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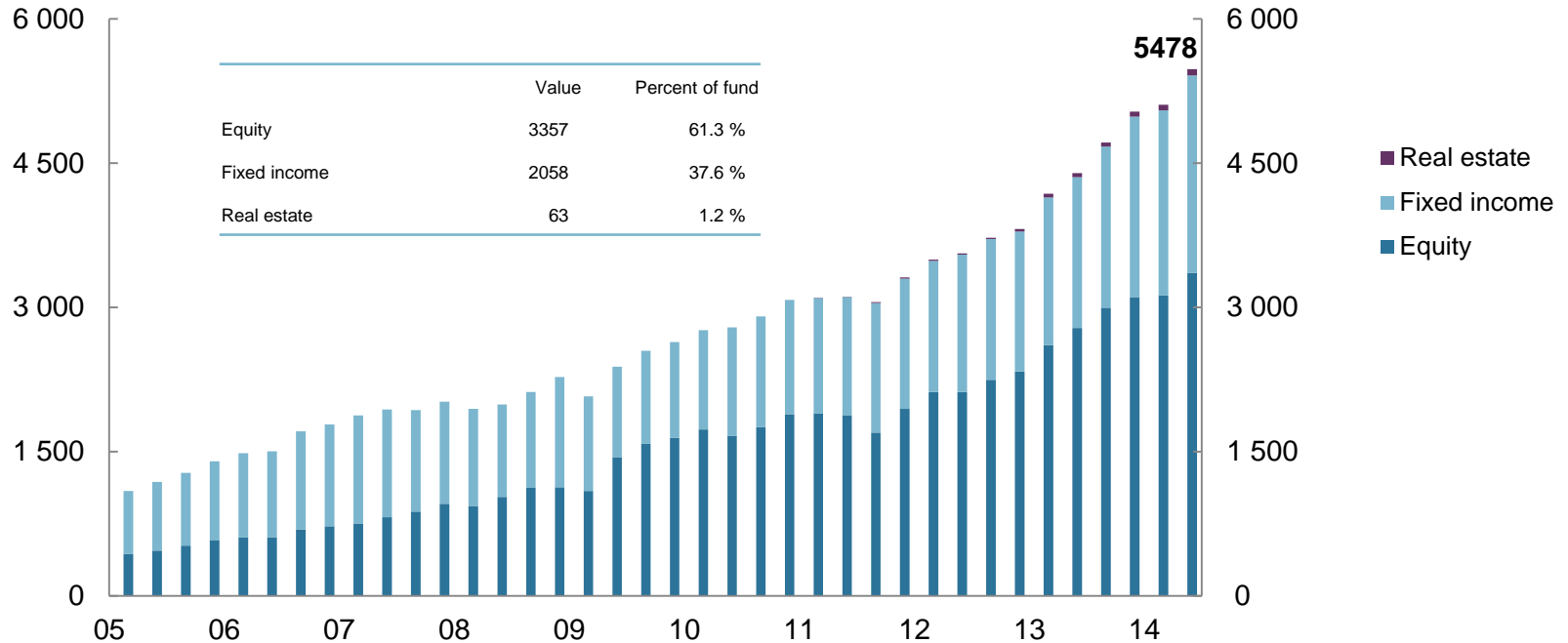
GOVERNMENT PENSION FUND GLOBAL

