

# Alberta

## Heritage Savings Trust Fund



*for the year ending ninety seven*

**Alberta**  
TREASURY

**Annual Report**

# Fund Profile

**T**he Fund, established in 1976, operates under the authority of the *Alberta Heritage Savings Trust Fund Act*. A new *Act* was passed and came into force on January 1, 1997 that sets out the new investment framework for the Heritage Fund. The Provincial Treasurer has responsibility for Fund investments, and the Standing Committee on the Alberta Heritage Savings Trust Fund reviews and approves the business plan and annual report of the Fund.

As part of the restructuring of the Heritage Fund, which started this year, a new Investment Operations Committee has been established to add private sector financial and business oversight of the Fund's investment policies and results. The Investment Operations Committee is chaired by the Deputy Provincial Treasurer and consists primarily of private sector members. Starting in 1997-98, the Committee will review and approve the business plan, annual report and the investment policy statements for the Fund. The investment manager for the Fund is Alberta Treasury's Investment Management Division, with certain asset classes being managed by specialist external managers (private sector investment managers).

The new statutory **mission** of the Fund 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.”



Honourable Stockwell Day  
Provincial Treasurer

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# Provincial Treasurer's Report

**T**his Annual Report for the Alberta Heritage Savings Trust Fund is significant for two reasons: it marks the 20th anniversary of Alberta's Heritage Fund and it reflects important steps being taken to reposition the Fund with a new purpose and a new direction for the future.

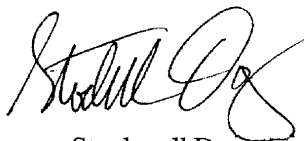
Twenty years ago, the Alberta Government had the foresight to look ahead and think about the future of our province. Instead of spending every dollar of oil and gas revenues on the priorities and programs of the day, a portion of those dollars was placed in the Heritage Fund and invested in a variety of ways including projects designed to build a better future for our province. Today, the legacy of Alberta's Heritage Fund can be seen in many of our cities' parks; in scholarships that have brought world class scholars and medical researchers to our province; in Kananaskis Country and in oil sands developments in Fort McMurray. We also cannot forget that on an annual basis, the Heritage Fund contributes millions of dollars to the general revenues of the province — money that helps pay for health and education programs and other essential programs.

The Heritage Fund has served this province well, but times have changed. And the Heritage Fund is changing too. Based on the advice of Albertans, this year we began restructuring the Fund with a new purpose and direction. The Fund will no longer be used to invest in specific projects. Instead, it will be focused on providing the greatest financial returns on investments. And by retaining enough income to offset the effects of inflation, once again the Heritage Fund will begin to grow, providing a lasting legacy to future generations of Albertans.

On January 1, 1997, the first step was taken by putting two separate portfolios in place: a Transition Portfolio and an Endowment Portfolio. Each of the portfolios has its own investment objectives and benchmarks for performance. A new business plan was approved for the Fund, with three clear goals: to earn income to support the government's fiscal plan, to maximize long-term financial returns through the endowment portfolio, and to improve Albertans' understanding and the transparency of the Fund.

On the financial side, Alberta's Heritage Fund is now worth just over \$12 billion. While the Fund earned less money this year because of low interest rates, it nonetheless contributed \$756 million to the general revenues of the province - money that helped support important programs for Albertans. Of the total income of \$932 million, \$176 million was retained in the Fund to offset inflation.

The important message for Albertans is that their Heritage Fund is strong and growing. With new directions, new investment policies, and a clear focus on getting the best financial returns, we can assure Albertans that the Fund will be there for generations to come.

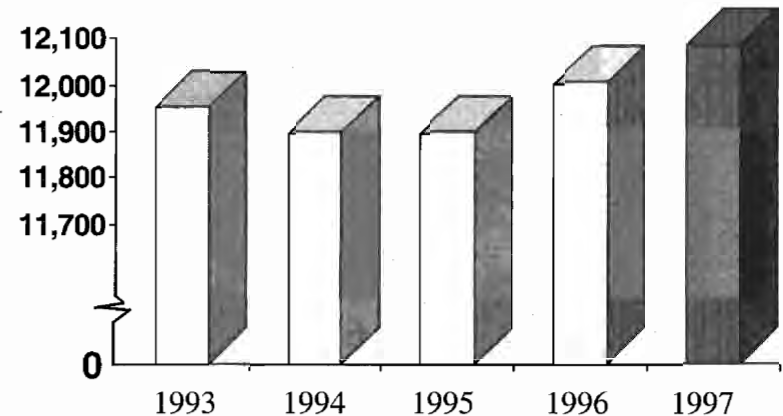


Stockwell Day  
Provincial Treasurer

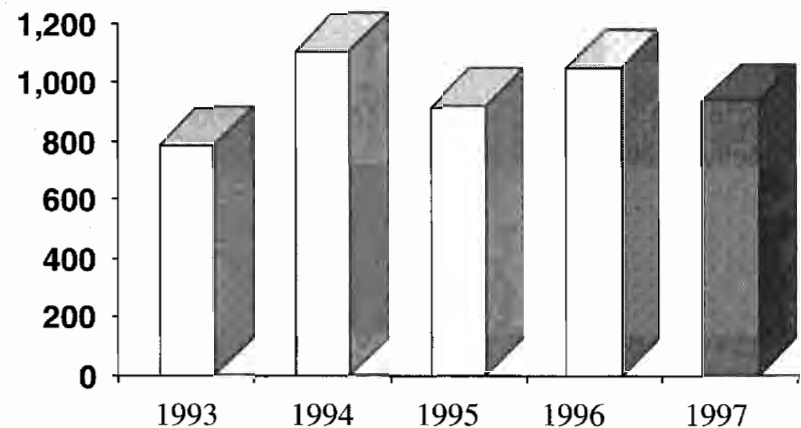
# The Year in Review

- The Fund earned \$932 million in income in 1996-97, down 11% from a year earlier due primarily to a relatively steady decrease in interest rates in the first three quarters of fiscal 1997.
- The net assets of the Fund increased to \$12,001 million as \$176 million of Fund income is required by statute to be retained to offset inflation of approximately 1.5% during the year.
- The first stages of the overall restructuring of the Heritage Fund took effect this year. On January 1, 1997, \$10.6 billion of Heritage Fund assets was placed in a Transition Portfolio and the remaining \$1.2 billion in an Endowment Portfolio. In keeping with new legislation and the Fund's first business plan, each portfolio is managed separately to achieve its respective investment objective.
- The new governance structure, which includes an Investment Operations Committee to provide a private sector viewpoint, is now in place.
- Consistent with the direction of the business plan to reduce holdings of project loans, Millar Western was sold for proceeds of approximately \$28 million. The original loan of \$120 million to Millar Western had been written down to \$20.6 million in 1993-94. The investment in Millar Western was made in 1987 under the Alberta Investment Division and was allocated to the Heritage Fund Transition Portfolio.

**Total Heritage Fund Assets**  
(\$millions)



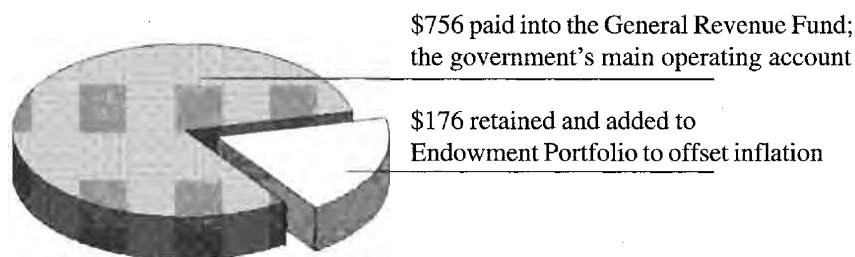
**Total Heritage Fund Income**  
(\$millions)



## Uses of Net Investment Income

Fiscal 1997 (\$ millions)

Total: \$932

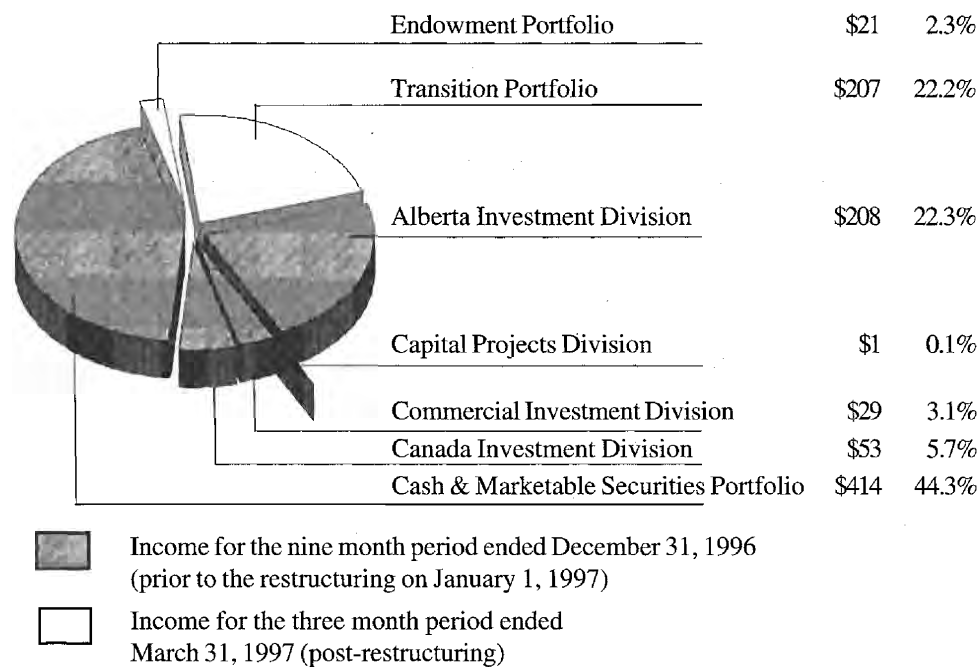


- Year over year, the Fund reduced its investment in Alberta direct and guaranteed fixed income securities from \$2.4 billion to \$2.1 billion (at book value), of which approximately \$1.8 billion consists of privately placed debentures of Alberta provincial corporations.

## Sources of Net Investment Income

Fiscal 1997 (\$ millions)

Total: \$932\*



\* net of administrative expenses of \$1.2 million.

# Business Plan

**T**he Heritage Fund's first business plan was published in the government's 1997 budget, released in February 1997.

The plan is a roadmap to restructure the Fund over a period of no longer than 10 years. The business plan was reviewed and approved by the Legislature's Select Standing Committee on the Alberta Heritage Savings Trust Fund. The plan describes the mission of the Fund and its specific investment objectives, as expressed in the legislation, and lays out how the Fund will be invested, managed and measured. The three goals of the Fund, as outlined in the plan, are as follows:

**Goal 1 Earn income to support the government's consolidated fiscal plan.**

*Since consolidated Heritage Fund income is included in the government's budget surplus, the Transition Portfolio was created to invest primarily in interest bearing securities to provide a steady stream of interest income and to gradually transfer assets to the Endowment Portfolio. The Transition Portfolio will be expected to earn a market return greater than the market cost of the Canadian dollar portion of the province's debt portfolio.*

**Goal 2 Make investments in the Endowment Portfolio to maximize long-term financial returns.**

*Eventually all Heritage Fund assets will be invested in the Endowment Portfolio. The asset mix range of the Endowment Portfolio is 35% to 65% fixed income securities, and 35% to 65% equities, which is similar to that of a typical Canadian pension or endowment fund and is designed to provide the best return for an acceptable level of risk over a long-term investment horizon. The Endowment Portfolio is invested in a number of different asset classes in order to reduce risk through diversification.*

**Goal 3 To improve Albertans' understanding and the transparency of the Alberta Heritage Savings Trust Fund.**

*A broadly-based communications strategy is being developed to achieve this goal which will include:*

- 1) providing accessible, informative and timely performance and investment activity information on the Fund;*
- 2) publishing annually a rolling three-year business plan for the Fund; and*
- 3) holding annual open, public meetings to report on the Fund's results and its performance compared to its objectives.*

By establishing two distinct investment portfolios the Fund can:

- ◆ provide a relatively stable level of interest income to the government through the **Transition Portfolio** over a medium-term investment horizon;
- ◆ at the same time, begin to transfer assets to and invest in the **Endowment Portfolio** that focuses on a long-term investment horizon.

As part of the new framework, the Heritage Fund will be “inflation-proofed” by retaining enough of the Fund’s income in the Endowment Portfolio to keep up with inflation. The net income of the Heritage Fund, less the amount allocated to the Endowment Portfolio for inflation proofing, is transferred from the Heritage Fund to the General Revenue Fund. The amount of income retained in a given year is the value of the total equity (assets less payables) of the Heritage Fund at fiscal year end multiplied by the percentage increase, if any, for that fiscal year in the Canadian gross domestic product price index. For this year, the total equity of the Fund was \$11,826 million, inflation was 1.49%, and therefore \$176 million was retained ( $\$11,826 \text{ million} \times 1.49\% = \$176 \text{ million}$ ). The legislation requires that, until the completion of the 1998-99 fiscal year, the Fund will only be allowed to keep that income necessary to offset inflation, if the province’s surplus exceeds \$500 million. If the income of the Fund in a fiscal year is less than that required for inflation proofing, then that income, if any, shall be allocated to the Endowment Portfolio.

## Transition Portfolio

On January 1, 1997, the Transition Portfolio was allocated \$10.6 billion in investments from the “old” Heritage Fund. The remaining \$1.2 billion of “old” Heritage Fund investments was allocated to the Endowment Portfolio as its starting position.

## Accounting for the Heritage Fund

The Heritage Fund is accounted for on a cost basis. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments. 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. Investments in loans are recorded at cost less any unearned income and allowance for credit loss.

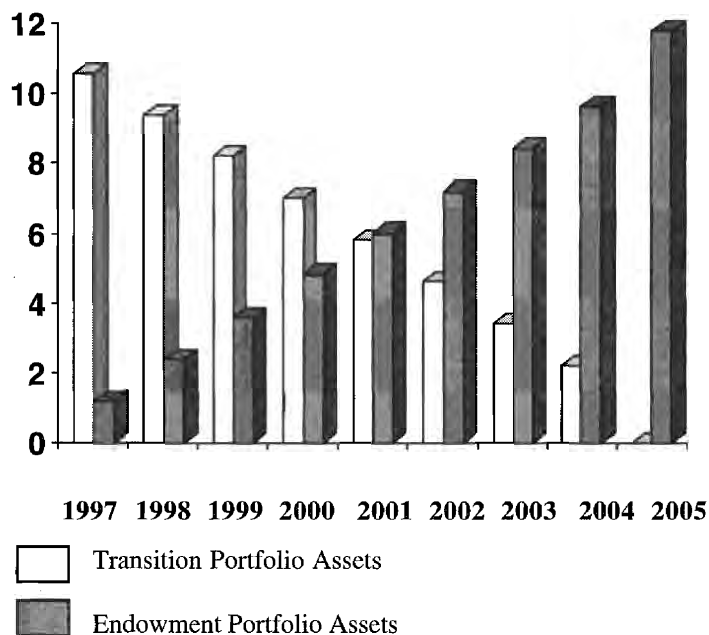
Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collectability. Capital gains or losses are recognized in income when the asset is sold.

Fair or “market” values are provided in schedules to the financial statements for comparison purposes.



## Transfer of Assets over Transition Period\*

(\$ billions)



\* Cost value; excludes accrued interest and accounts receivable, and additions to Endowment Portfolio due to inflation proofing.

Commencing in 1997-98, the Transition Portfolio will transfer annually a minimum of \$1.2 billion cost value of assets to the Endowment Portfolio. An average of \$100 million in the form of liquid, marketable securities will be transferred monthly such that, by no later than December 31, 2005, all assets will be in the Endowment Portfolio.

The Transition Portfolio's investment objective is "to support the Government's short-term to medium-term income needs as reflected in the Government's consolidated fiscal plan." The two key expected outcomes for the Portfolio are (i) to provide a high level of income to the Government's fiscal plan without undue variation in the province's bottom line; and (ii) to provide a higher return on Transition Portfolio assets than the cost of the province's debt. To satisfy the requirement for income with minimal volatility, the Portfolio will be investing in interest-bearing securities which provide immediate income. And, since the expected outcome is to beat the cost of debt, the selected benchmark against which the performance of the Portfolio will be measured is the market cost of the Canadian dollar portion of the province's debt portfolio (the US portion is excluded since debt is incurred in US dollars primarily as a hedge against the province's US dollar oil and gas revenue).

## Endowment Portfolio

On January 1, 1997, the Endowment Portfolio was allocated \$1.2 billion in investments from the "old" Heritage Fund.

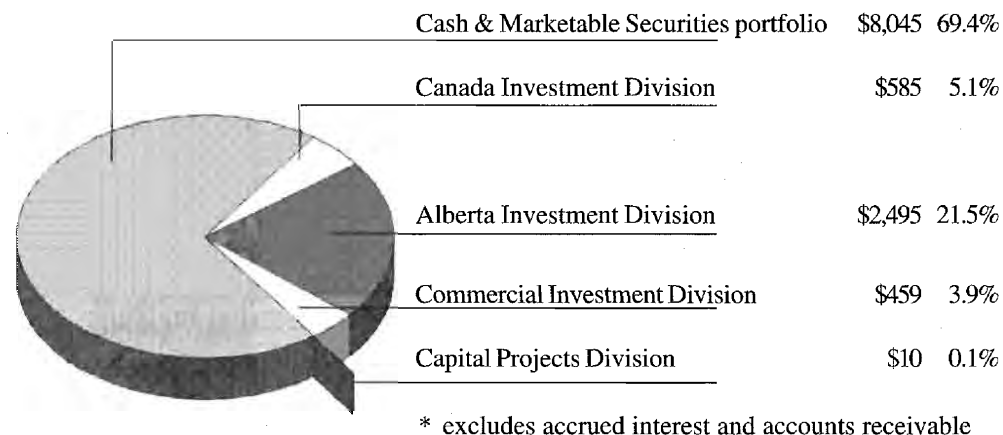
The Endowment Portfolio is truly the future of the Heritage Fund. This Portfolio's asset base is growing by an average of \$100 million per month commencing in April 1997, and is investing those funds for the long-term, pursuant to its objective to optimize long-term financial returns. Over time, the Heritage Fund will generate higher financial returns than in the past when social and economic objectives were pursued.

Perhaps one of the biggest implications of the restructuring plan is that the Fund will, in the future, through the Endowment Portfolio, have a significantly higher weighting in Canadian and foreign stocks. As at March 31, 1997, only 8%, or \$990 million of Fund assets at fair value were invested in equities. However, the asset mix

## Heritage Fund Assets (Cost Value)

as at December 31, 1996 (\$ millions)

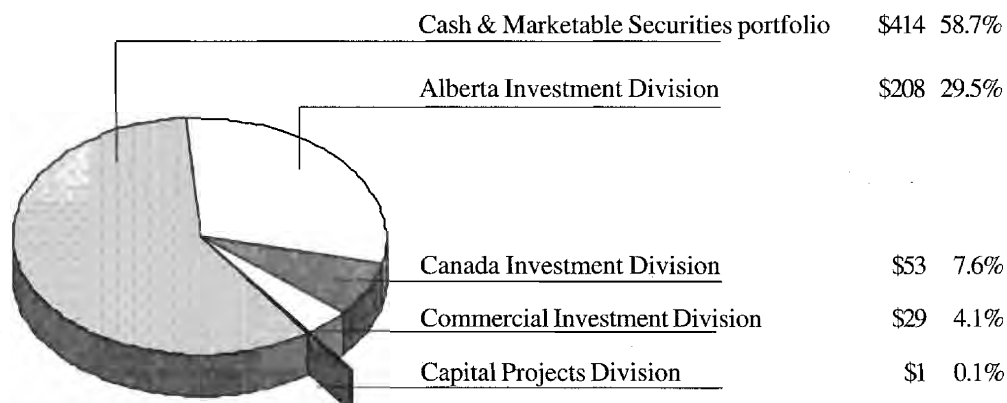
**Total: \$11,594\***



## Heritage Fund Income

for the nine month period ended December 31, 1996 (\$ millions)

**Total: \$705**



range of between 35% to 65% of the Portfolio's investments being in equities implies that, eventually, \$6 billion may be invested in equities (based on a 50% equity weighting — the mid-point of the equity range). Portfolios like the Endowment Portfolio, with their long-term investment horizon and an objective to optimize returns, invest in equities since equities have historically provided investors with higher total returns (dividends and capital gains) than interest bearing investments, but have higher volatility of returns over shorter time periods.

## Pre-Restructuring Summary of Performance

All rate of return performance figures presented in this section are for the nine month period ended to December 31, 1996 and are not annualized. Industry practice and performance presentation standards require that performance for periods of less than one year not be annualized.

For the first three quarters of 1996-97, the "old" structure of the Heritage Fund was still in place. This section describes the performance of the Heritage Fund under the "old" divisional structure. Under that structure, Fund assets belonged to one of four divisions (Canada Investment Division, Alberta Investment Division,

Commercial Investment Division and Capital Projects Division) or the Cash and Marketable Securities portfolio.

Performance is dominated by the Cash and Marketable Securities portfolio which accounted for approximately 69% of Fund assets (cost value) at December 31, 1996. Over the nine month period the Cash and Marketable Securities portfolio contributed \$414 million or approximately 59% of total Heritage Fund income.

