Alberta Heritage Savings Trust Fund

Second Quarter Update

For the six months ended September 30, 2007

2007-2008

Alberta

Heritage Fund

Alberta Finance

Alberta Heritage Savings Trust Fund
2007-2008

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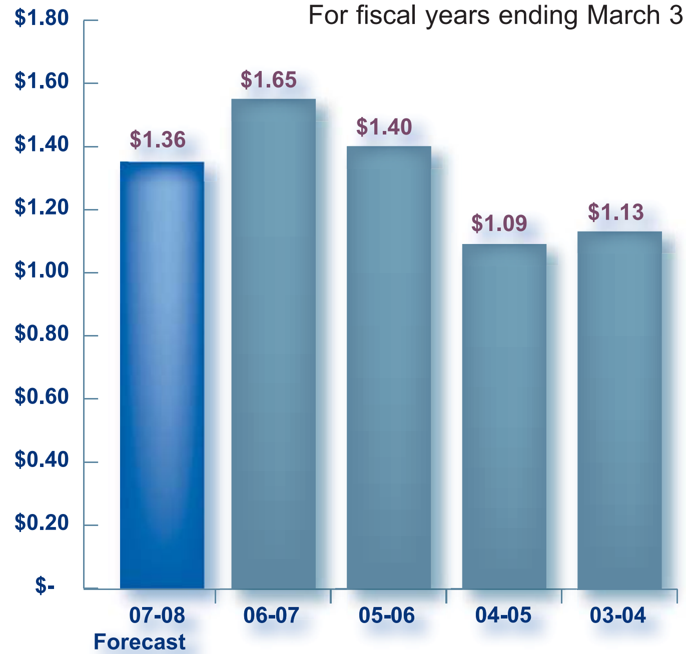
Highlights

NET INCOME
For fiscal years ending March 31 (in billions)

The Heritage Fund (the Fund) is forecast to earn net income of $1.36 billion in fiscal year 2007-08, of which $910 million was earned in the first six months of this fiscal year.

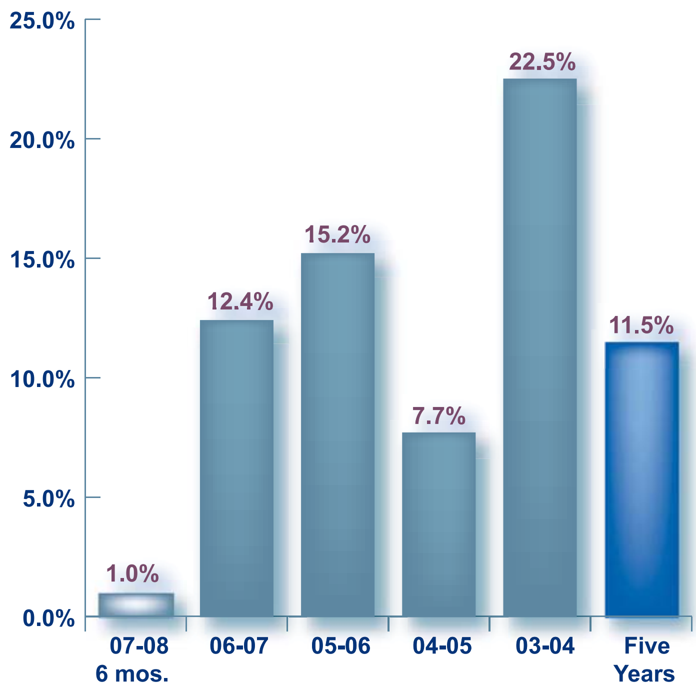


» The net income earned from the Fund's investments, less the amount retained for inflation-proofing, is transferred to the Province's main operating fund, the General Revenue Fund (the GRF), to help pay for government programs. Of the total realized net income during the past six months, $662 million is transferred to the GRF and $248 million is retained in the Fund for inflation-proofing.

» The annual forecast provides for $496 million to be retained in the Fund for inflation-proofing and $825 million to be deposited into the Fund over the next six months from the government's higher than budgeted surplus in 2007-08.

INVESTMENT RETURNS
(in percent)

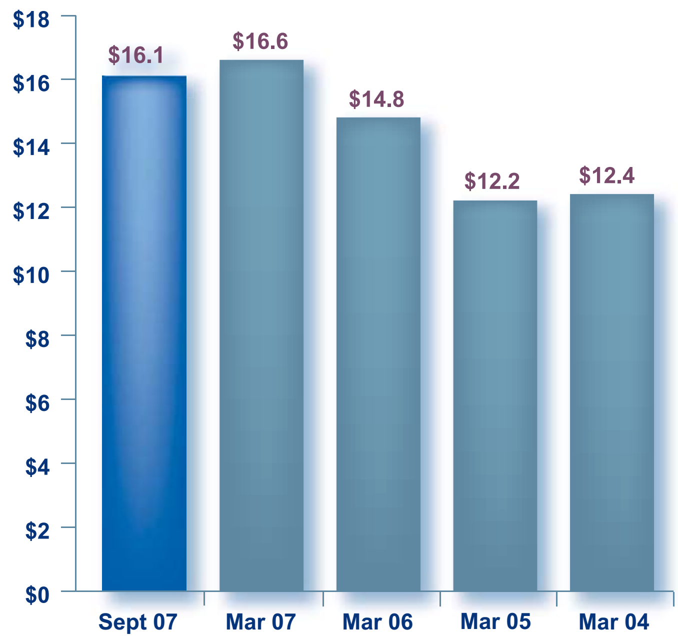
Over the five year period, Oct. 1, 2002 to Sept. 30, 2007, assets in the Fund earned an annualized market value return of 11.5%, including 1.0% in the first six months of this fiscal year.



» On a fair value basis, the Fund's investments earned at return of 1.0% or $170 million over six months.

FAIR VALUE OF THE HERITAGE FUND
At September 30, 2007 (in billions)

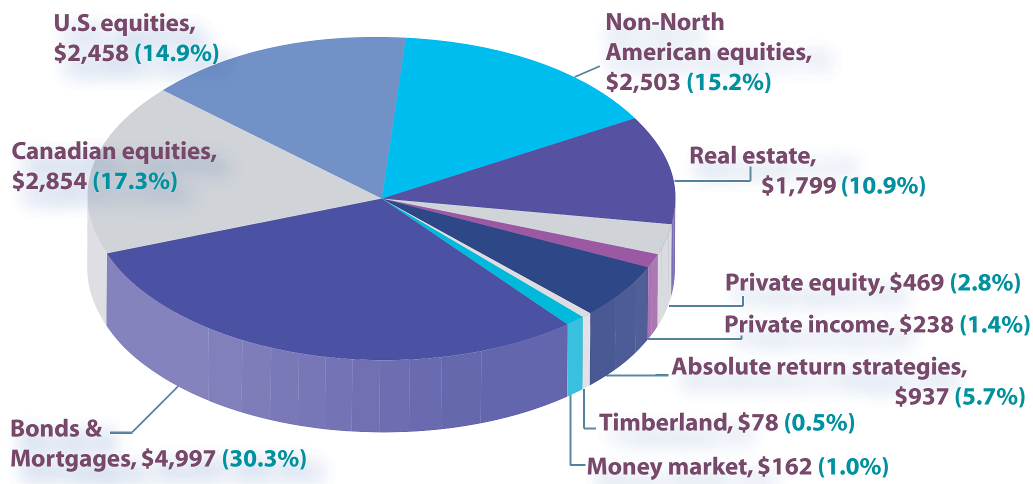
At September 30, 2007, the fair value of the Fund was $16.1 billion, a decrease of $0.5 billion from $16.6 billion at March 31, 2007.