QUARTERLY REPORT

PRESS CONFERENCE
20 AUGUST 2014

Market value

Quarterly values. Billions of kroner. 30 June 2014

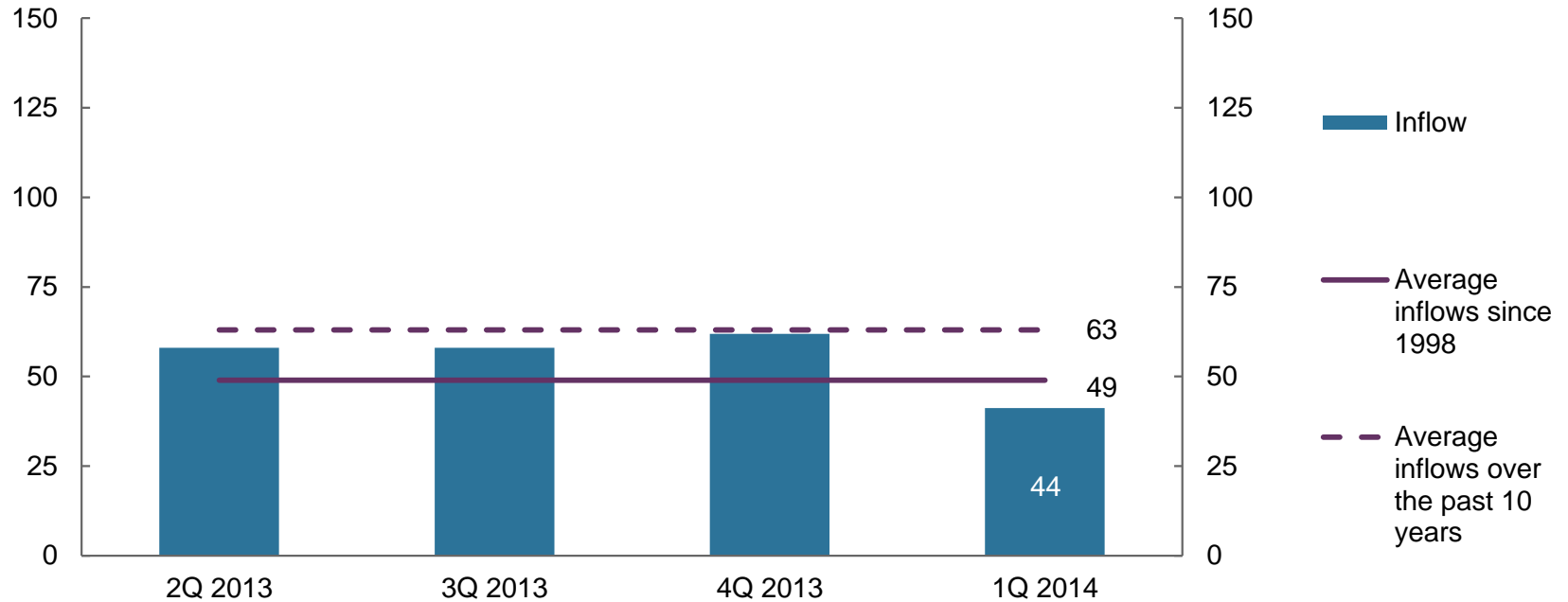


Source: Norges Bank Investment Management



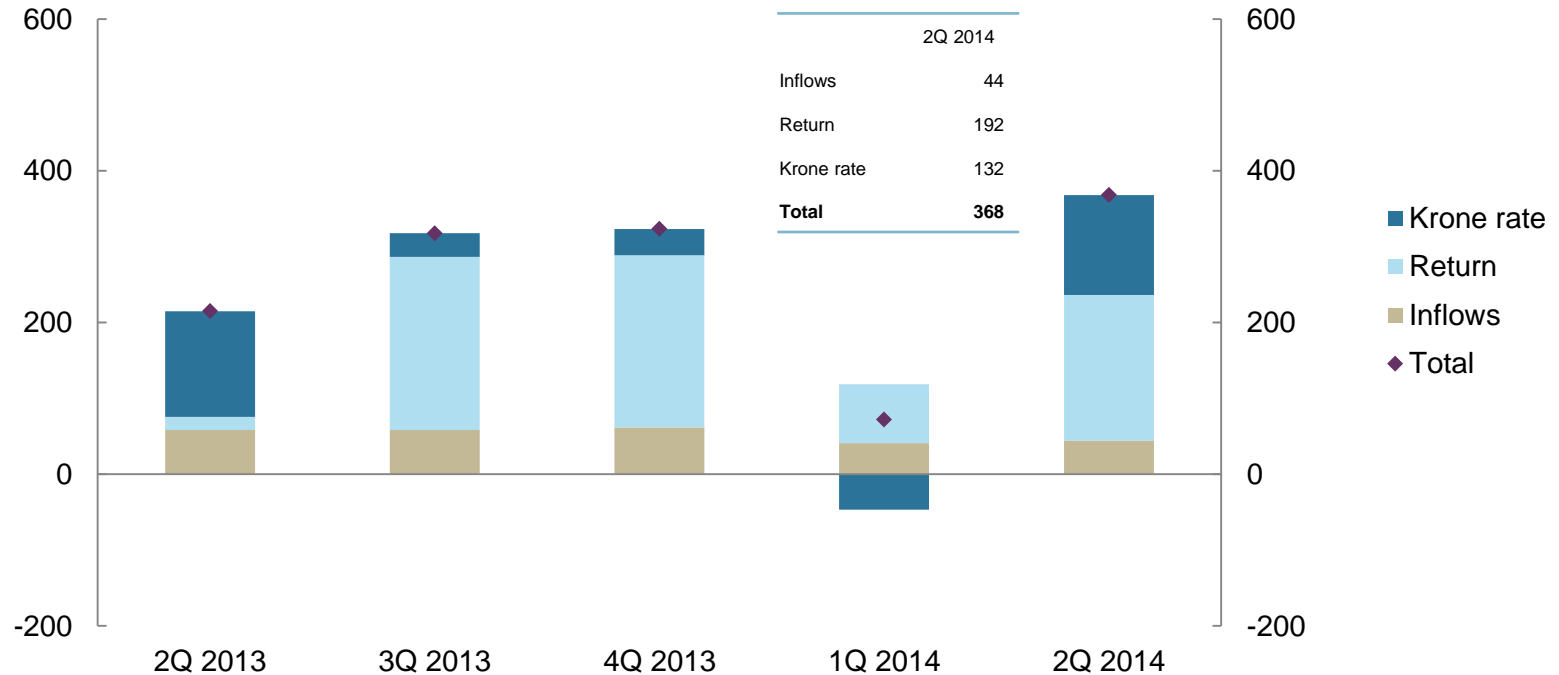
Inflows

Billions of kroner



Change in market value

Billions of kroner

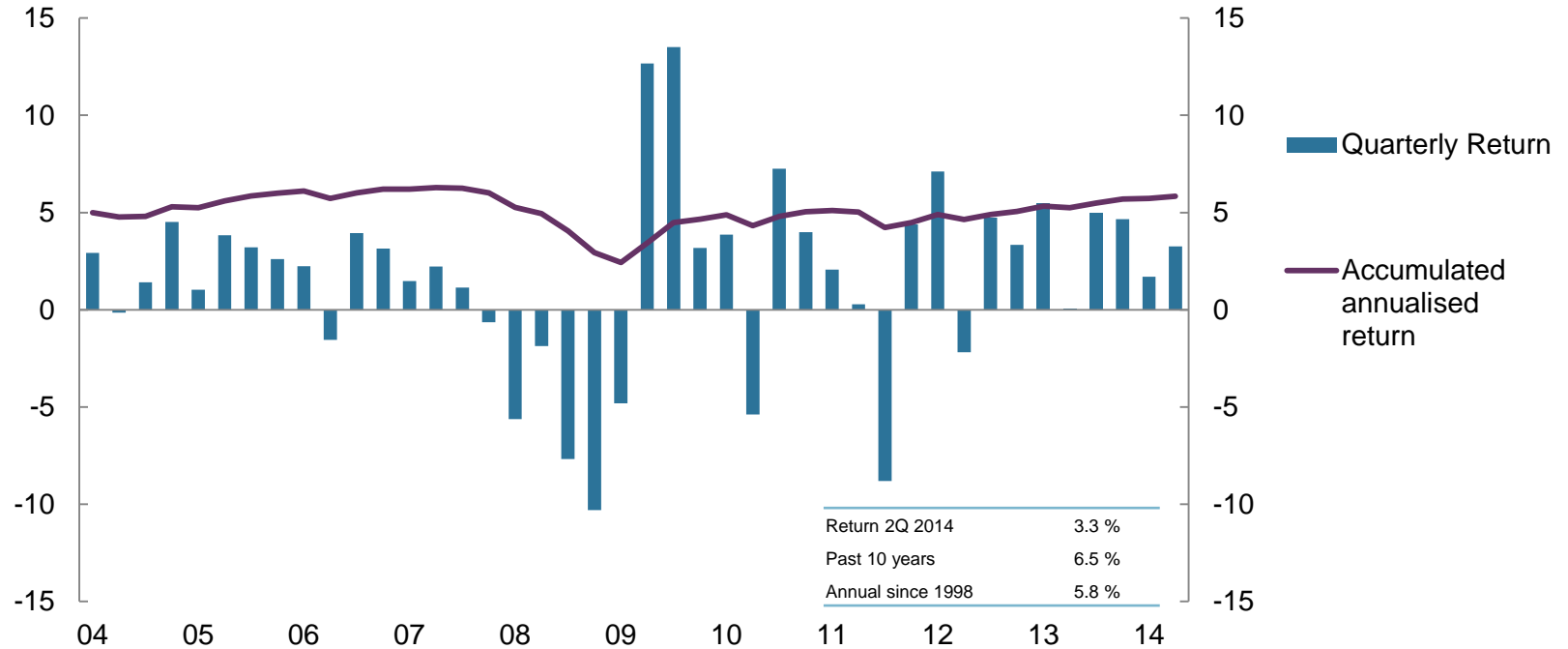


Source: Norges Bank Investment Management



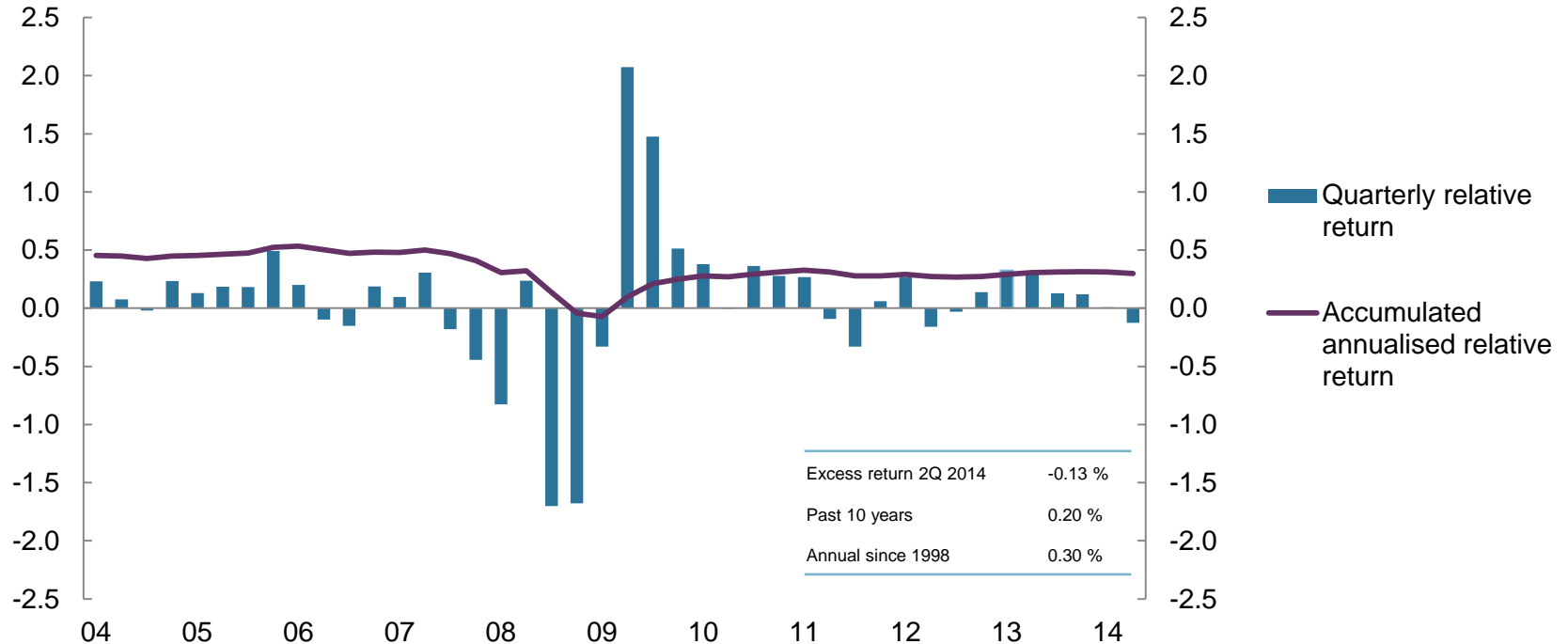
