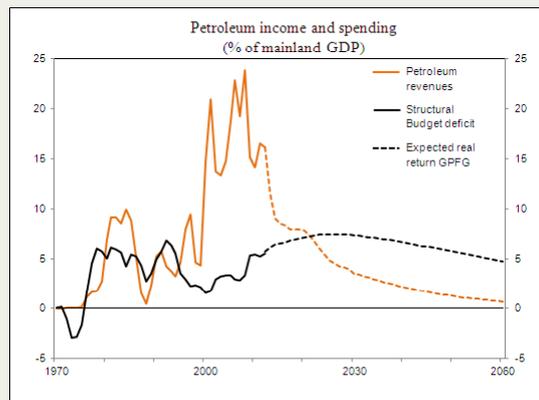


# The Management of the Government Pension Fund in 2011

30 March 2012



## A sustainable spending of petroleum revenues

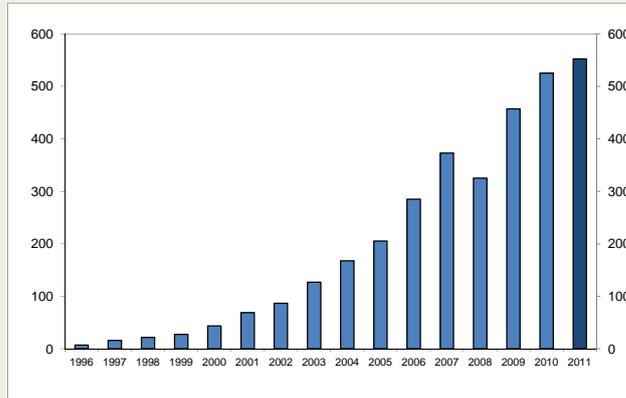


Source: Ministry of Finance and Statistics Norway



## Among the largest funds in the world

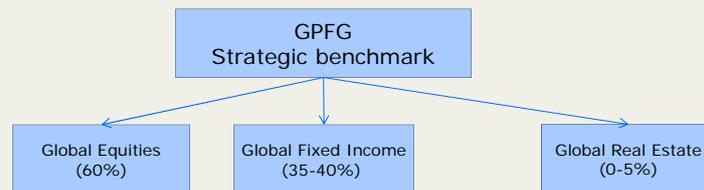
Market value 1996 – 2011. Billion USD, year-end.



Source: Ministry of Finance



## A professional long-term financial investor



Equity index:

Fixed weight between regions  
 Market weighted within regions  
 Large-, medium- and small cap companies

Fixed income index:

Fixed weight between regions  
 Market weighted within regions  
 Government, government related, asset backed and corporate bonds

## This year's report builds on assessments in last year's report

- What we said last year:

"In the Ministry's view, a new review of relevant research indicates that the GPFG's exchange rate risk is smaller than previously assumed, and relatively small in any event. Accordingly, there no longer appears to be a basis for as strong a concentration of the investments in Europe as the Fund features at present. Global production capacity and global securities markets are increasingly located in other parts of the world. Over time, therefore, the proportion of the Fund that is invested in Europe should be reduced in favour of greater proportions in the rest of the world."

## This year's report builds on assessments in last year's report (cont.)

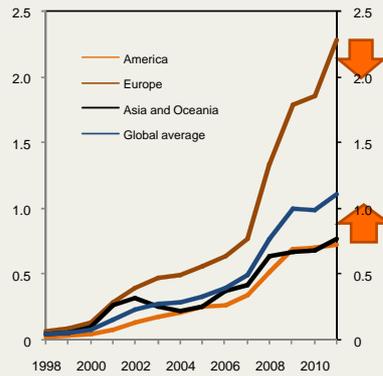
- What we said last year:

- The relevant starting point for the geographical distribution: Market weights for equities and GDP-weights for bonds.
- Assessed the role of the various parts of the benchmark for bonds.
- Advice from Norges Bank, a 70/30 government/corporate split.