- During the quarter, transfers to the GRF of $662 million exceeded the market value return of $170 million, resulting in a decline in value of the Fund of $492 million.
- A stronger Canadian dollar against other world currencies and rising interest rates had a negative impact on the fair value of the Fund's foreign equity investments and fixed income securities.

ASSET MIX, at fair value
September 30, 2007
(in millions)

The Fund's global portfolio of investments includes publicly traded equities, bonds, real estate and alternative investments.



Second Quarter Update

(September 30, 2007)

QUARTER IN REVIEW

For the first six months of the 2007-08 fiscal year, the Fund recorded net income of $910 million, including $367 million in the 2nd quarter and $543 million in the 1st quarter. In the first six months of last year, the Fund earned net income of $503 million. Better than expected income during the past six months, from realized capital gains, resulted in an increase in the Fund's forecast net income to $1.360 billion for fiscal year 2007-08, up $145 million from the budgeted amount of $1.215 billion (see table below).

According to the Fund's legislation, all of its net income is transferred to the GRF except for an amount retained in the Fund to protect its value from inflation. Of the total net income earned in the first six months of the fiscal year, $248 million was retained in the Fund for inflation proofing while $662 million was included in transfers to the GRF. On an annual basis, the forecast provides for $496 million to be retained in the Fund for inflation proofing, an increase of $212 million from $284 million in Budget 2007. The increase results from an expected increase in the Canadian gross domestic product index (GDP Index) rate to 3.3% from 1.9% for 2007-08. The annual forecast provides for $825 million to be deposited into the Fund from the government's higher than budgeted surplus in 2007-08.

At September 30, 2007, the value of the Fund's net assets totaled $16.089 billion at fair value and $15.276 billion at cost. Accumulated unrealized capital gains totaling $813 million billion made up the difference between the fair value and cost of the net assets. At March 31, 2007, the value of net assets totaled $16.581 billion at fair value and $15.028 billion at cost and accumulated unrealized capital gains totaled $1.553 billion. During the past six months, accumulated unrealized capital gains declined by $740 million. Once securities are sold, through portfolio turnover, unrealized gains become realized and are included in investment income for period.

Overall, the Fund's net income over the past six months less the decline in unrealized capital gains resulted in a net market value return of $170 million or 1.0%. In the first six months of last year, the Fund's market value return was $284 million or 1.9%.

The table below summarizes the overall increase in the net assets of the Fund.

Changes in Value of Net Assets
For the six months ended September 30, 2007
(in millions)

	2007-08			2006-07	
	Budget 2007	**Annual Forecast**	**Six Months Actual**	Six Months Actual	Annual Actual
Investment income before expenses	$ 1,285	$ 1,429	$ 940	$ 527	$ 1,703
Pooled funds management and administration expenses	(66)	(66)	(29)	(23)	(53)
Investment income after pooled fund expenses	1,219	1,363	911	504	1,650
Fund management and administration expense	(4)	(3)	(1)	(1)	(2)
Net income	**1,215**	**1,360**	**910**	**503**	**1,648**
Transfers to the GRF	(931)	(864)	(662)	(361)	(1,365)
Income retained in Fund for inflation proofing	**284**	**496**	**248**	**142**	**283**
Transfers from the GRF (1)	**-**	**825**	**-**	650	1,250
Change in cost of net assets	**$ 284**	**$ 1,321**	**248**	792	1,533
Change in accumulated unrealized gains			**(740)**	(219)	228
Change in fair value of net assets			**(492)**	**573**	**1,761**
Fair value beginning of period			**16,581**	14,820	14,820
Fair value end of period			**$ 16,089**	$ 15,393	$ 16,581
Cost, end of period			**$ 15,276**	$ 14,286	$ 15,028
Accumulated unrealized gains			**$ 813**	$ 1,107	$ 1,553

MARKET SUMMARY

Led by strong returns in the materials sector, the Canadian stock market posted good returns this quarter. Overall, the S&P/TSX Composite Index increased by 2.0% this quarter and 8.4% over six months.

The Fund's investment portfolio is exposed to foreign currency risk. For example, for every one cent change in the U.S. dollar against the Canadian dollar, the fair value of the Fund's U.S. equity portfolio, totalling $2.5 billion, changes by approximately $25 million. Over the past six months, the U.S. dollar has declined by 15 cents against the Canadian dollar. At September 30, 2007, one U.S. dollar was worth one Canadian dollar compared to $1.15 Canadian at March 31, 2007. As a result, investment returns from U.S. equities were negative over six months when translated into Canadian dollars.

Led by the energy sector, the S&P 1500 Index, which tracks the largest 1,500 American companies, increased by 1.6% in U.S. dollars this quarter and 7.9% over six months. When translated into Canadian dollars, the S&P 1500 Index returned a negative 4.8% this quarter and negative 6.7% over six months

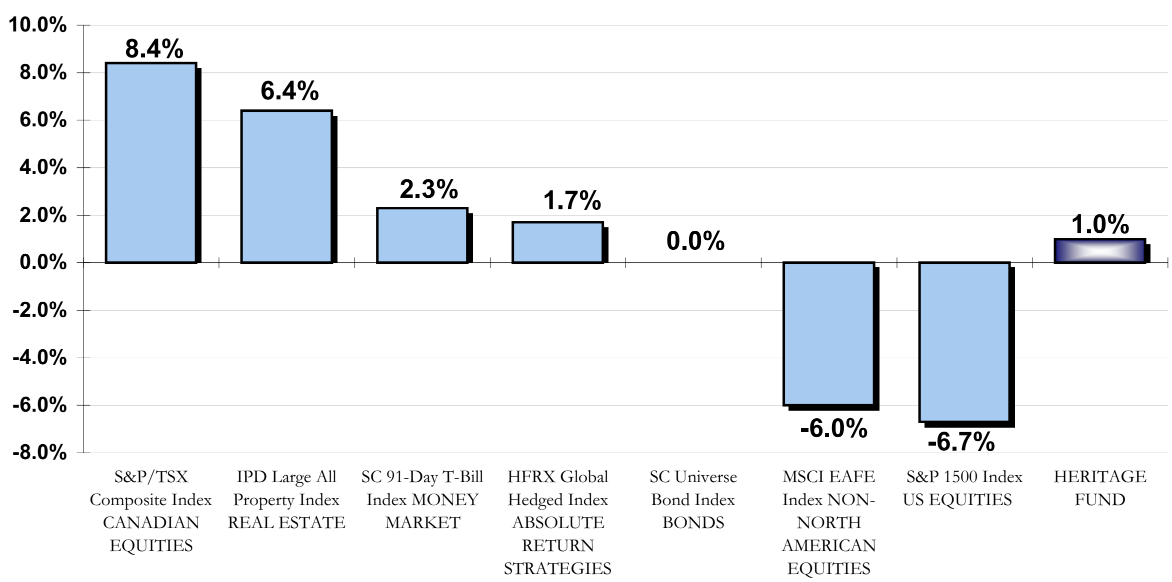
The bond market represented by the SC Bond Universe Index posted a return of 1.7% this quarter which offset the negative return of 1.7% last quarter resulting in an overall return of 0.0% over six months.

