

Return and risk 2019

Government Pension Fund Global

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Investments

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Benchmark index _____ 20

Reference portfolio _____ 26

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Return

Return _____ 36

Relative return _____ 48

Return and costs _____ 62

3 |

Risk

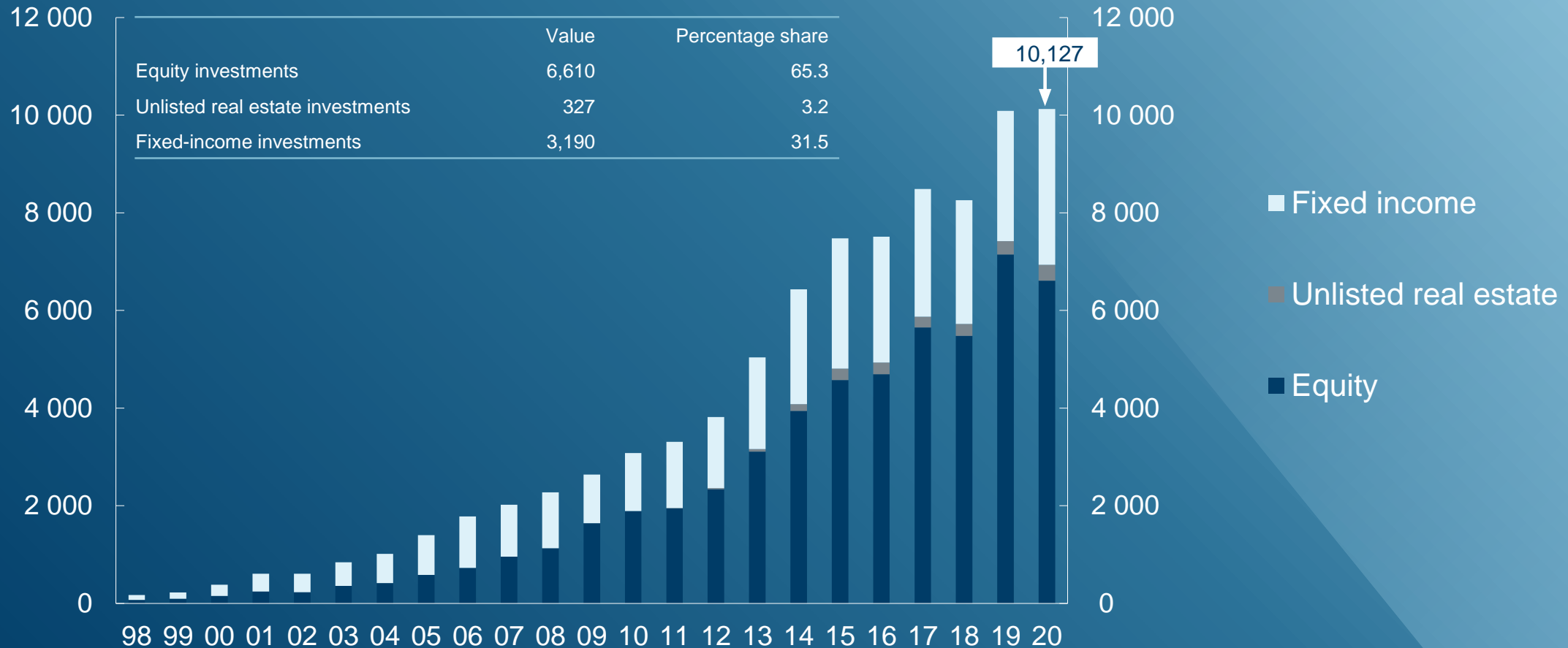
Risk _____ 68

Relative risk _____ 76

Risk adjustments _____ 82

10,127 billion kroner in the fund

Market value as at 25.03.2020. Billions of kroner



Return



Absolute return – key figures

Return. Table 20. Annualised. Percent

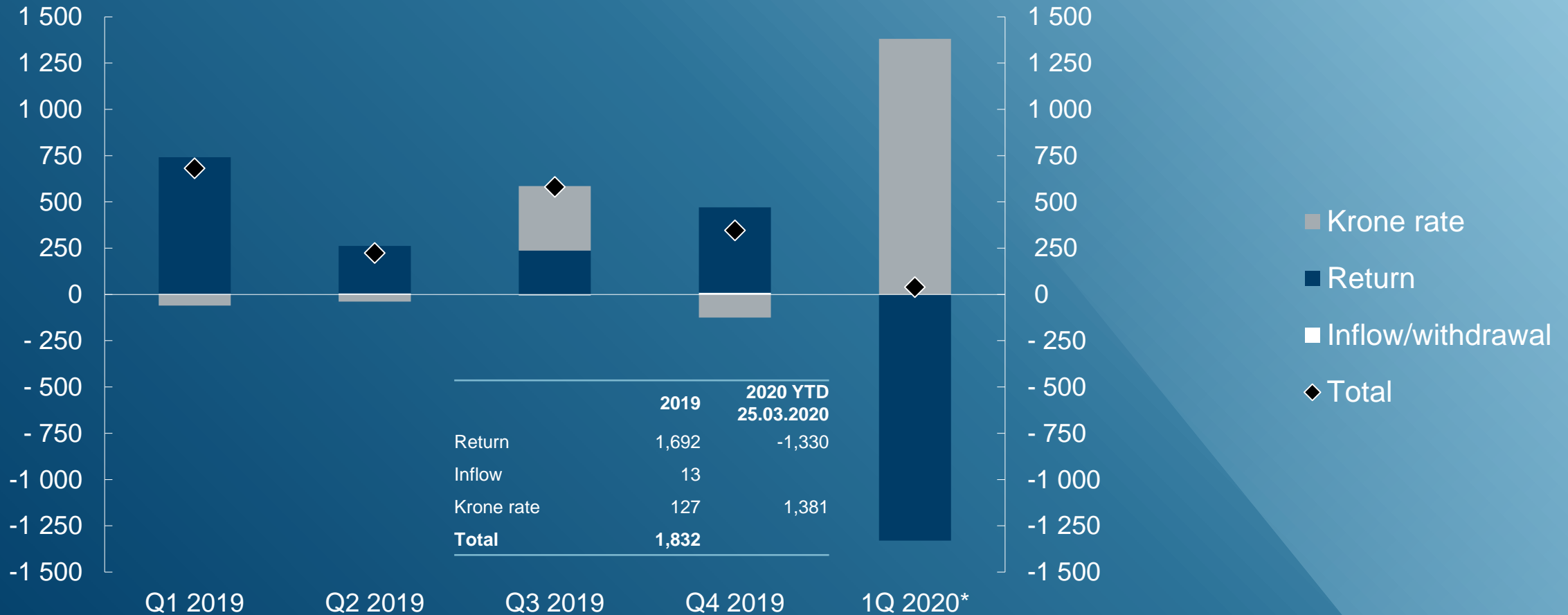
| | Since 01.01.1998 | Last 10 years | Last 5 years | 2019 | 2020 YTD |
|---|---------------------|------------------|-----------------|-------|----------|
| Return on equity investments ¹ | 6.21 | 9.84 | 8.99 | 26.02 | -22.82 |
| Return on fixed-income investments | 4.69 | 4.05 | 3.18 | 7.56 | -0.06 |
| Return on unlisted real estate investments ² | - | - | 6.49 | 6.84 | 0.40 |
| Return on fund | 6.09 | 7.83 | 7.05 | 19.95 | -16.17 |

