STRAIGHT FORWARD

ALBERTA INVESTMENT MANAGEMENT CORPORATION
ANNUAL REPORT 2010/11

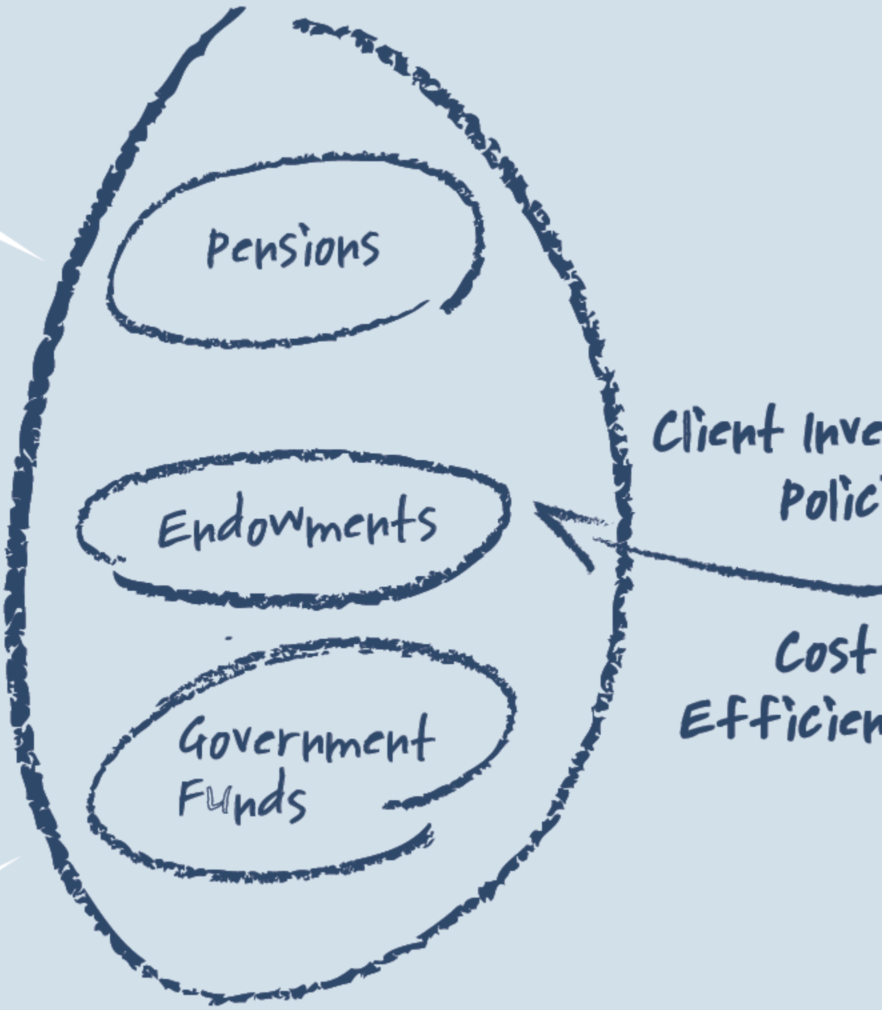
Alberta Investment Management Corp.

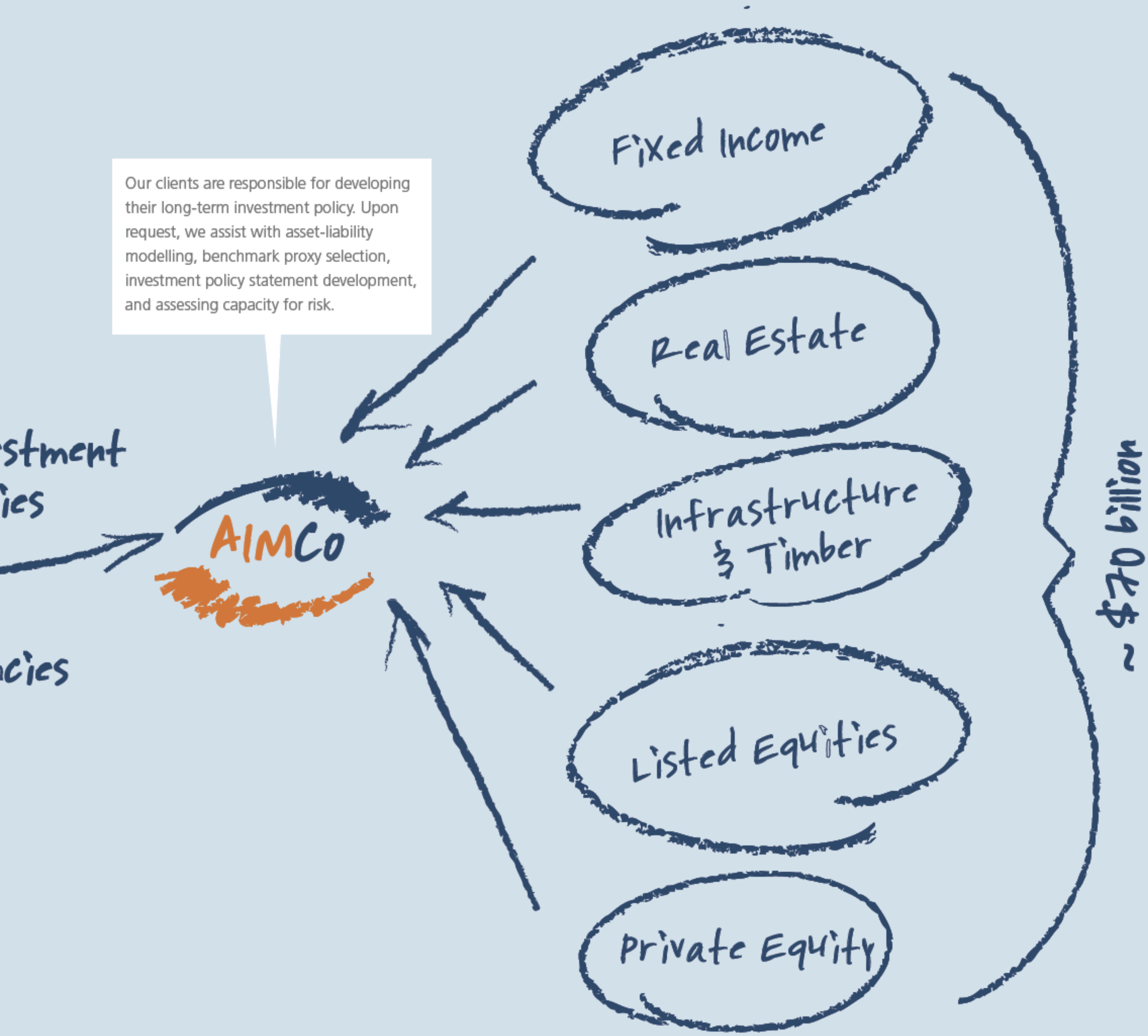
AIMCo's services to clients include investment management, investment policy strategy implementation, performance measurement and reporting, asset administration and compliance.

AIMCo oversees and manages the retirement income needs of over 300,000 active and retired public sector employees. Annually, these funds pay out more than $1 billion in pension payments, refunds and transfers to other plans.

The Alberta Heritage Endowment Funds and other endowments make up the largest system of its kind in Canada. In the 2010/11 fiscal year, the Heritage Fund earned over $1 billion under AIMCo's management.

The Alberta short-term Government Funds AIMCo manages are used for priorities as diverse as health care, education, infrastructure and social programs. Withdrawals to fund these government programs reduced AIMCo's assets under management.




Our clients are responsible for developing their long-term investment policy. Upon request, we assist with asset-liability modelling, benchmark proxy selection, investment policy statement development, and assessing capacity for risk.
AIMCo
Fixed Income
Real Estate
Infrastructure & Timber
Listed Equities
Private Equity
~ $70 billion

STRAIGHT FORWARD

This phrase best describes our unwavering commitment and determination to build an organization that can achieve consistently superior financial results for our clients. AIMCo was created in 2008 on the premise that, with $70 billion of assets, we had the critical mass to create an investment organization that could rank among the best. Our starting point was not ideal. The investment organization was under-resourced. Revamping our systems and achieving best practice for operational effectiveness will take another two years. Guided by a strong Board, we have made the most of AIMCo's freedom to attract and retain the best. Our efforts to achieve better than market returns are paying off in listed assets, but we still have challenges restructuring some legacy unlisted assets. AIMCo targets long-term results. We are putting in place the foundation necessary for success. In a few years it should be clear we are achieving our goals.

TABLE OF CONTENTS

About AIMCo **(inside fold)** Investment Highlights **2** Assets Under Management **3** Message from the Chair **4** Q+A with the CEO **5** Executive Management Team **8** Managing Investment Risk **10** Investment Performance **11** Building an Innovative Operational Platform **34** People Strategies **36** Compensation Discussion and Analysis **37** Governance **39** Board of Directors **42** Management's Responsibility for Financial Reporting **44** Independent Auditor's Report **45** Financial Statements and Notes **46** Investments Over $300 Million **60** Senior Management Team **(inside back cover)**

About AIMCo

WHAT WE DO

Alberta Investment Management Corporation (AIMCo) is one of Canada's largest institutional investment managers. We are responsible for the financial assets of 26 clients: a diverse group of Alberta public sector pension plans, endowment funds and certain assets for the Government of Alberta.

With about $70 billion under management, we create portfolios that reflect our clients' chosen risk and return profiles. AIMCo's Balanced Funds clients ($50 billion) are invested in equities, bonds and inflation sensitive assets. The remaining Government of Alberta clients ($20 billion) are invested in money market and short-term bonds. Our mandate is to deliver consistent, superior, long-term risk-adjusted returns for our clients.

HOW WE PLAN TO EARN SUPERIOR RETURNS

Taking risk has a persistent long-term reward

Bonds provide high security of principal if held to maturity, but historically have low long-term return on investment. Riskier assets like stocks provide much higher long-term returns to compensate for the greater variability of short-term returns and the extreme downside in years such as 2008.

We manage risk for maximum return

Our clients have limited tolerance for the capital loss that can result from taking risk. That makes risk our scarce resource. Risk must be deployed where and when we expect it to earn the highest return.

AIMCo's goal is to improve on the passive returns our clients could achieve without us

The simplest way to deploy risk is through index investments in a broad range of listed markets. AIMCo's size allows it to access active return strategies to generate superior long-term risk-adjusted returns.

Active management is a critical source of returns

The bulk of AIMCo's returns will always come from portfolio exposure to listed markets. Superior security, sector and country selection can add value, while also providing diversification benefits.

AIMCo's comparative advantages are cash and patience

Many investment opportunities are only accessible to investors with a long investment horizon. Most of the capital we manage will not be needed for many years, so AIMCo can earn a premium return for our clients by committing sizeable investments for long periods of time.

Investment strategies must respond to changing conditions

Good investment ideas don't last forever, and attractive returns accrue to those who identify new opportunities early. Returns in listed assets are mostly unpredictable in the short run, but extremely high market valuations tend to be followed by an extended period of poor future returns.

Good governance has its own return

Well-governed companies tend to provide superior investment returns. In certain circumstances, AIMCo will work with other shareholders to promote best practice in corporate governance.

We invest in cost-effective internal management

We employ the right people with the right expertise in Investments and Operations to manage the corporation in the most cost-effective manner. Strong operational and risk management support can avoid costly investment implementation errors.

