

Government Pension Fund Norway Investment Benchmarking Results

For the 5 year period ending December 2011



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

Net Value Added

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

- Your 5-year net value added was 1.5%. This was above the Global median of -0.2% and above the peer median of 0.0%.

Costs

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

- Your actual cost of 8.9 bps was below your benchmark cost of 17.0 bps. This suggests that your fund was low cost. The lower cost status was achieved through cost savings due to have less external management than the peers and paying slightly less for internal management relative to the peers.

Cost Effectiveness

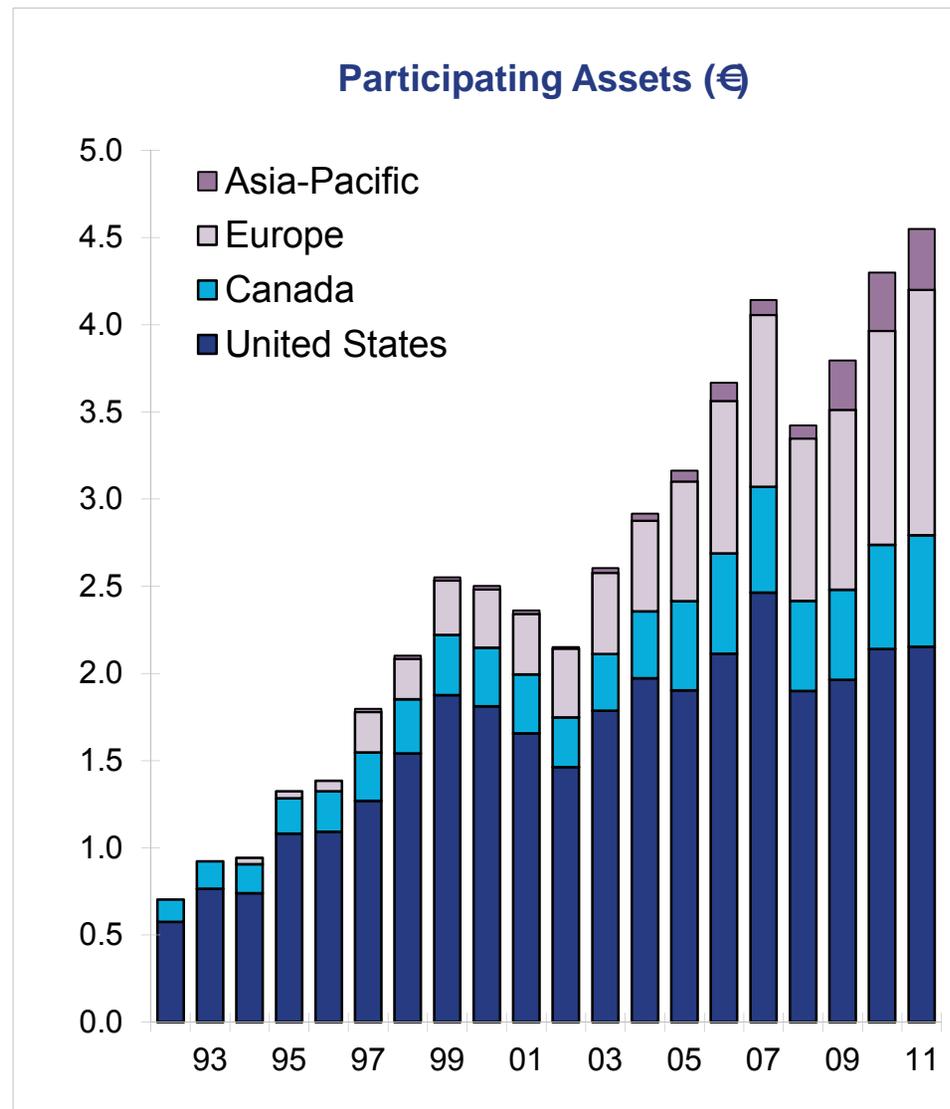
Net implementation value added versus excess cost. Does paying more get you more?

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

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

- 192 U.S. funds participate with assets totaling €2.2 trillion.
- 86 Canadian funds participate with assets totaling €639 billion.
- 71 European funds participate with aggregate assets of €1,408 billion. Included are funds from the Netherlands, Norway, Sweden, Finland, Ireland, Denmark and the U.K.
- 8 Asia-Pacific funds participate with aggregate assets of €348 billion. Included are funds from Australia, New Zealand and South Korea.

