Perspectives on managing the Government Pension Fund Global

Svein Gjedrem, Governor of Norges Bank
2 November 2010

www.norges-bank.no
Timeline for managing Norway’s oil wealth

- Oil discovered on Norwegian continental shelf
  - 1969
  - 1974
- "The role of petroleum activity in Norwegian society"
- Committee on the Future of Petroleum Activity
  - 1983
- First transfer to Government Petroleum Fund
  - 1990
  - 1996
  - 2001
- Act on the Government Petroleum Fund
- Fiscal rule
Timeline for the Government Pension Fund Global

First transfer: 1996
- Begins to invest in equities (40% allocation)

Five emerging markets: 2000
- Corporate bonds and mortgage-backed securities

Inflation-linked bonds: 2005
- Equity allocation raised to 60%. Small-cap companies

Mandate for real estate: 2010

Corporate bonds and mortgage-backed securities: 2002

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Return on the Fund
Return on the Fund. As at 2010 Q3. Per cent

Annual rate of return
Annualised cumulative return
Ownership interests in equity markets
Percentage of FTSE market cap

Europe
Americas
Asia and Oceania
Total

0.0 0.5 1.0 1.5 2.0
Future returns

Expected nominal rate of return on German 5-year government bonds 5 years ahead and equity instruments. Per cent

Source: Thomson Reuters and Bank of England
Excess return
2010 as of Q3. Per cent
Investment strategy

Investment universe

Currency allocation

BENCHMARK

EQUITY

NOMINAL RATES

REAL RETURN

Strategic asset allocation

Investment mandate

Rebalancing
Motives for assessing transparency of SWFs

- Peterson Institute:
  - “Sovereign wealth funds (SWFs), large pools of government-owned funds that are invested in whole or in part outside their home country, burst upon the policy consciousness only three years ago.”
Motives for assessing transparency of SWFs (cont.)

- Peterson Institute:
  - “Their explosive growth up until 2007 fanned widespread anxieties about shifts of global economic wealth and the roles of governments in managing that wealth. On the other hand, SWF investments helped some major Western financial institutions weather the recent financial crisis.”
## Transparency of SWFs

<table>
<thead>
<tr>
<th>Fund (origin)</th>
<th>Points 2009 (per cent)</th>
<th>Change from 2008 (percentage points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Pension Fund Global (Norway)</td>
<td>97</td>
<td>5</td>
</tr>
<tr>
<td>CalPERS (California)</td>
<td>95</td>
<td>8</td>
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<tr>
<td>Alaska Permanent Fund</td>
<td>92</td>
<td>0</td>
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<td>ABP (Netherlands)</td>
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<td>5</td>
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<td>Timor-Leste</td>
<td>85</td>
<td>5</td>
</tr>
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<td>GIC (Singapore)</td>
<td>65</td>
<td>24</td>
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<tr>
<td>Abu Dhabi Investment Authority</td>
<td>11</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Edward Truman
Real exchange rate

1) The squares show the average so far in 2010 (to 21 October). A rising curve denotes weaker competitiveness.

Sources: Statistics Norway. Technical Reporting Committee on Income Settlements, Ministry of Finance and Norges Bank
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