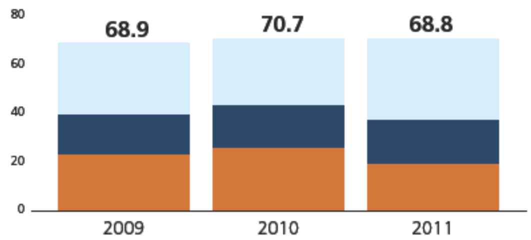
Investment Highlights

ASSETS UNDER MANAGEMENT

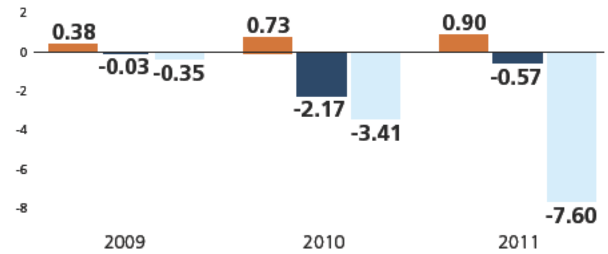
For the years ended March 31 ($ billions)

■ *Pensions* ■ *Endowments* ■ *Government Funds*

AIMCo ANNUAL ASSETS UNDER MANAGEMENT



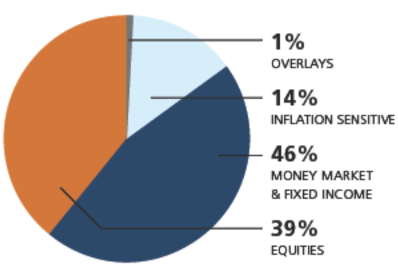
ANNUAL NET CONTRIBUTIONS



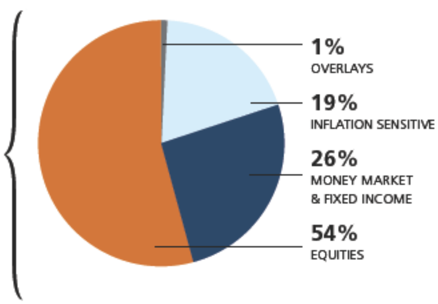
ASSET MIX

As at March 31, 2011

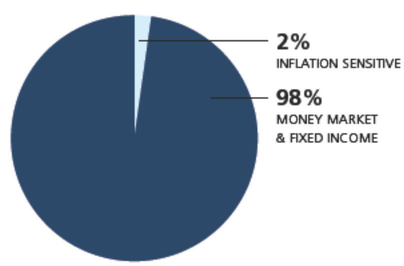
AIMCo TOTAL



BALANCED FUNDS
(Pensions & Endowments)



GOVERNMENT FUNDS

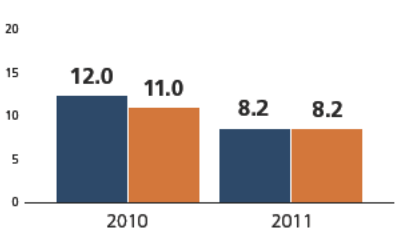


INVESTMENT PERFORMANCE

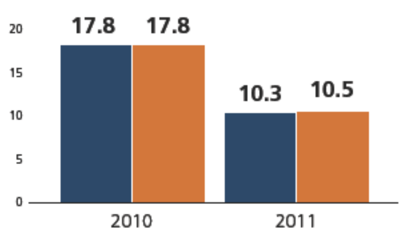
For the years ended March 31 (%)

■ *Actual* ■ *AIMCo Total Benchmark*

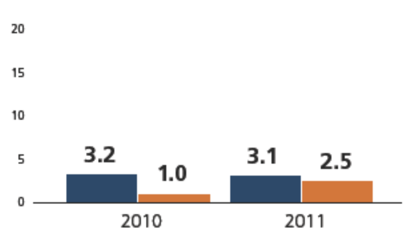
AIMCo TOTAL



BALANCED FUNDS *(Pensions & Endowments)*



GOVERNMENT FUNDS



Assets Under Management

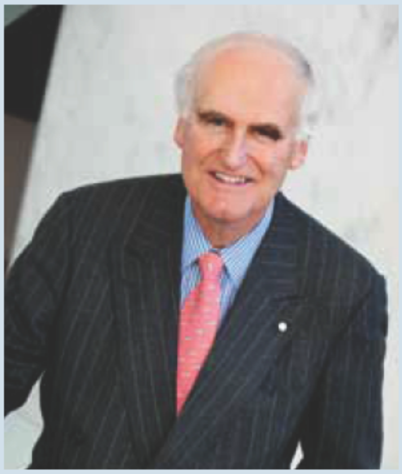
Total assets under management did not change much this year. Drawdowns in the Sustainability Fund to fund government programs were slightly larger than the growth in balanced funds.

By client type as at March 31, 2011

				AIMCo ASSET CLASS	
	MARKET VALUE ($ MILLIONS)	MONEY MARKET & FIXED INCOME	INFLATION SENSITIVE	EQUITIES	OVERLAYS
AIMCo TOTAL	**$ 68,801**	46%	14%	39%	1%
Balanced Funds	**$ 49,950**	26%	19%	53%	1%
ENDOWMENT FUNDS	***18,518***	*26%*	*18%*	*55%*	*1%*
Heritage Savings Trust	**15,466**	26%	19%	55%	1%
Heritage Medical Research	**1,344**	27%	18%	54%	1%
Heritage for Science and Engineering	**769**	27%	18%	55%	1%
Heritage Scholarship Trust	**754**	28%	15%	56%	1%
Long-Term Disability Bargaining Unit	**138**	28%	11%	60%	1%
Long-Term Disability Management	**48**	28%	10%	61%	1%
PENSION PLANS	***31,432***	*27%*	*20%*	*53%*	*1%*
Local Authorities	**18,116**	30%	23%	47%	1%
Public Service	**6,339**	23%	15%	61%	1%
Management Employees	**2,626**	22%	19%	58%	1%
Universities Academic	**2,586**	17%	18%	64%	1%
Special Forces	**1,522**	26%	15%	58%	1%
Judges	**99**	43%	7%	50%	0%
Judges Supplementary Retirement	**85**	46%	5%	49%	0%
Management Supplementary Retirement	**60**	38%	11%	50%	1%
Government Funds	**$ 18,850**	98%	2%	0%	0%
SHORT-TERM GOVERNMENT FUNDS	***15,916***	*100%*	*0%*	*0%*	*0%*
Sustainability	**11,396**	100%	0%	0%	0%
General Revenue	**1,314**	100%	0%	0%	0%
Money Market Depositors(1)	**2,310**	100%	0%	0%	0%
Debt Retirement Account	**880**	100%	0%	0%	0%
Alberta Municipal Services Corporation	**10**	100%	0%	0%	0%
Management Closed Pension Membership	**5**	100%	0%	0%	0%
SPECIAL PURPOSE GOVERNMENT FUNDS	***2,935***	*86%*	*14%*	*0%*	*0%*
Workers' Compensation Board	**1,359**	70%	30%	0%	0%
Agriculture Crop Insurance	**871**	100%	0%	0%	0%
Alberta Cancer Prevention Legacy	**498**	100%	0%	0%	0%
Credit Union Deposit Guarantee	**151**	100%	0%	0%	0%
Special Areas Long-Term Account	**27**	100%	0%	0%	0%
Alberta Securities Commission	**29**	72%	0%	28%	0%

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

Message from the Chair



On behalf of the Board of AIMCo, I am pleased to report another year of progress in our quest to build a superior Alberta-based investment manager. For the fiscal year ended March 31, 2011, AIMCo achieved an aggregate net return of 8.2% on the $68.8 billion of assets we manage for pensions, endowments and short-term government funds, matching the net market return on investment policy.

We are building AIMCo on the premise that a conscientiously governed and disciplined organization that can attract and retain highly talented investment expertise will, over time, produce superior investment results. The importance of superior investment returns is brought home by the fact that the contributions required to finance a pension can be reduced by roughly 25% for every 1% in sustained incremental return.

We have now completed our third year as AIMCo. The first year was overshadowed by the financial panic, but we utilized that and the two following years to put in place the controls and systems without which we could not aspire to investment excellence. That challenge proved greater than we had initially expected but we believe AIMCo has made significant strides in that regard. For example, we have implemented sound risk management and measurement controls and we are well on our way to certification under Section 5970 of the Canadian Institute of Chartered Accountants Handbook.

AIMCo's predecessor company, lacking the necessary internal systems and operating infrastructure, relied extensively on external managers. That is an expensive option as evidenced by historical budgets in which the 20% of the assets managed externally accounted for approximately 80% of the expenses. Since AIMCo's launch, management has concentrated on enhancing our risk management and operational controls, and on strengthening the internal talent pool both through development and recruitment. As a result, we have been able to meaningfully increase the percentage of assets managed internally and use the savings to finance operational improvements. We participated in a number of innovative transactions across the investment spectrum this past year, investments which should prove rewarding. While it takes years to build an outstanding investment manager and investment returns are still constrained by restructuring and start-up costs, we are optimistic that these steps will lead to ever more attractive returns in future years.

We are committed to working collaboratively with our clients to understand their challenges and implement effective solutions within their prescribed risk limits. We shall also be devoting additional resources to improving the effectiveness of client communication and reporting.

In closing we would like to acknowledge the significant contributions of David Bissett and Frank Layton, Q.C. who retired from the Board this past year. Their insight and experience assisted in shaping AIMCo's strategic direction as a Crown Corporation. We are pleased to welcome two new Board members. Ross Grieve, Chairman of PCL Construction Holdings Ltd., joined in December 2010 and Kurt Winkelmann, Head of Risk & Analytical Research of MSCI Inc. and a former partner of Goldman Sachs, in April 2011. Their business acumen and expertise will be an invaluable asset to AIMCo. We would also like to acknowledge and thank the Government of Alberta, and particularly, the Department of Finance and Enterprise for their unstinting support. Finally, we thank Leo de Bever and his team for their stewardship and unwavering commitment to creating an investment manager of which Albertans will be proud.

A. CHARLES BAILLIE, O.C.
Chair

Q+A with the CEO

Q: How did AIMCo perform in 2010/11?

A: AIMCo's absolute fiscal year return of 10.3% on pensions and endowment assets, and 8.2% on total assets including short-term government funds mostly reflects above average market returns. Active management returns are inherently volatile. Their contribution was negligible this year, but did add $750 million over the last two fiscal years. Most of our challenges were in unlisted assets; valuations often lag when listed markets do well, as they have done recently. Restructuring costs for underperforming historical private equity assets detracted about 0.2%. Rapid growth in recent years to many unlisted categories gave rise to usual lags in return relative to listed benchmarks.

Q: How did AIMCo do relative to its peers?

A: Peer comparisons are of limited value. The different circumstances and preferences of organizations are reflected in their policy asset mix and risk limits. Our clients' policy to keep foreign currency exposure mostly unhedged did cost a few percentage points last year, but hedging makes little long-term difference. Some peers had higher unlisted returns reflecting good decisions often made a decade earlier; excluding real estate, our unlisted assets are of more recent vintage. AIMCo is prohibited from specific types of leverage, which some peers elsewhere used to great advantage in 2010.

Economies of scale

AIMCo CLIENTS GET THE BENEFIT OF LARGE ECONOMIES OF SCALE IN ASSET MANAGEMENT.

Q: Leverage did pay off last year, but what about the downside in years like 2008?

A: Leverage does not always increase risk of loss. Looking just at assets, borrowing to buy stocks does indeed increase total risk: it improves return when asset prices are rising, but 2008 showed the downside when prices fall. However, proper use of leverage can reduce asset/liability pension funding risk. Pension funding risk arises when assets do not resemble the nominal and real return bonds that best match nominal and real pension promises. Borrowing to buy more of those assets can lower funding risk.

Q: You are going farther afield to buy unlisted assets. Why not stay closer to home?

A: Opportunities do not come in neat geographical packages. We did acquire a very attractive Canadian industrial real estate portfolio, and we made a number of investments in Canadian companies seeking to strengthen their global position. The Chilean toll road acquisition and the Australian timberland purchase reflect our increased capacity to seek out attractively priced assets wherever they are located.

Q: Are you considering any investments in Alberta to support the local economy?

A: AIMCo has a mandate to focus on risk-adjusted return. Alberta assets make up 8% of the total portfolio. Paradoxically, I have been criticized for focusing too much on Alberta (i.e., neglecting global portfolio diversification), but also for not focusing enough on Alberta (i.e., not helping the provincial economy diversify). Because of strong global long-term demand for resources and agricultural products, many good future opportunities may be Alberta-related. When one comes along, we will not let optics stand in the way of earning good returns.

Q: Are there any big changes in the attractiveness of various asset classes?

A: After 30 years of phenomenal bond returns reflecting a drop in interest rates from 20% to 2%, we see rough weather ahead. The principal of most bonds may be safe, but buys a lot less on maturity. Stocks may be at risk near-term, but high quality companies with a strong market position could offer better long-term return on risk than fixed income. Opportunities in infrastructure may also increase, as governments face rising funding pressures. Geographically, Asia may slow down in the near term, but we still believe that Western Canada's resources will remain attractive. What looks like the biggest energy technology revolution in 100 years will create opportunities both in the conventional and alternative sectors of that market.

Q: What do you see as your biggest challenge in the years ahead?

A: Convincing everyone to retain a long-term focus and not be myopic about quarterly or even annual results. Over most of human history, you had to be good at surviving today, or there was no tomorrow. Most people have trouble evaluating long-term costs, risks and opportunities in pension programs, because we have had less than a century of practice. Our instinctive response to poor results today is to be wary of pots of gold at the end of long run rainbows. That very reaction could be what is keeping long-term return on risk higher than it should be.

125 jobs

AIMCo HAS CREATED OVER
125 PROFESSIONAL JOBS.

$30 million

AIMCo HAS ADDED $30 MILLION PER YEAR TO THE
ALBERTA ECONOMY.

Q: Where are you in creating "an Alberta institutional manager that ranks among the best"?

A: Organizations like that do not rise like a phoenix: they take five years or more to mature. Our starting position was less than ideal. In an attempt to emulate peers, our predecessor organization increased investment complexity in unlisted assets between 2004 and 2008, without proper operations and IT support. It was like an old Volkswagen trying to purr like a Porsche. In Operations, processes and controls are now far more robust, but it still feels like a construction zone. Most IT projects take 18 months to put in place. To deal with 10 years of under-investment, we are halfway done implementing a dozen, without any hiccups. That is a huge accomplishment in itself.

Q: How much did all that hiring and IT spending add to client costs?

A: Nothing. Spending that money made it possible to reduce our dependence on expensive externally managed assets and attract the talent to manage more assets internally at a fraction of the cost without sacrificing return. Our costs are as low as those of peers of similar size and AIMCo clients get the benefit of large economies of scale in asset management.

Q: So, what do you see as AIMCo's contribution so far?

A: I wish I had a magic wand to "fast forward" the work in progress by a few years, but a lot has already been achieved. We started with an organization that generated index returns after expenses, with real estate, mortgages and fixed income doing quite well. We have now attracted most of the investment professionals needed to get us to "superior" return on risk. Operations are moving mountains to build the necessary support structure. Along the way, we have added over 125 professional jobs and $30 million per year to the Alberta economy.

