GOING WHERE OPPORTUNITY IS NEXT

ALBERTA INVESTMENT MANAGEMENT CORPORATION
Annual Report 2011/12

GOING WHERE OPPORTUNITY IS NEXT

"I skate to where the puck is going to be, not where it has been." **– Wayne Gretzky**

We apply the same wisdom to investing on behalf of our clients. We invest where the opportunity is next, not where it has been. When the right opportunity arises, we can act decisively to lock in the value for our clients.

We use our expertise to find opportunities that do not fit in conventional boxes. Some of our best investments are those we find "in between the cracks" – opportunities that are hidden unless, guided by information, insight and experience, you know what you are looking for.

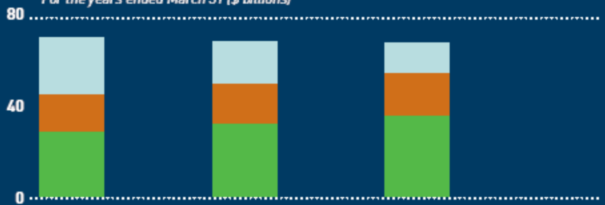
AIMCo's investment teams are made up of experts in their respective asset classes, but our culture of collaboration gives them the chance to look beyond their fields of expertise and work together to deliver superior returns for our clients.

Unique opportunities have been realized by combining expertise in Timberlands and Real Estate, and by amalgamating aspects of our Private Equity, Real Estate and Infrastructure expertise. We have built an extensive Relationship Investment portfolio by applying Private Equity strategies to public markets.

Our goal is not to be different, but to be more effective. In a competitive and often crowded market place, being a bit faster and more decisive on opportunities that others may not recognize has worked well for AIMCo and has been the foundation of our success this past year.

Annual Assets Under Management

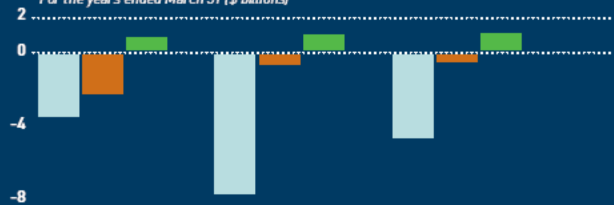
For the years ended March 31 ($ billions)



	2010	2011	2012
Government Funds	25.8	18.9	15.0
Endowments	17.3	18.5	19.6
Pensions	27.7	31.4	35.1
Total	70.8	68.8	69.7

Annual Net Capital Inflows

For the years ended March 31 ($ billions)



	2010	2011	2012
Government Funds	-3.4	-7.6	-4.6
Endowments	-2.2	-0.6	-0.4
Pensions	0.7	0.9	1.0
Total	-4.9	-7.3	-4.0

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THE AIMCo APPROACH

In a market place crowded with capital looking for secure investments and strong, steady returns, many still choose to follow the crowd and fight it out over every opportunity. At AIMCo, we decided that we'd rather take our own path; it's allowed us to find opportunities that others have overlooked or haven't even imagined.

7.9%
TOTAL RETURN
(Gross of fees)

THE AIMCo APPROACH

39 One of AIMCo's greatest strengths is diversity. From Albanian to Yoruba, among our staff we have people who speak 39 different languages and dialects from every continent.

CLIENTS

ENDOWMENTS	6
GOVERNMENT FUNDS	12
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PEOPLE

275 — 2011

130 — 2008

CORE STRENGTHS

CERTAINTY OF CAPITAL

A LONG-TERM INVESTMENT HORIZON

ECONOMIES OF SCALE

GOOD PERIPHERAL VISION

GLOBAL PRESENCE

AIMCo has assets under management in 54 countries across 6 continents.

HIGHLIGHTS

Australia *Forest Investment Trust (2011)*
Brazil *Brasil Foods BSR (2009), All American Latina Logistica (2009)*
Canada *Montérégie wind farm (2011)*
Chile *Autopista Central, SAESA Group (2011)*
U.K. *Thames Water, Sutton and East Surrey Water (2006)*
Poland *Europa Centralna (2011)*
Denmark *Copenhagen Airport (2008)*
Spain *Compania Logistica de Hidrocarburos, CLH (2008)*
Western Europe *Autobar Vending Machines (2011)*
U.S. *340 Madison Avenue (2011)*

BONANZA CREEK

Denver-based oil and gas company

19% AIMCo share

Worked with management on recapitalization and IPO

HIDROVIAS DO BRASIL

Brazilian waterway-based logistics company

25% equity position

Partnering with local firms gave AIMCo access to this unique infrastructure opportunity

PETRO TIGER

Colombian hydrocarbon and infrastructure services provider

37% equity position

Leveraged existing relationships with Canadian oil and gas service companies to connect with PetroTiger

AIMCo manages approximately

$70 BILLION

for 26 clients, a diverse group that represents all Albertans.

INVESTMENT MARKET COMMENTARY

RELATIONSHIP INVESTMENTS

IT'S AN APPROACH THAT LIES SOMEWHERE BETWEEN PUBLIC AND PRIVATE EQUITY INVESTMENTS. GOING WHERE OPPORTUNITY IS NEXT, WE BUY SHARES IN UNDERVALUED PUBLIC COMPANIES AND WORK WITH MANAGEMENT TO CREATE SUSTAINABLE, LONG-TERM VALUE.

MONEY MARKET AND FIXED INCOME

MONEY MARKET

Interest rate environment still unsettled.

FIXED INCOME

Long, strong run coming to a close. Selective opportunities remain with quality corporate bonds.

MORTGAGES

Caution required in overheated Canadian market. Expanding in the U.S.

INFLATION SENSITIVE

REAL ESTATE

Canada is tight but opportunities are opening up in dislocated non-Canadian markets.

INFRASTRUCTURE

Market uncertainty continues to create opportunities, particularly in GDP sensitive assets and energy sector.

TIMBERLAND

Mixed signals. North America: weak demand. Emerging markets: still want wood.

EQUITIES

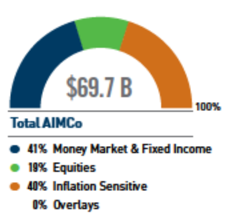
PUBLIC EQUITY

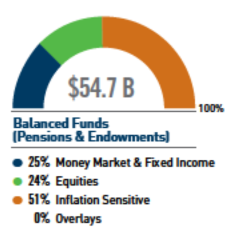
Early defensive position paid off. Europe remains the big question.

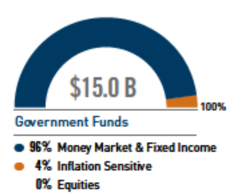
PRIVATE EQUITY

Shift to relationship-oriented portfolio will take time but will also create opportunities.

In-depth market commentary starts on page 16.







INVESTMENT HIGHLIGHTS

INVESTMENT PROFILES

TIMBERLANDS

Forest Investment Trust, Australia

AIMCo acquired the majority share of land assets of the former Great Southern Plantations, a 2,500 square kilometre diversified portfolio of prime forestry and agricultural land, spread across six Australian states. This investment is managed by New Forests Pty Ltd. It offers our clients some interesting options: the forest land can be retained for forestry production, or can be converted to agricultural or other use. AIMCo's agility and ability to close the deal quickly was important in securing these assets. AIMCo is committed to working with our local partners and communities to create long-term success.

TIMBERLAND INVESTMENTS PROVIDE A LONG-TERM HEDGE AGAINST INFLATION, A STEADY CASH FLOW AND AN EXCELLENT OPPORTUNITY FOR CAPITAL APPRECIATION.

RELATIONSHIP INVESTMENTS

Bonanza Creek, U.S.

Bonanza Creek Energy is a publicly traded (NYSE: BCEI), Denver-based oil and gas company with assets in Colorado, Arkansas and California. In December 2010, AIMCo participated in a US$265 million recapitalization of Bonanza Creek Energy as a private equity investment. After working with Bonanza Creek, and completing an IPO in December 2011, AIMCo retains a 19.2% equity position in the company.

Bonanza Creek's senior management team has an average of 28 years of oil and gas experience, and proven skills in engineering, operating and corporate development. Bonanza's assets in Arkansas and California provide stable, low-risk production growth, while its lands in Colorado – in the emerging Niobrara oil "resource play" – provide significant growth and value creation potential.

AIMCo'S RELATIONSHIP INVESTMENTS PORTFOLIO GENERATES VALUE THROUGH SIGNIFICANT, HIGH CONVICTION INVESTMENTS THAT SUPPORT MANAGEMENT IN REALIZING THE STRATEGIC DIRECTION OF THE COMPANY.

INFRASTRUCTURE

SAESA Group, Chile

In 2011, AIMCo made a significant investment in SAESA Group, the third largest regulated electricity distributor in Chile, a country with strong GDP growth and a well-established regulatory system. SAESA Group owns and operates more than 55,000 kilometres of distribution and transmission lines. It delivers electricity to over 700,000 customers, about 16% of Chile's population, in an operating area measuring over 44,000 square kilometres.

INFRASTRUCTURE INVESTMENTS, SUCH AS IN CHILE'S SAESA GROUP, PROVIDE LONG-TERM INFLATION-LINKED RETURNS THAT MATCH MANY OF OUR CLIENTS' LONG-TERM LIABILITIES.

REAL ESTATE

The CORE Shopping Centre & Office Complex, Canada

Since 1986, AIMCo has held an interest in the CORE, three major office towers and a shopping complex anchored by TD Square in downtown Calgary. The CORE is home to nearly 140 retailers on four levels in three city blocks. Recent renovations include the largest canopy of structural glass in the world which now floods the CORE's retail "High Street" with natural light. The property is a candidate for Gold certification of the Canada Green Building Council's Leadership in Energy and Environmental Design (LEED®) for Commercial Interiors program, which recognizes high achievement in environmentally sensitive design and construction of renovated space.

In May 2012, the CORE Shopping Centre won the Certificate of Excellence from the Calgary, Alberta chapter of the Building Owners and Managers Association (BOMA) for its high standard of building management and operations. It is also currently in the process of obtaining a level 3 BOMA BESt rating, which is BOMA Canada's national certification program for achieving defined standards in the energy and environmental performance of existing buildings (level 4 being the highest rating possible).

QUALITY PROPERTIES, SUCH AS THE CORE SHOPPING CENTRE, PRODUCE LONG RUN, STABLE CASH FLOWS FOR OUR ENDOWMENT AND BALANCED FUND CLIENTS.

RELATIONSHIP INVESTMENTS

Hidrovias, Brazil

Hidrovias do Brasil is a greenfield private river transportation infrastructure investment that alleviates the logistical infrastructure deficit servicing Brazil's expanding bulk exports. These products are still transported thousands of kilometres via truck and road, creating logistical bottlenecks and driving up costs. Brazil's river systems are large enough to provide natural low cost transportation corridors to ocean ports for barges the size of two soccer fields.

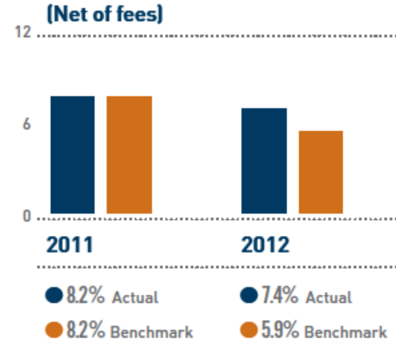
Hidrovias do Brasil's integrated terminal and barging system is unique in Brazil. It provides its customers shorter and more certain transportation time and eliminates the need to monitor progress. The key to the company's success is the partnership between Promon, a well-respected Brazilian construction and engineering company, Patria, a prominent Brazilian fund manager, and AIMCo.

HIDROVIAS DO BRASIL HIGHLIGHTS AIMCo'S ABILITY TO OPERATE ACROSS ASSET CLASSES, CAPITALIZING ON UNIQUE OPPORTUNITIES THAT COMBINE THE BEST RETURN ASPECTS OF EACH INVESTMENT CLASS.

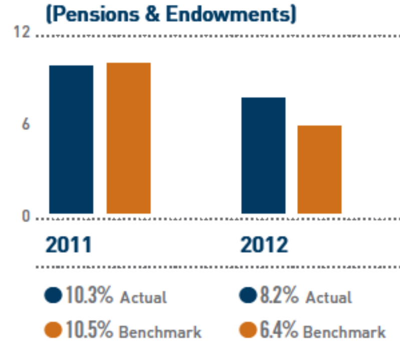
INVESTMENT RETURNS

(For the year ended March 31, 2012)

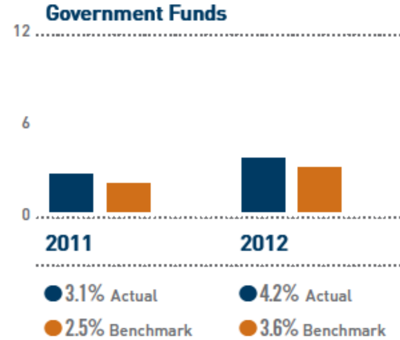
AIMCo Total (Net of fees)



Balanced Funds (Pensions & Endowments)



Government Funds



MESSAGE FROM THE CHAIR

On behalf of AIMCo's Board of Directors, it gives me great pleasure to report on our progress and accomplishments over the past year.

For the fiscal year ending March 31, 2012, AIMCo earned a 7.9% gross return on $70 billion of assets before costs of 46 basis points. In the face of unsettled capital markets, AIMCo provided an impressive gross value added of 198 basis points. That amounts to almost $1.3 billion more than AIMCo's market benchmarks. AIMCo's net value-added contribution was 152 basis points after all costs including those associated with performance fees. Our patient investment in unlisted assets bore fruit this year, contributing meaningfully to these results. Also, AIMCo demonstrated substantial progress in the latest fiscal year in creating a team and the systems to act quickly and decisively when appealing opportunities present themselves. We believe these factors are essential to optimizing value for our clients.

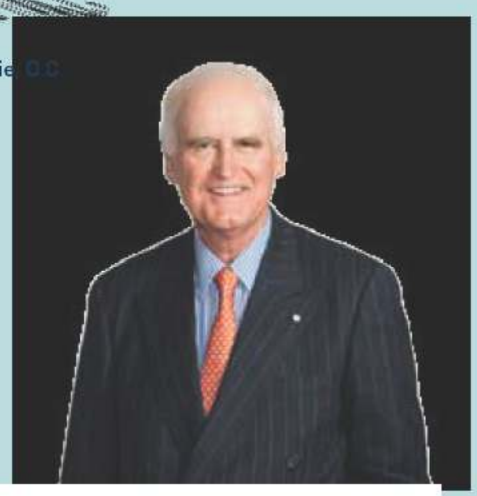
AIMCo is working closely with clients to establish an acceptable level of risk and how best to deploy that scarce resource to generate the most attractive risk-adjusted returns. Our risk management approach continues to evolve with industry best practice as we reinforce our measurement and monitoring processes.

We remain focused on building AIMCo into a first quartile investment manager. Recently, we celebrated AIMCo's achievement of a Type II Certification under Section 5970 of the Canadian Institute of Chartered Accountants Handbook. Ongoing projects to modernize and improve our data systems and processes are advancing well.

Since our founding on January 1, 2008, we have worked diligently to earn our clients' confidence. Our clients tell us that they consider AIMCo a key ally in helping them meet their respective obligations. However, a 2011 client survey showed that while we are moving in the right direction, there remains room for improvement. We take that feedback seriously and are developing initiatives to further strengthen the trust and confidence our clients place in AIMCo. That trust and confidence is critical as we at AIMCo believe that by working together, we can adopt numerous measures to reduce cost and enhance performance for our clients.