In the global database the types of funds can be split as follows 51% corporate, 29% public, 20% other.



Government Pension Fund Norway

The most valuable comparisons for cost performance are to your custom peer group because size impacts costs.

Custom Peer Group for Government Pension Fund Norway

- 17 global sponsors from €12 billion to €79 billion
 - Median size of €33 billion versus your €17 billion
 - Median size of internal equity program €9 billion versus your €10 billion
- 4 Canadian Funds, 6 European Funds, 1 Asia-Pacific Fund and 6 U.S. Funds make up the Global 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.

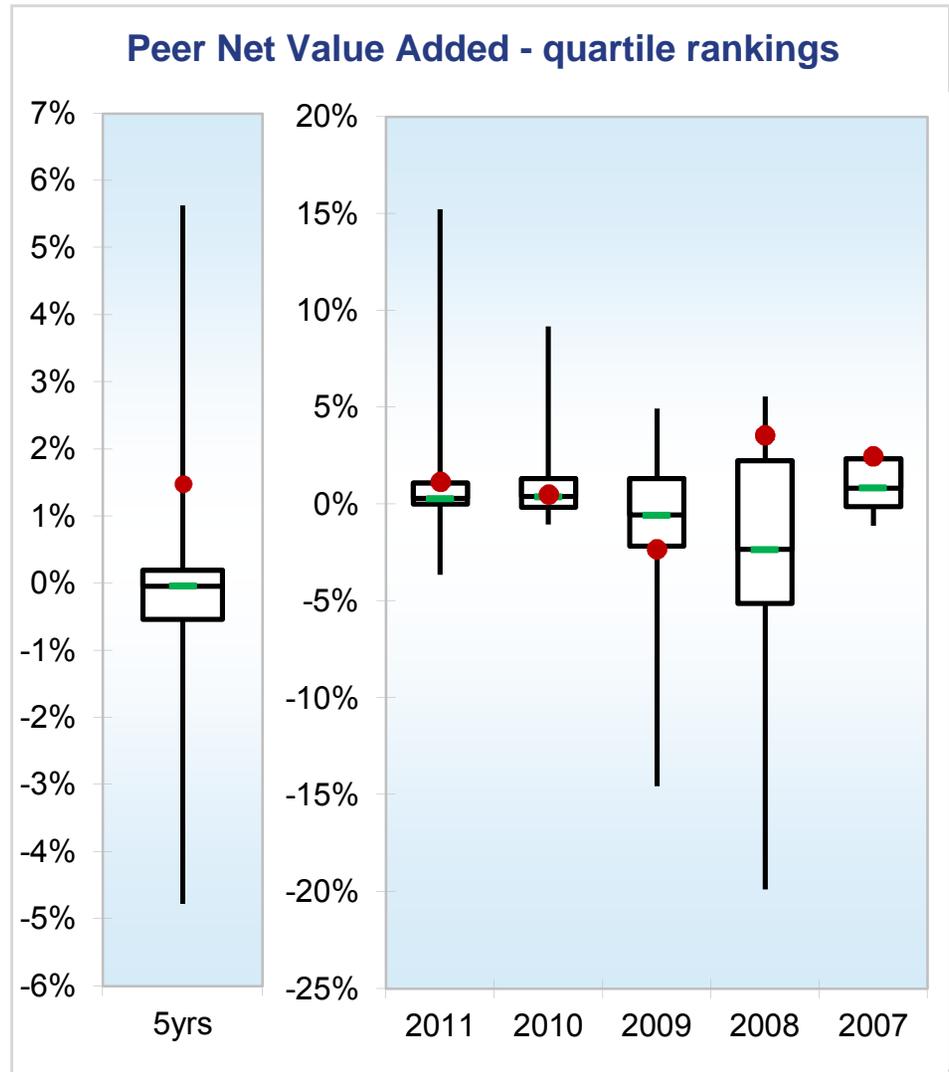
2. Net Value Added

Net value added is the component of total return from active management. Your 5-year net value added was 1.5%.

Net value added equals total return minus policy return minus costs.

