

Government Pension Fund Norway Investment Benchmarking Results

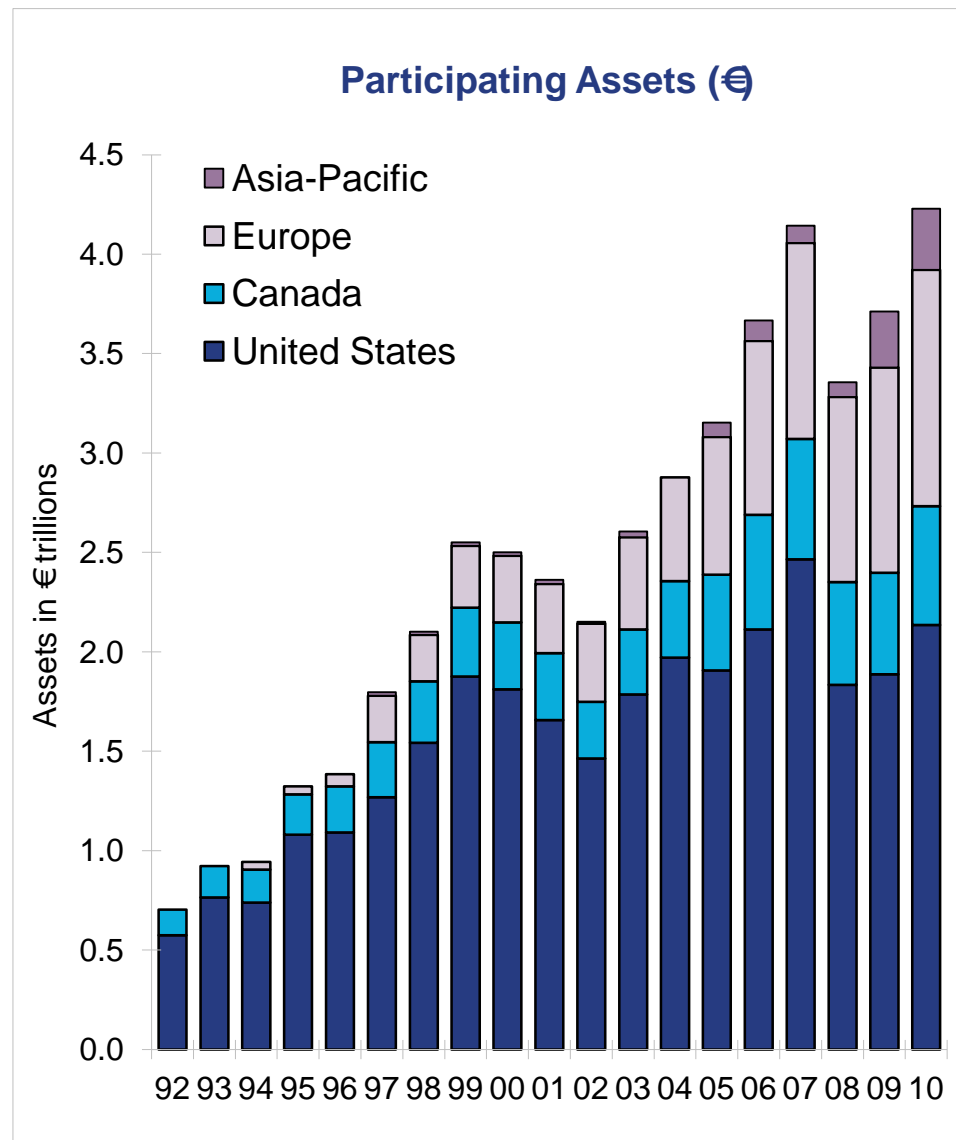
For the 5 year period ending December 2010



This benchmarking report compares your cost and return performance to CEM's extensive pension database.