In closing, I would like to take this opportunity to welcome the newest member of AIMCo's Board of Directors, Harold Roozen, Chairman and CEO of CCI Thermal Technologies Inc., who was appointed in December 2011. We thank the Government of Alberta and, in particular, the Ministry of Finance and Enterprise for their continued support of our efforts to render AIMCo a superb investment management organization. Lastly, the Board would like to thank our Chief Executive Officer, Leo de Bever, and his team for their unstinting dedication to creating an investment management firm that ranks among the best and inspires the confidence of all Albertans.

A. Charles Baillie, O.C.
Chair



MESSAGE FROM THE CEO

This year's investment results demonstrate how we are beginning to realize the Province's goal when it established AIMCo: to make a sustainable and meaningful difference to the growth of Alberta pension funds, endowments and short-term government accounts.

We continue to work toward completing major improvements in our corporate architecture. Consistently delivering on AIMCo's goal will always be a challenge, but I am confident these improvements will leave AIMCo well positioned.

The current financial environment likely will not make our task any easier. The next few years may well create a once-in-a-generation financial turning point. Many market indicators are pointing to the end of the 30-year bull market in bonds that started with the war on inflation.

Interest rates may remain low for some time, as the Global Financial Crisis left us with high unemployment and weak economic growth, despite enormous injections of liquidity that have resulted in negative real interest rates. This was compounded last year by concerns about the sustainability of the rapid growth in public debt and social spending, first seen in the U.S. and then in Europe.

Finding workable long-term fiscal and monetary policy solutions will require approaches that, on the surface, may seem counterintuitive. Fiscal austerity may be good for the soul, but it is not so great for economies with high unemployment and under-utilized productive resources. Building support for an emotionally unpalatable approach will be difficult.

In this uncertain environment, we will concentrate more than usual on "investing between the cracks", in opportunities that do not fit a conventional asset class. We strongly believe that this is what it will take to find net returns that are attractive, stable and uncorrelated with market volatility.

We have attracted many talented people, because talent drives performance. We have also committed significant resources to business systems and processes. Good investment decisions start with good information, and good execution relies upon strong compliance and controls.

Cost-efficiency is important. Managing more assets internally and rationalizing relationships with external managers have reduced costs for listed and unlisted assets. This has kept base operating costs essentially unchanged, despite higher allocations to labour-intensive infrastructure, private equity and real estate. Cost is not the whole story. At AIMCo we focus on our clients' bottom line – where can we find highest return net of costs and adjusted for risk?

It will be decades before most of our clients require liquidity from the assets we manage. Recently, we have found good long-term infrastructure opportunities abroad that are a better match for pension liabilities than bonds. We expect that similar opportunities will start to appear closer to home given the need for social infrastructure and reduced access to traditional sources of public financing.

Investment outcomes are inherently volatile, and good long-term strategies are not always validated in the short run. We try to protect our clients as best as possible against near-term risks, while remaining poised to go – and capitalize on – where opportunity is next.

Leo de Bever
Chief Executive Office
Chief Investment Offi

THE AIMCo TEAM

EXECUTIVE MANAGEMENT

WARREN CABRAL
Chief Financial Officer

CAROLE HUNT, Q.C.
Chief Legal Counsel and Corporate Secretary

JOHN OSBORNE
Chief Risk Officer

LEO DE BEVER
Chief Executive Officer and Chief Investment Officer

JAGDEEP SINGH BACHHER
Deputy Chief Investment Officer, Change Management

Since 2008, AIMCo has been building an innovative team focused on achieving top-quartile results. This goal challenges us to find better ways of doing business while meeting our clients' investment needs and goals.

We are a young organization. AIMCo is still implementing and upgrading the systems and processes it needs to become a best-in-class investment management firm and employer. The success of this effort will depend on the commitment and expertise of all team members.

To meet its organizational goals, AIMCo needs to be a knowledge organization committed to continuous learning. Many team members are pursuing post-secondary degrees and various designations, including MBAs and CFAs, adding to our skills database.

MICHAEL BAKER
Senior Vice President,
Investment Operations

BRETT KIMAK
Vice President,
Compliance

DARREN BACCUS
Associate General Legal Counsel

A.J. (PINE) PIENAAR
Senior Vice President,
Client Relations

ANGELA FONG
Chief Corporate and
Human Resources Officer

SALLY CHAN
Vice President,
Internal Audit

AIMCo staff continue to demonstrate their commitment to corporate social responsibility by giving back to their community. In 2011, our employees helped raise funds for many worthy causes, including personal donations, and submitted more than $80,000 to support the United Way. AIMCo employees also give generously of their time and knowledge as volunteers and board members of various charities and volunteer organizations.

Alberta is a great place to live with unsurpassed natural beauty, abundant resources, a top tier education system, world class health care, a thriving arts community and friendly people. This helps us to attract remarkably talented people from within the Province and from around the world. We have built an organization that is highly multicultural, with a global perspective, and a shared excitement for the future and the opportunities that lie ahead.

$69.7 BILLION

ASSETS UNDER MANAGEMENT
(As at March 31, 2012)

$20.8 BILLION

LOCAL AUTHORITIES PENSION PLAN

$16.1 BILLION

ALBERTA HERITAGE SAVINGS TRUST FUND

$7.6 BILLION

ALBERTA SUSTAINABILITY FUND

CLIENTS AND ASSETS UNDER MANAGEMENT

Albertans have a vested interest in AIMCo's success, having entrusted us with investing approximately $70 billion for 26 Alberta public sector pension plans, endowments and government funds. AIMCo's ability to earn excess returns on our clients' behalf is an important factor in enabling them to meet their various obligations.

Following are brief summaries of three of our clients:

Local Authorities Pension Plan

The Local Authorities Pension Plan (LAPP) is a contributory defined benefit pension plan that currently enjoys strong net positive cash flows. As the largest pension plan in Alberta, LAPP is celebrating its 50th anniversary this year and remains focused on keeping the Plan sustainable to pay future benefits for its members.

LAPP currently holds a globally diversified portfolio of asset classes, such as equities and bonds, in addition to investments in inflation sensitive assets. To help LAPP achieve its goals, AIMCo employs a multi-strategy approach that makes use of commingled or pooled funds. This provides cost savings, efficient execution and diversification through access to a variety of products, such as fixed income, equity, inflation sensitive and non-traditional asset classes, including private equity and timberlands.

Alberta Heritage Savings Trust Fund

The Alberta Heritage Savings Trust Fund (Heritage Fund), created in 1976, is a provincial endowment designed to preserve a portion of Alberta's non-renewable resource revenue for current and future generations of Albertans. To date, over $33 billion has been made available to fund Albertans' priorities, such as health care, education, infrastructure and social programs. The Fund is managed with the goal of maximizing long-term real returns at a prudent level of risk. Under the *Alberta Heritage Savings Trust Fund Act*, all income, less the amount required for inflation proofing, is used as revenue by the government. The Heritage Fund is a member of the International Forum of Sovereign Wealth Funds.

AIMCo works closely with Alberta Finance and Enterprise to set long-term objectives for the Heritage Fund and implements these objectives through investments in a globally diversified mix of bonds, public and private equities, hedge funds, real estate and other real asset investments, such as infrastructure and timberlands.

Alberta Sustainability Fund

Created in 2003 by the Province of Alberta, today the Alberta Sustainability Fund is used to provide funding for those years when the Province is in budgetary deficit and is replenished when in budgetary surplus. Given the challenging fiscal climate of recent years, the Province has been drawing upon the Fund to help cover budgetary shortfalls. In 2011/12 the Province drew $3.7 billion principal plus $557 million of income from the Fund. The Sustainability Fund is primarily invested in Canadian fixed income securities with sufficient quality and liquidity to allow the Province to fund revenue shortfalls in the short term.

AIMCo's fixed income team has the primary responsibility for managing the assets and liquidity of the Sustainability Fund, and works in close co-operation with Alberta Finance and Enterprise to ensure the Province achieves its financial objectives.

Total assets under management increased slightly through 2011/12. Growth in pension and endowment fund assets more than offset the Province's drawdown of the Sustainability Fund. Drawdowns in fixed income assets have been offset by comparative growth in inflation sensitive assets.

Assets Under Management

By client type as of March 31, 2012

		ASSET CLASS[1]		
($ MILLIONS)	MARKET VALUE	MONEY MARKET & FIXED INCOME	INFLATION SENSITIVE	EQUITIES
AIMCo TOTAL	**69,667**	41%	19%	40%
Balanced Funds[2]	54,683	26%	24%	51%
Endowment Funds	***19,226***	*22%*	*25%*	*53%*
Heritage Savings Trust	16,092	22%	25%	53%
Heritage Medical Research	1,364	22%	27%	52%
Heritage Science and Engineering	782	22%	26%	52%
Heritage Scholarship Trust	770	23%	24%	53%
Long-Term Disability Bargaining Unit[4]	165	29%	11%	60%
Long-Term Disability Management[4]	53	27%	11%	61%
Pension Plans	***35,112***	*27%*	*23%*	*49%*
Local Authorities	20,787	31%	25%	44%
Public Service	6,841	25%	21%	55%
Management Employees	2,814	14%	24%	62%
Universities Academic	2,769	24%	19%	56%
Special Forces	1,637	26%	16%	58%
Judges	103	41%	9%	49%
Judges Supplementary Retirement	92	46%	5%	49%
Management Supplementary Retirement[5]	69	32%	13%	55%
Government Funds	14,984	96%	4%	0%
Short-Term Government Funds	***12,791***	*100%*	*0%*	*0%*
Sustainability	7,599	100%	0%	0%
Money Market Depositors[3]	2,577	100%	0%	0%
General Revenue	2,074	100%	0%	0%
Debt Retirement Account	526	100%	0%	0%
Alberta Municipal Services Corporation	7	100%	0%	0%
Management Closed Pension Membership	8	100%	0%	0%
Special Purpose Government Funds	***2,538***	*76%*	*24%*	*0%*
Workers' Compensation Board[4]	622	2%	98%	0%
Agriculture Crop Insurance[4]	1,181	100%	0%	0%
Alberta Cancer Prevention Legacy	496	100%	0%	0%
Credit Union Deposit Guarantee	181	100%	0%	0%
Alberta Securities Commission	30	75%	0%	25%
Special Areas Long-Term Account	28	100%	0%	0%

(1) *Asset class weights are per AIMCo's categorization criteria.*

(2) *For balanced funds, notional exposures and currency derivatives are not included in asset class calculations.*

(3) *Includes various government agencies, organizations, Crown corporations and other accounts.*

(4) *Shown as Insurance-related funds in Financial Statements.*

(5) *Included as part of Pension plans in Financial Statements.*

RISK ARITHMETIC: 1 + 1 ≠ 2

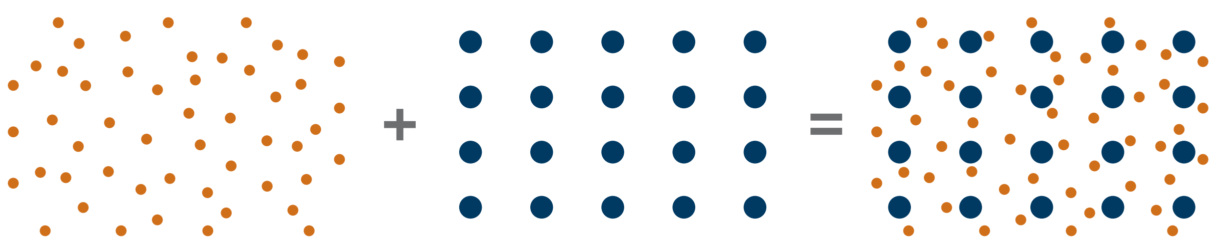
Your Grade 2 teacher was right. In basic arithmetic one plus one does equal two. But in the world of investments and risk and return that AIMCo inhabits – things can work a little differently.

When dealing with a portfolio of assets, return is additive (1+1=2), but risk is not. Here's a useful analogy. Imagine that you have 1 litre of sand and 1 litre of gravel and that you mix them together. The resulting volume of the mixed elements will be less than 2 litres because the sand is dispersed throughout the spaces between the gravel. It is not a strictly additive combination. However, change the measure, and combine 1 kilogram of sand with 1 kilogram of gravel and the result will always weigh 2 kilograms, because weight is additive.

Similarly, when two or more financial investments are combined, the risk can be dispersed, while the returns are additive.

At AIMCo, when we combine the risk inherent in a balanced fund client's portfolio with AIMCo's active management strategies, we disperse risk. That is to say, for risk, 1 plus 1 is less than 2. This allows us to deliver incremental, additive returns, using active strategies, without necessarily adding risk to our clients' portfolios. It is this fundamental understanding that leads to AIMCo being first and foremost an investment risk manager.

Active Management Risk | Policy Risk | Dispersed Total Risk



MARKET OVERVIEW AND APPROACH

The recovery from the 2008 financial crisis has been uneven, despite a massive injection of liquidity by central banks. For now, all this cash is mostly boosting the returns on financial assets. Active management and unlisted assets have made a larger than usual contribution to total return.

Nominal and real return bonds are yielding less than the rate of inflation, suggesting investors are more concerned about capital preservation than appreciation. The compression of interest rates helped recent bond returns, but equities struggled.

Since most governments are grappling with big deficits, the prescription has been fiscal austerity. However, we are finding, as we did in the 1930s, fiscal austerity itself exacerbates slow economic growth, leading to further employment and deficit problems. Long-term success requires that demand be increased closer to capacity, preferably through increased investment. When the economy moves closer to full employment and capacity, risk aversion will subside, and interest rates will move above the rate of inflation. That spells trouble for long bond portfolios. Following a period of consolidation, we expect equity returns to be closer to their long-term average.

In this environment we see opportunities in short duration corporate credit, private debt and loan, direct investment in unlisted real assets and a few absolute return niches. We are also moving opportunistically in and out of the relatively liquid high-yield market. In mortgages, we are finding good opportunities outside of Canada.

The bulk of our real estate investments have traditionally earned good returns in Canada, but low capitalization rates have caused us to explore dislocated U.S. and European markets. In 2011 we made two important infrastructure investments in Chile: a toll road and an electrical distribution network. Active equity and absolute return strategies boosted returns last year, as did the incremental return of unlisted assets over their listed equivalent.

The difficult environment for conventional assets is challenging all asset managers and motivating us to go where the opportunity is next.

AIMCo'S APPROACH TO INVESTMENT MANAGEMENT

Our clients are long-term investors. Cash, patience, a strong AIMCo Board, effective corporate governance and control processes are the keys to building a sustainable AIMCo advantage.

Good results rarely materialize on cue. However, in 2011/12 we delivered nearly double the active value-added return target we had set ourselves. Excess returns will be driven in large part by our investments in equities and bonds, but increasingly also by inflation sensitive assets such as real estate and infrastructure.

AIMCo integrates a total portfolio approach that focuses on the risk and return characteristics of the overall portfolio rather than on specific asset classes. The resultant diversification positions us to better manage portfolio risk and achieve potentially superior investment returns, while maintaining liquidity and preservation of capital. We believe this approach facilitates the identification of non-traditional investment opportunities, promotes better investment decision-making and builds a stronger, more innovative investment culture.

AIMCo has established its position in the market as a capable and reliable investment partner. From the beginning, we have placed a number of significant investments in assets we expect to hold on to for a long time. AIMCo acts quickly to secure the right investments for our clients. As a result, we are now being approached to consider investment opportunities we might not have seen only two or three years ago.