LEO DE BEVER
Chief Executive Officer and Chief Investment Officer

Executive Management Team

Left to right: Sally Chan, John Osborne, Lorne R. Anderson, Warren Cabral, Leo de Bever, A.J. (Pine) Pienaar, Jagdeep Singh Bachher and Carole Hunt

LEO DE BEVER
Chief Executive Officer and
Chief Investment Officer

Leo leads the AIMCo team in its efforts to deliver superior long-term results for our clients. Leo holds a BA in Economics from the University of Oregon and received an MA and PhD in Economics from the University of Wisconsin at Madison.

JAGDEEP SINGH BACHHER
Chief Operating Officer

Jagdeep leads the AIMCo team in its efforts to build outstanding client relationships and create an innovative operational platform to support investment decision-making. Jagdeep holds a BASc in Mechanical Engineering and an MASc and PhD in Management Sciences from the University of Waterloo.

WARREN CABRAL
Chief Financial Officer

Warren is responsible for all financial operations and services for AIMCo. Warren holds the CA designation, is a member of the Institute of Chartered Accountants of Alberta and received a BComm from the University of Alberta.

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

Carole manages internal and external legal services provided to AIMCo and is responsible for Compliance. Carole holds BComm, MBA and LLB degrees from the University of Alberta and is a member of the Law Society of Alberta.

JOHN OSBORNE
Chief Risk Officer

John oversees the operational and investment risk management program. John holds a CA designation, is a CFA charterholder and received a BAdmin from Brock University.

LORNE R. ANDERSON
Senior Vice President, Human Resources

Lorne leads our efforts to attract and retain the best people for the AIMCo team. Lorne was a senior manager with one of Canada's leading chartered banks and is a Fellow of the Institute of Canadian Bankers.

SALLY CHAN
Vice President, Internal Audit

Sally leads the internal audit function. Sally holds a CMA designation; is an associate of the Institute of Chartered Secretaries and Administrators in Canada; is Certified in the Governance of Enterprise IT (CGEIT); and received an MA from the University of British Columbia.

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

Pine leads AIMCo's team responsible for building and strengthening client relationships. Pine holds a BComm from the University of Natal, South Africa.

Managing Investment Risk

Most of our portfolios target a higher return than can be earned from investing in relatively safe assets like T-bills and government bonds. Trying to capture the "upside" from assets with higher expected return like equities is impossible without accepting the "downside" risk that returns will in extreme circumstances fall short of long-term averages by a painful margin, as they did in 2008.

The long-term reward for taking risk has remained high, most likely because investors have limited tolerance for unpredictable and painful short-term surprises. If risk appetite were unlimited, all capital would be allocated to equities, the asset class with the highest expected return. Our clients place a much lower limit on acceptable risk, and that limit becomes our "risk budget", the scarce resource we manage for maximum return.

Asset mix policy and the associated listed market benchmarks provide a measure of client tolerance for "passive" or "market" risk – underperforming long-run return expectations because of poor short-term market returns. Acceptable ranges around asset mix policy allocations signal tolerance for "active" risk – underperforming short-term market returns because of poor returns from active management decisions.

Passive risk is by far the dominant component of total risk. Over four years, the approximate real (inflation-adjusted) value of $100 million invested in a market index portfolio of 60% stocks and 40% bonds can be below expectations by $50 million in the worst 1% outcome.

Active risk is small compared to passive risk when considered in isolation. Its incremental contribution to total risk is usually even smaller, since markets and managers do not typically experience extreme events at the same time.

Pension plans are also concerned about "asset/liability mismatch" risk – the possibility of pension obligations growing faster than pension assets, causing the plan to become underfunded. Pension obligations typically look like some combination of conventional and inflation-linked government bonds. Investing pension contributions in those assets would keep assets growing at the same pace as liabilities. However, most plans mismatch assets and liabilities by allocating most of their assets to stocks, hoping that the higher return will reduce the long-term contributions required to finance pensions.

If we expect to earn a return on risk, we cannot eliminate passive, active, and asset/liability risk, but we can measure and manage it within client-defined limits. Risk measurement and management is as much a language for comparing and contrasting return and risk across opportunities as it is a set of numbers measuring historically observed extreme annual losses.

We stress test our portfolios to see the impact of various extreme historical and potential market scenarios. We also continuously monitor key operational and financial risks including credit, market, solvency, liquidity and counterparty concentration risk for derivatives.

Quantitative investment risk measurement systems have improved over the last 20 years. When used properly, they provide a good measure of how bad things can become in extreme circumstances. We continue to recruit more risk management staff and invest in better risk technology. Continuous review of measured risk is also an excellent way of gauging whether investment strategy has been properly implemented.

A few years ago we set a $500 million target for return on active risk net of expenses, or about 1% of our balanced pension and endowment funds. To constrain downside risk from active management, we set an active risk budget that will over four years allow us to reach this target if risk is deployed with the skill of a first quartile manager.

AIMCo's capacity to deliver consistently positive active return will increase with the maturity of our investment program. Over time, we expect to raise the annual active return target, which will require a commensurate increase in the active risk budget needed to achieve that return.

Investment Performance

TOTAL AIMCo PERFORMANCE

AIMCo's total fund return was 8.2% for the year ended March 31, 2011, marginally better than the AIMCo Total Fund Benchmark. Most listed assets earned a higher than market return, but that was offset by lower than market returns in unlisted assets. The return on pension and endowment assets was 10.3%.

AIMCo's Total, Balanced and Short-Term Government Performance

PERFORMANCE	ANNUALIZED RETURNS (%) AS AT MARCH 31, 2011 1 YEAR	2 YEAR
AIMCo TOTAL FUND	8.2	10.1
Benchmark	8.2	9.6
BALANCED FUNDS	10.3	14.0
Benchmark	10.5	14.1
SHORT-TERM GOVERNMENT FUNDS	3.1	3.2
Benchmark	2.5	1.7

PERFORMANCE BENCHMARKS

When AIMCo was formed, performance was measured by about 90 separate benchmark components. Some were minor variants of the same listed market benchmarks. Others reflected absolute return aspirations that already included the expected return from active management.

A policy benchmark should measure the net return our clients could achieve without AIMCo, by passively implementing investment policy with listed bond and stock market index investments. Unlisted allocations should be linked to the closest listed return and risk proxy. Consistent with this principle, AIMCo adopted internal performance management benchmarks on July 1, 2009.

The differences between the AIMCo and client benchmarks have diminished over time as most clients agreed that our approach had merit because it made a better distinction between short-term market forces and incremental return from manager skill. The market benchmarks pose a higher hurdle in rising markets, while the older absolute return targets were impossible to achieve in a year like 2008.

There is now broad agreement on benchmarks between AIMCo and its clients. Judging historical outcomes using measures now seen as less than perfect is not helpful. The timing of benchmark changes by itself added to the confusion. So we are reporting results for calendar years 2009/10, and for the last two fiscal years against AIMCo benchmarks in effect in the last fiscal year.

AIMCo Market Return Benchmarks

As at March 31, 2011

ASSET CLASS	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 AND ALTERNATIVES	
Real Estate, Canadian and Foreign	Realpac/IPD Canadian Large Fund Index(1)
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(2)
Infrastructure	50% DEX Real Return Bond Index/50% MSCI World Index(2)
Commodities	MSCI All Country World Index(3)
EQUITIES	
Canadian Public	S&P/TSX Composite Total Return Index
Global Public	MSCI World Index
Emerging Markets Public	MSCI Emerging Markets Index
Hedge Funds	MSCI All Country World Index(4)
Private Equity	25% S&P/TSX Composite Total Return Index/ 75% MSCI World Index (ex Japan)
OVERLAYS	
Asset Allocation and Overlay Pools	Benchmark appropriate for underlying asset class

(1) *Came into effect July 1, 2010. Custom benchmark of IPD comprised of Canadian institutions of over $1.5 billion covering about 80% of the total capital value of the IPD Index.*

(2) *Hedged to Canadian dollar.*

(3) *For the period between April 1, 2010, and June 30, 2010, the benchmark for the Commodities asset class was the S&P GSCI Total Return Index.*

(4) *For the period between April 1, 2010, and January 31, 2011, the benchmark for the Hedge Funds asset class was the HFRX Global Hedge Fund Index (hedged to Canadian dollar).*

RETURNS FROM ACTIVE MANAGEMENT

Since 2009, the AIMCo Board and management agreed on a stretch target of $500 million for net value-added. This represents about 1.0% of balanced fund assets. 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

(%)	2010/11 FISCAL YEAR	2009/10 FISCAL YEAR
Rate of Return	**8.2%**	12.0%
Benchmark	**8.2%**	11.0%
Return above Benchmark	**$ 14**	$ 748

The Total Fund earned 8.2% in fiscal 2010/11, generating $5.4 billion in investment income and slightly outperforming the Total AIMCo Composite Benchmark.

Active management contributed $14 million of return above the AIMCo Composite Benchmark net of expenses in fiscal 2010/11. As the comparison to the 2010 fiscal year shows, short-term active returns are inherently volatile.

Most of the positive value-added came from listed assets. This was offset by net negative results in overlays and unlisted asset classes. Some of this is transitory, and reflects the typical phenomenon that return expectations for unlisted assets lag in the first few years of their investment – the "J-curve effect". This effect was significant in our portfolios, due to the steep ramp-up in unlisted assets since 2005.

Most of the underperformance of unlisted assets should even out over time. Part of the unlisted active loss is real, e.g., in private equities, where a rush to fill target allocations resulted in heavy exposure to external underperforming fund vintages invested near the peak of the last equity boom. Our decision to spend money today to reposition for lower costs and better results tomorrow accentuated the loss.

Conscious efforts to add value by underweighting or overweighting asset classes marginally detracted from returns in 2010/11. However, this largely reflects limitations in the current attribution software, with the shortfall being a mirror image of positive effects in security selection.

Money Market & Fixed Income

ACTIVE PORTFOLIO MANAGEMENT

AIMCo is one of the largest fixed income managers in Canada. We continue to monitor inflationary environments both in Canada and globally to look for value-adding strategies for this portfolio. There are pockets of value in the debt market that should help drive future performance.

$31.4 billion

AS AT MARCH 31, 2011, THE PORTFOLIO COMPRISED A TOTAL MARKET VALUE OF $31.4 BILLION.

AIMCo's Fixed Income portfolio is structured to generate superior risk-adjusted returns, while providing adequate liquidity for our clients' obligations.

Money Market & Fixed Income

AIMCo manages $31.4 billion in money market and fixed income assets. Approximately 33% represents pension and endowment mandates, while 67% are short-term Government funds.

Money Market and Fixed Income Performance

As at March 31, 2011

TOTAL FUNDS – MONEY MARKET & FIXED INCOME	MARKET VALUE ($ MILLIONS) (1)	ANNUALIZED RETURNS (%) AS AT MARCH 31, 2011		CALENDAR YEAR RETURNS (%)	
		1 YEAR	2 YEAR	2010	2009
MONEY MARKET & FIXED INCOME	31,432	4.4	5.0	5.7	4.7
Benchmark		3.6	2.8	4.5	2.2
MONEY MARKET	5,247	1.0	0.8	0.7	1.1
Benchmark		0.7	0.5	0.5	0.5
UNIVERSE BONDS	7,055	6.9	9.1	9.5	7.8
Benchmark		5.1	5.1	6.7	5.4
LONG BONDS	4,665	8.2	9.3	13.0	6.2
Benchmark		8.1	5.8	12.1	1.2
SEGREGATED SHORT-TERM FIXED INCOME(2)	10,424	3.4	3.6	3.6	5.0
SEGREGATED LONG-TERM FIXED INCOME(3)	1,779	2.9	3.6	2.9	5.6
PRIVATE MORTGAGES	2,262	6.7	7.1	10.4	3.6
Benchmark		5.1	5.1	6.7	5.4

(1) *Does not include Alberta Heritage Savings Trust Fund policy loans.*

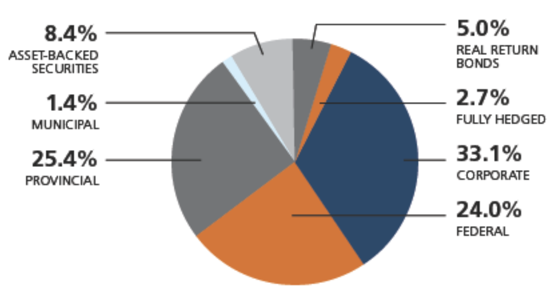
(2) *Segregated Short-Term includes investments held in the Sustainability, Credit Union Deposit Guarantee and Alberta Cancer Prevention Legacy portfolios.*

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

Money Market and Fixed Income ($31.4 billion)

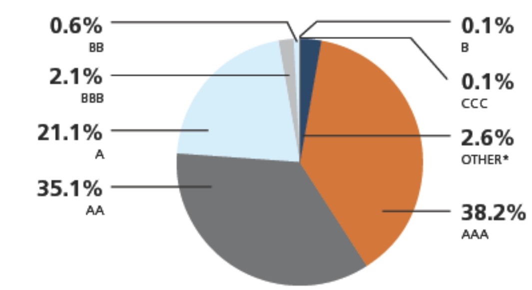
SECTOR EXPOSURE

(As at March 31, 2011)



RATINGS

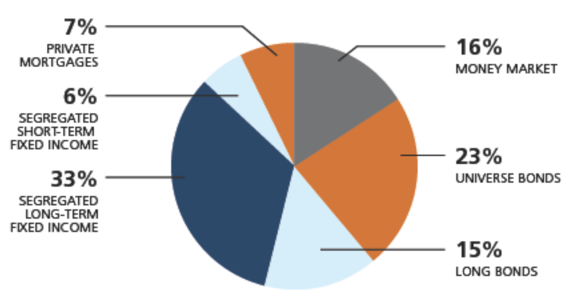
(As at March 31, 2011)



* *No available ratings.*

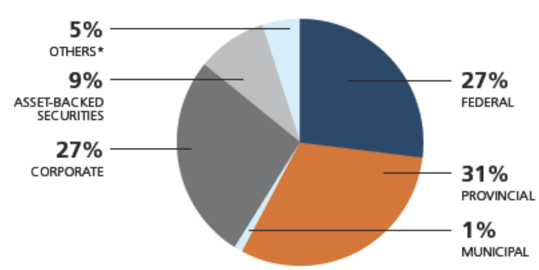
ASSET MIX

(As at March 31, 2011)



SUMMARY OF FIXED INCOME HOLDINGS

(As at March 31, 2011)



* *Others include Canadian Private Mortgages, Canadian Private Debt Fund, Collateralized Loans, Fully Hedged Derivatives and Fixed Income Portable Alpha investments.*

MONEY MARKET

Portfolio Strategy

AIMCo manages $5.2 billion in money market assets. The objective is capital preservation, liquidity and superior risk-controlled return relative to benchmark.