Outside of North America, the MSCI EAFE Index measures the performance of approximately 1,200 companies on 21 country indices around the world. In local currency, the Index decreased by 2.5% during the quarter and increased by 3.2% over the past six months. When translated into Canadian dollars, the Index declined by 4.3% during the quarter and 6.0% over the past six months. At September 30, 2007, one EURO was worth $1.42 Canadian compared to $1.54 Canadian at March 31, 2007. As a result, investment returns from non-North American investments were negative when translated into Canadian dollars.

The Fund's investment portfolio is well diversified and includes investments in Canadian equities, absolute return strategies, bonds and money market securities, non-North American and U.S. equities, private equities, private income securities, and timberland investments. This diversification helped offset negative returns from non-Canadian equities and fixed income securities.

The following chart summarizes the market returns from various indices around the world and the overall return from the Fund for the six months ended September 30, 2007. Indices for private equities, private income and timberland are not provided, as these investments are relatively illiquid with no readily available market index.

Six Month Returns for Major Markets and the Heritage Fund **(in Canadian dollars)**



PERFORMANCE MEASURES

Value added return from long-term policy asset mix decisions
Measuring the value added from the Fund's policy asset mix decisions is determined by comparing its expected long-term investment return against the policy benchmark return. The expected long-term investment return of the Fund is the Consumer Price Index (CPI) plus 4.5%. The policy benchmark return is measured by calculating the return the policy asset mix would have delivered without active management and represents the total of the weighted average benchmark returns for each asset class. The asset mix was expected to produce a long-term rate of return of 6.5% over the last five years represented by CPI plus 4.5%. The actual policy benchmark return over the last five years was 10.4%, or 3.9% higher than the expected return.

Value added return from active management
In order to measure the performance of the Fund's active management, such as security selection, the Fund's actual return is compared to the policy benchmark return. For the six months ended September 30, 2007, the Fund's overall actual return of 1.0% exceeded the policy benchmark return of 0.4% by 0.6%, or approximately $100 million, net of expenses. Over five years, the Fund's overall actual annualized return of 11.5% exceeded the policy benchmark return of 10.4% by 1.1%, or approximately $150 million per year, net of expenses.

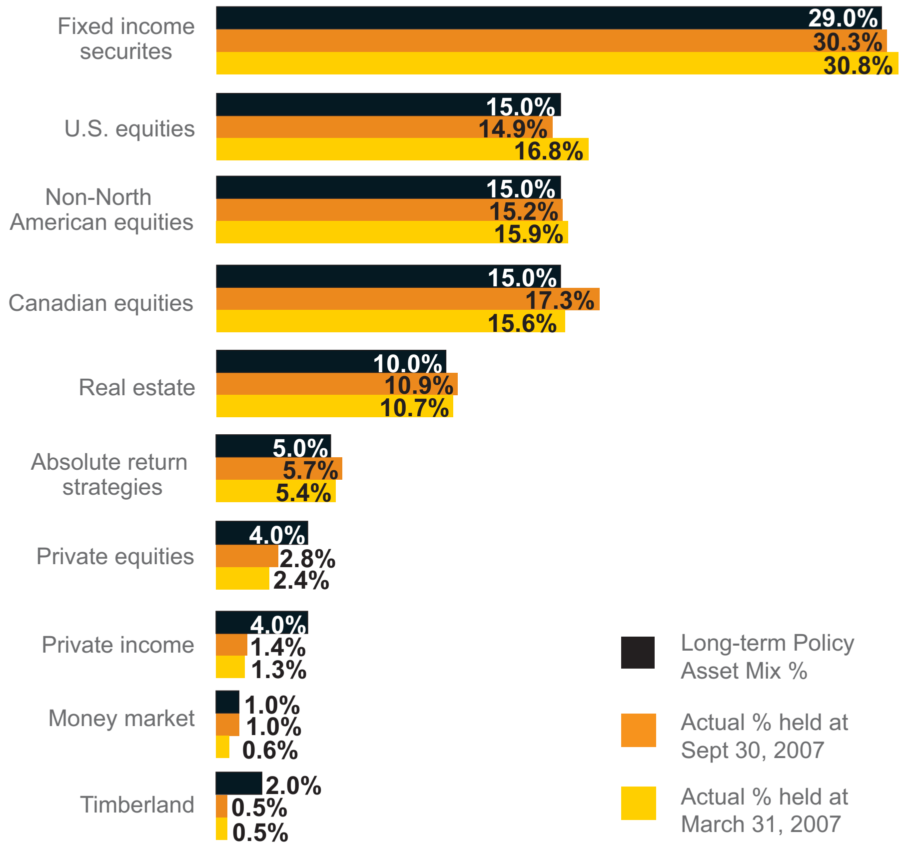
Comparison of Actual Returns to Benchmark Returns	**Quarter Ended Sept. 30, 2007 (%)**	**Six Months Ended Sept. 30, 2007 (%)**	**Annualized Five Year Return (%)**
(Reported returns are net of investment expenses)			*(Oct 02 - Sept 07)*
Overall Actual Return	**0.1**	**1.0**	**11.5**
Policy Benchmark Return	***(0.2)***	***0.4***	***10.4***
Net Value Added from Active Management	**0.3**	**0.6**	**1.1**
LT fixed income	**1.3**	**(0.6)**	**6.2**
SC Universe Bond Index	*1.7*	*0.0*	*5.5*
Net value added	(0.4)	(0.6)	0.7
U.S. public equities	**(5.1)**	**(6.4)**	**5.5**
S&P 1500 Index	*(4.8)*	*(6.7)*	*5.4*
Net value added	(0.3)	0.3	0.1
Non-North American equities	**(3.0)**	**(3.5)**	**14.0**
MSCI EAFE Index	*(4.3)*	*(6.0)*	*12.6*
Net value added	1.3	2.5	1.4
Canadian public equities	**2.1**	**9.3**	**21.0**
S&P/TSX Index	*2.0*	*8.4*	*20.3*
Net value added	0.1	0.9	0.7
Real estate	**3.4**	**6.5**	**16.7**
IPD Large All Property Index (blended return)	*3.5*	*6.4*	*12.1*
Net value added	(0.1)	0.1	4.6
Absolute return strategies	**0.6**	**4.3**	**7.7**
HFRX Global Hedged Index (blended return)	*(2.5)*	*1.7*	*7.4*
Net value added	3.1	2.6	0.3
Private equities	**2.1**	**1.7**	**8.9**
CPI Plus 8.0%	*1.6*	*5.2*	*10.1*
Net value added	0.5	(3.5)	(1.2)
Private income	**6.3**	**7.6**	**14.1 ***
CPI plus 6.0%	*1.1*	*4.2*	*8.1 **
Net value added	5.2	3.4	6.0
Money market	**0.8**	**1.6**	**3.0**
SC 91-Day T-Bill	*1.2*	*2.3*	*3.2*
Net value added	(0.4)	(0.7)	(0.2)
Timberland	**6.8**	**9.0**	**n/a**
CPI plus 4.0%	*0.6*	*3.3*	*n/a*
Net value added	6.2	5.7	n/a