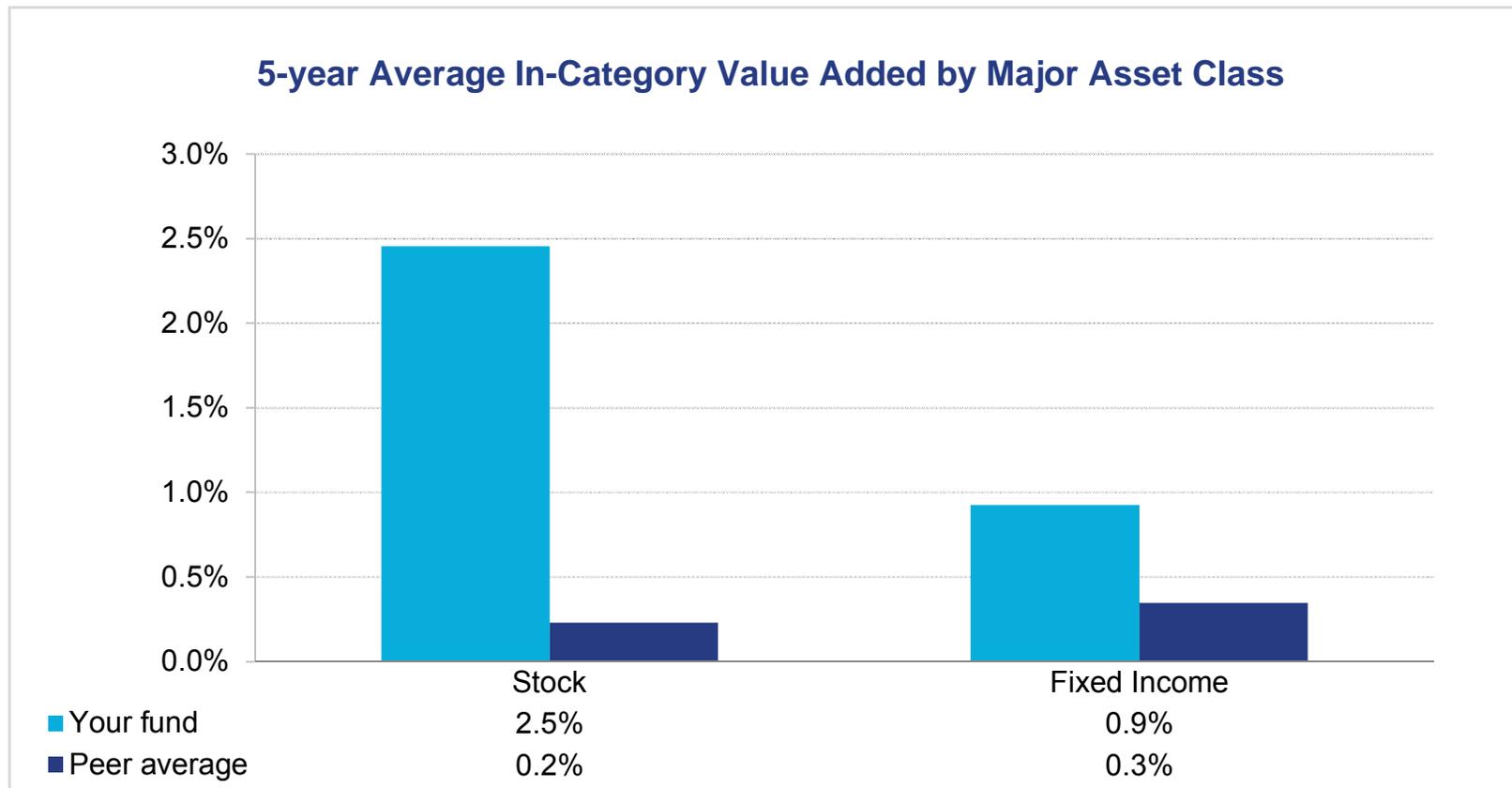
Government Pension Fund Norway				
Year	Total Return*	Policy Return	Cost	Net Value Added
2011	(3.9)%	(5.2)%	0.1%	1.2%
2010	15.3%	14.7%	0.1%	0.5%
2009	33.5%	35.7%	0.1%	(2.3)%
2008	(25.1)%	(28.8)%	0.1%	3.6%
2007	9.8%	7.3%	0.0%	2.5%
5-year	4.0%	2.4%	0.1%	1.5%

Your 5-year net value added of 1.5% compares to a median of 0.0% for your peers and -0.2% for the Global universe.



