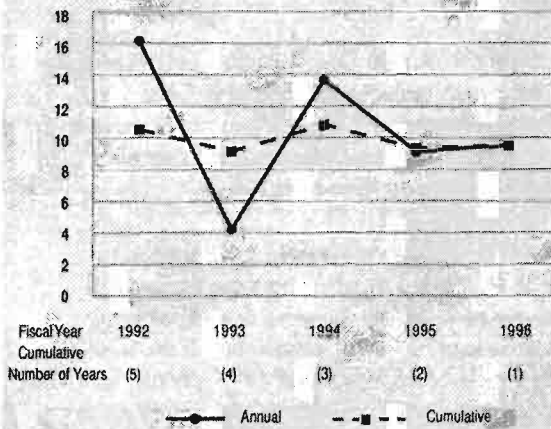
Book value rather than market value rates of return are used to measure the results of Alberta Investment Division investments because the investments are held for the long-term and most of the securities are not traded on public markets.



**19 ALBERTA INVESTMENT DIVISION**  
- BOOK VALUE RATES OF RETURN

*Returns have been volatile in the past five years due to project investment write-downs and gains on sale of AEC and TELUS shares. Cumulatively, returns have averaged 10.5%.*

Percentage



## PROVINCIAL CROWN CORPORATIONS

### ALBERTA OPPORTUNITY COMPANY

Alberta Opportunity Company (AOC) provides loans, export guarantees, and management assistance to small and medium sized Alberta businesses. The Company is an alternate source of financing to businesses which are unable to obtain funding on reasonable terms and conditions from conventional lenders. In 1995-96, the Company made 340 loans and export guarantees, totalling \$30.1 million, funded by borrowing from the province's General Revenue Fund. AOC no longer borrows from the Heritage Fund.

During 1995-96, AOC repaid \$39.8 million of its debentures held by the Heritage Fund.

At March 31, 1996, AOC had four debentures outstanding to the Heritage Fund. Interest rates on these debentures range between 7.1% and 10.1%, with maturities between 1998 and 2001. These debentures are similar to mortgages in which payments include a blend of principal and interest.

Investment:

- in 1995-96: nil
- at March 31, 1996: \$39 million

### AGRICULTURE FINANCIAL SERVICES CORPORATION

Agriculture Financial Services Corporation (AFSC) provides lending and hail and crop insurance services. Prior to 1992-93, the Heritage Fund purchased debentures of AFSC to finance AFSC's lending activities.

The lending division of AFSC offers loans, loan guarantees and business analysis services to farmers and the food processing and agribusiness sector. AFSC's core customers for its lending products and services are beginning farmers and developing and expanding agribusinesses. Program features include long-term loans at fixed interest rates. Incentives are available for eligible beginning farmers to reduce their effective annual interest rate. AFSC also serves customers who process or sell agricultural products or service and supply the agriculture industry.

# POLICY INVESTMENTS

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In 1995-96, the Corporation committed \$70.8 million in direct farm loans. Loans totalling \$5.3 million were provided to agribusinesses. The Corporation met its financing requirements from loan repayments, sales of farm properties and financing from the General Revenue Fund.

The Heritage Fund held 56 AFSC debentures at March 31, 1996. Interest rates on these debentures range between 7.4% and 10.8%. Forty-eight of these debentures provide for the rate of interest to be reset every five years based on the prevailing Alberta borrowing rate that corresponds to the original term of the debenture. Most of AFSC's outstanding debentures pay interest semi-annually and principal annually. The debentures mature between 2001 and 2013.

**Investment:**

- in 1995-96: nil
- at March 31, 1996: \$837 million

## **ALBERTA MUNICIPAL FINANCING CORPORATION**

Loans provided by this Corporation are an economical source of long-term financing for Alberta's municipalities, school systems and regional health authorities. These loans carry an Alberta government interest rate rather than higher rates these borrowers would pay if they borrowed on their own. By making loans at the lowest possible cost to local governments, Alberta Municipal Financing Corporation (AMFC) has facilitated progress and growth in many communities.

At March 31, 1996, three AMFC debentures were held by the Heritage Fund. Interest rates on these debentures range from 11.7% to 13.5% with maturities in 1999 and 2000.

**Investment:**

- in 1995-96: nil
- at March 31, 1996: \$140 million

## **ALBERTA SOCIAL HOUSING CORPORATION**

Alberta Social Housing Corporation's (ASHC) focus is on social housing: the needs of the disabled, those with special needs, senior citizens and low-income families.

The Corporation continues to sell land, real estate and mortgages which do not meet its social housing objectives. The proceeds from these transactions are used primarily to repay debt held by the Heritage Fund. Including regularly scheduled repayments as well as early repayments, \$245 million of principal was returned to the Heritage Fund in 1995-96.

The Heritage Fund held 53 ASHC debentures at March 31, 1996. Interest rates on these debentures range between 7.9% and 18.0%, with maturities between 2003 and 2018. Thirty-three ASHC debentures provide for the interest rate to be reset every five years based on the prevailing Alberta borrowing rate that corresponds to the original term of the debenture. ASHC debenture payments include a blend of principal and interest.

**Investment:**

- in 1995-96: nil
- at March 31, 1996: \$975 million

## ***CORPORATE SECURITIES***

### **NOVA CORPORATION**

NOVA Corporation is a world-wide natural gas services and petrochemicals company, with its headquarters in Calgary. Its activities include operating an extensive network of natural gas pipelines, manufacturing and marketing petrochemicals and plastics and marketing natural gas. NOVA's assets total more than \$9 billion.

In 1995, NOVA's net income increased by 22% to \$702 million, from \$575 million in 1994. The market price of NOVA common shares increased to \$12.875 at March 31, 1996, from \$12.375 at March 31, 1995. The market value of the 10.8 million common shares held by the Heritage Fund was \$139.3 million (\$112.3 million book value) at March 31, 1996.

The Fund earned \$3.5 million in dividends from its investment in NOVA in 1995-96.

**Investment:**

- in 1995-96: nil
- at March 31, 1996: \$112 million



## **TRANSCANADA PIPELINES LIMITED (TCPL)**

TCPL is a Canadian-based public company headquartered in Calgary, with assets in excess of \$10 billion. It is one of North America's leading transporters and marketers of natural gas. Its main pipeline system begins near Empress, Alberta, crosses Saskatchewan, Manitoba and Ontario, and terminates near Montreal, Quebec. TCPL is affiliated with three Canadian and three American pipelines, giving the company access to four of North America's major gas markets. The company has complementary businesses in gas marketing, power generation, gas liquids extraction and gas storage.

The Heritage Fund holds \$150 million in 10.426% convertible subordinated debentures of TCPL maturing in December 2001. The debentures are convertible into TCPL common shares prior to redemption or maturity at a conversion price of \$23.041. The debentures are redeemable between June 20, 1995 and December 20, 1996, if during 20 consecutive trading days the weighted average price per common share is at least 125% of the conversion price. After December 20, 1996, the debentures are redeemable at any time at the option of TCPL. TCPL common shares closed at \$19.00 per share on March 31, 1996, up from \$17.875 on March 31, 1995. The estimated market value of the convertible debenture at March 31, 1996, was \$155 million.

In 1995-96, the Fund earned \$15.6 million of interest income from this investment.

Investment:

- in 1995-96: nil
- at March 31, 1996: \$150 million

## **CANADIAN WESTERN BANK**

The Canadian Western Bank (CWB) is a Schedule I bank. In December 1994, CWB amalgamated with North West Trust Company, doubling the size of the Bank. The head office of CWB is in Edmonton and branches operate in all four western provinces. CWB has a network of over 100 independent deposit agents located throughout Canada. The Bank's assets totalled \$1.3 billion at October 31, 1995.

The Bank's 1995 consolidated net income reached a record \$10.8 million, an increase of 116% from \$5.0 million reported in 1994. The market price of the Bank's shares decreased slightly to \$10.125 at March 31, 1996, from \$10.50 the previous year.

The Heritage Fund holds 160,000 CWB common shares, with a book value of \$720,000 and a market value of \$1,620,000 at March 31, 1996.

In 1995-96, dividend income from CWB was \$24,000.

Investment:

- in 1995-96: nil
- at March 31, 1996: \$0.7 million

## ***PROJECT INVESTMENTS***

### **ALBERTA-PACIFIC FOREST INDUSTRIES (AL-PAC)**

The Al-Pac project is a joint venture between Crestbrook Forest Industries Ltd. (40%), MC Forest Investment Inc. (35%) and Kanzaki Paper Canada Inc. (25%) formed for the construction and operation of a kraft pulp mill northeast of Athabasca. The pulp mill became fully operational in February 1995. The total cost of the pulp mill was approximately \$1.3 billion. Total annual pulp production capacity is 514,000 tonnes.

The Heritage Fund's investment is in debentures which are secured by the project assets but are subject to the prior charge of the senior lenders to the joint venturers. Cash advanced on this loan to March 31, 1996, totalled \$249.3 million.

Prior to March 1997, interest is accrued and capitalized semi-annually at the rate of 9.203%. After that date interest is accrued at the same rate and paid monthly to the extent of available project cash flow. To March 31, 1996, \$93 million of interest had been accrued and capitalized. This included \$29 million which the Heritage Fund earned from its investment in Al-Pac in 1995-96.





The principal amounts of the debentures are repayable in five equal annual payments commencing February 2006. The interest rate of 9.203% will be reset in March 2000 and every five years after that date to the Alberta 20-year borrowing rate.

Investment:

- in 1995-96: \$29 million
- at March 31, 1996: \$342 million

## PRINCE RUPERT GRAIN TERMINAL

The Prince Rupert Grain Terminal is a grain handling port facility on the west coast. It is owned and operated by Ridley Grain Ltd., a consortium of six major western Canadian grain companies. The original design throughput capacity of the elevator was 3.5 million tonnes per annum. Capital improvements since start-up have increased throughput capacity to over 5 million tonnes per annum.

The Heritage Fund's investment is in the form of first mortgage bonds with an 11% interest rate. The \$106.3 million investment funded part of the \$290 million construction cost of the facility. Financing was also provided by members of the consortium (\$58.1 million) and Alberta's General Revenue Fund (\$125.2 million).

The Heritage Fund investment provided for interest to be capitalized during construction. At the end of construction, the investment was \$134 million (\$106.3 million principal and \$27.7 million capitalized interest). Interest and repayment of the bonds is from available cash flow generated by the port facility. For four years after construction, cash flow was insufficient for full interest payments and \$34.3 million of interest was accrued and capitalized but not recorded on the Heritage Fund books. The Heritage Fund receives interest on both the principal outstanding and this capitalized interest. From the remaining cash flow the Heritage Fund is entitled to up to \$4.3 million per year of principal repayment. Unpaid principal is due by 2015.

In 1995-96, Ridley Grain Ltd. made a full interest payment of \$17.3 million. It also made a \$4.3 million principal payment on the Heritage Fund's first mortgage bonds.

The ability of Ridley Grain Ltd. to make payments on the first mortgage bonds held by the Heritage Fund depends primarily on grain throughput levels. In August 1995, federal rail subsidies for grain transportation under the Western Grain Transportation Act were eliminated, increasing the cost of transporting grain to the Prince Rupert terminal versus Vancouver terminals. This change to federal rail subsidies has increased the uncertainty of future grain throughput volumes at the Prince Rupert terminal. Therefore, recorded capitalized interest of \$8.6 million was reversed at March 31, 1996, reducing the carrying value of the investment to \$106.2 million, the original principal amount. Unrecorded capitalized interest totalled \$42.9 million at March 31, 1996.

Investment:

- in 1995-96: nil
- at March 31, 1996: \$106 million

## MILLAR WESTERN PULP LTD.

In 1987, the Heritage Fund provided a \$120 million loan to Millar Western Pulp Ltd. as part of the construction financing for a \$204 million pulp mill. The pulp mill is located at Whitecourt and produces high-yield, chlorine-free pulp from both softwood (pine and spruce) and hardwood (aspen). The pulp is marketed in many applications to customers world-wide. The mill has an annual capacity of 250,000 tonnes of pulp.

In order to enable Millar Western Pulp Ltd. to obtain additional bank financing, a financial restructuring of the company was negotiated in June 1994 between the company, its bankers and the province. Millar Western Pulp Ltd. formed a new subsidiary, Millar Western Pulp (Whitecourt) Ltd. All the assets and liabilities of Millar Western Pulp Ltd. were transferred to the subsidiary, except for a \$6 million shareholder loan and \$90 million of principal, together with all accrued interest on the Heritage Fund loan.

The \$30 million loan assumed by the subsidiary is interest free and secured by a debenture registered against mill assets, ranking behind the prior charge of the bank. This loan has no maturity date and repayment is based on certain events, including annual available cash flow after the bank term debt has been repaid. The carrying value of this loan was adjusted to \$20.6 million in 1993-94, the present value of the anticipated loan repayments.

# POLICY INVESTMENTS

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The \$90 million portion of the original Heritage Fund loan remained with Millar Western Pulp Ltd. The loan is secured by a loan debenture and an assignment of 60% of the shares in Millar Western Pulp (Whitecourt) Ltd. Interest accrues on the loan at 10% compounded annually. Repayment of this loan is from cash flow received by Millar Western Pulp Ltd. until the year 2004, at which time all outstanding principal and accrued interest is due and payable in full. As the amount and timing of recovery on the Millar Western Pulp Ltd. loan is uncertain, it has been written down to zero to recognize the loss in value.

In 1995-96, no principal or interest payments were received from this investment and no income was recorded as earned.

Investment:

- in 1995-96: nil
- at March 31, 1996: \$21 million

## SYNCRUDE

On November 30, 1995, Alberta sold its 11.74% interest in the Syncrude Project for \$352.2 million, subject to certain adjustments, to Athabasca Oil Sands Investment Inc., the purchaser designated by Torch Energy Advisors Inc. of Houston, Texas. The gain from the sale is estimated to total \$10.3 million. Final post-closing adjustments may result in the province realizing further gains from the sale.

Investment:

- in 1995-96: \$5.2 million
- at March 31, 1996: nil

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# FINANCIAL STATEMENTS



## AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the balance sheet of the Alberta Heritage Savings Trust Fund as at March 31, 1996 and the statements of income, transfers, amounts recovered and fund equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

*Peter Valente*

FCA  
Auditor General

Edmonton, Alberta  
May 31, 1996

# FINANCIAL STATEMENTS



## BALANCE SHEET

March 31, 1996 (in \$ thousands)

*Invest Inc from  
H.F.*

	1996	1995
<b>Assets:</b>		
Cash and marketable securities, Schedule 1	7,835,905	6,768,099
Accrued interest and accounts receivable	x 354,590 x	260,559
Canada Investment Division investments, Schedule 2	605,423	917,894
Alberta Investment Division investments, Schedule 3	2,723,111	3,372,736
Commercial Investment Division investments, Schedule 4	474,560	439,153
Capital Projects Division investments, Schedule 5	8,855	136,241
	<b>12,002,444</b>	11,894,682
<b>Liabilities and fund equity:</b>		
Liabilities:		
Accounts payable	155,434	28,470
Due to the General Revenue Fund	21,327	40,700
Fund equity	11,825,683	11,825,512
	<b>12,002,444</b>	11,894,682

The accompanying notes and schedules are part of these financial statements.

# FINANCIAL STATEMENTS



## STATEMENT OF INCOME, TRANSFERS, AMOUNTS RECOVERED AND FUND EQUITY

For the Year Ended March 31, 1996 (in \$ thousands)

	1996	1995
<b><i>Income:</i></b>		
Investment income before the undernoted	1,002,555	926,343
Net gain on disposals of investments	52,927	31,628
Write down of investments	(8,590)	(43,000)
	<hr/>	<hr/>
Net investment income	1,046,892	914,971
Administrative expenses (Note 3)	1,329	1,194
	<hr/>	<hr/>
Net income (Note 4)	1,045,563	913,777
<b><i>Transfers:</i></b>		
Transfers to the General Revenue Fund	1,045,563	913,777
	<hr/>	<hr/>
	—	—
	<hr/>	<hr/>
<b><i>Capital Projects Division amounts recovered (expended)</i></b>	171	(49,327)
	<hr/>	<hr/>
<b><i>Net increase (decrease) in fund equity</i></b>	171	(49,327)
<b><i>Fund equity at beginning of year</i></b>	11,825,512	11,874,839
	<hr/>	<hr/>
<b><i>Fund equity at end of year</i></b>	11,825,683	11,825,512
	<hr/> <hr/>	<hr/> <hr/>

# FINANCIAL STATEMENTS



## STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended March 31, 1996 (in \$ thousands)

	1996	1995
<b>Operating transactions:</b>		
Net income	1,045,563	913,777
Non-cash items included in net income	(68,495)	(4,391)
	<b>977,068</b>	<b>909,386</b>
Decrease (increase) in receivables	(94,031)	298,639
Increase in payables	107,591	49,618
	<b>990,628</b>	<b>1,257,643</b>
<b>Investing transactions:</b>		
Proceeds from disposals, repayments and redemptions of investments:		
Canada Investment Division	319,019	155,313
Alberta Investment Division	710,246	502,003
Commercial Investment Division	873,198	493,262
Capital Projects Division	165,623	1
Investments:		
Alberta Investment Division	(58,666)	(194,469)
Commercial Investment Division	(886,850)	(511,420)
	<b>1,122,570</b>	<b>444,690</b>
<b>Transfers and amounts recovered:</b>		
Transfers to the General Revenue Fund	(1,045,563)	(913,777)
Capital Projects Division amounts recovered (expended)	171	(49,327)
	<b>(1,045,392)</b>	<b>(963,104)</b>
<b>Increase in cash and marketable securities</b>	<b>1,067,806</b>	<b>739,229</b>
<b>Cash and marketable securities at beginning of year</b>	<b>6,768,099</b>	<b>6,028,870</b>
<b>Cash and marketable securities at end of year</b>	<b>7,835,905</b>	<b>6,768,099</b>

# FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS

March 31, 1996

### Note 1 Authority and Financial Structure

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The Alberta Heritage Savings Trust Fund operates under the authority of the Alberta Heritage Savings Trust Fund Act (the "Act"), Chapter A-27, Revised Statutes of Alberta 1980, as amended (see Note 6).

Pursuant to section 4(2) of the Act, which came into force in September 1982, all of the net income of the Fund is transferred to the General Revenue Fund. In total, the Fund has transferred \$17,314,485,000 to the General Revenue Fund from 1982 to 1996. Net income from the inception of the Fund in 1976 to August 1982 totalling \$3,262,247,000 has been retained by the Fund.

Under the authority of "Special Acts" and section 5(1) of the Act, non-renewable resource revenue totalling \$12,049,325,000 was transferred from the General Revenue Fund to the Fund, from the inception of the Fund in 1976, to March 31, 1987.

### Note 2 Summary of Significant Accounting Policies and Reporting Practices

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These financial statements are prepared in accordance with generally accepted accounting principles. The accounting policies of significance to the Fund are as follows:

- (a) Securities included in the Canada Investment Division, the Alberta Investment Division, and the Commercial Investment Division are valued at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the securities.
- (b) Investments in loans, included in the Alberta Investment Division and the Capital Projects Division, are reported at their face value discounted by the amount of concessions (see Schedule 3 Note d and Schedule 5 Note b). The amount of the discount is amortized to investment income over the remaining term of the loan, except when the collectability of either the principal or interest related to the loan transaction is not reasonably assured.
- (c) Marketable securities, including bonds, bond coupons and residuals, mortgage-backed and asset-backed securities and money market securities are valued at cost or fair value, whichever is lower, on an aggregate basis. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the securities.
- (d) The cost of disposals is determined on the average cost basis. Gains and losses arising as a result of disposals and any change in the provision to adjust the cost of marketable securities to the lower of cost or fair value, on an aggregate basis, are included in the determination of net investment income.
- (e) Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collectability.
- (f) Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.