### Changes in benchmark for equities in this year's report

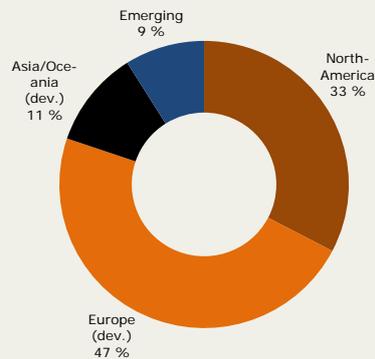
- Move closer to market weights
- Mindful to avoid combination of too high proportion in North America and too much reduction in Europe
- Reduce allocation to Europe by approximately 10 percentage points
- Increase allocation to Emerging Markets to market capitalization weight

GPF's ownership shares in the equity markets. Percent

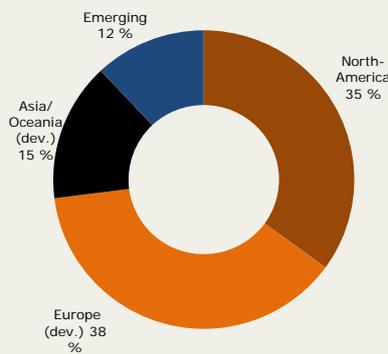


### More equal allocations in Europe and North America and increased investments in Emerging Markets

Current allocation

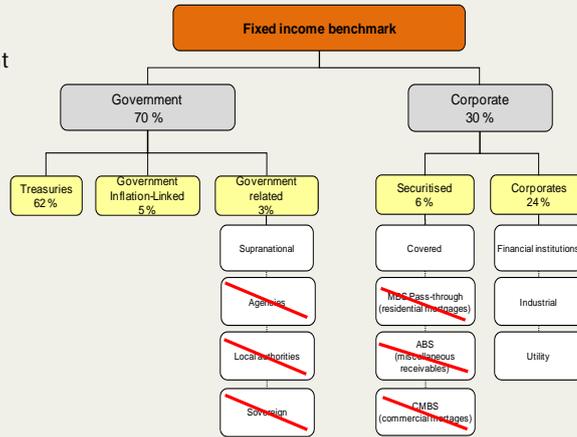


New allocation



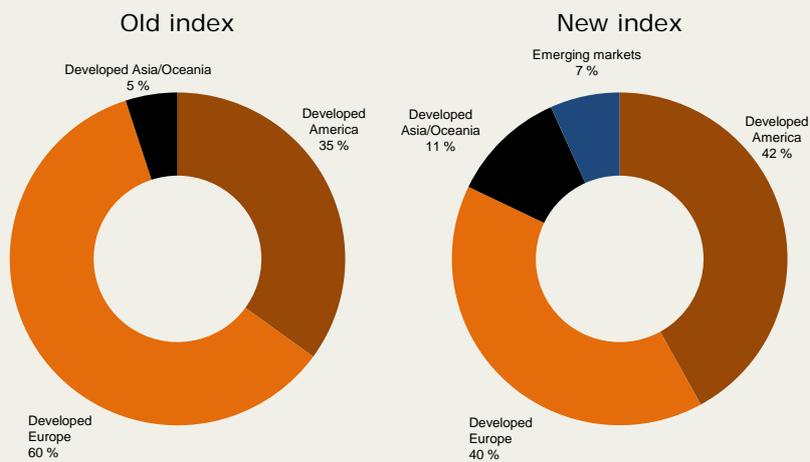
## Changes in benchmark for bonds in this year's report

- Two parts:
  - 70 pct. government
  - 30 pct. corporate
- Investment grade (as before)

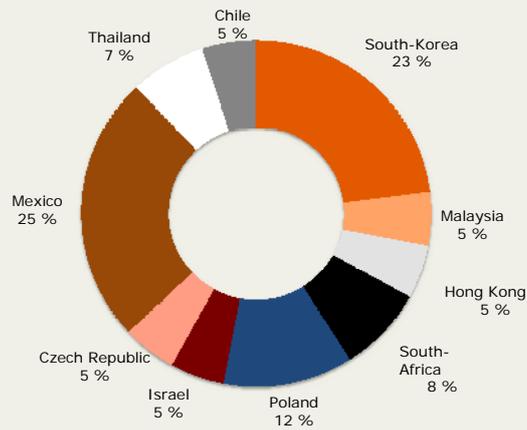


Sources: Norges Bank and Ministry of Finance.

## GDP-weights changes the regional allocation of the benchmark for bonds



### Introduce emerging markets in the benchmark



### Summary - changes in the regional distribution of the Fund's benchmark

*Regional distribution of the GPFG under previous and new benchmarks. Measured using market values at the beginning of 2012. Percentages*

	Previous	New
America/Africa	35	40
Europe	54	41
Asia/Oceania	11	19
<i>Of this:</i>		
Emerging markets	6	10

Source: Ministry of Finance.

More information available here:

**[www.government.no/gpf](http://www.government.no/gpf)**

- Letters from Norges Bank on emerging bond markets, strategic benchmark for equities
- Report from MSCI on global equity allocation
- Report from Professor C. Harvey on allocation to emerging equity markets

**[www.nbim.no](http://www.nbim.no)**

- Reports prepared as background material for Norges Banks recommendations to the Ministry of Finance