* Returns are equal weighted.

You had positive 5-year value added in Stock and Fixed Income.



3. Costs

Your asset management costs in 2011 were €15.1 million or 8.9 basis points.

Your Investment Management Costs (€000s)						
	<u>Internal</u>		<u>External Active</u>			Total
	Passive	Active	Base Fees	Perform. Fees	Monitoring & Other	
Stock - Aggregate		5,876				5,876
Fixed Income - Aggregate		5,066				5,066
Total investment management costs					6.4bp	10,942

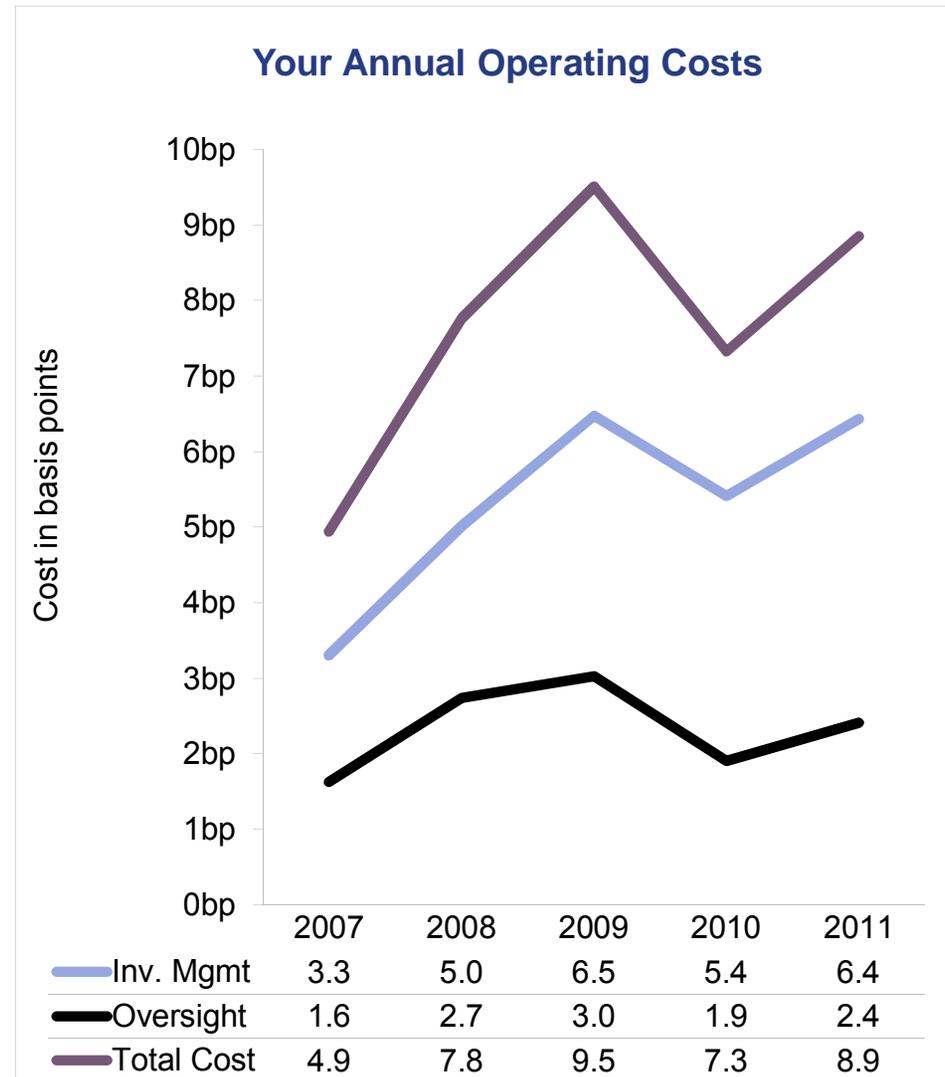
Your Oversight, Custodial and Other Asset Related Costs ¹ (€000s)		
Oversight of the fund		1,705
Trustee & custodial		614
Consulting and performance measurement		92
Audit		217
Total oversight, custodial & other costs		2.4bp
Total asset management costs		8.9bp
		15,051

Notes

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

Your costs increased between 2007 and 2011.