* four year annualized return.

INVESTMENTS

The chart on the right compares the approved long-term policy allocation for each class of investment held by the Fund against the actual percentage held in that asset class at September 30, 2007 and March 31, 2007.

During the past six months, U.S. equities have declined from 16.8% to 14.9% of the total portfolio. As a result of the stronger Canadian dollar, U.S. dollar investments are worth less when translated into Canadian dollars. Canadian equities increased from 15.6% to 17.3% due to strong gains in the Canadian equity market since March 31, 2007.



While the majority of the Fund's portfolio includes traditional investments like stocks, bonds and real estate, alternative investments are a growing part of the portfolio. Alternative investments include absolute return strategies (hedge funds), private equities, private income and timberland. These assets are relatively illiquid, have longer investment horizons and take time to achieve long-term policy allocations.

The table below shows the fair value and cost of each asset class and the unrealized gain at September 30, 2007 and March 31, 2007. Unrealized gains represent the difference between the fair value and cost of the investment. Once securities are sold, through portfolio turnover, unrealized gains become realized and are included in investment income for the period. At September 30, 2007, the pool of unrealized gains had declined to $813 million, down $740 million, from $1.553 billion at the beginning of the fiscal year.

Summary of Net Assets
At September 30, 2007
(in millions)

	September 30, 2007			March 31, 2007		
	Fair Value	**Cost**	**Unrealized Gain (loss)**	**Fair Value**	**Cost**	**Unrealized Gain**
Investments:						
Fixed income securities	$ 4,997	$ 5,119	$ (122)	$ 5,087	$ 5,055	$ 32
Canadian equities	2,854	2,652	202	2,584	2,283	301
Non-North American equities	2,503	2,444	59	2,622	2,366	256
U.S. equities	2,458	2,393	65	2,784	2,517	267
Real estate	1,799	1,219	580	1,764	1,220	544
Absolute return strategies	937	964	(27)	885	818	67
Private equities	469	428	41	405	359	46
Private income	238	237	1	217	200	17
Money market	162	166	(4)	97	97	-
Timberland	78	60	18	80	57	23
Total Investments	16,495	15,682	**$ 813**	16,525	14,972	**$ 1,553**
Accounts receivable (payable), net (1)	(406)	(406)		56	56	
Net assets	**$ 16,089**	**$ 15,276**		**$ 16,581**	**$ 15,028**	

(1) At Sept 30, 2007, includes payable to the GRF of $427 million less accrued income and accounts receivable of $21 million.

INVESTMENT INCOME

Investments and investment income are recorded in the financial statements on a cost basis. During the six months ended September 30, 2007, the Fund earned investment income of $910 million compared to $503 million in the same period last year. Of the total investment income earned during the past six months, $289 million (2006: $293 million) came from interest, dividends and security lending income, net of administration fees. Net realized gains from sale of securities and gains and losses from derivative transactions totaled $621 million compared to $210 million in the same period last year.

The fair value of investments provides information to assess the investment performance of the Fund against market-based benchmarks. Investment income on a fair value basis includes current period changes in unrealized gains. Investment income on a fair value basis was $170 million for the six months ended September 30, 2007 compared to $284 million for the same period last year.

The table below shows the net income of the Fund, on a cost and fair value basis, for each asset class.

Summary of Investment Income
For the six months ended September 30, 2007
(in millons)

	Realized income (loss) Cost basis		Increase (decrease) in unrealized gains		Income (loss) Fair value basis	
	2007	2006	**2007**	2006	**2007**	2006
Canadian equities	**$ 359**	$ 135	**$ (99)**	$ (163)	**$ 260**	$ (28)
Absolute return strategies	**132**	22	**(94)**	(6)	**38**	16
Fixed income securities	**125**	148	**(154)**	41	**(29)**	189
Non-North American equities	**107**	119	**(197)**	(153)	**(90)**	(34)
Real estate	**77**	46	**36**	81	**113**	127
U.S. equities	**46**	21	**(202)**	(37)	**(156)**	(16)
Private income	**33**	4	**(16)**	1	**17**	5
Private equity	**13**	4	**(5)**	18	**8**	22
Timberland	**11**	3	**(5)**	(1)	**6**	2
Money market	**7**	1	**(4)**	-	**3**	1
Net investment income	**$ 910**	$ 503	**$ (740)**	$ (219)	**$ 170**	$ 284

INVESTMENT EXPENSES

The Fund incurs management and administration expenses at the Fund level and the pool level. Investment expenses incurred by Alberta Finance are charged directly to the Fund and to pooled funds on a cost recovery basis. Fees charged to pooled funds by external managers are primarily based on a percentage of net assets at fair value or committed amounts. Investment expenses for the six months ended September 30, 2007 totaled $30 million, or 0.19% of the Fund's total fair value of investments compared to $24 million, or 0.15% for the same period last year. Fees charged on externally managed investments, including alternative investments, comprise approximately 90% of the total investment expenses and account for most of the increase in investment expenses.

The table below shows the Fund's total investment expense as a percentage of net assets at fair value.

