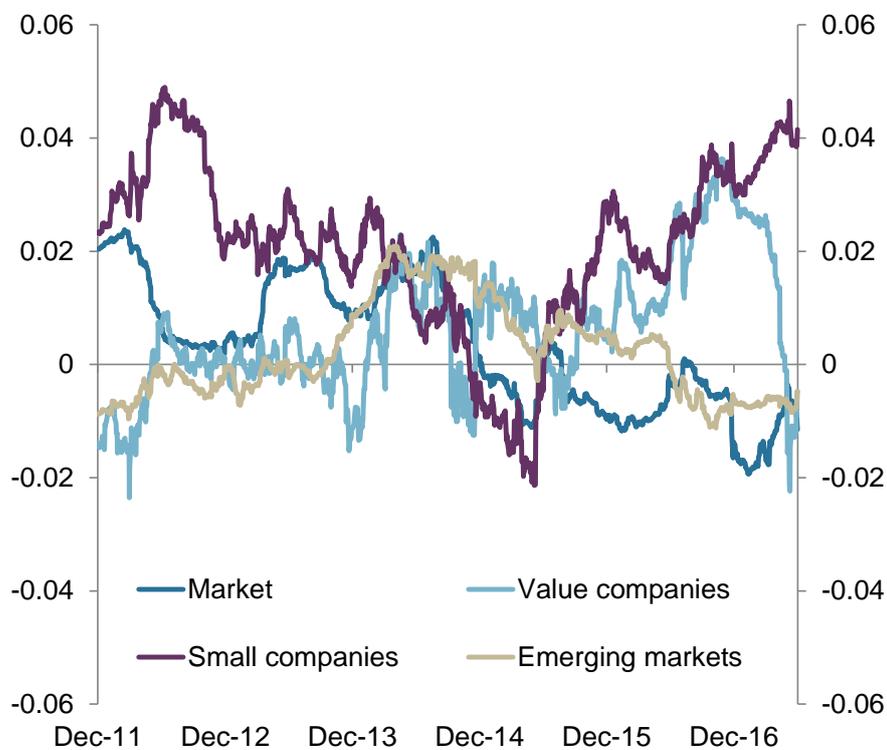


Factor exposure

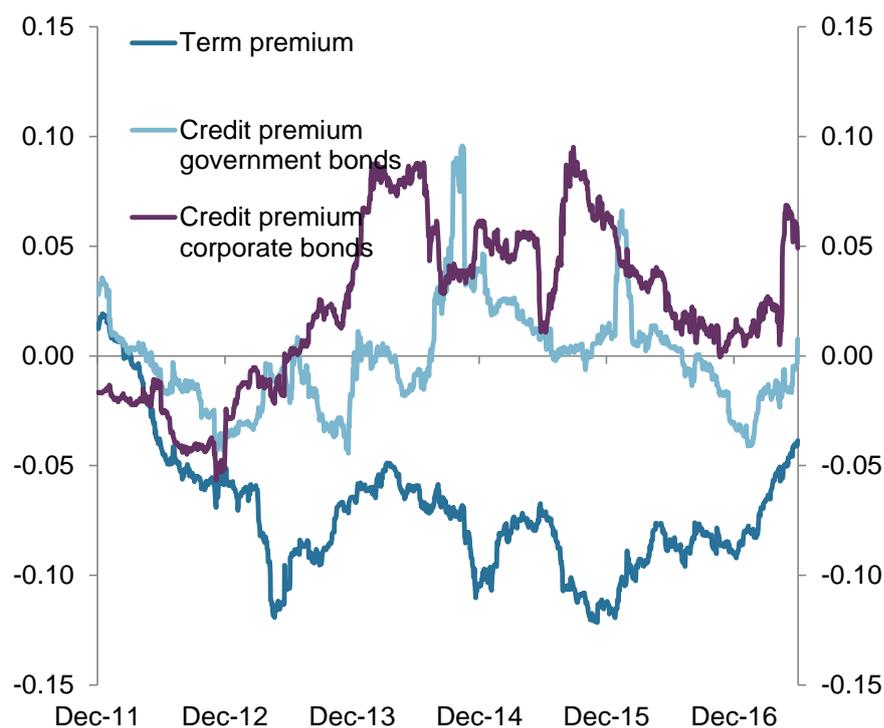
Norges Bank Investment Management measures the fund's exposure to systematic risk factors such as small companies, value stocks and credit. Risk factors are properties that most financial instruments have in varying degree, and they contribute to both the risk and return of the investments. The fund's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

Chart 1. The equity investments' factor exposures. Coefficient



The model explains approximately 40 percent of the fluctuations in the relative return on the equity investments at the end of the second quarter of 2017. The analysis indicates that the fund's equity investments were more exposed to small companies than the benchmark index at the end of the quarter.

Chart 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. The exposure of the fixed income investments to the credit premium of corporate bonds relative to the benchmark index was increasing during the quarter. This model's explainability was around 10 percent at the end of the quarter, down from around 20 percent at the end of the first 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.