¹ Since 01.01.1999.

² Includes listed real estate investments from 1 November 2014 to the end of 2016.

-1,330 billion kroner in return

Billions of kroner. As at 25.03.2020



| | 2019 | 2020 YTD 25.03.2020 |
|--------------|--------------|------------------------|
| Return | 1,692 | -1,330 |
| Inflow | 13 | |
| Krone rate | 127 | 1,381 |
| Total | 1,832 | |



Source: Norges Bank Investment Management

Equity exposure

Risk. Chart 21. Percent



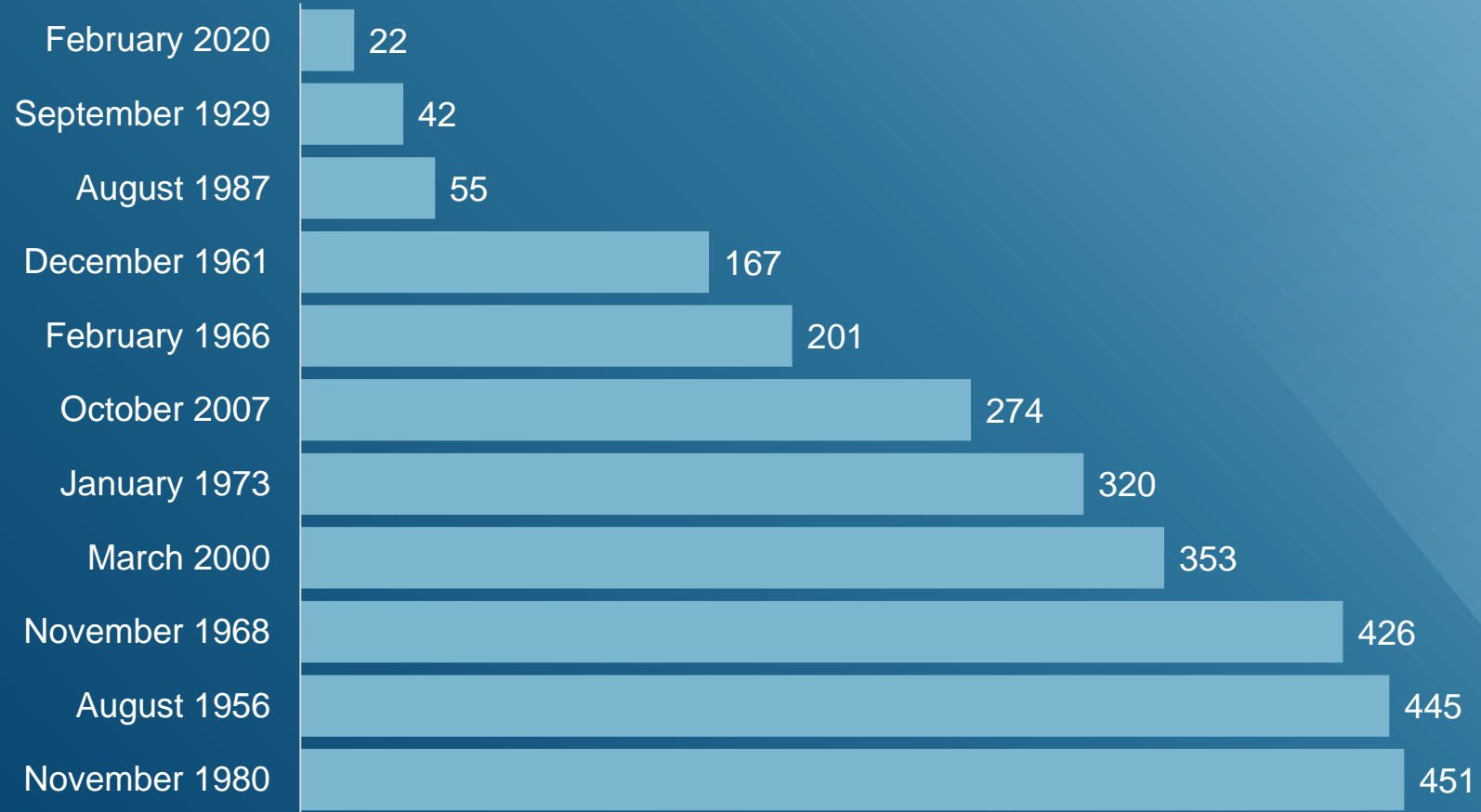
Equity markets

Measured in USD (Stoxx in EUR). As at 25.03.2020
 Indexed total return. 31.12.2018 = 100