# FINANCIAL STATEMENTS



## Note 2 Summary of Significant Accounting Policies and Reporting Practices *(continued)*

- (g) Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. Exchange differences on unhedged transactions are included in the determination of investment income.
- (h) Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values of investments held by the Fund are determined as follows.

Marketable securities and Canadian equities are valued at the year-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company. Debentures held by the Canada Investment Division and Provincial Corporation debentures held by the Alberta Investment Division are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

## Note 3 Administrative Expenses

	1996	1995
Expenses paid directly from the Fund pursuant to section 11(1) of the Alberta Heritage Savings Trust Fund Act	\$ 743,000	\$ 447,000
Other administrative expenses estimated and charged to the Fund pursuant to section 11(2) of the Alberta Heritage Savings Trust Fund Act	586,000	747,000
	<u>\$ 1,329,000</u>	<u>\$ 1,194,000</u>

Administrative expenses estimated at \$178,000 for the year ended March 31, 1996 (1995 \$275,000) relating to investment in the Syncrude Project are not included in other administrative expenses but are reflected in results of operations of the projects for the year.

# FINANCIAL STATEMENTS



## Note 4 Comparison of Planned and Actual Results

A budget of the Fund's net income was included in Budget '95. A more comprehensive budget of the Fund's net income, which was prepared by management, has been included in these financial statements for comparison with the actual figures.

	1996		1995	
	Budget	Actual	Budget	Actual
Cash and marketable securities (a)	\$ 550,000,000	\$ 581,322,000	\$ 373,300,000	\$ 417,941,000
Canada Investment				
Division investments	102,500,000	102,762,000	126,500,000	126,531,000
Alberta Investment				
Division investments (b)	330,000,000	295,619,000	304,100,000	331,978,000
Commercial Investment				
Division investments	29,400,000	33,541,000	23,500,000	32,380,000
Capital Projects				
Division investments	9,100,000	33,648,000	8,600,000	6,141,000
Administrative expenses	(1,000,000)	(1,329,000)	(1,000,000)	(1,194,000)
Net income	<b>\$1,020,000,000</b>	<b>\$1,045,563,000</b>	<b>\$ 835,000,000</b>	<b>\$ 913,777,000</b>

(a) Actual includes \$47,309,000 (1995 \$102,996,000) income from investments in Province of Alberta funds and agencies.

(b) Actual includes \$210,886,000 (1995 \$252,936,000) income from investments in Province of Alberta agencies.

## Note 5 Asset Management

Cash and Marketable Securities have been managed with the objectives of protecting the Fund's capital and positioning the Fund for future change. The portfolio is comprised of high-quality short-term and mid-term securities with a maximum term to maturity of five years.

Canadian equities held by the Commercial Investment Division have been managed on a passive approach. The portfolio has characteristics similar to the TSE 100 composite index. The portfolio cannot own bank stocks and does not invest in real estate companies.

Investments held by the Canada Investment Division are limited to debentures issued directly to the Fund by other provincial governments and their agencies.

Investments held by the Alberta Investment Division were made with the objectives of strengthening or diversifying the economy of Alberta, and to yield a reasonable return to the Fund.

The Capital Projects Division invested in projects which will provide long-term economic or social benefits to the people of Alberta. These projects do not necessarily yield a financial return.

# FINANCIAL STATEMENTS



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**Note 6      Subsequent Events**

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In May 1996, the Alberta Heritage Savings Trust Fund Act 1996 (the "New Act") was passed.

Section 29 of the New Act, which repeals the old Alberta Heritage Savings Trust Fund Act on proclamation, will abolish the Canada, Alberta, Energy and Commercial Investment Divisions and the Capital Projects Division of the Fund. All investments, cash, marketable securities, accrued interest and accounts receivable will be allocated to an Endowment Portfolio and a Transition Portfolio of the Fund as designated by the Lieutenant Governor in Council.

The Endowment Portfolio has the objective of maximizing long-term financial returns.

The Transition Portfolio has the objective of providing income support to the Government's consolidated fiscal plan over the short-term to medium-term. Following an initial allocation to the Endowment Portfolio of at least \$1.2 billion in 1996-97, assets with a book value of at least \$1.2 billion will be transferred from the Transition Portfolio to the Endowment Portfolio in each subsequent fiscal year. All assets in the portfolio will be transferred to the Endowment Portfolio on or before December 31, 2005.

All income of the Fund will be transferred to the General Revenue Fund except income needed to inflation proof the Fund. From 1996-97 to 1998-99, income will only be retained in the Fund for inflation proofing to the extent that the province's consolidated surplus exceeds \$500 million in that year.

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**Note 7      Comparative Figures**

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Certain 1995 figures have been reclassified to conform to 1996 presentation.

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**Note 8      Approval of Financial Statements**

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These financial statements were approved by management.

# FINANCIAL STATEMENTS



## CASH AND MARKETABLE SECURITIES

## SCHEDULE 1

March 31, 1996 (in \$ thousands)

	1996		1995	
	Cost	Fair Value	Cost	Fair Value
<b>Mid-term securities (a) (b):</b>				
Government of Canada, direct and guaranteed	3,040,661	3,058,749	1,847,271	1,813,924
Provincial:				
Alberta, direct and guaranteed	285,730	284,183	138,086	134,832
Other, direct and guaranteed	703,436	699,536	390,921	384,819
Municipal	8,440	9,133	9,220	9,456
Corporate	657,838	662,449	570,521	561,744
	<b>4,696,105</b>	<b>4,714,050</b>	<b>2,956,019</b>	<b>2,904,775</b>
<b>Short-term securities (a) (c):</b>				
Government of Canada, direct and guaranteed	1,555,031	1,560,650	1,165,874	1,164,254
Provincial:				
Alberta, direct and guaranteed	88,826	89,708	1,515,810	1,515,802
Other, direct and guaranteed	440,211	441,679	269,539	269,145
Municipal	623	638	544	549
Corporate	976,740	979,095	846,599	845,977
	<b>3,061,431</b>	<b>3,071,770</b>	<b>3,798,366</b>	<b>3,795,727</b>
<b>Deposits in the Consolidated Cash Investment Trust Fund</b>	<b>78,369</b>	<b>78,369</b>	<b>67,597</b>	<b>67,597</b>
	<b>7,835,905</b>	<b>7,864,189</b>	<b>6,821,982</b>	<b>6,768,099</b>

- (a) At March 31, 1996 securities with a fair value of \$1,834,000,000 were loaned to certain borrowers. The loans were secured by marketable securities with a fair value of \$1,973,000,000. During the term of the loans, the Fund retains the right to receive income on the securities loaned, in addition to the fees earned.
- (b) Mid-term securities have an average yield of 6.96% per annum based on cost and an average term to maturity of 3.30 years.
- (c) Short-term securities have an average yield of 6.21% per annum based on cost and an average term to maturity of 0.30 years.

# FINANCIAL STATEMENTS



## CANADA INVESTMENT DIVISION INVESTMENTS

## SCHEDULE 2

March 31, 1996 (in \$ thousands)

	1996		1995	
	Cost	Fair Value	Cost	Fair Value
<b>Debentures (a):</b>				
Province of New Brunswick	—	—	121,563	124,832
New Brunswick Electric Power Commission	49,649	55,950	84,420	90,251
Province of Newfoundland	—	—	49,930	50,532
Newfoundland and Labrador Hydro	149,510	166,707	149,381	163,894
Newfoundland Municipal Financing Corporation	59,828	69,962	59,784	67,498
Province of Nova Scotia	—	—	84,487	96,847
Nova Scotia Municipal Finance Corporation	11,232	12,626	13,723	15,019
Province of Prince Edward Island	28,804	30,315	48,628	55,341
Hydro-Quebec	306,400	350,403	305,978	333,235
	<b>605,423</b>	<b>685,963</b>	917,894	997,449

- (a) Debentures have an average yield of 11.95% per annum based on cost and an average term to maturity of 3.14 years. Approximately \$229 million will mature within five years and \$376 million after five years. Debentures amounting to \$594 million are redeemable prior to maturity at the option of the issuer.

Fair values are determined by using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Callable bonds are priced to the early call date.

# FINANCIAL STATEMENTS



## ALBERTA INVESTMENT DIVISION INVESTMENTS

## SCHEDULE 3

March 31, 1996 (in \$ thousands)

	1996		1995	
	Cost	Fair Value	Cost	Fair Value
<b>Provincial corporation debentures (a):</b>				
Agriculture Financial Services Corporation	837,158	888,050	894,285	915,502
Alberta Social Housing Corporation	975,507	1,128,195	1,220,627	1,335,760
Alberta Municipal Financing Corporation	140,000	167,088	140,000	162,009
Alberta Opportunity Company	38,608	39,702	78,397	79,284
<b>Corporate debentures:</b>				
TransCanada PipeLines Limited 10.426% convertible subordinated debentures (b)	150,000	154,725	150,000	155,000
<b>Common shares:</b>				
Canadian Western Bank	720	1,620	720	1,680
NOVA Corporation of Alberta Ltd.	112,283	139,339	112,283	133,928
	<u>2,254,276</u>	<u>2,518,719</u>	<u>2,596,312</u>	<u>2,783,163</u>
<b>Corporate debentures and loans for which no fair values are available:</b>				
Alberta Pacific Pulp Mill Project				
Adjustable rate debentures (c):				
Crestbrook Forest Industries Ltd.	136,951		125,144	
Kanzaki Paper Canada Inc.	85,418		78,054	
MC Forest Investment Inc.	119,616		109,304	
Millar Western Pulp Ltd. Loans (d)	20,600		20,600	
Ridley Grain Ltd. 11% participating first mortgage bonds (e)	106,250		119,090	

# FINANCIAL STATEMENTS



## SCHEDULE 3 (CONTINUED)

	1996		1995	
	Cost	Fair Value	Cost	Fair Value
<b>Participation in joint venture:</b>				
Syn crude Project (f)	—		324,232	
	<u>468,835</u>		<u>776,424</u>	
	<u><u>2,723,111</u></u>		<u><u>3,372,736</u></u>	

- (a) Provincial corporation debentures have an average yield of 10.00% per annum based on cost. Approximately \$107 million will mature within a year, \$612 million between one and five years, and \$1,272 million after five years. Interest rates on Alberta Municipal Financing Corporation debentures are fixed to maturity and redemption is by a single payment of the full principal sum on maturity. In general the interest rates on the other provincial corporation debentures are fixed for a five year period only and repayment is by either semi-annual or annual instalments of the principal sum over the life of the debenture. The Provincial Treasurer may permit all or part of the debentures to be redeemed by the issuer prior to maturity without penalty. During the year, debentures amounting to \$238,611,000 (1995 \$115,615,000) were redeemed prior to maturity. The Provincial Treasurer permits early redemption when the issuer has disposed of assets, or received early repayment of loans, financed by debentures issued to the Fund.

The Fund's investment in provincial corporation debentures is summarized hereunder:

	1996	1995
Balance at beginning of year	<b>\$2,333,309,000</b>	\$2,561,632,000
Disposals, repayments and redemptions:		
Alberta Social Housing Corporation	<b>(245,120,000)</b>	(146,351,000)
Agriculture Financial Services Corporation	<b>(57,127,000)</b>	(54,501,000)
Alberta Opportunity Company	<b>(39,789,000)</b>	(27,471,000)
Balance at end of year	<u><u>\$1,991,273,000</u></u>	<u><u>\$2,333,309,000</u></u>

Fair values for Provincial corporation debentures are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. These include a liquidity premium to reflect the fact that if the debentures are sold, there will be a limited pool of these securities trading in the market; and that the debentures would be new to the market and are not direct issues of the Province; a premium for the periodic interest reset feature where applicable; and a factor to reflect the blended payment structure of the debentures.

# FINANCIAL STATEMENTS



## SCHEDULE 3 (CONTINUED)

- (b) The debentures are convertible at the Fund's option into common shares of the company, at a conversion price of \$23.041 per share. The debentures are redeemable at any time between June 20, 1995 and December 20, 1996, subject to certain conditions, at the option of the company, at par plus accrued interest. After December 20, 1996 the debentures are redeemable at any time, at par plus accrued interest. The debentures mature on December 20, 2001.
- (c) Under the terms of the debentures, up to March 1, 1997, interest is accrued and capitalized semi-annually at the rate of 9.203% per annum. After that date interest is accrued at the same rate and paid monthly to the extent of the available cash flow. The rate will be adjusted on March 1, 2000 and every five years after that date to the Alberta 20 year Canadian dollar borrowing rate applicable on the date of adjustment. The debentures mature on November 30, 2010 and are repayable in five equal annual instalments commencing February 28, 2006. Total capitalized interest amounts to \$92,673,000 at March 31, 1996 (1995 \$63,190,000).
- (d) The Fund originally provided a \$120 million loan to Millar Western Pulp Ltd. The \$120 million loan was provided based on cash flow projections which indicated that the effective interest rate on the loan was lower than the Province's average cost of borrowings. This difference in interest rates constituted a form of financial assistance provided to the company. To reflect the value of the financial assistance provided, the recorded amount of the loan on the date of advance was reduced by a discount.

In June 1994, the loan was restructured as follows. \$30 million of the original loan was assumed by Millar Western Pulp (Whitecourt) Ltd., a subsidiary of Millar Western Pulp Ltd. The \$30 million loan is non-interest bearing and is secured by a debenture providing second charge against mill assets. The loan is subject to the prior claim of all bank debt. The loan is repayable under certain conditions. The main conditions include the transfer, sale or disposition of all or a portion of company shares, any sale of material assets of Whitecourt, or disposition of debt held by the chartered bank other than by normal loan repayments. The carrying value of the loan amounting to \$20.6 million, represents the present value of the anticipated loan repayments.

The remaining \$90 million loan to Millar Western Pulp Ltd. is secured by a loan debenture and an assignment of 60% of the shares in Millar Western Pulp (Whitecourt) Ltd. The loan carries interest at 10% compounded annually. These amounts will be repayable from the sale of shares of Millar Western Pulp (Whitecourt) Ltd. or from dividends or other distributions paid by Millar Western Pulp (Whitecourt) Ltd. to Millar Western Pulp Ltd. Income from the loan will be recognized to the extent that interest is received.

Collection of the \$90 million loan and related interest owing by Millar Western Pulp Ltd. is considered uncertain and the loan was written down to \$Nil to recognize the loss in value.

- (e) Under the terms of the bonds, prior to July 31, 1985, interest on the bonds has been capitalized and compounded annually; thereafter interest is compounded semi-annually and payable annually to the extent of available cash flow for that purpose, and any shortfall is to be capitalized. The principal, including capitalized interest, is repayable on or before July 31, 2015.

On August 1, 1995, federal rail subsidies for grain transportation under the Western Grain Transportation Act were eliminated, and the cost of transporting grain to Prince Rupert has increased relative to the cost of transporting grain to Vancouver terminals. As a result, there is increased uncertainty regarding grain throughput volumes at the Prince Rupert terminal. Accordingly, recorded capitalized interest amounting to \$8,590,000 has been reversed. Unrecorded capitalized interest amounts to \$42,927,000 at March 31, 1996 (1995 \$34,337,000). Income from the bonds is recognized to the extent that interest is received.



# FINANCIAL STATEMENTS



## SCHEDULE 3 (CONTINUED)

- (f) During the year, the Province agreed to terms for the sale of its remaining 11.74% interest in the Project to Athabasca Oil Sands Investments Inc., the Purchaser designated by Torch Energy Advisors Incorporated. Proceeds from the sale are subject to various adjustments, as defined in the agreement. Net gain from this disposition is estimated to amount to \$10.3 million. Discussion between the Province and the Purchaser respecting post closing adjustments may result in the Province realizing further gain from the sale.

The Fund's participation in the project is summarized hereunder:

	1996	1995
Balance at beginning of year	<b>\$ 324,232,000</b>	\$ 341,169,000
Advances	<b>29,566,000</b>	160,838,000
Disposal of 11.74% interest	<b>(329,451,000)</b>	—
Repayments	<b>(33,097,000)</b>	(219,644,000)
Net profit for the year	<b>8,750,000</b>	41,869,000
Balance at end of year	<b>\$ —</b>	\$ 324,232,000

# FINANCIAL STATEMENTS



## COMMERCIAL INVESTMENT DIVISION INVESTMENTS

## SCHEDULE 4

March 31, 1996 (in \$ thousands)

	1996		1995	
	Cost	Fair Value	Cost	Fair Value
<b>Canadian equities (a) (b):</b>				
Common shares and rights:				
Communications and media	7,787	19,842	7,787	18,116
Conglomerates	14,258	35,130	14,258	30,083
Consumer products	11,338	36,761	13,797	43,325
Financial services	8,541	16,627	8,541	13,841
Gold and silver	21,982	65,202	21,982	53,930
Industrial products	31,039	78,216	31,086	65,189
Merchandising	11,751	27,054	11,751	24,608
Metals and minerals	25,596	57,735	25,596	49,429
Oil and gas	30,426	62,202	30,426	53,149
Paper and forest products	9,004	15,742	9,004	17,860
Pipelines	11,348	18,497	11,348	17,670
Transportation and environmental services	6,784	12,898	6,784	12,316
Utilities	29,382	45,981	29,382	43,241
	<b>219,236</b>	<b>491,887</b>	<b>221,742</b>	<b>442,757</b>
<b>Short-term securities (b) (c):</b>				
Government of Canada, direct	29,388	29,444	87,483	87,488
Provincial:				
Alberta, direct	6,196	6,195	9,947	9,947
Other, direct and guaranteed	15,973	15,972	30,802	30,802
Corporate	203,767	203,792	89,179	89,179
	<b>474,560</b>	<b>747,290</b>	<b>439,153</b>	<b>660,173</b>

(a) The industrial classifications are those used by the Toronto Stock Exchange.

(b) At March 31, 1996 securities with a fair value of \$98,897,000 were loaned to certain borrowers. The loans were secured by marketable securities with a fair value of \$106,413,000. During the term of the loans, the Fund retains the right to receive income on the securities loaned, in addition to the fees earned.

(c) Short-term securities have an average yield of 5.23% per annum based on cost and an average term to maturity of 0.19 years.

# FINANCIAL STATEMENTS



## CAPITAL PROJECTS DIVISION INVESTMENTS

## SCHEDULE 5

March 31, 1996 (in \$ thousands)

Department/Project	1996	1995
<b>Economic Development and Tourism</b>		
Venture Capital Financing -		
Vencap Acquisition Corporation (a)	63,988	—
Vencap Equities Alberta Ltd. (a)	—	199,989
Unamortized discount on loan (b)	(55,133)	(63,748)
	<b>8,855</b>	<b>136,241</b>

- (a) In August 1995, the Province exercised an option to purchase one special share of Vencap Equities Alberta Ltd. ("Vencap") at \$1.00.

In October 1995, the Province agreed to terms of an Arrangement Agreement with Vencap and Vencap Acquisition Corporation (the "Acquiror"), an indirect wholly owned subsidiary of Onex Corporation. The following transactions took place in January 1996 between Vencap, the Acquiror and the Province in accordance with the terms of the Arrangement Agreement.