Closing the deal, however, is only the beginning, and we are investing in our people, processes and technology to ensure that we have the skill, knowledge and ability needed to effectively manage and monitor investment performance within our clients' portfolios. Implementing best-practice recruitment strategies, stringent investment processes and innovative data management are three core objectives, which will enable us to efficiently handle the complexities of the transactions we are entering into.

By seeking out opportunities and markets that have not yet attracted the widespread attention of other investors, AIMCo is able to realize incremental value for our clients. For 2012/13 we will continue to promote collaboration internally and within our peer network to capitalize on opportunities created through market dislocations and the strong position AIMCo has established for itself in the market.

INVESTMENT PERFORMANCE

TOTAL AIMCo PERFORMANCE

AIMCo earned a total fund return of 7.9% gross of fees for the year ended March 31, 2012, generating $5.2 billion in investment income gross of fees and exceeding the AIMCo Total Fund Benchmark by 2.0%. After fees of 0.5%, total fund net return was 7.4%. The return on pension and endowment assets net of fees was 8.2%. Short-term and special purpose government funds earned 4.2% net of fees.

Total AIMCo, Balanced and Short-Term Government Composite Investment Performance

PERFORMANCE	NET ANNUALIZED RETURNS AS AT MARCH 31, 2012 (%) 1 YEAR	2 YEAR
AIMCo TOTAL FUND	7.4	7.8
Benchmark	5.9	7.0
BALANCED FUNDS	8.2	9.2
Benchmark	6.4	8.4
SHORT-TERM GOVERNMENT FUNDS	4.2	3.7
Benchmark	3.6	3.1

RETURNS FROM ACTIVE MANAGEMENT

Since 2009, the AIMCo Board and AIMCo management have agreed on a stretch gross value-added target of approximately 1.4% of balanced fund assets ($750 million) and net value-added of about 1% ($500 million). Asset groups are allocated a share of the total target based on what the management team considers to be our capacity to take advantage of attractive opportunities.

Investment Performance

	2011/2012 FISCAL YEAR (GROSS)	2011/2012 FISCAL YEAR (NET)	2010/2011 FISCAL YEAR (NET)
Rate of Return	7.9%	7.4%	8.2%
Benchmark	5.9%	5.9%	8.2%
Return above Benchmark	2.0%	1.5%	0.0%
Return above Benchmark	$ 1,296	$ 973	$ 14

Active management contributed $1.3 billion of gross return above the AIMCo Composite Benchmark in fiscal 2011/12. On a net of fees basis, $973 million return was earned.

Public equities performed extraordinarily well in 2011/12, generating $501 million of net added value for our clients, after fees. The performance was driven by strong results across all strategies employed.

Fixed income underperformed on the year, as we were defensively positioned for an increase in North American interest rates. However, interest rates dropped in response to concerns over U.S. economic growth and fears over the European debt crisis. This generated an unrealized capital loss on bonds, and contributed to the negative relative performance.

AIMCo's growing exposures to unlisted asset classes also added value. Real Estate performed particularly well, generating $436 million of net value-added, driven by a rise in Canadian portfolio valuations. Private Equity and Timberlands also performed well, while Infrastructure lagged behind the very strong performance of its listed benchmark.

Efforts to add value by underweighting or overweighting asset classes resulted in a small loss, as we had taken a somewhat defensive position by being marginally underweight in public equities.

PERFORMANCE BENCHMARKS

AIMCo's performance benchmarks are used to measure incremental return relative to what our clients could achieve by passively implementing their investment policy with listed bond and stock market index investments. The incremental return on unlisted assets is judged relative to the closest listed return and risk proxy.

AIMCo Market Return Benchmarks

ASSET CLASS	AIMCo BENCHMARK
FIXED INCOME	
Cash and Money Market	DEX 30-Day T-Bill Index or DEX 91-Day T-Bill Index
Short-Term Bonds	DEX Short-Term All Government Index
Medium-Term Bonds, including Mortgages	DEX Universe Bond Index
Long-Term Bonds	DEX Long-Term All Government Bond Index
INFLATION SENSITIVE	
Real Estate, Canadian and Foreign	REALpac/IPD Canadian All Property Index – Large Institutional Subset
Real Return Bonds	DEX Real Return Bond Index
Private Debt and Loan	70% DEX Real Return Bond Index/30% MSCI World Index
Timberlands	50% DEX Real Return Bond Index/50% MSCI World Index (hedged to Canadian Dollar)
Infrastructure	50% DEX Real Return Bond Index/50% MSCI World Index (hedged to Canadian Dollar)
Commodities	MSCI All Country World Index
EQUITIES	
Canadian Public	S&P/TSX Composite Total Return Index
Total Global Public	MSCI All Country World Index
Global Public	MSCI World Index
Emerging Markets Public	MSCI Emerging Markets Index
Hedge Funds	MSCI All Country World Index
Global Small Cap	1/3 S&P/TSX Small Cap Index and 2/3 MSCI World Small Cap Net Index
Private Equity	MSCI All Country World Index[1]
OVERLAYS	
Asset Allocation and Overlay Pools	Benchmark appropriate for underlying asset class

[1] *For the period between April 1, 2011, and December 31, 2011, the benchmark for the Private Equity asset class was the 25% S&P/TSX Composite Total Return Index/75% MSCI World Index (ex Japan).*

ACTIVE MANAGEMENT

Fixed income and money market assets match our client liabilities and are invested to generate superior returns while maintaining required liquidity.

Edmonton, Canada

ASSET CLASS COMMENTARY

Money Market & Fixed Income

AIMCo manages $28.2 billion in money market and fixed income assets. Approximately 33% represents pension and endowment mandates, while 67% are short-term government funds.

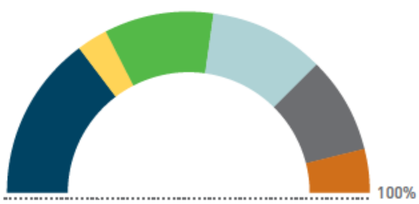
Money Market & Fixed Income Performance

	MARKET VALUE ($ MILLIONS)[1]	NET ANNUALIZED RETURNS AS AT MARCH 31, 2012 (%) 1 YEAR	2 YEAR	CALENDAR YEAR RETURNS (%) 2010	2011
MONEY MARKET & FIXED INCOME	28,182	7.5	5.9	5.7	7.4
Benchmark		7.5	5.5	4.5	7.8
MONEY MARKET	4,766	1.2	1.1	0.7	1.1
Benchmark		0.9	0.8	0.5	1.0
UNIVERSE BONDS	5,740	8.9	7.9	9.5	8.2
Benchmark		9.7	7.4	6.7	9.7
LONG BONDS	5,357	17.4	12.7	13.0	17.1
Benchmark		18.8	13.3	12.1	18.8
SEGREGATED SHORT-TERM FIXED INCOME[2]	8,244	4.6	4.0	3.6	4.8
SEGREGATED LONG-TERM FIXED INCOME[3]	1,735	3.4	3.1	2.9	3.6
PRIVATE MORTGAGES	2,341	10.9	8.7	10.4	10.9
Benchmark		9.7	7.4	6.7	9.7

[1] *Does not include Alberta Heritage Savings Trust Fund policy loans.*

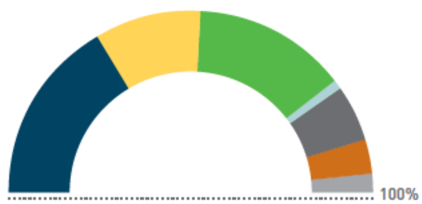
[2] *Segregated Short-Term includes investments held in the Sustainability, Credit Union Deposit Guarantee and Alberta Cancer Prevention Legacy portfolios.*

[3] *Segregated Long-Term includes investments held in the Debt Retirement Account, Special Areas Long-Term Account and Agriculture Crop Insurance portfolios.*



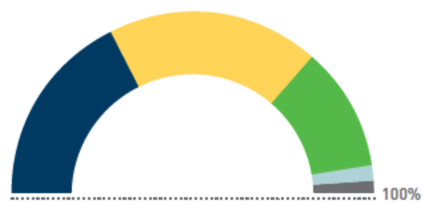
Asset Mix
(As at March 31, 2012)

- 29% Segregated Short-Term Fixed Income
- 6% Segregated Long-Term Fixed Income
- 19% Long Bonds
- 21% Universe Bonds
- 17% Money Market
- 8% Private Mortgages



Sector Exposure
(As at March 31, 2012)

- 33% Corporate
- 19% Federal
- 27% Provincial
- 2% Municipal
- 10% Asset-Backed Securities
- 6% Real Return Bonds
- 3% Fully Hedged
- 0% Other[1]



Ratings
(As at March 31, 2012)

- 35% AAA
- 38% AA
- 22% A
- 3% BBB
- 2% Other[2]
- 0% BB
- 0% B
- 0% CCC
- 0% D

[1] *Other includes securities held in externally managed funds.*

[2] *Other includes securities held in externally managed funds and securities for which there are no available ratings.*

MONEY MARKET

AIMCo manages approximately $4.8 billion in money market assets. For 2011/12, 0.3% of value was added net of fees through increased exposure to credit and floating rate notes, which offered superior returns relative to other money market securities.

The objective is capital preservation, liquidity and superior risk-controlled return relative to benchmark.

FIXED INCOME

AIMCo manages $21.1 billion in fixed income assets. Our Canadian universe and long bond portfolios returned 8.9% and 17.4% net of fees, respectively, underperforming their benchmarks by 0.8% and 1.4% in fiscal year 2011/12.

The goal of the portfolio is to generate superior risk-adjusted returns while providing adequate liquidity. Our active return strategy has four principal components: anticipation of interest rate changes; sector rotation between corporate and government securities; relative value; and anticipation of yield curve change.

MORTGAGES

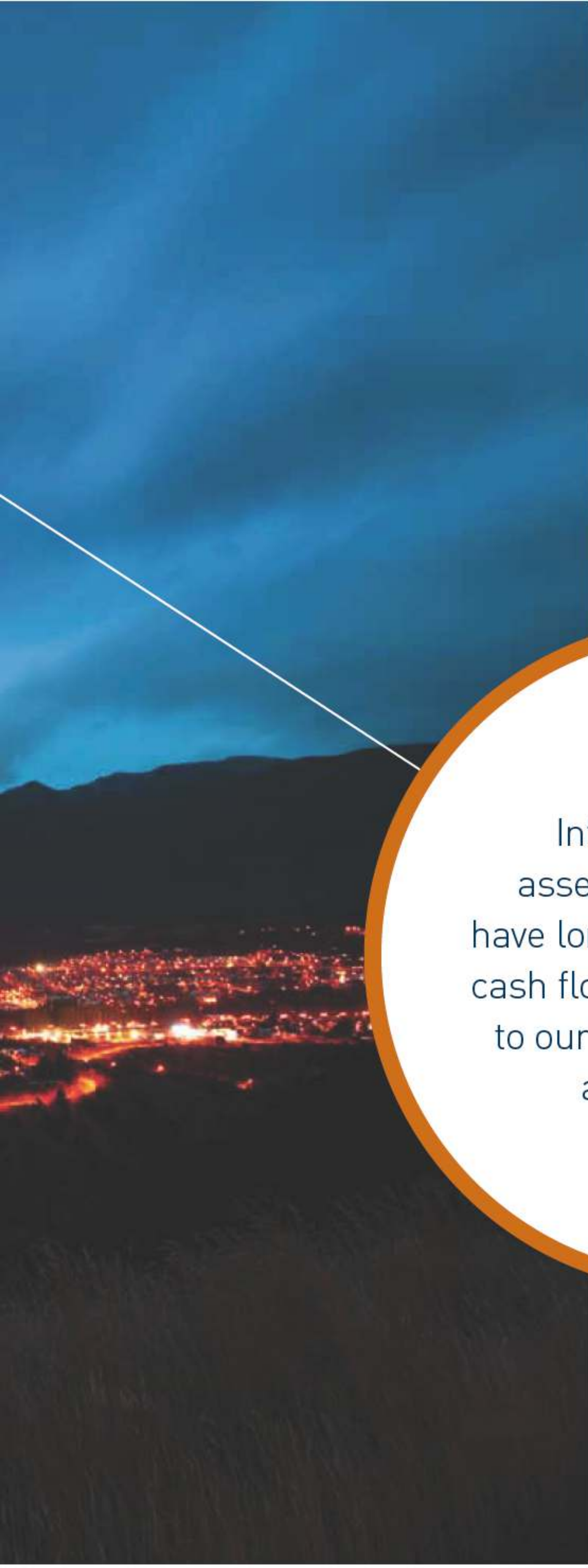
AIMCo manages $2.3 billion in mortgage assets. The portfolio returned 10.9% net of fees, outperforming the benchmark by 1.2%.

The objective of the portfolio is to provide clients with a steady cash flow and a premium return over universe bonds. It comprises conservative mortgages secured by cash flow–producing properties, mainly institutional-quality assets in primary markets.

SAESA GROUP

SAESA Group is the third largest electricity distributor in Chile and delivers electricity to 16% of Chile's population.

Coyhaique, Chile



ASSET CLASS COMMENTARY

Inflation Sensitive

Inflation Sensitive assets are designed to have long-term, sustainable cash flows primarily aligned to our clients' obligations and objectives.

Inflation Sensitive Performance

	MARKET VALUE ($ MILLIONS)	NET ANNUALIZED RETURNS AS AT MARCH 31, 2012 (%) 1 YEAR	2 YEAR	CALENDAR YEAR RETURNS (%) 2011	2010
INFLATION SENSITIVE	13,542	16.9	14.1	16.8	10.9
Benchmark		14.0	13.1	13.6	11.0
REAL RETURN BONDS	2,123	16.3	13.4	18.2	11.0
Benchmark		16.4	13.5	18.3	11.1
REAL ESTATE	7,045	22.8	17.5	20.7	12.8
Benchmark		15.3	14.3	15.9	11.2
PRIVATE INCOME	3,606	6.1	7.0	8.1	5.8
Benchmark		9.6	9.9	6.7	10.7
PRIVATE INFRASTRUCTURE	3,109	5.6	6.9	8.0	5.9
PRIVATE DEBT AND LOAN	496	9.8	N/A	6.3	N/A
TIMBERLANDS	768	19.5	14.4	20.0	7.2
Benchmark		9.6	9.9	6.7	10.7

REAL RETURN BONDS

AIMCo manages $2.1 billion in real return bond assets. The portfolio has delivered strong performance over the last few years as real rates declined. For fiscal 2011/12, the portfolio returned 16.3% net of fees, marginally underperforming its benchmark by 0.1%. Given the limited liquidity in the Canadian real return bond market, the majority of AIMCo's CPI-linked real return bonds are buy-and-hold Government of Canada issues.

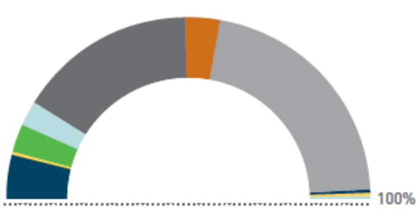
REAL ESTATE

AIMCo manages $7.0 billion in real estate assets. The portfolio returned 22.8% net of fees in fiscal 2012, outperforming its benchmark by 7.5%. The return includes a 24.7% return on our Canadian assets and a 7.5% return on our foreign assets.