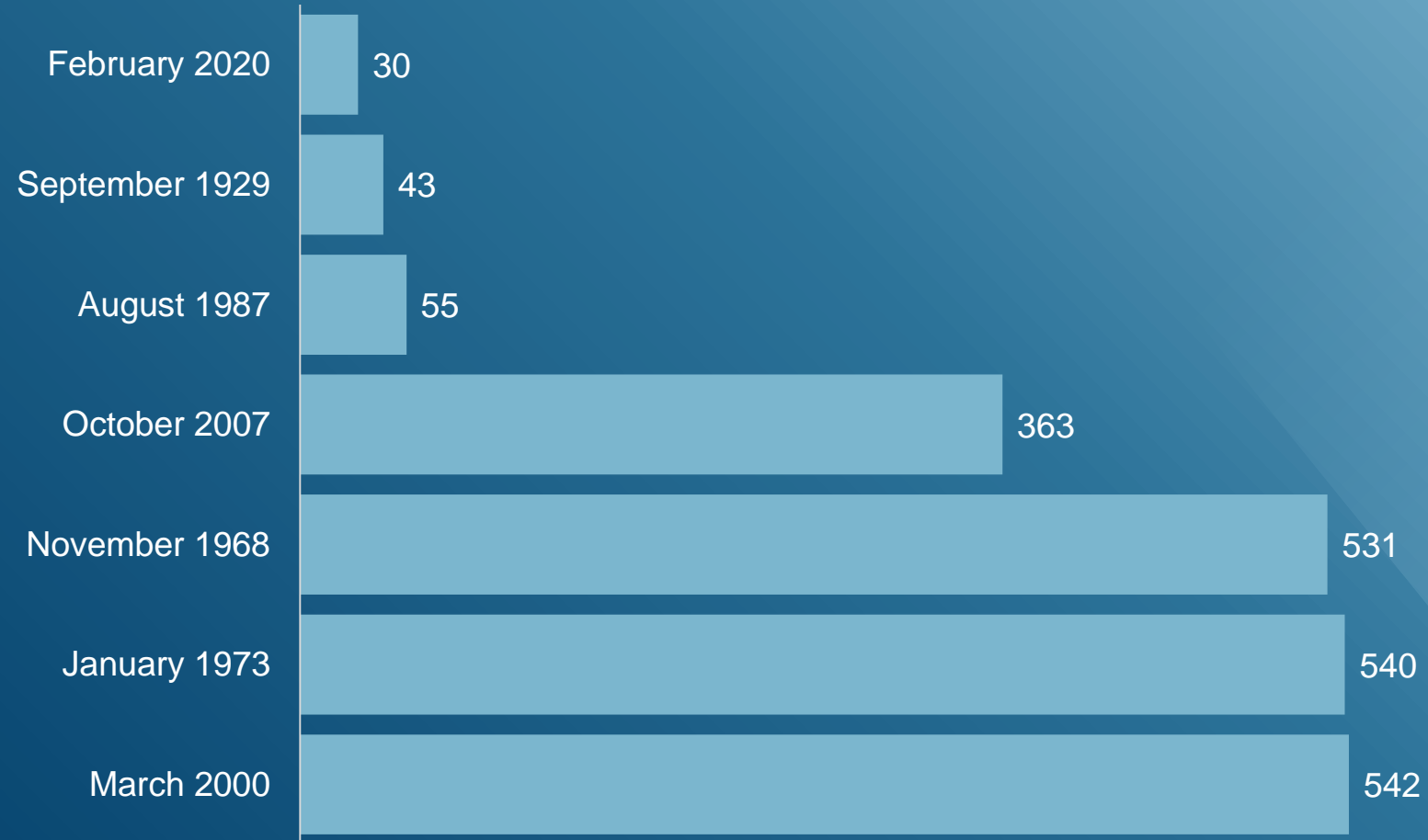
Source: Bloomberg

Number of days from peak to bear market (-20%) S&P500



Source: Bloomberg

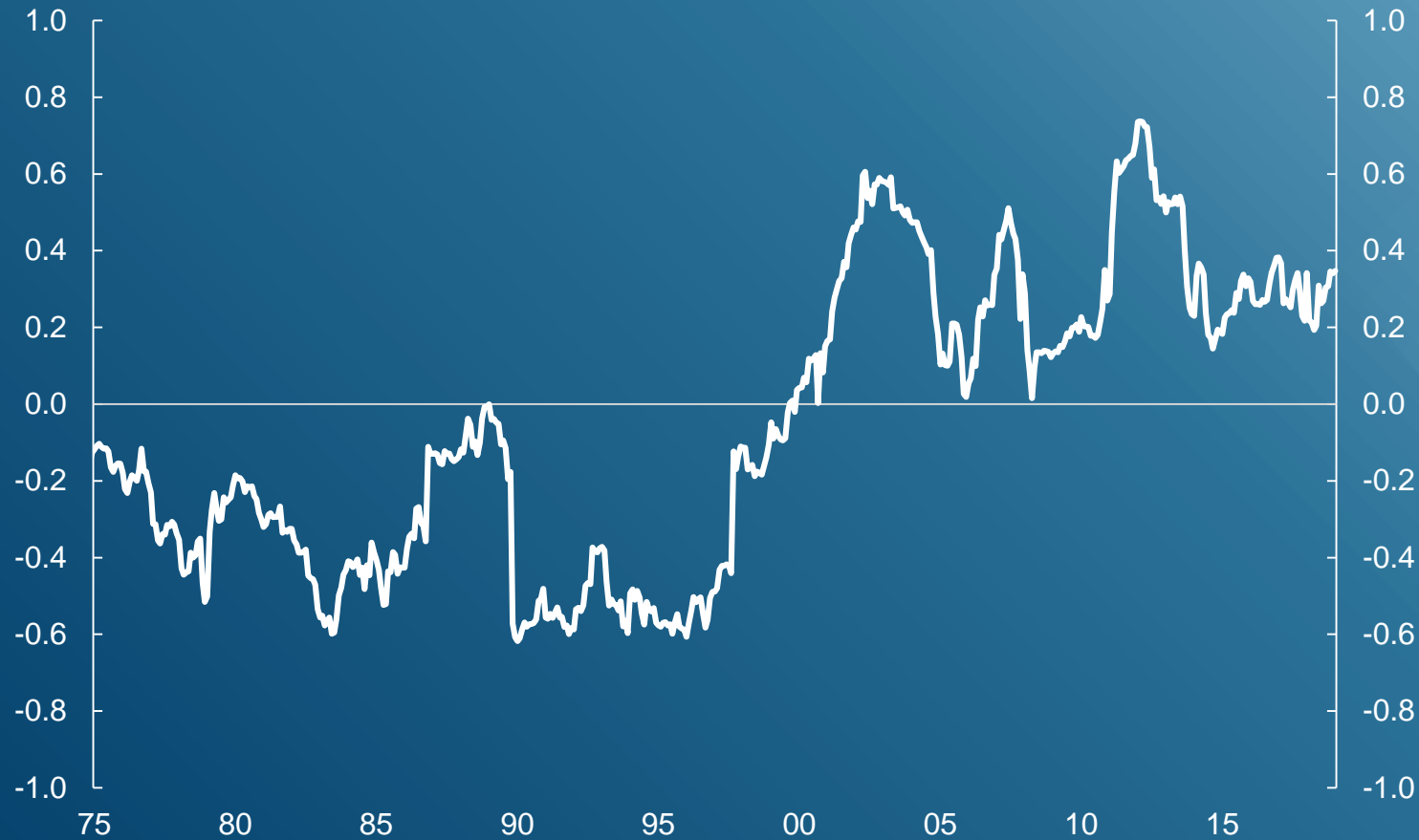