- The Province exercised its option to acquire a further 3,999,999 special shares of Vencap for an aggregate exercise price of \$3,999,999.
- Following the conversion by the Province of all special shares of Vencap into common shares, the Acquiror purchased all outstanding common shares of Vencap for \$8.50 per common share.
- All assets of Vencap were transferred to the Acquiror, and all liabilities of Vencap, including indebtedness of \$199,988,000 owing to the Province, were assumed by the Acquiror.
- The Acquiror repaid \$136,000,000 principal amount of its assumed indebtedness to the Province.
- The remaining \$63,988,000 outstanding principal amount has been rescheduled on amended terms as follows:
  - \$11,400,000 is repayable in January 2001, and will bear no interest.
  - The balance of \$52,588,000 is repayable in July 2046 and will also bear no interest.

The carrying value of the loan has been adjusted to an amount equal to the present value of the anticipated loan repayments (see (b)). The net gain from these transactions amounts to approximately \$34 million and is included in investment income.

# FINANCIAL STATEMENTS



## SCHEDULE 5 (CONTINUED)

- (b) The loan was originally provided to Vencap at an interest rate which was lower than the Province's cost of borrowings when the loan was advanced. This difference in interest rates constituted a form of financial assistance provided to Vencap. To reflect the value of the financial assistance provided, the recorded amount of the loan on the date of advance has been reduced by a discount. The discount is amortized to investment income over the remaining term of the loan.

# AUDITOR'S REPORT ON INVESTMENT RETURNS

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To the Provincial Treasurer

I have audited the Statement of Market Value Investment Returns of Cash and Marketable Securities and of the Commercial Investment Division of the Alberta Heritage Savings Trust Fund for the year ended and the two years ended March 31, 1996. This statement is the responsibility of the Fund's management. My responsibility is to express an opinion on this statement based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation.

In my opinion, this statement presents fairly, in all material respects, the investment returns of the Cash and Marketable Securities and of the Commercial Investment Division of the Fund for the year ended and the two years ended March 31, 1996 in accordance with the disclosed basis of accounting as described in Note 2 to the statement.

*Peter Valente*

FCA  
Auditor General

Edmonton, Alberta  
June 18, 1996

# AUDITOR'S REPORT ON INVESTMENT RETURNS



## STATEMENT OF MARKET VALUE INVESTMENT RETURNS OF CASH AND MARKETABLE SECURITIES AND OF THE COMMERCIAL INVESTMENT DIVISION

*For the Year Ended and the Two Years Ended March 31, 1996*

	One Year	Two Years
<b>Cash and Marketable Securities</b>		
Short-term (less than 1 year)	7.4%	6.8%
Mid-term (1-5 years)	11.2%	9.2%
<b>Total Return</b>	<b>8.8%</b>	<b>7.6%</b>
<b>Commercial Investment Division</b>		
Money market	7.0%	6.7%
Equities	16.3%	11.7%
<b>Total Return</b>	<b>12.9%</b>	<b>9.8%</b>

The accompanying notes are part of this statement.

## NOTES TO THE STATEMENT OF MARKET VALUE INVESTMENT RETURNS OF CASH AND MARKETABLE SECURITIES AND OF THE COMMERCIAL INVESTMENT DIVISION

*For the Year Ended and the Two Years Ended March 31, 1996*

### Note 1 Authority and Purpose

The Alberta Heritage Savings Trust Fund operates under the authority of the Alberta Heritage Savings Trust Fund Act (the Act), Chapter A-27, Revised Statutes of Alberta 1980, as amended.

The funds invested in cash and marketable securities and Canadian equities are comprised of readily marketable instruments. Therefore, returns can be calculated on the basis of market value.

The objectives of the remaining divisions include requirements such as the need to achieve policy objectives. Further, the investments are held for the long-term and most are not traded on public markets.

### Note 2 Significant Accounting Policy

Rates of return have been calculated at market value using the time-weighted method. The rate of return on investment measures the total proceeds received from an investment per dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized) for market value rates of return. The investment industry uses time-weighted rates of return when comparing the returns of funds with other funds or indices. The time-weighted rate of return is designed to eliminate the effect that the size and timing of cash flows has on the internal rate of return, since the pattern of cash flows vary significantly among funds.



In this section of the annual report are seven tables which provide some additional statistical information on aspects of the Heritage Fund.

## **FINANCIAL SUMMARY — FINANCIAL ASSETS AND RATES OF RETURN**

This table presents a five-year summary of the Heritage Fund's assets by division and by type of asset (market vs. policy investment) for the years ended March 31. It also summarizes rates of return of the Cash and Marketable Securities Portfolio, the Commercial Investment Division and the total Heritage Fund.

## **INCOME VARIANCE — ACTUAL TO BUDGET 1995-96**

Included is information on the variation of budgeted income for 1995-96 compared to actual Heritage Fund income for 1995-96, and the explanations for this variance. Information is presented by division.

## **COMPARISON OF BOOK AND FAIR VALUES OF HERITAGE FUND INVESTMENTS**

This table compares the book value of the Fund's financial assets with available fair values at March 31, 1996. Fair value is similar to market value. It represents the price at which an arms length person could buy or sell the asset in the marketplace. If the particular asset does not trade in any market, such as the Provincial corporation debentures in the Alberta Investment Division, then various procedures are used to estimate the fair value. Fair values for securities which are actively traded (bought and sold) are based on March 31, 1996, closing prices. Fair values were calculated by independent pricing sources and Canadian investment dealers. No attempt has been made to derive fair values for project investments, which would have required extensive analysis and due diligence.

The debentures in the Canada Investment Division are priced using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Callable bonds are priced to the early call date.

Fair values for provincial Crown corporation debentures in the Alberta Investment Division are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors such as liquidity and the blended payment structure of the debentures.

## **ALBERTA INVESTMENT DIVISION — SUMMARY OF INVESTMENT TRANSACTIONS**

This table shows the amount of purchases, write-downs, disposals, repayments and redemptions for each investment in the Alberta Investment Division (based on cost).

## **COMMERCIAL INVESTMENT DIVISION — SUMMARY OF INVESTMENT TRANSACTIONS**

This table shows the amount of purchases, amortizations, disposals, repayments and redemptions for each investment category in the Commercial Investment Division (based on cost). Market value as at March 31, 1996, is also shown for each major investment category for comparison purposes.

## **ANNUALIZED RATES OF RETURN**

This table shows 1, 3, 5 and 10-year annualized book value rates of return for the Heritage Fund for all divisions as well as the Cash and Marketable Securities portfolio. The book value rates of return include investments in joint ventures (Syncrude and the Lloydminster Bi-provincial Upgrader) as well as Al-Pac, Millar Western and Ridley Grain. Returns include applicable write-downs.

## **YIELD TO MATURITY**

This table shows the book value yields to maturity for all divisions of the Heritage Fund as at March 31, 1996 and March 31, 1995. Yields are for interest bearing securities only; equities and project investments are excluded. Yields on provincial corporation debentures do not reflect interest reopeners.

# STATISTICAL APPENDIX



## 20 Financial Summary for the Years Ended March 31

	1995-96	1994-95	1993-94	1992-93	1991-92
<b>Financial Assets (in \$ millions)</b>					
<i>By Division</i>					
Cash and Marketable Securities	7,836	6,768	6,029	5,339	4,865
Alberta Investment Division	2,722	3,373	3,706	4,421	4,658
Canada Investment Division	605	918	1,069	1,175	1,182
Commercial Investment Division	475	439	400	339	345
Capital Projects Division	9	136	131	127	122
Accrued Interest and Accounts Receivable	355	261	559	550	867
<b>Total</b>	<b>12,002</b>	<b>11,895</b>	<b>11,894</b>	<b>11,951</b>	<b>12,039</b>
<i>By Type of Asset</i>					
<u>Market Investments</u>					
Short-term Securities	3,395	3,991	3,425	3,072	2,519
Mid-term Securities	4,696	2,994	2,771	2,294	2,358
Canadian Equities	219	222	232	312	333
<u>Policy Investments</u>					
Debentures	2,596	3,251	3,631	4,118	4,332
Projects <sup>a</sup>	469	913	951	1,097	1,130
Corporate Securities <sup>a</sup>	272	263	325	508	500
<u>Other</u>					
Accrued Interest and Accounts Receivable	355	261	559	550	867
<b>Total</b>	<b>12,002</b>	<b>11,895</b>	<b>11,894</b>	<b>11,951</b>	<b>12,039</b>

<sup>a</sup> Vencap included in Projects except in 1995-96 where it is included in Corporate Securities.

### Rates of Return (%)

1 Year    3 Years    5 Years    10 Years  
*Time-weighted Rate of Return*

#### Annualized Returns Based on Market Values

##### Cash and Marketable Securities

<b>Short-term Marketable Securities</b>	<b>7.4</b>	<b>6.0</b>	<b>6.8</b>	<b>8.8</b>
<i>ScotiaMcLeod 91 day T-bills</i>	7.4	6.0	6.8	8.7
<b>Mid-term Marketable Securities</b>	<b>11.2</b>	<b>7.9</b>	<b>9.0</b>	<b>9.4</b>
<i>ScotiaMcLeod Short-term Bonds</i>	12.0	8.2	9.8	9.8

##### **Total Returns for Cash and Marketable Securities**

**8.8    6.7    7.9    9.3**

##### Commercial Investment Division

<b>Money Market Securities</b>	<b>7.0</b>	<b>6.1</b>	<b>n.a.<sup>b</sup></b>	<b>n.a.<sup>b</sup></b>
<i>ScotiaMcLeod 91 day T-bills</i>	7.4	6.0	6.8	8.7
<b>Canadian Equities</b>	<b>16.3</b>	<b>14.8</b>	<b>9.1</b>	<b>7.6</b>
<i>TSE 100 Index</i>	18.0	14.3	10.1	8.5

##### **Total Returns for Commercial Investment Division**

**12.9    12.7    7.9    7.2**

#### Annualized Returns and Cost of Debt Based on Book Values

**1995-96**                      **1992-96**  
**(one year)**                      **(four years)**

*Internal Rate of Return*

Total Heritage Fund Rate of Return	9.0	8.7
Debt Servicing Costs (General Revenue Fund)	8.3	8.7

<sup>b</sup> Returns for money market securities not available before April 1992.



# STATISTICAL APPENDIX



## 21 INCOME VARIANCE - ACTUAL TO BUDGET 1995-96

### ALBERTA INVESTMENT DIVISION

Income in the Alberta Investment Division differed from that forecasted in the budget for the following reasons:

- Sale of the province's remaining 11.74% interest in the Syncrude project was unanticipated for budget purposes. As a result of the sale, the Division earned \$23 million less in operating income than budgeted. The reduced operating income was offset somewhat by the \$10 million gain earned on the sale.
- Income from provincial corporation debentures was lower than anticipated. Alberta Social Housing Corporation and Alberta Opportunity Company made \$121 million in debenture payments in 1995-96 above the level forecasted in the budget. Also, interest rates in 1995-96 were lower than those assumed at the time of the budget. At the time of Budget '95, Alberta 20 to 25-year rates were forecast to average 10.30%, but the actual average for the year was 8.40%.

### CAPITAL PROJECTS DIVISION

The likely result of the sale and restructuring of the province's investment in Vencap was unknown for budget purposes, therefore, the gain of \$34 million was not reflected in the budget.

### COMMERCIAL INVESTMENT DIVISION

The Commercial Investment Division's holdings in short-term fixed income securities were higher than estimated at the time of the budget. This increased interest income to levels higher than budgeted but was partially offset by lower than expected dividend income from equities.

### CASH AND MARKETABLE SECURITIES

Interest rates in 1995-96 were lower than forecast at the time of the budget which caused lower interest income than budgeted. However, more significantly, it also had the effect of increasing the market value of the mid-term component of the portfolio above book value, resulting in the reversal of the \$53 million provision on the books at the end of 1994-95 because the book value exceeded market value at that time. Also, because of lower interest rates and the higher market value of the securities, the sale of securities during the year resulted in about \$11.5 million in capital gains being realized which were not budgeted.

<i>(in \$ millions)</i>	1995-96 Budgeted Income	1995-96 Actual Income	Income Variance
Alberta Investment Division			
Syncrude	32	19	(13)
Other	298	277	(21)
	<b>330</b>	<b>296</b>	<b>(34)</b>
Canada Investment Division	<b>103</b>	<b>103</b>	—
Commercial Investment Division			
Interest and Dividend Income	20	26	6
Realized Capital Gains	9	7	(2)
	<b>29</b>	<b>33</b>	<b>4</b>
Capital Projects Division (Vencap)	9	34	25
Cash and Marketable Securities	550	581	31
Administration Expenses	(1)	(1)	—
<b>TOTAL</b>	<b>1,020</b>	<b>1,046</b>	<b>26</b>



**22 Comparison of Book and Fair Values  
of Heritage Fund Investments  
at March 31, 1996 (in \$ millions)**

Financial Assets	Book Value	Fair Value <sup>a</sup>
<b>Cash and Marketable Securities</b>		
Mid-term securities	4,696	4,714
Short-term money market securities	3,140	3,150
<b>Total Cash and Marketable Securities</b>	<b>7,836</b>	<b>7,864</b>
<b>Canada Investment Division</b>	<b>605</b>	<b>686</b>
<b>Commercial Investment Division</b>	<b>475</b>	<b>747</b>
<b>Alberta Investment Division</b>		
<b>Provincial Crown Corporation Debentures</b>		
Agriculture Financial Services Corporation	837	888
Alberta Social Housing Corporation	976	1,128
Alberta Municipal Financing Corporation	140	167
Alberta Opportunity Company	39	40
<b>Corporate Securities</b>		
TransCanada PipeLines Limited convertible subordinated debentures	150	154
Canadian Western Bank common shares	1	2
NOVA Corporation common shares	112	139
<b>Alberta Investment Division Assets Above</b>	<b>2,255</b>	<b>2,518</b>
<b>Total for which Fair Values are Available</b>	<b>11,171</b>	<b>11,815</b>
<b>Remaining Investments at Book Value<sup>b</sup></b>	<b>476</b>	
<b>Accrued Interest and Accounts Receivable</b>	<b>355</b>	
<b>Total</b>	<b>12,002</b>	

<sup>a</sup> Fair value is similar to market value. It represents the price at which an arms length person could buy or sell the asset in the marketplace. If the particular asset does not trade in any market, such as the Provincial corporation debentures in the Alberta Investment Division, then various procedures are used to estimate the fair value.

<sup>b</sup> No fair values are available for the remaining investments: Alberta Pacific Pulp Mill project, Millar Western Pulp Ltd., Ridley Grain Ltd. (Prince Rupert) and Vencap Equities Alberta Ltd.

# STATISTICAL APPENDIX



**23 Alberta Investment Division**  
**Summary of Investment Transactions for**  
**the year ended March 31, 1996 (in \$ millions)**

	Cost March 31, 1995	Purchases	Write-down	Disposals, Repayments and Redemptions	Cost March 31, 1996
<b>Investments in Provincial</b>					
<b>Crown Corporations:</b>					
Agriculture Financial Services Corporation Debentures	894.3	—	—	57.1	837.2
Alberta Social Housing Corporation Debentures	1,220.6	—	—	245.1	975.5
Alberta Municipal Financing Corporation Debentures	140.0	—	—	—	140.0
Alberta Opportunity Company Debentures	78.4	—	—	39.8	38.6
<b>Total Provincial Crown Corporations</b>	<b>2,333.3</b>	<b>—</b>	<b>—</b>	<b>342.0</b>	<b>1,991.3</b>
<b>Other Alberta Investment</b>					
<b>Division Investments:</b>					
Alberta-Pacific Pulp Mill Project					
Variable rate debentures, Nov. 30, 2010					
Crestbrook Forest Industries Ltd.	125.1	11.9	—	—	137.0
Kanzaki Paper Canada Inc.	78.1	7.3	—	—	85.4
MC Forest Investment Inc.	109.3	10.3	—	—	119.6
Millar Western Pulp Ltd.					
Participating debenture, Oct. 31, 2004	20.6	—	—	—	20.6
Ridley Grain Ltd.					
Debenture, 11% July 31, 2015	119.1	—	8.6	4.3	106.2
TransCanada PipeLines Limited					
Convertible debenture, 10.426% Dec. 20, 2001	150.0	—	—	—	150.0
Canada Western Bank					
Common shares	0.7	—	—	—	0.7
NOVA Corporation					
Common shares	112.3	—	—	—	112.3
Participation in Syncrude Project	324.2	29.6	—	353.8	—
<b>Total</b>	<b>3,372.7</b>	<b>59.1</b>	<b>8.6</b>	<b>700.1</b>	<b>2,723.1</b>



**24 Commercial Investment Division**  
**Summary of Investment Transactions for**  
**the year ended March 31, 1996 (in \$ millions)**

	Cost March 31, 1995	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1996	Market Value March 31, 1996
Common and preferred shares	221.7	—	—	2.5	219.2	491.9
Short-term money market securities	209.2	864.1	14.1	832.1	255.3	255.4
Bonds, bond coupons and residuals	8.2	22.8	0.6	31.6	—	—
<b>Total</b>	<b>439.1</b>	<b>886.9</b>	<b>14.7</b>	<b>866.2</b>	<b>474.5</b>	<b>747.3</b>

**25 Yield to Maturity (Book Value)<sup>a</sup>**  
**as at March 31**

	1996	1995
<b>Cash and Marketable Securities</b>		
Short-term	6.2	7.7
Mid-term	7.0	7.4
<b>Cash and Marketable Securities Total</b>	<b>6.7</b>	<b>7.6</b>
<b>Commercial Investment Division</b>	<b>5.2</b>	<b>7.7</b>
<b>Canada Investment Division</b>	<b>11.9</b>	<b>11.9</b>
<b>Alberta Investment Division</b>	<b>10.0</b>	<b>10.3</b>
<b>Total Heritage Fund</b>	<b>7.6</b>	<b>8.6</b>

<sup>a</sup> Yields are for interest bearing securities only; equities and projects are excluded.



## 26 Annualized Book Value Rates of Return (percentage, years ending March 31, 1996)

Annualized Time-weighted Returns Based on Book Values	10 Years	5 Years	3 Years	1 Year
Alberta Investment Division <sup>a</sup>	10.9	10.5	10.8	9.5
Canada Investment Division	12.6	12.5	12.7	13.2
Commercial Investment Division	8.3	7.7	11.1	8.2
Cash and Marketable Securities	9.6	8.4	7.1	8.1
Total Returns <sup>b</sup>	11.0	9.8	8.5	9.0

<sup>a</sup> Includes investments in joint ventures (Syncrude and Lloydminster Bi-provincial Upgrader) as well as Al-Pac, Millar Western and Ridley Grain. Returns include applicable write-downs.

<sup>b</sup> Includes Vencap.



DETAILED LIST OF  
INVESTMENTS

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**CASH AND MARKETABLE SECURITIES**  
AS AT MARCH 31, 1996

Note: Subtotals and totals may not agree to financial statements due to rounding.

