



April 30, 2020

A Message from Kevin Uebelein AIMCo Chief Executive Officer

Amid recent media coverage, it would be easy to think Albertans' public retirement investments are at risk. Let me reassure you, they are not.

To be direct, the thousands of Albertans who are working courageously on the front lines in health care, law enforcement and other public service roles during this global health crisis, many of whom are members of the pension funds AIMCo serves, have enough to worry about. They do not have to worry about the investments that support their retirement security.

As CEO of AIMCo, I am accountable for the performance of our organization. I am also responsible for setting the record straight.

Recently, the media has reported on a volatility-related investment strategy we manage that resulted in a significant loss. This occurred because the losses that quickly accrued as market volatility dramatically increased and remained elevated were not able to be offset by the gains that would normally be realized as volatility returned to more typical levels. Markets behaved in a manner never-before-seen and the result was a very unfortunate loss.

In addition, media reporting has dramatically overstated the extent of the losses, by 43% on the low-end and 100% on the high-end. Realized and unrealized losses combined to date are approximately \$2.1 billion of the \$118.8 billion of assets we manage on behalf of our clients. While that figure will likely change, we have actively taken a number of steps to limit the eventual loss. Actual losses will not be finalized until the strategy is completely wound down, which should occur by mid-June.

Anytime you are counting in the billions, it is a big number worthy of attention, and I certainly would never want to experience such an outcome from a strategy. When record-setting market movements occur — recall the TSX suffered its biggest one-day plunge in eight decades — new lessons will inevitably emerge, as they clearly will here at AIMCo. Others across the investment community will be doing the same, I am sure, as the final impact of this global recession is measured.

I believe that one lesson that will be reaffirmed by us all is the power of diversification over the long run. Inherent in this principle of diversification is the notion that some asset classes or strategies will perform negatively under certain circumstances. AIMCo has had longstanding success in building well-diversified portfolios, ones that deliver strong investment returns while managing total risk. Our track record of success in doing this is clear, even if the recent performance of this strategy is not acceptable.

As an independent investment manager, AIMCo takes full responsibility for the investment losses incurred by this strategy. Over the past few weeks, we have focused on implementing measures to minimize the potential losses from this strategy and across our entire portfolio, while honouring our commitment that our clients remain fully informed of our results.

Let me be clear, the performance of this investment is wholly unsatisfactory and AIMCo's Board and Management share the frustration and disappointment of our clients, their beneficiaries, and all Albertans.

We are committed to learning important lessons from this experience. AIMCo's Board of Directors has begun a thorough review of this situation. They are using both the strength of AIMCo's internal audit capabilities, as well as outside, third-party experts.

We would like Albertans to know that every day, I, and the team I lead, go to work to help our clients secure and grow the pensions, endowments and government funds they run. It is both a responsibility and a trust. We will continue to keep our clients and stakeholders informed in a timely manner. We welcome their ongoing input as well.

Please know I am fully focused on one thing: making any and all changes to ensure AIMCo is stronger and that we avoid a repeat of this outcome, regardless of market turmoil.

Take care and stay safe.