Of the total Cash and Marketable Securities portfolio of \$8,045 million, approximately 27% was invested in cash and securities with

less than a year to maturity. The rest of the portfolio was invested in mid-term securities with a remaining average term to maturity of 3.3 years as at December 31, 1996. For the nine month period ending December 31, 1996, the Cash and Marketable Securities portfolio earned a market rate of return of 8.5%. Benchmark index returns, provided in the above table, provide a reference point against which the Portfolio's return can be compared. However, during 1996 the Cash and Marketable Securities portfolio was being positioned for the pending restructuring in January 1997 and, accordingly, was not being specifically managed against the noted benchmarks.

The second largest contributor of income over the nine months was the Alberta Investment Division with \$208 million of income. The Alberta Investment Division held investments in securities of Alberta provincial corporations, corporate securities and project loans.

The largest component of the Division as at December 31, 1996 was the debentures of Alberta provincial corporations which totalled \$1,893 million (cost value) or roughly 76% of total Division assets. These debentures were issued to the Heritage Fund at market rates by four corporations, the largest holdings of which are of the Alberta Social Housing Corporation and the Agriculture Financial Services Corporation.

The next largest component of the Alberta Investment Division is \$489 million in project loans, which included Alpac, Millar Western and Ridley Grain.

**Cash and Marketable Securities Portfolio Performance\***  
for the nine month period ending December 31, 1996

Benchmark Indices

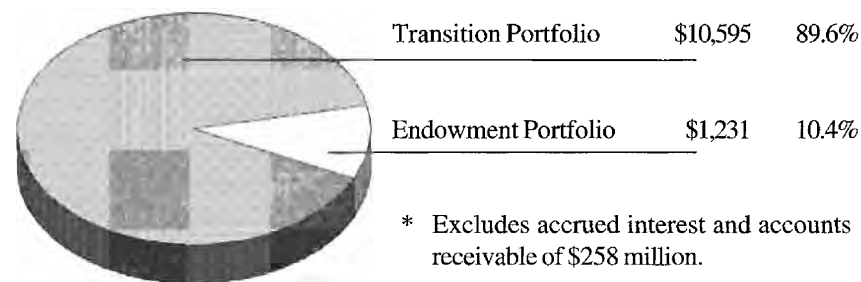
	SCM 91-day T-Bills Index		SCM Short-Bond Index	
	Market Return (%)	Duration	Market Return (%)	Duration
Short-term securities	4.5	0.29	3.5	0.25
Mid-term securities	9.6	2.83	9.7	2.53
Total Portfolio	<u>8.5</u>	<u>2.18</u>		

\* Percentage rate of return figures presented in this table reflect the actual return over the nine month period ended December 31, 1996 and are not annualized.

## Heritage Fund Assets (Cost Basis)

at March 31, 1997 (\$ millions)

**Total: \$11,826\***



## Transition Portfolio Breakdown of Investments

as at March 31, 1997 (\$ millions)

	Cost	Fair Value	%
Cash	65	65	0.5
Fixed Income Securities	8,079	8,289	75.4
Policy Investments			
Provincial corporation debentures	1,798	1,997	18.1
Project Loans			
Alpac	371	371	3.4
Murphy Oil*	56	56	0.5
Ridley Grain	102	102	0.9
Vencap**	11	11	0.1
Total Project Loans	540	540	4.9
Equities	113	125	1.1
Total Policy Investments	2,451	2,662	24.1
Total	10,595	11,016	100.0

\* Prior to restructuring, this loan was included in accounts receivable of the Fund.

\*\* Prior to restructuring, this loan was included in the Capital Projects Division.

The Alberta Investment Division earned a book value rate of return of 6.8% for the nine month period ended December 31, 1996 compared to 7.1% over the same period in 1995.

## Post-Restructuring Summary of Performance

This section describes the performance of the Fund for the first quarter under the “new” structure. All quarterly rate of return performance figures presented in this section are for the January 1997 to March 1997 period only and are not annualized. Industry practice and performance presentation standards require that performance for periods of less than one year not be annualized.

### Transition Portfolio

On January 1, 1997 the Transition Portfolio came into existence with \$10.6 billion of assets transferred from the “old” Heritage Fund. Most of the securities are interest bearing investments such as Treasury Bills, bonds and debentures. Investment performance is, as outlined in the business plan, measured against the market value cost of the Canadian dollar portion of the province’s debt portfolio. The expected outcome is that the Transition Portfolio earns more on its investments than the cost of this portion of the province’s debt.

The Transition Portfolio inherited the bulk of the Cash and Marketable Securities portfolio and all of the Alberta provincial corporation debentures and the project loans such as Alpac and Ridley Grain. The provincial corporation debentures constitute a disproportionately large weighting of total assets and Alberta Treasury is reviewing ways of reducing the Fund’s holdings of these debentures. By doing so the

Portfolio can reinvest in securities which will enhance return and better diversify the Portfolio. The provincial corporation debentures are a heterogeneous group of securities with some being prepayable, some carrying interest rates which are reset every five years, some having blended payment structures, and some being combinations of each of the above.

Consistent with the business plan, the Heritage Fund will also reduce the Transition Portfolio's holdings of project loans over time.

There are no specific plans to dispose of individual investments at this time. The Portfolio's holding of Alpac is the largest investment in the project loans group with a cost value, including capitalized interest, of \$371 million. The Alpac project is a joint venture between Crestbrook Forest Industries Ltd., MC Forest Investment Inc., and Kanzaki Paper Canada Inc., and was formed for the construction of a Kraft pulp mill northeast of Athabasca. The Transition Portfolio's holding is in the form of debentures which are secured by the project assets, subject to the prior charge of the senior bank lenders to the project. Payment of interest on the loan is dependent upon project cash flow.

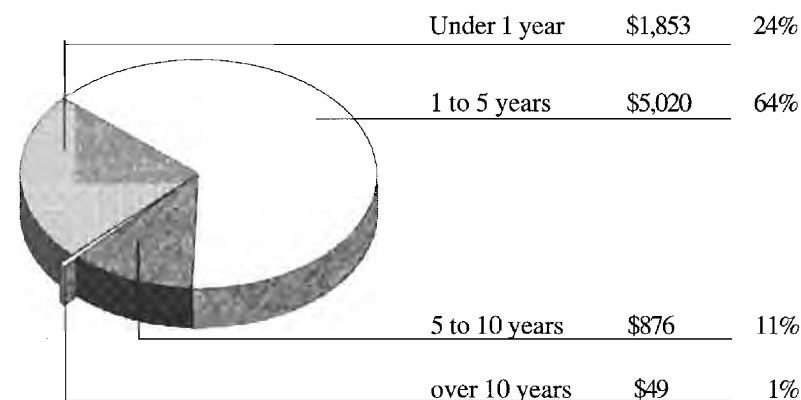
### *Investment Policy*

Commencing in 1997-98, the Transition Portfolio's investment policy statement will be reviewed and recommended annually by the Investment Operations Committee to the Provincial Treasurer. The investment policy statement for the Portfolio will then be approved by the Provincial Treasurer and will form the reference document for Alberta Treasury as the investment manager. The investment policy statement must be consistent with the business plan of the Fund and its purpose is to provide the overall investment framework as well as specific policies and guidelines such as:

- a quality constraint for fixed income securities of investment grade (a minimum of a "BBB" credit rating or equivalent)
- investment limits for the various categories of fixed income securities
- duration control of the Portfolio to minimize the deviation from the province's debt portfolio
- a summary of the legislative authority and governance structure, including specific duties of the investment manager

### **Term Structure\***

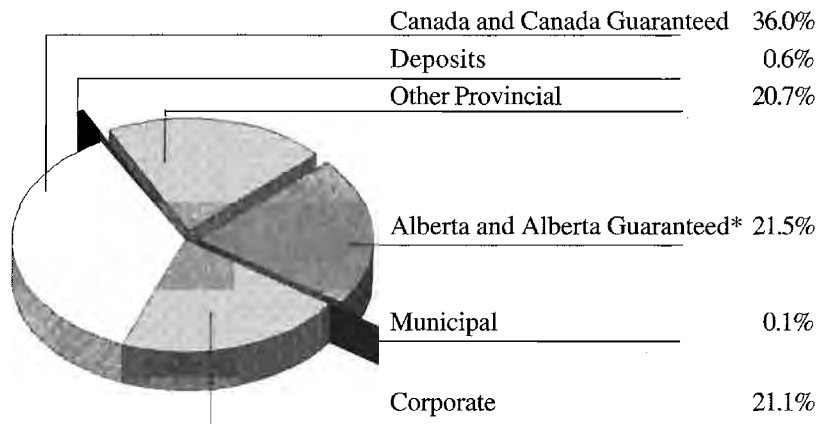
*as at March 31, 1997 ( Par Value \$ millions)*



\* Excludes deposits, Alberta provincial corporation debentures and project loans

## Sector Breakdown (Fair Value)

*Sector as a Percent of Total Deposits, Debentures and Fixed Income Securities as at March 31, 1997*



\* Includes Alberta provincial corporation debentures

## Transition Portfolio Performance

*for the three month period ending March 31, 1997*

	Market Return (%)	Province's Debt Portfolio** Market Value Cost (%)
Short-term Fixed Income Securities	0.69	N/A
Long-term Fixed Income Securities	0.02	N/A
Policy Investments*	1.31	N/A
Total Return	<u>0.46</u>	<u>0.05</u>

\* Includes Alberta provincial corporation debentures, project loans and corporate equities.

\*\* Canadian dollar portion only.

N/A - not applicable.

- adherence to the "prudent person" rule when making investments
- how investment performance is to be measured and what benchmark is to be used in assessing performance (see below)
- controls with respect to use of derivatives. Derivative instruments such as swaps can only be used to add value by enhancing fundamental investment strategies and cannot be used for speculative purposes. Over-the-counter derivatives may only be purchased from counterparties with at least a AA- credit rating at the time of purchase.

## Investment Strategy

The investment strategy, as expressed in the business plan and investment policy statement, is to invest in investment grade interest-bearing securities within a duration range for the overall Portfolio of between 2.4 and 3.2 (to minimize the deviation from the province's debt portfolio duration). Duration is the weighted average of the timing of when cash flows (such as interest and principal) are received and provides a means of gauging how sensitive a fixed income portfolio is to increases or decreases in the general level of interest rates.

## Transition Portfolio Performance

Because the securities which the Portfolio inherited on January 1, 1997 contained a large portion of short-term securities, the Portfolio's duration has been slightly below the low end of the target duration range for the January to March 1997 period. The Portfolio's duration will be lengthened over the first half of 1997-98 to fall within the policy range. As at March 31, 1997 the Portfolio's duration was 2.1 (excluding the project loans and corporate equities) compared to the provincial debt portfolio's duration of 2.7.

Investment income over the three month period was \$207 million. The market return for the three month period ended March 31, 1997 was

0.46% compared to a market value cost of debt of 0.05% (on the Canadian dollar portion of the province's debt portfolio). While short-term securities provided positive returns, yields over one year rose over this period in anticipation of an interest rate increase by the Federal Reserve which occurred in late March 1997. When bond yields are rising their prices are decreasing which resulted in negative market returns for some mid- and long-term bond portfolios over this period. For example, the Scotia Capital Markets Short Bond Index (duration = 2.6) had a market return of -0.1% over the three month period. Given the short time period, care must be taken in making conclusions regarding long-term performance. The book value return on the Transition Portfolio over the same period was 2.4% compared to a book value cost of debt of 1.9%.

## Endowment Portfolio

On January 1, 1997 the Endowment Portfolio came into existence with a starting position of \$1.2 billion of assets transferred from the "old" Heritage Fund. The statutory investment objective of the Endowment Portfolio is to make investments to maximize long-term financial returns. To achieve this, the asset mix range in the investment policy statement is a diversified portfolio of investments composed of between 35% to 65% fixed income securities and between 35% to 65% equity securities. Risk reduction is achieved through diversification between and within asset classes.

The Endowment Portfolio inherited the Commercial Investment Division's holdings of Canadian equities and short-term fixed-income securities, with the balance coming from short-term and mid-term fixed-income securities in the Cash and Marketable Securities portfolio. The Portfolio falls within its asset mix policy range as at March 31, 1997.

## Endowment Portfolio Breakdown of Investments

as at March 31, 1997 (\$ millions)

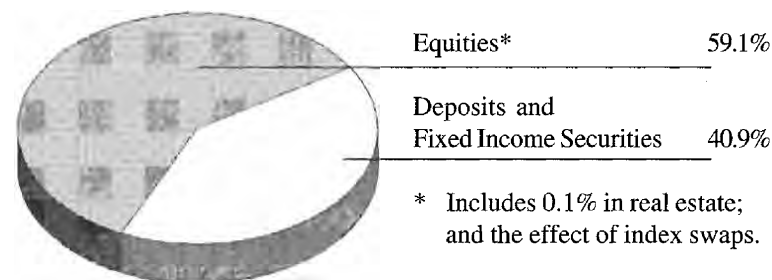
	Cost	Fair Value	%
Deposits	75	75	4.8
Fixed Income Securities			
Canada and Canada Guaranteed	135	136	8.7
Provincial	175	180	11.5
Corporate	288	288	18.5
Mortgage Pool	18	18	1.1
Total Deposits and Fixed Income Securities	691	697	44.6*
Equities			
Canadian Equities	292	629	40.2
U.S. Equities	69	64	4.1
Global Equities	176	172	11.0
Total Equities	537	865	55.3*
Real Estate	2	2	0.1
Total	1,230	1,564	100.0

\* Deposits and fixed income securities totalling \$57.2 million have been used as the underlying securities to support the index swaps issued by the Portfolio. If the effect of the swaps were reflected, deposits and fixed income securities would be reduced by \$57.2 million and Canadian equities increased by a corresponding amount. The resulting asset mix percentage is 40.9% fixed income and 59.1% equities.

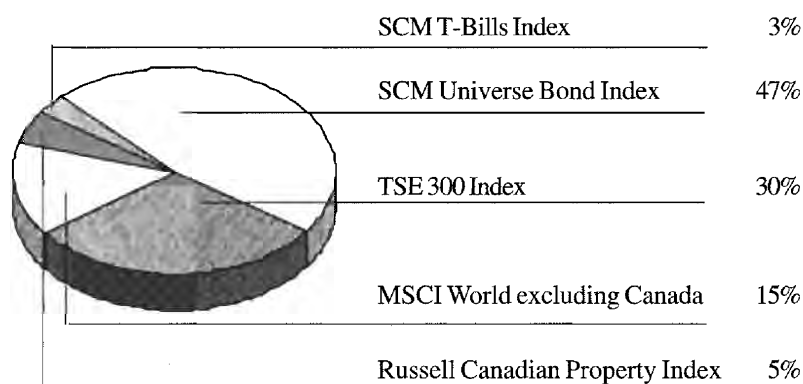
## Endowment Portfolio Overall Asset Mix

Fair Value as at March 31, 1997 (\$ millions)

**Total: \$1,564**



## Benchmark Portfolio Asset Mix\*



\* see page 17 for a description of these indices.

## Asset Mix Ranges

% of Market Value	Minimum %	Maximum %
<b>Debt</b>		
Money Market Securities	0	20
Debt Instruments	30	55
Commercial Mortgages	0	10
<b>Total Debt</b>	<b>35</b>	<b>65</b>
<b>Equity</b>		
Canadian Public	20	50
Canadian Private	0	6
Foreign	10	24
Real Estate	0	8
<b>Total Equity</b>	<b>35</b>	<b>65</b>

## Investment Policy

Commencing in 1997-98, the Endowment Portfolio's investment policy statement will be reviewed and recommended annually by the Investment Operations Committee to the Provincial Treasurer. The investment policy statement for the Portfolio will then be approved by the Provincial Treasurer and forms the reference document for Alberta Treasury as the investment manager. The investment policy statement must be consistent with the business plan of the Fund and its purpose is to provide the overall investment framework as well as specific policies and guidelines such as:

- quality constraints for fixed income securities
- investment limits by asset class
- a summary of the legislative authority and governance structure, including specific duties of the investment manager
- adherence to the "prudent person" rule when making investments
- how investment performance is to be measured and what benchmark is to be used in assessing performance (see below)
- controls with respect to use of derivatives. Derivative instruments such as swaps can only be used to add value by enhancing fundamental investment strategies and cannot be used for speculative purposes. Over-the-counter derivatives may only be purchased from counterparties with at least a AA- credit rating at the time of purchase.

## Investment Strategy

The strategy is to invest in a diversified portfolio to optimize long-term returns at an acceptable level of risk. As the liquid, marketable securities are transferred into the Endowment Portfolio from the Transition Portfolio at an average of \$100 million per month, the securities are reinvested amongst the various asset classes of the Endowment Portfolio. The benchmark asset mix of 50% fixed income/50% equities (see chart entitled "Benchmark Portfolio Asset Mix") is expected to result in an



average long-term annual real return\* of 5.5% based on historical capital market returns and value-added through active management of the Portfolio. Alberta Treasury uses specialist external managers to invest in certain asset classes such as Canadian “small cap” companies, U.S. equities and global equities.

### *Endowment Portfolio Performance*

The Portfolio contributed \$22 million in income in the three month period ended March 31, 1997. The three month overall market value return was approximately -0.4% compared to the benchmark portfolio return of -0.1%. The Portfolio slightly underperformed the benchmark portfolio over the period. The benchmark portfolio benefited from the positive returns earned on foreign equities and real estate asset classes over the full quarter. These asset classes were added to the Endowment Portfolio only later in the quarter. While the Endowment Portfolio inherited a tranche of Canadian equities and fixed income securities on January 1, by the end of the quarter the Portfolio had also invested in mortgages, real estate,

\* The real return is the nominal rate of return less the rate of inflation over the period.

### **Endowment Portfolio Performance**

*for the three month period ending March 31, 1997*

	<b>Endowment Portfolio</b>		<b>Benchmark Portfolio Return*</b>	
	Market Return (%)		Index Weighting	Market Return (%)
Short-term fixed income	0.73	SCM T-Bills Index	3%	0.7
Long-term fixed income	-0.15	SCM Universe Index	47%	-0.4
Canadian Equities	-0.36	TSE 300 Index	30%	-0.8
U.S. Equities	N/A			
Global Equities	N/A			
Foreign Equities	N/A	MSCI World Index (excl. Canada)	15%	1.1
Real Estate	N/A	Russell Index	5%	2.6
Total	<u>-0.39</u>		<u>100%</u>	<u>-0.1</u>

\* This portfolio represents a passive investment approach. See box for a description of the indices.

N/A = Quarterly return data not available since these asset classes were not held for the entire quarter, however, the total return of -0.4% for the period includes the performance of these investments from the point they were purchased.

#### **Scotia Capital Markets 91 day T-Bills Index (SCM T-Bills Index)**

Reflects the performance of the Canadian money market as measured by investments in 91-day Treasury Bills.

#### **Scotia Capital Markets Universe Bond Index (SCM Universe Index)**

Covers all marketable Canadian bonds with terms to maturity of more than one year. The purpose of this index is to reflect performance of the broad Canadian bond market in a manner similar to the way the TSE 300 represents the Canadian equity market.

#### **Toronto Stock Exchange 300 Total Return Index (TSE 300 Index)**

An index of 300 stocks, in fourteen subgroups, listed on the Toronto Stock Exchange designed to represent the Canadian equity market. It is a capitalization-weighted index calculated on a total return basis.

#### **Morgan Stanley Capital International World (excluding Canada) (MSCI World Index)**

An index of over 1,470 stocks on 23 stock exchanges around the world designed to represent an international equity market (excluding Canada). The index is calculated on a total return basis, which includes investment of gross dividends before deduction of withholding taxes. The index covers about 60% of the issues listed on the exchanges of the countries included.

#### **Russell Canadian Property Index (Russell Index)**

An index comprised of institutionally held real estate investments consisting of over 1,100 properties distributed across Canada.

U.S. equities and global equities. A sample of Canadian pension and endowment funds returned 0.4% (median return) over the three month period. The median return is that point where one half of the sample of funds earned a higher return than the median return, and where one half earned a lower return than the median return. Because only one quarter of data is available, care must be taken in drawing conclusions regarding long-term performance.

## **Economic Climate and Outlook**

The performance of the Canadian economy and international economies has a direct impact on Heritage Fund investment performance.

Following a disappointing first half, Canada's real Gross Domestic Product (GDP) expanded at annual rates of 3.2% in the third quarter and 2.8% in the fourth. Canada's real GDP expanded at an average rate of 1.5% in 1996.

The fourth quarter real GDP growth was marked by the expansion of the domestic economy. Final domestic demand increased by 1.8% during the fourth quarter. For the first time during this expansion Canada's exports did not contribute to the growth. In fact, it reduced growth by 1.9 percentage points. The trade sector slump was primarily due to a long GM strike last year.

Almost all components of final domestic demand increased in the fourth quarter. A strong gain in consumption expenditure as well as increases in business investment spending replaced exports as the major source of growth. The sizable expansion in personal consumption expenditure, during the fourth quarter of last year, is the culmination of the lagged impact of accommodative monetary policy. The concern is that the gain in consumer spending is not matched by an equal gain in income.

Canada's inflation has remained dormant throughout 1996. In fact, it rarely broke through the mid-point of the Bank of Canada's target band of 1% to 3%. Given the current unrealized economic potential, it is safe to assume that inflation will not be a major problem this year.