Quarterly return

Percent



Quarterly excess return

Basispoints



Changes in value since 1996

Billions of kroner

	30.06.2014	31.12.2013	31.12.2012
Market value of the fund	5 478	5 038	3 816
Gross inflow of new capital	3 389	3 302	3 060
Management costs	25	24	21
Change due to fluctuations in krone	45	-39	-331
Accumulated return	2 069	1 799	1 107

Key figures

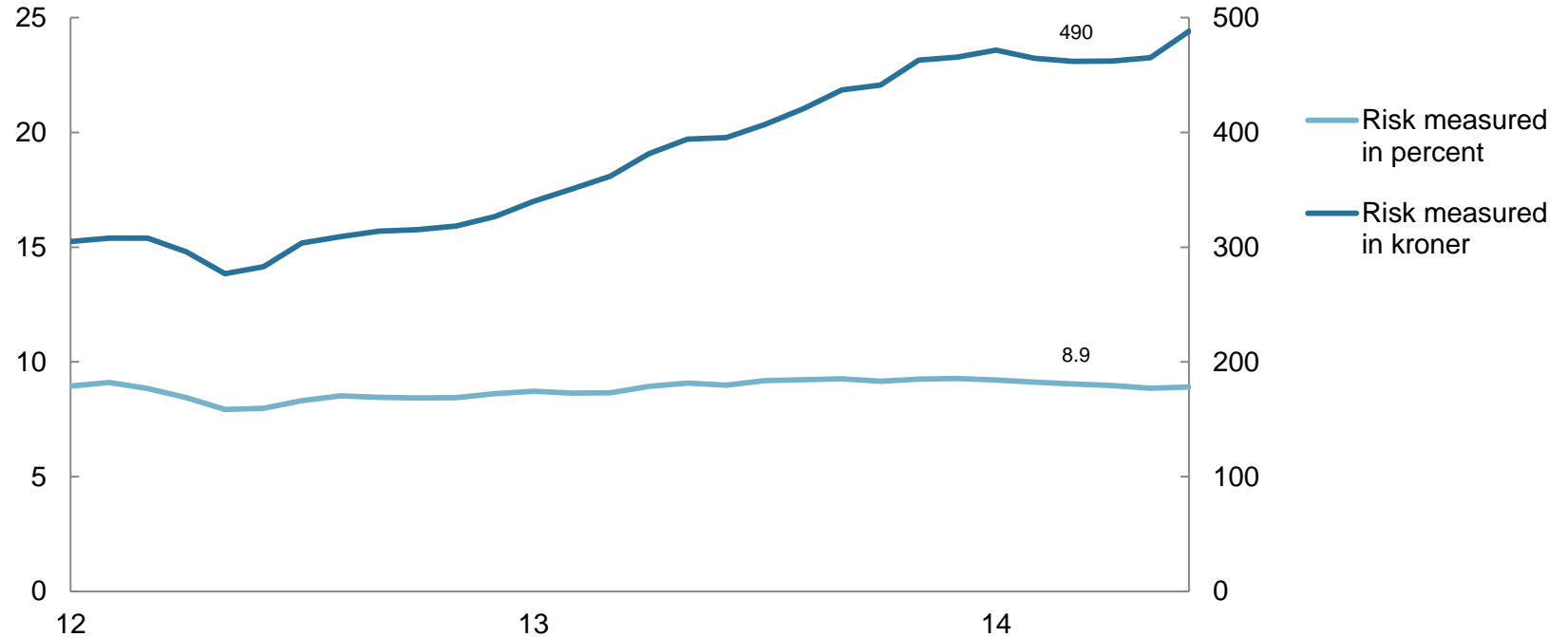
Measured in international currency basket. Percent