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
<b>Mid-term Securities</b>						
Government of Canada, Direct and Guaranteed						
Government of Canada	Bond	9.250	15-May-97	32,200,000.00	32,717,940.74	33,460,630.00
Government of Canada	Bond	9.750	01-Oct-97	10,800,000.00	11,228,575.96	11,393,784.00
Government of Canada	Bond	6.250	01-Feb-98	38,000,000.00	37,917,423.55	38,115,900.00
Government of Canada	Bond	6.000	15-Mar-98	50,000,000.00	49,870,000.00	49,910,000.00
Government of Canada	Bond	6.500	01-Sep-98	63,000,000.00	61,938,189.16	63,207,900.00
Government of Canada	Bond	9.500	01-Oct-98	45,000,000.00	47,405,774.87	48,195,000.00
Government of Canada	Bond	8.000	01-Nov-98	35,378,000.00	36,854,813.75	36,704,675.00
Government of Canada	Bond	10.250	01-Mar-97	172,700,000.00	178,734,432.54	173,356,260.00
Government of Canada	Coupon		01-Dec-98	15,500,000.00	12,533,515.65	12,996,750.00
Government of Canada	Bond	7.750	01-Sep-99	254,646,000.00	260,848,335.30	262,888,891.02
Government of Canada	Bond	9.250	01-Dec-99	172,700,000.00	190,422,446.13	186,472,825.00
Government of Canada	Bond	8.500	01-Mar-00	190,000,000.00	198,412,241.55	200,799,600.00
Government of Canada	Bond	9.750	01-May-00	60,000,000.00	66,260,915.45	66,055,800.00
Government of Canada	Bond	10.500	01-Jul-00	117,220,000.00	129,054,027.84	132,487,905.00
Government of Canada	Bond	11.500	01-Sep-00	9,000,000.00	10,835,875.57	10,538,280.00
Government of Canada	Bond	7.500	01-Sep-00	244,845,000.00	250,729,711.75	250,104,270.60
Government of Canada	Bond	10.500	01-Mar-01	120,000,000.00	138,133,645.62	137,097,600.00
Government of Canada	Bond	7.500	01-Mar-01	197,026,000.00	202,860,681.66	201,045,330.40
Canada Mortgage and Housing Corp.	Bond	8.800	01-Mar-00	30,000,000.00	32,663,797.08	31,919,700.00
Canada Mortgage and Housing Corp.	Bond	7.750	01-Dec-00	10,000,000.00	10,494,499.72	10,284,900.00
Canada Mortgage and Housing Corp.	Bond	6.750	01-Mar-01	55,000,000.00	54,731,685.86	54,265,200.00
Conduit Mortgage Obligations						
Incorporated	Accrual Bond		01-Jul-99	1,740,662.60	1,740,662.60	1,740,662.60
Electric Power Development Company	Euro Bond	8.750	11-Jun-97	8,000,000.00	8,040,196.95	8,255,040.00
Export Development Corporation	Euro Bond	6.625	12-Aug-98	7,000,000.00	6,949,569.51	7,013,160.00
Farm Credit Corporation	Interest Bearing Note	7.750	15-Mar-01	25,000,000.00	26,450,445.95	25,650,000.00
Federal Business Development Bank	Bond	7.500	10-Mar-98	21,100,000.00	21,679,913.16	21,651,343.00
Federal Business Development Bank	Bond	8.780	25-Nov-98	5,000,000.00	5,329,968.51	5,272,250.00
Petro Canada Hibernia	Bond	6.125	15-Dec-98	11,500,000.00	11,500,000.00	11,422,375.00
Petro Canada Hibernia	Bond	7.740	15-Dec-98	15,000,000.00	15,000,000.00	15,436,800.00
MBS-Acquisition Corporation	Fixed Rate Mortgage Backed Security	7.550	01-Oct-97	36,209,000.00	35,975,323.49	36,868,003.80
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	8.500	01-May-97	1,573,337.23	1,562,574.02	1,612,812.26
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	8.750	01-May-97	1,078,520.25	1,073,311.27	1,107,154.96
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	7.125	01-May-97	2,971,305.00	2,937,820.34	3,004,078.49
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	7.875	01-Jul-97	1,469,703.18	1,457,664.52	1,498,259.51
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	7.000	01-Jul-97	9,931,300.00	9,728,124.87	10,028,428.11
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	7.125	01-Aug-97	732,932.73	724,549.40	741,214.87
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	7.250	01-Sep-97	6,853,421.95	6,768,764.94	6,944,778.06
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	6.500	01-Sep-97	10,723,684.18	10,566,257.49	10,763,147.34



**CASH AND MARKETABLE SECURITIES  
AS AT MARCH 31, 1996 (CONTINUED)**

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	7.500	01-Oct-97	725,078.34	714,853.38	737,433.67
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	6.375	01-Oct-97	759,059.71	745,857.85	760,175.53
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	6.750	01-Nov-97	479,785.05	472,055.19	482,841.28
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	6.375	01-Nov-97	1,003,299.49	988,567.45	1,004,122.20
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	7.000	01-Dec-97	1,989,890.00	1,926,833.75	2,009,629.71
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	7.000	01-Jan-98	2,301,329.97	2,266,364.62	2,323,744.92
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	7.000	01-Feb-98	27,450,614.05	27,305,104.46	27,711,669.39
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	6.875	01-Apr-98	1,215,204.07	1,200,934.03	1,223,382.39
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	6.875	01-May-98	1,407,552.73	1,390,251.55	1,416,335.86
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	6.875	01-Jun-98	1,179,894.14	1,163,191.68	1,186,489.75
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	6.625	01-Jul-98	2,850,024.07	2,807,790.12	2,849,796.07
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	6.000	01-Aug-98	491,471.43	480,003.11	484,517.10
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	6.250	01-Oct-98	29,511,292.50	28,927,425.91	29,191,094.98
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	6.250	01-Jan-99	2,448,476.61	2,404,289.84	2,414,883.51
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	8.000	01-Oct-99	298,230.89	289,317.32	306,995.90
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	6.875	01-Apr-97	1,978,245.60	1,950,081.10	1,994,961.78
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	8.625	01-May-97	3,813,129.68	3,840,570.06	3,913,262.47
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	8.250	01-Jul-97	5,522,796.96	5,466,807.60	5,657,166.61
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	6.875	01-Sep-97	12,988,187.54	12,913,290.99	13,096,898.67
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	7.000	01-Sep-97	4,744,751.35	4,730,907.32	4,791,914.18
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	7.750	01-Dec-97	3,930,944.64	3,900,216.95	4,015,342.02
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	7.625	01-Jan-98	7,059,171.33	7,052,355.45	7,199,084.11
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	8.500	01-Jan-98	11,196,354.13	10,993,032.12	11,576,358.39
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	7.500	01-Feb-98	2,947,053.81	2,922,142.84	2,999,894.48
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	7.000	01-Mar-98	7,356,779.40	7,304,690.82	7,423,123.88
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	7.500	01-Mar-98	5,010,075.52	4,971,714.68	5,100,256.88
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	7.625	01-Mar-98	3,981,384.00	3,920,446.81	4,062,046.84
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	7.000	01-Jun-98	2,948,960.49	2,914,539.43	2,972,758.60
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	6.875	01-Jul-98	13,367,671.18	12,978,196.53	13,434,910.57
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	6.500	01-Nov-98	4,268,296.63	4,320,736.72	4,242,516.12
MBS-Conduit Mortgage Obligations Incorporated	Fixed Rate Mortgage Backed Security	4.950	01-Jul-99	19,959,408.27	18,791,650.25	19,354,638.20
MBS-Conduit Mortgage Obligations Incorporated	Fixed Rate Mortgage Backed Security	6.260	01-Oct-99	5,000,000.00	4,879,477.67	4,907,700.00
MBS-Conduit Mortgage Obligations Incorporated	Fixed Rate Mortgage Backed Security	6.250	01-Oct-99	6,000,000.00	5,855,373.21	5,865,360.00
MBS-Conduit Mortgage Obligations Incorporated	Fixed Rate Mortgage Backed Security	8.250	01-May-98	4,500,000.00	4,455,340.69	4,623,660.00
MBS-Conduit Mortgage Obligations Incorporated	Fixed Rate Mortgage Backed Security	6.250	01-Sep-98	13,050,882.13	12,863,731.48	12,960,831.04

**CASH AND MARKETABLE SECURITIES**  
**AS AT MARCH 31, 1996 (CONTINUED)**

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
MBS-Global Exempt Certificate Obligations	Fixed Rate Mortgage Backed Security	5.100	01-May-99	30,330,568.54	28,679,838.56	29,487,378.73
MBS-Global Exempt Certificate Obligations	Fixed Rate Mortgage Backed Security	6.400	01-May-99	18,500,000.00	18,447,817.41	18,245,995.00
MBS-Global Exempt Certificate Obligations	Fixed Rate Mortgage Backed Security	7.750	01-Aug-97	6,686,551.13	6,664,447.99	6,812,258.29
MBS-Global Exempt Certificate Obligations	Fixed Rate Mortgage Backed Security	7.250	01-Jul-98	3,032,561.51	3,115,892.74	3,070,953.74
MBS-Global Exempt Certificate Obligations	Fixed Rate Mortgage Backed Security	6.800	01-Oct-97	6,208,514.72	6,138,119.29	6,253,836.88
MBS-Global Exempt Certificate Obligations	Fixed Rate Mortgage Backed Security	7.400	01-Dec-97	5,000,000.00	4,931,766.80	5,084,500.00
MBS-Global Exempt Certificate Obligations	Fixed Rate Mortgage Backed Security	7.625	01-Nov-98	40,000,000.00	41,070,474.76	40,716,000.00
MBS-Equitable Trust	Fixed Rate Mortgage Backed Security	9.250	01-Feb-00	4,129,311.38	4,420,886.19	4,408,370.24
MBS-Equitable Trust	Fixed Rate Mortgage Backed Security	7.750	01-Oct-00	14,253,956.75	14,784,486.35	14,507,819.72
MBS-Equitable Trust	Fixed Rate Mortgage Backed Security	7.250	01-Nov-00	12,325,935.84	12,296,177.82	12,304,735.23
MBS-Family Trust	Fixed Rate Mortgage Backed Security	7.750	01-Jun-97	3,598,449.55	3,547,024.68	3,661,386.43
MBS-Feducie Desjardin	Fixed Rate Mortgage Backed Security	7.125	01-Apr-98	4,523,761.12	4,495,105.23	4,574,517.72
MBS-First Line Trust Company	Fixed Rate Mortgage Backed Security	7.500	01-Oct-97	4,939,085.65	4,945,483.77	5,023,247.67
MBS-First Line Trust Company	Fixed Rate Mortgage Backed Security	7.750	01-Feb-98	9,823,925.90	9,778,334.00	10,041,329.38
MBS-First Line Trust Company	Fixed Rate Mortgage Backed Security	7.000	01-Mar-98	17,653,778.00	17,455,998.09	17,817,781.60
MBS-First Line Trust Company	Fixed Rate Mortgage Backed Security	7.125	01-May-98	11,779,839.00	11,643,336.98	11,908,357.04
MBS-First Line Trust Company	Fixed Rate Mortgage Backed Security	6.875	01-Jul-98	4,913,617.55	4,721,639.31	4,938,283.91
MBS-First Line Trust Company	Fixed Rate Mortgage Backed Security	6.000	01-Feb-99	4,830,875.60	4,612,105.15	4,744,982.63
MBS-First Line Trust Company	Fixed Rate Mortgage Backed Security	6.875	01-Jul-98	3,899,469.00	3,838,537.41	3,930,742.74
MBS-Household Trust	Fixed Rate Mortgage Backed Security	7.250	01-Jul-98	8,333,976.70	8,290,954.80	8,453,152.57
MBS-Household Trust	Fixed Rate Mortgage Backed Security	6.250	01-Dec-98	4,351,281.05	4,221,593.28	4,296,454.91
MBS-Household Trust	Fixed Rate Mortgage Backed Security	6.125	01-Jan-99	4,638,106.90	4,396,916.09	4,563,201.47
MBS-Household Trust	Fixed Rate Mortgage Backed Security	7.125	01-Nov-99	4,926,890.00	4,839,971.89	4,952,411.29
MBS-Household Trust	Fixed Rate Mortgage Backed Security	8.625	01-Apr-00	4,791,200.00	4,784,466.17	4,999,425.55
MBS-London Life	Fixed Rate Mortgage Backed Security	8.375	01-May-97	6,400,549.32	6,390,832.82	6,546,929.88
MBS-London Life	Fixed Rate Mortgage Backed Security	5.750	01-Jun-97	9,315,810.00	9,088,520.02	9,278,080.97
MBS-London Life	Fixed Rate Mortgage Backed Security	7.750	01-Jun-97	3,359,119.75	3,366,625.06	3,416,795.84
MBS-London Life	Fixed Rate Mortgage Backed Security	7.750	01-Jul-97	2,275,778.00	2,261,998.92	2,315,672.39
MBS-London Life	Fixed Rate Mortgage Backed Security	8.250	01-Jul-97	9,345,018.52	9,327,710.83	9,563,785.40
MBS-London Life	Fixed Rate Mortgage Backed Security	6.750	01-Oct-97	3,873,842.10	3,799,610.93	3,898,053.61
MBS-London Life	Fixed Rate Mortgage Backed Security	7.750	01-Dec-97	8,398,257.73	8,221,690.01	8,554,213.38
MBS-London Life	Fixed Rate Mortgage Backed Security	7.875	01-Feb-98	3,182,719.60	3,150,089.15	3,251,848.27
MBS-London Life	Fixed Rate Mortgage Backed Security	7.750	01-Mar-98	7,731,844.00	7,706,753.87	7,886,480.88
MBS-London Life	Fixed Rate Mortgage Backed Security	7.625	01-Apr-98	7,153,741.19	6,947,043.28	7,297,746.00

**CASH AND MARKETABLE SECURITIES**  
AS AT MARCH 31, 1996 (CONTINUED)

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
MBS-London Life	Fixed Rate Mortgage Backed Security	7.625	01-Jun-98	8,175,348.90	7,984,746.48	8,341,880.76
MBS-London Life	Fixed Rate Mortgage Backed Security	6.375	01-Feb-99	8,986,851.81	8,737,937.74	8,896,713.69
MBS-London Life	Fixed Rate Mortgage Backed Security	7.375	01-Jun-99	16,740,898.59	16,300,586.68	16,922,872.16
MBS-Manufacturers Life Insurance Company	Fixed Rate Mortgage Backed Security	8.500	01-May-97	5,893,290.72	5,987,844.54	6,041,153.38
MBS-Manufacturers Life Insurance Company	Fixed Rate Mortgage-Backed Security	8.750	01-Dec-99	9,157,176.18	9,885,653.34	9,642,323.37
MBS-Manufacturers Life Insurance Company	Fixed Rate Mortgage Backed Security	7.375	01-Oct-00	25,596,249.10	25,361,656.16	25,699,657.95
MBS-MRS Trust	Fixed Rate Mortgage Backed Security	7.625	01-Jun-00	3,859,740.30	3,816,586.65	3,917,906.59
MBS-Multiple Retirement Services Trust	Fixed Rate Mortgage Backed Security	6.250	01-May-99	5,036,036.50	4,815,149.56	4,956,316.04
MBS-National Bank	Fixed Rate Mortgage Backed Security	7.250	01-Jun-97	3,684,704.79	3,648,038.75	3,730,800.45
MBS-National Bank	Fixed Rate Mortgage Backed Security	7.000	01-Jul-97	4,054,197.45	3,996,889.87	4,104,469.50
MBS-National Bank	Fixed Rate Mortgage Backed Security	7.375	01-Sep-97	3,839,789.46	3,809,845.18	3,891,281.04
MBS-National Bank	Fixed Rate Mortgage-Backed Security	8.000	01-Oct-97	27,786,666.26	27,641,813.94	28,289,359.05
MBS-National Bank	Fixed Rate Mortgage Backed Security	8.125	01-Oct-97	5,438,826.40	5,413,751.63	5,573,926.85
MBS-National Bank	Fixed Rate Mortgage Backed Security	7.500	01-Nov-97	6,390,988.16	6,357,911.33	6,488,322.91
MBS-National Bank	Fixed Rate Mortgage Backed Security	5.500	01-Mar-99	7,145,566.08	7,079,093.37	7,078,469.21
MBS-National Bank	Fixed Rate Mortgage Backed Security	8.250	01-May-97	2,289,476.48	2,346,520.50	2,336,845.75
MBS-Peoples Trust Company	Fixed Rate Mortgage Backed Security	7.875	01-Aug-97	8,228,966.36	8,245,172.41	8,394,862.32
MBS-Peoples Trust Company	Fixed Rate Mortgage-Backed Security	7.750	01-Feb-98	16,338,164.89	16,408,009.89	16,684,697.37
MBS-Peoples Trust Company	Fixed Rate Mortgage Backed Security	7.375	01-May-98	4,038,928.90	4,107,814.03	4,099,553.22
MBS-Peoples Trust Company	Fixed Rate Mortgage Backed Security	6.500	01-Oct-98	24,201,652.08	24,292,422.21	24,068,785.01
MBS-Peoples Trust Company	Fixed Rate Mortgage Backed Security	6.375	01-Apr-99	26,310,021.92	25,231,090.82	25,945,628.12
MBS-Peoples Trust Company	Fixed Rate Mortgage Backed Security	8.000	01-Jun-99	12,251,982.65	12,627,146.50	12,600,184.00
MBS-Peoples Trust Company	Fixed Rate Mortgage-Backed Security	8.625	01-Dec-99	14,871,097.20	15,636,114.31	15,571,228.46
MBS-Royal Bank of Canada	Fixed Rate Mortgage Backed Security	7.250	01-Feb-98	4,841,476.55	4,789,111.49	4,907,901.61
MBS-Royal Trust Corporation	Fixed Rate Mortgage Backed Security	8.625	01-Apr-97	6,353,804.10	6,351,515.24	6,496,065.77
MBS-Royal Trust Corporation	Fixed Rate Mortgage Backed Security	7.250	01-Oct-97	14,809,265.20	14,641,786.55	14,982,533.60
MBS-Security Home Mortgage	Fixed Rate Mortgage Backed Security	6.250	01-Jan-98	3,957,740.16	3,961,367.92	4,093,767.69
MBS-Security Home Mortgage	Fixed Rate Mortgage Backed Security	6.500	01-Apr-99	4,990,642.80	4,828,396.92	4,910,642.80
MBS-Security Home Mortgage	Fixed Rate Mortgage Backed Security	6.500	01-Apr-99	1,794,330.62	1,730,286.82	1,776,656.46
MBS-Security Home Mortgage	Fixed Rate Mortgage Backed Security	7.250	01-Jul-97	30,189,248.87	29,806,411.09	30,490,839.47
MBS-Structure MBS Inc.	Fixed Rate Mortgage Backed Security	7.875	01-Dec-97	10,000,000.00	9,929,518.13	10,224,500.00
MBS-Structure MBS Inc.	Fixed Rate Mortgage Backed Security	6.875	01-Jun-98	5,000,000.00	4,975,859.27	5,031,900.00
MBS-Structure MBS Inc.	Fixed Rate Mortgage Backed Security	6.875	01-Jun-98	5,000,000.00	4,983,658.50	5,038,700.00
MBS-Structure MBS Inc.	Fixed Rate Mortgage Backed Security	6.375	01-Nov-98	23,000,000.00	22,903,254.61	22,952,850.00
MBS-Sunlife Trust	Fixed Rate Mortgage Backed Security	7.875	01-Apr-98	5,643,627.57	5,583,360.82	5,780,259.79
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	6.875	01-Sep-97	1,855,323.51	1,844,291.70	1,870,852.57
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	7.000	01-Nov-97	5,865,856.98	5,799,474.51	5,924,632.87
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	7.875	01-Dec-97	6,887,297.80	6,943,687.69	7,048,391.70