The strength of the US economy last year surpassed all expectations. Following a robust 4% growth in the second quarter, real GDP slowed to 2% in the third. However, in the fourth quarter, the growth rate bounced back to 3.8%. For all of 1996, US real GDP rose by 2.4% over 1995. In spite of a tight labour market and a high capacity utilization rate, US inflation remained subdued at the 3% level.

Interest rates have been rising through the first part of 1997 in anticipation of the Federal Reserve's pre-emptive strike to slow the growth in the US economy. Since lowering their key short-term rate (i.e., the rate at which banks borrow from each other, also known as the "fund's" rate) to 5.25% in January of last year, the Federal Reserve had not made any move until March of this year (the fund's rate has risen to 5.50%).

Globally, world economic growth continued at a moderate pace. There were a few surprises during the second half of 1996 as output growth expanded at a faster pace in countries like Germany, Japan, United Kingdom and France. As a result, the overall growth rate averaged a little under 3% for the full year 1996. Global output growth will likely accelerate to around 4% by the end of this year. This implies continued high unemployment in many of the industrialized countries. It also means that world inflation will remain dormant.

The Canadian dollar, throughout 1996, appreciated slowly from US\$0.7281 during the beginning of the year to a high of US\$0.7472 in October before ending the year at US\$ 0.7296. The relative strength of the dollar allowed the Bank of Canada to pursue an accommodative monetary policy. The narrowly defined monetary aggregate M1 rose 7.2% in the fourth quarter. The 3-month Treasury Bill fell below 3% and remained at that level throughout the year.

Considering the economic and financial conditions described above, investment returns as measured by Scotia McLeod's indices were 4.2% on 91-day Treasury bills, 9.6% on short-term bonds (average term: 3 years) and 16.4% on long-term bonds (average term: 20 years). The returns on bonds were high because the price of a bond goes up as interest rates decline. This increase in price is included in the market value rate of return.

The Canadian stock market as measured by the Toronto Stock Exchange (TSE 300 Composite) experienced strong growth during 1996. In the fourth quarter of 1996, the TSE 300 averaged 5848 compared with 4611 a year before — a growth rate of 26.8%. A little over 50% of the gain occurred in the fourth quarter alone. A lower interest rate environment and an export-driven increase in corporate earnings pushed the index up.

During the first quarter of 1997, as the Federal Reserve raised its key short term rate, equity markets both in Canada and the US reacted quickly. The TSE 300 composite index fell from a high of 6158 at the end of February to 5850 at the end of March. The US S&P 500 declined to 757 from a high of 790 at the end of February this year.

# 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.

***Book Value***

See Cost Value.

***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.

***Cost Value***

The value for which an asset was acquired.

***Deposits***

Liquid, short-term investments. A cash equivalent.

***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.

***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").

***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.

***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 Rate of Return***

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 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 investment funds. For that purpose, the investment industry standard is to use time-weighted rates of return (see "Market (Value) Rate of Return").

***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 an asset can be turned into cash and the certainty of the value it will fetch.

***Market (Value) Rate of Return***

The market value rate of return measures income (dividends, cash interest and accrued interest) and capital appreciation (or capital depreciation). The method used to calculate the return is the time-weighted method with quarterly valuations. 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 investment industry uses time-weighted rates of return when comparing the returns of one fund to another fund or to an index.

***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 Rate of Return***

A measure of return 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.

***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 or Real Rate of Return***

A measure of value or return after accounting for inflation. It is equal to the nominal value or return 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.

***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.

***Term-to-maturity***

The number of years left until a bond matures.

***Volatility***

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

# AUDITOR'S REPORT ON INVESTMENT RETURNS

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## To the Provincial Treasurer

I have audited the Statement of Investment Returns of Cash and Marketable Securities and of the Commercial Investment Division of the Alberta Heritage Savings Trust Fund for the nine months ended December 31, 1996 and for the Transition Portfolio and the Endowment Portfolio of the Alberta Heritage Savings Trust Fund for the three months ended March 31, 1997. 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 nine months ended December 31, 1996 and of the Transition Portfolio and the Endowment Portfolio of the Fund for the three months ended March 31, 1997 in accordance with the disclosed basis of accounting as described in Note 2 to the statement.

*Peter Valente*

FCA  
Auditor General

Edmonton, Alberta  
June 4, 1997



# Auditor's Report on Investment Returns

## Statement of Investment Returns of Cash and Marketable Securities, the Commercial Investment Division, the Transition Portfolio and the Endowment Portfolio

*for the nine months ended December 31, 1996 and the three months ended March 31, 1997*

Nine Months Ended December 31, 1996		Three Months Ended March 31, 1997	
<b>Cash and Marketable Securities</b>		<b>Transition Portfolio</b>	
Short-term (less than 1 year)	4.50	Short-term fixed income	0.69
Mid-term (1 - 5 years)	9.61	Long-term fixed income	0.02
Total Return	8.46	Policy Loans	1.31
		Total Return	0.46
<b>Commercial Investment Division</b>		<b>Endowment Portfolio</b>	
Money market	4.55	Short-term fixed income	0.73
Equities	18.95	Long-term fixed income	-0.15
Total Return	13.81	Canadian Equities	-0.36
		Total Return	-0.39

**Notes to the Statement of Investment Returns of Cash and Marketable Securities,  
the Commercial Investment Division,  
the Transition Portfolio and the Endowment Portfolio**

*for the nine months ended December 31, 1996 and the three months ended March 31, 1997*

**Note 1      Authority and Purpose**

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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-27.01, Revised Statutes of Alberta 1980, as amended.

**With respect to the nine month period ended December 31, 1996:**

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.

**With respect to the three month period ended March 31, 1997:**

According to the Heritage Fund Business Plan, both the Transition Portfolio and the Endowment Portfolio performance are to be measured on a market value basis. Since the project loans, such as Alpac, are not readily saleable, their cost values are used in the calculations.

**Note 2      Significant Accounting Policy**

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Rates of return have been calculated using the time-weighted method with quarterly valuations. The rates of return are not annualized. Industry practice and performance presentation standards require that performance for periods of less than one year may not be annualized.

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 (including unrealized for market values). 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.

# FINANCIAL STATEMENTS



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## AUDITOR'S REPORT

To the Provincial Treasurer

I have audited the balance sheet of the Alberta Heritage Savings Trust Fund as at March 31, 1997 and the statements of operations 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, 1997 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 Valentine*

FCA  
Auditor General

# FINANCIAL STATEMENTS

## BALANCE SHEET

March 31, 1997 (in \$ thousands)

	1997	1996
<b>Assets:</b>		
Portfolio investments (Note 3)	\$ 11,825,904	\$ 11,647,854
Accrued interest and accounts receivable	257,942	354,590
	<u>\$ 12,083,846</u>	<u>\$ 12,002,444</u>
<b>Liabilities and fund equity:</b>		
Liabilities:		
Accounts payable	\$ 35,040	\$ 155,434
Due to the General Revenue Fund	47,448	21,327
	<u>82,488</u>	<u>176,761</u>
Fund equity (Note 6)		
Endowment portfolio	1,387,521	—
Transition portfolio	10,613,837	—
Old structure	—	11,825,683
	<u>12,001,358</u>	<u>11,825,683</u>
	<u>\$ 12,083,846</u>	<u>\$ 12,002,444</u>

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

# FINANCIAL STATEMENTS



## STATEMENT OF OPERATIONS for the Year ended March 31, 1997 (in \$ thousands)

	1997		1996
	Budget	Actual	Actual
<b>Income:</b>			
Investment income	\$ 911,000	\$ 933,324	\$ 1,055,482
<b>Expenses:</b>			
Administrative expenses	1,000	1,201	1,329
Write down of investments	—	—	8,590
	1,000	1,201	9,919
<b>Net income (Note 7)</b>	910,000	932,123	1,045,563
<b>Transfers:</b>			
Transfers to the General Revenue Fund	910,000	756,448	1,045,563
<b>Amounts retained (Note 6 and 7)</b>	—	175,675	—
<b>Recoveries from capital projects</b>	—	—	171
<b>Net increase in fund equity</b>	\$ —	175,675	171
<b>Fund equity at beginning of year</b>		11,825,683	11,825,512
<b>Fund equity at end of year</b>		\$ 12,001,358	\$ 11,825,683

# FINANCIAL STATEMENTS



## STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended March 31, 1997 (in \$ thousands)

	1997	1996
<b>Operating transactions:</b>		
Net income	\$ 932,123	\$1,045,563
Non-cash items included in net income	(44,532)	(68,495)
	887,591	977,068
Decrease (increase) in receivables	96,648	(94,031)
Increase (decrease) in payables	(94,273)	107,591
Cash provided by operating transactions	889,966	990,628
<b>Investing transactions:</b>		
Proceeds from disposals, repayments and redemptions of investments	2,159,697	2,068,086
Investments	(2,232,186)	(2,002,550)
Cash provided by (applied to) investing transactions	(72,489)	65,536
<b>Transfers and recoveries:</b>		
Transfers to the General Revenue Fund	(756,448)	(1,045,563)
Recoveries from capital projects	—	171
Cash applied to transfers and recoveries	(756,448)	(1,045,392)
<b>Increase in cash and cash equivalents</b>	<b>61,029</b>	<b>10,772</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>78,369</b>	<b>67,597</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 139,398</b>	<b>\$ 78,369</b>
<b>Consisting of Deposits in the Consolidated Cash Investment Trust Fund:</b>		
Endowment Portfolio (Schedule 1)	\$ 74,586	\$ —
Transition Portfolio (Schedule 2)	64,812	—
Old Structure	—	78,369
	\$ 139,398	\$ 78,369

# FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS

March 31, 1997

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### Note 1 Authority and Mission

The Alberta Heritage Savings Trust Fund operates under the authority of the Alberta Heritage Savings Trust Fund Act (the "Act"), Chapter A-27.01, Revised Statutes of Alberta 1980, as amended.

The preamble to the Act describes the mission of the Fund as follows:

*"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."*

Investments of the Fund are held in an Endowment Portfolio and a Transition Portfolio. 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. The Act provides that all assets in the Transition Portfolio must be transferred to the Endowment Portfolio by December 31, 2005.

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

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

(a) Portfolio investments

Fixed-income securities, mortgages, equities and real estate investments held either directly by the Fund or by pooled investment funds are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Investments in loans are recorded at cost less any unearned income and allowance for credit loss.

The cost of disposals is determined on the average cost basis.

Where there has been a loss in value of an investment in fixed-income securities, mortgages, equities and real estate 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.

Where there is no longer reasonable assurance of timely collection of the full amount of principal and interest of a loan, a specific provision for credit loss is made and the carrying amount of the loan is reduced to its estimated realizable amount.



# FINANCIAL STATEMENTS



(b) Investment Income

Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collectability. When a loan becomes impaired, recognition of interest income in accordance with the terms of the original loan agreement ceases. Any subsequent payments received on an impaired loan are applied to reduce the loan's book value.

Income and expense on index swaps and interest rate swaps are accrued as earned and gains and losses arising as a result of disposal of investments are included in the determination of investment income.

(c) Foreign Currency

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.

(d) Investment Valuation

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 either directly by the Fund or by pooled investment funds are determined as follows.

Public fixed-income securities and 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.

Mortgages, Provincial corporation debentures and certain non-public provincial debentures 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.

The fair value of private equities is estimated by management.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised at least every three years by qualified external real estate appraisers.

Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair values with sufficient reliability.

The fair values of deposits, receivables, accrued interest and payables are estimated to approximate their book values.

At the year end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate.

# FINANCIAL STATEMENTS



## Note 3 Portfolio Investments

Portfolio investments are summarized as follows:

	1997		1996	
	Cost	Fair Value	Cost	Fair Value
	(\$ thousands)			
Endowment Portfolio investments (Schedule 1)	\$ 1,230,549	\$ 1,563,683	\$ —	\$ —
Transition Portfolio investments				
Deposit, debentures and fixed-income securities (Schedule 2)	9,942,389	10,351,276	—	—
Canadian equities (Schedule 2)	113,003	125,235	—	—
Loans (Schedule 2)	539,963	—	—	—
Cash and Marketable Securities	—	—	7,835,905	7,864,189
Canada Investment Division investments	—	—	605,423	685,963
Alberta Investment Division investments	—	—	—	—
Debentures and Canadian equities (Note 8)	—	—	2,254,276	2,468,031
Loans	—	—	468,835	—
Commercial Investment Division investments	—	—	474,560	747,290
Capital Projects Division investments	—	—	8,855	—
Total investments	<u>\$ 11,825,904</u>		<u>\$ 11,647,854</u>	

# FINANCIAL STATEMENTS



As a result of amendments to the Act which came into force on January 1, 1997, the Canada, Alberta, Energy and Commercial Investment Divisions and the Capital Projects Division of the Fund were abolished. Investments, cash, marketable securities, accrued interest, receivables and payables were transferred to the Endowment and Transition Portfolios at cost as follows:

From: Old Structure as at January 1, 1997		To: Endowment Portfolio (\$ thousands)	To: Transition Portfolio
Cash and marketable securities			
Short-term securities	\$ 2,041,526	\$ 382,493	\$ 1,659,033
Mid-term securities	5,893,146	313,196	5,579,950
Total marketable securities	7,934,672	695,689	7,238,983
Cash and cash equivalents	110,727	45,397	65,330
Canada Investment Division	584,809	—	584,809
Alberta Investment Division			
Provincial corporation debentures	1,892,637	—	1,892,637
Loans	488,596	—	488,596
Canadian equities, public	113,003	—	113,003
Commercial Investment Division			
Canadian equities, public	260,742	260,742	—
Fixed-income securities	198,260	198,260	—
Capital Projects Division	10,220	—	10,220
	11,593,666	1,200,088	10,393,578
Accrued interest and accounts receivable	295,062	11,758	283,304
Accounts payable	(24,663)	—	(24,663)
Due to the General Revenue Fund	(38,382)	—	(38,382)
Total cost	\$ 11,825,683	\$ 1,211,846	\$ 10,613,837

In each year subsequent to the initial transfer, assets with a cost of at least \$1.2 billion will be transferred to the Endowment Portfolio from the Transition Portfolio. All assets must be transferred to the Endowment Portfolio by December 31, 2005.

# FINANCIAL STATEMENTS



## Note 4 Risk Management

Income and financial returns of the Fund are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

The Alberta Heritage Savings Trust Fund Standing Committee reviews and approves the business plan of the Fund. In order to earn the greatest financial returns at an acceptable level of risk, for the 1997-98 fiscal year, the business plan establishes an asset mix policy of 35% to 65% fixed-income instruments and 35% to 65% equities for the Endowment Portfolio and limits investments of the Transition Portfolio to include only fixed-income securities other than those transferred from the old structure. Risk is reduced through asset class diversification, diversification within each asset class, quality and duration constraints on fixed-income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Borrowing or leveraging is not allowed with the exception of pre-existing mortgages on real estate properties. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency.

Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future. As at March 31, 1997, the Fund's proportionate share of outstanding forward foreign exchange contracts issued by the External Managers Fund amounted to \$17,227,000 (1996: \$Nil).

## Note 5 Index Swaps and Interest Rate Swaps

The Fund uses index and interest rate swaps directly, or indirectly through the Global Structured Equity Pooled Fund to enhance return. A swap is a contractual agreement between two parties to exchange a series of cash flows based on a notional amount and does not involve the exchange of the underlying principal. An index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional value. All swaps are supported by underlying securities. Leveraging is not allowed.

As at March 31, 1997, the notional value of index swaps issued by the Fund amounted to \$57,180,000 [see Schedule 1, note (j)]. The Fund's proportionate share of notional value of interest rate swaps and index swaps issued by the Global Structured Equity Pooled Fund amounted to \$32,243,000 and \$61,681,000 respectively.

The notional value is the amount to which a rate or price is applied in order to calculate the exchange of cash flows. Credit risk relating to swaps is minimal as management deals only with the most credit worthy counterparties.

# FINANCIAL STATEMENTS



## Note 6 Fund Equity

From the inception of the Fund in 1976 to March 31, 1987, non-renewable resource revenue totalling \$12,049,325,000 was transferred to the Fund from the General Revenue Fund under authority of "Special Acts". From inception to March 1995, the Fund expended \$3,486,060,000 on capital projects. Since March 1995, accumulated recoveries from capital projects have amounted to \$171,000. From inception to August 1982, net income totalling \$3,262,247,000 has been retained by the Fund. Since September 1982, all of the net income of the Fund has been transferred to the General Revenue Fund, except \$175,675,000 needed to preserve the real capital of the Fund in 1996-97.

As at March 31, 1997, the amounts retained by the Fund to preserve the real capital of the Fund have been allocated to the Endowment Portfolio and included in the Portfolio's equity balance. Assets relating to the amounts retained will be transferred from the Transition Portfolio to the Endowment Portfolio after year end in accordance with the Act.

## Note 7 Net Income

	1997	1996
	(\$ thousands)	
Endowment Portfolio investments	\$ 21,574	\$ —
Transition Portfolio investments	206,672	—
Cash and marketable securities	413,611	581,322
Canada Investment Division investments	53,293	102,762
Alberta Investment Division investments	207,663	295,619
Commercial Investment Division investments	29,145	33,541
Capital Projects Division investments	1,366	33,648
Administrative expenses	(1,201)	(1,329)
Net income	\$ 932,123	\$ 1,045,563

Net income is comprised of interest, dividends, amortization of discount and premiums and net gains realized on disposals of investments.

Net income from the Endowment and Transition Portfolio investments is for the three months ended March 31, 1997. Net income from Cash and Marketable Securities, the Canada, Alberta and Commercial Investment Division investments and the Capital Projects Division investments is for the nine months ended December 31, 1996.

All of the net income of the Fund is transferred to the General Revenue Fund except income needed to preserve the real capital of the Fund. From 1996-97 to 1998-99, income can only be retained in the Fund for inflation proofing in a particular year to the extent that the province's consolidated surplus exceeds \$500 million in that year.

# FINANCIAL STATEMENTS



Income includes \$25,678,000 of income from public fixed-income securities issued by Province of Alberta funds and agencies (1996 \$47,309,000).

Income also includes \$189,633,000 of income from debentures issued by Alberta Provincial corporations (1996 \$210,886,000) [see Schedule 2 note (c)].

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**Note 8      Comparative Figures**

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The fair values of certain Provincial corporation debentures as at March 31, 1996 have been restated to reflect a refinement in the process used to estimate fair values.

Certain 1996 figures have been reclassified to conform to 1997 presentation.

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**Note 9      Approval of Financial Statements**

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These financial statements were approved by management.

# FINANCIAL STATEMENTS



## SCHEDULE OF ENDOWMENT PORTFOLIO INVESTMENTS

## SCHEDULE 1

March 31, 1997 (\$ thousands)

	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund (a)	\$ 74,586	\$ 74,586
Fixed-Income securities:		
Public, direct (b)		
Government of Canada, direct and guaranteed	135,261	135,859
Provincial:		
Alberta, direct and guaranteed	36,380	37,346
Other, direct and guaranteed	138,254	142,514
Corporate	288,155	288,614
Private Mortgage Pool (c)	17,994	18,104
Total deposit and fixed-income securities (j)	690,630	697,023
Canadian equities:		
Public, direct (d)		
Communications and media	8,107	25,638
Conglomerates	12,839	36,623
Consumer products	14,592	48,463
Financial services	8,173	24,358
Gold and precious metals	25,042	50,777
Industrial products	38,806	94,829
Merchandising	13,546	35,412
Metals and minerals	30,945	68,001
Oil and gas	37,151	81,459
Paper and forest products	11,399	19,432
Pipelines	11,348	23,259
Real estate and construction	2,594	8,700
Transportation and environmental services	7,517	17,626
Utilities	38,921	65,542
External Managers Fund (Small Cap) (e)	28,728	27,325
Private Equity Pool (f)	2,000	2,049
Total Canadian Equities	291,708	629,493
Foreign equities:		
External Managers Fund (Global) (e)	109,276	107,177
Global Structured Equity Pooled Fund (g)	67,674	64,206
United States Pooled Equity Fund (h)	49,164	44,655
External Managers Fund (United States) (e)	20,583	19,624
Total foreign equities	246,697	235,662
Real estate (i)	1,514	1,505
Total equities (j)	539,919	866,660
Total investments	\$ 1,230,549	\$ 1,563,683

# FINANCIAL STATEMENTS



- (a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.
- (b) Public fixed-income instruments are managed with the objective of providing competitive returns over a four year period while maintaining maximum security of the Fund's capital. Return is maximized within the risk constraints on the portfolio by management of portfolio duration and issuer mix. Fixed-income securities held have an average effective yield of 3.25% per annum based on market for securities maturing in a year, and 5.69% per annum for securities maturing between one and five years. As at March 31, 1997, the securities have the following term structure based on par.

	<u>%</u>
under 1 year	50
1 to 5 years	<u>50</u>
	<u>100</u>

As at March 31, 1997, securities with a fair value of \$105,388,000 were loaned to certain borrowers. The loans were secured by marketable securities with a fair value of \$112,976,000. During the term of the loan, the Fund retains the right to receive income on the securities loaned, in addition to the fees earned.