Performance

Absolute returns remain low but our money market funds outperformed the benchmark by 0.3%, through increased exposure to credit and floating rate notes with superior returns relative to other money market securities. We often kept duration shorter than benchmarks and benefited from Bank of Canada interest rate hikes in the summer of 2010.

FIXED INCOME

Portfolio Strategy

AIMCo manages $23.9 billion in fixed income assets. The portfolio provides liquidity and targets superior risk-adjusted returns. Our active return strategy has four principal components: interest rate change anticipation, sector rotation, relative value, and anticipating yield curve change.

Performance

Our universe and long bond portfolios returned 6.9% and 8.2%, respectively, outperforming their benchmarks by 1.8% and 0.1%. Total returns have been unusually strong over the past two years as markets recovered from the credit crisis of 2008, and Corporate and Provincial credit spreads stabilized, despite relatively large new issuance in both sectors.

The portfolio remains overweight in high quality corporate bonds with attractive risk-adjusted returns, which should benefit from continued economic and balance sheet improvements. We expect rates to rise at some point, causing total bond returns to be low or negative. Since timing is uncertain, we are careful to find pockets of incremental return to balance the cost of our cautious stand on duration.

MORTGAGES

Portfolio Strategy

AIMCo's $2.3 billion mortgage portfolio meets client needs for stable monthly cash flows. We mostly hold high quality first Canadian mortgage loans, secured by offices, shopping centres, industrial properties, and by Canada Mortgage and Housing Corporation (CMHC) insured multi-unit residential properties. We invest opportunistically in higher risk, higher return Specialty Mortgages (mezzanine loans, bridge loans, B-notes, second mortgages). We pride ourselves on committing quickly and closing efficiently on larger loans. Looking ahead, we are examining U.S. opportunities created by credit market dislocation.

Performance

The Mortgage portfolio returned 6.7%, 1.6% more than benchmark, mostly because of rapid spread contraction. All of our loans are in good standing. The Canadian mortgage market remains robust. We committed $351 million of new mortgage investments in nine separate transactions.

Inflation Sensitive

EIGHTH AVENUE PLACE

Eighth Avenue Place, a 49-storey premier Calgary office development, is one of the first multi-tenant, large office buildings in Canada to be awarded the pre-certified Leadership in Energy and Environmental Design (LEED) Platinum status, the highest environmental standard. This certification recognizes high-performance green interiors that are healthy, productive places to work; are less costly to operate and maintain; and have a reduced environmental footprint.

75%

OVER 75% OF AIMCo's COMMERCIAL BUILDING PORTFOLIO IS CERTIFIED UNDER AN INDUSTRY RECOGNIZED SUSTAINABILITY PROGRAM.

Core quality properties, such as Eighth Avenue Place, produce long run returns for our clients.

Inflation Sensitive

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

Inflation Sensitive Performance

As at March 31, 2011

AIMCo TOTAL FUND COMPOSITE – INFLATION SENSITIVE	MARKET VALUE[1] ($ MILLIONS)	ANNUALIZED RETURNS AS AT MARCH 31, 2011 (%)		CALENDAR YEAR RETURNS (%)	
		1 YEAR	2 YEAR	2010	2009
INFLATION SENSITIVE	10,010	11.3	3.9	10.9	-2.9
Benchmark		12.2	9.8	11.0	6.2
REAL RETURN BONDS	1,882	10.5	9.9	11.0	13.1
Benchmark		10.6	10.5	11.1	14.5
REAL ESTATE	5,580	12.5	1.9	12.8	-8.4
Benchmark		13.4	7.1	11.2	-0.1
PRIVATE INFRASTRUCTURE	1,716	8.2	4.8	5.9	3.1
Benchmark		10.1	18.1	10.7	20.2
TIMBERLANDS	559	9.6	1.0	7.2	-7.2
Benchmark		10.1	18.1	10.7	20.2
COMMODITIES	95	18.1	14.4	4.1	0.6
Benchmark		11.3	6.2	4.9	-3.0

(1) *Inflation Sensitive Total includes $178 million from Private Debt and Loan, excluded from this table as it was established late in 2010 and did not have a full year of return performance.*

REAL RETURN BONDS

The majority of AIMCo's CPI-linked real return bonds are buy-and-hold Government of Canada issues. On March 31, 2010, all real return bond holdings were amalgamated into one pool to reduce management and trading costs and operational risk.

The portfolio returned 10.5%, underperforming its benchmark by 0.1%. AIMCo continues to monitor inflationary environments both in Canada and globally to look for value-adding strategies for this portfolio.

REAL ESTATE

Portfolio Strategy

The Real Estate portfolio is expected to produce long run returns between those of stocks and bonds: capital values are more stock-like and volatile, while income returns tend to stay in a stable band of 5% to 7% per annum.

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. Canadian assets are held for their stable cash flow. We selectively invest in higher returning opportunistic strategies.

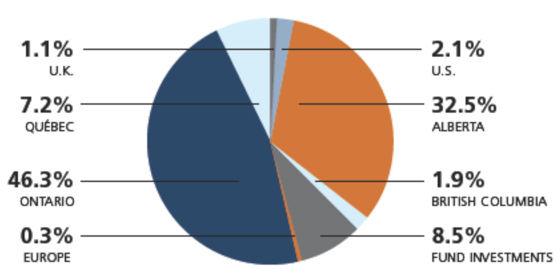
Participants in the Canadian market are competing very aggressively for the few investment opportunities available. We therefore have been looking opportunistically for quality assets that require repositioning in dislocated U.S. and European markets. We expect foreign assets to grow to one-third of total holdings over time, providing more diversification and opportunities not available domestically.

Top Five Real Estate Investments
As at March 31, 2011

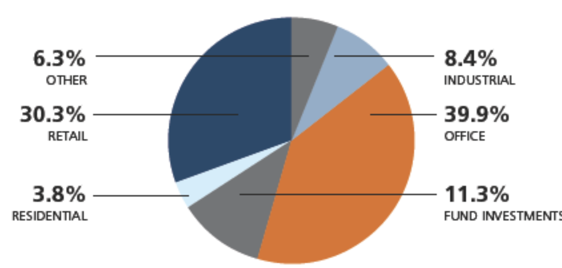
PROPERTY	SECTOR	LOCATION	TOTAL COMPLEX SIZE (MILLION SQ. FT.)	OWNERSHIP (%)
Place Ville Marie	Office	Montreal, PQ	2.77	50
Square One	Retail	Mississauga, ON	1.86	50
Scarborough Town Centre	Retail	Scarborough, ON	1.59	50
Yorkdale Shopping Centre	Retail	Toronto, ON	1.52	50
Bow Valley Square	Office	Calgary,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

Real Estate ($5.6 billion)

GEOGRAPHIC EXPOSURE
(As at March 31, 2011)



SECTOR EXPOSURE
(As at March 31, 2011)



Performance

The Real Estate portfolio returned 12.5%, underperforming its benchmark by 0.9%. The return includes a 12.0% return on an average of $4.7 billion of Canadian assets and a 39.1% return on an average of $97.2 million in our foreign program.

Most of the Canadian asset appreciation reflects strong demand for core real estate, which has lowered capitalization and discount rates. Strong performance of foreign assets reverses large value declines taken at the end of 2009.

Notable transactions last year include a 50% interest in the $1.5 billion ING Industrial portfolio, $300 million of core industrial properties in the Toronto and Edmonton markets, and the first foreign investment for our Pension clients alongside our Endowment clients. We also placed a number of key investments in the U.S., U.K. and Canadian markets.

AUTOPISTA CENTRAL

Autopista Central, a 61-kilometre, six-lane highway running through the centre of Santiago, Chile, connects suburban communities with the downtown business district and the Pan-American Highway.

The Autopista Central concession uses a unique tolling mechanism based on traffic volume and road congestion, to provide a superior alternative for motorists and a strategic corridor for trade and commerce in Chile's capital city. AIMCo owns 50% of Autopista and believes that Chile's concession framework demonstrates the country's commitment to the public–private partnership (PPP) market.

$1.7 billion

AS AT MARCH 31, 2011, THE PORTFOLIO COMPRISED SEVEN DIRECT PRINCIPAL INVESTMENTS AND 13 FUND INVESTMENTS, WITH A TOTAL MARKET VALUE OF $1.7 BILLION.

Infrastructure investments, such as Autopista, provide diversified long-term inflation linked returns that match long-term client liabilities.

INFRASTRUCTURE

Portfolio Strategy

Infrastructure assets are intended to match the long duration real growth characteristics of inflation-indexed pension liabilities. AIMCo's Infrastructure portfolio primarily consists of diversified long-term equity positions in OECD-based assets that are generally regulated or have long-term contracted revenues. As at March 31, 2011, the portfolio was comprised of seven direct principal investments and 13 fund investments, with a total market value of $1.7 billion.

The recent global downturn is providing AIMCo with good opportunities. These include secondary transactions in leveraged buy-outs that became distressed after 2008, sovereign assets being sold to cover fiscal deficits, the growing equity need in renewable energy, and large infrastructure projects in fast growing economies (e.g. Brazil, India and Chile).

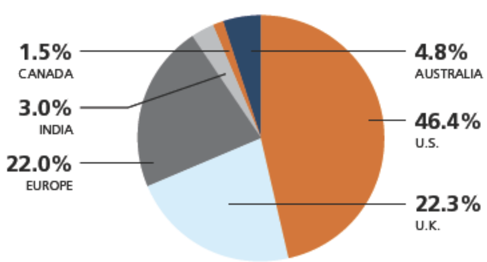
In the coming years, we will target assets in the $100 million to $500 million range. We will continue to focus on "core" brownfield assets and develop partnerships with key strategic investors. Direct investments will grow to approximately 75% this year, from 50% a year ago. We estimate this shift has already saved our clients over $25 million in annual management fees.

Top Five Infrastructure Investments
As at March 31, 2011

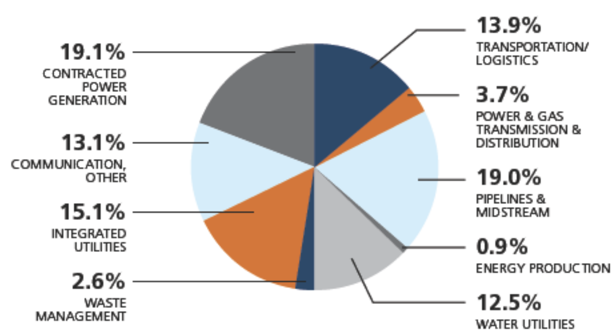
COMPANY	SECTOR	LOCATION
Puget Sound Energy	Integrated Utilities	U.S.
Frequency Infrastructure Group	Communication	Australia/U.K.
First Wind	Power Generation and Distribution	U.S.
Compañía Logística de Hidrocarburos (CLH)	Pipelines and Midstream	Spain
Thames Water	Water	U.K.

Infrastructure ($1.7 billion)

GEOGRAPHIC EXPOSURE
(As at March 31, 2011)



SECTOR EXPOSURE
(As at March 31, 2011)



Performance

The AIMCo infrastructure portfolio returned 8.2% for the year, 1.9% less than its benchmark. Valuations tend to lag when listed markets do well. The rush to fill rising infrastructure allocations with third party fund investments prior to 2008 contributed to the underperformance, which was partially offset by good direct investment results.

During the year, we committed to invest USD $850 million in a 50% interest in Autopista Central, and acquired a $200 million interest in Frequency Infrastructure Group.

TIMBERLAND

Portfolio Strategy

Timberland investments provide inflation hedging and a long-term duration match with client liabilities. AIMCo's Timberland portfolio consists of four assets valued at $559 million.

In North America, the U.S. housing market collapse created a dislocation between timberland prices and the forest product end market. In South America and other emerging markets, land pricing continues to be strong, driven by the expansion of local forest industries and the growth in bio-fuel projects.