- 52 European funds participate with aggregate assets of €1,188 billion. Included are funds from the Netherlands, Norway, Sweden, Finland, Denmark and the U.K.
- 201 U.S. funds participate with assets totaling €2,135 billion.
- 93 Canadian funds participate with assets totaling €598 billion.
- 7 Asia-Pacific funds participate with aggregate assets of €307 billion. Included are funds from Australia and New Zealand.

In the global database the types of funds can be split as follows: 51% corporate, 32% public and 17% other.



The most valuable comparisons for cost performance are to your custom peer group.

Custom Peer Group for Government Pension Fund Norway

- 17 international sponsors from €4.7 billion to €180.2 billion
 - Median size €36.0 billion versus your €17.3billion
 - Median size of internal equity program €9.1 billion versus your €10billion
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- 4 Canadian Funds, 5 European Funds and 8 US Funds make up the International Peer Group.
 - The size of the internal equity program was chosen as one of the key characteristics of the peer group because it is a major factor in the cost profile of the GPF - Norway.
 - Due to the fact that the GPF- Norway is primarily invested in Norway, return comparisons versus the other funds who invest more on a Global scale are not very meaningful.

What gets measured gets managed, so it is critical that you measure and compare the right things:

Value Added

Are your implementation decisions (i.e., the amount of active versus passive management) adding value?

- Your 5-year value added of 1.5% was the highest of the peers and compares to the peer median of 0.5%.

Costs

Are your costs reasonable? Costs matter and can be managed.

- Your actual cost of 7.3 bps was below your benchmark cost of 16.4 bps. This suggests that your fund was low cost.

Cost Effectiveness

Net implementation value added versus excess cost.
Does paying more get you more?

- Your 5-year performance placed in the positive value added, low cost quadrant on the cost effectiveness chart.

2. Value Added

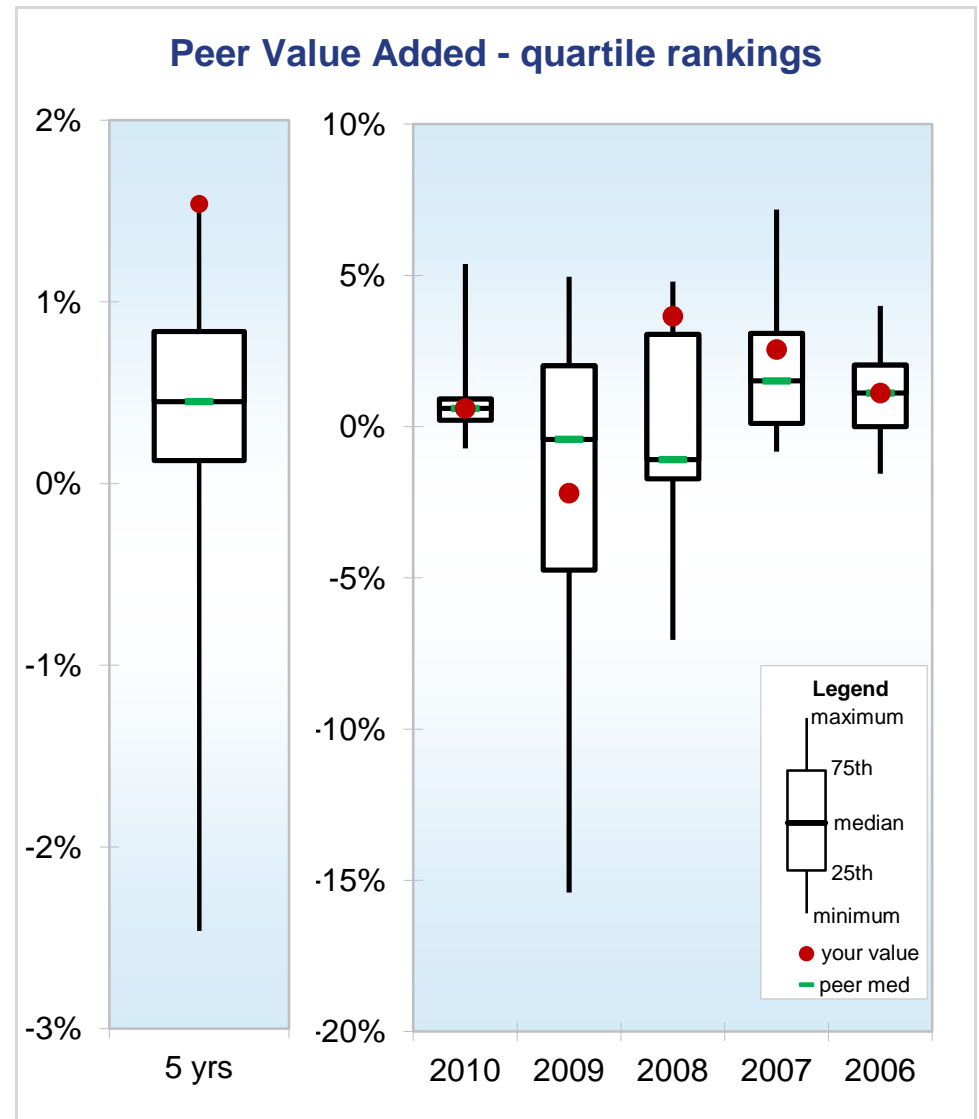
Value added is the component of your total return from active management. Your 5-year value added of 1.5% was the highest of the peers.