Number of days from peak to -30% S&P500



Source: Bloomberg

36-month correlation

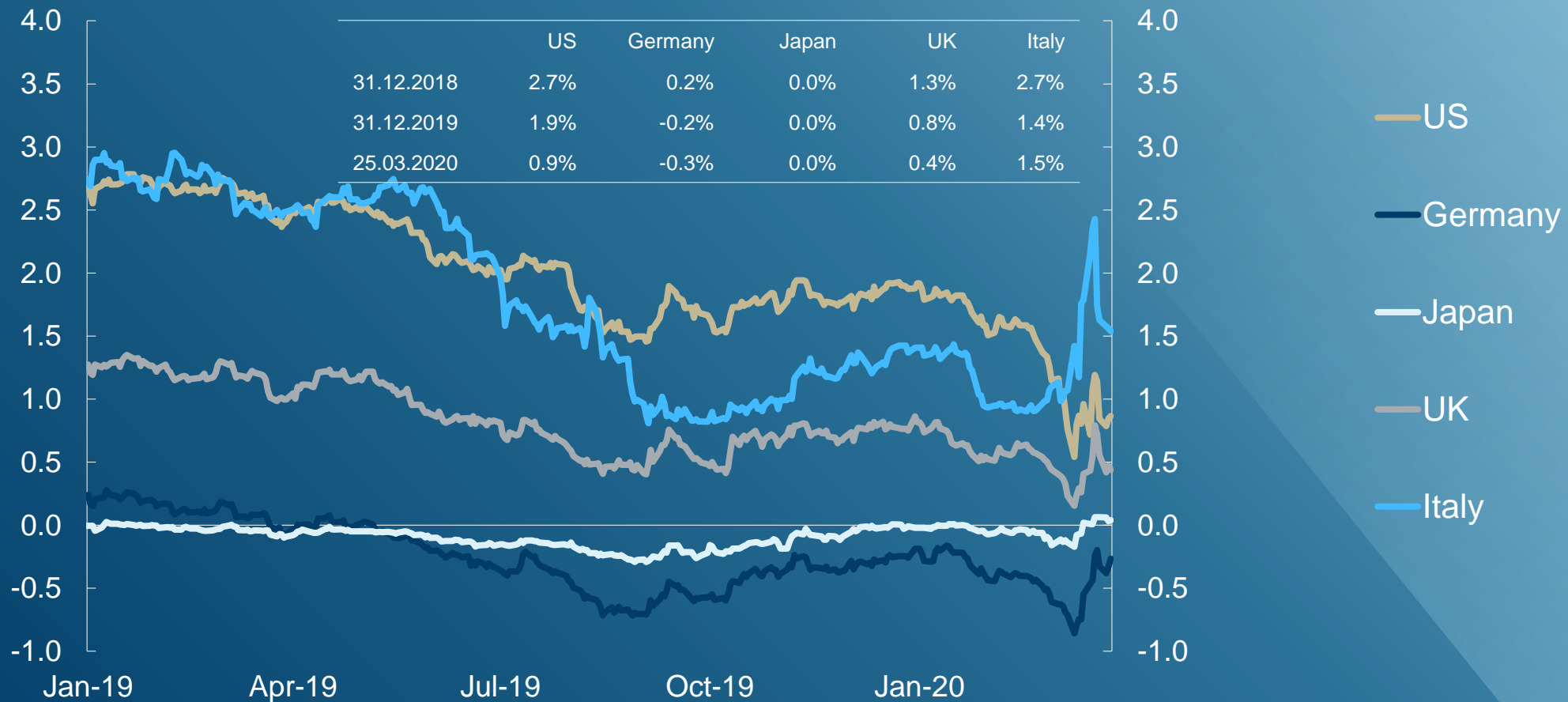
Risk. Chart 25. 10-year US yield changes vs. S&P 500 price returns