**CASH AND MARKETABLE SECURITIES**  
**AS AT MARCH 31, 1996 (CONTINUED)**

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	7.625	01-Jan-98	4,684,547.58	4,808,524.36	4,777,114.24
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	7.125	01-Apr-98	1,310,185.73	1,300,274.29	1,324,886.01
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	7.375	01-May-98	1,610,936.83	1,597,295.14	1,636,147.99
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	9.375	01-Jul-99	6,087,217.81	6,631,181.76	6,503,887.87
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	7.625	01-Oct-00	4,784,358.24	4,979,344.05	4,852,870.25
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	7.625	01-Oct-00	8,076,280.12	8,406,048.89	8,191,609.40
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	6.250	01-Feb-01	3,993,850.08	3,851,683.06	3,826,825.62
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	6.625	01-Mar-01	11,523,451.00	11,233,981.14	11,233,175.27
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	6.375	01-Apr-01	50,000,000.00	48,525,200.00	48,667,000.00
MBS-Westminster Trust	Fixed Rate Mortgage Backed Security	6.125	01-Jan-99	2,807,590.53	2,668,894.51	2,763,988.65
				2,958,696,152.19	3,040,661,362.44	3,058,748,819.99
Provincial						
Alberta, Direct and Guaranteed						
Government of Alberta	Bond	7.750	04-Feb-98	45,797,000.00	46,915,319.55	47,079,316.00
Government of Alberta	Bond	9.750	08-May-98	16,500,000.00	17,358,877.77	17,655,000.00
Government of Alberta	Bond	8.000	01-Mar-00	35,000,000.00	36,852,504.21	36,312,500.00
Government of Alberta	Bond	6.250	01-Mar-01	100,000,000.00	98,994,747.01	96,800,000.00
Alberta Government Telephones						
Commission	Bond	9.500	08-Jul-97	32,112,000.00	33,115,408.29	33,557,040.00
Alberta Government Telephones						
Commission	Bond	9.600	07-Jul-98	14,000,000.00	14,957,515.12	14,980,000.00
Alberta Government Telephones						
Commission	Bond	11.700	15-Nov-99	7,300,000.00	8,484,821.43	8,388,430.00
Alberta Municipal Financing Corporation						
	Bond	14.100	02-Mar-01	23,333,000.00	29,050,550.72	29,411,246.50
				274,042,000.00	285,729,744.10	284,183,532.50

**CASH AND MARKETABLE SECURITIES**  
**AS AT MARCH 31, 1996 (CONTINUED)**

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Other, Direct and Guaranteed						
Ontario Hydro	Bond	7.250	31-Mar-98	15,000,000.00	14,879,966.70	15,300,000.00
Ontario Hydro	Floating Rate Note	5.308	16-Mar-99	50,000,000.00	49,789,035.92	49,900,000.00
Ontario Hydro	Euro Bond	10.875	29-Mar-99	10,000,000.00	10,818,989.75	11,050,000.00
Ontario Hydro	Bond	9.375	31-Jan-00	15,000,000.00	15,695,498.43	16,222,500.00
Ontario Hydro	Bond	10.000	19-Mar-01	90,000,000.00	102,735,242.07	100,575,000.00
Province of British Columbia	Euro Bond	9.250	06-May-97	31,900,000.00	32,695,308.38	33,036,597.00
Province of British Columbia	Bond	7.000	02-Mar-98	72,542,000.00	74,433,594.22	73,666,401.00
Province of British Columbia	Interest Bearing Note	7.700	09-Oct-98	4,300,000.00	4,468,425.49	4,408,962.00
Province of British Columbia	Euro Bond	10.000	09-Oct-98	33,400,000.00	35,455,912.94	35,926,042.00
Province of British Columbia	Interest Bearing Note	6.750	16-Aug-00	23,000,000.00	23,217,469.78	22,482,500.00
Province of British Columbia	Euro Bond	10.750	19-Feb-01	9,597,000.00	11,185,994.67	10,886,644.86
Province of Manitoba	Euro Bond	9.875	13-Jul-98	5,787,000.00	6,233,357.14	6,192,090.00
Province of Manitoba	Euro Bond	6.250	01-Apr-99	35,000,000.00	34,845,050.00	34,708,800.00
Province of Manitoba	Bond	7.000	19-Apr-99	10,000,000.00	9,933,316.83	10,122,500.00
Province of Ontario	Residual		16-Apr-97	9,532,000.00	8,959,350.59	8,979,144.00
Province of Ontario	Euro Bond	10.250	19-Apr-98	10,000,000.00	10,680,365.63	10,718,800.00
Province of Ontario	Euro Bond	10.625	15-Jul-98	31,600,000.00	34,266,527.61	34,226,908.00
Province of Ontario	Bond	10.875	10-Jan-01	82,000,000.00	95,262,149.48	94,209,800.00
Province of Saskatchewan	Bond	10.125	03-Jul-98	35,000,000.00	37,599,195.53	37,791,250.00
Province of Saskatchewan	Bond	7.650	02-Nov-98	28,191,000.00	29,109,782.33	28,987,395.75
Province of Saskatchewan	Bond	9.875	06-Jul-99	4,300,000.00	4,749,563.80	4,691,085.00
Province of Saskatchewan	Euro Bond	6.750	14-Feb-00	20,000,000.00	19,946,731.69	19,784,000.00
Province of Saskatchewan	Bond	11.250	12-Jul-00	14,700,000.00	17,354,511.19	16,964,535.00
Province of Saskatchewan	Bond	11.000	09-Jan-01	16,205,000.00	19,120,747.64	18,704,621.25
				657,054,000.00	703,436,087.81	699,535,575.86
				931,096,000.00	989,165,831.91	983,719,108.36
Municipal						
British Columbia Municipal	Bond	10.000	30-Jul-97	4,880,000.00	5,060,887.97	5,146,789.60
Financing Corporation	Retractable Bond	10.250	01-Mar-98	3,450,000.00	3,379,321.24	3,986,578.50
City of Edmonton				8,330,000.00	8,440,209.21	9,133,368.10

**CASH AND MARKETABLE SECURITIES**  
AS AT MARCH 31, 1996 (CONTINUED)

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Corporate						
ABS-ACE Trust	Fixed Rate Asset Backed Security	7.000	01-Jul-98	5,276,760.30	5,276,760.30	5,318,446.71
ABS-ACE II Trust	Fixed Rate Asset Backed Security	5.300	01-Sep-98	10,185,291.41	10,103,097.73	10,112,975.84
ABS-ACE III Trust	Fixed Rate Asset Backed Security	8.550	01-Jun-99	15,875,162.93	16,132,796.52	16,311,729.91
ABS-Bombardier	Floating Rate Note	5.623	15-Jul-97	10,000,000.00	10,000,000.00	10,000,000.00
ABS-Canadian Tire Receivables Trust	Interest Bearing Note	7.480	01-Nov-02	25,000,000.00	25,000,000.00	25,070,000.00
ABS-Case Canada Equipment	Fixed Rate Asset Backed Security	7.350	17-Jun-02	42,805,152.09	43,275,422.44	43,259,742.81
ABS-Conventional Mortgage Conduit Inc.	Fixed Rate Asset Backed Security	5.400	01-Oct-98	13,245,480.23	13,084,869.55	13,117,396.44
ABS-Conventional Mortgage Conduit Inc.	Fixed Rate Asset Backed Security	6.550	01-Oct-98	10,000,000.00	9,979,948.01	9,987,500.00
ABS-Fairview Trust	Fixed Rate Asset Backed Security	8.300	01-Dec-99	42,381,417.40	42,974,455.21	43,309,570.44
ABS-FLEET III Trust	Fixed Rate Asset Backed Security	6.890	01-Sep-97	3,631,700.00	3,631,700.00	3,652,037.52
Alean Aluminum Ltd.	Bond	12.450	07-Nov-97	14,830,000.00	15,494,866.42	16,258,351.45
Bank of Nova Scotia	Interest Bearing Note	8.100	30-Oct-97	36,000,000.00	36,248,874.21	37,062,000.00
Bank of Nova Scotia	Interest Bearing Note	6.600	01-Feb-01	15,000,000.00	15,046,351.33	14,602,500.00
Bank of Nova Scotia	Euro Bond	6.625	08-Mar-01	25,000,000.00	24,259,055.17	24,237,500.00
Bank of Nova Scotia - Mortgage	Interest Bearing Note	7.650	17-Jul-97	10,000,000.00	9,998,963.72	10,210,000.00
BC Telecom Inc.	Bond	7.250	15-Jul-98	29,400,000.00	29,247,827.87	29,870,106.00
BCE Inc.	Bond	9.000	28-Aug-97	11,400,000.00	11,797,287.18	11,919,270.00
Bell Canada	Euro Bond	8.875	25-Jul-97	21,347,000.00	21,612,831.25	22,067,461.25
Bell Canada	Bond	9.200	01-Jun-99	9,000,000.00	9,356,417.88	9,640,440.00
Bell Canada	Euro Bond	9.375	01-Dec-99	7,133,000.00	7,433,165.78	7,618,971.29
Bell Canada	Euro Bond	12.375	20-Jun-00	15,425,000.00	18,696,613.25	18,114,811.50
Canada Trustco Mortgage Company	Bond	9.000	02-Apr-97	5,000,000.00	4,984,918.45	5,147,500.00
Canada Trustco Mortgage Company	Interest Bearing Note	9.000	02-Apr-97	5,000,000.00	4,985,830.71	5,147,500.00
Canada Trustco Mortgage Company	Interest Bearing Note	8.750	10-Jun-97	16,000,000.00	16,152,780.99	16,488,000.00
Canada Credit Card Master Trust	Interest Bearing Note	8.450	15-Feb-98	36,050,000.00	37,263,562.17	37,149,525.00
Canadian Imperial Bank of Commerce	Interest Bearing Note	8.200	02-Dec-97	10,000,000.00	10,217,258.39	10,227,100.00
Canadian Tire	Interest Bearing Note	8.500	01-Dec-97	5,700,000.00	5,720,322.53	5,859,600.00
Canadian Utilities Corporation	Interest Bearing Note	7.550	17-Jan-99	5,000,000.00	5,000,000.00	5,055,000.00
Chrysler Credit Canada	Interest Bearing Note	7.930	14-Sep-98	10,000,000.00	10,000,000.00	10,250,000.00
Consumers Gas Company	Bond	7.550	15-Dec-97	4,000,000.00	4,092,956.24	4,100,680.00
Consumers Gas Company	Interest Bearing Note	7.850	03-Oct-00	10,000,000.00	9,980,167.49	10,145,000.00
Ford Credit Canada	Interest Bearing Note	8.740	15-Sep-97	5,000,000.00	4,997,179.38	5,172,500.00
Ford Credit Canada	Interest Bearing Note	9.100	11-Aug-99	5,000,000.00	5,020,727.17	5,282,500.00
Imasco Limited	Interest Bearing Note	7.650	02-Nov-98	5,000,000.00	5,139,719.16	5,105,000.00
Mobil Oil Canada	Euro Bond	9.000	02-May-97	18,464,000.00	18,735,376.13	19,052,632.32

**CASH AND MARKETABLE SECURITIES  
AS AT MARCH 31, 1996 (CONTINUED)**

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Mobil Oil Canada	Euro Bond	8.125	20-Jan-98	4,200,000.00	4,356,496.15	4,315,500.00
Mobil Oil Canada	Euro Bond	7.625	22-Sep-98	5,000,000.00	5,161,441.22	5,106,250.00
Montreal Trustco	Euro Bond	10.750	20-Feb-98	5,000,000.00	5,180,408.62	5,359,400.00
National Bank of Canada	Bond	10.875	01-Jun-98	5,000,000.00	5,520,983.08	5,437,200.00
National Bank of Canada	Interest Bearing Note	6.700	01-Mar-99	10,000,000.00	10,000,000.00	9,920,000.00
National Bank of Canada	Bond	10.500	05-Apr-01	10,000,000.00	11,306,364.37	11,212,100.00
Northern Telecom	Interest Bearing Note	7.450	10-Mar-98	9,000,000.00	9,291,873.24	9,180,000.00
Norwest Financial	Euro Bond	6.250	21-Dec-98	10,000,000.00	9,580,151.34	9,879,000.00
Petro Canada	Interest Bearing Note	9.375	24-Jun-97	8,000,000.00	8,189,378.15	8,300,000.00
Royal Bank of Canada	Bond	10.900	15-Jan-99	9,514,000.00	10,673,101.95	10,513,493.27
Royal Bank of Canada	Bond	10.200	14-Oct-99	10,350,000.00	11,068,454.96	11,415,946.50
Royal Bank of Canada	Bond	11.750	31-Jan-01	9,649,000.00	11,670,631.91	11,387,460.33
TransAlta Utilities Corporation	Bond	10.750	17-Nov-97	8,020,000.00	8,631,131.32	8,600,086.60
TransAlta Utilities Corporation	Bond	10.375	06-Jul-98	4,535,000.00	4,945,797.05	4,917,912.73
Westcoast Energy Inc.	Bond	11.300	24-Nov-97	2,450,000.00	2,598,682.06	2,633,260.00
				639,086,964.36	657,838,266.48	662,448,527.74
				4,537,209,116.55	4,696,105,670.04	4,714,049,824.19
<b>Short-term Securities</b>						
Government of Canada	Treasury Bill		04-Apr-96	20,000,000.00	19,987,535.86	19,984,000.00
Government of Canada	Treasury Bill		11-Apr-96	50,000,000.00	49,905,135.88	49,913,000.00
Government of Canada	Treasury Bill		18-Apr-96	60,000,000.00	59,812,590.63	59,839,200.00
Government of Canada	Bond	9.250	01-May-96	103,780,000.00	103,932,018.99	104,113,133.80
Government of Canada	Residual		01-May-96	50,000,000.00	49,732,406.67	49,776,000.00
Government of Canada	Treasury Bill		02-May-96	32,150,000.00	31,969,958.35	32,003,717.50
Government of Canada	Treasury Bill		16-May-96	30,000,000.00	29,774,979.12	29,807,100.00
Government of Canada	Treasury Bill		23-May-96	50,000,000.00	49,571,457.14	49,631,500.00
Government of Canada	Treasury Bill		30-May-96	34,000,000.00	33,641,793.81	33,717,120.00
Government of Canada	Treasury Bill		30-May-96	10,000,000.00	9,904,230.77	9,916,800.00
Government of Canada	Bond	8.750	01-Jun-96	50,000,000.00	50,268,495.11	50,265,000.00
Government of Canada	Coupon		01-Jun-96	2,812,500.00	2,784,771.35	2,787,187.50
Government of Canada	Residual		01-Jun-96	50,000,000.00	49,496,296.97	49,550,000.00
Government of Canada	Treasury Bill		06-Jun-96	55,000,000.00	54,441,507.14	54,488,500.00
Government of Canada	Treasury Bill		13-Jun-96	40,000,000.00	39,531,387.07	39,588,800.00
Government of Canada	Treasury Bill		20-Jun-96	14,000,000.00	13,834,138.29	13,842,220.00
Government of Canada	Treasury Bill		27-Jun-96	30,000,000.00	29,641,327.47	29,632,200.00

**CASH AND MARKETABLE SECURITIES**  
**AS AT MARCH 31, 1996 (CONTINUED)**

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Government of Canada	Coupon		01-Jul-96	750,000.00	739,129.95	740,250.00
Government of Canada	Treasury Bill		04-Jul-96	10,000,000.00	9,859,170.33	9,867,400.00
Government of Canada	Treasury Bill		11-Jul-96	35,000,000.00	34,465,985.16	34,501,250.00
Government of Canada	Treasury Bill		25-Jul-96	40,000,000.00	39,159,994.82	39,349,600.00
Government of Canada	Bond	6.500	01-Aug-96	40,700,000.00	40,716,969.17	40,862,800.00
Government of Canada	Residual		01-Aug-96	53,000,000.00	51,885,817.53	52,072,500.00
Government of Canada	Treasury Bill		08-Aug-96	20,000,000.00	19,515,431.37	19,634,200.00
Government of Canada	Treasury Bill		22-Aug-96	50,000,000.00	48,738,061.54	48,983,000.00
Government of Canada	Coupon		01-Sep-96	5,346,000.00	5,216,853.15	5,228,388.00
Government of Canada	Treasury Bill		05-Sep-96	10,000,000.00	9,743,340.22	9,775,900.00
Government of Canada	Treasury Bill		12-Sep-96	30,000,000.00	29,284,380.49	29,296,500.00
Government of Canada	Coupon		15-Sep-96	1,533,125.00	1,492,957.78	1,495,563.44
Government of Canada	Residual		15-Sep-96	100,000,000.00	96,967,382.90	97,550,000.00
Government of Canada	Treasury Bill		19-Sep-96	20,000,000.00	19,439,969.70	19,510,200.00
Government of Canada	Treasury Bill		26-Sep-96	15,000,000.00	14,624,395.05	14,616,900.00
Government of Canada	Bond	9.250	01-Oct-96	101,830,000.00	102,781,325.69	103,774,953.00
Government of Canada	Coupon		01-Oct-96	3,972,500.00	3,858,993.69	3,867,228.75
Government of Canada	Residual		01-Oct-96	25,000,000.00	24,173,236.56	24,337,500.00
Government of Canada	Coupon		01-Nov-96	1,098,500.00	1,061,943.20	1,064,446.50
Government of Canada	Treasury Bill		28-Nov-96	25,000,000.00	24,055,055.87	24,131,750.00
Government of Canada	Bond	8.250	01-Mar-97	7,700,000.00	7,811,540.05	7,882,875.00
Government of Canada	Bond	8.000	15-Mar-97	40,000,000.00	40,297,580.67	40,900,000.00
Canada Mortgage and Housing Corporation	Discount Note		03-Jul-96	25,000,000.00	24,650,469.78	24,664,250.00
Canada Mortgage and Housing Corporation	Discount Note		04-Jul-96	10,000,000.00	9,858,700.55	9,864,200.00
Canada Mortgage and Housing Corporation	Discount Note		05-Jul-96	25,000,000.00	24,644,327.87	24,656,750.00
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	9.500	01-Apr-96	4,807,320.55	4,807,386.60	4,799,292.32
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	6.000	01-May-96	557,503.68	556,887.97	556,734.32
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	9.625	01-May-96	4,905,087.90	4,903,555.25	4,913,917.06
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	6.375	01-Jun-96	981,984.65	980,438.25	981,807.89
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	6.000	01-Jul-96	1,874,701.73	1,870,416.87	1,874,026.84
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	5.500	01-Oct-96	2,258,575.67	2,245,803.24	2,253,719.73
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	5.500	01-Mar-97	2,656,251.90	2,638,504.63	2,645,998.77
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	7.875	01-Mar-97	15,601,787.68	15,506,784.93	15,848,139.91
MBS-Bank of Nova Scotia	Fixed Rate Mortgage Backed Security	8.250	01-Mar-97	2,254,577.69	2,246,694.09	2,299,894.70
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	9.375	01-Apr-96	1,926,050.24	1,926,189.55	1,922,814.48
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	6.375	01-Jul-96	9,773,254.00	9,772,331.57	9,778,824.75
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	5.750	01-Aug-96	39,026,581.00	38,903,107.38	38,991,457.08