Value added equals your total return minus your policy return.

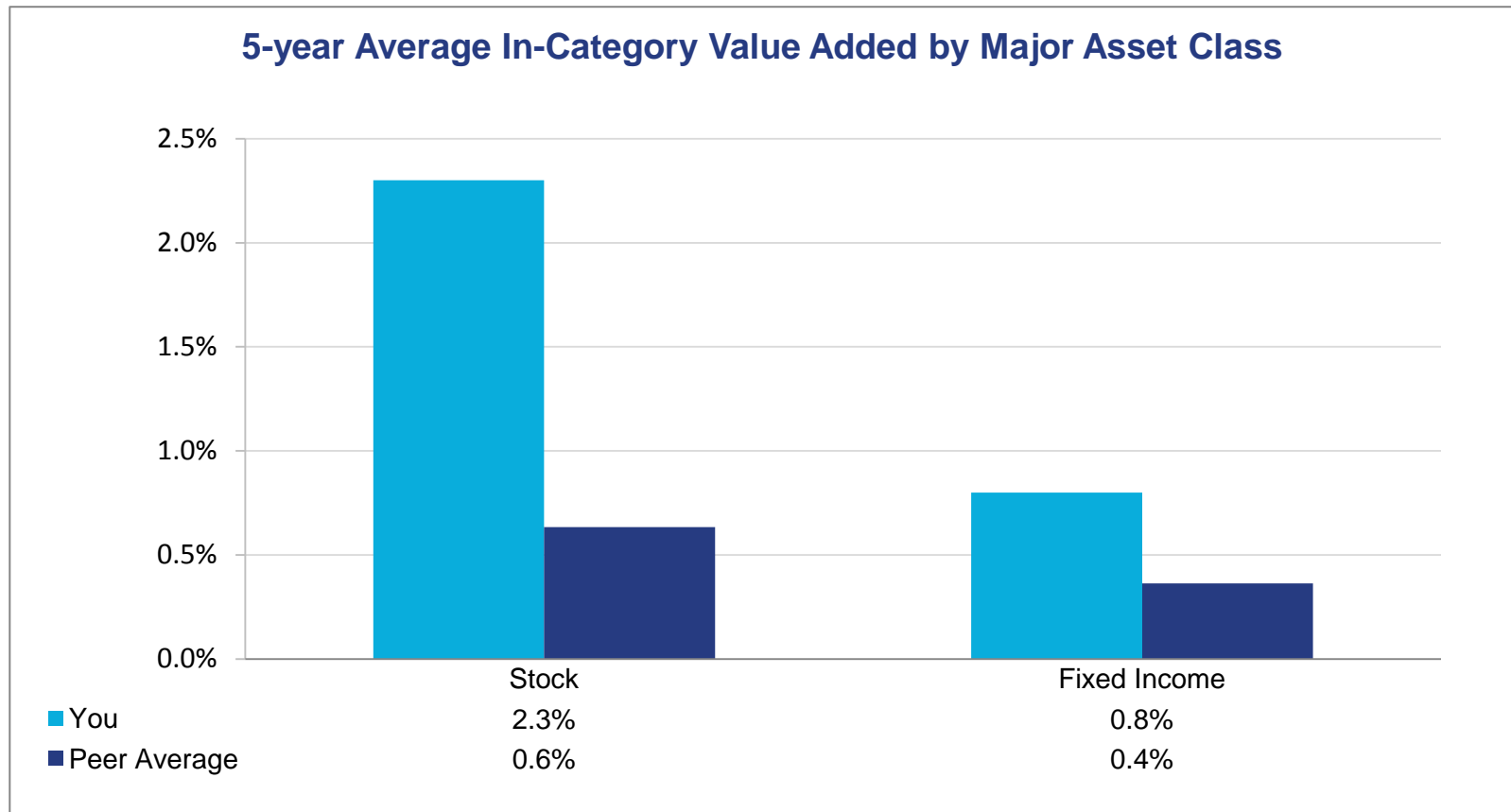
Government Pension Fund Norway

Year	Total return	Policy return	Value Added
2010	15.3%	14.7%	0.6%
2009	33.5%	35.7%	(2.2)%
2008	(25.1)%	(28.8)%	3.7%
2007	9.8%	7.3%	2.6%
2006	11.1%	10.0%	1.1%
5-year	7.1%	5.5%	1.5%

Your 5-year value added of 1.5% compares to a median of 0.5% for your peers.



You had positive 5-year value added in stock and fixed income.



3. Costs

Your asset management costs in 2010 were €11.5 million or 7.3 basis points.

Your Investment Management Costs (€000s)					
	Internal		External		Total
	Passive	Active	Passive	Active: base fees Active: perform fees ¹	
Stock		4,765			4,765
Fixed Income		3,732			3,732
Total investment management costs				5.4bp	8,497

Your Oversight, Custodial and Other Asset Related Costs ¹ (€000s)		
Oversight of the fund		1,160
Trustee & custodial		512
Consulting and performance measurement		179
Audit		130
Other		1,017
Total oversight, custodial & other costs		1.9bp 2,998