	Last 12 months	Last 10 years	Since 01.01.1998
Gross annual return on fund	15,41	6,64	5,84
Annual price inflation	1,83	2,13	1,92
Annual management costs	0,06	0,09	0,09
Annual net real return	13,26	4,22	3,75



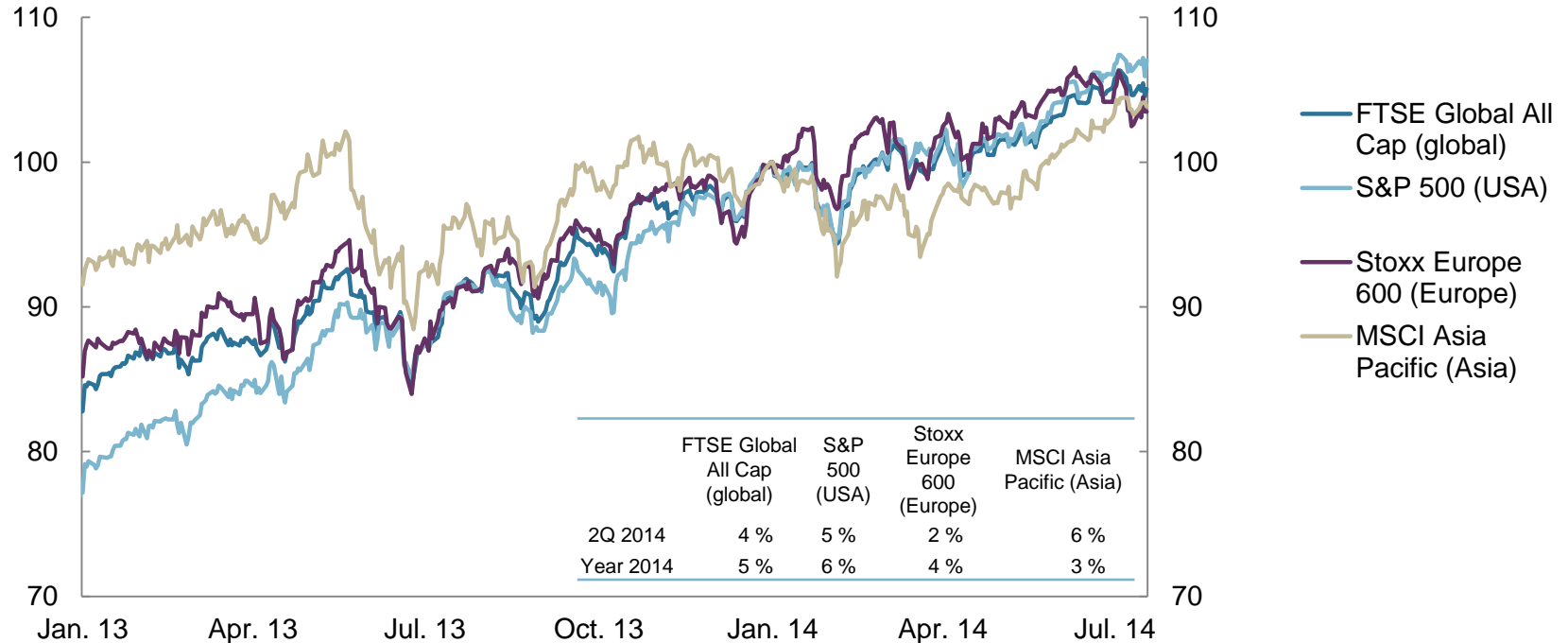
Expected absolute volatility of the fund

Percent (left axis) and billions of kroner (right axis)