Costs have increased in 2011 relative to 2010 primarily due to increases in stock and fixed income costs.

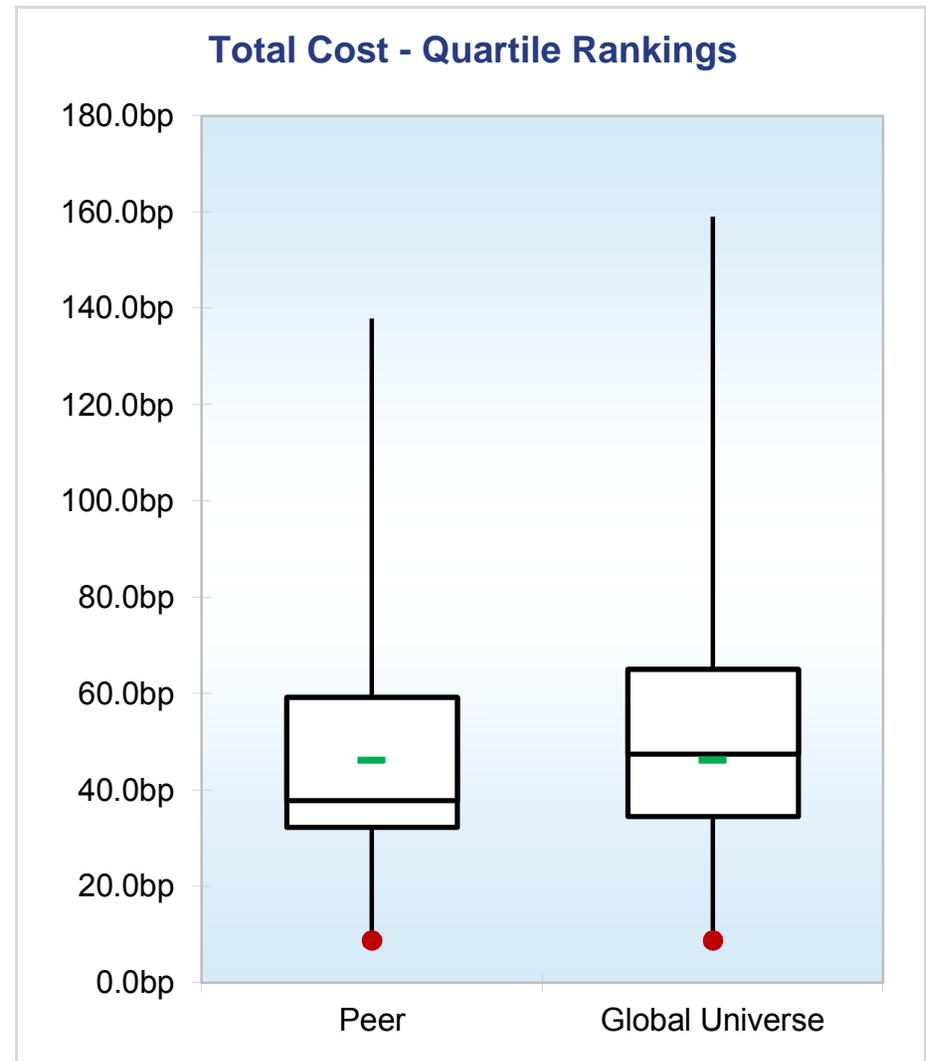
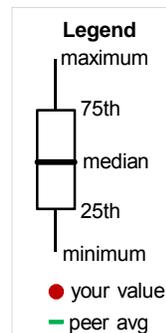


Your total cost of 8.9 bps was below the peer average of 46.3 bps.

Differences in total cost are often caused by two factors that are often outside of management's control:

- asset mix and
- fund size.

Therefore, to assess whether your costs are high or low, CEM calculates a benchmark cost for your fund. 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.



Benchmark cost analysis suggests that, after adjusting for fund size and asset mix, your fund was low cost by 8.1 basis points in 2011.