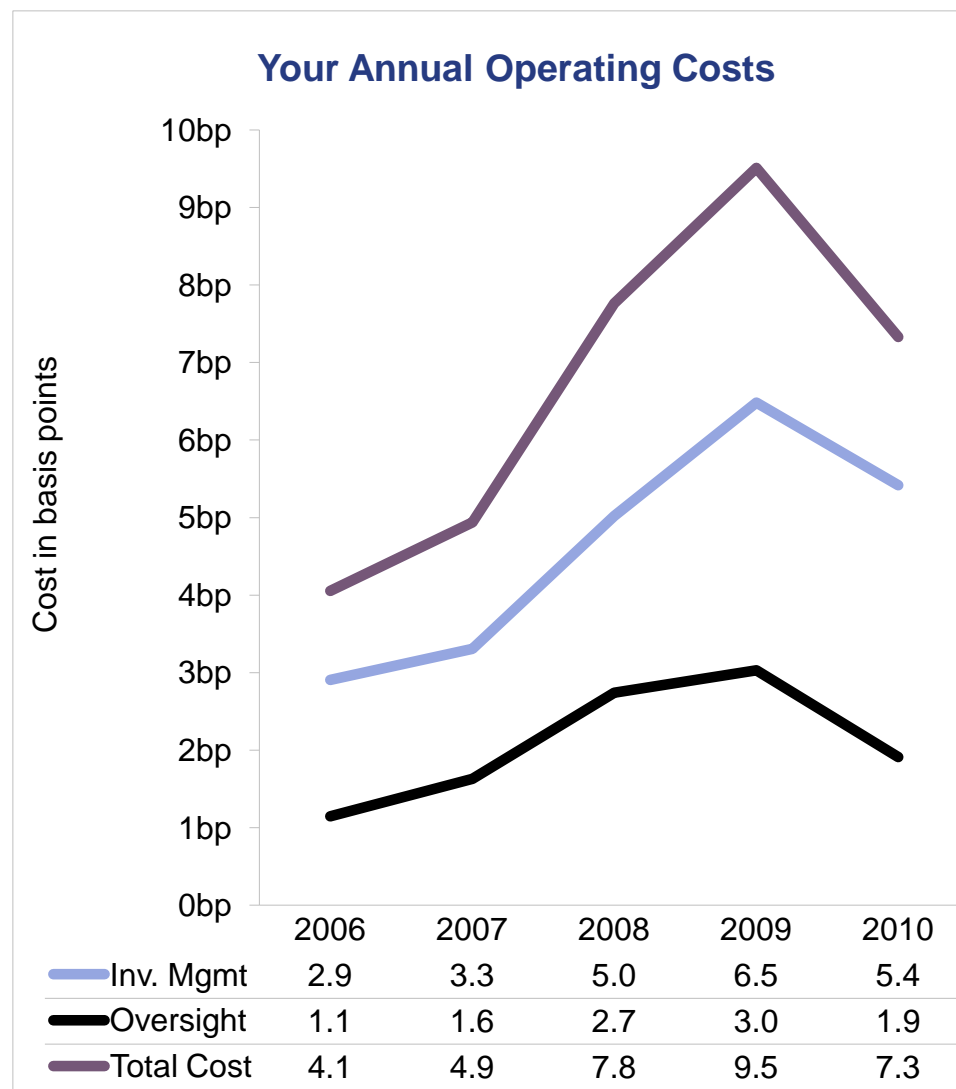
Total asset management costs		7.3bp 11,495
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Notes

¹ Excludes non-investment costs, such as benefit insurance premiums and preparing cheques for retirees.

Your costs increased between 2006 and 2009 but have come down slightly in 2010.