- (c) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the publicly traded bond market over the long term. The portfolio is comprised primarily of high quality commercial mortgage loans. Risk is reduced by limiting investments to include only NHA insured loans and first mortgage loans that provide diversification by property usage. The Pool does not invest in mortgages on single family houses, hotels, motels, trailer parks or recreational properties. As at March 31, 1997, mortgages held by the Pool have an average effective yield of 8.58% per annum based on market. Approximately 76% of the mortgages held will mature between 1 and 10 years.
- (d) The industrial classifications are those used by the Toronto Stock Exchange. Competitive returns and maximum capital preservation are expected from investments in Canadian public equities. Risk is reduced by prudent security selection and management of holdings in various industrial sectors. As at March 31, 1997, equity securities with a fair value of \$79,271,000 were loaned to certain borrowers. The loans were secured by marketable securities with a fair value of \$84,978,000. During the term of the loan, the Fund retains the right to receive income on the securities loaned, in addition to the fees earned.
- (e) The External Managers Fund is managed by external managers with expertise in global equity markets and Canadian Small Cap stocks. The objective of the Fund is to provide investment returns higher than the total return of the applicable Morgan Stanley, Standard and Poor's and Toronto Stock Exchange indices over a four year period. The portfolio is comprised of publicly traded equity securities on Canadian and approved foreign markets. Risk is reduced through manager, strategy and market diversification.



# FINANCIAL STATEMENTS



- (f) The Private Equity Pool is managed with the objective of providing investment returns higher than attainable from the publicly traded equity indices over the long term. The portfolio is comprised of equity investments in companies that show higher than average growth potential. Risk is reduced by avoiding direct investments in start-up and venture capital situations and by limiting holdings in any one company.
- (g) The Global Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley World Equity Index. The Pool provides exposure to global markets through the use of structured investments such as foreign equity index swaps and interest rate swaps. All payments and receipts relating to swaps are in Canadian dollars. Participation in the Fund qualifies as a Canadian investment under the foreign content constraint policy of the Fund.
- (h) The United States Pooled Equity Fund is managed with the objective of attaining investment returns comparable to the Standard and Poor's 500 Total Return Index over a four year period. The portfolio is comprised of common stocks of corporations with high growth potential in the United States. Technology, consumer products, energy and financial services are the sectors emphasized by the Fund.
- (i) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to returns attainable from the publicly traded bond and equity markets over the long term. Real estate is held through intermediate companies which have issued to the Pool, common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed-income securities and equities, the Pool provides diversification from the securities market with opportunities for high returns.
- (j) Deposit and fixed-income securities totalling \$57,180,000 have been used as the underlying securities to support the index swaps issued by the Fund (see Note 5). If the effect of the swaps were reflected in this schedule, deposit and fixed-income securities would be reduced by \$57,180,000 and Canadian equities increased by a corresponding amount. The resulting asset mix percentage is 40.9% fixed-income and 59.1% equities.

# FINANCIAL STATEMENTS



## SCHEDULE OF TRANSITION PORTFOLIO INVESTMENTS

## SCHEDULE 2

March 31, 1997 (\$ thousands)

	Cost	Fair Value
Deposit in the Consolidated Cash Investment Trust Fund (a)	\$ 64,812	\$ 64,812
Fixed-Income securities:		
Public, direct (b)		
Government of Canada, direct and guaranteed	3,653,996	3,728,173
Provincial:		
Alberta, direct and guaranteed	217,355	222,049
Other, direct and guaranteed	2,032,543	2,139,746
Municipal	12,218	13,098
Corporate	2,163,428	2,186,017
Total deposit and fixed-income securities, public	8,144,352	8,353,895
Provincial corporation debentures (c):		
Agriculture Financial Services Corporation	735,651	793,629
Alberta Social Housing Corporation	903,645	1,018,065
Alberta Municipal Financing Corporation	140,000	166,160
Alberta Opportunity Company	18,741	19,527
Total Provincial corporation debentures	1,798,037	1,997,381
Total deposit, debentures and fixed-income securities	9,942,389	\$ 10,351,276
Canadian Equities:		
Public, direct		
NOVA Corporation of Alberta Ltd.	112,283	\$ 122,835
Canadian Western Bank	720	2,400
Total Canadian equities	113,003	\$ 125,235
Loans:		
Alberta Pacific Pulp Mill Project (d)		
Crestbrook Forest Industries Ltd.	148,697	
Kanzaki Paper Canada Inc.	92,744	
MC Forest Investment Inc.	129,876	
Murphy Oil Company Ltd. (e)	55,970	
Ridley Grain Ltd. (f)	102,000	
Vencap Acquisition Corporation (g)	10,676	
Total loans	539,963	
Total investments	\$ 10,595,355	

371,817

# FINANCIAL STATEMENTS



- (a) See Schedule 1, note (a).
- (b) Public fixed-income instruments are managed with the objective of providing a market rate of return higher than the market cost of the Canadian dollar portion of the Province's debt portfolio on an annual basis. Any excess return is expected to be achieved through management of portfolio duration between 2.4 and 3.2 years as well as through issuer mix. Fixed income securities held have an average effective yield of 3.63% per annum based on market for securities maturing in a year, and 5.52% per annum for securities maturing between 1 and 35 years. As at March 31, 1997, the securities have the following term structure based on par.

	<u>%</u>
under 1 year	24
1 to 5 years	64
5 to 10 years	11
over 10 years	<u>1</u>
	<u>100</u>

As at March 31, 1997, securities with a fair value of \$948,812,000 were loaned to certain borrowers. The loans were secured by marketable securities with a fair value of \$1,017,127,000. During the term of the loan, the Fund retains the right to receive income on the securities loaned, in addition to the fees earned.

- (c) Provincial corporation debentures have an average yield of 8.05% per annum based on market. Approximately \$104 million will mature within a year, \$606 million between one and five years, and \$1,088 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 with the following exceptions. Certain Alberta Social Housing Corporation debentures are callable by the corporation on thirty days notice and other debentures are redeemable prior to maturity when the issuer has disposed of assets, or received early repayment of loans, financed by debentures issued to the Fund. During the year, debentures amounting to \$90,560,000 (1996 \$238,611,000) were redeemed prior to maturity.

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

	<u>1997</u>	<u>1996</u>
Balance at beginning of year	\$1,991,273,000	\$2,333,309,000
Disposals, repayments and redemptions:		
Agriculture Financial Services Corporation	(101,507,000)	(57,127,000)
Alberta Social Housing Corporation	(71,863,000)	(245,120,000)
Alberta Opportunity Company	(19,866,000)	(39,789,000)
Balance at end of year	<u>\$1,798,037,000</u>	<u>\$1,991,273,000</u>

# FINANCIAL STATEMENTS



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.

- (d) Under the terms of the loans, 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 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 loans mature on November 30, 2010 and are repayable in five equal annual instalments commencing February 28, 2006. As at March 31, 1997, loan investments include capitalized interest totalling \$122,006,000 (1996 \$92,673,000). Accrued interest totalling \$2,902,000 (1996 \$Nil) is included in the accrued interest and accounts receivable account.

The values of the loans are highly sensitive to changes in future pulp prices. Management estimates that a 1% change in pulp prices forecast over the long term could change the overall security value by approximately \$30 million. Experience is that pulp prices over the near term are very difficult to forecast. Actual pulp prices could vary by as much as 30 to 40 percent from year to year. However, the effect of annual variance over the long term is much less significant.

Due to low current pulp prices and the risks associated with volatility of future pulp prices, foreign exchange rates and sales volume, a recovery shortfall may result if the loans were sold in the near term subsequent to March 31, 1997. However based on historical operating results and the latest industry forecasts of pulp prices over the long term, there is reasonable certainty that the loan principal and all accrued interest will be repaid by 2010.

- (e) The loan bears interest at a rate of 6.25% per annum compounded annually and is repayable as follows : \$18,000,000 on December 22, 1997 and \$37,970,000 on December 22, 1998.

- 1996 (f) Under the terms of the loans, prior to July 31, 1985, interest on the loans 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. Allowance for credit losses representing unrecorded capitalized interest amounts to \$42,927,000 at March 31, 1997 (1996 \$42,927,000).

The book value of the loan is sensitive to changes in grain throughput volumes. For example, at current throughput levels, a 1% change in throughput over the long term could change the security value by approximately \$2 million. Grain throughputs are difficult to forecast because they are dependent in part upon port allocation decisions of the Canadian Wheat Board and a number of other factors such as crop size and composition.

# FINANCIAL STATEMENTS



- (g) In October 1995, the Province agreed to terms of an Arrangement Agreement with Vencap Equities Alberta Ltd. (Vencap) and Vencap Acquisition Corporation, an indirect wholly owned subsidiary of Onex Corporation. The outstanding principal amount of \$63,988,000 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 anticipated loan repayments. The discount is amortized to investment income over the remaining term of the loan.

- (h) On March 27, 1997, the Province agreed to terms for the sale of its investment in Millar Western Pulp Ltd. and Millar Western Pulp (Whitecourt) Ltd. Proceeds from the sale totalling \$27.6 million were included in accounts receivable at March 31, 1997.



# DETAILED LIST OF INVESTMENTS (UNAUDITED)

AS AT MARCH 31, 1997

HERITAGE FUND TRANSITION PORTFOLIO

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
<b>Cash and Equivalents Total</b>				<b>64,811,625.93</b>	<b>64,811,625.93</b>	
<b>FIXED INCOME - SHORT TERM</b>						
<i>Canadian Short Term</i>						
<u>Federal</u>						
Government of Canada	Bond	9.25%	15-May-97	32,200,000.00	32,256,886.67	32,418,960.00
Government of Canada	Bond	9.75%	1-Oct-97	10,000,000.00	10,290,975.18	10,291,600.00
Government of Canada	Bond	10.75%	15-Mar-98	45,000,000.00	46,906,064.69	47,698,650.00
Government of Canada	Bond	6.25%	1-Feb-98	18,104,000.00	18,501,206.59	18,407,423.04
Government of Canada	Treasury Bill		10-Apr-97	55,000,000.00	54,946,100.00	54,956,000.00
Government of Canada	Treasury Bill		22-May-97	17,200,000.00	17,126,621.41	17,126,212.00
Government of Canada	Treasury Bill		5-Jun-97	20,000,000.00	19,887,969.23	19,888,800.00
Government of Canada	Treasury Bill		12-Jun-97	20,000,000.00	19,790,673.62	19,875,800.00
Government of Canada	Treasury Bill		19-Jun-97	20,000,000.00	19,860,235.29	19,862,400.00
Government of Canada	Treasury Bill		26-Jun-97	27,391,000.00	27,048,895.70	27,183,924.04
Government of Canada	Treasury Bill		3-Jul-97	5,000,000.00	4,958,532.57	4,958,700.00
Government of Canada	Treasury Bill		7-Aug-97	12,000,000.00	11,852,904.66	11,857,920.00
<b>Federal Total</b>					<b>283,427,065.61</b>	<b>284,526,389.08</b>
<u>Federal Guaranteed</u>						
Canadian Wheat Board	Bond	7.50%	29-Dec-97	10,000,000.00	10,102,356.20	10,256,300.00
Electric Power Development Company	Bond	8.75%	11-Jun-97	8,000,000.00	8,006,613.33	8,085,040.00
Export Development Corporation	Bond	7.00%	25-Mar-98	11,300,000.00	11,599,418.79	11,610,750.00
Federal Business Development Bank	Bond	7.50%	10-Mar-98	26,100,000.00	26,441,344.70	26,928,936.00
MBS-Acquisition Corp.	Mortgage-backed Security	7.55%	1-Oct-97	27,625,137.93	27,565,403.11	28,033,989.97
MBS-Bank of Nova Scotia	Mortgage-backed Security	7.875%	1-Jul-97	1,459,582.68	1,457,177.42	1,469,449.46
MBS-Bank of Nova Scotia	Mortgage-backed Security	8.50%	1-May-97	1,564,505.23	1,563,667.51	1,569,167.46
MBS-Bank of Nova Scotia	Mortgage-backed Security	8.75%	1-May-97	1,071,498.95	1,071,092.67	1,071,391.80
MBS-Bank of Nova Scotia	Mortgage-backed Security	7.00%	1-Jul-97	9,884,550.00	9,845,826.46	9,957,596.82
MBS-Bank of Nova Scotia	Mortgage-backed Security	7.25%	1-Sep-97	6,818,811.55	6,793,807.19	6,906,637.84
MBS-Bank of Nova Scotia	Mortgage-backed Security	7.50%	1-Oct-97	721,229.78	717,820.10	733,021.89
MBS-Bank of Nova Scotia	Mortgage-backed Security	7.00%	1-Dec-97	1,980,930.00	1,955,721.93	2,016,448.07
MBS-Bank of Nova Scotia	Mortgage-backed Security	7.125%	1-Aug-97	727,174.98	725,079.59	733,145.09
MBS-Bank of Nova Scotia	Mortgage-backed Security	6.50%	1-Sep-97	10,630,701.18	10,584,405.35	10,718,617.08

**DETAILED LIST OF INVESTMENTS (UNAUDITED)**  
**AS AT MARCH 31, 1997**  
**HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
MBS-Bank of Nova Scotia	Mortgage-backed Security	6.375%	1-Oct-97	753,506.84	749,114.72	761,365.92
MBS-Bank of Nova Scotia	Mortgage-backed Security	6.75%	1-Nov-97	472,610.55	469,788.76	479,482.31
MBS-Bank of Nova Scotia	Mortgage-backed Security	6.375%	1-Nov-97	995,630.44	990,212.25	1,008,045.95
MBS-Bank of Nova Scotia	Mortgage-backed Security	7.00%	1-Jan-98	2,283,091.62	2,268,147.48	2,328,091.36
MBS-Bank of Nova Scotia	Mortgage-backed Security	7.00%	1-Feb-98	27,251,579.53	27,185,619.04	27,834,490.82
MBS-Bank of Nova Scotia	Mortgage-backed Security	7.125%	1-May-97	2,953,743.00	2,951,139.80	2,959,177.89
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	8.25%	1-Jul-97	5,446,931.46	5,435,807.75	5,503,634.02
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	8.625%	1-May-97	3,752,465.68	3,754,580.71	3,764,023.27
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	6.875%	1-Sep-97	12,882,984.54	12,860,949.36	13,029,335.24
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	7.00%	1-Sep-97	4,658,306.35	4,654,278.44	4,706,566.40
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	7.75%	1-Dec-97	3,905,584.64	3,893,331.01	3,994,280.47
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	7.625%	1-Jan-98	7,012,080.86	7,009,172.57	7,181,773.22
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	7.50%	1-Feb-98	2,926,821.81	2,915,527.89	3,001,075.28
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	7.50%	1-Mar-98	4,915,969.27	4,897,950.80	5,046,832.37
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	7.00%	1-Mar-98	7,301,249.40	7,276,502.46	7,469,251.15
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	6.875%	1-Apr-97	1,965,509.60	1,965,433.14	1,963,170.64
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	8.50%	1-Jan-98	11,150,114.68	11,062,920.78	11,490,081.68
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	7.625%	1-Mar-98	3,961,100.00	3,932,094.03	4,073,991.35
MBS-Desjardins Trust	Mortgage-backed Security	7.75%	1-Aug-97	6,581,061.13	6,575,588.65	6,649,899.03
MBS-Econs 94-2 CL1	Mortgage-backed Security	6.80%	1-Oct-97	243,176.72	242,252.44	243,103.77
MBS-Econs 94-2 CL2	Mortgage-backed Security	7.40%	1-Dec-97	5,000,000.00	4,972,611.19	5,063,000.00
MBS-Family Trust	Mortgage-backed Security	7.75%	1-Jun-97	2,213,842.33	2,209,245.99	2,219,886.12
MBS-First Line Trust Company	Mortgage-backed Security	7.50%	1-Oct-97	4,916,875.65	4,919,021.85	4,997,266.57
MBS-First Line Trust Company	Mortgage-backed Security	7.75%	1-Feb-98	9,756,665.90	9,735,993.07	10,023,608.28
MBS-First Line Trust Company	Mortgage-backed Security	7.00%	1-Mar-98	17,519,642.00	17,425,736.72	17,922,944.16
MBS-London Life	Mortgage-backed Security	8.25%	1-Jul-97	6,390,899.12	6,388,508.50	6,440,236.86
MBS-London Life	Mortgage-backed Security	8.375%	1-May-97	4,494,962.12	4,494,432.38	4,506,244.47
MBS-London Life	Mortgage-backed Security	7.75%	1-Jun-97	1,886,654.75	1,887,270.40	1,889,164.00
MBS-London Life	Mortgage-backed Security	7.75%	1-Jul-97	1,224,538.00	1,223,046.22	1,228,211.61
MBS-London Life	Mortgage-backed Security	6.75%	1-Oct-97	2,885,282.10	2,866,759.01	2,917,683.82
MBS-London Life	Mortgage-backed Security	7.75%	1-Dec-97	6,412,764.39	6,358,595.67	6,535,440.57
MBS-London Life	Mortgage-backed Security	7.875%	1-Feb-98	2,384,407.60	2,373,233.80	2,442,205.64
MBS-London Life	Mortgage-backed Security	7.75%	1-Mar-98	5,598,974.00	5,590,279.78	5,731,053.80
MBS-London Life	Mortgage-backed Security	5.75%	1-Jun-97	7,788,210.00	7,760,603.87	7,797,789.50



**DETAILED LIST OF INVESTMENTS (UNAUDITED)**  
**AS AT MARCH 31, 1997**  
**HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
MBS-Manufacturers Life Insurance Co.	Mortgage-backed Security	8.50%	1-May-97	5,858,724.72	5,866,079.60	5,876,183.72
MBS-National Bank	Mortgage-backed Security	7.25%	1-Jun-97	1,275,606.90	1,273,764.99	1,277,800.94
MBS-National Bank	Mortgage-backed Security	7.00%	1-Jul-97	2,545,448.31	2,538,204.13	2,563,648.27
MBS-National Bank	Mortgage-backed Security	7.375%	1-Sep-97	2,120,705.46	2,115,793.25	2,148,020.15
MBS-National Bank	Mortgage-backed Security	8.125%	1-Oct-97	2,677,546.40	2,673,410.86	2,727,054.23
MBS-National Bank	Mortgage-backed Security	8.00%	1-Oct-97	15,849,870.22	15,822,196.58	16,136,752.87
MBS-National Bank	Mortgage-backed Security	7.50%	1-Nov-97	3,722,092.16	3,714,955.51	3,790,690.32
MBS-Peoples Trust Company	Mortgage-backed Security	7.875%	1-Aug-97	8,137,965.36	8,142,006.83	8,239,852.69
MBS-Peoples Trust Company	Mortgage-backed Security	8.25%	1-May-97	1,342,101.17	1,344,717.82	1,344,745.11
MBS-Peoples Trust Company	Mortgage-backed Security	7.75%	1-Feb-98	16,087,324.53	16,118,798.55	16,504,468.86
MBS-Royal Bank of Canada	Mortgage-backed Security	7.25%	1-Feb-98	4,781,156.55	4,757,531.01	4,892,796.56
MBS-Royal Trust Corporation	Mortgage-backed Security	8.625%	1-Apr-97	3,015,164.10	3,015,161.12	3,011,576.05
MBS-Royal Trust Corporation	Mortgage-backed Security	7.25%	1-Oct-97	11,479,585.20	11,436,106.90	11,639,036.64
MBS-Security Home Mortgage	Mortgage-backed Security	8.75%	1-Jan-98	3,686,913.78	3,688,359.53	3,797,668.67
MBS-Structure MBS Inc. 94-1	Mortgage-backed Security	7.25%	1-Jul-97	5,050,557.43	5,037,664.63	5,037,577.50
MBS-Structure MBS Inc. 94-1	Mortgage-backed Security	7.875%	1-Dec-97	10,000,000.00	9,971,697.01	10,091,100.00
MBS-Toronto Dominion Bank	Mortgage-backed Security	6.875%	1-Sep-97	1,840,788.51	1,837,535.44	1,861,699.87
MBS-Toronto Dominion Bank	Mortgage-backed Security	7.00%	1-Nov-97	5,821,594.98	5,797,177.68	5,914,565.85
MBS-Toronto Dominion Bank	Mortgage-backed Security	7.875%	1-Dec-97	6,845,861.69	6,868,391.73	7,006,807.90
MBS-Toronto Dominion Bank	Mortgage-backed Security	7.625%	1-Jan-98	4,606,593.48	4,659,082.97	4,717,658.45
Federal Guaranteed Total					424,404,121.02	431,872,603.67
<u>Alberta</u>						
Government of Alberta	Bond	7.75%	4-Feb-98	70,797,000.00	71,645,254.26	72,866,396.31
Alberta Total					71,645,254.26	72,866,396.31
<u>Alberta Guaranteed</u>						
Alberta Government Telephones Commission	Bond	9.50%	8-Jul-97	32,112,000.00	32,326,125.87	32,664,326.40
Alberta Guaranteed Total					32,326,125.87	32,664,326.40