Your total cost of 8.9 bp was below your benchmark cost of 17.0 bp. Thus, your cost savings was 8.1 bp.

	€000s	basis points
Your actual cost	15,051	8.9 bp
Your benchmark cost	<u>28,845</u>	<u>17.0 bp</u>
Your excess cost	(13,794)	(8.1) bp

Your fund was low cost primarily because you had a lower cost implementation style and paid slightly less for similar mandates.

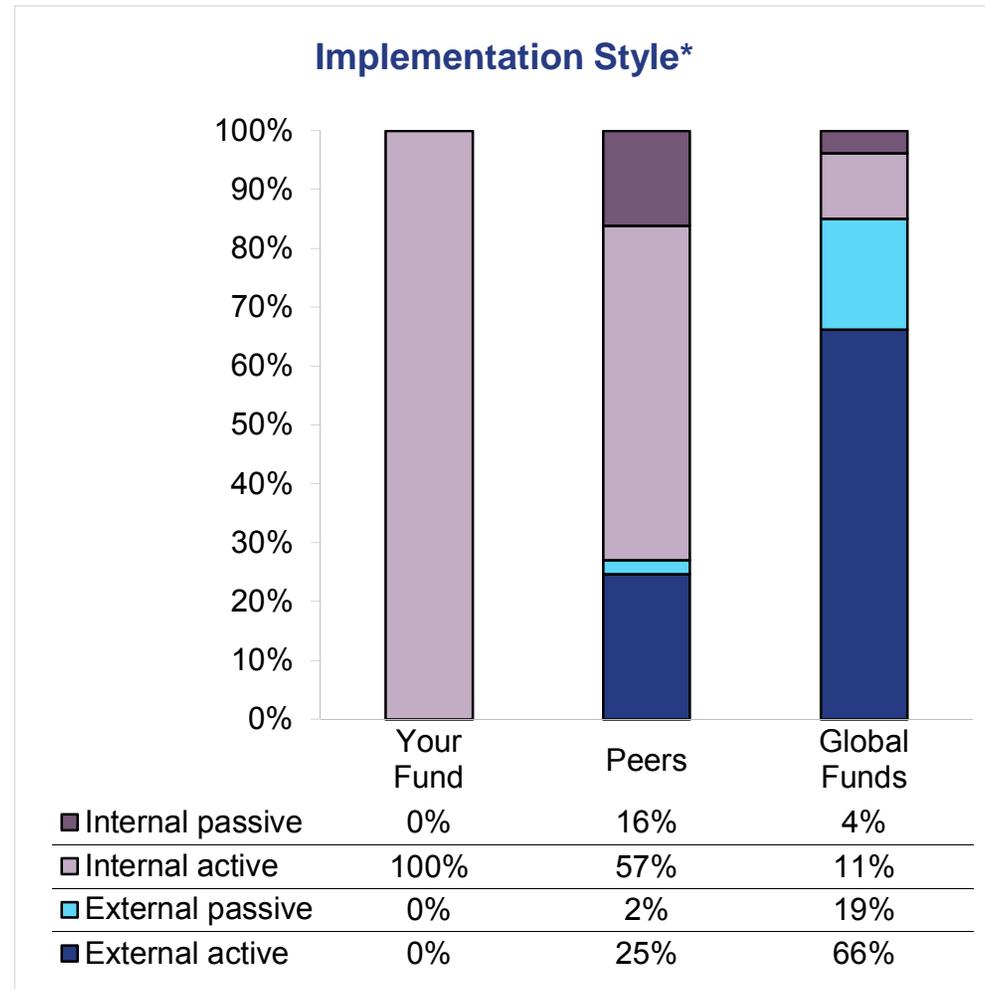
Reasons for Your Low Cost Status		
	Excess Cost/ (Savings)	
	€000s	bps
1. Lower cost implementation style		
• Less external active management and more lower cost internal management	(12,537)	(7.4)
• Lower use of overlays	(1,181)	(0.7)
• Other style differences	<u>2,566</u>	<u>1.5</u>
	(11,153)	(6.6)
2. Paying less than your peers		
• Internal investment management costs	(2,072)	(1.2)
• Oversight, custodial & other costs	<u>(569)</u>	<u>(0.3)</u>
	(2,641)	(1.6)
Total savings	(13,794)	(8.1)

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

Implementation style is defined as the way in which your fund implements asset allocation. It includes internal, external, active, passive and fund-of-funds styles.