The Real Estate portfolio is expected to produce long run returns between those of stocks and bonds: like stocks, capital values are more volatile, while income returns tend to stay in a stable band of 5% to 7% per year. AIMCo's Real Estate portfolio consists primarily of direct investments in high quality office, retail, industrial and multi-unit residential properties in Canada's major centres.

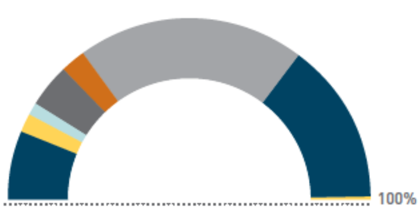
Top 5 Real Estate Investments

PROPERTY	SECTOR	LOCATION	TOTAL COMPLEX SIZE (M. SQ. FT.)	OWNERSHIP (%)
Yorkdale Shopping Centre	Retail	Toronto, ON	1.52	50
Square One	Retail	Mississauga, ON	1.86	50
Place Ville Marie	Office	Montreal, QC	2.77	50
Scarborough Town Centre	Retail	Scarborough, ON	1.59	50
Bow Valley Square	Office	Calgary, AB	1.47	50



Geographic Exposure
(As at March 31, 2012)

- 8% Canada (Various)
- 0.4% Latin America
- 5.3% U.K.
- 4% U.S.
- 31.5% Alberta
- 6.4% Québec
- 42.5% Ontario
- 0.6% Europe
- 0.5% Germany
- 0.3% France
- 0.4% Poland
- 0.1% Other



Sector Exposure
(As at March 31, 2012)

- 12.5% Pooled Fund
- 3.5% Residential
- 0.1% Development
- 1.8% Hospitality
- 7.9% Industrial
- 4.5% Land
- 40.5% Office
- 29.2% Retail
- 0.1% Other

PRIVATE INFRASTRUCTURE

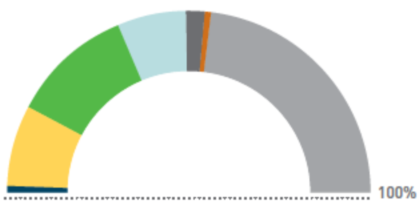
AIMCo manages $3.1 billion in infrastructure assets. The AIMCo Infrastructure portfolio returned 5.6% net of fees for the year, 4.0% less than its benchmark.

The objective of the portfolio is to match the long duration real growth characteristics with inflation-indexed pension liabilities. AIMCo's Infrastructure portfolio primarily consists of diversified long-term equity positions in OECD-based assets with a preference for those that are regulated or have long-term contracted revenues.

Top Five Infrastructure Investments

As at March 31, 2012

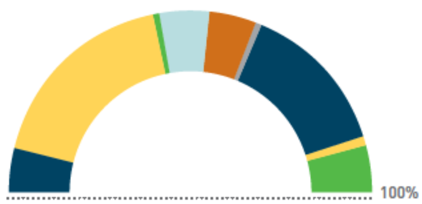
PROPERTY	SECTOR	LOCATION
Autopista Central	Transportation	Chile
SAESA Group	Integrated Utilities	Chile
Puget Sound Energy	Integrated Utilities	U.S.
Frequency Infrastructure Group	Communications	Australia/U.K.
First Wind	Power Generation	U.S.



Geographic Exposure

(As at March 31, 2012)

- 1.6% Canada
- 14% U.K.
- 21.9% U.S.
- 12.4% Europe
- 3.2% Australia
- 1.2% India
- 45.8% Chile



Sector Exposure

(As at March 31, 2012)

- 7.8% Contracted Power Generation
- 35.9% Transportation/Logistics
- 1.1% Power & Gas Transmission & Distribution
- 8.7% Pipelines & Midstream
- 0% Energy Production
- 8.2% Water Utilities
- 1.5% Waste Management
- 27.1% Integrated Utilities
- 1.5% Alternative Energy
- 8.2% Communication, Other

PRIVATE DEBT AND LOAN

AIMCo manages $496 million in private debt and loans. The AIMCo Private Debt and Loan portfolio earned a return of 9.8% for the year net of fees, outperforming the benchmark by 0.2%.

TIMBERLANDS

AIMCo manages $768 million in timberland assets. The AIMCo Timberlands portfolio generated a 19.5% net return, outperforming its benchmark by 9.9%.

The objective of the portfolio is to provide inflation hedging and a long-term duration match with our clients' obligations. AIMCo's timberland investment strategy will continue to put more emphasis on emerging markets while adopting a more opportunistic and direct approach toward acquiring timberland in North America.

BLOOM ENERGY

Built with Bloom's patented solid oxide fuel cell technology, Bloom's Energy Server™ is a new class of distributed power generator, producing clean, reliable, affordable electricity on site for each customer.

Pasadena, U.S.

ASSET CLASS COMMENTARY

Equities

AIMCo manages $27.7 billion in active portfolios, private equity and relationship investments.

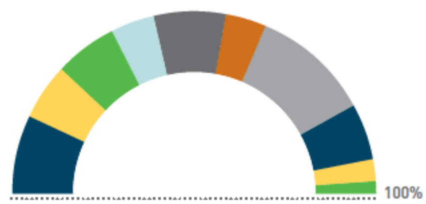
Equities Performance

	MARKET VALUE ($ MILLIONS)	NET ANNUALIZED RETURNS AS AT MARCH 31, 2012 (%) 1 YEAR	2 YEAR	CALENDAR YEAR RETURNS (%) 2011	2010
EQUITIES	27,693	2.4	7.2	-3.7	9.8
Benchmark		-0.1	5.6	-5.2	9.6
CANADIAN EQUITIES	6,279	-6.9	5.2	-8.0	18.5
Benchmark		-9.8	4.2	-8.7	17.6
GLOBAL EQUITIES	19,234	4.7	7.4	-3.5	6.8
Benchmark		2.8	5.4	-4.6	6.3
PRIVATE EQUITY	2,180	13.1	11.1	8.4	8.7
Benchmark		1.6	6.9	-3.9	8.8

CANADIAN AND GLOBAL EQUITIES

AIMCo manages $25.5 billion in public equities. The total AIMCo Composite Equity portfolio returned 2.4% net of fees, outperforming its benchmark by 2.5%. As a result of defensive positioning, our Canadian portfolios only declined 6.9% net of fees for the year, beating the TSX Composite Index by 2.9%. The Global portfolios earned 4.7% net of fees on the year versus a targeted benchmark of 2.8%.

The Public Equity group seeks to optimize risk and returns across a number of dimensions including size, style, sector and regional exposures.



Sector Exposure
(As at March 31, 2012)

- 13.8% Energy
- 9.9% Materials
- 10.6% Industrials
- 8.6% Consumer Discretionary
- 12.6% Consumer Staples
- 6.7% Health Care
- 21.0% Financials
- 9.9% Information Technology
- 4.3% Telecom
- 2.5% Utilities
- 0% Miscellaneous

Top 5 Equity Holdings

COMPANY	SECTOR	LOCATION
Viterra	Materials	Canada
Precision Drilling	Energy	Canada
Apple	Information Technology	U.S.
Royal Bank of Canada	Financials	Canada
Toronto-Dominion Bank	Financials	Canada

PRIVATE EQUITY

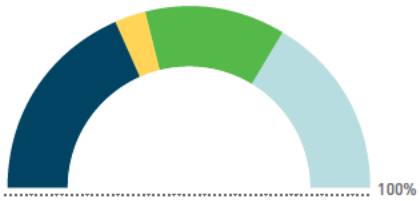
AIMCo manages $2.2 billion in private equity assets, including venture capital investments. The total AIMCo Composite Private Equity portfolio returned 13.1% net of fees, outperforming its benchmark by 11.5%. The Venture Capital portfolio returned 21.3% net of fees, outperforming the benchmark by 19.8%.

The objective of the private equity program is to achieve better risk-adjusted returns than listed markets from "transformational" activities at the company level, and by establishing better alignment between management and shareholders.

Top Five Private Equity Holdings

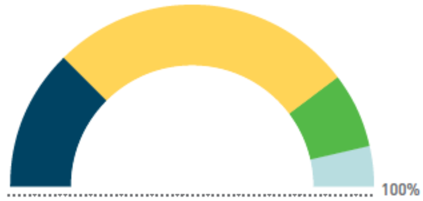
As at March 31, 2012

COMPANY	SECTOR	LOCATION
Bloom Energy	Energy	U.S.
Tomkins Limited	Industrials	U.K.
Bonanza Creek	Energy	U.S.
KiOR	Energy	U.S.
Ladder	Financials	U.S.



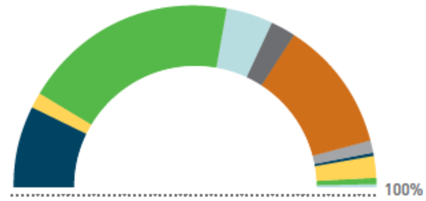
Structure
(As at March 31, 2012)

- 36.9% Fund
- 5.7% Funds of Funds
- 24.8% Co-investments
- 32.6% Directs



Geographic Exposure
(As at March 31, 2012)

- 25.1% Canada
- 54.8% U.S.
- 13.4% Europe
- 6.7% Asia/Emerging



Sector Exposure
(As at March 31, 2012)

- 14.7% Consumer Discretionary
- 2.6% Consumer Staples
- 38.6% Energy
- 8.5% Financials
- 4.4% Health Care
- 23.0% Industrials
- 2.4% Information Technology
- 0.6% Materials
- 3.9% Telecom
- 1.2% Utilities
- 0.1% Other

DERIVATIVES

AIMCo uses derivatives to quickly and cost-effectively change its asset and currency allocation, and to add value to market returns.

1. Futures and Index Swaps

Futures and index swaps are used to manage our allocation to stock and bond markets more efficiently than if we purchased the constituents of market indices individually.

2. Credit Default Swaps and Interest Rate Swaps

Credit default swaps and interest rate swaps are employed by AIMCo's fixed income group to manage exposure to credit and interest rates.

3. Currency Forwards

Currency forwards allow us to match the currencies of our real estate, infrastructure, and timberland assets to the currencies of their respective benchmarks, and to express an active view on the relative value of currency pairs.

4. Options

AIMCo very selectively uses options to manage the impact of big swings in listed markets.

Currency Exposure
As at March 31, 2012

ASSET CLASS	CANADIAN DOLLAR	U.S. DOLLAR	EURO	BRITISH POUND	JAPANESE YEN	AUSTRALIAN DOLLAR	SWISS FRANC	OTHERS	AIMCo TOTAL
AIMCo actual (%)	70.9	15.5	2.8	2.7	2.2	0.8	0.8	4.3	100.0

Note: No adjustments made for pegged currencies.

SECURITY LENDING

AIMCo uses security lending to incrementally add value for clients without undue risk. AIMCo's securities lending program continues to be well collateralized in both cash reinvestment and non-cash programs. Income in the year was $11.9 million and was distributed to clients based on their ownership of securities lent. On average, this program added 3.7 bps to client portfolios. AIMCo continues to explore ways to increase the effectiveness of its securities lending program and to reduce costs by bringing a portion of the collateral management in-house.

MANAGING RISK

AIMCo manages assets with an eye to maximizing the return on risk for a diverse set of clients.

Because each client and their respective goals are unique, the degrees of acceptable financial risk often vary from one client to another. AIMCo's Risk Group is responsible for measuring, monitoring, and managing, in partnership with our clients, the level of risk in each client's portfolio.

At AIMCo, all players have a part to play in risk management: **Clients** set their risk budget, the amount of risk appropriate for their portfolio; the **Board** monitors AIMCo's overall approach to risk; the **Executive Team** evaluates and allocates risk strategically, based on our clients' investment goals; with that risk allocation, **Portfolio Managers** develop specific strategies for delivering value to our clients, and **Traders** find opportunities in the market for executing that strategy.

In addition to monitoring overall strategy and operations, AIMCo's Board of Directors leads our culture of risk management and it is a key topic at every Board meeting. The Board continually challenges management to look beyond the numbers in order to assess the full range of potential threats to our clients' investment portfolios, including unfavourable economic trends, market shocks and shifting investor sentiment.

Risk is a scarce resource that is carefully allotted to the opportunities that we see in the market place. Each year, the Executive Team allocates risk among asset class opportunities in relation to our clients' investment goals. The Executive Team determines the level and composition of active management to apply in order to add value above our clients' chosen asset mix, but within their total risk limits. Active management adds very little incremental risk, and diversification can reduce overall investment or funding risk.

Our Portfolio Managers are all challenged to deliver a return on the risk they have been allocated in their particular risk budgets. By focusing on active risk, while still subject to overall client risk constraints, Portfolio Managers develop innovative strategies for delivering value to our clients as efficiently as possible. Finally, Traders execute on opportunities in the market place, guided by the parameters and objectives established by our clients at the beginning of the risk management process.

In seeking investment opportunities, we often look at investments that are not as well defined as traditional investments, or, to use an AIMCo expression, that "fall between the cracks". We believe it is critically important to be experts in understanding and modeling these unique investments, taking into account such parameters as illiquidity, credit, leverage, structuring, regulation and reputation. We focus on downside exposures that would be challenging to recover from. When taking action to mitigate risk, our first question is whether it is worth the cost. We are conservative in our attitude toward risk and innovative in the methods we take to evaluate risk. Rather than simply looking at what has happened in the past, we construct models and scenarios that enable us to consider how events might be different, for better or worse, in the future.

To this end, in 2011/12 we introduced a number of important advancements:

- We added additional risk staff, aligning them more closely with investment teams
- We fully integrated credit and counterparty risk into our primary risk measures
- We improved our models for measuring risk in non-traditional asset investments
- We modified certain existing asset type risk models and improved how we deal with low interest rate environments
- We created a cleaner, more comprehensive data set
- We began reporting risk on a daily basis at total fund, client and portfolio levels
- We strengthened our information technology infrastructure to allow us to create and test new model developments while maintaining a strong production environment

Managing risk is a complex and evolving discipline that requires input from many players, starting with our clients. In the coming year, we will continue to put considerable energy into educating our clients and our staff about the upsides and downsides of risk. Better understanding and better measurement of risk will make an essential contribution to AIMCo's ongoing pursuit of the higher return on the risk that our clients need.

RESPONSIBLE INVESTMENT

AIMCo searches the world over for investments that will generate the best return for our clients. We base our investment decisions on anticipated risk-adjusted performance, but we also consider the positive or negative impact that environmental, social and governance factors are likely to have on long-term risk and return.

AIMCo is party to a number of responsible investment initiatives. In 2010, we became a signatory to the United Nations Principles for Responsible Investment (UNPRI), joining over 1,000 international institutions representing US$30 trillion assets under management. UNPRI represents an appropriate peer group for developing best practices in responsible investment.

In 2011, we became a signatory to the Carbon Disclosure Project (CDP) and to CDP Water. The Carbon Disclosure Project is supported by over 500 of the world's largest investors. Both CDP and CDP Water encourage firms to disclose their carbon emissions and water usage as a way of raising awareness about environmental risks and opportunities.

AIMCo has been a member of the Canadian Coalition for Good Governance and the Pension Investment Association of Canada since 2008. AIMCo believes that responsible corporate behaviour and effective corporate governance are fundamental to providing our clients with the best and most sustainable return on their investments.

PROXY VOTING

As a large institutional investor, we have opportunities to encourage corporate practices that will enhance shareholder value over the long term. We participate in active management by leveraging our ownership positions to promote good governance. This includes exercising voting rights according to our proxy voting guidelines.