Going forward, AIMCo will shift its geographic focus from North America to emerging markets in Central and South America, Southeast Asia and Sub-Sahara Africa. We will likely hold less of the traditional North American species and more poplar, willow and fast-growing eucalyptus. Our investment scope may also be expanded to include opportunities related to bio-fuel for power generation, wood pellets and forestry carbon credits. We will also explore the benefits of investing in agricultural lands.

Performance

The AIMCo timberlands portfolio generated a 9.6% return, underperforming its benchmark by 0.5%.

In late 2010, AIMCo partnered with the Australia New Zealand Forest Fund to acquire the timberland assets of Great Southern Plantations for a total purchase price of AUD $415 million. We expect the Great Southern Plantations timberland assets to evolve into a high quality institutional estate, encompassing timber plantations and mixed agricultural land uses. Doing this transaction directly saved an estimated $3 million in transaction fees and $3 million in annual investment management fees.

Equities

PRECISION DRILLING

Precision Drilling Corporation is Canada's largest energy services company and a leading provider of oil and gas contract drilling services in North America. Precision's commitment to sustainability permits environmentally responsible operations in some of the world's most pristine and remote locations. Precision's systems have been designed to ensure environmental standards are met or exceeded in all activities and ongoing innovation in the development of new equipment further reduces Precision's environmental footprint.

$24.7 billion

AS AT MARCH 31, 2011, THE PUBLIC EQUITIES PORTFOLIO COMPRISED A TOTAL MARKET VALUE OF $24.7 BILLION.

AIMCo's public equities strategy optimizes return on risk and cost across a number of dimensions including size, style, sector and regional exposures.

Equities

AIMCo manages $26.7 billion in active portfolios, hedge funds, relationship investments, index funds and private equity.

Equities Performance

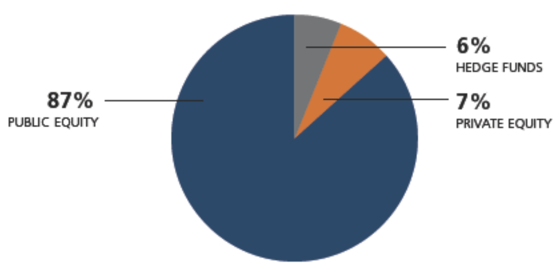
As at March 31, 2011

TOTAL AIMCo – EQUITIES	MARKET VALUE ($ MILLIONS)	ANNUALIZED RETURNS AS AT MARCH 31, 2011 (%) 1 YEAR	2 YEAR	CALENDAR YEAR RETURNS (%) 2010	2009
EQUITIES	26,705	12.1	21.1	9.8	20.1
Benchmark		11.6	19.6	9.6	19.0
CANADIAN EQUITY	6,076	18.9	31.4	18.5	35.6
Benchmark		20.4	30.8	17.6	35.1
GLOBAL EQUITIES	18,698	10.3	19.0	6.8	15.8
Benchmark		8.0	14.8	6.3	11.9
DEVELOPED EQUITY	16,101	10.1	19.3	6.1	17.2
Benchmark		8.6	15.5	6.2	11.1
EMERGING MARKETS EQUITY	894	14.6	30.7	14.4	55.8
Benchmark		13.4	28.6	13.0	52.6
HEDGE FUNDS	1,702	14.0	17.4	13.0	16.8
Benchmark		3.8	8.7	5.2	12.9
PRIVATE EQUITY	1,930	9.2	2.5	8.7	-1.6
Benchmark		12.6	20.4	8.8	19.1

Equities ($26.7 billion)

ASSET MIX

(As at March 31, 2011)



PUBLIC EQUITY

Portfolio Strategy

We optimize return on risk and cost across a number of dimensions including size, style (e.g., value, growth), sector and regional exposures. AIMCo continuously monitors and manages every client's total equity risk, as opposed to product level exposure. We use derivative overlays to modify overall risk.

Over the last two years, we restructured our portfolios to create a platform for generating higher and more consistent value-added from shifting between strategies over a three- to five-year market cycle.

The revamped public equities program consists of fewer higher conviction and higher quality positions and portfolios. Capital is being allocated more effectively between these portfolios in a way that improves expected value-added at lower levels of risk and emphasizes low correlation within the program.

Our $3.5 billion in relationship investments is committed to significant and high conviction investments in listed companies to capture incremental return from business and financial improvements. We expect this portfolio to perform well over rolling four-year periods, although annual value-added can be volatile. Results have been favourable since its inception in fiscal 2010.

Top Five Public Equity Holdings

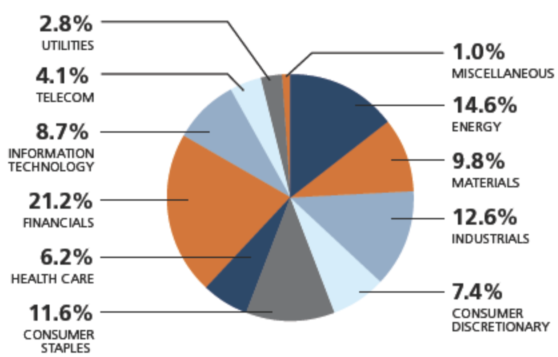
As at March 31, 2011

COMPANY	SECTOR	LOCATION
Viterra	Materials	Canada
Precision Drilling	Energy	Canada
TNT	Industrials	Netherlands
Exxon Mobil	Energy	U.S.
Apple	Information Technology	U.S.

Public Equity ($24.7 billion)

SECTOR EXPOSURE

(As at March 31, 2011)



Performance

The total AIMCo composite equity portfolio returned 12.1%, outperforming its benchmark by 0.5%. Global equities performed strongly in 2010/11, while the Canadian equity portfolio lagged slightly.

Whenever we can attract the necessary expertise we will manage funds internally, which is now saving us more than $50 million a year in fees. We are strengthening our ties with some managers, based on our analysis of long-term performance prospects.

PRIVATE EQUITY

Portfolio Strategy

The Private Equity program is designed 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.

AIMCo inherited a globally diversified private equity portfolio that had generally underperformed its peers and was operating at a loss as at December 31, 2008. It was composed of approximately 70% funds, 12% fund-of-funds and 18% co-investments, by net asset value. Since that time, a new private equity team has been formed to execute a restructuring of the program. They have been transitioning it toward more opportunistic direct and co-investments, a cost-efficient and flexible platform, while maintaining a smaller, select relationship-oriented fund portfolio.

Given the illiquid nature of private equity, this transformation will occur over the next five years. Last year's results have been impacted by the $35 million cost of selling some underperforming fund investments to free up capital for direct placements and save $16 million in annual fees.

In 2010/11, we also expanded the portfolio to target the growing number of pre-IPO start-ups that are trying to capitalize on disruptive innovation in energy, materials and agriculture. Our investments in this area have been focused on clean and renewable energy companies that are well along the path to grow to commercial scale.

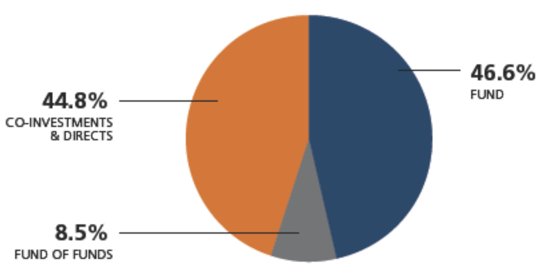
Top Five Private Equity Investments

As at March 31, 2011

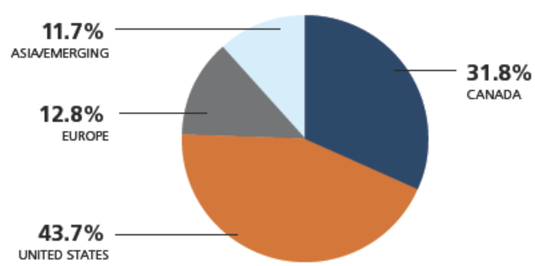
COMPANY	SECTOR	LOCATION
Chinook Energy	Energy	Canada
Tomkins Limited	Industrials	U.K.
Bonanza Creek	Energy	U.S.
Petro Tiger	Energy	Colombia
Klemke Mining	Industrials	Canada

Private Equity ($1.9 billion)

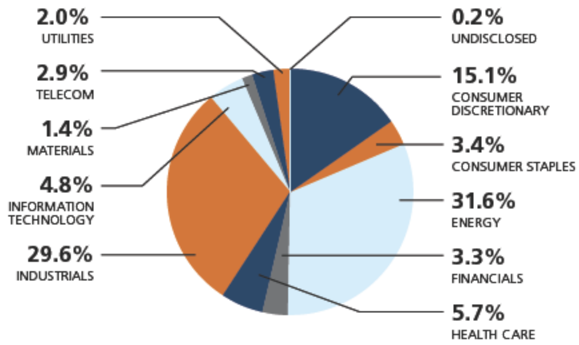
STRUCTURE
(As at March 31, 2011)



GEOGRAPHIC EXPOSURE
(As at March 31, 2011)



SECTOR EXPOSURE
(As at March 31, 2011)



Performance

The total AIMCo composite private equity portfolio returned 9.2%, underperforming its benchmark by 3.4%.

Notable transactions in 2010 include AIMCo's co-investment with Onex and the CPP Investment Board to invest USD $125 million in a take private transaction of Tomkins Limited, a publicly listed U.K. corporation. We also invested $220 million in pre-IPO ventures.

ASSET POLICY OVERLAYS

Global Tactical Asset Allocation (GTAA) overlays opportunistically exploit short- to mid-term fluctuations in the relative attractiveness of the asset classes in which we invest, primarily using derivatives. Last year, we had some relatively minor positions, which on balance subtracted value. However, the bulk of what was measured as GTAA reflected limitations in the way our attribution system handles rebalancing and implementation costs, and in the way it divides total value added into security selection and GTAA.

DERIVATIVE INSTRUMENTS

AIMCo uses derivatives to maintain index positions, for hedging purposes, and to implement policy asset allocation changes in the Overlay pools. Derivatives used at AIMCo include:

- *Bond and equity futures*. These standardized exchange-listed contracts enable us to quickly create and dispose of broad market exposures at far less cost and with reduced risk of market disruption.
- *Forwards*. These over-the-counter contracts, negotiated by two parties, are used to hedge foreign currency and interest rate risk.
- *Swaps*. These over-the-counter contracts involve the exchange of two streams of cash flows and are used to obtain or change portfolio exposures without having to directly sell or purchase the underlying asset.
- *Options*. These equity option contracts offer the right, but not the obligation, to buy or sell shares at a set price during a set period. They enable us to adjust exposures on certain securities without directly purchasing or selling the underlying security.

The following were the most significant derivative programs during the year:

1. *Equity index total return swaps (Index Swaps)*

   The portion of the public equity asset class that is allocated to the Core Indexing style uses equity index swaps to gain exposure to Canadian and world equity indices. The benefits of using index swaps, instead of the actual stock purchases, include immediate, efficient access to equity markets, and cost-effective implementation and liquidity.

   A typical structure includes a swap where AIMCo receives a total return on an equity index (such as MSCI World), and pays a short-term floating rate. The underlying cash is invested in a money market pool, which earns a short-term floating rate.

2. *Currency forwards*

   Currency forward contracts are utilized to manage AIMCo's currency allocation relative to the benchmark allocation. The portfolio managers for each asset class implement their desired active currency positioning relative to the benchmark, within policy limits. To a smaller extent, currency forwards are utilized to take tactical currency positions.

Total AIMCo – Derivative Positions

As at March 31, 2011

DERIVATIVES EXPOSURE	MARKET VALUE[1] ($ MILLIONS CAD)	NOTIONAL VALUE[2] ($ MILLIONS CAD)
FUTURES/FORWARDS	$ 59	$ 16,506
Currency FX Forward	78	13,789
Index Future	-22	1,782
Bond Future	5	511
Currency FX Spot	-0	421
Commodity Future	-0	3
SWAPS	-29	14,801
Index Swap	-17	11,830
Asset Swap	-29	1,852
Cross Currency Swap	58	1,044
Credit Default Swap	-41	75
OPTIONS	168	4,026
Equity Option	-4	2,128
FX Option	19	1,551
Warrant	154	210
Fixed Income Option	-2	136
Right	0	1
Total Derivatives	$ 199	$ 35,333

(1) *Market Value: The outstanding pay or receive obligation of the derivative contract due to changes in market levels.*

(2) *Notional Value: The net economic exposure of the derivative.*

CURRENCY

Generally, AIMCo does not hedge foreign currency exposure. There are exceptions (such as foreign real estate, infrastructure and timberlands) where the assets are largely outside Canada, but have benchmarks that are Canadian-dollar hedged. From time to time, we also use hedging and active currency management to opportunistically enhance returns.

Total AIMCo – Currency Exposure

As at March 31, 2011

CURRENCY	CANADIAN DOLLAR	U.S. DOLLAR	EURO	BRITISH POUND	JAPANESE YEN	AUSTRALIAN DOLLAR	SWISS FRANC	OTHERS	AIMCo TOTAL
AIMCo actual (%)	73.4	13.5	3.5	2.2	2.1	1.4	0.7	3.1	100.0

PROXY VOTING

AIMCo has a right and responsibility to thoughtfully vote on all proxies that we receive for shares owned on behalf of our clients. We internally review proxy material for any Canadian company where AIMCo clients own a large stake and undertake independent research on important governance issues. Proxy voting is outsourced to a specialist advisory firm, Glass Lewis & Co., which monitors shareholder meeting schedules and issues, and provides accountability to both AIMCo and its clients. While Glass Lewis & Co. is a fully independent proxy voting service provider, AIMCo reserves the right to override them.