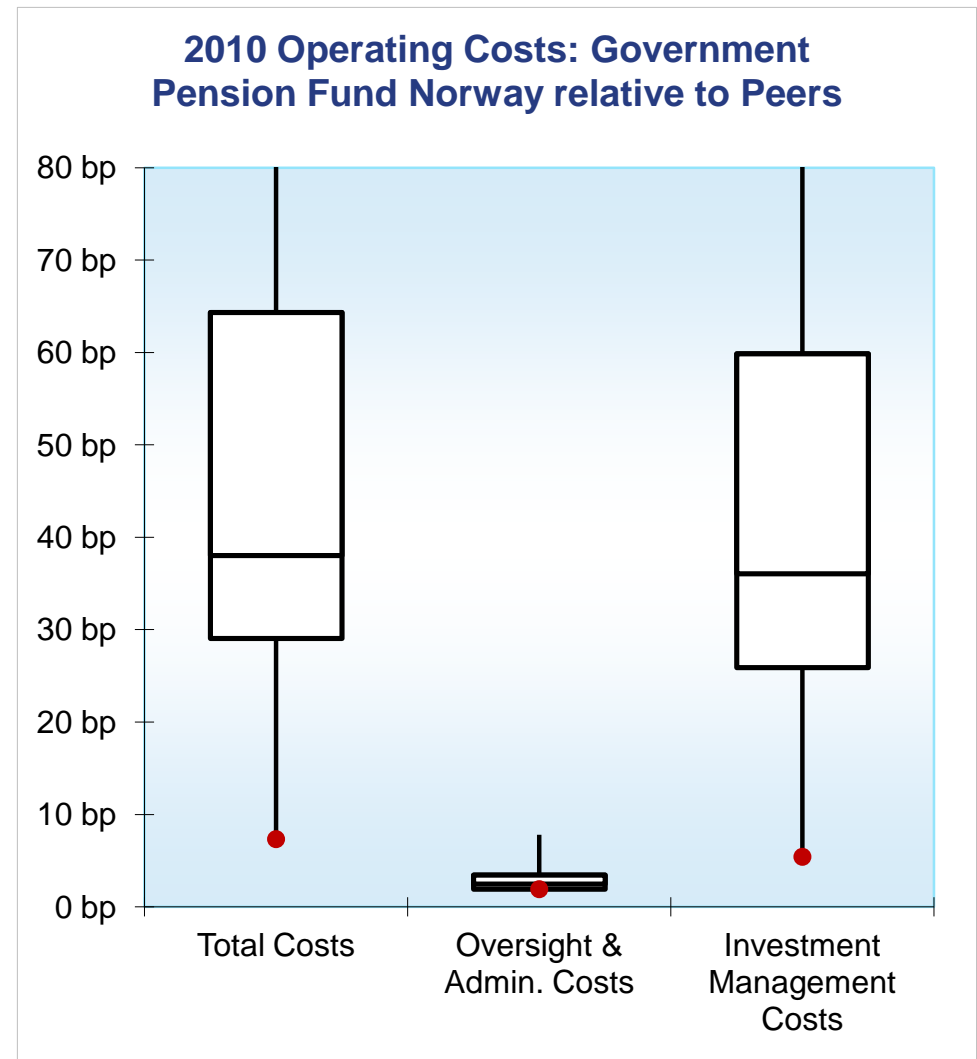
- The costs to manage your equity and fixed income assets declined versus 2009.
- In addition, oversight and consulting costs declined versus 2009.



Your total costs compare to your peers as follows:

Total cost comparisons are interesting but do not provide any insight into why costs are different between funds.

These figures are not adjusted for size, asset mix or implementation style. On the next few pages we use a benchmark cost to adjust for differences between funds and provide more insightful comparisons and conclusions about your relative cost performance.



Benchmark cost analysis suggests that your fund was low cost by 9.1 basis points in 2010.

To assess your cost performance, we start by calculating your benchmark cost. Your benchmark cost is an estimate of what your cost would be given your actual asset mix and the median costs that your peers pay for similar services. It represents the cost your peers would incur if they had your actual asset mix.

Your total cost of 7.3 bp was lower than your benchmark cost of 16.4 bp. Thus, your cost savings was 9.1 bp.

	€000s	basis points
Your actual cost	11,495	7.3 bp
Your benchmark cost	<u>25,799</u>	<u>16.4 bp</u>
Your excess cost	(14,304)	(9.1) bp

You were low cost because you had a lower cost implementation style and paid less for similar mandates.