AN OPERATIONAL CAPACITY FOR SUCCESS

To succeed in a complex investment environment and to become a top-quartile investment company, AIMCo needs an innovative and adaptable operational platform. Investment Operations focuses on providing the service and systems that AIMCo's investment and risk management teams require to deliver the results that our clients expect.

Investment Operations plays a critical role in improving effectiveness and supporting business transformation at AIMCo. Maintaining a dialogue with our internal clients has enabled us to better align our deliverables to the needs of the Corporation. By attracting top talent and establishing a strong, service-oriented culture we have built a team that will help drive AIMCo forward.

Major accomplishments in 2011/12 include the completion of Section 5970 Type II certification, which is a testament to our strong controls framework. In 2012, we will continue implementing new investment systems, which will meet CSAE 3416 standards, which supersedes Section 5970 while effectively supporting AIMCo's existing internal controls framework.

AIMCo INNOVATIONS

Quality data and business engagement are essential to AIMCo's investment process, enabling us to move quickly but with a better understanding of risk. AIMCo Innovations is a corporate-wide initiative to update the organization's operational infrastructure. Implementing state-of-the-art systems over new structures of data will enable us to reduce risk and deliver improved risk information and performance attribution, while better supporting AIMCo's investment decision-makers.

To keep improving the consistency and quality of data available at AIMCo, business processes are being aligned to an improved future state of business readiness. Workstreams are focused on implementing the investment accounting system and enhancing our data warehouse. We are also streamlining processes integral to the derivative and trade order management systems.

INTERNAL AUDIT

AIMCo's independent "eyes and ears", the Internal Audit team follows a disciplined, risk-based audit approach and consults a global audit and advisory firm for expert advice on best practices. While promoting a risk-based control culture, the team also recommends improvements to our systems, processes and methodologies and advises on skills development across the organization. They also contribute to the AIMCo Innovations initiative by conducting an ongoing life cycle audit of the program.

MANAGING COSTS

To help increase the net returns for our clients, we focus on managing the costs associated with our operations and the costs associated with trading securities.

Operating Costs

Total expenses for the year ended March 31, 2012 were $322.9 million (0.46% of invested assets) versus $248.1 million (0.36% of invested assets) for the previous year.

The increase in costs was primarily driven by two factors: total performance fees increased $18.7 million to $55.6 million as a result of the superior value-added performance of AIMCo in 2011/12; while external asset administration, legal and other expenses increased $53.5 million to $88.8 million as a result of new investment opportunities in relationship investing, hedge funds and infrastructure.

External management fees (excluding performance fees) continued to decrease as AIMCo managed more assets internally. Total external management fees decreased by $7.0 million to $109.7 million.

While AIMCo seeks to decrease the cost of every asset class we manage, the relative mix of our clients' money is shifting toward higher-cost assets. Recent drawdowns in government funds, such as the Sustainability Fund, have resulted in a lower overall allocation to fixed income assets, AIMCo's least expensive funds to manage. Consequently, balanced funds now account for a larger percentage of assets under management; from a basis points perspective this translates into higher costs. Furthermore, our balanced fund clients' asset mix is shifting toward more expensive illiquid assets. Infrastructure and private equity will soon account for almost 25% of AIMCo's assets under management.

Management is comfortable with the total cost increase as it reflected the market in 2011/12, which was characterized by strong value-added performance and compelling investment opportunities.

AIMCo uses CEM Benchmarking Inc. to analyze and compare our costs to those of our peers. For calendar year 2010, the most recent period reviewed, AIMCo again showed lower operating costs relative to our peers – a clear advantage for our clients.

Transaction Costs

As well as monitoring operating costs, AIMCo also considers transaction costs. While trading or transaction costs may seem "invisible" there are very real costs for buying and selling securities in both the public and private markets. For an institutional investor such as AIMCo, this can also have an important impact on our clients.

AIMCo trades for a number of reasons:

1. To meet the liquidity needs of our clients: In the normal course of their operations, our clients increase and decrease their investments with AIMCo. AIMCo seeks to reduce the cost of these activities by carefully matching cash flows being invested and withdrawn from the AIMCo system.
2. To rebalance client portfolios and implement policy changes: As clients change their asset mixes and AIMCo moves to reflect these changes, transaction costs are incurred. AIMCo seeks to minimize the impact of transaction costs by matching inflows with outflows.
3. To add value after round-trip trading costs: AIMCo will buy and sell securities and companies to position our clients' portfolios to earn a return after the cost of the trade.

COMPENSATION DISCUSSION AND ANALYSIS

The Human Resources and Compensation Committee oversees human resource policy and practices, and ensures that AIMCo is building a first-rate, productive workforce aligned to clients' business objectives. AIMCo has designed its executive compensation program to meet clearly defined principles and objectives, consistent with best practices. The executive compensation principles below describe the design and total compensation package for each of AIMCo's seven named executive positions identified as the Corporation's key decision-makers.

EXECUTIVE COMPENSATION PRINCIPLES

AIMCo's executive compensation program is founded upon the following guiding principles:

- AIMCo must remain competitive in how it compensates employees;
- Compensation should be closely tied to performance;
- Incentive compensation plans and performance benchmarks should align closely with long-term stakeholder objectives.

AIMCo strives to be among the best institutional investors in Canada, and competition for the talent required to achieve that goal is fierce. AIMCo competes in the global market place with the world's most sophisticated financial services firms, including top investment and asset managers. Competitive compensation is essential in attracting and retaining the most talented executives.

At the same time, AIMCo believes it is imperative that compensation be closely linked to individual performance, measured relative to personal goals and objectives, as well as relevant independent benchmarks for investment performance.

These strategic principles provide the foundation for a series of building blocks comprising AIMCo's compensation program:

- AIMCo pays a competitive base salary, aligned with our comparator group in the Canadian pension fund management industry.
- The annual and long-term incentive payments are designed to pay for persistent value-added performance above AIMCo investment benchmarks, measured over rolling four-year cycles.
- Active management should deliver value over AIMCo benchmarks, which represent the listed proxy relevant to each asset class.
- For investment professionals, the value-added component is calculated at both the asset class and total fund levels, while corporate services and operations staff are rewarded based on total fund performance.
- Value-added calculations are net of all external and internal costs, and represent incremental return to our clients.
- Each year, employees articulate measurable personal goals and objectives in support of AIMCo's business plan. Part of their annual incentive payment is based on how well they have achieved those goals.

COMPONENTS OF COMPENSATION

Base Salary: AIMCo targets salaries and incentive percentages at the median for larger pension fund managers as determined by Canadian investment management surveys conducted annually by the consulting firms William H. Mercer and Towers Watson. Employees not part of the Collective Bargaining Unit who do not participate in the Long-Term Incentive Plan are eligible for an annual merit salary increase effective January 1st of each year, depending upon individual performance evaluations.

Annual Incentive Plan (AIP): Most employees not part of the Collective Bargaining Unit are entitled to base salary plus an AIP payment. Employee AIP target percentages are set with reference to market data, and have a maximum value of two times target at maximum personal, asset class and fund performance.

Long-Term Incentive Plan (LTIP): The long-term incentive plan (LTIP) was first introduced in 2009 to provide retention and motivation awards for key investment, executive and operations leaders. Eligible employees must qualify for awards yearly, based on performance and potential contribution to AIMCo over the longer term. LTIP is market based, and has a maximum value of three times the award grants if maximum asset class and fund performance stretch targets are achieved. LTIP grants can diminish to zero, depending upon asset class and fund performance over the relevant four-year period. For each of 2009 through 2011 the stretch target has been $500 million, and was increased to $600 million effective January 1, 2012.

AIP and LTIP comprise approximately three to five cents for every dollar of value-added above performance benchmarks – substantially less than performance fees paid to external managers.

Restricted Fund Units (RFUs): AIMCo grants certain employees RFUs to address the "gap" period between commencement of employment and vesting of LTIP grants. The target amount for RFU grants is the median expected LTIP grant for that employee. Actual RFU payments also vary with fund performance and could be without value at vesting.

Pension: AIMCo participates in two defined benefit pension plans, the Management Employees Pension Plan and the Public Service Pension Plan, which were grandfathered based on participation prior to AIMCo's incorporation on January 1, 2008. A new Defined Benefits Supplementary Retirement Plan has also been established to mirror the Government of Alberta's Supplementary Plan for the grandfathered employees who qualify. All new employees who are not part of the Collective Bargaining Unit are required to participate in a defined contribution pension plan and defined contribution supplementary retirement plan sponsored by AIMCo.

Benefits: A broad range of market competitive benefits are provided to employees, including health and dental coverage, short-term and long-term disability insurance, travel insurance, a learning and wellness benefit and subsidized public transit.

COMPENSATION RESULTS

Total compensation costs were $59.1 million for 2012, an increase of $11.3 million over fiscal 2011, primarily due to continued investments in people and strong investment performance in 2012.

The first LTIP payouts, based on the previous four years' asset class and total fund performance, will occur in 2013 for the grants awarded in January 2009 which vest on December 31, 2012. The accrued value of those first payments is $7.8 million as at March 31, 2012. The total accrued value of all LTIP grants is $15.8 million as at March 31, 2012. There were 97 LTIP participants in 2012, with grants totaling $7.0 million and maturing on December 31, 2015.

GOVERNANCE

AIMCo is a Crown corporation of the Province of Alberta and is committed to the highest standards of corporate governance. We believe that the policies, processes and institutions that form a robust corporate governance framework are fundamental to AIMCo's mission to rank among the best institutional investment managers and to inspire the confidence of Albertans. AIMCo is committed to a culture of integrity and accountability in the pursuit of its goals.

BOARD OF DIRECTORS

In accordance with the *Alberta Investment Management Corporation Act*, the Board of Directors is responsible for overseeing the management of the business and affairs of AIMCo. Guided by this mandate, the Board sets the strategic direction of the Corporation and oversees the development and implementation of policies and procedures that govern the day-to-day conduct of AIMCo's business. All directors are duly appointed to the Board by the Lieutenant Governor in Council and must have experience in investment management, finance, accounting or law, or have served as an executive or director with a large, publicly traded company. Individuals should also have, to the extent practicable, experience in executive management of a substantial corporation. All directors are fully independent of management.

Directors are required by statute to act honestly and in good faith with a view to the best interests of the Corporation and, as such, are required to exercise due care, diligence and skill, and manage risk appropriately in their oversight of AIMCo.

BOARD COMMITTEES

The Board of Directors has established four standing committees, which assist the Board in discharging its responsibilities:

- The Investment Committee oversees and considers the investment activities and operations of AIMCo, reviews investment- and risk-related reports from management, and then votes on specific investment-related matters. The Investment Committee comprises all of the members of the Board, with Virginia Holmes serving as Chair.
- The Audit Committee oversees financial reporting processes, development and implementation of internal audit and financial control policies, and compliance with said policies and applicable laws and regulations. It also reviews the correct implementation of AIMCo's whistleblower policy. The Audit Committee consists of Cathy Williams (Chair), George Gosbee, Daryl Katz, Harold Roozen and Kurt Winkelmann.
- The Governance Committee oversees the policies, processes and procedures that comprise AIMCo's corporate governance framework. This includes overseeing terms of reference for the Board of Directors and each Board committee, conducting Board evaluations, and generally ensuring the principled, effective continuing operation of the Board of Directors. The Governance Committee consists of Andrea Rosen (Chair), George Gosbee, Ross Grieve, Virginia Holmes and Mac Van Wielingen.
- The Human Resources and Compensation Committee oversees the human resources strategy, philosophy and policies of the Corporation and offers insights to ensure these are aligned with corporate objectives. The committee similarly reviews employee compensation practices, organizational structure and management development and succession, and provides oversight on labour relations strategy. The Human Resources and Compensation Committee consists of Mac Van Wielingen (Chair), Clive Beddoe, Ross Grieve, Virginia Holmes and Andrea Rosen.

At every meeting of the Board of Directors, the Board and all committees have *in camera* sessions, without management attending.

BOARD EVALUATION AND ASSESSMENT

Each year, the directors complete a Board self-evaluation questionnaire that is designed to enable the directors to assess their effectiveness as a Board in key areas, while eliciting suggestions for improvement. The Chair of the Board facilitates this process.

BOARD ATTENDANCE AND REMUNERATION

The Board held six regular meetings in fiscal 2011/12, split evenly between Edmonton and Calgary. In addition, the Board held a strategic planning and educational session as well as four special meetings conducted by teleconference. The Investment Committee held eight meetings, one of which was conducted by teleconference.

The table below shows each director's attendance relative to the number of meetings held by the Board and committees of which he or she was a member.

Board Attendance and Remuneration

As at March 31, 2012

	BOARD OF DIRECTORS		AUDIT COMMITTEE		HUMAN RESOURCES COMMITTEE		GOVERNANCE COMMITTEE		INVESTMENT COMMITTEE	
	REGULAR	SPECIAL	REGULAR	SPECIAL	REGULAR	SPECIAL	REGULAR	SPECIAL	REGULAR	SPECIAL
A. Charles Baillie[1] Chair of the Board	6/6	5/5	2/2	1/1	4/4	1/1	5/5	–	6/6	2/2
George Gosbee Vice Chair of the Board	5/6	4/5	5/5	1/1	–	–	4/5	–	5/6	2/2
Clive Beddoe Chair, Human Resources Committee (to July 21, 2011)	5/6	4/5	–	–	5/5	1/1	–	–	5/6	2/2
Ross Grieve[2]	5/6	5/5	1/1	1/1	4/4	–	5/5	–	5/6	2/2
Virginia Holmes[3] Chair, Investment Committee	6/6	5/5	–	–	5/5	1/1	5/5	–	6/6	2/2
Daryl Katz	5/6	5/5	2/5	1/1	–	–	–	–	5/6	0/2
Harold Roozen[4]	1/1	2/2	1/1	–	–	–	–	–	1/1	1/1
Andrea Rosen Chair, Governance Committee	6/6	4/5	–	–	5/5	1/1	5/5	–	6/6	2/2
Mac Van Wielingen Chair, Human Resources Committee (from July 21, 2011)	5/6	5/5	–	–	3/5	1/1	3/5	–	5/6	1/2
Cathy Williams Chair, Audit Committee	6/6	5/5	5/5	1/1	–	–	–	–	6/6	1/2
Kurt Winkelmann[5]	4/5	3/4	3/4	–	–	–	1/1	–	4/5	2/2

(1) *Charles Baillie, as Chair of the AIMCo Board of Directors, is an ex-officio member of the Audit, Human Resources, and Governance Committees and attends committee meetings regularly. As the Human Resources and Audit Committee meetings are held concurrently, Mr. Baillie alternates his attendance between the two.*

(2) *Ross Grieve served as a member of the Audit Committee until June 16, 2011, when he was appointed to the Human Resources Committee.*

(3) *Virginia Holmes was appointed as a member of the Governance Committee on June 16, 2011. Prior to her appointment, Ms. Holmes attended Governance Committee meetings regularly as a guest.*

(4) *Harold Roozen was appointed to the Board of Directors effective December 1, 2011 and attended his first meeting on February 2, 2012. Mr. Roozen was officially appointed to the Audit Committee on February 2, 2012.*

(5) *Kurt Winkelmann was appointed to the Board of Directors effective April 28, 2011 and attended his first meeting on May 25, 2011. Mr. Winkelmann was officially appointed to the Audit Committee on June 16, 2011, and attended the June 16, 2011 Governance Committee meeting as a guest.*

BOARD REMUNERATION

Directors' compensation is prescribed by provincial regulation. Board members receive annual retainers and meeting fees as described in the table below. The Board Chair, Vice Chair and committee Chairs receive additional retainers to recognize the incremental responsibility associated with those positions. Directors have not been paid separate meeting fees for Investment Committee meetings when these are held the same day as regular Board meetings.