Investment expenses
For the six months ended September 30, 2007
(in millions)

	Six Months Ended	
	Sept. 30, 2007	Sept. 30, 2006
Fund management and administration	**$ 1**	$ 1
Pooled funds management and administration	**29**	23
Total investment expenses	**$ 30**	$ 24
Expenses as a percent of net assets at fair value	**0.19%**	0.15%

Alberta Heritage Savings Trust Fund

Financial Statements

SEPTEMBER 30, 2007

(unaudited)

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2007 (unaudited)

(millions)

	September 30, 2007	March 31, 2007
Assets		
Portfolio investments (Note 3)	$ 15,682	$ 14,972
Accrued investment income	21	21
Receivable from sale of investments	-	32
Due from the General Revenue Fund	-	8
	$ 15,703	$ 15,033
Liabilities		
Due to the General Revenue Fund	$ 427	$ -
Liabilities for investment purchases	-	5
	427	5
Net Assets (Note 6)	15,276	15,028
	$ 15,703	$ 15,033

STATEMENT OF OPERATIONS AND NET ASSETS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007 (unaudited)

(millions)

	Three Months Ended Sep. 30,		Six Months Ended Sep. 30,	
	2007	2006	2007	2006
Investment income	$ 382	$ 343	$ 940	$ 527
Investment expenses (Note 8)	(15)	(12)	(30)	(24)
Net income (Note 7)	367	331	910	503
Transfers to the General Revenue Fund (Notes 6b & 6c)	(205)	(260)	(662)	(361)
Amount retained for inflation proofing (Note 6b)	162	71	248	142
Transfers from the General Revenue Fund	-	650	-	650
Change in net assets	162	721	248	792
Net Assets at beginning of period	15,114	13,565	15,028	13,494
Net Assets at end of period	$ 15,276	$ 14,286	$ 15,276	$ 14,286

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

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007 (unaudited)

(millions)

	Three Months Ended Sep. 30,		Six Months Ended Sep. 30,	
	2007	2006	2007	2006
Operating transactions				
Net income	$ 367	$ 331	$ 910	$ 503
Non-cash items included in net income	(59)	(23)	(123)	(41)
	308	308	787	462
Decrease in accounts receivable	20	72	32	1
Decrease in accounts payable	-	(73)	(5)	(135)
Cash provided by operating transactions	328	307	814	328
Investing transactions				
Proceeds from disposals, repayments and redemptions of investments	560	193	1,121	415
Purchase of investments	(815)	(701)	(1,617)	(1,125)
Cash applied to investing transactions	(255)	(508)	(496)	(710)
Transfers				
Transfers from the General Revenue Fund	-	650	-	650
Transfers to the General Revenue Fund	(205)	(260)	(662)	(361)
Increase (decrease) in amounts due to the General Revenue Fund	194	(140)	435	(39)
Cash (applied to) provided by transfers	(11)	250	(227)	250
Increase (decrease) in cash	62	49	91	(132)
Cash at beginning of period	51	48	22	229
Cash at end of period	$ 113	$ 97	$ 113	$ 97
Consisting of Deposits in the Consolidated Cash Investment Trust Fund (Note 3)	$ 113	$ 97	$ 113	$ 97

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

ALBERTA HERITAGE SAVINGS TRUST FUND

Notes to the Financial Statements

SEPTEMBER 30, 2007 (unaudited)
(in millions)

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-23, Revised Statutes of Alberta 2000, 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."

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting.

The accounting policies of significance to the Fund are as follows:

(a) Portfolio Investments

Fixed-income securities, mortgages, equities, real estate investments, absolute return strategies and timberland investments held 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 allowance for credit loss.

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.

Investments are recorded as of the trade date.

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

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(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. For certain investments such as private equities, private income, private real estate, absolute return strategies and timberland investments, the actual income and expenses may not be known at the time the financial statements are prepared. In these cases, estimates may be used.

Gains and losses arising as a result of disposals of investments are included in the determination of investment income.

Income and expense from derivative contracts are included in investment income. Certain derivative contracts, which are primarily interest rate swaps and cross-currency interest rate swaps, are designated as hedges of market risks for purposes of hedge accounting. Hedge accounting recognizes gains and losses from derivatives in the statement of income in the same period as the gains and losses of the security being hedged. As a result, income and expense from derivative contracts designated as hedges are recognized in income on an accrual basis with gains and losses recognized in income to the extent realized.

Where a hedge relationship is designated, the hedge is documented at inception. The documentation identifies the specific asset being hedged, the risk that is being hedged, type of derivative used and the matching of critical terms of both the hedged security and the hedging derivative for purposes of measuring effectiveness. The derivative must be highly effective in accomplishing the objective of offsetting either changes in the fair value or cash flows attributable to the risk being hedged both at inception and over the life of the hedge.

Derivative contracts not designated as hedges for purposes of hedge accounting, which are primarily bond index swaps, equity index swaps, equity index futures, forward foreign exchange contracts, credit default swap contracts and options, are recorded at fair value.

(c) Foreign Currency

Foreign currency transactions are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year end exchange rates. Exchange differences on transactions are included in the determination of investment income.

(d) Investment Valuation

Portfolio investments are recorded in the financial statements at cost. The fair value of investments is provided for information purposes and is disclosed in Note 3.

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.

Measurement uncertainty exists in the fair values reported for certain investments such as private equities, private income, private real estate, loans, absolute return strategies and timberland investments. The fair values of these investments are based on estimates where quoted market prices are not readily available. Estimated fair values may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

Fair value of investments held either directly by the Fund or by pooled investment funds are determined as follows:

(i) Public fixed-income securities and equities are valued at the period-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

(ii) Mortgages and private fixed-income securities 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.

(iii) The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and multiple analysis.

(iv) The fair value of real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows.

(v) The fair value of Absolute Return Strategy Pool investments is estimated by external managers.

(vi) The fair value of loans is estimated by management based on the present value of discounted cash flows.

(vii) The fair value of timberland investments is appraised annually by independent third party evaluators.

(viii) The fair value of deposits, receivables, accrued interest and payables is estimated to approximate their book values.

(ix) The fair value of investments and any other assets and liabilities denominated in a foreign currency is translated at the year-end exchange rate.

(e) Valuation of Derivative Contracts

Derivative contracts include equity and bond index swaps, interest rate swaps, cross-currency interest rate swaps, credit default swaps, forward foreign exchange contracts, equity index futures contracts and swap option contracts. As disclosed in Note 4, the value of derivative contracts is included in the fair value of pooled investment funds. The estimated fair value of derivative contracts at the reporting date is determined by the following methods:

(i) Equity and bond index swaps are valued based on changes in the appropriate market-based index net of accrued floating rate interest.

(ii) Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates.

(iii) Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

(iv) Forward foreign exchange contracts and equity index futures contracts are valued based on quoted market prices.

(v) Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap.