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

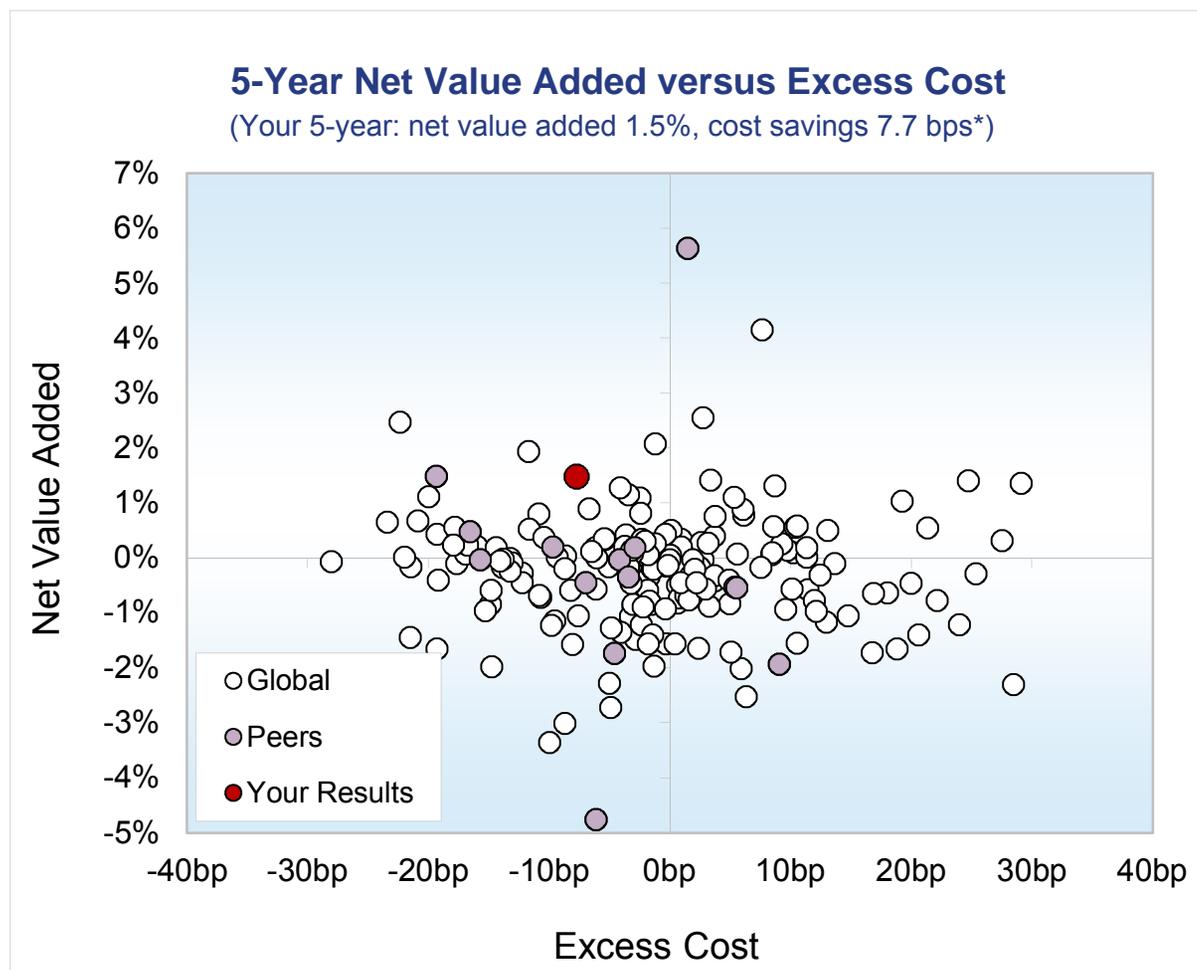
- External active management because it tends to be much more expensive than internal or passive management. You used less external active management than your peers (your 0% versus 25% for your peers).



* The graph above does not take into consideration the impact of derivatives.

4. Cost Effectiveness

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



Your 5-year cost savings of 7.7 basis points is the average of your cost savings for the past 5 years.