**CASH AND MARKETABLE SECURITIES**  
**AS AT MARCH 31, 1996 (CONTINUED)**

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	5.500	01-Sep-96	4,876,495.45	4,863,643.35	4,866,986.28
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	4.750	01-Dec-96	19,519,159.00	19,415,037.00	19,372,179.73
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	7.750	01-Feb-97	5,834,468.30	5,762,282.70	5,918,367.95
MBS-CIBC Mortgage Corporation	Fixed Rate Mortgage Backed Security	8.500	01-Mar-97	8,829,042.12	8,805,854.05	9,025,576.60
MBS-First Line Trust Company	Fixed Rate Mortgage Backed Security	9.625	01-Apr-96	4,406,624.95	4,406,825.83	4,399,309.95
MBS-First Line Trust Company	Fixed Rate Mortgage Backed Security	9.750	01-May-96	2,439,707.90	2,443,363.31	2,444,367.74
MBS-First Line Trust Company	Fixed Rate Mortgage Backed Security	7.375	01-Jan-97	3,909,314.44	3,874,798.70	3,949,541.29
MBS-National Bank	Fixed Rate Mortgage Backed Security	8.375	01-Jan-97	8,068,809.67	8,099,267.71	8,204,769.11
MBS-Peoples Trust Company	Fixed Rate Mortgage Backed Security	9.875	01-Sep-96	2,393,827.20	2,397,813.31	2,421,164.71
MBS-Peoples Trust Company	Fixed Rate Mortgage Backed Security	9.875	01-Nov-96	2,437,820.62	2,443,532.12	2,471,901.35
MBS-Royal Bank of Canada	Fixed Rate Mortgage Backed Security	7.875	01-Jan-97	5,792,064.96	5,870,368.81	5,873,038.03
MBS-Royal Trust Company	Fixed Rate Mortgage Backed Security	9.000	01-Mar-97	14,064,032.64	14,069,218.40	14,374,144.56
MBS-Shoppers Trust	Fixed Rate Mortgage Backed Security	9.625	01-Aug-96	4,700,721.48	4,704,388.79	4,731,699.23
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	6.375	01-May-96	4,882,612.50	4,879,647.12	4,877,485.76
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	9.625	01-Jun-96	8,543,707.89	8,585,817.44	8,588,562.36
MBS-Toronto Dominion Bank	Fixed Rate Mortgage Backed Security	8.125	01-Jan-97	4,706,868.35	4,777,520.93	4,780,860.32
				1,569,701,579.16	1,555,030,523.60	1,560,650,466.31
<b>Provincial</b>						
Alberta, Direct and Guaranteed						
Government of Alberta	Bond	5.750	03-Sep-96	23,500,000.00	23,310,721.99	23,544,180.00
Government of Alberta	Bond	6.400	16-Sep-96	25,000,000.00	25,037,547.01	25,114,750.00
Alberta Government Telephones						
Commission	Bond	9.000	15-Jan-97	39,982,000.00	40,477,592.82	41,049,519.40
				88,482,000.00	88,825,861.82	89,708,449.40
<b>Other, Direct and Guaranteed</b>						
Ontario Hydro	Discount Note		09-Apr-96	5,000,000.00	4,992,137.78	4,992,450.00
Ontario Hydro	Interest Bearing Note	7.950	29-Jul-96	15,000,000.00	15,056,282.69	15,120,000.00
Province of British Columbia	Discount Note		06-May-96	10,000,000.00	9,941,776.54	9,947,900.00
Province of British Columbia	Euro Bond	10.000	03-Jun-96	44,000,000.00	44,193,816.88	44,330,000.00
Province of New Brunswick	Treasury Bill		05-Jun-96	10,000,000.00	9,907,526.67	9,906,400.00
Province of New Brunswick	Treasury Bill		13-Jun-96	10,000,000.00	9,893,522.22	9,895,100.00
Province of New Brunswick	Treasury Bill		05-Sep-96	10,000,000.00	9,777,316.02	9,771,500.00
Province of New Brunswick	Treasury Bill		20-Jun-96	10,000,000.00	9,888,389.53	9,885,500.00
Province of Newfoundland	Treasury Bill		03-Apr-96	9,700,000.00	9,695,243.85	9,693,501.00
Province of Ontario	Euro Bond	10.250	04-Apr-96	7,000,000.00	7,003,390.25	7,004,410.00

**CASH AND MARKETABLE SECURITIES**  
AS AT MARCH 31, 1996 (CONTINUED)

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Province of Ontario	Treasury Bill		30-Apr-96	15,625,000.00	15,548,229.17	15,557,656.25
Province of Ontario	Residual Bond		01-May-96	42,000,000.00	41,756,060.24	41,809,740.00
Province of Ontario	Bond	10.750	01-May-96	13,000,000.00	13,032,991.71	13,059,800.00
Province of Ontario	Discount Note		07-May-96	25,000,000.00	24,850,406.94	24,866,250.00
Province of Ontario	Treasury Bill		20-Jun-96	33,200,000.00	32,800,089.05	32,823,512.00
Province of Ontario	Treasury Bill		27-Jun-96	22,000,000.00	21,711,800.00	21,728,520.00
Province of Ontario	Euro Bond	10.000	30-Sep-96	86,086,000.00	87,178,363.18	87,807,720.00
Province of Ontario	Bond	10.250	03-Oct-96	20,600,000.00	20,917,023.19	21,101,610.00
Province of Ontario	Treasury Bill		11-Dec-96	3,500,000.00	3,360,232.53	3,368,050.00
Province of Saskatchewan	Bond	9.750	16-Apr-96	28,587,000.00	28,617,336.41	28,688,483.85
Province of Saskatchewan	Bond	9.000	17-Sep-96	8,000,000.00	8,035,906.36	8,141,200.00
Province of Saskatchewan	Retractable Bond	9.000	11-Dec-96	4,400,000.00	4,462,578.54	4,511,584.00
Province of Saskatchewan	Bond	8.125	04-Feb-97	7,500,000.00	7,590,357.95	7,667,625.00
				440,198,000.00	440,210,777.70	441,678,512.10
				528,680,000.00	529,036,639.52	531,386,961.50
<b>Municipal</b>						
Hamilton Wentworth Ontario Regional Municipal	Bond	14.500	02-Nov-96	608,000.00	623,166.54	638,096.00
<b>Corporate</b>						
ABN Amro Bank Canada	Bearer Deposit Note		26-Jun-96	10,000,000.00	9,880,185.87	9,876,600.00
ABS-ARC Trust	Fixed Rate Asset Backed Security	7.240	01-Jan-97	1,377,950.00	1,377,950.00	1,383,324.01
ABS-FLEET Trust	Fixed Rate Asset Backed Security	8.100	01-Apr-96	56,505.19	56,505.66	56,403.48
ABS-FLEETII Trust	Fixed Rate Asset Backed Security	7.650	01-Mar-97	2,887,086.06	2,892,041.47	2,902,098.90
ABS-Lease Equipment Asset Securization Trust	Interest Bearing Note	5.570	15-Jun-96	6,000,000.00	6,000,000.00	6,003,300.00
ABS-Tri Trust	Fixed Rate Asset Backed Security	7.950	01-Aug-96	593,672.15	593,672.15	594,800.13
Alberta Energy Company	Discount Note		13-Jun-96	2,000,000.00	1,978,474.22	1,978,920.00
Alberta Energy Company	Bond	10.500	30-Jun-96	6,400,000.00	6,434,883.27	6,484,896.00
Bank of America Canada	Banker's Acceptance		01-Apr-96	10,000,000.00	9,998,472.29	9,995,900.00
Bank of Montreal	Banker's Acceptance		01-Apr-96	31,800,000.00	31,795,204.99	31,786,962.00
Bank of Montreal	Banker's Acceptance		02-Apr-96	25,000,000.00	24,992,461.11	24,986,250.00
Bank of Montreal	Banker's Acceptance		03-Apr-96	15,800,000.00	15,792,890.00	15,789,098.00
Bank of Montreal	Banker's Acceptance		08-Apr-96	20,000,000.00	19,975,751.11	19,972,600.00
Bank of Montreal	Banker's Acceptance		10-Jun-96	10,000,000.00	9,897,825.29	9,899,300.00
Bank of Montreal	Banker's Acceptance		14-Jun-96	4,800,000.00	4,748,215.38	4,748,976.00

**CASH AND MARKETABLE SECURITIES**  
AS AT MARCH 31, 1996 (CONTINUED)

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Bank of Montreal	Banker's Acceptance		20-Jun-96	15,000,000.00	14,831,352.72	14,827,650.00
Bank of Nova Scotia	Bearer Deposit Note		09-Apr-96	20,000,000.00	19,972,888.66	19,969,800.00
Bank of Nova Scotia	Bearer Deposit Note		03-Jun-96	15,000,000.00	14,866,026.67	14,863,800.00
Bank of Nova Scotia	Bearer Deposit Note		04-Jun-96	25,000,000.00	24,772,323.37	24,769,500.00
Bank of Nova Scotia	Banker's Acceptance		11-Jun-96	12,000,000.00	11,875,701.82	11,877,480.00
Bank of Nova Scotia	Bearer Deposit Note		20-Jun-96	50,000,000.00	49,430,387.10	49,425,500.00
Bank of Nova Scotia	Bearer Deposit Note		25-Jun-96	10,000,000.00	9,881,773.63	9,878,000.00
Bank of Nova Scotia	Bearer Deposit Note		27-Jun-96	10,000,000.00	9,879,468.09	9,875,200.00
Bank of Nova Scotia	Bearer Deposit Note		28-Jun-96	10,000,000.00	9,877,767.02	9,873,700.00
Bank of Nova Scotia	Interest Bearing Note	8.400	22-Jul-96	2,800,000.00	2,802,680.47	2,826,600.00
Bank of Nova Scotia	Interest Bearing Note	8.200	26-Jul-96	9,300,000.00	9,303,770.64	9,388,350.00
Bank of Nova Scotia - Mortgage	Interest Bearing Note	7.850	24-Jun-96	5,000,000.00	5,000,000.00	5,030,000.00
Bank of Nova Scotia - Mortgage	Interest Bearing Note	7.850	03-Jul-96	5,000,000.00	4,999,565.70	5,032,500.00
Bank of Nova Scotia - Mortgage	Interest Bearing Note	6.250	03-Sep-96	10,000,000.00	9,998,462.71	10,040,000.00
Bank of Nova Scotia - Mortgage	Interest Bearing Note	8.800	04-Dec-96	8,750,000.00	8,732,378.95	8,938,125.00
Bank of Nova Scotia - Mortgage	Interest Bearing Note	9.250	18-Sep-96	3,000,000.00	3,020,920.56	3,049,500.00
Bank of Nova Scotia - Mortgage	Interest Bearing Note	9.650	02-Oct-96	3,000,000.00	3,027,932.22	3,063,000.00
Banque Nationale de Paris Canada	Bearer Deposit Note		01-Apr-96	10,000,000.00	9,998,488.64	9,995,900.00
Banque Nationale de Paris Canada	Banker's Acceptance		02-Apr-96	17,000,000.00	16,994,857.83	16,990,650.00
Barclays Bank of Canada	Banker's Acceptance		01-Apr-96	1,200,000.00	1,199,817.03	1,199,508.00
BCE Inc.	Euro Bond	10.375	28-Jun-96	30,000,000.00	30,192,476.73	30,337,500.00
Caisse Centrale	Certificate of Deposit	7.000	20-Aug-96	5,000,000.00	4,998,833.51	5,025,000.00
Caisse Centrale	Euro Bond	8.750	11-Dec-96	5,000,000.00	5,110,376.81	5,093,750.00
Canada Trustco Mortgage Company	Euro Bond	10.375	16-Oct-96	5,500,000.00	5,579,987.24	5,630,625.00
Canadian Auto Receivable Securitization	Interest Bearing Note	7.650	01-Nov-96	6,150,000.00	6,178,277.42	6,223,800.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		03-Jun-96	30,000,000.00	29,732,480.00	29,727,600.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		10-Jun-96	10,000,000.00	9,897,825.29	9,899,300.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		14-Jun-96	45,000,000.00	44,514,271.98	44,521,650.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		17-Jun-96	20,000,000.00	19,775,293.62	19,778,800.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		21-Jun-96	10,000,000.00	9,885,200.00	9,883,700.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		25-Jun-96	10,000,000.00	9,882,246.15	9,878,000.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		05-Sep-96	3,000,000.00	2,933,197.25	2,931,450.00
Canadian Imperial Bank of Commerce	Interest Bearing Note	9.000	05-Nov-96	10,000,000.00	10,009,580.00	10,205,000.00
Canadian Occidental Petroleum	Bond	8.400	30-Jan-97	9,000,000.00	9,106,877.59	9,198,855.00
Canadian Pacific Securities	Bond	10.500	02-Aug-96	9,634,000.00	9,739,435.50	9,797,874.34
Canadian Western Bank	Bearer Deposit Note		15-Apr-96	5,000,000.00	4,988,651.10	4,988,350.00
Citibank of Canada	Banker's Acceptance		13-Jun-96	7,000,000.00	6,924,774.89	6,926,570.00
Citibank of Canada	Bearer Deposit Note		28-Jun-96	10,000,000.00	9,876,280.22	9,873,000.00
Consumers Gas Company	Discount Note		02-Apr-96	14,000,000.00	13,995,762.67	13,992,300.00
Credit Suisse Canada	Banker's Acceptance		03-Apr-96	10,000,000.00	9,995,476.67	9,993,100.00
Duetsche Bank Canada	Bearer Deposit Note		04-Apr-96	9,000,000.00	8,994,553.04	8,992,620.00

**CASH AND MARKETABLE SECURITIES  
AS AT MARCH 31, 1996 (CONTINUED)**

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
General Motors Acceptance Canada	Discount Note		17-Jul-96	5,000,000.00	4,920,109.59	4,922,450.00
General Motors Acceptance Canada	Discount Note		18-Jul-96	5,000,000.00	4,921,460.28	4,921,700.00
General Motors Acceptance Canada	Interest Bearing Note	5.850	16-Dec-96	5,000,000.00	5,009,621.44	5,005,000.00
General Motors Acceptance Canada	Interest Bearing Note	9.000	23-Dec-96	4,900,000.00	4,885,020.91	4,902,450.00
Hong Kong Bank of Canada	Bearer Deposit Note		01-Apr-96	10,000,000.00	9,998,460.64	9,993,900.00
Hong Kong Bank of Canada	Bearer Deposit Note		04-Apr-96	10,000,000.00	9,993,895.65	9,991,800.00
Hong Kong Bank of Canada	Bearer Deposit Note		14-Jun-96	15,000,000.00	14,836,997.28	14,840,550.00
Household Financial	Interest Bearing Note	6.800	09-Sep-96	5,000,000.00	4,999,187.05	5,025,000.00
IBM Canada Limited	Euro Bond	10.000	11-Sep-96	5,000,000.00	5,033,138.14	5,090,650.00
Imasco Limited	Bond	10.500	20-Nov-96	4,500,000.00	4,579,899.47	4,635,427.50
Maritime Telephone and Telegraph	Discount Note		17-Jun-96	5,000,000.00	4,943,284.04	4,944,400.00
National Bank of Canada	Banker's Acceptance		31-May-96	5,000,000.00	4,957,405.17	4,956,700.00
National Bank of Canada	Banker's Acceptance		04-Jun-96	2,900,000.00	2,873,692.86	2,873,262.00
National Bank of Canada	Banker's Acceptance		14-Jun-96	10,000,000.00	9,891,703.30	9,893,700.00
National Bank of Canada	Banker's Acceptance		21-Jun-96	3,300,000.00	3,262,854.00	3,261,621.00
National Bank of Canada	Banker's Acceptance		27-Jun-96	2,200,000.00	2,173,175.64	2,172,566.00
National Bank of Canada	Certificate of Deposit	8.000	07-Nov-96	5,000,000.00	4,998,639.53	5,065,000.00
Norwest Financial	Discount Note		28-Jun-96	5,000,000.00	4,938,237.91	4,936,500.00
Nova Gas Transmission Ltd.	Bond	17.750	15-Feb-97	381,000.00	397,393.26	417,316.92
Proviso Inc.	Bond	9.800	06-Jan-97	2,500,000.00	2,499,269.18	2,571,775.00
Royal Bank of Canada	Banker's Acceptance		03-Apr-96	3,000,000.00	2,998,650.00	2,997,930.00
Royal Bank of Canada	Banker's Acceptance		04-Apr-96	15,000,000.00	14,990,958.70	14,987,700.00
Royal Bank of Canada	Banker's Acceptance		03-Jun-96	10,000,000.00	9,910,826.67	9,909,200.00
Royal Bank of Canada	Banker's Acceptance		17-Jun-96	19,000,000.00	18,790,702.01	18,789,860.00
Royal Bank of Canada	Banker's Acceptance		25-Jun-96	9,800,000.00	9,684,537.79	9,680,440.00
Royal Bank of Canada	Banker's Acceptance		28-Jun-96	10,000,000.00	9,876,964.84	9,874,000.00
Roylease	Interest Bearing Note	9.850	12-Aug-96	1,000,000.00	1,005,847.67	1,016,000.00
Roylease	Interest Bearing Note	9.750	27-Aug-96	6,400,000.00	6,439,133.58	6,508,800.00
Thomson Corporation	Bond	10.150	15-Aug-96	11,000,000.00	11,075,325.81	11,199,265.00
Toronto Dominion Bank	Banker's Acceptance		14-Jun-96	6,000,000.00	5,935,170.33	5,936,220.00
Toronto Dominion Bank	Banker's Acceptance		20-Jun-96	20,000,000.00	19,775,136.96	19,770,200.00
Toronto Dominion Bank	Banker's Acceptance		24-Jun-96	10,000,000.00	9,883,361.11	9,879,400.00
Toronto Dominion Bank	Banker's Acceptance		25-Jun-96	15,000,000.00	14,822,929.06	14,817,000.00
Toronto Dominion Bank	Banker's Acceptance		27-Jun-96	10,000,000.00	9,879,070.97	9,875,200.00
Toronto Dominion Bank	Banker's Acceptance		28-Jun-96	25,000,000.00	24,692,412.09	24,684,250.00
Toronto Dominion Bank	Banker's Acceptance		26-Aug-96	10,000,000.00	9,777,678.26	9,786,700.00
Toronto Dominion Mortgage Corporation	Interest Bearing Note	8.625	30-Jan-97	5,000,000.00	5,000,000.00	5,117,500.00
Toronto Dominion Mortgage Corporation	Interest Bearing Note	8.700	10-Feb-97	2,000,000.00	2,000,000.00	2,050,000.00

**CASH AND MARKETABLE SECURITIES**  
**AS AT MARCH 31, 1996 (CONTINUED)**

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Toronto Dominion Mortgage Corporation	Interest Bearing Note	8.710	10-Mar-97	3,000,000.00	3,000,000.00	3,081,000.00
Torstar Corporation	Bond	8.800	24-Mar-97	13,000,000.00	13,158,105.24	13,359,385.00
TransAlta Utilities Corporation	Interest Bearing Note	7.500	18-Nov-96	9,830,000.00	9,740,889.23	9,962,705.00
TransAlta Utilities Corporation	Bond	8.700	20-Dec-96	5,000,000.00	4,996,388.51	5,115,000.00
				981,760,213.40	976,740,488.49	979,094,559.28
				3,080,749,792.56	3,061,430,818.15	3,071,770,083.09
<b>Deposits in the Consolidated Investment Trust Fund (CCITF)</b>						
				78,369,000.00	78,369,000.00	78,369,000.00
				7,696,327,909.11	7,835,905,488.19	7,864,188,907.28

**CAPITAL PROJECTS DIVISION INVESTMENTS**  
**AS AT MARCH 31, 1996**

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Vencap Equities Alberta Ltd.	Participating Debenture		30-Jun-13	63,988,000.00	8,855,000.00	

**CANADA INVESTMENT DIVISION INVESTMENTS**  
AS AT MARCH 31, 1996

Note: Subtotals and totals may not agree to financial statements due to rounding.