NOTE 3 PORTFOLIO INVESTMENTS (in millions)

	September 30, 2007			March 31, 2007		
	Cost	Fair Value	%	Cost	Fair Value	%
Cash and Absolute Return Strategies						
Money Market						
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 113	$ 113	0.7	$ 22	$ 22	0.1
Currency Alpha Pool (b)	27	27	0.2	23	23	0.2
Tactical Asset Allocation Pool (c)	26	22	0.1	52	52	0.3
	166	**162**	**1.0**	**97**	**97**	**0.6**
Absolute Return Strategies (d)	**964**	**937**	**5.7**	**818**	**885**	**5.4**
Fixed-Income Securities						
Universe Fixed Income Pool (e)	4,445	4,334	26.3	4,372	4,398	26.6
Private Mortgage Pool (f)	576	565	3.4	585	591	3.6
Loans, directly held (g)	98	98	0.6	98	98	0.6
	5,119	**4,997**	**30.3**	**5,055**	**5,087**	**30.8**
Inflation Sensitive						
Real Estate						
Private Real Estate Pool (h)	1,132	1,720	10.4	1,133	1,676	10.1
Foreign Private Real Estate Pool (i)	87	79	0.5	87	88	0.6
	1,219	**1,799**	**10.9**	**1,220**	**1,764**	**10.7**
Private Income (j)	**237**	**238**	**1.4**	**200**	**217**	**1.3**
Timberland (k)	**60**	**78**	**0.5**	**57**	**80**	**0.5**
Equities						
Canadian						
Canadian Structured Equity Pool (l)	585	573	3.5	955	1,019	6.2
Canadian Pooled Equity Fund (m)	584	741	4.5	557	718	4.3
Canadian Equity Enhanced Index Pool (n)	308	354	2.1	308	353	2.1
Canadian Large Cap Equity Pool (o)	272	271	1.6	254	255	1.5
Growing Equity Income Pool (p)	136	159	1.0	124	149	0.9
Canadian Multi-Cap Pool (q)	752	741	4.5	305	310	1.9
Tactical Asset Allocation Pool (c)	15	15	0.1	-	-	-
Tactical Asset Allocation Pool Canadian futures (c)	-	-	-	(220)	(220)	(1.3)
	2,652	**2,854**	**17.3**	**2,283**	**2,584**	**15.6**
United States						
US Structured Equity Pool (r)	1,440	1,539	9.3	1,412	1,618	9.8
US Small/Mid Cap Equity Pool (s)	287	290	1.8	277	309	1.8
Portable Alpha United States Equity Pool (t)	610	575	3.5	562	591	3.6
Growing Equity Income Pool (p)	56	54	0.3	49	49	0.3
Tactical Asset Allocation Pool US futures (c)	-	-	-	217	217	1.3
	2,393	**2,458**	**14.9**	**2,517**	**2,784**	**16.8**
Non-North American						
EAFE Active Equity Pool (u)	1,828	1,904	11.6	1,746	1,980	12.0
EAFE Structured Equity Pool (v)	514	494	3.0	493	475	2.9
Emerging Markets Equity Pool (w)	102	105	0.6	127	167	1.0
	2,444	**2,503**	**15.2**	**2,366**	**2,622**	**15.9**
Private Equities (j)	**428**	**469**	**2.8**	**359**	**405**	**2.4**
Total Investments (x)	**$ 15,682**	**$ 16,495**	**100.0**	**$ 14,972**	**$ 16,525**	**100.0**

Note 3 (cont'd)

The majority of the Fund's investments are held in pooled investment funds established and administered by Alberta Finance. Pooled investment funds have a market based unit value that is used to allocate income to participants and to value purchases and sales of pool units. As at September 30, 2007, the Fund's percentage ownership, at market, in pooled investment funds is as follows:

	% Ownership	
	September 30, 2007	March 31, 2007
Absolute Return Strategy Pool	84.1	86.1
Canadian Equity Enhanced Index Pool	25.1	25.2
Canadian Large Cap Equity Pool	13.8	13.0
Canadian Multi-Cap Pool	48.1	45.5
Canadian Pooled Equity Fund	53.8	54.2
Canadian Structured Equity Pool	43.7	46.8
Currency Alpha Pool	37.2	37.2
EAFE Active Equity Pool	29.3	30.2
EAFE Passive Equity Pool	-	76.5
EAFE Structured Equity Pool	38.8	40.6
Emerging Markets Equity Pool	21.5	24.5
Foreign Private Equity Pool (02)	87.5	87.5
Foreign Private Equity Pool (05)	87.3	87.3
Foreign Private Real Estate Pool	87.1	87.1
Global Private Equity Pool (07)	85.2	85.2
Growing Equity Income Pool	53.6	54.1
Portable Alpha United States Equity Pool	79.8	84.2
Private Equity Pool	13.6	13.6
Private Equity Pool (02)	88.7	88.8
Private Equity Pool (04)	89.0	89.0
Private Equity Pool (98)	100.0	100.0
Private Income Pool	88.5	88.5
Private Income Pool 2	86.7	86.7
Private Mortgage Pool	33.7	38.7
Private Real Estate Pool	35.6	36.6
Tactical Asset Allocation Pool	82.1	83.7
Timberland Pool	87.6	87.6
US Small/Mid Cap Equity Pool	22.7	23.9
US Structured Equity Pool	38.0	37.6
Universe Fixed Income Pool	42.1	41.8

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate 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 three years. As at September 30, 2007, securities held by the Fund have an average effective market yield of 5.29% per annum (March 31, 2007: 4.36% per annum).

(b) The Currency Alpha Pool is managed with the objective of providing a fair return over a four-year moving period while reducing return volatility through multiple manager investment style and strategies. The return is achieved through active currency management with currency positions established primarily through forward foreign exchange contracts. Participants deposit into the Pool a modest amount of cash to minimize rebalancing of cash flows in or out of the Pool when the forward foreign exchange contracts settle.

(c) The Tactical Asset Allocation Pool provides participants with a quick, effective and efficient way to earn excess returns, on an opportunistic basis, by altering the portfolio weights of broad asset classes using synthetic instruments. At September 30, 2007, the Pool is comprised of cash and fixed income securities, Canadian public equities and a neutral position through United States equity index futures. Cash and short-term securities held by the Pool support approximately 5% to 10% of the Pool's notional exposure in United States equity index futures contracts.

(d) The Absolute Return Strategy Pool is managed with the objective of providing investment returns higher than the Hedge Fund Research Inc. Global Index. The Pool uses external managers who employ various investment strategies. These strategies are expected to produce absolute positive investment returns with lower volatility.

(e) The Universe Fixed Income Pool (formerly the Canadian Dollar Public Bond Pool) is managed with the objective of providing above average returns compared to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The excess return is achieved through management of portfolio duration and sector rotation. The portfolio is comprised of high quality Canadian fixed-income instruments and debt related derivatives. As at September 30, 2007, securities held by the Pool have an average effective market yield of 5.12% per annum (March 31, 2007: 4.5% per annum) and the following term structure based on principal amount: under 1 year: 4% (March 31, 2007: 3%); 1 to 5 years: 31% (March 31, 2007: 33%); 5 to 10 years: 34% (March 31, 2007: 34%); 10 to 20 years: 13% (March 31, 2007: 11%); and over 20 years: 18% (March 31, 2007: 19%).