Board Fees

As at March 31, 2012

	BOARD OF DIRECTORS	AUDIT COMMITTEE	HUMAN RESOURCES COMMITTEE	GOVERNANCE COMMITTEE	INVESTMENT COMMITTEE
Base Retainer (Annual)	$20,000	–	–	–	–
Chair Retainer (Annual)	$50,000	$10,000	$7,500	$7,500	$7,500
Vice Chair Retainer (Annual)	$10,000	–	–	–	–
Meeting Fees	$1,000	$1,000	$1,000	$1,000	$1,000

The following table shows payments made to directors based on individual attendance and prescribed fees as described in the table above.

Director Remuneration

Board of Directors Compensation

As at March 31, 2012

	BASE RETAINER (ANNUAL)	CHAIR RETAINER (ANNUAL)	VICE CHAIR RETAINER (ANNUAL)	COMMITTEE CHAIR RETAINER (ANNUAL)	MEETING FEES ($1,000 PER MEETING)	TRAVEL REMUNERATION	TOTALS (FISCAL YEAR END MARCH 31, 2012)
A. Charles Baillie, Chair	$20,000	$50,000	–	–	$29,000	$6,000	$105,000.00
George Gosbee, Vice Chair	$20,000	–	$10,000	–	$21,000	–	$51,000.00
Clive Beddoe	$20,000	–	–	$2,922.95(1)	$17,000	–	$39,922.95
Ross Grieve	$20,000	–	–	–	$23,000	–	$43,000.00
Virginia Holmes	$20,000	–	–	$7,500	$26,000	$12,000	$65,500.00
Daryl Katz	$20,000	–	–	–	$13,000	–	$33,000.00
Harold Roozen	$6,698.63(2)	–	–	–	$5,000	–	$11,698.63
Andrea Rosen	$20,000	–	–	$7,500	$24,000	$6,000	$57,500.00
Mac Van Wielingen	$20,000	–	–	$5,208.90(3)	$18,000	–	$43,208.90
Cathy Williams	$20,000	–	–	$10,000	$18,000	$1,000	$49,000.00
Kurt Winkelmann	$18,616.44(4)	–	–	–	$13,000	$2,000	$33,616.44

(1) *Clive Beddoe resigned as Chair of the Human Resources Committee effective July 21, 2011. Mr. Beddoe was compensated on a per diem pro rata basis for the quarter ending September 30, 2011.*

(2) *Harold Roozen was appointed to the Board of Directors effective December 1, 2011 and attended his first meeting on December 2, 2011. Mr. Roozen was compensated on a per diem pro rata basis for the quarter ending December 31, 2011.*

(3) *Mac Van Wielingen was appointed as Chair of the Human Resources Committee effective July 21, 2011. Mr. Van Wielingen was compensated on a per diem pro rata basis for the quarter ending September 30, 2011.*

(4) *Kurt Winkelmann was appointed to the Board of Directors effective April 28, 2011 and attended his first meeting on May 25, 2011. Mr. Winkelmann was compensated on a per diem pro rata basis for the quarter ending June 30, 2011.*

DIRECTOR ORIENTATION AND CONTINUING EDUCATION

AIMCo provides new directors with a comprehensive orientation to the business and affairs of the Corporation. This orientation is designed to inform new directors of their responsibilities and provide them with the background information required to make informed decisions and judgments respecting the issues that face the Board. New directors are provided with comprehensive written materials and access to management for the purpose of acquiring the knowledge required to discharge their responsibilities. Continuing director education is integral to achieving and maintaining a high standard of corporate governance. Meetings of the Board of Directors include educational opportunities for directors to enhance their knowledge of the Corporation and industry.

STANDARDS OF CONDUCT FOR DIRECTORS

The Board of Directors has adopted various policies that outline acceptable standards of conduct for directors, including the Director Trading Policy and the Director Conflict of Interest Policy.

CODE OF CONDUCT

AIMCo has established the Code of Conduct and Ethical Standards for officers and employees, which outlines the organization's expectations regarding, amongst other topics, conflicts of interest, gifts and entertainment, confidentiality and personal trading. The Code applies to all AIMCo employees, including executive officers, and compliance with it is a condition of employment. All compliance exceptions, if any, are reported to the AIMCo Board of Directors Audit Committee and dealt with as appropriate.

WHISTLEBLOWER POLICY

In accordance with governance best practices, the whistleblower policy and the accompanying reporting service provide all AIMCo employees, service providers and clients with the ability to confidentially report any failure to comply with the Code of Conduct.

BOARD OF DIRECTORS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1 A. CHARLES BAILLIE, O.C.

A. Charles Baillie, O.C., Chair, is the former Chief Executive Officer and Chairman of the Board of Toronto-Dominion Bank. Mr. Baillie serves on the boards of TELUS Corp., Canadian National Railway Co. and George Weston Ltd. He was appointed an Officer of the Order of Canada in 2006 and inducted into the Canadian Business Hall of Fame in 2007. He is Chancellor Emeritus of Queen's University and is currently Chair of the Art Gallery of Ontario and President of the International Festival of Authors. Mr. Baillie is a former Chair of the Canadian Council of Chief Executives. He holds an MBA from Harvard Business School and an Hon. BA from the University of Toronto.

2 GEORGE F.J. GOSBEE

George F.J. Gosbee is the Chairman, President and CEO of AltaCorp Capital Inc. He is an advisor on the Government of Canada's Economic Advisory Council and a member of the Canadian Council of Chief Executives. Mr. Gosbee was named one of 200 Young Global Leaders by the World Economic Forum in 2009 and one of Canada's Most Influential Businessmen by *Canadian Business Magazine*. He is a director for the National Ballet School Foundation in Toronto, advisor to the School of Public Policy at the University of Calgary and a former Board member of Chrysler Group LLC in Detroit.

3 CLIVE J. BEDDOE

Clive J. Beddoe is a founding shareholder, former President and Chief Executive Officer and current Chairman of the Board of Directors of WestJet Airlines. Mr. Beddoe is the recipient of numerous awards and honours, including Companion to the Order of the Business Hall of Fame, and is a member of the Marketing Hall of Legends in the Visionaries category. Mr. Beddoe holds Honorary Doctorates of Law from the University of Calgary and Wilfrid Laurier University.

4 ROSS A. GRIEVE

Ross A. Grieve is the Chairman of the Board of Directors and former Chief Executive Officer of PCL Construction Holdings Ltd. He also serves on the boards of Melcor Developments, Kingsett Capital Fund and Junior Achievement. Mr. Grieve has received numerous accolades for his business leadership – most notably, Canada's Outstanding CEO of the Year Award in 2009. He has a BSc in civil engineering from the University of Manitoba.

5 VIRGINIA A. HOLMES

Virginia A. Holmes is a former Chief Executive Officer of AXA Investment Managers Ltd. in London, U.K. Ms. Holmes currently serves on the boards of U.K. Post Office Ltd., JPMorgan Claverhouse Investment Trust plc, Standard Life Investments Ltd. and Universities Superannuation Scheme Ltd. She has a BA from Durham University.

6 DARYL A. KATZ

Daryl A. Katz is the founder and Executive Chairman of Katz Group. He is also a member of the Canadian Council of Chief Executives. Mr. Katz has an LLB from the University of Alberta.

7 HAROLD A. ROOZEN

Harold A. Roozen is currently the Chairman and CEO of CCI Thermal Technologies Inc. He presently sits on the Board of Directors of ZCL Composites Inc. (TSX) and the Edmonton Eskimos Football Club, and is a member of the Canadian Council of Chief Executives. Mr. Roozen was previously Chair of WIC Western International Communication Ltd. and President of the Allarcom Group of privately held companies. His prior board experience includes Shaw Communications Inc. (TSX/NYSE) until January 2010, Royal Host REIT (TSX) from 2005 to 2006, and the Edmonton Community Foundation from 2001 to 2005.

8 ANDREA S. ROSEN

Andrea S. Rosen is the former Vice Chair of TD Bank Financial Group and President of TD Canada Trust. Ms. Rosen serves on the boards of Manulife Financial Inc., Emera Inc. and Hiscox Ltd. Ms. Rosen has an LLB from Osgoode Hall Law School, an MBA from the Schulich School of Business, York University, and a BA *magna cum laude* from Yale University.

9 MAC H. VAN WIELINGEN

Mac H. Van Wielingen is a founder, Co-Chairman and Director of ARC Financial Corp. and a founder and Chairman of ARC Resources Ltd. Mr. Van Wielingen has an HBA from the Richard Ivey School of Business and has studied post-graduate economics at Harvard University.

10 CATHY L. WILLIAMS

Cathy L. Williams is the former Chief Financial Officer of Shell Canada Ltd. She is the Chair of the Human Resources and Compensation Committee and a member of the Audit Committee of Enbridge Inc. Ms. Williams is Co-Chair of the Calgary Poverty Reduction Initiative. She has an LLB from the University of Western Ontario and an MBA from Queen's University.

11 KURT D. WINKELMANN

Kurt D. Winkelmann is Managing Director and Head of Risk & Analytical Research at MSCI Inc. He is a member of the Board of Trustees for the University of Minnesota Foundation and is Chairman of the Advisory Committee for the University of Minnesota's Heller-Hurwitz Economics Institute.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Financial Statements of Alberta Investment Management Corporation (the "Corporation") have been prepared by management and approved by the Board of Directors. The Financial Statements have been prepared in accordance with Canadian public sector accounting standards and within the framework of significant accounting policies summarized in the Notes to the Financial Statements.

Management is responsible for the integrity and fairness of the Financial Statements. The Financial Statements include certain amounts which, by necessity, are based on the judgment and best estimates of management. In the opinion of management, the Financial Statements have been properly prepared and present fairly the financial position, results of operations and cash flows of the Corporation.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting duties. The Board of Directors is assisted in discharging this responsibility by the Audit Committee, which consists of directors who are neither officers nor employees of the Corporation. The Audit Committee meets regularly with management and external auditors to review the scope and findings of audits and to satisfy itself that its responsibility has been properly discharged. The Audit Committee has reviewed the Financial Statements and has recommended their approval by the Board of Directors.

The Corporation has developed and implemented systems of internal control and supporting procedures which have been designed to provide reasonable assurance that assets are protected; transactions are properly authorized, executed and recorded; and the Financial Statements are free from material misstatement. The internal control framework includes the employee Code of Conduct and Ethical Standards, internal compliance monitoring, the selection and training of qualified employees, and the communication of policies and guidelines throughout the Corporation.

The Office of the Auditor General of Alberta has examined the Financial Statements and prepared an Independent Auditor's Report of its findings, which is presented in the Financial Statements.

Leo de Bever
Chief Executive Officer

Warren Cabral, CA
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Alberta Investment Management Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of Alberta Investment Management Corporation, which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of operations and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Investment Management Corporation as at March 31, 2012, March 31, 2011 and April 1, 2010, and the results of its operations and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General
May 25, 2012
Edmonton, Alberta

STATEMENTS OF FINANCIAL POSITION

AS AT ($ THOUSANDS)	**MARCH 31, 2012**	MARCH 31, 2011	APRIL 1, 2010
			(NOTE 3)
ASSETS			
Cash and cash equivalents (Note 5)	**$ 18,322**	$ 19,607	$ 26,427
Accounts receivable	**13,777**	11,808	9,780
Prepaid expenses	**2,958**	2,261	1,729
Tangible capital assets (Note 6)	**44,144**	32,345	26,748
Other assets	**2,416**	2,416	2,416
	81,617	68,437	67,100
LIABILITIES			
Accounts payable and accrued liabilities	**4,978**	3,902	11,831
Accrued employment liabilities (Note 7)	**36,639**	23,942	14,124
Advance from the Province of Alberta (Note 8)	**28,249**	28,249	28,249
Pension liabilities (Note 9)	**2,770**	2,647	2,483
Deferred lease inducement (Note 16)	**5,334**	6,050	6,766
	77,970	64,790	63,453
Net assets (Note 10)	**$ 3,647**	$ 3,647	$ 3,647

Contractual Obligations (Note 16)

The accompanying notes are part of these financial statements.

Approved by the Board:

A. Charles Baillie
Board Chair

Cathy Williams
Audit Committee Chair

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED MARCH 31, ($ THOUSANDS)	2012 BUDGET (UNAUDITED) (NOTE 17)	**2012 ACTUAL**	2011 ACTUAL (NOTE 3)
REVENUE			
Cost recoveries	$ 240,111	**$ 322,688**	$ 247,835
Interest income	–	**205**	253
Total revenue	240,111	**322,893**	248,088
EXPENSES			
External investment management fees (Note 11)	116,544	**109,717**	116,726
External performance fees (Note 11)	–	**30,989**	19,096
External asset administration, legal, and other (Note 11)	25,263	**88,808**	35,333
Salaries, wages and benefits	54,332	**59,090**	47,840
Administrative expenses	7,882	**9,955**	7,595
Contract and professional services	20,808	**9,015**	7,576
Data services and subscriptions	6,630	**7,286**	7,277
Amortization of tangible capital assets	3,582	**4,144**	3,252
Rent	4,578	**3,556**	3,140
Interest	492	**333**	253
Total expenses	240,111	**322,893**	248,088
Annual surplus	$ –	**$ –**	$ –

The accompanying notes are part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, ($ THOUSANDS)		2012		2011
OPERATING TRANSACTIONS				
Annual surplus	$	–	$	–
Non-cash items:				
Amortization of tangible capital assets		4,144		3,252
Amortization of deferred lease inducement		(716)		(716)
Change in other assets		–		(2,416)
Change in pension liabilities		123		164
		3,551		284
Changes in operating accounts (Note 12)		11,107		1,745
		14,658		2,029
CAPITAL TRANSACTIONS				
Acquisition of tangible capital assets		(15,943)		(8,849)
Decrease in cash and cash equivalents		(1,285)		(6,820)
Cash and cash equivalents at beginning of year		19,607		26,427
Cash and cash equivalents at end of year	$	18,322	$	19,607

The accompanying notes are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended March 31, 2012 and 2011 ($ thousands)

NOTE 1 AUTHORITY

Alberta Investment Management Corporation ("the Corporation") is an agent of the Crown in right of Alberta and operates under the authority of the *Alberta Investment Management Corporation Act*, Chapter A-26.5. Under the Act, the Corporation is established as a Crown Corporation governed by a Board of Directors appointed by the Lieutenant Governor in Council. The issued share of the Corporation is owned by the Crown, and accordingly the Corporation is exempt from federal and provincial income taxes.

NOTE 2 NATURE OF OPERATIONS

The purpose of the Corporation is to provide investment management services in accordance with the *Alberta Investment Management Corporation Act* primarily to the Province of Alberta and certain public sector pension plans. The Corporation forms part of the Ministry of Finance and Enterprise for which the Minister of Finance and Enterprise is responsible. The Corporation was formed January 1, 2008.

