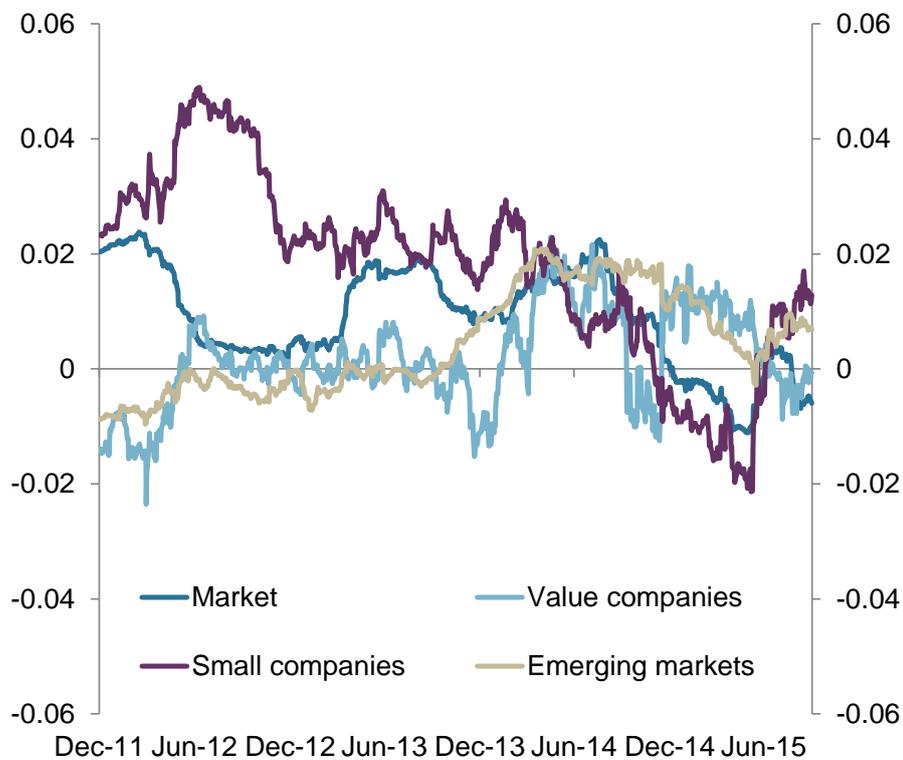


Factor exposure

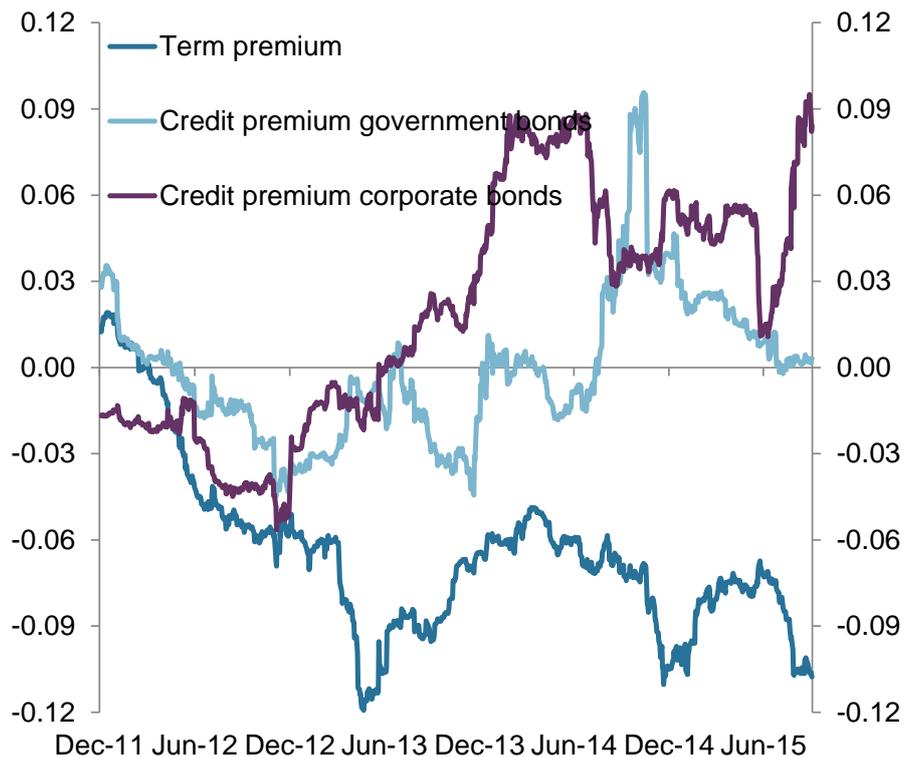
Norges Bank Investment Management measures the fund's exposure to systematic risk factors such as small companies, value stocks and credit. Risk factors are properties that most financial instruments have in varying degree, and they contribute to both the risk and return of the investments. The fund's exposure to such factors can be estimated by comparing the relative return of the fund to the returns of the factors.

Figure 1. The equity investments' factor exposures. Coefficients



An analysis of the factor exposures in the third quarter of 2015 shows that a very small portion of the fluctuations in the relative return on equity investments could be explained by the model at the end of the third quarter. The model indicates that the fund's equity investments were more exposed to emerging market companies than the benchmark index.

Figure 2. The fixed-income investments' factor exposures. Coefficients



The analysis of the fund's fixed income investments shows that the fund is less exposed to bonds with long maturities than the benchmark index at the end of the third quarter. The exposure of the fixed income investments to the credit premium of corporate bonds was increasing relative to the benchmark index during the quarter. This model's explainability was around 45 per cent at the end of the third quarter compared to about 30 per cent at the end of the second quarter.

Results from such statistical analyses are uncertain. Norges Bank Investment Management uses a variety of supplementing approaches to analyse the fund's factor exposures.