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
<b>Debentures</b>						
New Brunswick Electric Power Commission	Bond	11.250	10-Jan-05	50,000,000.00	49,648,806.08	55,950,000.00
Newfoundland and Labrador Hydro	Bond	11.250	15-Dec-99	75,000,000.00	74,571,655.33	81,169,500.00
Newfoundland and Labrador Hydro	Bond	13.375	30-Jan-01	75,000,000.00	74,938,350.14	85,537,500.00
				150,000,000.00	149,510,005.47	166,707,000.00
Newfoundland Municipal Financing Corporation	Bond	11.250	15-Dec-99	25,000,000.00	24,857,218.40	27,000,000.00
Newfoundland Municipal Financing Corporation	Bond	13.375	30-Jan-01	35,000,000.00	34,971,230.79	42,962,500.00
				60,000,000.00	59,828,449.19	69,962,500.00
Nova Scotia Municipal Finance Corporation	Bond	13.375	19-Dec-96	1,250,000.00	1,249,614.71	1,315,000.00
Nova Scotia Municipal Finance Corporation	Bond	11.250	04-Jan-97	1,250,000.00	1,248,963.52	1,298,750.00
Nova Scotia Municipal Finance Corporation	Bond	13.375	19-Dec-97	1,250,000.00	1,249,118.90	1,391,875.00
Nova Scotia Municipal Finance Corporation	Bond	11.250	04-Jan-98	1,250,000.00	1,247,697.70	1,351,250.00
Nova Scotia Municipal Finance Corporation	Bond	13.375	19-Dec-98	1,250,000.00	1,248,664.42	1,454,375.00
Nova Scotia Municipal Finance Corporation	Bond	11.250	04-Jan-99	1,250,000.00	1,246,524.00	1,390,625.00
Nova Scotia Municipal Finance Corporation	Bond	13.375	19-Dec-99	1,250,000.00	1,248,254.97	1,488,750.00
Nova Scotia Municipal Finance Corporation	Bond	11.250	04-Jan-00	1,250,000.00	1,245,445.19	1,402,500.00
Nova Scotia Municipal Finance Corporation	Bond	13.375	19-Dec-00	1,250,000.00	1,247,870.86	1,532,500.00
				11,250,000.00	11,232,154.27	12,625,625.00
Province of Prince Edward Island	Bond	13.500	28-Mar-00	9,000,000.00	8,946,106.81	10,188,000.00
Province of Prince Edward Island	Bond	13.875	23-Apr-01	20,000,000.00	19,857,241.46	20,126,912.94
				29,000,000.00	28,803,348.27	30,314,912.94
Hydro-Québec	Bond	11.000	15-Oct-04	200,000,000.00	196,400,284.40	223,862,000.00
Hydro-Québec	Bond	11.750	15-Jul-05	110,000,000.00	110,000,000.00	126,540,700.00
				310,000,000.00	306,400,284.40	350,402,700.00
				610,250,000.00	605,423,047.68	685,962,737.94

**ALBERTA INVESTMENT DIVISION INVESTMENTS**  
AS AT MARCH 31, 1996

Note: Subtotals and totals may not agree to financial statements due to rounding.

\* The maturity date shown for Provincial Corporation bonds is the date the last installment of principal is due.

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
<b>Provincial Corporation Debentures*</b>						
Agriculture Financial Services Corporation	Bond	10.140	01-Sep-01	64,799,086.64	64,799,086.64	66,929,875.01
Agriculture Financial Services Corporation	Bond	9.370	31-Mar-02	2,114,414.45	2,114,414.45	2,200,409.80
Agriculture Financial Services Corporation	Bond	10.150	31-Mar-04	5,850,000.00	5,850,000.00	6,478,453.80
Agriculture Financial Services Corporation	Bond	9.630	31-Mar-04	33,750,000.00	33,750,000.00	36,709,503.75
Agriculture Financial Services Corporation	Bond	10.150	31-Mar-04	22,500,000.00	22,500,000.00	24,917,130.00
Agriculture Financial Services Corporation	Bond	10.350	01-May-04	11,000,000.00	11,000,000.00	12,157,519.00
Agriculture Financial Services Corporation	Bond	9.220	01-Sep-04	10,000,000.00	10,000,000.00	10,684,730.00
Agriculture Financial Services Corporation	Bond	9.030	01-Mar-05	10,000,000.00	10,000,000.00	10,677,050.00
Agriculture Financial Services Corporation	Bond	8.580	01-Jun-05	8,250,000.00	8,250,000.00	8,668,357.50
Agriculture Financial Services Corporation	Bond	8.960	01-Aug-05	13,750,000.00	13,750,000.00	14,616,827.50
Agriculture Financial Services Corporation	Bond	8.460	01-Oct-05	13,750,000.00	13,750,000.00	14,417,067.50
Agriculture Financial Services Corporation	Bond	7.870	01-Dec-05	8,250,000.00	8,250,000.00	8,495,726.25
Agriculture Financial Services Corporation	Bond	7.910	01-Feb-06	8,250,000.00	8,250,000.00	8,502,920.25
Agriculture Financial Services Corporation	Bond	8.270	01-Mar-06	13,750,000.00	13,750,000.00	14,338,170.00
Agriculture Financial Services Corporation	Bond	8.310	31-Mar-06	16,500,000.00	16,500,000.00	17,401,477.50
Agriculture Financial Services Corporation	Bond	8.430	01-May-06	8,850,000.00	8,850,000.00	9,325,430.85
Agriculture Financial Services Corporation	Bond	10.840	01-Jul-06	7,670,000.00	7,670,000.00	8,131,473.22
Agriculture Financial Services Corporation	Bond	10.610	01-Aug-06	12,980,000.00	12,980,000.00	13,789,640.48
Agriculture Financial Services Corporation	Bond	10.390	01-Sep-06	5,900,000.00	5,900,000.00	6,276,036.50
Agriculture Financial Services Corporation	Bond	10.170	23-Sep-06	10,030,000.00	10,030,000.00	10,676,804.61
Agriculture Financial Services Corporation	Bond	9.920	01-Oct-06	11,210,000.00	11,210,000.00	11,926,946.76
Agriculture Financial Services Corporation	Bond	9.640	01-Nov-06	10,620,000.00	10,620,000.00	11,303,258.94
Agriculture Financial Services Corporation	Bond	9.790	01-Dec-06	10,030,000.00	10,030,000.00	10,700,846.52
Agriculture Financial Services Corporation	Bond	9.460	04-Jan-07	7,080,000.00	7,080,000.00	7,550,466.00
Agriculture Financial Services Corporation	Bond	9.600	01-Feb-07	11,210,000.00	11,210,000.00	11,982,469.89
Agriculture Financial Services Corporation	Bond	9.610	01-Mar-07	17,700,000.00	17,700,000.00	18,947,761.50
Agriculture Financial Services Corporation	Bond	9.930	01-Apr-07	11,970,000.00	11,970,000.00	12,810,988.26
Agriculture Financial Services Corporation	Bond	9.400	30-Jun-07	12,600,000.00	12,600,000.00	13,474,515.60
Agriculture Financial Services Corporation	Bond	8.740	01-Aug-07	11,340,000.00	11,340,000.00	12,053,932.38
Agriculture Financial Services Corporation	Bond	8.670	01-Sep-07	6,930,000.00	6,930,000.00	7,362,646.83
Agriculture Financial Services Corporation	Bond	9.040	23-Sep-07	20,790,000.00	20,790,000.00	22,200,372.81
Agriculture Financial Services Corporation	Bond	8.880	01-Nov-07	9,450,000.00	9,450,000.00	10,079,719.65
Agriculture Financial Services Corporation	Bond	9.300	01-Dec-07	6,930,000.00	6,930,000.00	7,439,257.98
Agriculture Financial Services Corporation	Bond	9.090	04-Jan-08	13,230,000.00	13,230,000.00	14,171,446.80
Agriculture Financial Services Corporation	Bond	9.160	01-Feb-08	8,190,000.00	8,190,000.00	8,787,394.98
Agriculture Financial Services Corporation	Bond	8.770	01-Mar-08	17,010,000.00	17,010,000.00	18,148,105.08
Agriculture Financial Services Corporation	Bond	8.820	01-May-08	2,010,000.00	2,010,000.00	2,140,449.00
Agriculture Financial Services Corporation	Bond	8.750	01-Jun-08	8,710,000.00	8,710,000.00	9,267,971.31
Agriculture Financial Services Corporation	Bond	8.560	04-Jul-08	10,050,000.00	10,050,000.00	10,665,331.35
Agriculture Financial Services Corporation	Bond	8.350	01-Aug-08	16,750,000.00	16,750,000.00	17,711,935.75
Agriculture Financial Services Corporation	Bond	7.970	01-Sep-08	24,120,000.00	24,120,000.00	25,314,880.68



ALBERTA INVESTMENT DIVISION INVESTMENTS  
AS AT MARCH 31, 1996 (CONTINUED)

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Agriculture Financial Services Corporation	Bond	7.370	01-Feb-09	10,050,000.00	10,050,000.00	10,394,403.45
Agriculture Financial Services Corporation	Bond	7.930	01-Mar-09	39,259,353.85	39,259,353.85	40,458,413.04
Agriculture Financial Services Corporation	Bond	7.990	01-Mar-09	32,160,000.00	32,160,000.00	33,735,293.28
Agriculture Financial Services Corporation	Bond	9.760	04-Jul-09	21,300,000.00	21,300,000.00	23,259,536.10
Agriculture Financial Services Corporation	Bond	9.840	01-Aug-09	12,070,000.00	12,070,000.00	13,218,279.45
Agriculture Financial Services Corporation	Bond	9.410	01-Oct-09	12,780,000.00	12,780,000.00	13,866,836.76
Agriculture Financial Services Corporation	Bond	9.620	01-Nov-09	4,260,000.00	4,260,000.00	4,651,059.48
Agriculture Financial Services Corporation	Bond	9.550	01-Dec-09	7,100,000.00	7,100,000.00	7,742,400.90
Agriculture Financial Services Corporation	Bond	9.030	01-Mar-10	11,360,000.00	11,360,000.00	12,229,596.64
Agriculture Financial Services Corporation	Bond	8.960	01-Aug-10	12,750,000.00	12,750,000.00	13,674,336.75
Agriculture Financial Services Corporation	Bond	8.570	01-Sep-10	25,500,000.00	25,500,000.00	27,018,423.00
Agriculture Financial Services Corporation	Bond	8.160	01-Mar-11	35,984,951.87	35,984,951.87	37,106,962.67
Agriculture Financial Services Corporation	Bond	8.330	23-Mar-11	43,500,000.00	43,500,000.00	45,708,147.00
Agriculture Financial Services Corporation	Bond	8.670	01-Sep-12	21,060,000.00	21,060,000.00	22,512,760.92
Agriculture Financial Services Corporation	Bond	8.820	23-Mar-13	12,150,000.00	12,150,000.00	13,040,886.60
				837,157,806.81	837,157,806.81	888,052,637.63
Alberta Social Housing Corporation	Bond	8.640	15-Jun-03	33,888,423.44	30,888,423.44	32,299,344.85
Alberta Social Housing Corporation	Bond	9.450	01-Apr-06	17,012,130.12	17,012,130.12	18,462,533.30
Alberta Social Housing Corporation	Bond	9.450	01-Apr-06	17,012,130.12	17,012,130.12	18,462,533.30
Alberta Social Housing Corporation	Bond	9.450	01-Apr-06	17,012,130.12	17,012,130.12	18,462,533.30
Alberta Social Housing Corporation	Bond	9.450	01-Apr-06	17,012,130.12	17,012,130.12	18,462,533.30
Alberta Social Housing Corporation	Bond	10.140	30-Aug-06	6,990,853.66	6,990,853.66	7,849,938.69
Alberta Social Housing Corporation	Bond	10.170	30-Aug-06	3,499,372.12	3,499,372.12	3,934,704.51
Alberta Social Housing Corporation	Bond	9.100	15-Jan-07	33,536,849.39	33,536,849.39	35,987,990.64
Alberta Social Housing Corporation	Bond	9.470	15-Jun-07	30,813,377.97	30,813,377.97	32,435,763.95
Alberta Social Housing Corporation	Bond	9.190	15-Jul-07	18,794,023.58	18,794,023.58	19,881,765.28
Alberta Social Housing Corporation	Bond	9.300	15-Dec-07	21,316,161.30	21,316,161.30	23,121,640.16
Alberta Social Housing Corporation	Bond	9.400	01-Feb-08	17,830,650.06	17,830,650.06	19,453,898.95
Alberta Social Housing Corporation	Bond	9.750	01-Jun-08	11,298,377.18	11,298,377.18	12,325,663.40
Alberta Social Housing Corporation	Bond	7.980	15-Nov-08	16,655,587.06	16,655,587.06	17,195,044.87
Alberta Social Housing Corporation	Bond	9.700	01-Dec-08	18,799,283.76	18,799,283.76	20,857,222.55
Alberta Social Housing Corporation	Bond	10.150	15-Feb-09	11,446,065.09	11,446,065.09	13,027,247.41
Alberta Social Housing Corporation	Bond	10.800	01-Dec-09	16,099,458.46	16,099,458.46	19,024,311.48
Alberta Social Housing Corporation	Bond	8.460	01-Oct-10	17,352,331.02	17,352,331.02	18,093,084.68
Alberta Social Housing Corporation	Bond	13.670	15-Oct-10	17,580,994.64	17,580,994.64	24,370,950.58
Alberta Social Housing Corporation	Bond	13.760	01-Dec-10	26,411,596.34	26,411,596.34	36,869,030.21
Alberta Social Housing Corporation	Bond	7.870	02-Jan-11	8,530,330.19	8,530,330.19	8,710,456.64
Alberta Social Housing Corporation	Bond	14.200	04-Mar-11	26,601,952.93	26,601,952.93	38,187,555.66

**ALBERTA INVESTMENT DIVISION INVESTMENTS**  
**AS AT MARCH 31, 1996 (CONTINUED)**

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Alberta Social Housing Corporation	Bond	10.390	01-Apr-11	4,277,363.38	4,277,363.38	4,413,024.24
Alberta Social Housing Corporation	Bond	16.730	01-Jun-11	27,930,874.46	27,930,874.46	45,505,846.53
Alberta Social Housing Corporation	Bond	10.840	02-Jul-11	4,305,906.95	4,305,906.95	4,482,380.24
Alberta Social Housing Corporation	Bond	10.200	20-Sep-11	2,731,669.70	2,731,669.70	2,849,240.76
Alberta Social Housing Corporation	Bond	18.050	28-Sep-11	28,269,160.48	28,269,160.48	49,430,040.56
Alberta Social Housing Corporation	Bond	9.920	01-Oct-11	4,326,128.34	4,326,128.34	4,514,167.83
Alberta Social Housing Corporation	Bond	9.860	01-Nov-11	9,197,916.23	9,197,916.23	9,595,992.85
Alberta Social Housing Corporation	Bond	15.710	07-Dec-11	27,627,463.21	27,627,463.21	43,231,509.69
Alberta Social Housing Corporation	Bond	16.370	19-Jan-12	37,104,297.21	37,104,297.21	60,180,943.82
Alberta Social Housing Corporation	Bond	9.360	02-Jul-12	1,743,148.25	1,743,148.25	1,832,057.53
Alberta Social Housing Corporation	Bond	9.360	02-Jul-12	4,357,870.63	4,357,870.63	4,580,143.82
Alberta Social Housing Corporation	Bond	8.740	05-Aug-12	43,255,664.15	43,255,664.15	45,115,441.43
Alberta Social Housing Corporation	Bond	9.060	01-Oct-12	1,781,409.67	1,781,409.67	1,867,998.65
Alberta Social Housing Corporation	Bond	9.230	29-Nov-12	43,673,979.00	43,673,979.00	45,964,417.15
Alberta Social Housing Corporation	Bond	9.090	04-Jan-13	16,039,689.60	16,039,689.60	16,860,007.45
Alberta Social Housing Corporation	Bond	9.130	19-Jan-13	43,333,914.78	43,333,914.78	45,584,548.31
Alberta Social Housing Corporation	Bond	8.920	18-Mar-13	34,587,965.62	34,587,965.62	36,267,418.88
Alberta Social Housing Corporation	Bond	8.760	12-May-13	43,822,430.33	43,822,430.33	45,806,972.91
Alberta Social Housing Corporation	Bond	8.150	18-Aug-13	43,915,299.08	43,915,299.08	45,384,178.00
Alberta Social Housing Corporation	Bond	8.210	03-Oct-13	3,622,781.49	3,622,781.49	3,748,075.39
Alberta Social Housing Corporation	Bond	8.040	28-Nov-13	44,184,533.03	44,184,533.03	45,509,185.33
Alberta Social Housing Corporation	Bond	9.590	15-Dec-14	11,088,674.53	11,088,674.53	11,939,907.72
Alberta Social Housing Corporation	Bond	9.450	02-Jan-15	4,615,659.17	4,615,659.17	4,949,311.32
Alberta Social Housing Corporation	Bond	8.960	29-Mar-15	18,206,820.34	18,206,820.34	19,230,498.81
Alberta Social Housing Corporation	Bond	8.460	01-Oct-15	6,673,034.07	6,673,034.07	6,927,550.26
Alberta Social Housing Corporation	Bond	7.870	02-Jan-16	6,620,400.40	6,620,400.40	6,721,983.82
Alberta Social Housing Corporation	Bond	8.320	25-Mar-16	16,065,179.09	16,065,179.09	16,572,421.05
Alberta Social Housing Corporation	Bond	10.200	20-Sep-16	948,788.74	948,788.74	989,278.30
Alberta Social Housing Corporation	Bond	10.200	20-Sep-16	12,334,253.53	12,334,253.53	12,860,617.80
Alberta Social Housing Corporation	Bond	9.720	02-Mar-17	10,001,552.38	10,001,552.38	10,477,566.26
Alberta Social Housing Corporation	Bond	9.100	15-Jan-18	16,369,545.95	16,369,545.95	17,127,226.75
				975,507,582.46	975,507,582.46	1,128,195,701.16
Alberta Municipal Financing Corporation	Bond	11.700	01-Nov-99	70,000,000.00	70,000,000.00	80,979,010.00
Alberta Municipal Financing Corporation	Bond	13.450	03-Mar-00	35,000,000.00	35,000,000.00	42,907,690.00
Alberta Municipal Financing Corporation	Bond	13.200	15-Aug-00	35,000,000.00	35,000,000.00	43,200,990.00
				140,000,000.00	140,000,000.00	167,087,690.00

**ALBERTA INVESTMENT DIVISION INVESTMENTS**  
**AS AT MARCH 31, 1996 (CONTINUED)**

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Alberta Opportunity Company	Bond	9.280	30-Sep-98	9,043,935.08	9,043,935.08	9,446,236.44
Alberta Opportunity Company	Bond	10.070	28-Feb-99	2,344,880.11	2,344,880.11	2,485,685.47
Alberta Opportunity Company	Bond	7.050	31-Mar-99	6,409,936.36	6,409,936.36	6,485,169.78
Alberta Opportunity Company	Bond	7.710	31-Mar-01	20,809,497.72	20,809,497.72	21,284,765.84
				38,608,249.27	38,608,249.27	39,701,857.53
				1,991,273,638.54	1,991,273,638.54	2,223,037,886.32
<b>Corporate Debentures</b>						
TransCanada Pipelines Limited	Convertible Bond	10.426	20-Dec-01	150,000,000.00	150,000,000.00	154,725,000.00
<b>Common Shares</b>						
Canadian Western Bank	160,000 Common Shares				720,000.00	1,620,000.00
Nova Corporation of Alberta Ltd.	10,822,429 Common Shares				112,282,705.14	139,338,773.38
				2,141,273,638.54	2,254,276,343.68	2,518,721,659.70
<b>Corporate Debentures and Loans for Which No Market Values are Available</b>						
Alberta Pacific Pulp Mill Project						
Crestbrook Forest Industries Ltd.	Bond	9.203	30-Nov-10	136,950,698.23	136,950,698.23	
Kanzaki Paper Canada Inc.	Bond	9.203	30-Nov-10	85,417,785.16	85,417,785.16	
MC Forest Investment Inc.	Bond	9.203	30-Nov-10	119,616,077.83	119,616,077.83	
				341,984,561.22	341,984,561.22	
Millar Western Pulp Project						
Millar Western Pulp Ltd.	Bond	10.000	31-Oct-04	90,000,000.00	0.00	
Millar Western Pulp (Whitecourt) Ltd.	Bond			30,000,000.00	20,600,000.00	
				120,000,000.00	20,600,000.00	
Ridley Grain Ltd.	Bond	11.000	31-Jul-15	106,249,999.53	106,249,999.53	
				568,234,560.75	468,834,560.75	
				2,709,508,199.29	2,723,110,904.43	2,518,721,659.70

**COMMERCIAL INVESTMENT DIVISION INVESTMENTS**  
AS AT MARCH 31, 1996

Note: Subtotals and totals may not agree to financial statements due to rounding.