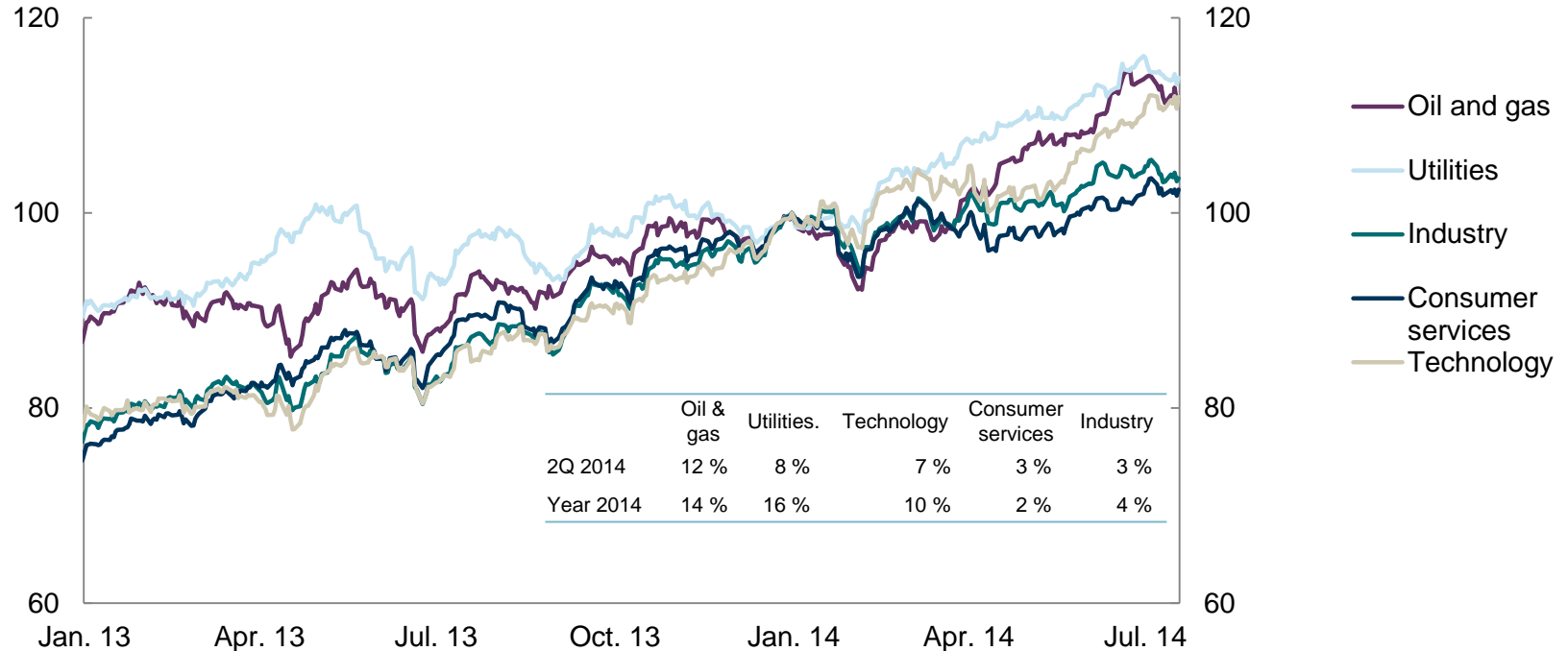
Developments in equity markets

Measured in USD (Stoxx in EUR). Indexed (31.12.2013 = 100)



Developments in equity sectors

FTSE Global All Cap-index. Measured in USD. Indexed (31.12.2013 = 100)