# **DETAILED LIST OF INVESTMENTS (UNAUDITED)**

**AS AT MARCH 31, 1997**

**HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
<u>Other Provincial</u>						
Province of British Columbia	Bond	9.25%	6-May-97	31,900,000.00	31,971,364.86	32,099,375.00
Province of Ontario	Treasury Bill		17-Apr-97	8,500,000.00	8,486,022.66	8,488,100.00
Province of Ontario	Treasury Bill		29-May-97	7,600,000.00	7,561,404.39	7,561,924.00
Province of Ontario	Residual		16-Apr-97	31,686,000.00	31,626,693.37	31,643,540.76
Other Provincial Total					79,645,485.28	79,792,939.76
<u>Other Provincial Guaranteed</u>						
Nova Scotia Municipal Financing Corporation	Bond	13.375%	19-Dec-97	1,250,000.00	1,249,627.48	1,327,500.00
Nova Scotia Municipal Financing Corporation	Bond	11.25%	4-Jan-98	1,250,000.00	1,248,998.17	1,311,875.00
Ontario Hydro	Discount Note		7-Apr-97	20,000,000.00	19,988,307.69	19,987,600.00
Ontario Hydro	Discount Note		29-Apr-97	18,000,000.00	17,955,238.52	17,954,280.00
Ontario Hydro	Discount Note		12-May-97	10,000,000.00	9,963,577.05	9,962,800.00
Ontario Hydro	Discount Note		27-Jun-97	55,000,000.00	54,571,000.00	54,571,000.00
Other Provincial Guaranteed Total					104,976,748.91	105,115,055.00
<u>Municipal</u>						
British Columbia Municipal Financing Corporation	Bond	10.00%	30-Jul-97	4,880,000.00	4,925,027.60	4,976,819.20
City of Edmonton	Bond	10.25%	1-Mar-08	3,450,000.00	3,385,255.63	4,251,642.00
Municipal Total					8,310,283.23	9,228,461.20
<u>Corporate - Banks</u>						
B.T. Bank of Canada	Bearer Deposit Note		9-May-97	10,000,000.00	9,967,191.25	9,965,600.00
Bank of Montreal	Banker's Acceptance		21-Apr-97	20,000,000.00	19,964,557.80	19,963,200.00
Bank of Montreal	Banker's Acceptance		5-May-97	10,000,000.00	9,970,950.00	9,969,200.00
Bank of Montreal	Banker's Acceptance		22-May-97	15,000,000.00	14,933,090.63	14,930,550.00
Bank of Montreal	Banker's Acceptance		23-May-97	30,000,000.00	29,861,802.50	29,858,400.00
Bank of Nova Scotia	Banker's Acceptance		21-Apr-97	10,000,000.00	9,982,311.54	9,981,600.00
Bank of Nova Scotia	Bearer Deposit Note		10-Apr-97	5,000,000.00	4,995,840.00	4,995,600.00
Bank of Nova Scotia	Bearer Deposit Note		22-Apr-97	15,000,000.00	14,972,082.00	14,971,050.00
Bank of Nova Scotia	Bearer Deposit Note		23-Apr-97	15,000,000.00	14,970,844.12	14,969,700.00
Bank of Nova Scotia	Bearer Deposit Note		1-May-97	20,000,000.00	19,947,300.00	19,945,600.00
Bank of Nova Scotia	Bearer Deposit Note		9-May-97	15,000,000.00	14,951,274.68	14,948,400.00
Bank of Nova Scotia	Interest Bearing Note	8.10%	30-Oct-97	36,000,000.00	36,091,611.09	36,864,000.00
Bank of Nova Scotia - Mortgage	Interest Bearing Note	7.65%	17-Jul-97	10,000,000.00	9,999,781.82	10,120,000.00

**DETAILED LIST OF INVESTMENTS (UNAUDITED)**  
**AS AT MARCH 31, 1997**  
**HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
Banque Nationale de Paris Canada	Banker's Acceptance		3-Apr-97	5,600,000.00	5,598,572.00	5,598,544.00
Banque Nationale de Paris Canada	Banker's Acceptance		4-Apr-97	4,700,000.00	4,698,405.03	4,698,355.00
Banque Nationale de Paris Canada	Banker's Acceptance		1-May-97	5,600,000.00	5,585,275.00	5,584,768.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		3-Apr-97	20,000,000.00	19,994,827.59	19,994,800.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		7-Apr-97	20,000,000.00	19,988,248.48	19,987,600.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		23-May-97	10,000,000.00	9,954,501.54	9,952,800.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		27-May-97	10,000,000.00	9,950,303.13	9,949,100.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		23-Jun-97	20,000,000.00	19,850,646.15	19,849,400.00
Canadian Imperial Bank of Commerce	Interest Bearing Note	8.20%	2-Dec-97	10,000,000.00	10,078,851.79	10,214,400.00
Citibank of Canada	Banker's Acceptance		16-Apr-97	10,400,000.00	10,385,840.30	10,385,336.00
Citibank of Canada	Banker's Acceptance		23-Apr-97	4,000,000.00	3,992,225.10	3,991,920.00
Citibank of Canada	Term Deposit	3.18%	1-Apr-97	50,000,000.00	50,000,000.00	50,000,000.00
Hong Kong Bank of Canada	Banker's Acceptance		10-Apr-97	10,000,000.00	9,991,486.49	9,991,200.00
Hong Kong Bank of Canada	Banker's Acceptance		21-Apr-97	2,600,000.00	2,595,348.50	2,595,216.00
Hong Kong Bank of Canada	Banker's Acceptance		16-May-97	10,000,000.00	9,959,891.23	9,959,200.00
Hong Kong Bank of Canada	Bearer Deposit Note		10-Apr-97	15,000,000.00	14,987,382.35	14,986,800.00
Hong Kong Bank of Canada	Bearer Deposit Note		16-Apr-97	7,000,000.00	6,990,412.31	6,990,130.00
Hong Kong Bank of Canada	Bearer Deposit Note		24-Apr-97	10,000,000.00	9,979,646.15	9,978,900.00
Hong Kong Bank of Canada	Bearer Deposit Note		24-Jun-97	2,400,000.00	2,370,507.43	2,381,712.00
National Bank of Canada	Banker's Acceptance		16-Apr-97	6,000,000.00	5,991,834.73	5,991,540.00
National Bank of Canada	Banker's Acceptance		21-Apr-97	10,000,000.00	9,982,257.14	9,981,600.00
National Bank of Canada	Banker's Acceptance		21-May-97	5,000,000.00	4,978,061.90	4,977,300.00
National Bank of Canada	Banker's Acceptance		28-May-97	25,000,000.00	24,873,864.22	24,870,500.00
National Bank of Canada	Bearer Deposit Note		10-Apr-97	10,000,000.00	9,991,549.02	9,991,200.00
National Bank of Canada	Bearer Deposit Note		9-May-97	10,000,000.00	9,966,898.75	9,965,600.00
National Bank of Canada	Term Deposit	3.20%	1-Apr-97	14,000,000.00	14,000,000.00	14,000,000.00
Royal Bank of Canada	Bearer Deposit Note		10-Apr-97	10,000,000.00	9,991,660.00	9,991,200.00
Royal Bank of Canada	Bearer Deposit Note		28-May-97	5,000,000.00	4,976,212.16	4,974,100.00
Toronto Dominion Bank	Banker's Acceptance		7-Apr-97	8,000,000.00	7,995,272.94	7,995,040.00
Toronto Dominion Bank	Bearer Deposit Note		9-May-97	10,000,000.00	9,967,417.72	9,965,600.00
Toronto Dominion Bank	Bearer Deposit Note		26-May-97	10,000,000.00	9,951,773.13	9,950,000.00
Corporate - Banks Total					560,227,809.71	561,226,761.00

# DETAILED LIST OF INVESTMENTS (UNAUDITED)

AS AT MARCH 31, 1997

HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
<u>Corporate - Other</u>						
IMASCO Ltd	Discount Note		16-May-97	10,000,000.00	9,960,027.59	9,958,500.00
IMASCO Ltd	Discount Note		16-May-97	5,000,000.00	4,979,751.79	4,979,250.00
IMASCO Ltd	Discount Note		23-May-97	5,000,000.00	4,976,883.85	4,975,950.00
Alcan Aluminium	Bond	12.45%	7-Nov-97	14,830,000.00	15,080,707.59	15,574,688.45
Alcatel Alsthom	Discount Note		20-May-97	10,000,000.00	9,956,693.55	9,954,700.00
BCE Inc	Bond	9.00%	28-Aug-97	11,400,000.00	11,515,710.00	11,651,313.00
Bell Canada	Bond	8.875%	25-Jul-97	21,347,000.00	21,411,070.02	21,693,888.75
Bell Canada	Bond	8.00%	10-Mar-98	20,098,000.00	20,620,033.05	20,788,969.24
Canadian Tire	Interest Bearing Note	8.50%	1-Dec-97	5,700,000.00	5,708,170.57	5,848,200.00
Canadian Trustco Mortgage Company	Bond	9.00%	2-Apr-97	5,000,000.00	4,999,917.39	5,001,500.00
Canadian Trustco Mortgage Company	Interest Bearing Note	9.00%	2-Apr-97	5,000,000.00	4,999,922.83	5,001,500.00
Canadian Trustco Mortgage Company	Interest Bearing Note	8.75%	10-Jun-97	16,000,000.00	16,024,907.33	16,160,000.00
Consumers Gas Company	Interest Bearing Note	7.40%	16-Mar-98	4,000,000.00	4,075,186.36	4,113,680.00
Ford Credit Canada	Interest Bearing Note	8.74%	15-Sep-97	5,000,000.00	4,999,120.93	5,110,000.00
General Motors	Discount Note		27-May-97	10,000,000.00	9,949,793.15	9,948,000.00
International Bank of Reconstruction & Develop't	Bond	7.25%	23-Mar-98	6,300,000.00	6,508,410.60	6,476,400.00
Macro Trust	Discount Note		10-Apr-97	10,000,000.00	9,991,545.45	9,991,100.00
Mobil Oil Canada	Bond	9.00%	2-May-97	18,464,000.00	18,485,890.43	18,567,952.32
Mobil Oil Canada	Bond	8.12%	20-Jan-98	12,200,000.00	12,465,110.75	12,581,250.00
Montreal Trustco	Bond	10.75%	20-Feb-98	5,000,000.00	5,085,104.81	5,275,000.00
Northern Telecom	Interest Bearing Note	7.45%	10-Mar-98	9,750,000.00	9,906,339.68	10,013,640.00
Petro Canada	Interest Bearing Note	9.375%	24-Jun-97	8,000,000.00	8,035,787.43	8,016,000.00
Transalta Utilities	Bond	10.75%	17-Nov-97	8,020,000.00	8,256,858.33	8,351,586.90
Westcoast Energy	Bond	11.30%	24-Nov-97	2,450,000.00	2,508,683.33	2,560,054.00
Corporate - Other Total					230,501,626.81	232,593,122.66
<u>Asset Backed Securites</u>						
ABS-Bombardier A 94-1	Asset-backed Security	3.62%	15-Jul-97	10,000,000.00	10,000,000.00	10,000,000.00
ABS-FLEET III TRUST	Asset-backed Security	6.89%	1-Sep-97	760,417.07	760,417.07	763,610.82
CDN CR CARD MT I	Asset-backed Security	8.45%	15-Feb-98	53,350,000.00	54,397,938.08	55,233,788.50
Asset Backed Securites Total					65,158,355.15	65,997,399.32
<b>Canadian Short Term Total</b>					<b>1,860,622,875.85</b>	<b>1,875,883,454.40</b>
<b>Fixed Income - Short Term Total</b>					<b>1,860,622,875.85</b>	<b>1,875,883,454.40</b>

# **DETAILED LIST OF INVESTMENTS (UNAUDITED)**

**AS AT MARCH 31, 1997**

**HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
<b>FIXED INCOME - LONG TERM</b>						
<i>Cdn Public Fixed Income</i>						
<u>Federal</u>						
Government of Canada	Bond	9.50%	1-Oct-01	18,300,000.00	20,988,444.89	20,751,102.00
Government of Canada	Bond	15.50%	15-Mar-02	14,000,000.00	19,793,986.83	19,498,780.00
Government of Canada	Bond	10.25%	1-Dec-98	58,466,000.00	61,826,592.27	63,475,951.54
Government of Canada	Bond	9.25%	1-Dec-99	175,378,000.00	188,714,580.50	192,017,864.64
Government of Canada	Bond	9.75%	1-May-00	67,889,000.00	73,209,556.88	75,850,343.03
Government of Canada	Bond	10.50%	1-Jul-00	119,853,000.00	130,858,341.36	136,923,662.79
Government of Canada	Bond	11.50%	1-Sep-00	5,000,000.00	5,974,038.96	5,891,600.00
Government of Canada	Bond	10.50%	1-Mar-01	174,000,000.00	195,149,929.18	201,775,620.00
Government of Canada	Bond	9.75%	1-Jun-01	56,907,000.00	64,840,042.55	64,800,000.90
Government of Canada	Bond	9.75%	1-Dec-01	59,938,000.00	66,982,848.49	68,783,050.66
Government of Canada	Bond	8.50%	1-Apr-02	13,103,000.00	14,854,418.95	14,417,886.05
Government of Canada	Bond	7.25%	1-Jun-03	65,022,000.00	68,049,429.32	67,830,300.18
Government of Canada	Bond	6.50%	1-Sep-98	17,493,000.00	17,851,533.25	17,925,601.89
Government of Canada	Bond	5.75%	1-Mar-99	32,888,000.00	33,023,914.36	33,332,645.76
Government of Canada	Bond	7.75%	1-Sep-99	100,422,000.00	102,354,366.51	106,042,619.34
Government of Canada	Bond	8.50%	1-Mar-00	45,000,000.00	47,544,374.50	48,626,100.00
Government of Canada	Bond	8.00%	1-Nov-98	37,067,000.00	38,333,647.91	38,866,602.85
Government of Canada	Bond	7.50%	1-Sep-00	193,840,000.00	199,216,833.27	204,704,732.00
Government of Canada	Bond	7.50%	1-Mar-01	199,245,000.00	206,387,519.64	210,510,312.30
Government of Canada	Bond	6.50%	1-Aug-99	54,017,000.00	55,913,876.49	55,516,511.92
Government of Canada	Bond	7.00%	1-Sep-01	62,366,000.00	64,484,448.36	64,767,091.00
Government of Canada	Coupon		1-Dec-98	15,500,000.00	13,656,545.14	14,322,000.00
Government of Canada	Synthetic Bond	6.50%	1-Dec-01	25,000,000.00	24,284,496.38	25,447,500.00
Federal Total					1,714,293,765.99	1,752,077,878.85
<u>Federal Guaranteed</u>						
Business Development Bank of Canada	Bond	7.00%	6-Oct-98	16,200,000.00	16,710,606.33	16,698,960.00
Canada Mortgage and Housing Corporation	Bond	8.25%	3-Aug-99	25,000,000.00	25,728,333.33	26,619,750.00
Canada Mortgage and Housing Corporation	Bond	8.80%	1-Mar-00	30,000,000.00	31,984,364.53	32,619,000.00
Canada Mortgage and Housing Corporation	Bond	8.20%	30-Jun-00	10,000,000.00	10,270,212.14	10,736,400.00
Canada Mortgage and Housing Corporation	Bond	7.75%	1-Dec-00	33,648,000.00	34,974,857.03	35,767,487.52

# DETAILED LIST OF INVESTMENTS (UNAUDITED)

AS AT MARCH 31, 1997

HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
Canada Mortgage and Housing Corporation	Bond	6.75%	1-Mar-01	55,000,000.00	54,786,290.83	56,609,850.00
Canada Mortgage and Housing Corporation	Bond	7.25%	1-Sep-01	23,000,000.00	24,452,093.19	23,901,600.00
Export Development Corporation	Bond	6.625%	12-Aug-98	50,550,000.00	51,670,986.14	51,876,937.50
Farm Credit Corporation	Interest Bearing Note	6.85%	1-Sep-99	35,000,000.00	34,996,823.41	36,284,850.00
Farm Credit Corporation	Interest Bearing Note	7.75%	15-Mar-01	25,000,000.00	26,157,882.74	26,603,000.00
Federal Business Development Bank	Bond	8.78%	25-Nov-98	5,000,000.00	5,205,655.91	5,307,200.00
Federal Business Development Bank	Bond	7.43%	25-Sep-00	13,000,000.00	13,319,826.30	13,477,490.00
MBS-Bank of Nova Scotia	Mortgage-backed Security	8.00%	1-Oct-99	296,839.49	290,499.89	313,438.75
MBS-Bank of Nova Scotia	Mortgage-backed Security	6.88%	1-Apr-98	1,201,336.57	1,194,268.76	1,229,003.35
MBS-Bank of Nova Scotia	Mortgage-backed Security	6.88%	1-May-98	1,390,210.73	1,381,318.53	1,423,603.59
MBS-Bank of Nova Scotia	Mortgage-backed Security	6.88%	1-Jun-98	1,171,449.74	1,162,509.83	1,200,443.12
MBS-Bank of Nova Scotia	Mortgage-backed Security	6.62%	1-Jul-98	2,828,564.07	2,805,263.22	2,891,782.48
MBS-Bank of Nova Scotia	Mortgage-backed Security	6.00%	1-Aug-98	487,707.43	481,197.40	494,847.47
MBS-Bank of Nova Scotia	Mortgage-backed Security	6.25%	1-Oct-98	29,282,722.50	28,934,781.89	29,801,319.52
MBS-Bank of Nova Scotia	Mortgage-backed Security	8.50%	1-Jan-00	4,950,899.00	5,112,632.31	5,301,670.19
MBS-Bank of Nova Scotia	Mortgage-backed Security	6.25%	1-Jan-99	2,431,821.11	2,403,865.11	2,475,885.71
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	7.00%	1-Jun-98	2,927,549.49	2,909,124.95	3,004,046.36
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	6.875%	1-Jul-98	13,267,751.98	13,052,818.52	13,603,691.46
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	7.50%	1-Sep-00	2,976,238.71	3,046,952.14	3,119,038.64
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	6.50%	1-Nov-98	4,240,231.26	4,272,202.60	4,331,947.46
MBS-CIBC Mortgage Corporation	Mortgage-backed Security	6.75%	1-Jun-99	34,831,545.00	34,722,387.20	35,612,468.24
MBS-CMO INC 94-1 A	Mortgage-backed Security	4.95%	1-Jul-99	11,111,775.42	10,661,591.34	11,086,218.34
MBS-CMO INC 94-1 RPU	Mortgage-backed Security	0.00%	1-Jul-99	1,740,662.00	1,740,662.00	1,740,662.00
MBS-CMO INC 94-2 B	Mortgage-backed Security	6.26%	1-Oct-99	5,000,000.00	4,913,880.08	5,078,000.00
MBS-CMO INC 94-2 C	Mortgage-backed Security	6.25%	1-Oct-99	6,000,000.00	5,896,656.10	6,092,400.00
MBS-CMO INC 94-3 B	Mortgage-backed Security	8.25%	1-May-98	3,904,913.95	3,884,741.45	3,998,631.88
MBS-CMO INC CLASS A	Mortgage-backed Security	6.25%	1-Sep-98	3,534,718.28	3,504,956.30	3,589,117.59
MBS-CMO INC CLASS C	Mortgage-backed Security	5.10%	1-May-99	5,271,562.64	5,077,673.64	5,270,508.33
MBS-CMO INC CLASS C	Mortgage-backed Security	6.40%	1-May-99	18,500,000.00	18,464,762.39	18,870,000.00
MBS-Desjardins Trust	Mortgage-backed Security	7.25%	1-Jul-98	3,010,220.82	3,056,219.03	3,099,804.99
MBS-Econs 94-1 CL2	Mortgage-backed Security	6.25%	1-Dec-98	26,500,000.00	26,258,448.71	26,873,650.00
MBS-Econs 94-2 CL3	Mortgage-backed Security	7.625%	1-Nov-98	106,751,000.00	109,159,500.14	109,152,897.50
MBS-Equitable Trust	Mortgage-backed Security	9.25%	1-Feb-00	3,875,413.31	4,077,815.52	4,217,651.06
MBS-Equitable Trust	Mortgage-backed Security	7.75%	1-Oct-00	14,105,468.02	14,514,011.79	14,865,611.69
MBS-Equitable Trust	Mortgage-backed Security	7.25%	1-Nov-00	12,218,206.08	12,195,110.79	12,694,716.12