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
<b>Canadian Equities</b>						
Common Share and Rights Communications and Media						
Hollinger Inc.	52,600 Common				231,451.43	578,600.00
Quebecor Inc.	92,800 Class B Subordinated Voting				1,179,676.62	2,018,400.00
Southam Inc.	272,200 Common				2,634,294.93	4,355,200.00
Thomson Corporation	648,529 Common				3,741,692.24	12,889,513.88
					7,787,115.22	19,841,713.88
<b>Conglomerates</b>						
Brascan Limited	194,800 Class A Common				2,063,397.80	4,796,950.00
Canadian Pacific Limited	603,725 Common				7,631,943.25	16,376,040.63
Horsham Corporation	375,800 Subordinated Voting				3,467,740.89	7,422,050.00
Power Corporation of Canada	335,100 Subordinated Voting				1,094,572.78	6,534,450.00
					14,257,654.72	35,129,490.63
<b>Consumer Products</b>						
Ault Foods Limited	50,000 Common				231,859.77	775,000.00
Dominion Textile Inc.	214,000 Common				1,819,000.00	1,444,500.00
Imasco Limited	299,600 Common				4,602,010.55	12,240,200.00
Maple Leaf Foods Inc.	28,089 Common				67,296.37	203,645.25
Molson Companies Limited	189,050 Class A Non Voting				1,692,189.72	4,584,462.50
Molson Companies Limited	7,350 Class B Common				89,561.13	176,400.00
Seagrams Limited	392,900 Common				2,836,042.06	17,336,712.50
					11,337,959.60	36,760,920.25
<b>Financial Services</b>						
London Insurance Group Inc.	80,000 Common				1,745,706.64	2,200,000.00
MNT Ltd.	300,000 Capital Shares				2,212,500.00	5,325,000.00
Mackenzie Financial Corporation	217,300 Common				1,479,375.30	2,824,900.00
National Trustco Inc.	137,800 Common				1,144,140.45	2,756,000.00
Power Financial Corporation	106,700 Common				1,959,466.75	3,521,100.00
					8,541,189.14	16,627,000.00

**COMMERCIAL INVESTMENT DIVISION INVESTMENTS**  
AS AT MARCH 31, 1996 (CONTINUED)

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Gold and Silver						
American Barrick Resources Corporation	525,767 Common				7,962,220.43	21,819,330.50
Cambior Inc.	51,900 Common				499,537.50	960,150.00
Echo Bay Mines Ltd.	423,800 Common				2,353,512.80	7,946,250.00
Hemlo Gold Mines Inc.	281,000 Common				3,686,727.71	5,303,875.00
Placer Dome Inc.	500,637 Common				6,212,348.37	19,524,843.00
Teck Corp.	324,300 Class B Subordinated Voting				1,267,640.37	9,647,925.00
					21,981,987.18	65,202,373.50
Industrial Products						
Bombardier Incorporated	781,200 Class B Subordinated Voting				2,650,759.74	15,721,650.00
CAE Inc.	616,300 Common				1,843,882.29	7,241,525.00
CO-Steel Inc.	71,400 Common				1,216,804.84	1,660,050.00
Dofasco Inc.	305,200 Common				4,077,122.93	6,142,150.00
Du Pont Canada Inc.	35,400 Class A Common				501,854.00	1,013,325.00
IPSCO Inc.	119,900 Common				2,158,100.22	3,926,725.00
Moore Corporation Limited	303,400 Common				5,685,448.87	8,040,100.00
Northern Telecom Limited	286,300 Common				3,872,107.34	18,573,712.50
Nova Corporation of Alberta	1,032,060 Common				7,310,594.64	13,287,772.50
Sherritt Inc.	68,700 Common				454,174.34	1,167,250.00
Stelco Inc.	230,700 Class A Convertible				1,268,850.00	1,441,875.00
					31,039,699.21	78,216,135.00
Merchandising						
Canadian Tire Limited	350,650 Class A Non Voting				3,761,139.22	5,785,725.00
Finning Ltd.	152,900 Common				1,902,028.21	3,402,025.00
Hudsons Bay Company	69,240 Common				1,031,056.14	1,211,700.00
Loblaw Companies Limited	73,700 Common				1,547,141.99	2,487,375.00
Loewen Group Inc., The	63,000 Common				999,724.50	2,520,000.00
Oshawa Group Limited	234,400 Class A				1,130,894.57	5,215,400.00
Sears Canada Inc.	47,600 Common				326,105.61	315,350.00
Weston, George Limited	128,100 Common				1,052,444.12	6,116,775.00
					11,750,534.36	27,054,350.00
Metals and Minerals						
Alcan Aluminum Ltd.	465,600 Common				7,082,611.59	20,486,400.00
Cominco Limited	243,489 Common				3,364,006.77	7,791,648.00
Inco Ltd.	283,000 Common				4,882,197.06	12,169,000.00
Noranda Inc.	396,200 Common				6,903,533.93	11,390,750.00
Rio Algom Limited	232,400 Common				3,363,303.99	5,897,150.00
					25,595,653.34	57,734,948.00

**COMMERCIAL INVESTMENT DIVISION INVESTMENTS**  
AS AT MARCH 31, 1996 (CONTINUED)

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
<b>Oil and Gas</b>						
Canadian Occidental Petroleum	234,900 Common				3,067,107.54	10,805,400.00
Imperial Oil Limited	182,100 Common				5,960,207.31	9,765,112.50
Norcen Energy Resources Limited	286,700 Common				3,862,765.87	6,020,700.00
PanCanadian Petroleum Limited	106,900 Common				2,085,500.39	5,532,075.00
Ranger Oil Limited	430,500 Common				3,207,484.42	4,035,937.50
Renaissance Energy Limited	259,300 Common				3,807,285.64	9,269,975.00
Shell Canada Limited	135,600 Class A Common				2,638,865.47	6,373,200.00
Talisman Energy Inc.	334,139 Common				5,796,465.90	10,400,076.38
					30,425,682.54	62,202,476.38
<b>Paper and Forest Products</b>						
Avenor Incorporated	99,500 Common				1,422,305.52	1,927,812.50
Canfor Corporation	41,212 Common				499,950.00	525,453.00
Domtar Inc.	363,010 Common				1,745,316.40	3,584,723.75
Fletcher Challenge Canada Limited	164,937 Class A Common				1,544,039.43	3,071,951.63
Macmillan Bloedel Limited	381,677 Common				3,792,528.78	6,631,637.88
					9,004,140.13	15,741,578.76
<b>Pipelines</b>						
IPL Energy Inc.	127,900 Common				1,943,090.25	4,220,700.00
TransCanada PipeLines Limited	478,600 Common				6,499,577.97	9,093,400.00
Westcoast Energy Inc.	251,300 Common				2,905,380.31	5,183,062.50
					11,348,048.53	18,497,162.50
<b>Transportation and Environmental Services</b>						
Air Canada	500,000 Common				2,000,000.00	2,425,000.00
Canadian Airlines Corporation	10,050 Common				73,748.20	29,647.50
Canadian Airlines Corporation	201,000 Warrant				4,683,327.39	10,436,250.00
Laidlaw Inc.	726,000 Class B Non Voting				26,751.80	7,035.00
					6,783,827.39	12,897,932.50

**COMMERCIAL INVESTMENT DIVISION INVESTMENTS**  
**AS AT MARCH 31, 1996 (CONTINUED)**

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
<b>Utilities</b>						
ATCO Limited	15,600 Class I Non Voting				136,712.95	280,800.00
ATCO Limited	9,000 Class II Voting				70,705.44	160,875.00
BCE Inc.	275,900 Common				7,455,202.93	13,312,175.00
BC Gas Inc.	131,300 Common				2,097,485.85	2,084,387.50
BC Telecom Inc.	290,300 Common				2,695,871.88	7,366,362.50
Canadian Utilities Limited	102,600 Class B				2,047,287.47	2,667,600.00
Canadian Utilities Limited	130,116 Class A Non Voting				1,850,834.29	3,317,958.00
Maritime Telephone and Telegraph	109,100 Common				1,920,831.32	2,100,175.00
Telus Corporation	451,900 Common				5,675,080.32	7,399,862.50
TransAlta Utilities Corporation	498,550 Common				5,432,112.01	7,291,293.75
					29,382,124.46	45,981,489.25
<b>Short-term Securities</b>						
Government of Canada, direct					219,235,615.82	491,887,570.65
Government of Canada	Treasury Bill		30-May-96	5,000,000.00	4,957,967.03	4,958,400.00
Government of Canada	Treasury Bill		25-Jul-96	10,000,000.00	9,789,998.71	9,837,400.00
Government of Canada	Treasury Bill		12-Sep-96	15,000,000.00	14,639,810.44	14,648,250.00
				30,000,000.00	29,387,776.18	29,444,050.00
<b>Provincial</b>						
Alberta, Direct						
Government of Alberta	Discount Note		04-Apr-96	6,200,000.00	6,196,580.46	6,194,916.00
<b>Other, Direct and Guaranteed</b>						
Province of New Brunswick	Treasury Bill		11-Apr-96	16,000,000.00	15,973,434.35	15,971,520.00

**COMMERCIAL INVESTMENT DIVISION INVESTMENTS**  
AS AT MARCH 31, 1996 (CONTINUED)

Description	Security Type	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Corporate						
Alcatel Alsthom	Discount Note		17-May-96	15,000,000.00	14,903,377.89	14,898,750.00
Bank of Montreal	Banker's Acceptance		21-May-96	5,000,000.00	4,964,670.16	4,963,650.00
Bank of Montreal	Banker's Acceptance		31-May-96	16,400,000.00	16,260,057.68	16,257,976.00
Bank of Montreal	Banker's Acceptance		20-Jun-96	10,000,000.00	9,889,020.69	9,885,100.00
Bank of Montreal	Banker's Acceptance		28-May-96	10,000,000.00	9,917,511.11	9,991,700.00
Bank of Nova Scotia	Bearer Deposit Note		05-Jun-96	25,000,000.00	24,768,822.58	24,766,000.00
Bank of Nova Scotia	Bearer Deposit Note		19-Jun-96	20,000,000.00	19,777,054.95	19,773,200.00
Bank of Nova Scotia	Bearer Deposit Note		20-Jun-96	10,000,000.00	9,887,216.30	9,885,100.00
Bank of Nova Scotia	Bearer Deposit Note		21-Jun-96	14,000,000.00	13,842,410.91	13,837,180.00
Bank of Nova Scotia	Bearer Deposit Note		27-Jun-96	30,000,000.00	29,635,093.33	29,625,600.00
Banque Nationale de Paris Canada	Banker's Acceptance		09-May-96	10,000,000.00	9,945,657.14	9,943,800.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		30-Apr-96	5,000,000.00	4,978,927.71	4,978,100.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		02-May-96	9,400,000.00	9,358,752.80	9,356,196.00
Hong Kong Bank of Canada	Bearer Deposit Note		08-May-96	10,000,000.00	9,946,048.35	9,945,200.00
Toronto Dominion Bank	Banker's Acceptance		01-May-96	5,000,000.00	4,978,263.10	4,977,400.00
Toronto Dominion Bank	Banker's Acceptance		28-Jun-96	5,000,000.00	4,939,105.26	4,936,850.00
Toronto Dominion Bank	Banker's Acceptance		30-Aug-96	5,900,000.00	5,774,698.50	5,770,554.00
				205,700,000.00	203,766,688.46	203,792,356.00
				257,900,000.00	255,324,479.45	255,402,842.00
				257,900,000.00	474,560,095.27	747,290,412.65



# MEASURING RETURNS

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Rates of return measure total proceeds<sup>1</sup> received per dollar initially invested. The definition of total proceeds depends on whether one is calculating book value rates of return or market value rates of return. There are two rate of return measures: the internal rate of return (also called the "dollar-weighted" return) and the time-weighted rate of return. Both are expressed as average annual rates over the period in question. While the two measures are closely related, there are differences between the two which must be recognized.

The internal rate of return is the average rate earned by each and every dollar invested during the period. This rate is influenced not only by the movements in financial markets and decisions made by portfolio managers, but also by the timing and the size of the cash inflows and outflows and the beginning and ending book or market values. Since the internal rate of return weights the final overall return by the size of the investment and the timing and size of cash flows in each subperiod, the method produces

inappropriate results if the purpose is to compare the performance of two funds. For that purpose, the investment industry standard is to use time-weighted rates of return.

The investment industry uses time-weighted rates of return when comparing the returns of funds with other funds or indices (indices do not have cash inflows and outflows). Time-weighted rates of return are designed to eliminate the effect that the size and timing of cash flows has on the internal rate of return, since the pattern of cash flows vary significantly among funds.

The market value rates of return in this annual report are time-weighted rates of return. When comparing the return on the Heritage Fund to the cost of the province's debt, it makes sense to use book values calculated on an internal rate of return basis, since the financial statements of the province and the Heritage Fund are based on book values. The cost of the province's debt is calculated similarly to an internal rate of return measure.

<sup>1</sup> Total proceeds for book value rates of return = "money in the bank" which comes from cash interest and dividend payments and realized capital gains or losses from selling the investment, plus accounting adjustments.

Total proceeds for market value rates of return = "money in the bank" plus paper profits or losses (unrealized capital gains or losses).

# GLOSSARY

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## ***Accrued Interest***

Interest income that has been earned but not yet paid in cash.

## ***Bond/Debenture***

A financial instrument showing a debt where the issuer promises to pay interest and repay the principal by the maturity date.

## ***Capital Gain***

The market value received on sale of an asset beyond its book value or purchase price. If an asset is bought for \$50 and sold for \$75, the realized capital gain (profit) is \$25.

## ***Consolidated Financial Statements***

The “total” financial statements which eliminate transactions between different parts of the government, and therefore provide a record of the results of all government dealings with third parties such as individuals, corporations or other governments.

## ***Diversification***

A way of spreading risk by spreading investments among different types, i.e., stocks, bonds, or real estate. Individual investments can be diversified as well. Stocks can be diversified by investments in different industries. Bonds can be diversified by varying length of maturity.

## ***Duration (also called Modified Duration)***

Modified duration is the weighted average term to maturity of the security's cash flows (i.e., interest and principal) and is a measure of price volatility; the greater the modified duration of a bond, the greater its percentage price volatility.

## ***External Asset/ External Debt***

External assets are claims which the Province of Alberta has against third party individuals, corporations and governments. External debts are the claims these entities have against the Province of Alberta. These are the assets and debts which are listed in the province’s consolidated financial statements.

## ***Fair Value***

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value is similar to market value.

## ***Fixed Income Securities***

Interest-bearing investments such as bonds or debentures and money market investments such as treasury bills and discount notes (see “Bond” and “Money Market Security”).

## ***Fund (or Regulated Fund)***

Alberta has several different funds which serve different purposes. Examples of provincial funds are the Heritage Fund and the General Revenue Fund.

## ***General Revenue Fund (GRF)***

The central operating account for the Province of Alberta. It is where most of the revenues received by the province are deposited and from where most expenditures are made.

# GLOSSARY

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## ***Generally Accepted Accounting Principles (GAAP)***

These are accounting guidelines, formulated by the CICA's (Canadian Institute of Chartered Accountants) Accounting Standards Committee, that govern how businesses report their financial statements to the public.

They are the principles under which the financial statements of the Heritage Fund and other provincial funds are prepared. These principles help ensure fair presentation of the financial affairs of the province.

## ***Income***

The return from an investment. Can be derived from interest, dividends or appreciation in the value of the asset that is realized when the asset is sold.

## ***Internal Assets/ Internal Holdings***

Financial claims outstanding between two of the Province's entities. These assets and debts are eliminated in the consolidated financial statements.

## ***Investment Portfolios***

A pool of securities held as an investment. Holdings of a diverse group of assets by an individual company or fund.

## ***Liquidity***

Describes the ease with which assets can be turned into cash and the certainty of the value it will fetch.

## ***mcf***

Million cubic feet.

## ***Marketable Security***

An investment for which there is usually a ready market.

## ***Mid-term Investment***

A fixed income investment (bonds, debentures, treasury bills or discount notes) that matures in one to five years from the date of acquisition.

## ***Modified Duration***

A measure of price volatility of fixed income securities (i.e., bonds). It is the weighted average term-to-maturity of the security's cash flows (i.e., interest and principal). The greater the duration of a bond, the greater its percentage price volatility.

## ***Money Market Security***

A fixed income security that matures within one year from the date of acquisition.

## ***Net Income***

The amount of earnings remaining after deducting expenses.

## ***Nominal Value***

A measure of value that does not account for the effect of inflation.

## ***Par Value***

A value set as the face amount of a security, typically expressed as multiples of \$100 or \$1,000. Bondholders receive par value for their bonds on maturity.

## ***Portfolio***

The collection of investment securities held by an investor or a subset thereof.

# GLOSSARY

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## ***Preferred Stock***

A class of stock that carries some form of preference to income or assets over common stock.

## ***Provincial Crown Corporations***

Special purpose companies which carry out government programs. Provincial Crown corporations are used because the nature of the programs are different than those delivered through government departments. The provincial Crown corporations discussed in this report generally offer financial services on a partial or full cost-recovery basis. Alberta Opportunity Company and the Alberta Social Housing Corporation are examples of Alberta provincial Crown corporations.

## ***Real Value***

A measure of value after accounting for inflation. It is equal to the nominal value less an amount for inflation.

## ***Realized/ Unrealized***

Terms generally used to describe capital gains or losses. A gain or loss is realized when an asset is sold; prior to sale the gain or loss is unrealized and it is only a potential gain or loss.

## ***Securities Lending***

Securities lending involves lending a security (e.g., a common stock or a bond certificate) to an approved financial institution (e.g., a bank or investment dealer) generally for several days for a fee. Securities from the Heritage Fund's Cash and Marketable Securities portfolio and the Commercial Investment Division are used for this purpose.

## ***Security***

Any investment instrument such as a bond, common stock, deed of trust on property, or any evidence of indebtedness or equity.

## ***Short-term Investment***

An investment with a maturity date of less than one year.

## ***Subordinated***

A liability which is ranked below another liability in order of priority for payment or security.

## ***Term-to-maturity***

The number of years left until the bond matures.

## ***TSE 100***

Toronto Stock Exchange 100 Composite Index. A market-weighted composite of 100 actively traded stocks.

## ***Volatility***

In financial matters, volatility of returns is the measurement used to define risk. The greater the volatility, the higher the risk.





## MEMBERS OF THE ALBERTA HERITAGE SAVINGS TRUST FUND INVESTMENT COMMITTEE

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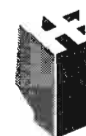
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