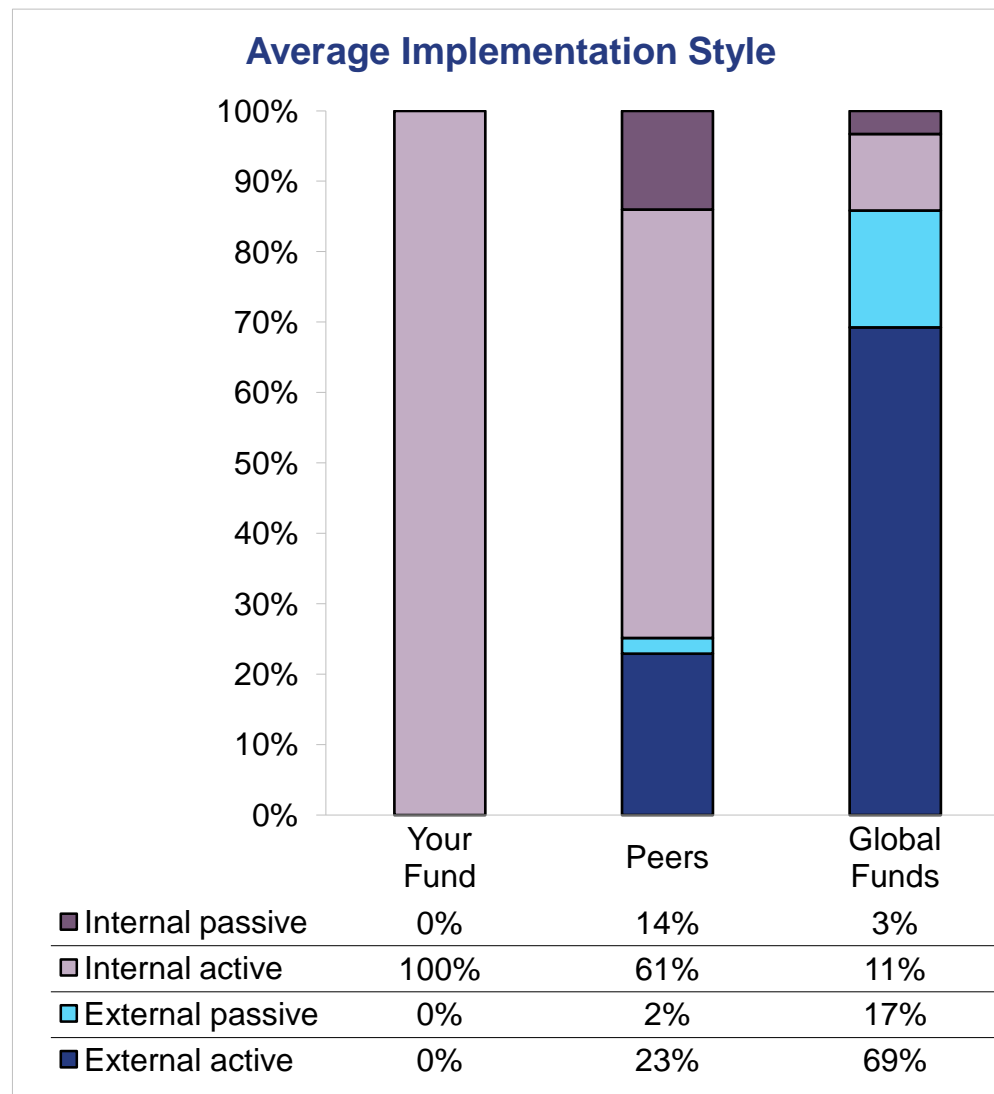
Reasons for Your Low Cost Status		
	Excess Cost/ (Savings)	
	€000s	bps
1. Lower cost implementation style		
• Less external active management and more lower cost internal management	(10,278)	(6.6)
• Lower use of overlays	(1,327)	(0.8)
• Other style differences	<u>2,336</u>	<u>1.5</u>
	(9,269)	(5.9)
2. Paying less than your peers		
• Internal investment management costs	(3,584)	(2.3)
• Oversight, custodial & other costs	<u>(1,451)</u>	<u>(0.9)</u>
	(5,035)	(3.2)
Total Savings in 2010	(14,304)	(9.1)

Differences in cost performance is often caused by differences in implementation style.

Implementation style is defined as the way in which you implement your asset allocation. It includes internal, external, active and passive styles.