# DETAILED LIST OF INVESTMENTS (UNAUDITED)

AS AT MARCH 31, 1997

HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
MBS-Equitable Trust	Mortgage-backed Security	6.625%	1-May-01	10,545,406.40	10,356,840.14	10,577,042.62
MBS-Equitable Trust	Mortgage-backed Security	7.125%	1-Jun-01	21,172,779.35	20,985,459.85	21,618,889.81
MBS-Equitable Trust	Mortgage-backed Security	6.625%	1-Aug-01	9,371,945.33	9,571,654.43	9,415,056.28
MBS-Equitable Trust	Mortgage-backed Security	5.75%	1-Nov-01	17,924,847.76	17,873,473.48	17,609,370.44
MBS-Fiducie Desjardin Inc.	Mortgage-backed Security	7.125%	1-Apr-98	4,489,334.45	4,475,101.49	4,603,947.16
MBS-First Line Trust Company	Mortgage-backed Security	8.125%	1-Feb-00	6,039,417.53	6,357,527.23	6,290,053.36
MBS-First Line Trust Company	Mortgage-backed Security	6.00%	1-Feb-99	4,739,475.60	4,600,375.35	4,805,164.73
MBS-First Line Trust Company	Mortgage-backed Security	7.125%	1-May-98	11,694,333.29	11,623,820.79	12,005,636.44
MBS-First Line Trust Company	Mortgage-backed Security	6.875%	1-Jul-98	4,876,502.55	4,770,574.57	4,999,975.59
MBS-Household Trust	Mortgage-backed Security	6.25%	1-Dec-98	4,122,304.05	4,045,428.97	4,194,609.26
MBS-Household Trust	Mortgage-backed Security	6.125%	1-Jan-99	4,337,626.90	4,193,889.52	4,406,204.78
MBS-Household Trust	Mortgage-backed Security	7.25%	1-Jul-98	6,886,926.70	6,867,133.65	7,070,601.04
MBS-Household Trust	Mortgage-backed Security	8.625%	1-Apr-00	4,443,795.00	4,443,108.97	4,739,170.05
MBS-Household Trust	Mortgage-backed Security	7.125%	1-Nov-99	4,344,375.00	4,289,080.55	4,506,680.85
MBS-Household Trust	Mortgage-backed Security	6.875%	1-Jul-98	3,824,608.20	3,791,376.76	3,924,392.23
MBS-London Life	Mortgage-backed Security	7.375%	1-Jun-99	14,349,688.32	14,091,335.36	14,891,963.04
MBS-London Life	Mortgage-backed Security	6.375%	1-Feb-99	7,586,863.11	7,450,705.80	7,733,517.17
MBS-London Life	Mortgage-backed Security	7.625%	1-Apr-98	4,957,290.19	4,885,590.81	5,092,326.77
MBS-London Life	Mortgage-backed Security	7.625%	1-Jun-98	5,256,648.90	5,190,570.28	5,417,134.39
MBS-Manufacturers Life Insurance Co.	Mortgage-backed Security	7.75%	1-Aug-01	6,280,341.94	6,350,109.11	6,562,203.69
MBS-Manufacturers Life Insurance Co.	Mortgage-backed Security	8.75%	1-Dec-99	9,119,042.18	9,646,912.71	9,810,083.20
MBS-Manufacturers Life Insurance Co.	Mortgage-backed Security	7.375%	1-Oct-00	25,337,758.50	25,157,131.72	26,418,667.28
MBS-MRS Trust	Mortgage-backed Security	7.625%	1-Jun-00	3,276,436.80	3,248,588.98	3,438,423.84
MBS-MRS Trust	Mortgage-backed Security	6.50%	1-Feb-01	6,127,300.89	6,017,496.99	6,233,670.83
MBS-Multiple Retirement Services Trust	Mortgage-backed Security	6.25%	1-May-99	4,606,651.50	4,470,091.35	4,686,576.90
MBS-National Bank	Mortgage-backed Security	5.50%	1-Mar-99	7,038,332.48	6,995,300.65	7,072,116.48
MBS-Peoples Trust Company	Mortgage-backed Security	8.00%	1-Jun-99	12,108,532.61	12,362,307.68	12,728,489.48
MBS-Peoples Trust Company	Mortgage-backed Security	9.00%	1-Aug-99	9,802,769.80	10,207,645.81	10,526,704.35
MBS-Peoples Trust Company	Mortgage-backed Security	8.625%	1-Dec-99	14,756,392.20	15,308,790.47	15,795,094.65
MBS-Peoples Trust Company	Mortgage-backed Security	7.375%	1-May-98	3,951,769.90	3,986,835.27	4,061,036.34
MBS-Peoples Trust Company	Mortgage-backed Security	6.375%	1-Apr-99	29,861,442.12	29,130,007.37	30,450,906.99
MBS-Peoples Trust Company	Mortgage-backed Security	6.50%	1-Oct-98	23,761,052.83	23,814,538.63	24,251,243.35
MBS-Peoples Trust Company	Mortgage-backed Security	6.625%	1-Jun-01	11,854,692.00	11,576,875.79	11,911,950.16
MBS-Peoples Trust Company	Mortgage-backed Security	7.125%	1-Aug-01	13,193,708.21	13,129,413.71	13,531,731.01
MBS-Peoples Trust Company	Mortgage-backed Security	5.50%	1-Mar-02	14,234,130.00	14,013,261.83	14,012,646.94

# DETAILED LIST OF INVESTMENTS (UNAUDITED)

AS AT MARCH 31, 1997

HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
MBS-Royal Trust Corporation	Mortgage-backed Security	8.875%	1-May-99	5,668,515.00	5,975,841.03	5,985,384.99
MBS-Security Home MT	Mortgage-backed Security	8.75%	1-Dec-99	5,200,883.85	5,475,424.59	5,580,756.41
MBS-Security Home MT	Mortgage-backed Security	6.25%	1-Apr-99	4,483,091.60	4,385,895.06	4,560,155.94
MBS-Security Home MT	Mortgage-backed Security	6.50%	1-Apr-99	1,556,232.62	1,519,180.75	1,589,925.06
MBS-Struct Inc. 93-1	Mortgage-backed Security	6.875%	1-Jun-98	3,515,400.00	3,506,254.18	3,590,067.10
MBS-Struct Inc. 93-1	Mortgage-backed Security	6.875%	1-Jun-98	5,000,000.00	4,991,203.97	5,118,550.00
MBS-Struct Inc. 93-2	Mortgage-backed Security	6.375%	1-Nov-98	23,000,000.00	22,940,666.87	23,405,490.00
MBS-Sunlife Trust	Mortgage-backed Security	8.375%	1-Nov-00	2,969,343.15	3,072,595.67	3,194,775.68
MBS-Sunlife Trust	Mortgage-backed Security	7.875%	1-Apr-98	5,607,746.07	5,577,769.72	5,765,211.58
MBS-Sunlife Trust	Mortgage-backed Security	5.50%	1-Jan-02	19,402,207.50	19,414,303.61	18,896,391.95
MBS-Toronto Dominion Bank	Mortgage-backed Security	9.375%	1-Jul-99	6,064,751.31	6,440,064.45	6,559,392.43
MBS-Toronto Dominion Bank	Mortgage-backed Security	9.125%	1-Dec-99	17,877,873.14	19,582,175.82	19,393,738.00
MBS-Toronto Dominion Bank	Mortgage-backed Security	7.125%	1-Apr-98	1,300,900.80	1,295,972.44	1,334,112.80
MBS-Toronto Dominion Bank	Mortgage-backed Security	7.375%	1-May-98	1,600,349.65	1,593,295.07	1,647,079.86
MBS-Toronto Dominion Bank	Mortgage-backed Security	7.625%	1-Oct-00	4,749,279.84	4,899,881.24	4,995,814.96
MBS-Toronto Dominion Bank	Mortgage-backed Security	7.625%	1-Oct-00	8,024,124.22	8,279,096.92	8,440,897.23
MBS-Toronto Dominion Bank	Mortgage-backed Security	6.25%	1-Feb-01	3,968,294.08	3,854,669.01	3,996,191.19
MBS-Toronto Dominion Bank	Mortgage-backed Security	6.625%	1-Mar-01	11,450,887.80	11,221,739.27	11,669,714.27
MBS-Toronto Dominion Bank	Mortgage-backed Security	6.375%	1-Apr-01	49,551,800.00	48,372,705.98	50,055,741.81
MBS-Toronto Dominion Bank	Mortgage-backed Security	7.125%	1-May-01	19,906,900.00	19,811,338.32	20,521,824.14
MBS-Westminster Trust	Mortgage-backed Security	6.125%	1-Jan-99	2,527,826.43	2,448,250.38	2,567,766.09
Petro Canada	Bond	6.125%	15-Dec-98	11,500,000.00	11,500,000.00	11,750,585.00
Petro Canada Hibernia	Bond	7.74%	15-Dec-98	15,000,000.00	15,000,000.00	15,748,050.00
Federal Guaranteed Total					1,231,870,463.93	1,259,696,478.85
<u>Alberta</u>						
Government of Alberta	Bond	9.75%	8-May-98	27,633,000.00	29,196,119.78	29,221,068.51
Government of Alberta	Bond	10.25%	22-Aug-01	7,824,000.00	9,236,121.36	9,086,480.64
Government of Alberta	Bond	7.98%	1-Feb-00	24,850,000.00	25,460,966.91	26,559,436.90
Alberta Total					63,893,208.05	64,866,986.05
<u>Alberta Guaranteed</u>						
Alberta Government Telephones Commission	Bond	11.70%	15-Nov-99	19,300,000.00	21,601,501.27	22,276,639.00
Alberta Municipal Financing Corporation	Bond	14.10%	2-Mar-01	23,333,000.00	27,889,178.80	29,375,080.35
Alberta Guaranteed Total					49,490,680.07	51,651,719.35



**DETAILED LIST OF INVESTMENTS (UNAUDITED)**  
**AS AT MARCH 31, 1997**  
**HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
<u>Other Provincial</u>						
Province of British Columbia	Bond	9.85%	1-May-98	7,000,000.00	7,283,188.89	7,401,240.00
Province of British Columbia	Bond	10.15%	29-Aug-01	20,000,000.00	22,664,819.74	23,128,800.00
Province of British Columbia	Bond	7.75%	16-Jun-03	30,183,000.00	32,750,499.61	32,088,754.62
Province of British Columbia	Interest Bearing Note	7.70%	9-Oct-98	4,300,000.00	4,401,763.99	4,487,093.00
Province of British Columbia	Bond	10.00%	9-Oct-98	58,810,000.00	61,482,721.80	63,294,262.50
Province of British Columbia	Bond	10.75%	19-Feb-01	141,814,000.00	158,182,144.66	165,125,385.32
Province of Manitoba	Bond	11.00%	15-Aug-00	8,500,000.00	10,005,053.42	9,876,830.00
Province of Manitoba	Bond	9.875%	13-Jul-98	50,787,000.00	54,229,490.96	54,120,150.81
Province of Manitoba	Bond	6.25%	1-Apr-99	45,200,000.00	45,121,522.12	46,301,976.00
Province of Manitoba	Bond	7.00%	1-Sep-99	10,000,000.00	10,000,000.00	10,403,000.00
Province of Ontario	Bond	10.875%	10-Jan-01	200,000,000.00	223,922,938.14	233,382,000.00
Province of Ontario	Bond	10.50%	12-Dec-01	12,700,000.00	14,689,682.78	14,920,976.00
Province of Ontario	Bond	10.25%	19-Apr-98	38,850,000.00	41,076,463.58	41,205,475.50
Province of Ontario	Bond	9.75%	29-Oct-01	84,000,000.00	96,054,243.38	96,022,920.00
Province of Ontario	Bond	6.25%	22-Jul-99	9,960,000.00	10,207,506.00	10,209,000.00
Province of Ontario	Bond	10.625%	15-Jul-98	37,000,000.00	38,902,059.20	39,821,250.00
Province of Prince Edward Island	Bond	13.50%	28-Mar-98	9,000,000.00	8,959,587.64	9,967,500.00
Province of Saskatchewan	Bond	6.75%	14-Feb-00	25,000,000.00	24,909,276.32	25,712,500.00
Province of Saskatchewan	Bond	8.75%	1-Jun-01	16,000,000.00	18,005,424.20	17,650,720.00
Province of Saskatchewan	Bond	11.00%	9-Jan-01	16,205,000.00	18,510,812.76	18,992,908.20
Province of Saskatchewan	Bond	10.125%	3-Jul-98	72,000,000.00	75,400,512.79	76,921,200.00
Province of Saskatchewan	Bond	10.75%	1-Jun-01	30,078,000.00	34,648,189.23	35,212,314.60
Province of Saskatchewan	Bond	7.65%	2-Nov-98	28,191,000.00	28,755,354.41	29,424,074.34
Other Provincial Total					1,040,163,255.62	1,065,670,330.89
<u>Other Provincial Guaranteed</u>						
Hydro Quebec	Bond	11.00%	15-Oct-04	200,000,000.00	196,821,824.25	225,568,000.00
Hydro Quebec	Bond	11.75%	15-Jul-05	110,000,000.00	110,000,000.00	128,047,700.00
New Brunswick Power Commission	Bond	11.25%	10-Jan-05	50,000,000.00	49,688,853.34	57,260,000.00
Newfoundland-Labrador Hydro	Bond	11.25%	15-Dec-99	75,000,000.00	74,687,213.86	78,514,500.00
Newfoundland-Labrador Hydro	Bond	13.375%	30-Jan-01	75,000,000.00	74,951,373.74	84,124,500.00
Newfoundland Municipal Financing Corporation	Bond	11.25%	15-Dec-99	25,000,000.00	24,895,737.95	26,276,250.00
Newfoundland Municipal Financing Corporation	Bond	13.375%	30-Jan-01	35,000,000.00	34,977,307.75	43,102,500.00

# **DETAILED LIST OF INVESTMENTS (UNAUDITED)**

**AS AT MARCH 31, 1997**

**HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
Nova Scotia Municipal Financing Corporation	Bond	13.375%	19-Dec-98	1,250,000.00	1,249,158.15	1,416,875.00
Nova Scotia Municipal Financing Corporation	Bond	13.375%	19-Dec-99	1,250,000.00	1,248,727.80	1,488,125.00
Nova Scotia Municipal Financing Corporation	Bond	13.375%	19-Dec-00	1,250,000.00	1,248,323.52	1,533,750.00
Nova Scotia Municipal Financing Corporation	Bond	11.25%	4-Jan-99	1,250,000.00	1,247,784.60	1,375,625.00
Nova Scotia Municipal Financing Corporation	Bond	11.25%	4-Jan-00	1,250,000.00	1,246,660.38	1,416,575.00
Ontario Hydro	Bond	9.625%	3-Aug-99	15,750,000.00	16,715,152.50	17,253,888.75
Ontario Hydro	Bond	10.00%	19-Mar-01	94,870,000.00	105,509,148.99	108,276,079.70
Ontario Hydro	Bond	9.375%	31-Jan-00	20,000,000.00	22,266,618.60	22,016,400.00
Ontario Hydro	Floating Rate Note	3.19%	16-Jun-97	50,000,000.00	49,860,552.80	49,975,000.00
Ontario Hydro	Bond	10.875%	29-Mar-99	37,407,000.00	41,143,441.85	41,521,770.00
Other Provincial Guaranteed Total					807,757,880.08	889,167,538.45
<u>Municipal</u>						
Hamilton Wentworth Ontario Regional Municipal	Bond	8.25%	22-Jul-02	3,500,000.00	3,908,228.75	3,869,705.00
Municipal Total					3,908,228.75	3,869,705.00
<u>Asset Backed Securites</u>						
ABS-ACE II Trust	Asset-backed Security	5.30%	1-Sep-98	4,114,858.81	4,095,361.27	4,139,547.96
ABS-ACE III Trust	Asset-backed Security	8.55%	1-Jun-99	9,346,199.27	9,450,014.56	9,667,708.52
ABS-ACE Trust	Asset-backed Security	7.00%	1-Jul-98	1,555,829.10	1,555,829.10	1,576,210.46
ABS-CASE 95-1A	Asset-backed Security	7.35%	17-Jun-02	24,247,734.75	24,471,164.13	24,853,443.16
ABS-CASE 96-1A	Asset-backed Security	6.43%	16-Sep-02	12,810,441.67	12,810,196.52	13,033,343.36
ABS-CASE 97-1A	Asset-backed Security	4.43%	16-Feb-04	24,332,502.08	24,332,502.08	24,332,502.08
ABS-CMC 93-1	Asset-backed Security	5.40%	1-Oct-98	8,321,990.25	8,261,359.28	8,336,054.41
ABS-CMC 93-1	Asset-backed Security	6.55%	1-Oct-98	10,000,000.00	9,987,971.83	10,151,500.00
ABS-CTRT 95-1	Asset-backed Security	7.48%	1-Nov-02	25,000,000.00	25,000,000.00	26,070,000.00
ABS-DEERE 96-1 Certificate	Asset-backed Security	4.91%	15-Oct-02	1,372,865.70	1,372,865.70	1,365,314.94
ABS-DEERE 96-1 Note	Asset-backed Security	4.44%	15-Oct-02	13,042,294.56	13,042,294.56	12,969,257.71
ABS-FAIRVIEW Trust	Asset-backed Security	8.30%	1-Dec-99	18,232,363.36	18,417,973.95	18,768,394.84
Asset Backed Securites Total					152,797,532.98	155,263,277.44
<u>Corporate</u>						
Alberta Energy	Interest Bearing Note	6.60%	30-Jun-04	10,000,000.00	9,994,584.08	9,879,900.00
Bank of Montreal	Bond	10.25%	1-May-02	15,435,000.00	17,470,249.82	18,016,195.05
Bank of Montreal	Fixed/Floater Bond	6.90%	16-Oct-06	25,000,000.00	24,942,484.90	25,648,000.00

# DETAILED LIST OF INVESTMENTS (UNAUDITED)

AS AT MARCH 31, 1997

HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
Bank of Montreal	Fixed/Floater Bond	6.05%	2-Apr-07	21,000,000.00	20,940,910.27	20,968,500.00
Bank of Nova Scotia	Fixed/Floater Bond	6.00%	4-Dec-06	25,000,000.00	24,937,345.17	24,693,750.00
Bank of Nova Scotia	Interest Bearing Note	6.64%	4-Nov-98	5,100,000.00	5,251,322.95	5,238,771.00
Bank of Nova Scotia	Interest Bearing Note	6.60%	1-Feb-01	15,000,000.00	15,036,789.99	15,315,000.00
Bank of Nova Scotia	Interest Bearing Note	5.625%	28-Aug-98	25,000,000.00	24,990,210.74	25,350,000.00
Bank of Nova Scotia	Interest Bearing Note	5.15%	15-Sep-98	10,000,000.00	10,108,667.28	10,049,500.00
Bank of Nova Scotia	Bond	6.625%	8-Mar-01	53,000,000.00	51,646,303.69	54,225,890.00
Bank of Nova Scotia	Bond	10.75%	26-Mar-01	7,543,000.00	8,525,220.76	8,784,502.37
Bank of Nova Scotia	Bond	11.40%	1-Mar-01	3,550,000.00	4,254,447.68	4,203,129.00
BC Gas Utility	Bond	7.25%	28-Jul-98	2,500,000.00	2,599,887.43	2,579,675.00
BC Telecom	Bond	7.25%	15-Jul-98	29,400,000.00	29,314,348.52	30,403,422.00
Bell Canada	Bond	9.20%	1-Jun-99	9,000,000.00	9,243,984.49	9,720,450.00
Bell Canada	Bond	9.375%	1-Dec-99	34,633,000.00	36,364,162.21	37,879,843.75
Bell Canada	Bond	8.50%	24-Aug-00	2,000,000.00	2,074,053.78	2,158,760.00
Bell Canada	Bond	10.625%	15-Jul-99	10,000,000.00	11,132,408.34	11,118,800.00
Bell Canada	Bond	12.375%	20-Jun-00	37,071,000.00	42,611,681.69	44,137,844.73
Bell Canada	Bond	8.50%	9-Jun-03	27,142,000.00	29,869,260.42	29,601,879.46
Beneficial Canada	Interest Bearing Note	5.34%	10-Mar-00	5,000,000.00	5,000,000.00	5,000,000.00
Caisse Centrale	Bond	6.25%	29-Dec-99	2,700,000.00	2,748,715.82	2,750,625.00
Canada Trustco Mortgage Company	Interest Bearing Note	5.20%	31-Jan-00	32,000,000.00	31,985,497.34	31,760,640.00
Canada Trustco Mortgage Company	Interest Bearing Note	4.65%	3-Dec-99	30,000,000.00	29,813,061.91	29,419,800.00
Canadian Imperial Bank of Commerce	Fixed/Floater Bond	5.52%	5-Sep-06	25,000,000.00	24,970,293.19	24,970,000.00
Canadian Imperial Bank of Commerce	Interest Bearing Note	4.50%	6-Dec-99	15,000,000.00	14,974,584.11	14,681,100.00
Canadian Occidental Petroleum	Bond	7.70%	7-May-98	9,000,000.00	9,129,130.24	9,305,145.00
Canadian Utilities Corporation	Interest Bearing Note	7.55%	17-Jan-99	5,000,000.00	5,000,000.00	5,220,600.00
Chrysler Credit Canada	Interest Bearing Note	7.93%	14-Sep-98	10,000,000.00	10,000,000.00	10,425,000.00
Canadian Imperial Bank of Commerce	Bond	12.45%	1-Dec-00	29,019,000.00	34,716,943.88	35,161,451.73
Canadian Imperial Bank of Commerce	Bond	11.125%	10-Feb-04	8,500,000.00	10,772,902.00	10,511,015.00
Ford Credit Canada	Interest Bearing Note	9.10%	11-Aug-99	5,000,000.00	5,014,579.54	5,382,500.00
GE Capital Canada	Bond	10.13%	29-Apr-98	8,100,000.00	8,633,188.37	8,601,228.00
GE Capital Canada	Bond	7.25%	27-Nov-98	11,865,000.00	12,404,082.93	12,324,768.75
GE Capital Canada	Bond	8.875%	30-Sep-99	4,965,000.00	5,437,331.54	5,365,327.95
GE Capital Canada	Bond	9.125%	30-Aug-01	3,000,000.00	3,348,138.37	3,339,390.00
GE Capital Canada	Bond	8.125%	15-Dec-99	2,000,000.00	2,146,797.34	2,133,760.00
GE Capital Canada	Bond	8.25%	31-May-02	20,056,000.00	22,186,216.38	21,735,690.00