SECURITY LENDING

Continuing challenges in credit markets during 2010 dictated prudence for AIMCo in our securities lending activities. In 2008, a program was implemented to maintain a low tolerance for risk in lending, to primarily help with preservation of capital. No losses have been incurred in the program over the past three years. As credit markets continue to improve, AIMCo will consider opportunities with a moderately increased risk profile, to achieve higher returns.

RESPONSIBLE INVESTING

In 2010, AIMCo became a signatory to the United Nations Principles for Responsible Investing (UNPRI). We believe that responsible investing is a strategy that seeks to maximize both financial return and social good. We are developing a policy that best balances the aims of both goals. Responsible investing is 80% common sense and 20% further analysis and research. The UNPRI is driven by six Guiding Principles:

1. Incorporating environmental, social and corporate governance (ESG) issues into investment analysis and decision-making processes.
2. Being active owners and incorporate ESG issues into our ownership policies and practices.
3. Seeking appropriate disclosures on ESG issues by the entities in which we invest.
4. Promoting acceptance and implementation of the Principles within the investment industry.
5. Working together to enhance our effectiveness in implementing the Principles.
6. Reporting on our activities and progress towards implementing the Principles.

Building an Innovative Operational Platform

During 2011, we progressed on a number of initiatives designed to effectively staff the organization, increase our internal asset management capability and establish improvements in our governance, risk and systems processes for the future.

We purposefully increased our headcount and made capital investments, both in the investment management and investment operations areas. We believe this investment in people has and will continue to result in improvements in investment returns, risk management and corporate governance, all directly related to AIMCo's overall vision. Capital investments were focused on system improvements and replacing underfunded legacy systems.

We focused attention on our investment portfolios: fostering collaboration among asset class teams in order to bring the best opportunities to our clients, eliminating underperforming assets and funds, restructuring pools as required to respond to regulation requirements of our clients. This is reflected in our results as higher direct external costs for asset administration, legal and other costs. Some of these costs will be one-time, but some reflect the high cost of client regulation.

We also worked to deliver more direct deals, shifting assets under management (AUM) into more cost-effective internally managed assets. The impact of this shift is already being seen as 2011 saw a $9.4 million reduction in external management fees, and drove the percentage of total costs related to externally managed assets down to 68% from 74% last year. This reduction also reflects the impact of management's earlier initiatives to amend external management compensation arrangements. The cost-effectiveness of internally managed assets is best reflected through a comparison of the cost of performance. Based on accrued internal and external performance costs in 2011, cost of performance of an externally managed asset is 5.3 times higher than that of an internally managed asset. AIMCo's strategy is to continue to utilize external managers to exploit opportunities where AIMCo does not have or is not in the process of developing internal capabilities. AIMCo will continue to review the net returns after fees for all investment opportunities when determining whether the investment is executed internally or externally.

PEOPLE

The Operations side of AIMCo was starved for resources in the decade prior to AIMCo. We made it a priority to grow the team and most of our hiring in 2009 and 2010 targeted Operations areas: Finance, Investment Operations, Systems and Technology. The Operations areas now represent 55% of our staff at AIMCo. We also continue to look for people who are excited about building an innovative operational platform to support investment decision-making.

PROCESS

We inherited a significant number of manual processes, and have been streamlining them in 2009 and 2010. Over the next two years, we are working on ensuring leading practices and transparency in our operating environment. To demonstrate this, AIMCo is seeking an independent audit of its internal controls for Type II certification under Section 5970 of the Canadian Institute of Chartered Accountants (CICA) Handbook. We expect our first report in early 2012. Our IT organization has also embarked on adopting CobiT (the IT control framework of the IT Governance Institute). In 2010, we seamlessly separated our IT infrastructure from the Government of Alberta.

INTERNAL AUDIT

The Internal Audit team operates with a small internal group complemented by a co-source arrangement with an audit firm. The group acts as the independent eyes and ears for the organization, providing expert advice on best practices and remediation to improve systems, processes, methodologies and the skills of our people in operational areas.

TECHNOLOGY

All the technology systems we inherited in 2008 need to be upgraded or replaced over the next two years. We began this process in 2009 and successfully replaced our derivatives management system in 2010. We believe in spending at least 50% of our time planning new technology implementations. In 2011, we will begin implementation of our new portfolio management system and are investing in improved data management. We have established a disciplined approach to project management and an IT change management group to build our innovative operational platform.

MANAGING COSTS

AIMCo operates on a cost-recovery basis. All costs are allocated back to clients on a fair and equitable basis.

Actual operating expenses for the year ended March 31, 2011 were $248.1 million (or 0.36% of invested assets) versus $229.0 million (or 0.32% of invested assets) last year. Total operating expenses increased compared to last year as a result of operational initiatives designed to improve our operational effectiveness. External investment management costs (excluding performance fees) decreased from last year by $9.4 million to $116.7 million. These savings were redeployed in initiatives aimed at improving investment returns, risk management and corporate governance, resulting in higher costs related to internally managed assets.

AIMCo uses CEM Benchmarking Inc. for analyzing and comparing AIMCo's costs. In 2008 and 2009, AIMCo showed a lower cost relative to peer organizations.

People Strategies

AIMCo started 2008 with 138 professionals. In three years, we have grown to 260. Many are attracted by the unique opportunity to be part of a nimble and entrepreneurial organization with a global $70 billion platform in Western Canada.

Because we are still in building mode, we put a lot of emphasis on internal talent development, as part of a more general search for experienced people looking for the next big challenge in their career. We need people who feel at home in an organization abuzz with the excitement that comes with the opportunity to work on key operations, IT and investment initiatives, and being accountable for sizable projects.

Our organization is very results oriented. Every AIMCo employee from the CEO down has five key goals designed to maximize his/her personal contribution over the coming year in helping execute the business plan approved by our Board of Directors. The current set of goals for the CEO and the organization reflect that we are still building a management organization to rank among the best, as envisioned when AIMCo was created:

1. Deliver $500 million value-added over market returns.
2. Become more effective at finding investment opportunity by promoting collaboration across teams.
3. Improve communication with clients and Government.
4. Improve our measures of risk and its management across the organization.
5. Strengthen the senior management team.

We are working on developing a base of future investment professionals in Alberta, in partnership with Alberta universities. One initiative is the founding of the Alberta Finance Institute to fund graduate student research and seminars.

Compensation Discussion and Analysis

Consistent with best practices, AIMCo has designed its executive compensation program to meet clearly defined principles and objectives, which are articulated below. This section also describes AIMCo's compensation program design, and the 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 is striving 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 representing 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 pure 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 1 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.

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 Sector 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.

Collective Bargaining Unit Employees: Negotiations have commenced with the Alberta Union of Provincial Employees on a new collective agreement for our unionized employees. The existing collective agreement expired on August 31, 2010.

COMPENSATION RESULTS

Total compensation costs were $47.8 million for 2011, an increase of $9.2 million over fiscal 2010, primarily due to our expanded bench strength and improved investment performance.

This year, a special discretionary component within the Annual Incentive Plan was approved by the Human Resources Compensation Committee to account for unique circumstances facing AIMCo:

- The Corporation underwent strategic restructuring in several illiquid asset classes, positioning the fund for better long-term results.
- Returns on these new assets tend to be negative in the short term (J-Curve effect).
- Significant work remains in building the risk, operations and investment platforms required of a world class investment manager.

AIMCo's Board will review annually whether the special discretionary component remains relevant to ensure existing employees are equitably compensated for the change in investment strategies and operations initiatives.

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 (to vest on December 31, 2012). The accrued value of those first payments is $3.7 million as at March 31, 2011. The total accrued value of all LTIP grants is $6.7 million as at March 31, 2011. There were 73 LTIP participants in 2011, with grants totaling $5.6 million maturing on December 31, 2014.

Governance

AIMCo 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 integral to the achievement of our goal to be among the best institutional investment managers. AIMCo's corporate governance framework is a set of policies and procedures that dynamically adjust to facilitate a corporate culture of integrity and accountability in the pursuit of our goals.

BOARD OF DIRECTORS

The Board of Directors is responsible for overseeing management of the business and affairs of AIMCo. As part of this mandate, the Board sets the strategic direction of the Corporation and oversees the development and implementation of policies and procedures that govern the conduct of AIMCo's business. In order to be appointed to the Board, a director must have demonstrated experience in investment management, finance, law, or served as an executive or director with a large, publicly traded company. All directors are 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 are required to exercise the care, diligence and skill that a reasonable and prudent person would exercise in comparable circumstances. The Board of Directors meets six times every year with meetings scheduled one year in advance. Additional meetings are arranged as required.

BOARD COMMITTEES

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

- The Investment Committee oversees the investment activities and operations of AIMCo, which includes the receipt of investment- and risk-related reports from management and the review and approval of certain investment-related matters. The Investment Committee comprises all of the members of the Board of Directors with Virginia Holmes serving as Chair.
- The Audit Committee oversees financial reporting processes, development and implementation of internal controls, conduct of the audit process, compliance with applicable laws and regulations, and implementation of AIMCo's whistleblower policy. The Audit Committee consists of Cathy Williams (Chair), George Gosbee, Ross Grieve and Daryl Katz.
- The Governance Committee oversees the policies, processes and procedures that comprise AIMCo's corporate governance framework, which includes overseeing the terms of reference for the Board of Directors and each Board committee, and ensuring the effective operation of the Board of Directors. The Governance Committee consists of Andrea Rosen (Chair), Ross Grieve and Mac Van Wielingen.
- The Human Resources and Compensation Committee oversees the human resources strategy and policies of the Corporation, which includes ensuring that human resources policies are aligned with corporate objectives, reviewing employee compensation and providing oversight on labour relations strategy. The Human Resources and Compensation Committee consists of Clive Beddoe (Chair), Virginia Holmes, Andrea Rosen and Mac Van Wielingen.

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

BOARD ATTENDANCE AND REMUNERATION

The Board held six regular meetings in fiscal 2011: three in Edmonton, two in Calgary and one in Toronto, as well as two special meetings conducted by teleconference. The Investment Committee held eight meetings, two of which were 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, 2011

	BOARD OF DIRECTORS		AUDIT COMMITTEE	HUMAN RESOURCES COMMITTEE	GOVERNANCE COMMITTEE	INVESTMENT COMMITTEE	
	REGULAR	SPECIAL				REGULAR	SPECIAL
A. CHARLES BAILLIE[1] Chair of the Board	6/6	2/2	1/1	4/5	6/6	5/5	2/3
GEORGE GOSBEE Vice Chair of the Board	5/6	2/2	5/6	–	5/6	4/5	3/3
CLIVE BEDDOE Chair, Human Resources Committee	5/6	2/2	–	5/6	–	4/5	3/3
DAVID BISSETT[2]	4/5	1/1	5/5	–	5/5	3/4	2/3
ROSS GRIEVE[3]	3/3	1/1	2/2	1/1	3/3	3/3	1/1
VIRGINIA HOLMES Chair, Investment Committee	6/6	2/2	–	6/6	2[4]	5/5	3/3
DARYL KATZ	5/6	1/2	5/6	–	–	4/5	3/3
FRANK P. LAYTON, Q.C.[5]	1/1	–	–	0/1	1/1	1/1	–
ANDREA ROSEN Chair, Governance Committee	5/6	2/2	–	6/6	6/6	4/5	2/3
MAC VAN WIELINGEN	5/6	2/2	–	4/6	4/6	4/5	2/3
CATHY WILLIAMS Chair, Audit Committee	5/6	1/2	6/6	–	–	5/5	2/3

(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 generally alternates his attendance between the two.*

(2) *David Bissett retired from the Board effective December 31, 2010.*

(3) *Ross Grieve was appointed to the Board on September 16, 2010 and attended his first Board Committee meeting on September 23, 2010. Prior to his official appointment to the Audit and Governance Committees on November 25, 2010, Mr. Grieve attended meetings of each Committee as a guest.*

(4) *Virginia Holmes is not a regular member of the Governance Committee; she attends Committee meetings periodically as a guest.*

(5) *Frank P. Layton, Q.C. resigned from the Board on April 23, 2010.*

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 held the same day as regular Board meetings.

Board Fees

As at March 31, 2011

	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 preceding table.