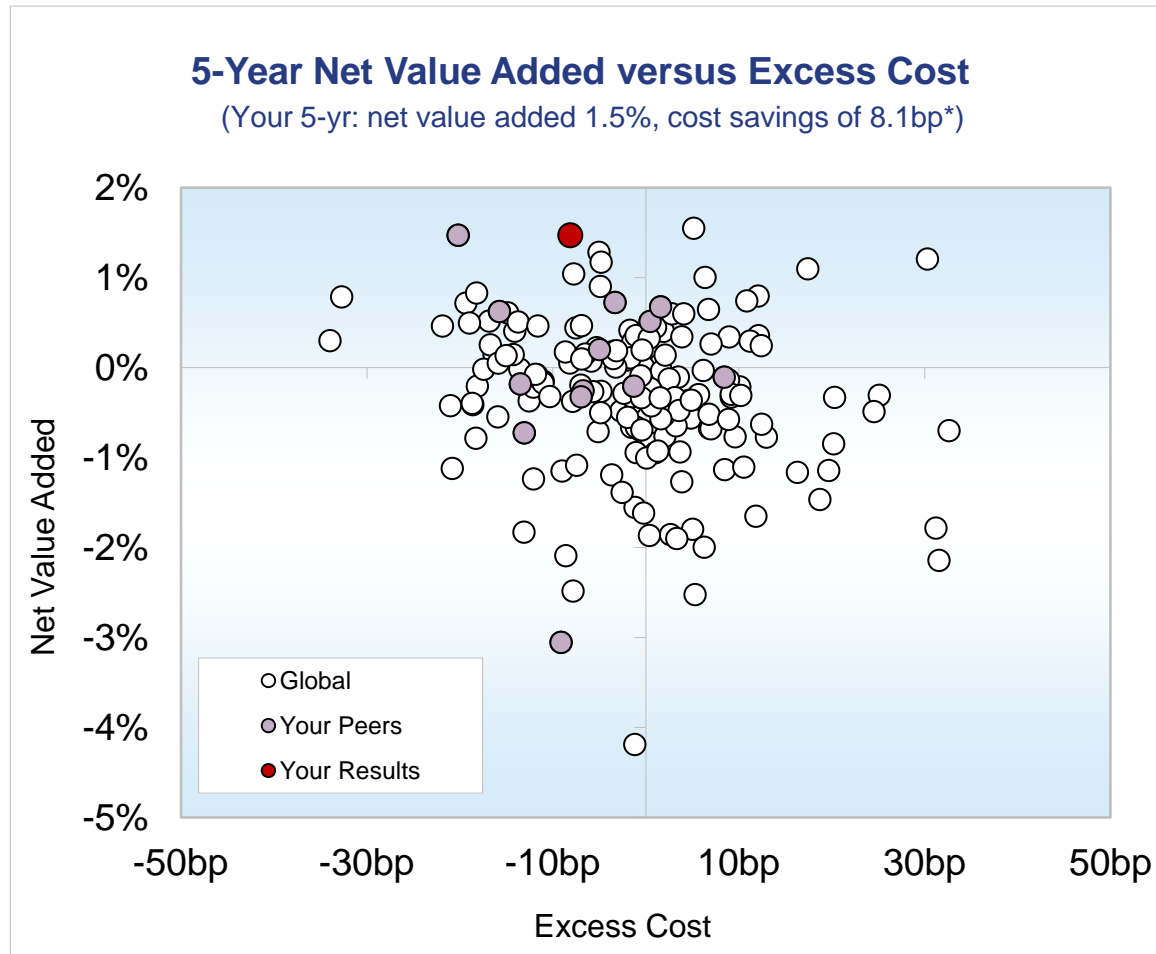
The greatest cost impact is usually caused by differences in the use of:

- External active management because it tends to be much more expensive than internal or passive management. You used less external active management than your peers (your 0% versus 23% for your peers).
- Within external active holdings, fund of funds usage because it is more expensive than direct fund investment.



4. Cost Effectiveness

Your 5-year performance placed in the positive value added, low cost quadrant.



* Your 5-year net value added of 1.5% equals your 5-year 1.5% gross value added minus your 0.1% 5-year average cost. Your 5-year excess cost of -8.1bp is the average of your excess cost for the past 5 years.

5-year net value added versus excess cost as a percentage of benchmark cost.