# DETAILED LIST OF INVESTMENTS (UNAUDITED)

AS AT MARCH 31, 1997

HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
General Motors Acceptance Canada	Interest Bearing Note	7.50%	15-May-01	5,000,000.00	4,997,121.99	5,220,000.00
Household Finance	Interest Bearing Note	9.40%	15-Sep-98	10,000,000.00	10,686,068.97	10,591,200.00
IMASCO Ltd	Interest Bearing Note	7.65%	2-Nov-98	5,000,000.00	5,085,807.90	5,207,500.00
International Bank of Reconstruction & Dev.	Bond	6.25%	15-Oct-98	3,800,000.00	3,900,346.47	3,890,250.00
Laurentian Bank	Bond	7.50%	16-Sep-98	7,500,000.00	7,646,221.40	7,749,000.00
Laurentian Bank	Interest Bearing Note	4.75%	6-Dec-99	5,000,000.00	4,988,780.37	4,892,500.00
Laurentian Bank	Bond	10.25%	4-Jul-01	3,000,000.00	3,293,777.72	3,414,810.00
Loblaw Companies Limited	Interest Bearing Note	7.34%	1-Oct-01	4,000,000.00	4,000,000.00	4,189,080.00
Mobil Oil Canada	Bond	7.63%	22-Sep-98	19,400,000.00	19,879,734.29	20,188,222.00
Molson Companies	Bond	8.20%	11-Mar-03	19,334,000.00	21,002,705.47	20,705,940.64
National Bank of Canada	Bond	10.50%	5-Apr-01	10,000,000.00	11,045,985.35	11,527,300.00
National Bank of Canada	Certificate of Deposit	7.375%	15-May-01	20,000,000.00	19,955,839.10	20,760,000.00
National Bank of Canada	Interest Bearing Note	10.875%	1-Jun-98	5,000,000.00	5,280,894.97	5,346,950.00
National Bank of Canada	Interest Bearing Note	6.70%	1-Mar-99	10,000,000.00	10,000,000.00	10,245,000.00
National Bank of Canada	Interest Bearing Note	6.125%	10-Oct-01	5,000,000.00	4,988,192.49	4,947,500.00
National Trust	Interest Bearing Note	6.50%	30-Jul-99	10,000,000.00	9,966,538.79	10,215,000.00
NAV Canada	Bond	5.75%	1-Apr-02	25,333,000.00	25,291,472.91	24,874,219.37
NAV Canada	Bond	6.45%	1-Jun-04	25,000,000.00	24,984,286.96	24,715,500.00
Norwest Financial	Bond	6.25%	21-Dec-98	10,000,000.00	9,734,175.00	10,243,800.00
Renaissance Energy	Interest Bearing Note	5.90%	6-Feb-02	5,700,000.00	5,691,144.71	5,616,039.00
Royal Bank of Canada	Bond	10.80%	1-Jun-98	4,535,000.00	4,891,901.06	4,860,068.80
Royal Bank of Canada	Bond	10.90%	15-Jan-99	28,285,000.00	30,871,771.45	31,094,407.63
Royal Bank of Canada	Bond	10.20%	14-Oct-99	15,374,000.00	16,259,370.97	17,090,507.10
Royal Bank of Canada	Bond	11.75%	31-Jan-01	43,149,000.00	50,336,215.56	51,528,535.80
Royal Bank of Canada	Bond	11.00%	11-Jan-02	18,747,000.00	22,280,374.65	22,344,736.77
Toronto Dominion Bank	Fixed/Floater Bond	5.60%	5-Sep-06	25,000,000.00	24,957,891.14	24,957,500.00
Toronto Dominion Bank	Bond	8.375%	5-Oct-98	4,000,000.00	4,227,762.65	4,207,520.00
Talisman Energy	Bond	9.45%	22-Dec-99	9,500,000.00	10,060,401.33	10,414,280.00
Thomson Corporation	Bond	10.55%	10-May-01	8,000,000.00	9,062,983.48	9,253,600.00
Toronto Dominion Bank	Fixed/Floater Bond	6.45%	17-Oct-06	45,000,000.00	45,374,767.45	45,377,100.00
Toyota Credit	Bond	7.125%	1-Jun-98	7,250,000.00	7,458,139.79	7,472,067.50
Toyota Credit	Bond	8.00%	29-Dec-00	17,000,000.00	18,263,350.15	18,190,000.00
TransAlta Utilities Corporation	Bond	10.375%	6-Jul-98	12,346,000.00	12,944,491.14	13,223,121.57
TransAlta Utilities Corporation	Bond	10.375%	16-Dec-98	3,000,000.00	3,300,169.43	3,258,195.00
TransAlta Utilities Corporation	Bond	11.375%	1-Aug-00	10,236,000.00	12,105,841.48	11,960,458.92

# DETAILED LIST OF INVESTMENTS (UNAUDITED)

AS AT MARCH 31, 1997

HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
TransCanada Pipelines Limited	Interest Bearing Note	8.20%	15-Aug-03	25,000,000.00	25,000,000.00	26,592,500.00
Westcoast Energy	Bond	11.00%	4-Sep-01	22,500,000.00	25,337,373.30	26,510,287.50
Corporate Total					1,154,741,687.06	1,170,936,551.39
Cdn Public Fixed Income Total					6,218,916,702.53	6,413,200,466.27
Fixed Income - Long Term Total					6,218,916,702.53	6,413,200,466.27
<b>POLICY INVESTMENTS</b>						
<i>Fixed Income Long Term</i>						
<u>Alberta Guaranteed</u>						
Agriculture Financial Services Corporation	Debenture	8.96%	1-Aug-10	12,070,000.00	12,070,000.00	13,297,070.70
Agriculture Financial Services Corporation	Debenture	8.57%	1-Sep-10	24,140,000.00	24,140,000.00	26,344,778.23
Agriculture Financial Services Corporation	Debenture	8.35%	1-Aug-08	15,750,000.00	15,750,000.00	16,949,393.65
Agriculture Financial Services Corporation	Debenture	7.37%	1-Feb-09	9,450,000.00	9,450,000.00	10,060,152.20
Agriculture Financial Services Corporation	Debenture	7.99%	1-Mar-09	30,240,000.00	30,240,000.00	32,513,146.45
Agriculture Financial Services Corporation	Debenture	9.76%	4-Jul-09	20,100,000.00	20,100,000.00	22,273,655.31
Agriculture Financial Services Corporation	Debenture	9.84%	1-Aug-09	11,390,000.00	11,390,000.00	12,660,334.29
Agriculture Financial Services Corporation	Debenture	9.41%	1-Oct-09	12,060,000.00	12,060,000.00	13,334,996.38
Agriculture Financial Services Corporation	Debenture	9.62%	1-Nov-09	4,020,000.00	4,020,000.00	4,470,025.39
Agriculture Financial Services Corporation	Debenture	9.55%	1-Dec-09	6,700,000.00	6,700,000.00	7,449,279.70
Agriculture Financial Services Corporation	Debenture	9.03%	1-Mar-10	10,720,000.00	10,720,000.00	11,822,570.84
Agriculture Financial Services Corporation	Debenture	6.90%	1-Dec-06	9,350,000.00	9,350,000.00	9,654,224.99
Agriculture Financial Services Corporation	Debenture	7.32%	4-Jan-07	6,600,000.00	6,600,000.00	6,906,169.02
Agriculture Financial Services Corporation	Debenture	7.51%	1-Feb-07	10,450,000.00	10,450,000.00	11,002,086.15
Agriculture Financial Services Corporation	Debenture	7.17%	1-Mar-07	16,500,000.00	16,500,000.00	17,173,077.34
Agriculture Financial Services Corporation	Debenture	9.04%	23-Sep-07	19,470,000.00	19,470,000.00	20,845,394.54
Agriculture Financial Services Corporation	Debenture	8.88%	1-Nov-07	8,850,000.00	8,850,000.00	9,493,154.34
Agriculture Financial Services Corporation	Debenture	9.30%	1-Dec-07	6,490,000.00	6,490,000.00	6,990,846.60
Agriculture Financial Services Corporation	Debenture	9.09%	4-Jan-08	12,390,000.00	12,390,000.00	13,356,033.57
Agriculture Financial Services Corporation	Debenture	9.16%	1-Feb-08	7,670,000.00	7,670,000.00	8,285,349.39
Agriculture Financial Services Corporation	Debenture	8.77%	1-Mar-08	15,930,000.00	15,930,000.00	17,176,823.47
Agriculture Financial Services Corporation	Debenture	8.82%	1-May-08	1,890,000.00	1,890,000.00	2,035,868.31
Agriculture Financial Services Corporation	Debenture	8.75%	1-Jun-08	8,190,000.00	8,190,000.00	8,827,912.61
Agriculture Financial Services Corporation	Debenture	8.56%	4-Jul-08	9,450,000.00	9,450,000.00	10,182,827.76
Agriculture Financial Services Corporation	Debenture	7.97%	1-Sep-08	22,680,000.00	22,680,000.00	24,306,310.31

# DETAILED LIST OF INVESTMENTS (UNAUDITED)

AS AT MARCH 31, 1997

HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
Agriculture Financial Services Corporation	Debenture	10.15%	31-Mar-04	5,200,000.00	5,200,000.00	5,931,804.34
Agriculture Financial Services Corporation	Debenture	9.63%	31-Mar-04	30,000,000.00	30,000,000.00	33,670,234.74
Agriculture Financial Services Corporation	Debenture	10.15%	31-Mar-04	20,000,000.00	20,000,000.00	22,814,632.08
Agriculture Financial Services Corporation	Debenture	10.35%	1-May-04	9,900,000.00	9,900,000.00	11,229,505.09
Agriculture Financial Services Corporation	Debenture	9.22%	1-Sep-04	9,000,000.00	9,000,000.00	9,799,748.39
Agriculture Financial Services Corporation	Debenture	9.03%	1-Mar-05	9,000,000.00	9,000,000.00	9,842,150.64
Agriculture Financial Services Corporation	Debenture	8.58%	1-Jun-05	7,500,000.00	7,500,000.00	8,086,399.82
Agriculture Financial Services Corporation	Debenture	8.96%	1-Aug-05	12,500,000.00	12,500,000.00	13,629,653.66
Agriculture Financial Services Corporation	Debenture	8.46%	1-Oct-05	12,500,000.00	12,500,000.00	13,495,669.69
Agriculture Financial Services Corporation	Debenture	7.87%	1-Dec-05	7,500,000.00	7,500,000.00	7,988,082.60
Agriculture Financial Services Corporation	Debenture	7.91%	1-Feb-06	7,500,000.00	7,500,000.00	8,003,193.72
Agriculture Financial Services Corporation	Debenture	8.27%	1-Mar-06	12,500,000.00	12,500,000.00	13,474,993.00
Agriculture Financial Services Corporation	Debenture	8.31%	31-Mar-06	15,000,000.00	15,000,000.00	16,197,242.43
Agriculture Financial Services Corporation	Debenture	8.43%	1-May-06	8,250,000.00	8,250,000.00	8,887,461.75
Agriculture Financial Services Corporation	Debenture	8.30%	1-Jul-06	7,150,000.00	7,150,000.00	7,689,387.45
Agriculture Financial Services Corporation	Debenture	8.22%	1-Aug-06	12,100,000.00	12,100,000.00	12,993,686.63
Agriculture Financial Services Corporation	Debenture	7.97%	1-Sep-06	5,500,000.00	5,500,000.00	5,864,401.11
Agriculture Financial Services Corporation	Debenture	7.98%	23-Sep-06	9,350,000.00	9,350,000.00	9,975,989.74
Agriculture Financial Services Corporation	Debenture	7.83%	1-Oct-06	10,450,000.00	10,450,000.00	11,104,403.39
Agriculture Financial Services Corporation	Debenture	7.25%	1-Nov-06	9,900,000.00	9,900,000.00	10,337,634.97
Agriculture Financial Services Corporation	Debenture	8.33%	23-Mar-11	41,180,000.00	41,180,000.00	44,821,984.36
Agriculture Financial Services Corporation	Debenture	8.67%	1-Sep-12	20,280,000.00	20,280,000.00	21,783,937.83
Agriculture Financial Services Corporation	Debenture	8.82%	23-Mar-13	11,700,000.00	11,700,000.00	12,697,312.02
Agriculture Financial Services Corporation	Debenture	7.93%	1-Mar-09	37,443,324.18	37,443,324.18	39,527,748.09
Agriculture Financial Services Corporation	Debenture	8.16%	1-Mar-11	34,692,945.43	34,692,945.43	37,068,865.60
Agriculture Financial Services Corporation	Debenture	7.41%	1-Sep-01	55,166,884.77	55,166,884.77	57,416,874.22
Agriculture Financial Services Corporation	Debenture	6.73%	31-Mar-02	1,837,516.68	1,837,516.68	1,884,550.91
Alberta Social Housing Corporation	Debenture	8.64%	15-Jun-03	27,810,794.33	27,810,794.33	29,470,247.10
Alberta Social Housing Corporation	Debenture	8.96%	29-Mar-15	17,817,822.97	17,817,822.97	19,309,049.40
Alberta Social Housing Corporation	Debenture	8.46%	1-Oct-10	16,744,350.16	16,744,350.16	18,001,745.92
Alberta Social Housing Corporation	Debenture	9.47%	15-Jun-07	29,239,634.28	29,239,634.28	30,601,672.38
Alberta Social Housing Corporation	Debenture	9.19%	15-Jul-07	17,883,004.21	17,883,004.21	17,883,004.21
Alberta Social Housing Corporation	Debenture	10.17%	30-Aug-02	2,363,238.76	2,363,238.76	2,363,238.76
Alberta Social Housing Corporation	Debenture	15.71%	7-Dec-11	27,187,098.01	27,187,098.01	44,348,959.42
Alberta Social Housing Corporation	Debenture	16.34%	19-Jan-12	36,549,581.77	36,549,581.77	61,762,306.55

**DETAILED LIST OF INVESTMENTS (UNAUDITED)**  
**AS AT MARCH 31, 1997**  
**HERITAGE FUND TRANSITION PORTFOLIO (CONTINUED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
Alberta Social Housing Corporation	Debenture	8.74%	5-Aug-12	42,010,297.40	42,010,297.40	43,972,266.55
Alberta Social Housing Corporation	Debenture	9.23%	29-Nov-12	42,539,901.37	42,539,901.37	44,926,172.25
Alberta Social Housing Corporation	Debenture	9.13%	19-Jan-13	42,197,776.21	42,197,776.21	44,647,303.23
Alberta Social Housing Corporation	Debenture	8.92%	18-Mar-13	33,662,645.21	33,662,645.21	35,648,308.11
Alberta Social Housing Corporation	Debenture	8.76%	12-May-13	42,696,248.50	42,696,248.50	45,210,653.97
Alberta Social Housing Corporation	Debenture	8.15%	18-Aug-13	42,716,705.01	42,716,705.01	44,997,624.09
Alberta Social Housing Corporation	Debenture	8.04%	28-Nov-13	43,027,658.47	43,027,658.47	45,293,776.11
Alberta Social Housing Corporation	Debenture	9.30%	15-Dec-07	20,289,982.29	20,289,982.29	20,289,982.29
Alberta Social Housing Corporation	Debenture	9.40%	1-Feb-08	16,977,635.53	16,977,635.53	16,977,635.53
Alberta Social Housing Corporation	Debenture	9.75%	1-Jun-08	10,837,268.42	10,837,268.42	10,837,268.42
Alberta Social Housing Corporation	Debenture	9.70%	1-Dec-08	18,029,374.43	18,029,374.43	18,029,374.43
Alberta Social Housing Corporation	Debenture	10.80%	1-Dec-09	15,568,084.20	15,568,084.20	15,568,084.20
Alberta Social Housing Corporation	Debenture	13.67%	15-Oct-00	8,373,745.73	8,373,745.73	8,373,745.73
Alberta Social Housing Corporation	Debenture	13.76%	1-Dec-10	25,820,543.23	25,820,543.23	25,820,543.23
Alberta Social Housing Corporation	Debenture	14.20%	4-Mar-11	26,029,130.17	26,029,130.17	26,029,130.17
Alberta Social Housing Corporation	Debenture	16.73%	1-Jun-11	27,527,712.02	27,527,712.02	46,565,312.04
Alberta Social Housing Corporation	Debenture	18.05%	28-Sep-11	27,910,757.27	27,910,757.27	50,662,202.24
Alberta Social Housing Corporation	Debenture	9.67%	1-Apr-06	64,311,145.88	64,311,145.88	64,311,145.88
Alberta Social Housing Corporation	Debenture	9.10%	15-Jan-07	31,658,272.23	31,658,272.23	31,658,272.23
Alberta Social Housing Corporation	Debenture	7.87%	2-Jan-11	8,216,768.93	8,216,768.93	8,697,810.38
Alberta Social Housing Corporation	Debenture	8.28%	2-Jul-11	4,175,464.80	4,175,464.80	4,480,203.62
Alberta Social Housing Corporation	Debenture	7.83%	1-Oct-11	4,207,495.58	4,207,495.58	4,445,965.49
Alberta Social Housing Corporation	Debenture	9.36%	2-Jul-12	4,239,406.90	4,239,406.90	4,437,264.76
Alberta Social Housing Corporation	Debenture	9.06%	1-Oct-12	1,734,388.69	1,734,388.69	1,823,380.67
Alberta Social Housing Corporation	Debenture	9.09%	4-Jan-13	15,617,535.66	15,617,535.66	16,510,980.75
Alberta Social Housing Corporation	Debenture	8.21%	3-Oct-13	3,529,551.31	3,529,551.31	3,726,356.52
Alberta Social Housing Corporation	Debenture	7.98%	15-Nov-08	15,887,761.71	15,887,761.71	16,761,664.01
Alberta Social Housing Corporation	Debenture	9.59%	15-Dec-14	10,867,733.17	10,867,733.17	11,926,348.28
Alberta Social Housing Corporation	Debenture	9.45%	2-Jan-15	4,522,248.78	4,522,248.78	4,951,342.56
Alberta Social Housing Corporation	Debenture	8.46%	1-Oct-15	6,537,218.36	6,537,218.36	7,008,689.03
Alberta Social Housing Corporation	Debenture	8.32%	25-Mar-16	15,732,838.95	15,732,838.95	16,824,692.55
Alberta Social Housing Corporation	Debenture	7.97%	20-Sep-16	931,608.21	931,608.21	984,489.00
Alberta Social Housing Corporation	Debenture	7.91%	20-Sep-11	2,645,358.00	2,645,358.00	2,806,406.63
Alberta Social Housing Corporation	Debenture	7.97%	20-Sep-16	12,110,906.46	12,110,906.46	12,798,356.75
Alberta Social Housing Corporation	Debenture	7.15%	1-Nov-11	8,944,317.55	8,944,317.55	9,238,396.98

**DETAILED LIST OF INVESTMENTS (UNAUDITED)**  
**AS AT MARCH 31, 1997**  
**HERITAGE FUND TRANSITION PORTFOLIO (CONCLUDED)**

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

<b>Issuer</b>	<b>Security Type</b>	<b>Coupon (%)</b>	<b>Maturity</b>	<b>Par Value or Number of Shares</b>	<b>Book Value</b>	<b>Fair Value</b>
Alberta Social Housing Corporation	Debenture	7.17%	2-Mar-17	9,844,455.79	9,844,455.79	10,083,911.90
Alberta Social Housing Corporation	Debenture	9.10%	15-Jan-18	16,119,118.09	16,119,118.09	16,998,395.24
Alberta Municipal Financing Corporation	Debenture	11.70%	1-Nov-99	70,000,000.00	70,000,000.00	80,680,451.04
Alberta Municipal Financing Corporation	Debenture	13.45%	3-Mar-00	35,000,000.00	35,000,000.00	42,424,097.66
Alberta Municipal Financing Corporation	Debenture	13.20%	15-Aug-00	35,000,000.00	35,000,000.00	43,056,368.60
Alberta Opportunity Company	Debenture	7.71%	30-Sep-00	15,370,311.54	15,370,311.54	16,069,471.92
Alberta Opportunity Company	Debenture	7.05%	30-Sep-98	3,371,362.72	3,371,362.72	3,457,898.60
Alberta Guaranteed Total					1,798,036,930.32	1,997,380,997.19
<u>Corporate</u>						
Crestbrook Forest (Alpac)	Loan	9.20%	30-Nov-10	148,697,314.10	148,697,412.17	148,697,412.10
Kanzaki Paper Canada (Alpac)	Loan	9.20%	30-Nov-10	92,744,289.81	92,744,350.84	92,744,350.84
MC Forest Investment (Alpac)	Loan	9.20%	30-Nov-10	129,875,858.53	129,875,944.09	129,875,944.09
Murphy Oil Company	Loan	6.25%	22-Dec-98	55,970,000.00	55,970,000.00	55,970,000.00
Ridley Grain Limited	Loan		31-Jul-15	101,999,999.53	101,999,999.53	101,999,999.53
VENCAP Investment	Loan			63,988,000.00	10,676,000.00	10,676,000.00
Corporate Total					539,963,706.63	539,963,706.56
<i>Fixed Income Long Term Total</i>					<b>2,338,000,636.95</b>	<b>2,537,344,703.75</b>
<u>Equities</u>						
<u>Industrial Products</u>						
NOVA Corporation	Equity			10,822,429.00	112,282,700.88	122,834,569.15
Industrial Products Total					112,282,700.88	122,834,569.15
<u>Financial Services</u>						
Canadian Western Bank	Equity			160,000.00	720,000.00	2,400,000.00
Financial Services Total					720,000.00	2,400,000.00
<i>Equities Total</i>					<b>113,002,700.88</b>	<b>125,234,569.15</b>
<b>Policy Investments Total</b>					<b>2,451,003,337.83</b>	<b>2,662,579,272.90</b>
<b>Total Transition Portfolio</b>					<b>10,595,354,542.14</b>	<b>11,016,474,819.50</b>