Source: Bloomberg

10-year government bond yields

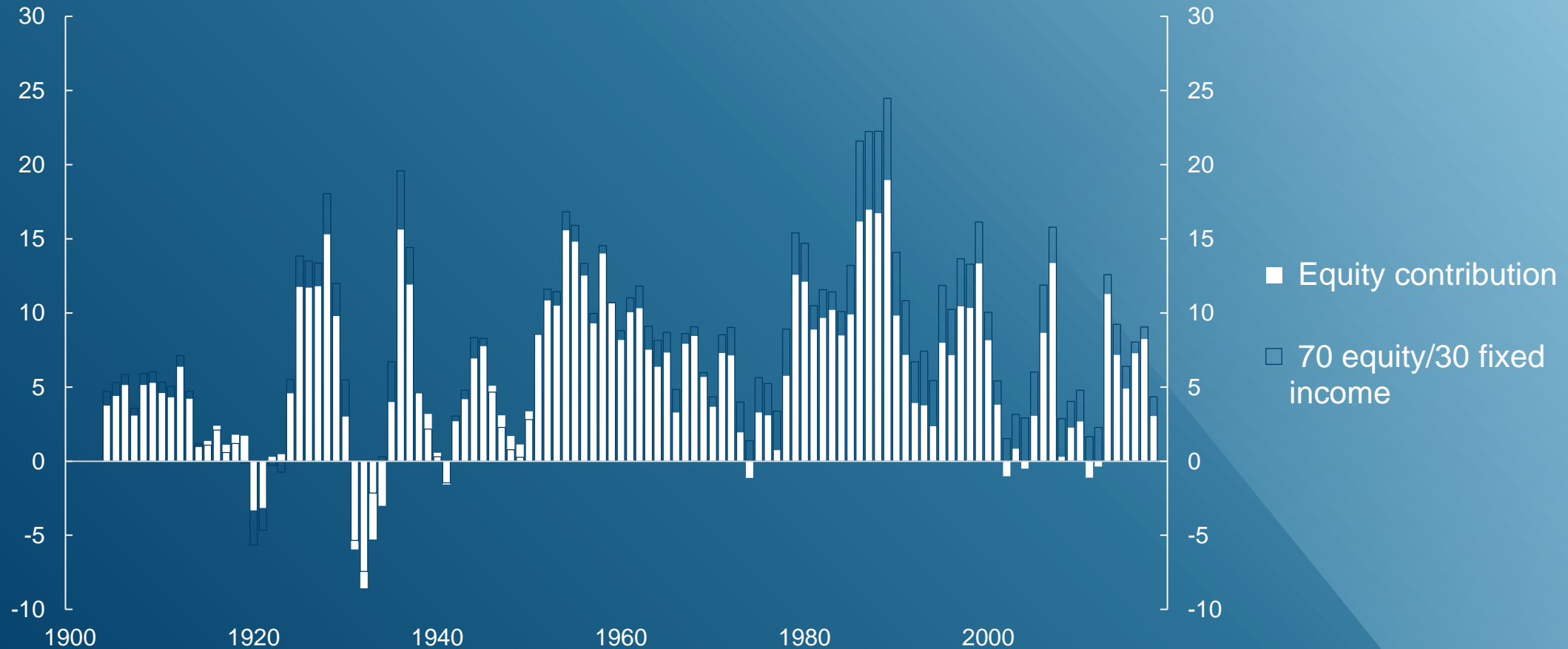
As at 25.03.2020. Percent



Source: Bloomberg

Rolling return of 70 equity/30 fixed income

Risk. Chart 19. 5-year rolling return. Annualised. Measured in dollars. Percent

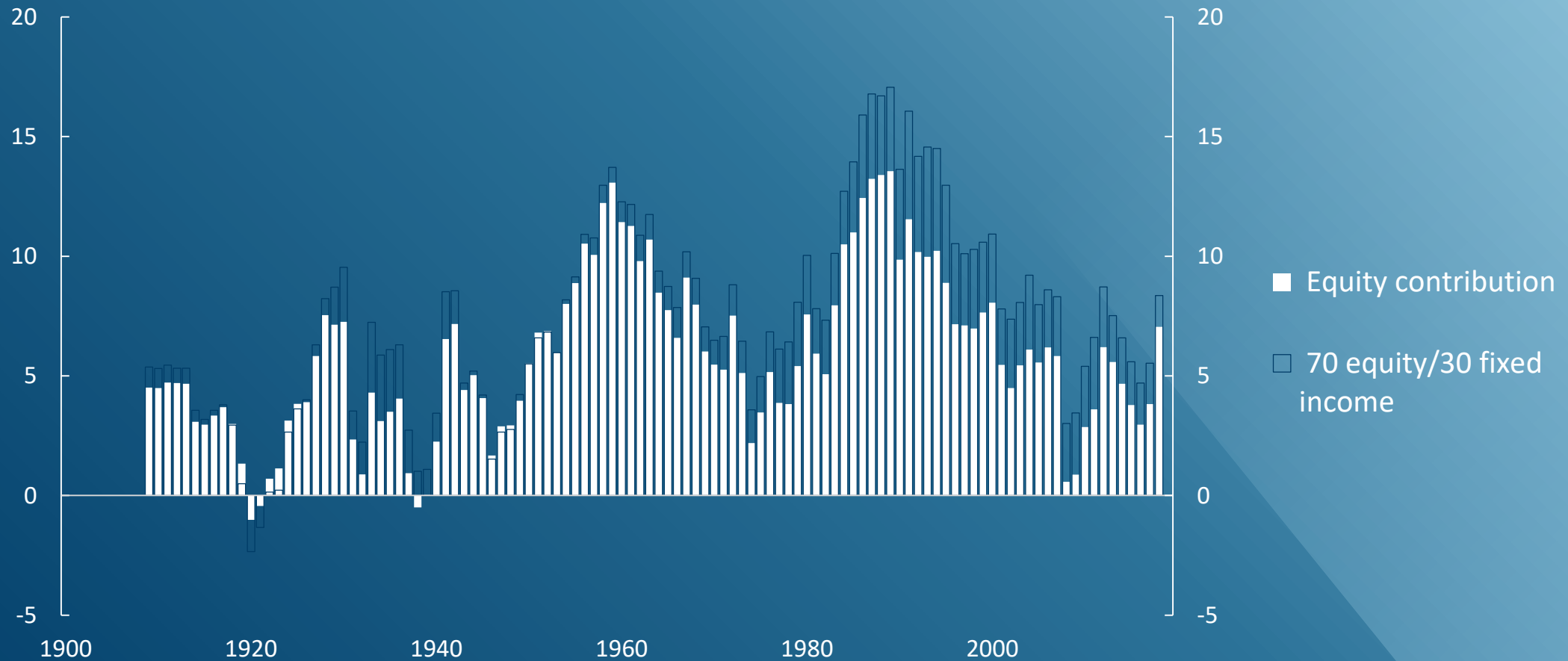


Source: Dimson-Marsh-Staunton Global Return Data



Rolling return of 70 equity/30 fixed income

Risk. Chart 20. 10-year rolling return. Annualised. Measured in dollars. Percent



Source: Dimson-Marsh-Staunton Global Return Data



The fund's return

Table 24. Measured in various currencies. Annualised. Percent

| | 1998-2002 | 2003-2007 | 2008-2012 | 2013-2017 | 2018-2019 |
|-------------------|-----------|-----------|-----------|-----------|-----------|
| US dollar | 3.27 | 13.09 | 2.50 | 7.26 | 4.92 |
| Euro ¹ | 4.23 | 5.84 | 4.65 | 9.28 | 8.52 |