(f) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the Scotia Capital Universe Bond Index over a four-year period or longer. The portfolio is comprised primarily of high quality commercial mortgage loans (95.1%) and provincial bond residuals (4.9%). To limit investment risk, mortgage loans are restricted to first mortgage loans, diversified by property usage and geographic location, and include a small portion of NHA insured loans. As at September 30, 2007, securities held by the Pool have an average effective market yield of 5.66% per annum (March 31, 2007: 5.09% per annum) and the following term structure based on principal amount: under 1 year: 4% (March 31, 2007: 6%); 1 to 5 years: 13% (March 31, 2007: 15%); 5 to 10 years: 60% (March 31, 2007: 54%); 10 to 20 years: 5% (March 31, 2007: 5%); and over 20 years: 18% (March 31, 2007: 20%).

(g) Investments in loans are recorded at cost. The fair value of loans is estimated by management based on the present value of discounted cash flows. As at September 30, 2007, investment in loans, at cost, include the Ridley Grain loan amounting to $96 (March 31, 2007: $96) and the Vencap loan amounting to $2 (March 31, 2007: $2).

- Under the terms of the loan to Ridley Grain, 11% Participating First Mortgage Bonds due July 31, 2015, interest is compounded semi-annually and payable annually to the extent of available cash flow and any shortfall is to be deferred and capitalized. The principal of $96 and deferred interest is repayable on or before July 31, 2015. Deferred interest at September 30, 2007 amounted to $90 (March 31, 2007: $90). Grain throughput volumes are the main determinant of profitability of the grain terminal and the value of the loan to the Fund. Due to the uncertainty of forecasting the grain throughput volumes, income from the participating bonds is recognized when it is measurable and collectable.
- The principal amount of the Vencap loan, amounting to $53, is due July 2046 and bears no interest. The increase in the carrying value of the Vencap loan resulted from amortization of the loan on a constant yield basis.

(h) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the IPD Large Institutional All Property Index. Real estate is held through intermediary 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 return.

(i) The Foreign Private Real Estate Pool is managed with the objective of providing investment returns higher than the IPD Large Institutional All Property Index. The Pool provides diverse exposure to non-domestic real estate by investing in foreign real estate backed securities and assets.

(j) The Private Income Pools invest in infrastructure related projects that are structured to yield high current income with the objective of providing investment returns higher than the CPI plus 6.0%. Private Equity Pools are managed with the objective of providing investment returns higher than the Consumer Price Index (CPI) plus 8.0%. The Private Equity Portfolio consists of the Private Equity Pool, PEP98, PEP02, PEP04, the Foreign Private Equity Pool 2002, the Foreign Private Equity Pool 2005 and the Global Private Equity Pool 2007. Private equity investments are held in institutionally sponsored private equity pools. Risk is reduced by avoiding direct investments in private companies and by limiting holdings in any single pool.

(k) The Timberland Pool provides high current income and long investment horizons. The timberland investment is a partnership interest in forestry land and land held for higher and better use located in British Columbia. The performance objective is to earn a return higher than CPI plus 4%.

(l) The Canadian Structured Equity Pool (formerly the Domestic Passive Equity Pooled Fund) is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange S&P/TSX Composite Index. The portfolio is comprised of publicly traded Canadian equities and structured investments replicating the S&P/TSX 60 Index. The Pool's investment in units of the Floating Rate Note Pool (FRNP) is used as the underlying securities to support the index swaps of the pool. FRNP is managed with the objective of generating floating rate income needed for the swap obligations in respect of structured investments in foreign equities, domestic equities and domestic bonds. Through the use of interest rate swaps, FRNP provides investment opportunities in high quality floating-rate instruments with remaining term-to-maturity of five years or less.

(m) The Canadian Pooled Equity Fund is managed with the objective of providing competitive returns comparable to the total return of the S&P/TSX Composite Index while maintaining maximum preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection while remaining sector neutral.

(n) The Canadian Equity Enhanced Index Pool allows participants the opportunity to gain investment exposure to the Canadian large cap equity market. The performance objective is to provide returns higher than the total return of the S&P/TSX Composite Index over a four-year moving average period. The portfolio is comprised of publicly traded equities in Canadian corporations. The enhanced index generates a consistent level of return above the Index with relatively low risk. The Pool's investment in units of the FRNP is used as the underlying securities to support the index swaps of the pool (see Note 3 (l)).

(o) The Canadian Large Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities. The portfolios are actively managed by external managers with expertise in the Canadian large cap equity market. The performance objective is to provide returns higher than the total return of the S&P/TSX Composite Index over a four-year period. Return volatility is reduced through multiple manager investment style and market capitalization focus.

(p) The Growing Equity Income Pool is managed with the objective of providing a steady and growing stream of dividend income by investing in mature Canadian and U.S. companies with strong financial characteristics and growing distributions. Risk is reduced by holding established, well-capitalized companies. The performance of the pool is measured against the total return of a custom S&P/TSX Composite Index for dividend paying stocks.

(q) The Canadian Multi-Cap Pool allows participants to gain investment exposure to the Canadian equity market through internally managed structured investments replicating the S&P/TSX 60 Index and external actively managed Canadian small and mid cap investments. The performance of the pool is measured against the total return of the S&P/TSX Composite Index over a four-year moving average period. The Pool's investment in units of the FRNP is used as the underlying securities to support the index swaps of the pool (see Note 3 (l)).

(r) Publicly traded U.S. equities held in the US Structured Equity Pool replicate the Standard & Poor's (S&P) 500 Index. The performance objective is to provide returns comparable to the total return of the S&P 500 Index over a four-year period. The Pool's investment in units of the FRNP is used as the underlying securities to support the index swaps of the pool (see Note 3(l)).

(s) The US Small/Mid Cap Equity Pool consists of one portfolio of publicly traded U.S. equities. The portfolio is actively managed by an external manager with expertise in the small cap and mid cap U.S. equity market. The performance objective is to provide returns higher than the total return of the Russell 2500 Index over a four-year period.

(t) The Portable Alpha United States Equity Pool consists of futures and swap contracts which provide exposure to the U.S. equity market by replicating the S&P 500 Index and investments in value added absolute return strategies. The performance objective is to provide returns higher than the total return of the S&P 500 Index over a four-year period.

(u) The Europe, Australasia and Far East (EAFE) Active Equity Pool consists of multiple portfolios of publicly traded non-North American equities. Portfolios are actively managed by external managers with European and Pacific Basin mandates. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital International (MSCI) EAFE Index over a four-year period.

(v) The EAFE Structured Equity Pool is managed with the objective to provide returns comparable to the total return of the MSCI EAFE Index over a four-year period. The pool provides exposure to EAFE markets through the use of structured investments such as foreign equity index swaps. The pool also invests in the FRNP to generate the floating rate cash flows needed for its equity swap obligations (see Note 3 (l)). During the prior year, the EAFE Passive Equity Pool was combined with the EAFE Structured Equity Pool.

(w) The Emerging Markets Equity Pool consists of publicly traded equities in emerging markets around the world. The portfolio is actively managed by external managers with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Index Emerging Markets Free (MSCI EMF) Index over a four-year period.