The Corporation has assets under administration of $69.7 billion (2011 – $68.8 billion); see Note 13. These assets are invested in segregated investments owned by the client or aggregated in one or more pooled investment portfolios managed by the Corporation. Some of these assets are managed by third-party investment managers selected and monitored by the Corporation in order to achieve greater diversification, as well as to access external expertise and specialized knowledge. The segregated assets and the assets within the pooled investment portfolios are not consolidated in the financial statements of the Corporation. The Corporation makes investments on behalf of its clients and may also establish companies in which the Province of Alberta is the registered owner of the shares for the purpose of managing specific investments. As the Corporation has no beneficial interest in these entities, they are not consolidated in the Corporation's financial statements.

The Corporation recovers all operating expenses and capital expenditures on a cost recovery basis. The Corporation's Board of Directors may approve recoveries greater than costs to maintain or increase the Corporation's general reserve, although they have not done so in the past.

NOTE 3 CONVERSION TO PUBLIC SECTOR ACCOUNTING STANDARDS

Commencing with the 2011/2012 fiscal year, the Corporation has adopted Canadian Public Sector Accounting Standards ("PSAS"). These financial statements are the first financial statements for which the Corporation has applied PSAS. The conversion to PSAS had no impact on the accumulated surplus at the date of transition or on the 2011 statement of operations.

Statement of Financial Position

as at April 1, 2010 ($ thousands)

	PREVIOUSLY STATED	ADJUSTMENT	RESTATED
ASSETS			
Cash and cash equivalents	$ 26,427	$ –	$ 26,427
Accounts receivable	9,780	–	9,780
Prepaid expenses	1,729	–	1,729
Tangible capital assets	26,748	–	26,748
Other assets	2,416	–	2,416
	67,100	–	67,100
LIABILITIES			
Accounts payable and accrued liabilities	11,831	–	11,831
Accrued employment benefits	14,124	–	14,124
Advance from the Province of Alberta	28,249	–	28,249
Pension liabilities	2,483	–	2,483
Deferred lease inducement	6,766	–	6,766
	63,453	–	63,453
Net assets	$ 3,647	$ –	$ 3,647

Statement of Operations

for the year ended March 31, 2011 ($ thousands)

	PREVIOUSLY STATED	ADJUSTMENT	RESTATED
REVENUE			
Cost recoveries	$ 247,835	$ –	$ 247,835
Interest income	253	–	253
Total revenue	248,088	–	248,088
EXPENSES			
External investment management fees	116,726	–	116,726
External performance fees	19,096	–	19,096
Asset administration, legal, and other	35,333	–	35,333
Salaries, wages and benefits	47,840	–	47,840
Administrative expenses	7,595	–	7,595
Contract and professional services	7,576	–	7,576
Data services and subscriptions	7,277	–	7,277
Amortization of tangible capital assets	3,252	–	3,252
Rent	3,140	–	3,140
Interest	253	–	253
Total expenses	$ 248,088	$ –	$ 248,088

NOTE 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with PSAS and include the following significant accounting policies:

a) Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. External investment management fees which are recorded as $109,717 (2011 – $116,726), external performance fees which are recorded as $30,989 (2011 – $19,096), and pension liabilities which are recorded as $2,770 (2011 – $2,647) in these financial statements, are subject to measurement uncertainty. External investment costs include estimates of management and performance fees that are based upon specified rates and commitment levels in the investment management agreements. The pension liabilities are based on key assumptions that could impact the reported liability. Refer to Note 9 for a description of the key assumptions and how a change in the assumptions can impact the reported pension liability.

Estimates and assumptions are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

b) Revenue Recognition

All revenues are reported on the accrual basis of accounting.

Cost recovery revenue is recognized on the recovery of direct costs related to management of government funds, pension plans and other investments, and on the recovery of indirect costs representing each government fund, pension plan and pooled fund's respective share of the Corporation's operating costs. The indirect charges are allocated based on assets under management and transaction volume. Cost recovery revenue is accrued and billed on a monthly basis as the related costs are incurred and investment management services are provided.

Under the *Alberta Investment Management Corporation Act*, the Corporation may establish and maintain one or more Reserve Funds with the ability to recover charges in excess of direct costs.

c) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

d) Assets

Financial assets which include cash and cash equivalents and accounts receivable are assets that could be used to discharge existing liabilities or finance future operations.

Tangible capital assets of the Corporation are recorded at historical cost and amortized on a straight-line basis over the estimated useful life of the assets.

Prepaid expenses are charged to expense over the periods expected to benefit from it.

e) Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in a sacrifice of economic benefits in the future.

f) Valuation of Financial Assets and Liabilities

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.

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and accrued employment benefits are estimated to approximate their carrying values because of the short-term nature of these instruments. Fair value of the advance from the Province of Alberta is not reported due to there being no organized financial market for the instrument, and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

g) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Computer systems hardware and software development costs, including labour and materials, and costs for design, development, testing and implementation, are capitalized when the related business systems are expected to be of continuing benefit to the Corporation. Amortization is calculated on a straight-line basis over the following periods:

Computer systems hardware and software	5 years
Furniture and equipment	10 years
Leasehold improvements	Lesser of the useful life of the asset and the term of the lease

Computer systems hardware and software development costs are not amortized until the items are available for use.

h) Write-down of Tangible Capital Assets

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

i) Net Assets

Net assets represent the difference between the carrying value of assets held by the Corporation and its liabilities.

PSAS require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Corporation operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

j) Employment Benefits

The Corporation participates in multi-employer defined benefit plans that meet the accounting requirements for treatment as defined contribution plans. The Corporation also participates in defined contribution pension plans. Employer contributions are expensed as incurred.

On January 1, 2010, the Corporation established a new Supplementary Retirement Plan ("SRP") for those individuals required to withdraw from the existing Supplementary Retirement Plan for Public Service Managers. This pension plan is accounted for using the projected-benefits method pro-rated on service to account for the cost of the defined benefit pension plan. Pension costs are based on management's best estimate of expected plan investment performance, discount rate, salary escalation, and retirement age of employees. The discount rate used to determine the accrued benefit obligation is based on rates of return of assets currently held by the plan. Plan assets are valued at fair value for the purpose of calculating the expected return on plan assets. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service life of employees active at the date of amendments. Net actuarial gains or losses over 10% of the greater of the benefit obligation and the fair value of plan assets are amortized on a straight-line basis over the average remaining service life of active employees. Transitional obligations are amortized on a straight-line basis over the average remaining service life of active employees. Valuation allowances are calculated such that accrued benefit assets are limited to amounts that can be realized in the future by applying any plan surplus against future contributions.

The Corporation provides retention incentives to employees through a Long-Term Incentive Plan ("LTIP") and a Restricted Fund Unit ("RFU") plan. The value of these awards, which fluctuates over the vesting period based on achievement of certain performance factors, is expensed as salaries, wages and benefits over the vesting period of the awards. The liability for the awards is remeasured at each reporting period based on changes in the intrinsic values of the awards, such that the cumulative amount of the liability will equal the expected payout at that date. Any gains or losses on remeasurement are recorded in the statement of operations. For any forfeiture of the awards, the accrued compensation cost will be adjusted by decreasing salaries, wages and benefits expense in the period of forfeiture.

k) Foreign Currency

Assets and liabilities denominated in foreign currency are translated at the year-end rate of exchange. Exchange differences on transactions are included in the determination of net operating results. Foreign currency transactions are translated into Canadian dollars using the Bank of Canada noon rate for the day.

NOTE 5 CASH AND CASH EQUIVALENTS

AS AT MARCH 31, ($ THOUSANDS)	2012	2011
Deposit in Consolidated Cash Investment Trust Fund	$ 18,172	$ 19,558
Cash in U.S. bank account	150	49
	$ 18,322	$ 19,607

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 comprises high quality short-term and mid-term fixed income securities with a maximum term-to-maturity of three years. As at March 31, 2012, securities held by the Fund have a time-weighted return of 1.2% per annum (2011 – 1.1% per annum).

NOTE 6 TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED MARCH 31, 2012 ($ THOUSANDS)	COMPUTER SYSTEMS HARDWARE AND SOFTWARE	COMPUTER SYSTEMS HARDWARE AND SOFTWARE UNDER DEVELOPMENT	LEASEHOLD IMPROVEMENTS	FURNITURE AND EQUIPMENT	2012
COST					
Opening balance	$ 18,750	$ 10,017	$ 11,995	$ 4,132	$ 44,894
Additions	1,264	14,199	165	315	15,943
Disposals	–	–	–	–	–
Transfers	280	(250)	(30)	–	–
Write-downs	–	–	–	–	–
Closing balance	20,294	23,966	12,130	4,447	60,837
ACCUMULATED AMORTIZATION					
Opening balance	10,851	–	1,268	430	12,549
Amortization expense	2,487	–	1,231	426	4,144
Disposals	–	–	–	–	–
Write-downs	–	–	–	–	–
Closing balance	13,338	–	2,499	856	16,693
Net book value at March 31, 2012	$ 6,956	$ 23,966	$ 9,631	$ 3,591	$ 44,144

FOR THE YEAR ENDED MARCH 31, 2011 ($ THOUSANDS)	COMPUTER SYSTEMS HARDWARE AND SOFTWARE	COMPUTER SYSTEMS HARDWARE AND SOFTWARE UNDER DEVELOPMENT	LEASEHOLD IMPROVEMENTS	FURNITURE AND EQUIPMENT	2011
COST					
Opening balance	$ 12,953	$ 8,316	$ 11,004	$ 3,772	$ 36,045
Additions	3,075	4,423	991	360	8,849
Disposals	–	–	–	–	–
Transfers	2,722	(2,722)	–	–	–
Write-downs	–	–	–	–	–
Closing balance	18,750	10,017	11,995	4,132	44,894
ACCUMULATED AMORTIZATION					
Opening balance	9,165	–	99	33	9,297
Additions	1,686	–	1,169	397	3,252
Disposals	–	–	–	–	–
Write-downs	–	–	–	–	–
Closing balance	10,851	–	1,268	430	12,549
Net book value at March 31, 2011	$ 7,899	$ 10,017	$ 10,727	$ 3,702	$ 32,345

Included in tangible capital assets is computer systems hardware and software of $23,966 (2011 – $10,017) that is under development and not subject to amortization.

NOTE 7 ACCRUED EMPLOYMENT LIABILITIES

AS AT MARCH 31, ($ THOUSANDS)	2012	2011
Annual Incentive Plan (a)	$ 17,532	$ 14,781
Long-term Incentive Plan (b)	15,764	6,745
Restricted Fund Unit incentive plan (c)	614	481
Accrued vacation salaries and benefits	2,729	1,935
	$ 36,639	$ 23,942

a) Annual Incentive Plan

Variable pay per the Corporation's Annual Incentive Plan is accrued based on goal attainment for the calendar year and paid in the subsequent year. Payments are tied to asset class and total fund value-added and include a component for achievement of annual individual objectives. The Chief Executive Officer may also make discretionary awards.

b) Long-Term Incentive Plan

The Corporation provides retention incentives to employees through an LTIP and an RFU plan. The LTIP program promises a deferred reward for generating superior average net incremental return from active management ("value-added") over a four-year period. Senior management and other key professionals of the Corporation receive LTIP grants effective January 1 of each year that vary in size with their level of responsibility and quality of past performance. The first of these grants, issued effective January 1, 2009, will vest on December 31, 2012, with grants being issued annually thereafter. In the majority of situations, employees must be actively working for the Corporation on the date of payment. LTIP grants have an initial cash value of zero. When they mature after four years, they will pay between zero and three times the size of the grant. The maximum amount will be paid if the average four-year value-added exceeds the average "stretch target" annually set by the Board. For each of 2009 through 2011, the stretch target is $500,000. For 2012, the stretch target is $600,000.

If the average four-year value-added exceeds the average "stretch target" annually set by the Board, employees have the potential to receive a Special LTIP Grant at the vesting date. This Special LTIP Grant, which cannot exceed the original grant, has a new four-year vesting period and is subject to the same parameters as regular LTIP grants. Strong performance in certain asset classes since the first grants were awarded have resulted in the potential for Special LTIP Grants. However, since future performance for the remainder of the vesting period will determine whether the Special LTIP Grants will be awarded, no amount has been accrued in these financial statements.

The accrued LTIP liability as at March 31, 2012 of $15,764 (2011 – $6,745) reflects the potential value of all LTIP grants, based on actual results to that date from the date they were awarded.

Information about total LTIP grants awarded and outstanding is as follows:

FOR THE YEARS ENDED MARCH 31, (THOUSANDS)	2012	2011
LTIP grants outstanding, beginning of year	**14,475**	9,460
Granted	**6,975**	5,635
Redeemed/forfeited	**(539)**	(620)
LTIP grants outstanding, end of year	**20,911**	14,475

The maximum potential obligation related to the LTIP as at March 31, 2012 was $62,733 (2011 – $43,425). Total expense related to the LTIP for the year ended March 31, 2012 was $8,990 (2011 – $4,740), which was recorded in salaries, wages and benefits.

c) Restricted Fund Unit Incentive Plan

The RFU program is a supplementary compensation plan based on a notional investment in the total assets under administration, where the value fluctuates based on the total rate of return. Unlike the LTIP grants, rates of return relative to benchmark do not impact the value of the RFUs. RFUs have time horizons of one to three years for vesting provisions. Employees must be on staff as of the payment date in order to be eligible to receive any vested payments.

The accrued RFU liability as at March 31, 2012 of $614 (2011 – $481) reflects the potential value of all RFUs, based on actual results to that date from the date they were awarded.

Information about total RFU grants awarded and outstanding is as follows:

FOR THE YEARS ENDED MARCH 31, (THOUSANDS)	2012	2011
RFU grants outstanding, beginning of year	**505**	630
Granted	**1,200**	15
Redeemed/forfeited	**(155)**	(140)
RFU grants outstanding, end of year	**1,550**	505

Total expense related to the RFU plan for the year ended March 31, 2012 was $314 (2011 – $231), which was recorded in salaries, wages and benefits.

NOTE 8 ADVANCE FROM THE PROVINCE OF ALBERTA

Pursuant to Order in Council 542/2007 and in accordance with a loan advance agreement, the Corporation received advances on both January 1, 2008 and April 1, 2008 from the Province of Alberta to fund operating and capital cost requirements. As at March 31, 2012, the outstanding advance totaled $28,249 (2011 – $28,249).

The advance is a revolving demand credit facility up to a maximum of $30,000. The advance is repayable within six months of demand by the Province and is interest bearing at a rate equal to the Province's one-month borrowing rate. At March 31, 2012, the Corporation was in compliance with the terms of its revolving demand facility.

The Corporation has requested an increase to its existing loan advance agreement to a maximum of $70,000 to provide additional funds necessary to complete existing projects under development. This amendment will require an Order in Council which has not yet been received.

NOTE 9 PENSION LIABILITIES

Information about the Corporation's SRP is as follows:

FOR THE YEARS ENDED MARCH 31, ($ THOUSANDS)	2012	2011
ACCRUED RETIREMENT OBLIGATION		
Beginning of year	$ 1,629	$ 2,483
Current service cost	399	389
Interest cost	91	129
Actuarial loss (gain)	156	(1,372)
End of year	2,275	1,629
PLAN ASSETS		
Fair value, beginning of year	354	–
Actual return on plan assets	11	–
Employer contributions	107	177
Employee contributions	107	177
End of year	579	354
Funded status – plan deficit	(1,696)	(1,275)
Unamortized net actuarial gain	(1,074)	(1,372)
Reported liability	$ (2,770)	$ (2,647)
Current service cost	400	389
Interest cost	91	129
Expected return on plan assets	(28)	–
Net actuarial gain amortization	(125)	–
Less: employee contributions	(107)	(177)
Total SRP expense	$ 231	$ 341

The measurement date for the plan assets and the accrued retirement obligation for the Corporation's defined benefit pension plan is March 31. Actuarial valuations are performed at least every three years to determine the actuarial present value of the accrued retirement obligation. The next required actuarial valuation for funding purposes will be March 31, 2013.