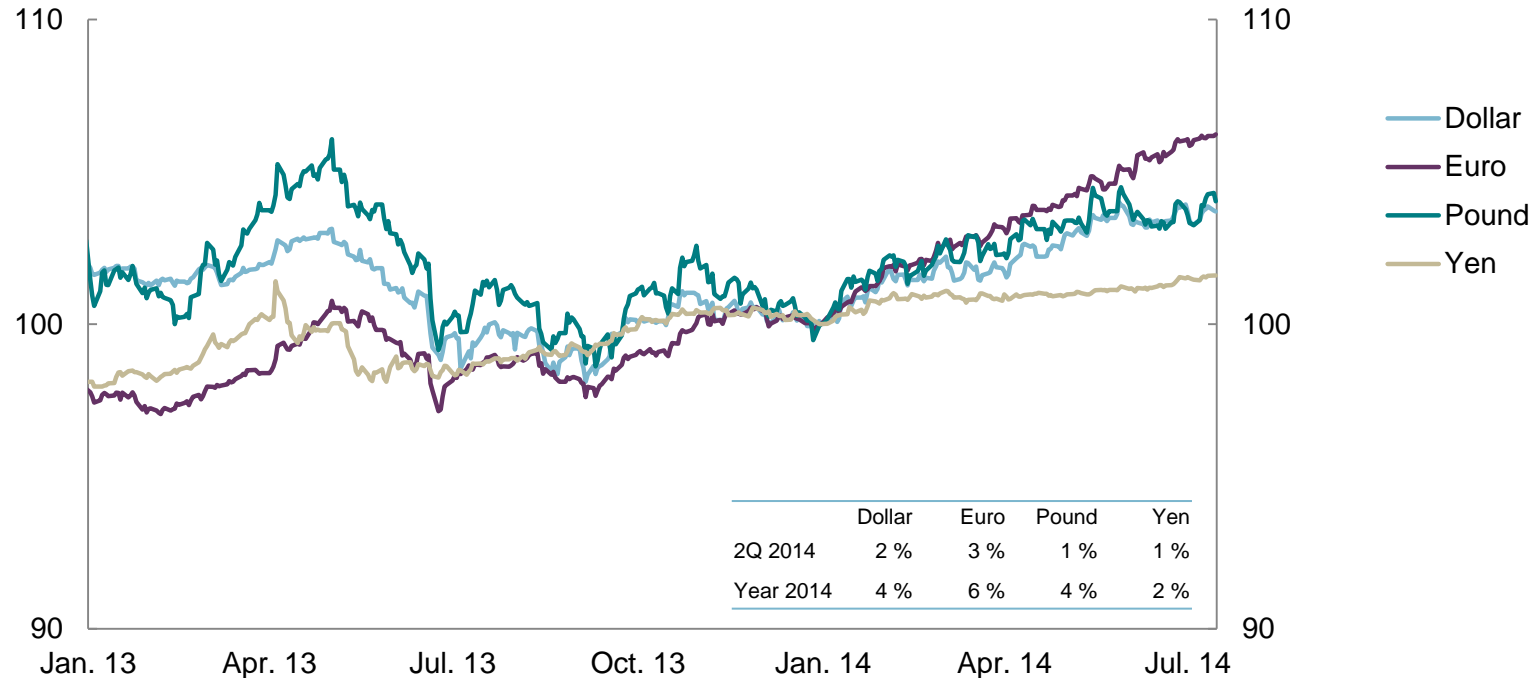


Source: FTSE



Developments for bonds

Barclays Global Aggregate Index. Measured in local currencies. Indexed

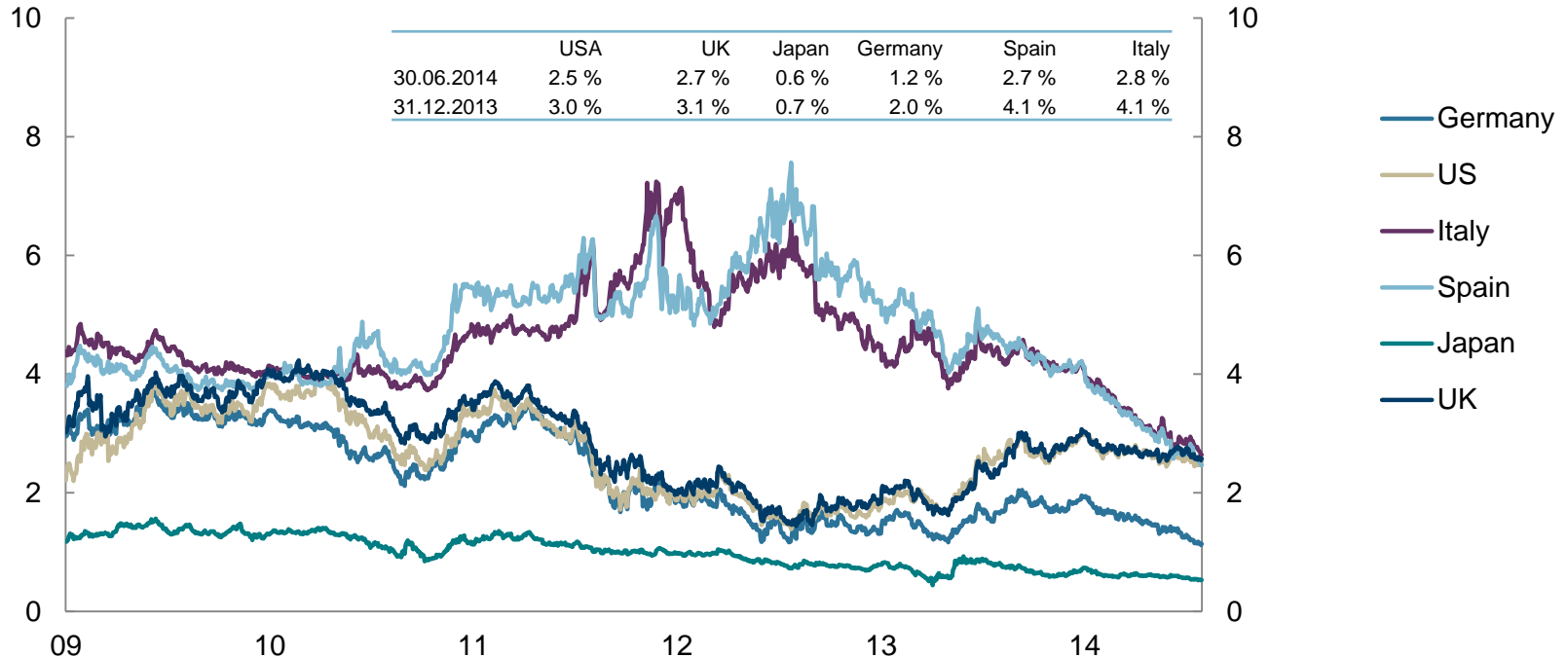


Source: Barclays



10-year government bond yields

Percent

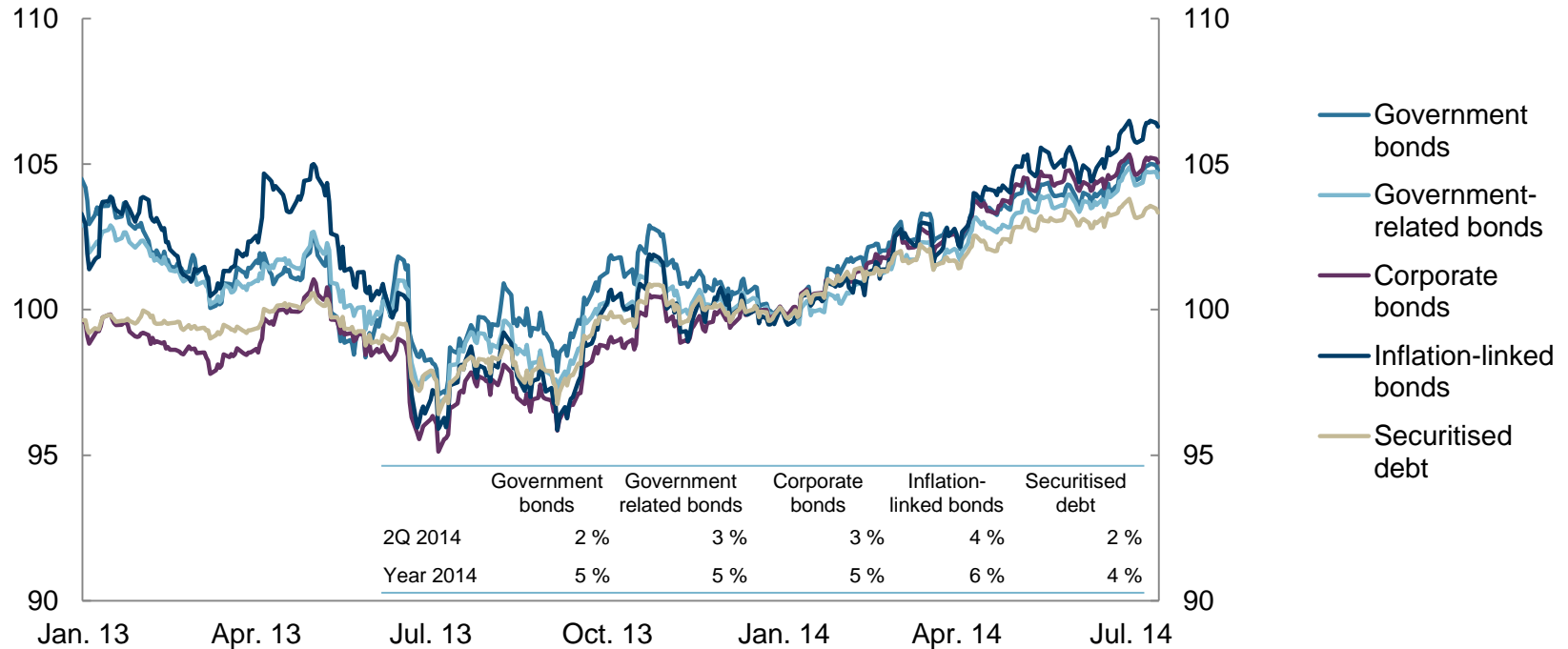


Source: Bloomberg



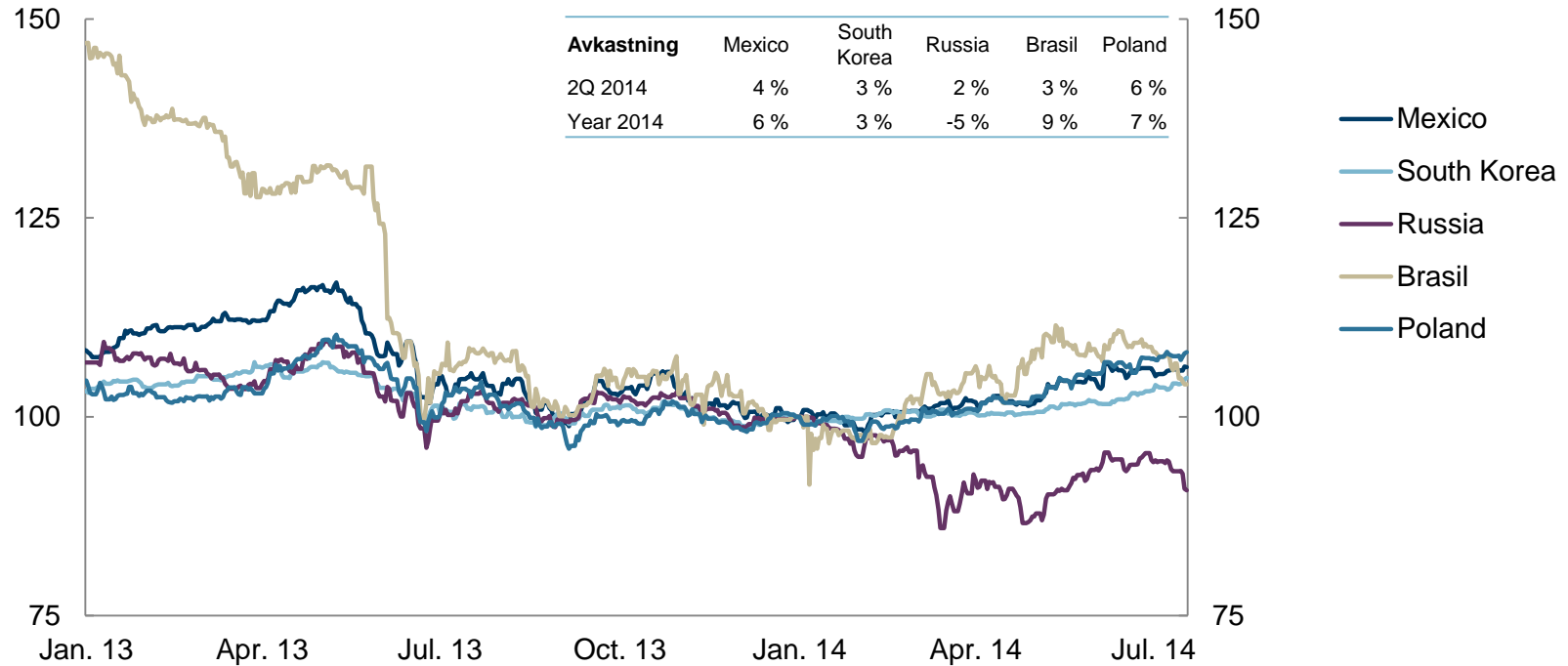
Developments in fixed-income sectors

Measured in USD. Indexed



Bonds in emerging markets

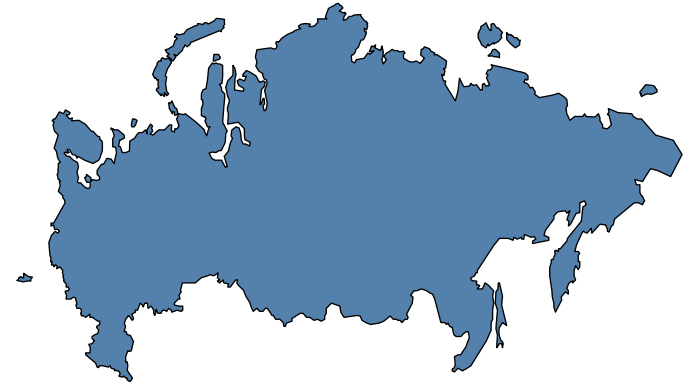
10-year government bonds. Measured in local currencies. Indexed 31.12.2013 = 100



Investments in Russia

Billion NOK

Holdings in Russia	31.12.2013	Q2 2014
Market value fixed income	24.3	28.0
Market value equities	23.0	22.7
Total	47.3	50.7



PERCENT OF MARKET VALUE

0.7 %
EQUITIES

1.4%
FIXED INCOME

1.0%
TOTAL



Strategy plan 2014-2016

Strategic direction

- We will focus on the long-term risks to the purchasing power of the fund
- We will be a global leader in responsible investment
- We will work to improve the knowledge of the fund and be open on all relevant aspects of our management