| British pound | 3.87 | 8.39 | 6.74 | 11.27 | 6.02 |
| Norwegian kroner | 2.15 | 7.71 | 3.01 | 15.84 | 8.75 |
| Currency basket | 3.19 | 8.92 | 3.14 | 9.26 | 6.12 |

¹ Euro was introduced as currency on 01.01.1999. WM/Reuters' Euro rate is used as estimate for 31.12.1997.

Absolute return – five year buckets

Return. Table 21. Annualised. Percent.

| | 1998-2002 | 2003-2007 | 2008-2012 | 2013-2017 | 2018-2019 |
|---|-----------|-----------|-----------|-----------|-----------|
| Return on equity investments ¹ | -4.85 | 16.28 | -0.59 | 12.94 | 6.80 |
| Return on fixed-income investments | 6.26 | 4.00 | 5.87 | 2.96 | 4.00 |
| Return on unlisted real estate investments ² | | | | 8.03 | 7.18 |
| Return on fund | 3.19 | 8.92 | 3.14 | 9.26 | 6.12 |

¹ Since 01.01.1999.

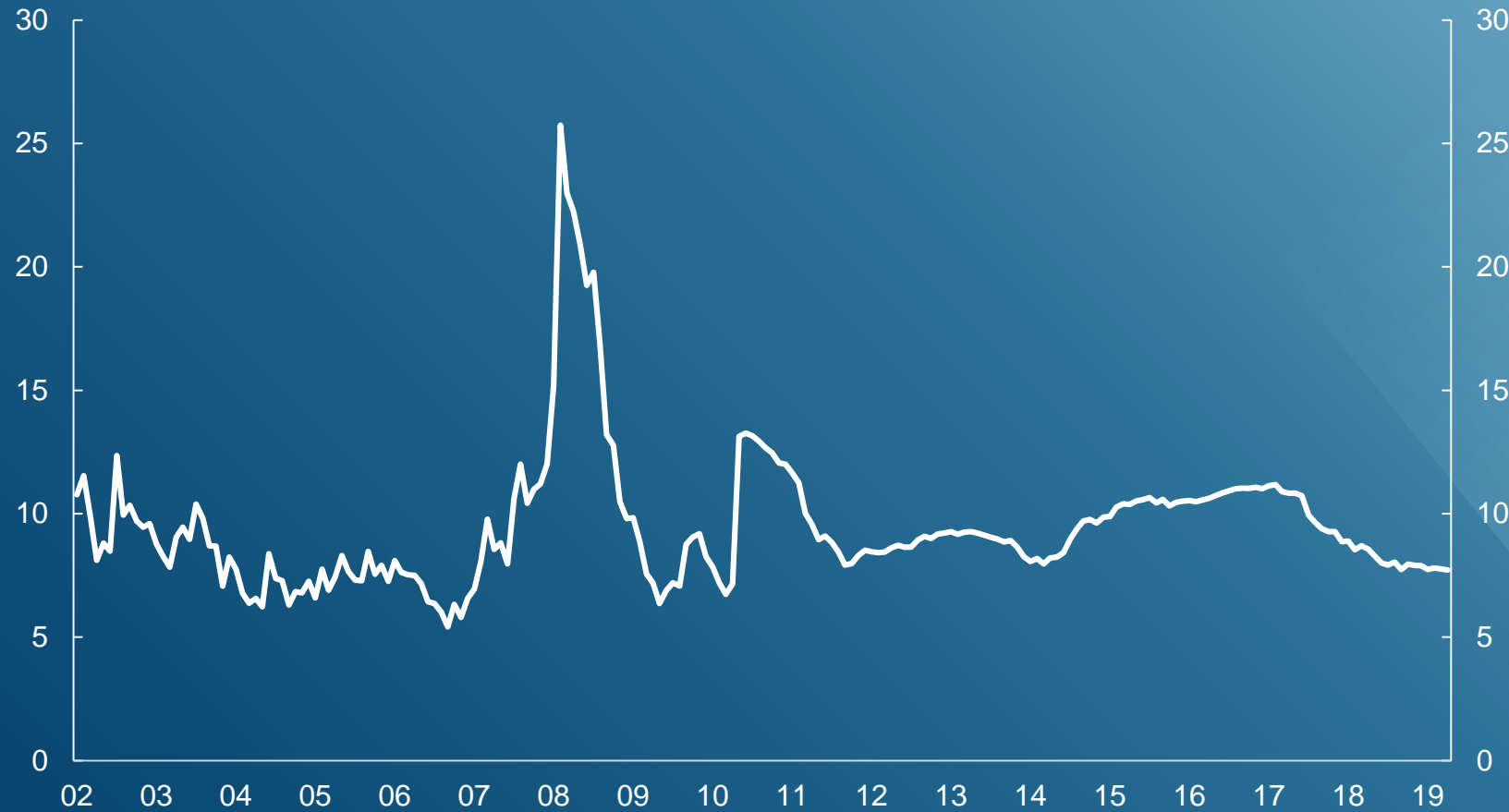
² Includes listed real estate investments from 1 November 2014 to the end of 2016.