Director Remuneration

As at March 31, 2011

	BASE RETAINER (ANNUAL)	CHAIR RETAINER (ANNUAL)	VICE CHAIR (ANNUAL)	COMMITTEE CHAIR RETAINER (ANNUAL)	MEETING FEES ($1,000 PER MEETING)[1]	TRAVEL REMUNERATION	TOTAL
A. CHARLES BAILLIE, Chair	$ 20,000	$ 50,000	$ –	$ –	$ 19,000	$ 4,000	$ 93,000
GEORGE GOSBEE, Vice Chair	20,000	–	10,000	4,298[1]	20,000	1,000	55,298
CLIVE BEDDOE	20,000	–	–	7,500	15,000	1,000	43,500
DAVID BISSETT[2]	15,000	–	–	–	17,000	–	32,000
ROSS GRIEVE[3]	10,822	–	–	–	11,000	1,000	22,822
VIRGINIA HOLMES	20,000	–	–	7,500	20,000	10,000	57,500
DARYL KATZ	20,000	–	–	–	14,000	–	34,000
FRANK P. LAYTON, Q.C.[4]	1,192	–	–	–	2,000	–	3,192
ANDREA ROSEN	20,000	–	–	7,500	22,000	4,000	53,500
MAC VAN WIELINGEN	20,000	–	–	–	17,000	–	37,000
CATHY WILLIAMS	20,000	–	–	11,355[5]	14,000	1,000	46,355

[1] *George Gosbee was Acting Chair of the Audit Committee until the appointment of Cathy Williams in September 2009. Adjustments were made to Mr. Gosbee's quarterly remuneration in June 2010 to account for payment of the Audit Committee Chair retainer while Mr. Gosbee held that position.*

[2] *David Bissett retired from the AIMCo Board of Directors effective December 31, 2010.*

[3] *Ross Grieve was appointed to the AIMCo Board on September 16, 2010 and was compensated on a per diem pro rata basis for the quarter ending September 30, 2010.*

[4] *Frank P. Layton, Q.C. resigned from the AIMCo Board of Directors effective April 23, 2010 and was compensated on a per diem pro rata basis for the quarter ending June 30, 2010.*

[5] *Adjustments were made to Cathy Williams' quarterly remuneration in June 2010 to properly account for payment of the Audit Committee Chair retainer.*

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 as directors 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.

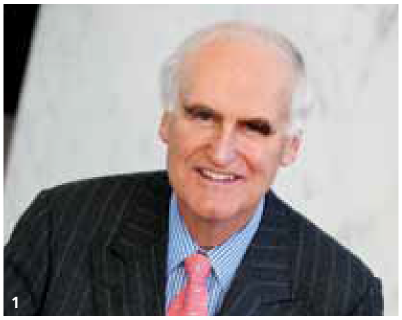
STANDARDS OF CONDUCT FOR DIRECTORS

The Board of Directors has adopted various policies that outline acceptable standards of conduct for directors, including the Director Trading Policies and the Director Conflict of Interest Policy. A new Director Appointment Policy for Portfolio Investments was implemented during the fiscal year.

CODE OF CONDUCT

AIMCo has adopted a Code of Conduct and Ethical Standards, which contains principles and guidelines for ethical behaviour at AIMCo. The Code applies to all AIMCo employees, including executive officers. Compliance with the Code is a condition of employment with AIMCo. AIMCo employees receive annual training regarding their obligations under the Code. Additionally, AIMCo has established a whistleblower policy and reporting service, which provides all employees, service providers and clients with the ability to confidentially report any failure to comply with the Code.

Board of Directors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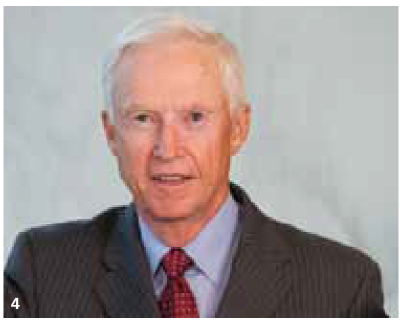
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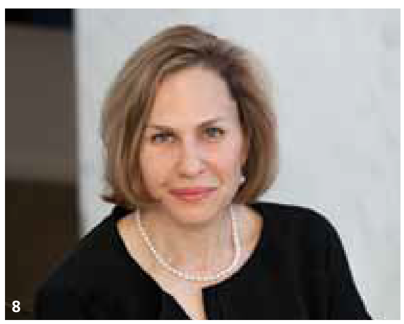
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1. A. CHARLES BAILLIE, O.C.
A. Charles Baillie, O.C., Chair, is the former Chief Executive Officer and Chairman of the Board of Toronto-Dominion Bank. Charles serves on the boards of TELUS Corp., Canadian National Railway Co. and George Weston Ltd. Charles was appointed an Officer of the Order of Canada in 2006, inducted into the Canadian Business Hall of Fame in 2007 and named Canadian International CEO of the Year in 2000. He is Chancellor Emeritus of Queen's University and a former Chair of the Canadian Council of Chief Executives. Charles holds an MBA from Harvard Business School.

2. GEORGE F. J. GOSBEE
George F.J. Gosbee is the Chairman, President and CEO of AltaCorp Capital Inc. He is a board member of Chrysler Group LLC in Detroit and co-founder of MASS LBP. George is currently an advisor on the Government of Canada's Economic Advisory Council, a member of the Canadian Council of Chief Executives, a Director for the National Ballet School Foundation and an Advisor to the School of Public Policy at the University of Calgary. He was honoured by the World Economic Forum as one of 200 Young Global Leaders, has received the Haskayne School of Business' Distinguished Alumni Award and was awarded Entrepreneur of the Year for the Prairie Region by Ernst and Young.

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. Clive is the recipient of numerous awards and honours including induction in the Visionaries category to the Marketing Hall of Legends in 2009. In 2008 he was named Distinguished Entrepreneur of the Year by the University of Victoria. Clive holds an Honorary Doctorate of Law from the University of Calgary and from Wilfrid Laurier University.

4. DAVID A. BISSETT
David A. Bissett is the founder of Bissett and Associates Investment Management Ltd., which is now a division of Franklin Templeton Investments. David has an LLB from Dalhousie University and is a CFA Charterholder. He retired from the Board on December 31, 2010.

5. 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, The Miller Thomson Foundation and Junior Achievement. Ross 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.

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

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

8. ANDREA S. ROSEN
Andrea S. Rosen is the former Vice Chair for TD Bank Financial Group and President of TD Canada Trust. Andrea serves on the boards of Emera Inc. and Hiscox Ltd. Andrea has an LLB from the 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. Mac 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 CFO of Shell Canada Ltd. Cathy is on the boards of Tim Hortons Inc. and Enbridge Inc., and is the Chair of the Human Resources and Compensation Committee at Enbridge. She is also on the Advisory Board of Queen's School of Business. Cathy has an LLB from the University of Western Ontario and an MBA from Queen's University.

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 generally accepted accounting principles and within the framework of significant accounting policies summarized in the notes to the Financial Statements. The financial information presented throughout this annual report is consistent with the Financial Statements.

Management is responsible for the integrity and fairness of the Financial Statements and the financial information contained in this annual report. 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 and accompanying financial information in this annual report 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 organization.

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

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 balance sheet as at March 31, 2011, and the statements of operations and cash flows for the year then ended, 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 generally accepted accounting principles, 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 audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit 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 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by Merwan N. Saher, CA

AUDITOR GENERAL
May 25, 2011
Edmonton, Alberta

Balance Sheet

As at March 31, 2011 ($ thousands)	**2011**	2010
ASSETS		
Current assets		
Cash and cash equivalents *(Note 4)*	**$ 19,607**	$ 26,427
Accounts receivable	**14,224**	12,196
Prepaid expenses	**2,261**	1,729
	36,092	40,352
Capital assets *(Note 5)*	**32,345**	26,748
	$ 68,437	$ 67,100
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities *(Note 6)*	**$ 18,952**	$ 21,699
Accrued vacation and benefits	**1,666**	1,845
Advance from the Province of Alberta *(Note 7)*	**28,249**	28,249
	48,867	51,793
Long-term employee benefits *(Note 8)*	**9,873**	4,894
Deferred lease inducement *(Note 16)*	**6,050**	6,766
	64,790	63,453
Shareholder's equity *(Note 9)*		
Contributed surplus	**3,647**	3,647
	3,647	3,647
	$ 68,437	$ 67,100

Commitments *(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

Statement of Operations

For the year ended March 31, 2011 ($ thousands)	2011 BUDGET *(UNAUDITED)* *(NOTE 17)*	**2011 ACTUAL**	2010 ACTUAL
REVENUE			
Cost recoveries	$ 221,490	**$ 247,835**	$ 228,683
Interest income	–	**253**	254
	221,490	**248,088**	228,937
EXPENSES			
External investment costs *(Note 10)*	136,649	**171,155**	169,277
Salaries, wages and benefits	50,006	**47,840**	38,647
Contract and professional services	9,409	**7,872**	5,110
Administration	6,604	**7,312**	4,697
Data services and subscriptions	10,249	**7,277**	7,621
Amortization of capital assets	3,964	**3,252**	1,285
Rent	4,009	**3,140**	2,233
Interest	600	**240**	67
	221,490	**248,088**	228,937
Net income	$ –	**$ –**	$ –

The accompanying notes are part of these financial statements.

Statement of Cash Flows

For the year ended March 31, 2011 ($ thousands)	2011	2010
OPERATING ACTIVITIES		
Net income	$ –	$ –
Items not affecting cash		
Amortization of capital assets	3,252	1,285
Amortization of deferred lease inducement	(716)	(304)
Proceeds from deferred lease inducement	–	6,108
Long-term employee benefits	4,979	3,969
	7,515	11,058
Changes in operating accounts *(Note 11)*	(5,486)	12,587
	2,029	23,645
INVESTING ACTIVITIES		
Acquisition of capital assets	(8,849)	(20,779)
(Decrease) increase in cash for the year	(6,820)	2,866
Cash and cash equivalents at beginning of year	26,427	23,561
Cash and cash equivalents at end of year	$ 19,607	$ 26,427
SUPPLEMENTARY INFORMATION		
Interest paid during the period	$ 195	$ 67

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

For the year ended March 31, 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 *Alberta Investment Management Corporations 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 *Alberta Investment Management Corporations 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 $68.8 billion, see Note 12. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) and include the following significant accounting policies:

a) Changes in Accounting Policies

Recent Accounting Pronouncements

In April 2010, the Public Sector Accounting Board finalized the requirements for government organizations classified as Other Government Organizations (OGOs) to adopt either CICA Public Sector Accounting Standards (PSAB) or International Financial Accounting Standards. The Corporation is classified by the Government of Alberta's Treasury Board as an OGO and has elected to adopt PSAB. The Corporation will adopt PSAB for its annual financial statements ending March 31, 2012, including comparative amounts on a PSAB basis for the year ending March 31, 2011. The Corporation does not expect that adopting these standards will have a material impact on its financial statements.

b) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. Significant estimates include external investment management fees and long-term employee benefit accruals.

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

d) Capital Assets

Capital assets are recorded at cost less accumulated amortization. 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

e) Impairment of Capital Assets

The Corporation assesses the carrying values of capital assets for impairment when circumstances indicate the carrying amounts of the assets may not be recoverable, using projected undiscounted cash flows. Factors that are considered and which could lead to an impairment include significant changes in the manner of use of the asset or the overall strategy of the Corporation.

An impairment charge, measured at an amount equal to the excess of the carrying value over fair value, is recognized when the carrying amount of an asset exceeds the estimated undiscounted cash flows.

f) 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 market interest rates, as at the measurement date, for high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. 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 Plan (RFU). 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.

g) Financial Instruments

The Corporation has made the following classification of its financial assets and liabilities:

- Cash is classified as "Held for Trading" and is measured at fair value.
- Accounts receivable are classified as "Loans and Receivables" and are measured at amortized cost using the effective interest method, which approximates fair value due to their short term to maturity.
- Accounts payable and accrued liabilities, accrued vacation and benefits, and advance from the Province of Alberta are classified as "Other Financial Liabilities" and are measured at amortized cost using the effective interest method, which approximates fair value due to their short term to maturity.

NOTE 4 CASH AND CASH EQUIVALENTS

As at March 31, 2011 ($ thousands)	**2011**	2010
Deposit in Consolidated Cash Investment Trust Fund	**$ 19,558**	$ 25,933
Cash in U.S. bank account	**49**	494
	$ 19,607	$ 26,427

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, 2011, securities held by the Fund have a time-weighted return of 1.1% per annum (2010 – 1.0% per annum).

NOTE 5 CAPITAL ASSETS

As at March 31, 2011 ($ thousands)			**2011**	2010
	COST	**ACCUMULATED AMORTIZATION**	**NET BOOK VALUE**	NET BOOK VALUE
Computer hardware and software	**$ 18,750**	**$ 10,851**	**$ 7,899**	$ 3,818
Computer hardware and software under development	**10,017**	**–**	**10,017**	8,315
Leasehold improvements	**11,995**	**1,268**	**10,727**	10,876
Equipment	**4,132**	**430**	**3,702**	3,739
	$ 44,894	**$ 12,549**	**$ 32,345**	$ 26,748

Included in capital assets is computer hardware and software of $10,017 (2010 – $8,315) that is under development and not subject to amortization.

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at March 31, 2011 ($ thousands)	**2011**	2010
Annual incentive plan[1]	**$ 14,781**	$ 9,827
Other accounts payable and accrued liabilities	**4,171**	11,872
	$ 18,952	$ 21,699

[1] *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.*

NOTE 7 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, 2011, the outstanding advance totalled $28,249 (2010 – $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, 2011, the Corporation was in compliance with the terms of its revolving demand facility.

NOTE 8 LONG-TERM EMPLOYEE BENEFITS

As at March 31, 2011 ($ thousands)	**2011**	2010
Long-term incentive plan	**$ 6,745**	$ 2,009
Restricted fund unit incentive plan	**481**	402
Unfunded net retirement obligation from SRP plan	**2,647**	2,483
	$ 9,873	$ 4,894

a) 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 on 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 on 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.