(x) Where there has been a loss in value of an investment that is other than a temporary decline, the cost of the investment is written down to recognize the loss (see Note 2 (a)). Where the fair value remains less than cost, after recording a writedown, it is management's best judgement that the decline in value is caused by short-term market trends and is temporary in nature

NOTE 4 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Fund uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

(i) A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond 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 amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. A credit default swap allows counter-parties to buy and sell protection on credit risk inherent in a bond. A premium is paid, based on a notional amount, from one counter party to a second counter party in exchange for a contingent payment should a defined credit event occur with respect to the underlying security. There are underlying securities supporting all swaps. Leveraging is not allowed.

(ii) Forward 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.

(iii) An equity index futures contract is an agreement to receive or pay cash based on changes in the level of the specified stock index.

(iv) Swap option contracts include the right, but not the obligation, to enter into an interest rate swap at a preset rate within a specific period of time.

The following is a summary of the Fund's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at September 30, 2007 (in millions):

	Maturity			September 30, 2007		March 31, 2007	
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount (a)	Fair Value (b)	Notional Amount (a)	Fair Value (b)
Equity index swap contracts	88%	12%	-	$ 3,600	$ 38	$ 3,511	$ (3)
Interest rate swap contracts	6%	22%	73%	2,957	1	2,753	(6)
Forward foreign exchange contracts	100%	-	-	2,301	91	2,262	(2)
Cross-currency interest rate swaps	20%	47%	33%	989	66	1,035	30
Credit default swap contracts	1%	10%	88%	8,136	(10)	6,679	(22)
Bond index swap contracts	100%	-	-	982	5	1,561	2
Equity index futures contracts	100%	-	-	948	20	1,206	29
Swap option contracts	67%	9%	24%	4,905	1	4,997	-
				$ 24,818	$ 212	$ 24,004	$ 28

(a) The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Fund attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing (A+ or greater).

(b) The method of determining the fair value of derivative contracts is described in Note 2 (e).

NOTE 5 INVESTMENT 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 Standing Committee on the Alberta Heritage Savings Trust Fund reviews and approves the business plan of the Fund. In order to earn an optimal financial return at an acceptable level of risk, the Business Plan proposed the following asset mix policy for the Fund.

Equities	49.0%
Fixed income securities	29.0%
Inflation sensitive	16.0%
Cash and Absolute Return Strategies	6.0%

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. Controls are in place respecting the use of derivatives (see Note 4). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in foreign currency (see Note 4).

NOTE 6 NET ASSETS (in millions)

Net assets represent the difference between the carrying value of assets held by the Fund and its liabilities. The following table shows accumulated net income and transfers to (from) the Fund since it was created on May 19, 1976:

	Cumulative since 1976	
	September 30, 2007	March 31, 2007
Accumulated net income	$ 30,880	$ 29,970
Transfers to the Fund		
Resource Revenue (1976-1987)	12,049	12,049
Access to the Future (a)	1,000	1,000
Voted Payments	2,000	2,000
	15,049	15,049
Transfers (from) the Fund		
Section 8(2) transfers (b)		
Income	(28,511)	(27,601)
Amount Retained for Inflation-proofing	1,344	1,096
	(27,167)	(26,505)
Capital Expenditures (1976-1995) (c)	(3,486)	(3,486)
	(30,653)	(29,991)
Net Assets, at cost	**$ 15,276**	**$ 15,028**
Net Assets, at fair value	**$ 16,089**	**$ 16,581**

(a) Section 9.1 of the Act and Section 4(5) of the Access to the Future Act provides that up to $3 billion may be transferred from the GRF to the Fund.

(b) In accordance with section 8(2) of the Act, the Fund transferred $662 million to the GRF for the six months ended September 30, 2007. The Act states that the net income of the Heritage Fund, totalling $910 million, less any amount retained in the Fund to maintain its value, in accordance with section 11(1), totalling $248 million, shall be transferred to the GRF annually in a manner determined by the Minister of Finance. The estimated amount retained from income of the Fund is determined by multiplying the total equity of the Fund before the amount retained for inflation proofing by the estimated percentage increase in the Canadian gross domestic product price index (GDP Index) for the year.

(c) Capital expenditures include transfers of $300 million to the Alberta Heritage Foundation for Medical Research in 1980 and $100 million to the Alberta Heritage Scholarship Fund in 1981.

NOTE 7 NET INCOME (in millions)

	Three Months Ended Sep. 30, 2007	Three Months Ended Sep. 30, 2006	Six Months Ended Sep. 30, 2007	Six Months Ended Sep. 30, 2006
Canadian equities	$ 155	$ 102	$ 359	$ 135
Deposit and fixed-income securities	65	85	132	149
Absolute return strategies	58	(4)	132	22
Non-North American equities	28	47	107	119
Real estate	41	23	77	46
United States equities	(9)	77	46	21
Private income	19	1	33	4
Private equities	4	-	13	4
Timberland	6	-	11	3
Net income	**$ 367**	**$ 331**	**$ 910**	**$ 503**

Investment income is comprised of interest, dividends, amortization of discount and premiums, swap income, security lending income and realized gains and losses, net of write-downs, on investments. The Fund's share of income earned from externally and internally managed investment pools is net of investment expenses (see Note 8).

The investment income for the six months ended September 30, 2007 includes writedowns totalling $10 (September 30, 2006: $23).

NOTE 8 INVESTMENT EXPENSES (in millions)

Investment expenses include costs incurred to manage the investment portfolio of the Fund and pooled funds, including valuation of securities, investment systems costs, reporting, accounting and policy and decision making.

	Three Months Ended Sep. 30,		Six Months Ended Sep. 30,	
	2007	2006	2007	2006
Fund management and administration	$ 1	$ -	$ 1	$ 1
Pooled funds management and administration	14	12	29	23
Total Investment expenses	$ 15	$ 12	$ 30	$ 24
Percent of net assets at fair value	0.09%	0.08%	0.19%	0.15%

NOTE 9 INVESTMENT PERFORMANCE (net of investment expenses)

The following is a summary of the overall investment performance results attained by the Fund determined on a fair value basis:

	Three Month Return	Six Month Return	Five Year Compound Annualized Return
Time-weighted rates of return			
Overall actual return	0.1%	1.0%	11.5%
Benchmark return (1)(2)	-0.2%	0.4%	6.5%

(1) The overall benchmark return for the six months ended September 30, 2007 is a product of the weighted average policy sector weights and the sector benchmark returns.

(2) The Fund is expected to generate a real rate of return of 4.5% over a moving five-year period based on the Fund's business plan. Over a five-year period, the annualized inflation rate was 2.0%. Therefore, the fund is expected to generate a nominal annualized rate of return of 6.5%.

NOTE 10 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to 2007 presentation.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

The Deputy Minister of Finance approved these financial statements.

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