**DETAILED LIST OF INVESTMENTS (UNAUDITED)**  
**AS AT MARCH 31, 1997**  
**HERITAGE FUND ENDOWMENT PORTFOLIO**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
<b>Cash And Equivalents Total</b>					<b>74,585,727.19</b>	<b>74,585,727.19</b>
<b>FIXED INCOME - SHORT TERM</b>						
<i>Canadian Short Term</i>						
<i>Federal</i>						
Government of Canada	Treasury Bill		24-Apr-97	5,000,000.00	4,989,000.00	4,990,350.00
Government of Canada	Treasury Bill		12-Jun-97	10,000,000.00	9,940,476.92	9,937,900.00
Government of Canada	Treasury Bill		19-Jun-97	5,000,000.00	4,967,252.75	4,965,600.00
<b>Federal Total</b>					<b>19,896,729.67</b>	<b>19,893,850.00</b>
<i>Federal Guaranteed</i>						
Canadian Wheat Board	Discount Note		21-Apr-97	10,000,000.00	9,981,951.35	9,981,300.00
<b>Federal Guaranteed Total</b>					<b>9,981,951.35</b>	<b>9,981,300.00</b>
<i>Other Provincial</i>						
Province of Newfoundland	Treasury Bill		12-Jun-97	5,000,000.00	4,969,035.16	4,968,350.00
Province of Nova Scotia	Discount Note		21-Apr-97	5,000,000.00	4,991,070.27	4,990,800.00
<b>Other Provincial Total</b>					<b>9,960,105.43</b>	<b>9,959,150.00</b>
<i>Corporate - Banks</i>						
Bank of America Canada	Banker's Acceptance		6-May-97	4,600,000.00	4,585,817.16	4,585,418.00
Bank of Nova Scotia	Bearer Deposit Note		7-Apr-97	15,000,000.00	14,991,225.00	14,990,700.00
Bank of Nova Scotia	Bearer Deposit Note		17-Apr-97	15,000,000.00	14,978,679.17	14,977,650.00
Bank of Nova Scotia	Bearer Deposit Note		6-May-97	5,000,000.00	4,984,700.00	4,984,150.00
Bank of Nova Scotia	Bearer Deposit Note		15-May-97	15,000,000.00	14,942,941.41	14,940,150.00
Bank of Nova Scotia	Bearer Deposit Note		12-Jun-97	10,000,000.00	9,937,268.13	9,934,700.00
Bank of Nova Scotia	Bearer Deposit Note		17-Jun-97	25,000,000.00	24,832,554.35	24,825,250.00
Banque Nationale de Paris Canada	Banker's Acceptance		10-Apr-97	5,100,000.00	5,095,706.13	5,095,512.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		8-Apr-97	15,000,000.00	14,989,944.83	14,989,500.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		5-May-97	5,000,000.00	4,985,110.66	4,984,600.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		9-May-97	9,700,000.00	9,668,105.40	9,666,632.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		22-May-97	20,000,000.00	19,912,293.33	19,907,400.00
Canadian Imperial Bank of Commerce	Banker's Acceptance		16-Jun-97	20,000,000.00	19,867,661.54	19,862,000.00

**DETAILED LIST OF INVESTMENTS (UNAUDITED)**  
**AS AT MARCH 31, 1997**  
**HERITAGE FUND ENDOWMENT PORTFOLIO (CONTINUED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
Hong Kong Bank of Canada	Banker's Acceptance		16-Jun-97	10,000,000.00	9,933,293.68	9,931,000.00
Hong Kong Bank of Canada	Bearer Deposit Note		1-Apr-97	5,000,000.00	4,999,602.75	4,999,550.00
National Bank of Canada	Banker's Acceptance		13-Jun-97	20,000,000.00	19,872,518.18	19,867,600.00
Societe Generale Canada	Banker's Acceptance		7-Apr-97	8,500,000.00	8,494,985.00	8,494,730.00
Toronto Dominion Bank	Bearer Deposit Note		18-Jun-97	25,000,000.00	24,829,895.16	24,823,000.00
Corporate - Banks Total					231,902,301.88	231,859,542.00
<u>Corporate - Other</u>						
Alberta Energy	Discount Note		8-Apr-97	5,000,000.00	4,996,593.10	4,996,450.00
National Trust	Discount Note		15-Apr-97	10,000,000.00	9,987,227.94	9,986,700.00
Corporate - Other Total					14,983,821.04	14,983,150.00
<i>Canadian Short Term Total</i>					<b>286,724,909.37</b>	<b>286,676,992.00</b>
<b>Fixed Income - Short Term Total</b>					<b>286,724,909.37</b>	<b>286,676,992.00</b>
<b>FIXED INCOME - LONG TERM</b>						
<i>Cdn Public Fixed Income</i>						
<u>Federal</u>						
Government of Canada	Bond	11.50%	1-Sep-00	23,900,000.00	28,389,909.42	28,161,848.00
Government of Canada	Bond	8.50%	1-Mar-00	65,000,000.00	69,359,546.92	70,237,700.00
Government of Canada	Bond	7.00%	1-Sep-01	7,303,000.00	7,632,683.35	7,584,165.50
Federal Total					105,382,139.69	105,983,713.50
<u>Alberta</u>						
Province of Alberta	Bond	8.00%	1-Mar-00	35,000,000.00	36,380,082.70	37,346,050.00
Alberta Total					36,380,082.70	37,346,050.00

**DETAILED LIST OF INVESTMENTS (UNAUDITED)****AS AT MARCH 31, 1997****HERITAGE FUND ENDOWMENT PORTFOLIO (CONTINUED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
<u>Other Provincial</u>						
Province of British Columbia	Interest Bearing Note	6.75%	16-Aug-00	23,000,000.00	23,167,848.23	23,672,520.00
Province of Manitoba	Bond	11.25%	17-Oct-00	15,000,000.00	16,897,574.03	17,619,150.00
Province of Ontario	Bond	10.88%	10-Jan-01	50,000,000.00	55,980,734.53	58,345,500.00
Province of Saskatchewan	Bond	11.25%	12-Jul-00	18,700,000.00	21,045,278.42	21,789,988.00
Other Provincial Total					117,091,435.21	121,427,158.00
<u>Other Provincial Guaranteed</u>						
Ontario Hydro	Bond	10.00%	19-Mar-01	9,750,000.00	11,202,610.62	11,127,772.50
Other Provincial Guaranteed Total					11,202,610.62	11,127,772.50
<u>Corporate</u>						
Consumers Gas Company	Interest Bearing Note	7.85%	3-Oct-00	10,000,000.00	9,984,582.36	10,634,300.00
Laurentian Bank	Interest Bearing Note	4.75%	6-Dec-99	20,000,000.00	19,955,121.50	19,570,000.00
Thomson Corporation	Interest Bearing Note	10.55%	10-May-01	10,000,000.00	11,328,729.35	11,567,000.00
Corporate Total					41,268,433.21	41,771,300.00
Cdn Public Fixed Income Total					311,324,701.43	317,655,994.00
<u>Canadian Private Mortgages</u>						
<u>Pooled Units</u>						
Private Mortgage Pool	Mortgages				17,994,277.00	18,103,867.26
Canadian Private Mortgages Total					17,994,277.00	18,103,867.26
Fixed Income - Long Term Total					329,318,978.43	335,759,861.26

**DETAILED LIST OF INVESTMENTS (UNAUDITED)****AS AT MARCH 31, 1997****HERITAGE FUND ENDOWMENT PORTFOLIO (CONTINUED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
<b>REAL ESTATE</b>						
<u>Pooled Units</u>						
Canadian Private Real Estate Pool	Real Estate				1,514,221.68	1,504,522.05
<i>Real Estate Total</i>					<b>1,514,221.68</b>	<b>1,504,522.05</b>
<b>EQUITIES</b>						
<i>Canadian Public Equities</i>						
<u>Metals &amp; Minerals</u>						
ALCAN Aluminium Limited	Equity			465,600.00	7,082,707.20	21,766,800.00
CAMECO Corporation	Equity			28,900.00	1,570,715.00	1,533,145.00
COMINCO Limited	Equity			226,389.00	3,127,790.42	8,546,184.75
Falconbridge Limited	Equity			83,100.00	2,443,410.00	2,397,435.00
INCO Limited	Equity			323,100.00	6,652,629.00	14,474,880.00
INMET Mining Corporation	Equity			15,800.00	94,800.00	126,400.00
Noranda Incorporated	Equity			394,700.00	6,877,252.80	12,097,555.00
Rio Algom Limited	Equity			213,900.00	3,095,560.80	7,058,700.00
<i>Metals &amp; Minerals Total</i>					<b>30,944,865.22</b>	<b>68,001,099.75</b>
<u>Gold &amp; Silver</u>						
Barrick Gold Corporation	Equity			545,367.00	8,767,865.26	17,833,500.90
Battle Mountain Canada	Equity			415,880.00	3,686,776.20	3,846,890.00
Cambior Incorporated	Equity			51,900.00	499,537.50	973,125.00
Echo Bay Mines Limited	Equity			331,900.00	1,843,040.70	2,987,100.00
Euro-Nevada Mining	Equity			35,500.00	1,295,750.00	1,420,000.00
Placer Dome Incorporated	Equity			500,637.00	6,212,404.53	12,515,925.00
Teck Corporation	Equity			324,300.00	1,267,688.70	9,810,075.00
TVX Gold Incorporated	Equity			143,300.00	1,468,825.00	1,390,010.00
<i>Gold &amp; Silver Total</i>					<b>25,041,887.89</b>	<b>50,776,625.90</b>

**DETAILED LIST OF INVESTMENTS (UNAUDITED)**  
**AS AT MARCH 31, 1997**  
**HERITAGE FUND ENDOWMENT PORTFOLIO (CONTINUED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
<b>Oil &amp; Gas</b>						
Alberta Energy Company	Equity			17,400.00	546,360.00	495,900.00
Anderson Exploration	Equity			67,800.00	1,220,400.00	1,139,040.00
Canadian Occidental Petroleum	Equity			469,800.00	3,067,324.20	11,979,900.00
Crestar Energy	Equity			50,600.00	1,485,110.00	1,340,900.00
Imperial Oil Limite	Equity			182,100.00	5,960,133.00	11,709,030.00
Norcen Energy Resources	Equity			286,700.00	3,862,709.10	8,557,995.00
PanCanadian Petroleums Limited	Equity			106,900.00	2,085,512.10	6,039,850.00
Poco Petroleums Limited	Equity			181,000.00	2,416,350.00	2,316,800.00
Ranger Oil Limited	Equity			361,400.00	2,692,791.40	4,716,270.00
Renaissance Energy	Equity			259,300.00	3,807,301.90	10,203,455.00
Shell Canada	Equity			135,600.00	2,638,911.60	7,519,020.00
Suncor Energy Incorporated	Equity			28,000.00	1,572,060.00	1,708,000.00
Talisman Energy Incorporated	Equity			334,139.00	5,796,309.23	13,733,112.90
<b>Oil &amp; Gas Total</b>					<b>37,151,272.53</b>	<b>81,459,272.90</b>
<b>Paper &amp; Forest Products</b>						
Abitibi-Price Incorporated	Equity			100,900.00	2,123,945.00	2,012,955.00
Avenor Incorporated	Equity			99,500.00	1,422,352.50	2,238,750.00
Canfor Corporation	Equity			15,112.00	183,323.67	204,012.00
Domtar Incorporated	Equity			301,910.00	1,451,583.28	3,139,864.00
Fletcher Challeng Canada	Equity			164,937.00	1,543,975.26	3,546,145.50
MacMillan Bloedel	Equity			381,677.00	3,792,342.67	7,385,449.95
Stone-Consolidated Corporation	Equity			45,100.00	881,705.00	904,255.00
<b>Paper &amp; Forest Products Total</b>					<b>11,399,227.38</b>	<b>19,431,431.45</b>

# DETAILED LIST OF INVESTMENTS (UNAUDITED)

AS AT MARCH 31, 1997

HERITAGE FUND ENDOWMENT PORTFOLIO (CONTINUED)

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
<u>Consumer Products</u>						
Ault Foods Limited	Equity			30,242.00	140,232.15	716,735.40
Dominion Textile Incorporated	Equity			178,100.00	1,513,850.00	1,175,460.00
IMASCO Limited	Equity			499,600.00	4,601,815.60	17,411,060.00
Maple Leaf Foods	Equity			28,089.00	67,301.24	323,023.50
Molson Companies Limited	Equity			189,050.00	1,692,186.55	4,329,245.00
Molson Companies Limited	Equity			450.00	5,483.25	10,462.50
Seagram Company Limited	Equity			462,200.00	6,571,097.40	24,496,600.00
Consumer Products Total					14,591,966.19	48,462,586.40
<u>Industrial Products</u>						
Agrium Incorporated	Equity			133,333.00	1,640,129.23	2,333,327.50
Bombardier Incorporated	Equity			770,800.00	2,615,324.40	19,308,540.00
CAE Incorporated	Equity			538,200.00	1,610,294.40	5,624,190.00
CO-Steel Incorporated	Equity			33,100.00	564,090.20	736,475.00
Dofasco Incorporated	Equity			305,200.00	4,077,166.80	7,019,600.00
Dupont Canada Incorporated	Equity			18,000.00	255,186.00	580,500.00
IPSCO Incorporated	Equity			100,900.00	1,816,099.10	3,733,300.00
Magna International Incorporated	Equity			42,600.00	3,165,180.00	2,920,230.00
Moore Corporation Limited	Equity			303,400.00	5,685,412.60	8,389,010.00
Newbridge Networks	Equity			62,300.00	2,479,540.00	2,460,850.00
Northern Telecom Limited	Equity			286,300.00	3,872,207.50	25,852,890.00
NOVA Corporation	Equity			1,032,060.00	7,310,080.98	11,507,469.00
Stelco Incorporated	Equity			143,700.00	790,350.00	1,063,380.00
United Dominion Industries	Equity			87,600.00	2,829,480.00	2,965,260.00
Westaim Corporation (The)	Equity			64,921.00	94,654.82	334,343.15
Industrial Products Total					38,805,196.03	94,829,364.65

# **DETAILED LIST OF INVESTMENTS (UNAUDITED)**

**AS AT MARCH 31, 1997**

**HERITAGE FUND ENDOWMENT PORTFOLIO (CONTINUED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
<u>Real Estate And Construction</u>						
Trizec Hahn Corporation	Equity			281,100.00	2,593,990.80	8,700,045.00
Real Estate And Construction Total					2,593,990.80	8,700,045.00
<u>Trans. &amp; Environ. Services</u>						
Air Canada	Equity		27-Apr-99	462,300.00	1,849,200.00	3,097,410.00
Canadian Airlines Corporation	Equity			201,000.00	26,733.00	4,020.00
Canadian National Railway	Equity			18,600.00	957,900.00	912,330.00
Laidlaw Incorporated	Equity			726,000.00	4,683,426.00	13,612,500.00
Trans. & Environ. Services Total					7,517,259.00	17,626,260.00
<u>Pipelines</u>						
IPL Energy Incorporated	Equity			127,900.00	1,943,056.80	5,103,210.00
TransCanada Pipelines Limited	Equity			478,600.00	6,499,388.00	12,036,790.00
Westcoast Energy Incorporated	Equity			251,300.00	2,905,279.30	6,119,155.00
Pipelines Total					11,347,724.10	23,259,155.00
<u>Utilities</u>						
ATCO Limited	Equity			9,000.00	70,704.00	231,750.00
BC Gas Incorporated	Equity			131,300.00	2,097,517.50	2,790,125.00
BC Telecom	Equity			247,300.00	2,296,675.10	7,480,825.00
BCE Incorporated	Equity			370,600.00	13,601,390.60	23,570,160.00
BCE Mobile	Equity			46,500.00	1,890,225.00	1,953,000.00
Canadian Utilities Limited	Equity			102,600.00	2,047,280.40	3,242,160.00
Canadian Utilities Limited	Equity			130,116.00	1,850,769.98	4,046,607.60
Maritime Telephone and Telegraph	Equity			93,300.00	1,642,639.80	2,150,565.00
Nova Scotia Power	Equity			166,500.00	2,322,675.00	2,339,325.00
TELUS Corporation	Equity			451,900.00	5,674,960.20	9,670,660.00
TransAlta Corporation	Equity			497,950.00	5,425,663.20	8,066,790.00
Utilities Total					38,920,500.78	65,541,967.60

**DETAILED LIST OF INVESTMENTS (UNAUDITED)****AS AT MARCH 31, 1997****HERITAGE FUND ENDOWMENT PORTFOLIO (CONTINUED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
<u>Communications &amp; Media</u>						
Hollinger Incorporated	Equity			49,600.00	218,240.00	602,640.00
Quebecor Incorporated	Equity			92,800.00	1,179,673.60	2,306,080.00
Rogers Communication	Equity			92,900.00	919,710.00	812,875.00
Southam Incorporated	Equity			211,604.00	2,047,903.51	4,179,179.00
Thomson Corporation (The)	Equity			648,529.00	3,742,012.33	17,737,268.15
Communications & Media Total					8,107,539.44	25,638,042.15
<u>Merchandising</u>						
Canadian Tire Corporation	Equity			350,650.00	3,761,071.90	8,257,807.50
Finning International	Equity			125,800.00	1,564,952.00	3,855,770.00
Hudsons Bay Company	Equity			69,240.00	1,031,052.84	1,859,094.00
Loblaws Companies Limited	Equity			221,100.00	1,547,036.70	3,648,150.00
Loewen Group Incorporated	Equity			109,800.00	3,431,030.40	4,858,650.00
Oshawa Group Limited	Equity			234,400.00	1,130,980.00	4,805,200.00
Sears Canada Incorporated	Equity			19,900.00	136,334.90	263,675.00
Weston Limited George	Equity			114,800.00	943,196.80	7,863,800.00
Merchandising Total					13,545,655.54	35,412,146.50
<u>Financial Services</u>						
Fairfax Financial Holdings	Equity			1,700.00	476,850.00	508,300.00
London Insurance Group	Equity			160,000.00	1,745,706.64	3,040,000.00
MacKenzie Financial	Equity			165,900.00	1,129,447.20	3,359,475.00
MNT Limited	Equity			300,000.00	2,212,500.00	10,125,000.00
National Trustco Incorporated	Equity			120,000.00	996,360.00	2,760,000.00
Power Financial Corporation	Equity			175,600.00	1,612,359.20	4,565,600.00
Financial Services Total					8,173,223.04	24,358,375.00



**DETAILED LIST OF INVESTMENTS (UNAUDITED)**  
**AS AT MARCH 31, 1997**  
**HERITAGE FUND ENDOWMENT PORTFOLIO (CONCLUDED)**

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

Issuer	Security Type	Coupon (%)	Maturity	Par Value or Number of Shares	Book Value	Fair Value
<b><u>Conglomerates</u></b>						
Brascan Limited	Equity			160,200.00	1,696,838.40	5,006,250.00
Canadian Pacific Limited	Equity			671,225.00	10,048,238.25	22,183,986.25
Power Corporation of Canada	Equity			335,100.00	1,094,436.60	9,433,065.00
Conglomerates Total					12,839,513.25	36,623,301.25
Externally Managed "Small Cap Pooled Units Total"	Equity				28,727,991.40	27,325,085.28
<i>Canadian Public Equities Total</i>					<b>289,707,812.59</b>	<b>627,444,758.83</b>
<b><u>Canadian Private Equities Pooled Units</u></b>						
Private Equity Pool	Equity				2,000,000.00	2,049,059.66
<i>Canadian Private Equities Total</i>					<b>2,000,000.00</b>	<b>2,049,059.66</b>
<b><u>U.S. Equities</u></b>						
Externally Managed Pooled Units Total	Equity				69,746,979.53	64,278,877.91
<i>U.S. Equities Total</i>					<b>69,746,979.53</b>	<b>64,278,877.91</b>
<b><u>Global Equities</u></b>						
Structured Pool Units Total	Equity				67,673,838.71	64,206,206.27
Externally Managed Pooled Units Total	Equity				109,276,532.50	107,177,000.94
<i>Global Equities Total</i>					<b>176,950,371.21</b>	<b>171,383,207.21</b>
<b>Equities Total</b>					<b>540,187,333.09</b>	<b>862,090,566.00</b>
<b>Total Endowment Portfolio</b>					<b>1,230,549,000.00</b>	<b>1,563,683,006.11</b>



**Alberta Heritage Savings Trust Fund**

Room 302, 9515-107 Street  
Edmonton, Alberta T5K 2C3  
Phone: (403) 427-4414

**Alberta Heritage Savings Trust Fund Standing Committee**

Chairman: Mr. Hung Pham  
Deputy Chairman: Mr. Victor Doerksen  
Members: Ms. Debby Carlson  
Mr. Glen Clegg  
Mr. Ron Hierath  
Mr. Rob Lougheed  
Mr. Shiraz Shariff  
Mr. Ron Stevens  
Mr. Gene Zwozdesky

**Administrative Assistant to the Standing Committee**

Mrs. Diane Shumyla

**Investment Operations Committee**

Chairman: Al D. O'Brien  
Deputy Provincial Treasurer  
Members: John Beddome, Independent businessman and corporate director  
Carl H. Otto, Carl Otto Associates Inc.  
Robert L. Phillips, President and Chief Executive Officer, Dreco Energy Services Ltd.  
Roger S. Smith, Acting Vice-President (Research and External Affairs)  
and Professor of Economic Analysis, University of Alberta  
John D. Watson, Vice-President, Finance and Chief Financial Officer,  
Alberta Energy Company Ltd.  
Secretary: Robert A. Bhatia, Assistant Deputy Provincial Treasurer, Treasury Operations

**Investment Manager**

Alberta Treasury

**Auditor**

Auditor General of Alberta