Risk



The fund's expected absolute volatility

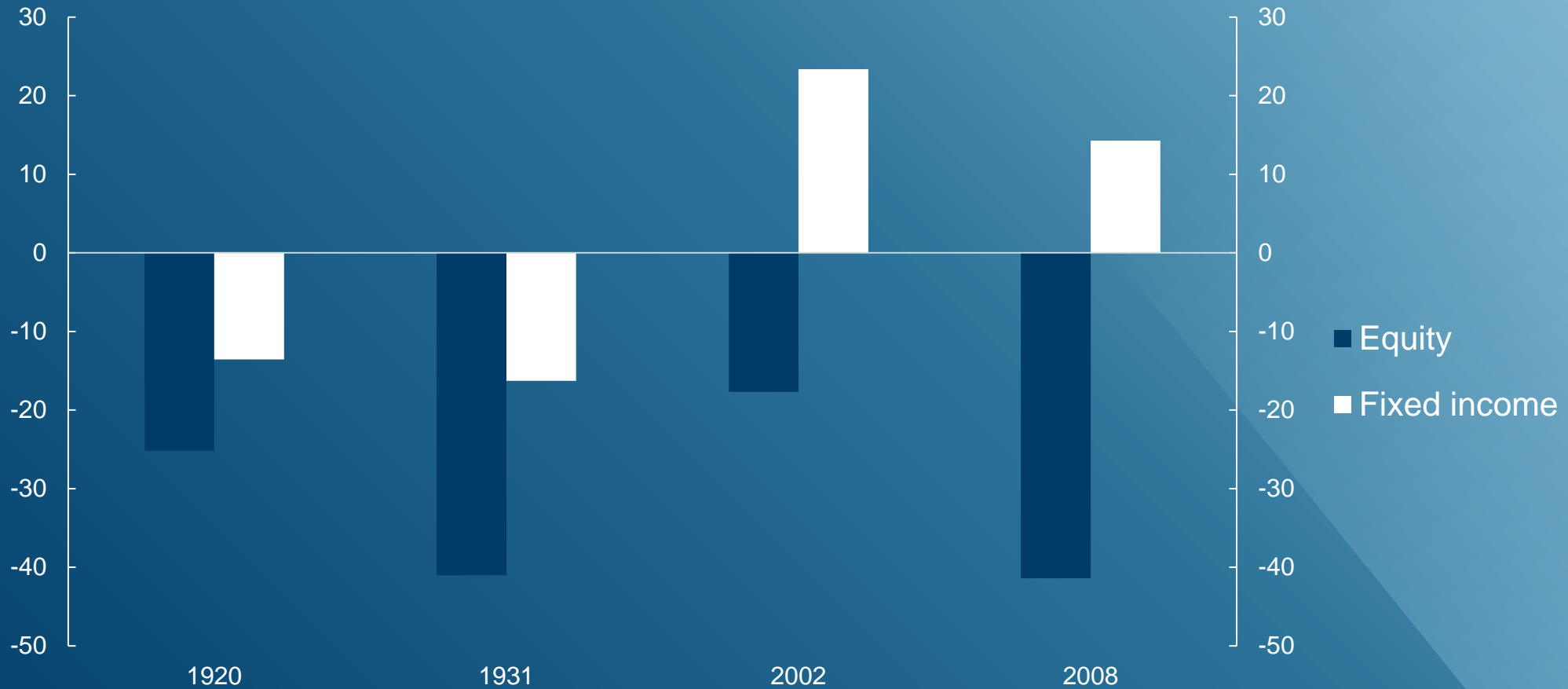
Risk. Chart 29. Percent



Source: Norges Bank Investment Management

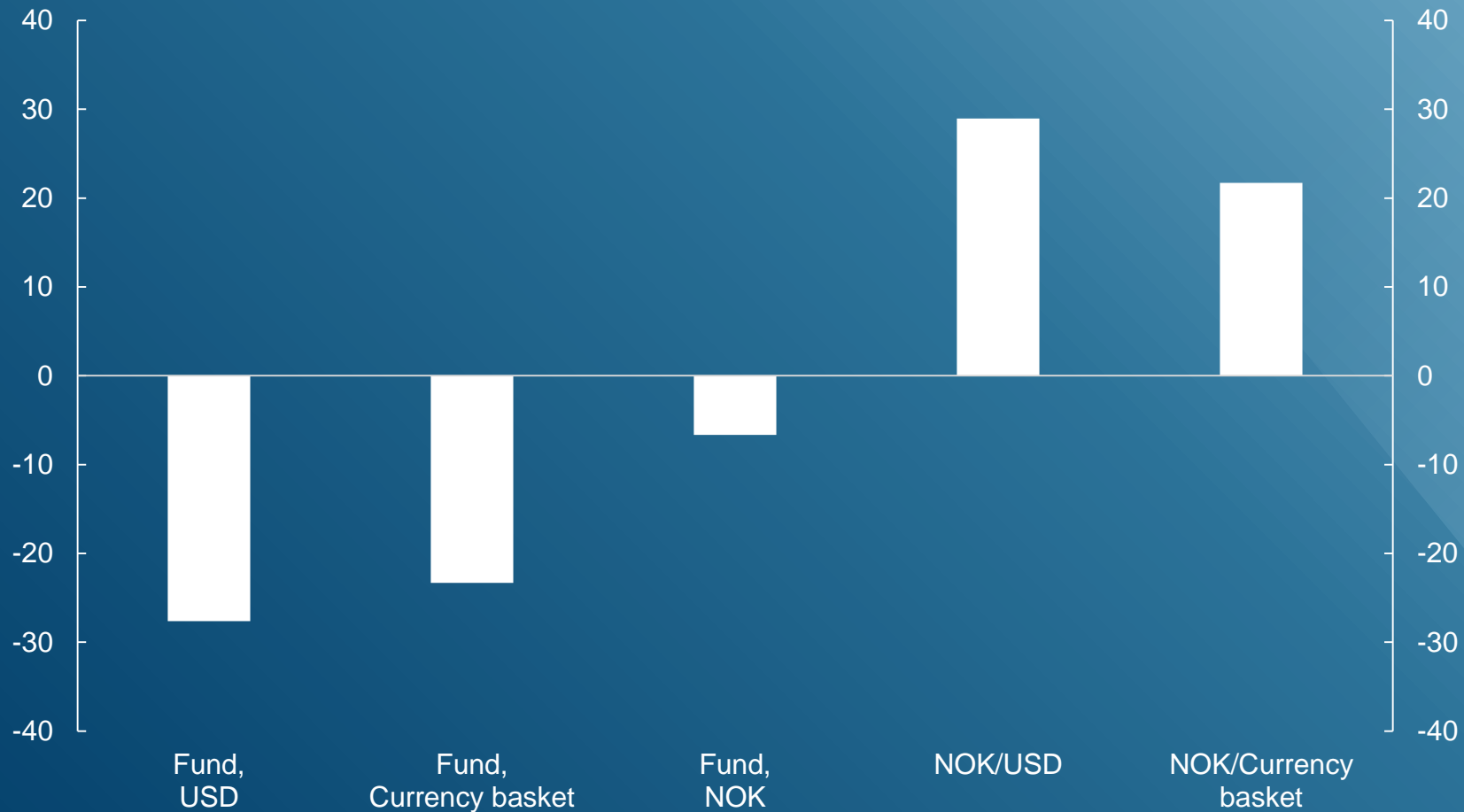
Recent and past stressed years

Risk. Chart 22. Asset class returns. Measured in dollars. Percent



Fund performance in 2008

Risk. Chart 23. Percent



The fund's expected relative volatility

Relative risk. Chart 31. Basis points



Source: Norges Bank Investment Management

Expected relative volatility for asset classes

Relative risk. Chart 32. Basis points



Source: Norges Bank Investment Management



The fund's relative return 5-year buckets

Table 35. Measured in the fund's currency basket. Annualised.

| | 1998- 2002 | 2003- 2007 | 2008- 2012 | 2013- 2017 | 2018- 2019 |
|---|---------------|---------------|---------------|---------------|---------------|
| Return on fund (percent) ¹ | 3.19 | 8.92 | 3.15 | 9.25 | 6.12 |
| Return on fund benchmark (percent) ¹ | 2.78 | 8.52 | 3.14 | 8.96 | 6.19 |
| Relative return on fund (percentage points) ¹ | 0.41 | 0.40 | 0.01 | 0.29 | -0.07 |
| Return on equity management (percent) | -4.85 | 16.28 | -0.59 | 12.95 | 6.84 |
| Return on equity management benchmark (percent) | -5.63 | 15.37 | -0.59 | 12.52 | 7.04 |
| Relative return on equity management (percentage points) | 0.78 | 0.90 | 0.01 | 0.42 | -0.19 |
| Return on fixed-income management (percent) | 6.26 | 4.00 | 5.87 | 2.96 | 4.00 |
| Return on fixed-income management benchmark (percent) | 6.09 | 3.97 | 5.44 | 2.98 | 3.95 |
| Relative return on fixed-income management (percentage points) | 0.17 | 0.03 | 0.43 | -0.02 | 0.05 |
| Return on real estate management (percent) | | | | | 6.49 |
| Return on real estate management benchmark (percent) | | | | | 5.42 |
| Relative return on real estate management (percentage points) | | | | | 1.08 |

¹ Includes real estate management from 01.01.2017. The fund's relative return prior to 2017 is calculated on equity and fixed-income management only.

Contributions to relative return 2019

By Strategy. Table 36. Percentage points

| | Equity management | Fixed-income management | Real estate management | Allocation | Total |