Approximate asset allocations, by asset category, of the Corporation's defined benefit pension plan assets were as follows:

AS AT MARCH 31,	2012	2011
Equity securities	55%	0%
Debt securities	44%	0%
Other	1%	100%

The following table presents key assumptions applicable to the SRP:

AS AT MARCH 31,	2012	2011
Annual discount rate	4.2%	4.5%
Annual salary increase – base	3.0%	3.0%
Expected long-term return on plan assets	5.6%	6.0%
Inflation rate	2.0%	2.0%

The reported liability of the SRP is significantly impacted by these assumptions. A 1% increase or decrease in the discount rate would decrease or increase the reported liability by $602 as at March 31, 2012 (2011 – $449). A 1% increase or decrease in the rate of salary increases would increase or decrease the reported liability by $1,613 as at March 31, 2012 (2011 – $1,214). A 1% increase or decrease in the inflation rate would increase or decrease the reported liability by $172 as at March 31, 2012 (2011 – $127).

Pension and Disability Plans

The Corporation participates in two multi-employer public sector pension plans, the Management Employees Pension Plan and the Public Service Pension Plan, and two multi-employer Long-Term Disability Income Continuance plans. The Corporation also participates in a defined contribution pension plan and a defined contribution supplementary retirement plan, established for employees hired after the formation of the Corporation on January 1, 2008.

The Corporation's expense for the pension and disability plans was equivalent to the annual contributions of $2,988 (2011 – $2,758) for the year ended March 31, 2012, which was recorded in salaries, wages and benefits.

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of $517,726 (2010 – $397,087) and the Public Service Pension Plan reported a deficiency of $1,790,383 (2010 – $2,067,151).

NOTE 10 NET ASSETS

The accumulated surplus is made up as follows:

AS AT MARCH 31, ($ THOUSANDS)	2012	2011
Contributed surplus (a)	$ 3,647	$ 3,647
Share capital (b)	–	–
Accumulated surplus	–	–
	$ 3,647	$ 3,647

a) Contributed Surplus

Contributed surplus of $3,647 (2011 – $3,647) represents equity received by the Department of Finance and Enterprise in exchange for the transfer of the net book value of capital assets to the Corporation on January 1, 2008.

b) Share Capital

AS AT MARCH 31, ($ THOUSANDS)	2012	2011
ISSUED AND AUTHORIZED		
Province of Alberta – one share	$ –	$ –

NOTE 11 EXTERNAL INVESTMENT COSTS

External investment costs include external investment management and performance-based fees, as well as asset administration, legal and other expenses incurred on behalf of the Corporation's clients.

External investment management fees are based on a percentage of net assets under management at fair value, and committed amounts in the case of private equity and private income pools. Fees charged by external managers include regular management fees as well as performance/incentive-based fees. These fees include significant estimates and measurement uncertainty. Actual results could differ from these estimates.

External asset administration, legal and other expenses are incurred directly by the Corporation's investment portfolios and include fees for the following services: asset custody and administration, audit, compliance and valuation, and investment acquisition, disposition and structuring. During the March 31, 2012 year end, $39,270 (2011 – $2,467) of one-time acquisition fees related to an investment were incurred.

NOTE 12 CHANGES IN OPERATING ACCOUNTS

FOR THE YEARS ENDED MARCH 31, ($ THOUSANDS)	2012	2011
(Increase) decrease in accounts receivable	$ (1,969)	$ 388
Increase in prepaid expenses	(697)	(532)
Increase (decrease) in accounts payable and accrued liabilities	1,076	(7,929)
Increase in accrued employment benefits	12,697	9,818
	$ 11,107	$ 1,745

NOTE 13 ASSETS UNDER ADMINISTRATION

The Corporation provides investment management services on behalf of certain Province of Alberta endowment funds, other government funds and certain public sector pension plans.

At March 31, 2012, assets under administration totaled approximately $69.7 billion (2011 – $68.8 billion), at market value. These assets were administered on behalf of the following clients of the Corporation:

AS AT MARCH 31, ($ THOUSANDS)	2012	2011
Pension plans	**$ 35,126,435**	$ 31,436,597
Ministry of Finance and Enterprise		
General revenue and entity investment funds[1]	**10,560,738**	14,267,483
Endowment funds (including the Alberta Heritage Savings Trust Fund)	**19,352,952**	18,332,498
Insurance-related funds	**2,020,941**	2,415,934
Other government ministry investment funds	**2,605,675**	2,348,256
	$ 69,666,741	$ 68,800,768

[1] *General Revenue Fund Policy loans have been excluded as they are managed by the Ministry of Finance and Enterprise.*

The Corporation manages the majority of these investments through pooled investment funds. However, some investments are managed by third-party investment managers selected and monitored by the Corporation in order to achieve greater diversification, access to external expertise and specialized knowledge. Investments are made in accordance with the investment policies established and approved by the clients.

Investments administered by the Corporation were held in the following asset classes:

AS AT MARCH 31, ($ THOUSANDS)	2012	2011
FIXED INCOME		
Fixed income[1]	**$ 26,009,083**	$ 29,318,810
Private mortgages	**2,341,206**	2,261,523
INFLATION SENSITIVE		
Real estate	**7,045,460**	5,579,575
Infrastructure, timber and private debt	**4,373,384**	2,452,871
Real return bonds and commodities	**2,122,962**	1,977,405
EQUITIES		
Public equities and absolute return strategies	**25,513,444**	24,774,440
Private equity and venture capital	**2,179,848**	1,930,208
OVERLAYS	**81,354**	505,936
	$ 69,666,741	$ 68,800,768

[1] *General Revenue Fund Policy loans have been excluded as they are managed by the Ministry of Finance and Enterprise.*

NOTE 14 RELATED PARTY TRANSACTIONS

Related parties are the government funds, pension plans and other entities for which the Corporation provides investment management services. The Corporation had the following transactions with related parties recorded at the exchange amount, which is the amount of consideration agreed upon between the related parties:

FOR THE YEARS ENDED MARCH 31, ($ THOUSANDS)	2012	2011
REVENUES		
Indirect cost recoveries	$ 93,174	$ 76,680
EXPENSES		
Interest on advance from Province of Alberta	265	195
Contracted services (rent and other)	587	561
	852	756
ASSETS		
Accounts receivable	13,574	13,880
LIABILITIES		
Accounts payable	–	577
Advance from Province of Alberta	28,249	28,249
	$ 28,249	$ 28,826

NOTE 15 SALARIES AND BENEFITS DISCLOSURE

The Corporation has a pay for performance strategy that exists to attract, retain and motivate top performers. Base salaries are market driven and variable compensation programs reward consistent value-added performance.

The tables below present total compensation of the directors and senior management of the Corporation earned for the year ended March 31, 2012 in accordance with Treasury Board directive 12/98 as amended. This directive applies to all departments, regulated funds, provincial agencies and Crown-controlled organizations.

FOR THE YEARS ENDED MARCH 31, ($ THOUSANDS)	2012					2011
	BASE SALARY[1]	VARIABLE PAY[2]	OTHER CASH BENEFITS[3]	OTHER NON-CASH BENEFITS[4]	TOTAL	TOTAL
Chairman of the Board[5]	$ –	$ –	$ 105	$ –	$ 105	$ 93
Board members[5]	–	–	427	–	427	385
Chief Executive Officer	500	1,000	17	70	1,587	1,488
Deputy Chief Investment Officer, Change Management[6]	296	580	59	44	979	827
Chief Financial Officer	250	135	1	36	422	412
Chief Risk Officer	225	190	1	46	462	458
Senior Vice President, Fixed Income Investments	265	370	1	50	686	706
Senior Vice President, Public Equities	269	590	–	42	901	770

[1] *Base salary consists of all regular pensionable base pay earned.*

[2] *Variable pay comprises the Annual Incentive Plan and is accrued based on goal attainment for the calendar year end and paid in the subsequent period.*

[3] *Other cash benefits consist of LTIP and RFU paid in the year, retainers, honoraria, lump sum payments, and any other direct cash remuneration.*

[4] *Other non-cash benefits consist of the Corporation's share of all employee benefits and contributions or payments made on behalf of employees, including pension, supplementary retirement plans, statutory contributions, and health plan coverage.*

[5] *Since December 2011, the Board has consisted of 11 independent members including the Chairman, whose compensation is disclosed separately. From December 2009 to December 2011, the Board consisted of 10 independent members including the Chairman.*

[6] *Prior to August 2011, the Deputy Chief Investment Officer, Change Management, served as Chief Operating Officer.*

Deferred Long-Term Incentive Compensation

FOR THE YEARS ENDED MARCH 31, ($ THOUSANDS)	LTIP GRANT 2012	RFU GRANT 2012	TOTAL 2012	TOTAL 2011
Chief Executive Officer	$ 500	$ –	$ 500	$ 500
Deputy Chief Investment Officer, Change Management	350	–	350	260
Chief Financial Officer	–	–	–	–
Chief Risk Officer	169	–	169	169
Senior Vice President, Fixed Income Investments	240	–	240	239
Senior Vice President, Public Equities	350	–	350	239

The Corporation provides retention incentives to employees through an LTIP and an RFU plan as described in Note 7. LTIP and RFU grants have not been included in the Salaries and Benefits table because they have an initial cash value of zero. Employees must be on staff as of the payment date in order to be eligible to receive any vested payments. When LTIP grants mature after four years, they will pay between zero and three times the size of the grant. The maximum amount will be paid if the average four-year value-added exceeds the average "stretch target" annually set by the Board. For each of the years 2009 through 2011, the stretch target was $500 million. For 2012, the stretch target is $600 million. RFUs have time horizons of one to three years for vesting provisions. The value of the RFU grant fluctuates based on the total rate of return on assets under investment from the date they were awarded.

NOTE 16 CONTRACTUAL OBLIGATIONS

The Corporation has entered into various agreements with minimum annual commitments for office space and other contracted services as follows:

($ THOUSANDS)	2012	2011
2012	$ –	$ 4,119
2013	4,578	4,271
2014	4,264	3,967
2015	3,775	3,588
2016	3,775	3,588
2017	3,760	–
Thereafter	7,176	10,763
Total	$ 27,328	$ 30,296

The Corporation entered into a lease agreement commencing January 1, 2010, for 10 years, with two optional renewal periods of five years each. As part of the lease agreement, the corporation received a lease inducement of $6,768. The inducement is recognized as a reduction in lease expense over the 10-year term of the lease. The total deferred lease inducement as at March 31, 2012, which includes the Corporation's offices in Toronto, is $5,334 (2011 – $6,050). In addition, the Corporation entered into two lease agreements for new facilities commencing March 1, 2012. The first agreement is for five years, with an option to renew for a further five years. The second agreement is for two years, with an option to renew for a further period of one year.

Pursuant to Order in Council 23/2008, the Province of Alberta has made available a facility to access up to a maximum of $200,000 for letters of credit for security purposes. This facility is utilized by the investment pools and at March 31, 2012 the balance outstanding against the facility is $14,516 (2011 – $12,878).

NOTE 17 2011-2012 BUDGET

The Corporation's budget for the year ended March 31, 2012 was approved by the Board of Directors on November 25, 2010.

NOTE 18 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

PUBLIC MARKET INVESTMENTS OVER $300 MILLION

CORPORATE ISSUERS	ASSETS UNDER MANAGEMENT	% OF TOTAL
Royal Bank of Canada	1,361	2.0%
Bank of Nova Scotia	981	1.4%
Viterra	968	1.4%
Toronto-Dominion Bank/The	959	1.4%
Bank of Montreal	941	1.4%
Canadian Imperial Bank of Commerce/Canada	886	1.3%
Precision Drilling	519	0.7%
Apple	411	0.6%
National Bank of Canada	361	0.5%
GE Capital Canada Funding Co.	358	0.5%
JPMorgan Chase & Co.	333	0.5%
Merrill Lynch Financial Assets	309	0.4%
	8,387	12.1%

GOVERNMENT ISSUERS	ASSETS UNDER MANAGEMENT	% OF TOTAL
Government of Canada	4,765	6.9%
Province of Ontario	2,505	3.6%
Canada Housing Trust No 1	2,258	3.2%
Province of Quebec	1,357	1.9%
Canadian Mortgage Pools	1,117	1.6%
Financement-Quebec	631	0.9%
Province of Nova Scotia	509	0.7%
Province of Manitoba	480	0.7%
Province of British Columbia	476	0.7%
Province of New Brunswick	454	0.7%
CDP Financial Inc (Caisse de dépôt et placement du Québec)	451	0.6%
U.S. Department of Treasury	329	0.5%
	15,332	22.0%

SENIOR MANAGEMENT TEAM

LEO DE BEVER
Chief Executive Officer and
Chief Investment Officer

JAGDEEP SINGH BACHHER
Deputy Chief Investment Officer,
Change Management

WARREN CABRAL
Chief Financial Officer

CAROLE HUNT, Q.C.
Chief Legal Counsel and
Corporate Secretary

JOHN OSBORNE
Chief Risk Officer

ANGELA FONG
Chief Corporate and
Human Resources Officer

LORNE R. ANDERSON
Senior Vice President,
Change Management

MICHAEL BAKER
Senior Vice President,
Investment Operations

A.J. (PINE) PIENAAR
Senior Vice President,
Client Relations

MICHEAL DAL BELLO
Senior Vice President, Real Estate

GEORGE ENGMAN
Senior Vice President, Private Equity

BRIAN GIBSON
Senior Vice President, Public Equities

DALE MACMASTER
Senior Vice President,
Fixed Income Investments

ROBERT MAH
Senior Vice President, Infrastructure
and Timber Investments

DOUGLAS P. STRATTON
Senior Vice President,
Fund Management

DARREN BACCUS
Associate General Legal Counsel

GISELLE BRANGET
Vice President, Active Equities

SALLY CHAN
Vice President, Internal Audit

JACQUELYN COLVILLE
Vice President, Finance and Controller

CHARLIE EIGL
Vice President,
Investment Administration

ARTHUR R. GUIMARAES
Vice President, AIMCo Program

ANDREW W. HUNTLEY
Vice President, Mortgages

GUAN SENG KHOO
Vice President, Risk Management

BRETT KIMAK
Vice President, Compliance

DONALD OLSEN
Vice President, Client Relations

JAMES RIDOUT
Vice President, Private Equity

EDWARD RIECKELMAN
Vice President, Private Equity

STEPHEN G. STEWART
Vice President, Private Debt

DAVID STYLES
Vice President,
Relationship Investments

JEAN DAVID TREMBLAY-FRENETTE
Vice President,
Global Tactical Asset
Allocation & Economics

SAMEER VERMA
Vice President, Systems &
Technology Readiness

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ALBERTA INVESTMENT MANAGEMENT CORPORATION

Head Office
1100 – 10830 Jasper Avenue NW
Edmonton, Alberta T5J 2B3 Canada
Telephone: 1-780-392-3600

Toronto Office
70 York Street, Suite 1700
Toronto, Ontario M5J 1S9 Canada
Telephone: 1-416-304-1160

www.aimco.alberta.ca

Alberta Investment Management Corp.