The accrued LTIP liability as at March 31, 2011 of $6,745 (2010 – $2,099) reflects the potential value of all LTIP, based on actual results to that date from the date they were awarded.

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

As at March 31, 2011	**2011**	2010
LTIP grants outstanding, beginning of year	**9,460**	4,453
Granted	**5,635**	5,222
Redeemed/forfeited	**(620)**	(215)
LTIP grants outstanding, end of year	**14,475**	9,460

The maximum potential obligation related to the LTIP as at March 31, 2011 was $43,425 (2010 – $28,380). Total expense related to the LTIP for the year ended March 31, 2011 was $4,740 (2010 – $1,723) which was recorded in salaries, wages and benefits.

b) 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 RFU(s). RFU(s) 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, 2011 of $481 (2010 – $402) reflects the potential value of all RFU(s), based on actual results to that date from the date they were awarded.

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

As at March 31, 2011	**2011**	2010
RFU grants outstanding, beginning of year	**630**	630
Granted	**15**	–
Redeemed/forfeited	**(140)**	–
RFU grants outstanding, end of year	**505**	630

Total expense related to the RFU plan for the year ended March 31, 2011 was $231 (2010 – $321), which was recorded in salaries, wages and benefits.

c) Supplementary Retirement Plan

On January 1, 2010, the Corporation established a new SRP for those individuals required to withdraw from the existing Supplementary Retirement Plan for Public Service Managers. Based on an actuarial report dated January 1, 2010, the Corporation assumed an opening net obligation of $2,306 representing past service costs of which $1,740 was expensed during the year ended March 31, 2010 and $566 was expensed during the year ended March 31, 2009.

Information about the Corporation's SRP is as follows:

As at March 31, 2011 ($ thousands)	2011	2010
ACCRUED RETIREMENT OBLIGATION		
Beginning of year	**$ 2,483**	$ 566
Current service cost	**389**	150
Interest cost	**129**	27
Prior service costs arising from plan initiation	**–**	1,740
Actuarial gain resulting from changes in actuarial assumptions	**(1,372)**	–
End of year	**1,629**	2,483
PLAN ASSETS		
Fair value, beginning of year	**–**	–
Employer contributions	**177**	–
Employee contributions	**177**	–
End of year	**354**	–
Funded status – plan deficit	**(1,275)**	(2,483)
Unamortized net actuarial gain	**(1,372)**	–
Reported liability	**$ (2,647)**	$ (2,483)
Current service cost	**389**	150
Interest cost	**129**	27
Prior service cost amortization	**–**	1,740
Less: employee contributions	**(177)**	–
Total SRP expense	**$ 341**	$ 1,917

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	2011
Equity securities	**0%**
Debt securities	**0%**
Other	**100%**

The following table presents key assumptions applicable to the SRP:

As at March 31, 2011	2011	2010
Annual discount rate	**4.5%**	4.5%
Annual salary increase – base	**3.0%**	3.5%
Annual salary increase – merit and promotion	**–**	1.3%
Expected long-term return on plan assets	**6.0%**	6.0%
Inflation rate	**2.0%**	2.5%

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 $449 as at March 31, 2011. A 1% increase or decrease in the rate of salary increases would increase or decrease the reported liability by $1,214 as at March 31, 2011. A 1% increase or decrease in the inflation rate would increase or decrease the reported liability by $127 as at March 31, 2011.

d) 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 $2,758 for the year ended March 31, 2011 (2010 – $2,562), which was recorded in salaries, wages and benefits.

At December 31, 2010, the Management Employees Pension Plan reported a deficiency of $397,087 (2009 – $483,199) and the Public Service Pension Plan reported a deficiency of $2,067,151 (2009 – $1,729,196).

NOTE 9 SHAREHOLDER'S EQUITY

a) Share Capital

As at March 31, 2011 ($ thousands)	**2011**	2010
ISSUED AND AUTHORIZED		
Province of Alberta – one share	**$ –**	$ –

b) Contributed Surplus

Contributed surplus of $3,647 (2010 – $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.

NOTE 10 EXTERNAL INVESTMENT COSTS

For the year ended March 31, 2011 ($ thousands)	**2011**	2010
External investment management fees	**$ 116,726**	$ 126,061
External performance fees	**19,096**	25,690
Asset administration, legal, and other expenses	**35,333**	17,526
	$ 171,155	$ 169,277

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. The estimates are based upon specified rates and commitment levels in the investment management agreements. Actual results could differ from these estimates.

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.

NOTE 11 CHANGES IN OPERATING ACCOUNTS

For the year ended March 31, 2011 ($ thousands)	2011	2010
(Increase) decrease in accounts receivable	$ (2,028)	$ 128
Increase in prepaid expenses	(532)	(476)
(Decrease) increase in accounts payable and accrued liabilities	(2,747)	13,047
Decrease in accrued vacation and benefits	(179)	(112)
	$ (5,486)	$ 12,587

NOTE 12 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, 2011, assets under administration totalled approximately $68.8 billion (2010 – $70.7 billion), at market value. These assets were administered on behalf of the following clients of the Corporation:

As at March 31, 2011 ($ thousands)	2011	2010
Pension plans	$31,436,597	$27,652,448
Ministry of Finance and Enterprise		
General revenue and entity investment funds[1]	14,267,483	20,713,819
Endowment funds (including the Alberta Heritage Savings Trust Fund)	18,332,498	17,133,500
Insurance-related funds	2,415,934	2,186,113
Other government ministry investment funds	2,348,256	3,042,063
	$68,800,768	$70,727,943

[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, 2011 ($ thousands)	2011	2010
Fixed income		
Fixed income[1]	$29,318,810	$35,588,666
Private mortgages	2,261,523	2,090,276
Inflation sensitive		
Real estate	5,579,575	4,650,792
Infrastructure and timber	2,452,871	1,729,492
Real return bonds and commodities	1,977,405	1,691,637
Equities		
Public equities and absolute return strategies	24,774,440	23,411,199
Private equity	1,930,208	1,451,946
Overlays	505,936	113,935
	$68,800,768	$70,727,943

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

NOTE 13 CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

a) Capital Management

In the definition of capital, the Corporation includes shareholder's equity, advance from the Province of Alberta and the undrawn portion of the advance from the Province of Alberta. The primary objective of capital management is to ensure the Corporation has sufficient capital to support its business and achieve its strategic goals. The Corporation operates on a cost-recovery basis and manages its capital to fund operating and capital costs to achieve its strategic plans and offset cost-recovery timing differences. The Corporation is an agent of the Crown whose debt is fully guaranteed by the Province of Alberta, which has provided the Corporation with an advance to fund operating and capital costs.

b) Financial Instruments

The Corporation's financial instruments are exposed to certain financial risks including credit risk, liquidity risk and market risk.

Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the Corporation's accounts receivable from clients. The Corporation's clients are government funds, pension plans and other entities, and as such, credit risk exposure is limited.

Liquidity Risk

Liquidity risk is the risk the Corporation will not be able to meet its financial obligations as they become due. The Corporation is an agent of the Crown and has established a credit facility with the Province of Alberta to fund operating and capital requirements.

Market Risk

Market risk is the risk that changes in market prices, such as foreign currency and interest rates, will affect the Corporation's earnings or the value of the financial instruments held. Foreign currency risk is the risk that the fair value of future cash flows for financial instruments will fluctuate relative to the Canadian dollar. Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation operates on a cost-recovery basis. Interest rate risk arises primarily from fluctuations in the interest rate on the advance from the Province of Alberta and foreign currency risk from fluctuations in the value of the Corporation's U.S. dollar bank account. As a result, exposure to foreign currency risk and interest rate risk is limited.

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 year ended March 31 ($ thousands)	**2011**	2010
REVENUES		
Cost recoveries	**$ 76,680**	$ 59,406
EXPENSES		
Interest on advance from Province of Alberta	**195**	65
Contracted services (rent and other)	**561**	1,610
	756	1,675
ASSETS		
Accounts receivable	**13,880**	12,196
LIABILITIES		
Accounts payable	**577**	5,403
Advance from Province of Alberta	**28,249**	28,249
	$ 28,826	$ 33,652

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 in the year ended March 31, 2011 in accordance with Treasury Board directive 03/2007. This directive applies to all departments, regulated funds, provincial agencies and Crown-controlled organizations.

For the year ended March 31 ($ thousands)					**2011**	2010
	BASE SALARY(1)	**VARIABLE PAY**(2)	**OTHER CASH BENEFITS**(3)	**OTHER NON-CASH BENEFITS**(4)	**TOTAL**	TOTAL
Chairman of the Board(5)	**$ –**	**$ –**	**$ 93**	**$ –**	**$ 93**	$ 108
Board Members(5)	**–**	**–**	**385**	**–**	**385**	435
Chief Executive Officer(6)	**500**	**900**	**18**	**70**	**1,488**	1,069
Chief Investment Officer(7)	**–**	**–**	**–**	**–**	**–**	242
Chief Operating Officer	**265**	**466**	**55**	**41**	**827**	633
Chief Financial Officer	**250**	**129**	**1**	**32**	**412**	343
Chief Risk Officer	**225**	**189**	**1**	**43**	**458**	437
Senior Vice President, Fixed Income Investments	**265**	**394**	**1**	**46**	**706**	632
Senior Vice President, Public Equities	**265**	**466**	**–**	**39**	**770**	647

(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 2009, the Board has consisted of 10 independent members including the Chairman, whose compensation is disclosed separately. From July 2009 to November 2009, the Board consisted of 11 independent members including the Chairman and the Deputy Minister of Finance and Enterprise. The Deputy Minister of Finance and Enterprise was a Board member and received no compensation from the Corporation during this time.*

(6) *The Chief Executive Officer also served in the role of Chief Investment Officer from July 1, 2009.*

(7) *The Chief Investment Officer announced his retirement on March 31, 2009, and his last day with the Corporation was June 30, 2009.*

Deferred Long-Term Incentive Compensation

For the year ended March 31, 2011 ($ thousands)	2011			2010
	LTIP GRANT	RFU GRANT	TOTAL	TOTAL
Chief Executive Officer	$ 500	$ –	$ 500	$ 500
Chief Investment Officer	–	–	–	362
Chief Operating Officer	260	–	260	239
Chief Financial Officer	–	–	–	100
Chief Risk Officer	169	–	169	169
Senior Vice President, Fixed Income Investments	239	–	239	239
Senior Vice President, Public Equities	239	–	239	239

The Corporation provides retention incentives to employees through an LTIP and an RFU plan as described in Note 8. 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 is $500 million. RFU(s) 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 COMMITMENTS

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

($ thousands)	
2012	$ 4,119
2013	4,271
2014	3,967
2015	3,588
2016	3,588
Thereafter	10,763
Total	$ 30,296

The Corporation entered into a lease agreement for a new facility commencing January 1, 2010. This agreement is 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, 2011, which includes the Corporation's offices in Toronto, is $6,050 (2010 – $6,766).

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, 2011, the balance outstanding against the facility is $12,878 (2010 – $10,210).

NOTE 17 2010/11 BUDGET

The Corporation's budget for the year ended March 31, 2011, was approved by the Board of Directors on January 29, 2010.

NOTE 18 COMPARATIVE FIGURES

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

Investments Over $300 Million

Corporate Issuers

As at March 31, 2011 ($ millions)	ASSETS UNDER MANAGEMENT	% OF TOTAL
Royal Bank of Canada	$ 1,258	1.8%
Toronto-Dominion Bank	1,232	1.8%
Bank of Montreal	1,104	1.6%
Bank of Nova Scotia	1,071	1.6%
Canadian Imperial Bank of Commerce	996	1.4%
Viterra	739	1.1%
Precision Drilling	697	1.0%
TNT	534	0.8%
National Bank of Canada	524	0.8%
GE Capital Canada Funding Co.	413	0.6%
Merrill Lynch Financial Assets	349	0.5%
Exxon Mobil	335	0.5%
	$ 9,252	13%

Government Issuers

As at March 31, 2011 ($ millions)	ASSETS UNDER MANAGEMENT	% OF TOTAL
Government of Canada	$ 4,365	6.3%
Canada Housing Trust No. 1	3,684	5.4%
Province of Ontario	2,596	3.8%
Province of Québec	1,476	2.1%
Canadian Mortgage Pools	1,443	2.1%
Province of British Columbia	712	1.0%
Financement-Québec	653	0.9%
Province of New Brunswick	517	0.8%
Province of Nova Scotia	426	0.6%
CDP Financial (Caisse de dépôt et placement du Québec)	410	0.6%
U.S. Department of the Treasury	370	0.5%
	$ 16,651	24%

Senior Management Team

LEO DE BEVER
Chief Executive Officer and
Chief Investment Officer

JAGDEEP SINGH BACHHER
Chief Operating Officer

WARREN CABRAL
Chief Financial Officer

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

JOHN OSBORNE
Chief Risk Officer

LORNE R. ANDERSON
Senior Vice President, Human Resources

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

MICHAEL BAKER
Senior Vice President,
Investment Operations

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

GISELLE BRANGET
Vice President, Active Investments

SALLY CHAN
Vice President, Internal Audit

JACQUELYN COLVILLE
Vice President, Finance and Controller

CHARLIE EIGL
Vice President, Investment Administration

ARTHUR R. GUIMARAES
Vice President, Investment Operations

ANDREW W. HUNTLEY
Vice President, Mortgages

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

SAMEER VERMA
Vice President, New Operations Initiatives

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