|---|----------------------|----------------------------|---------------------------|-------------|-------------|
| Fund allocation | 0.02 | 0.00 | -0.16 | 0.02 | -0.12 |
| Reference portfolio | -0.07 | -0.01 | | 0.01 | -0.08 |
| of which systematic factors | -0.11 | | | | -0.11 |
| Real estate | | | -0.16 | | -0.16 |
| Unlisted real estate | | | -0.19 | | -0.19 |
| Listed real estate | | | 0.04 | | 0.04 |
| Allocations | 0.09 | 0.01 | 0.00 | 0.01 | 0.11 |
| of which environment- related mandates | 0.08 | 0.00 | | | 0.08 |
| Security selection | 0.19 | -0.03 | | | 0.16 |
| Internal security selection | 0.16 | -0.03 | | | 0.13 |
| External security selection | 0.03 | | | | 0.03 |
| Asset management | 0.13 | 0.06 | | 0.00 | 0.19 |
| Asset positioning | 0.08 | 0.05 | | 0.00 | 0.13 |
| Systematic factors | 0.00 | | | | 0.00 |
| Securities lending | 0.05 | 0.01 | | | 0.06 |
| Total | 0.33 | 0.03 | -0.16 | 0.02 | 0.23 |



Contributions to relative return 2013-2019

By Strategy. Table 37. Annualised. Percentage points

| | Equity management | Fixed-income management | Real estate management | Allocation | Total |
|---------------------------------------|-------------------|-------------------------|------------------------|-------------|-------------|
| Fund allocation | -0.06 | -0.08 | 0.01 | 0.02 | -0.10 |
| Reference portfolio | -0.02 | -0.08 | | 0.00 | -0.10 |
| of which systematic factors | -0.01 | | | | -0.01 |
| Real estate | | | 0.01 | | 0.01 |
| Unlisted real estate | | | 0.02 | | 0.02 |
| Listed real estate | | | 0.00 | | 0.00 |
| Allocations | -0.04 | 0.00 | 0.00 | 0.02 | -0.01 |
| of which environment-related mandates | 0.01 | 0.00 | | | 0.01 |
| Security selection | 0.11 | 0.00 | | | 0.11 |
| Internal security selection | 0.02 | 0.00 | | | 0.02 |
| External security selection | 0.09 | | | | 0.09 |
| Asset management | 0.10 | 0.07 | | 0.00 | 0.18 |
| Asset positioning | 0.06 | 0.07 | | 0.00 | 0.13 |
| Systematic factors | -0.01 | 0.00 | | | -0.01 |
| Securities lending | 0.05 | 0.01 | | | 0.06 |
| Total | 0.15 | -0.01 | 0.01 | 0.03 | 0.19 |



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