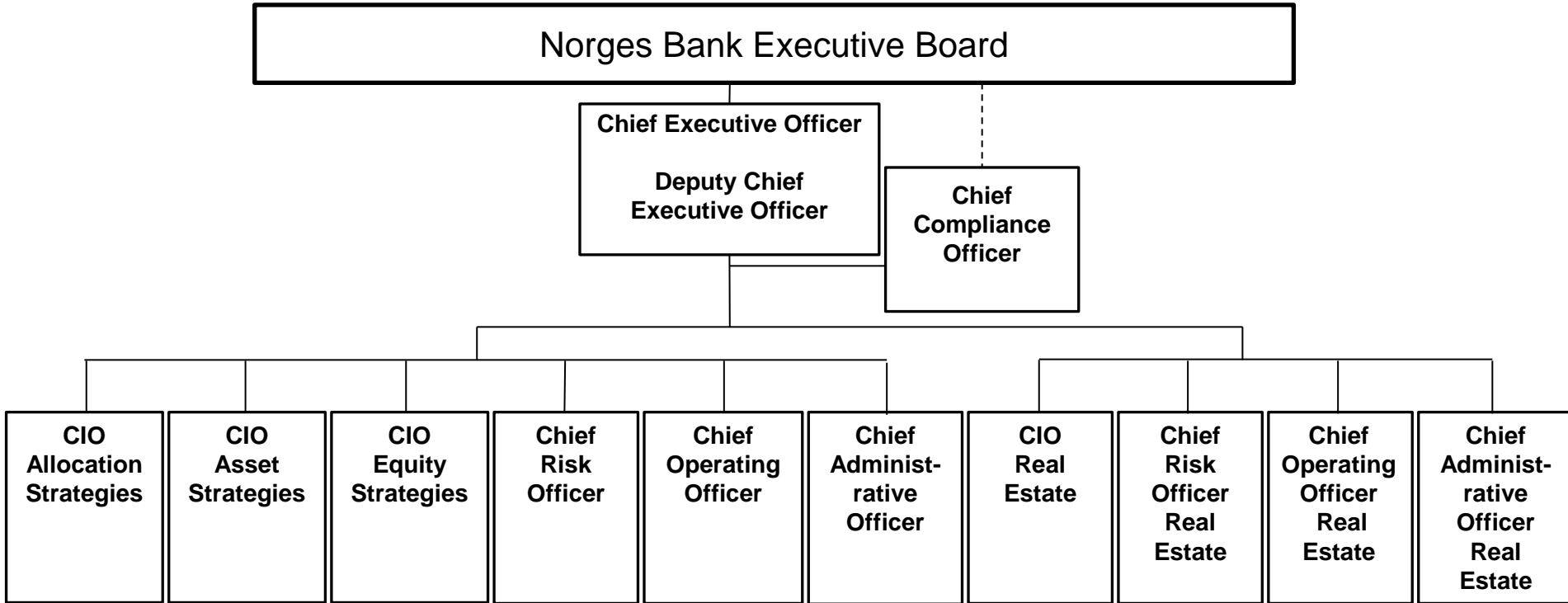


Real estate investments

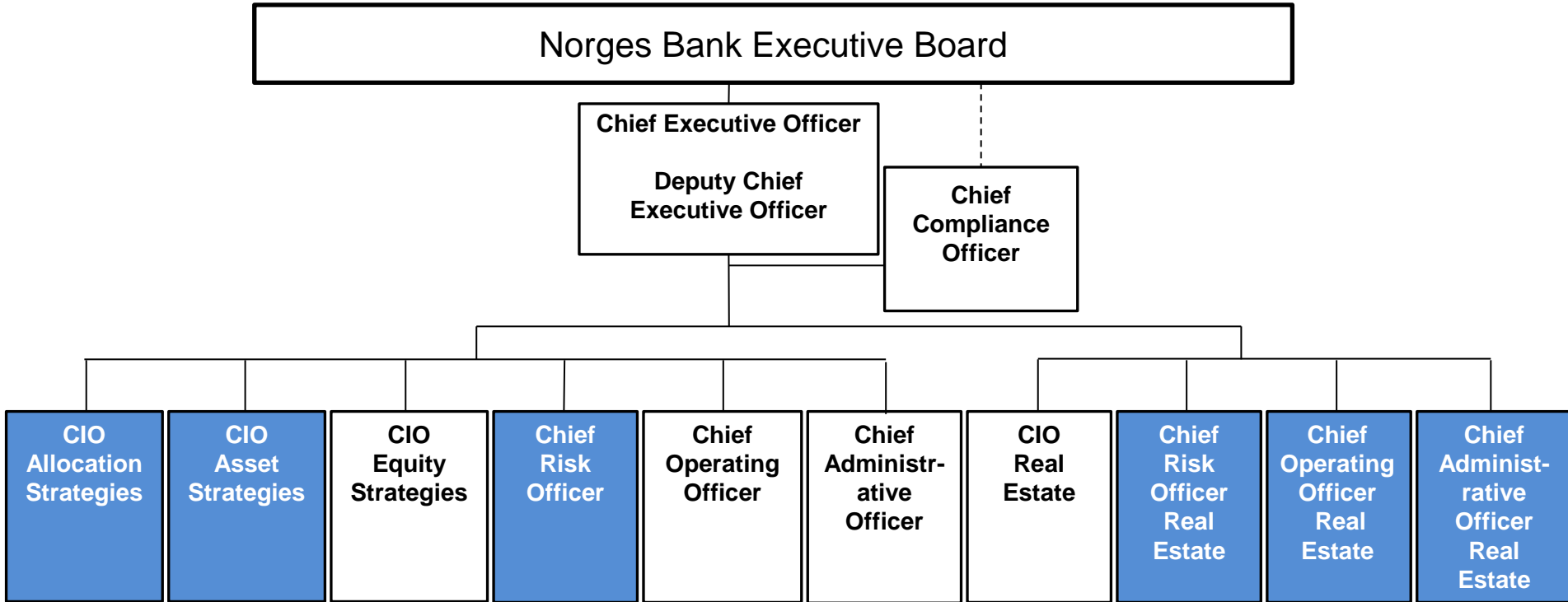


- We aim to build a global, but concentrated, real estate portfolio
- We expect to invest one percent of the fund each of the next three years in the private real estate markets
- We will establish a leader group for Real Estate
- We expect that the Real Estate organization will have around 200 employees by the end of the strategy period in 2016

The leader group



The leader group



New chiefs

From 1 October 2014

- Chief Investment Officer Allocation Strategies: Ole Christian Bech-Moen
- Chief Investment Officer Asset Strategies: Øyvind Schanke
- Chief Risk Officer: Dag Huse
- Chief Risk Officer Real Estate: Lars Dahl
- Chief Operating Officer Real Estate: Nina Hammerstad
- Chief Administrative Officer Real Estate: Mie Holstad



Voting and company dialogue

Second quarter 2014

- Second quarter is the busiest voting season
- We voted in 6 510 general meetings in the second quarter
- Included 120 shareholder proposals on environmental and social issues
- We contacted 33 companies in advance of their general assembly to explain the reason behind our vote cast



Norwegian Finance Initiative

- The initiative shall strengthen financial economic research and education
- Our annual research conference will be held August 26 in Norges Bank
- John Kay, Elroy Dimson, Geert Bekaert, Lars Løchstør and Robert Novy-Marx will give lectures

PROGRAMME

08:30 **Registration and coffee**

09:00 **Opening remarks**

Yngve Slyngstad

CEO of Norges Bank Investment Management

09:10 **The future of capitalism**

John Kay

Visiting Professor at London School of Economics

09:50 **Taking lessons from history**

Elroy Dimson

Emeritus Professor of Finance at London Business School

10:30 **Panel on investing for the long term**

Coffee break

11:30 **Break-out sessions****

Elroy Dimson: *The price of wine*

Geert Bekaert: *Home bias and international diversification*

Lars Løchstør: *Investor inattention and the market impact of summary statistics*

Robert Novy-Marx: *A skeptical evaluation of 'defensive equity'*

** The break-out session topics may be subject to change



13:00 **Emerging markets in a globalizing world**

Geert Bekaert

Professor of Finance at Columbia University

13:45 **Asset pricing when "This time is different"**

Lars Løchstør

Associate Professor of Finance at Columbia University

Coffee break

14:45 **Quality investing**

Robert Novy-Marx

Associate Professor of Finance at University of Rochester

15:30 **End of conference**



Highlights

- The fund returned 3.3 percent in the second quarter of 2014
- Equity investments returned 4.0 percent, fixed income 2.0 percent and real estate 3.0 percent
- The return on equity and fixed-income investments was 0.1 percentage point lower than the return on the benchmark indices
- The market value of the fund rose by 368 billion kroner to 5 478 billion kroner
- The fund was invested 61.3 percent in equities, 37.6 percent in fixed income and 1.2 percent in real estate





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