



# **GOVERNMENT PENSION FUND GLOBAL**

**ANNUAL REPORT 2015**

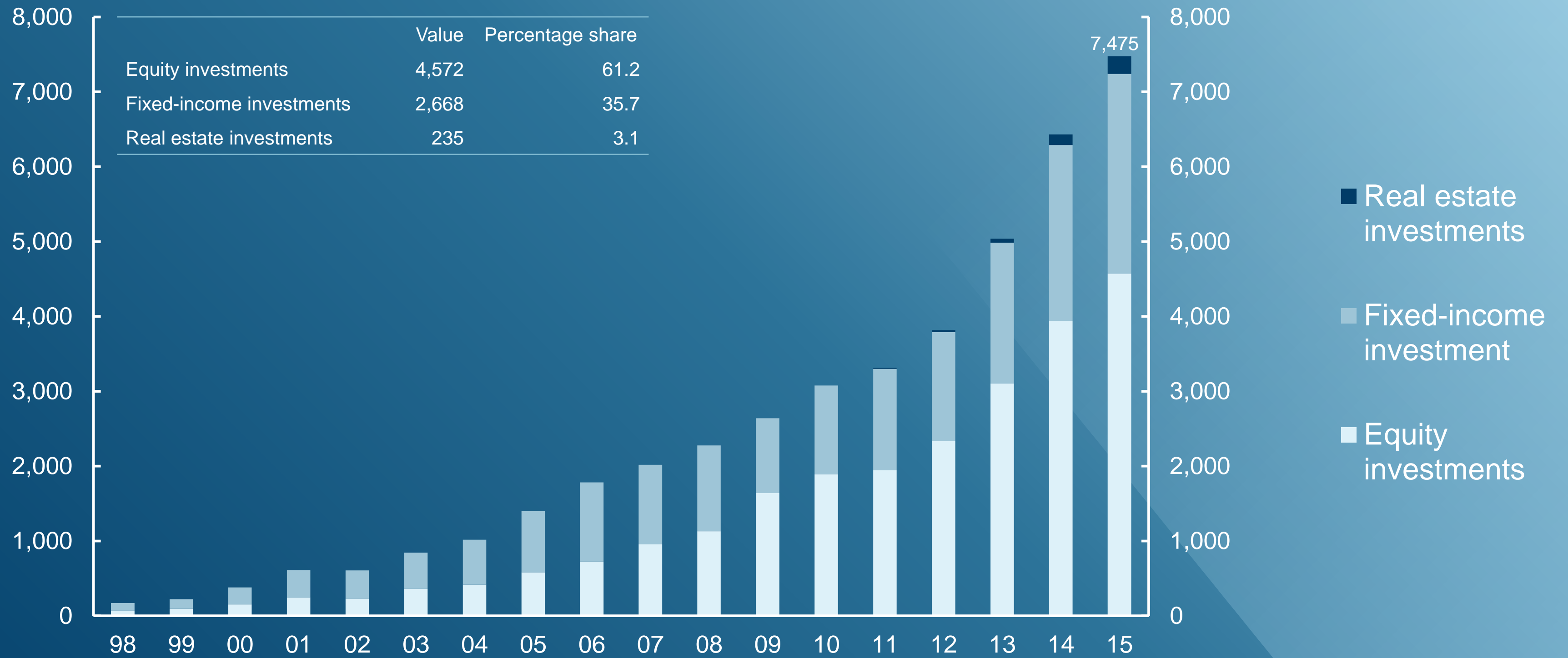
**PRESS CONFERENCE  
OSLO, 9 MARCH 2016**





# Market value

As at 31.12.2015. Billions of kroner

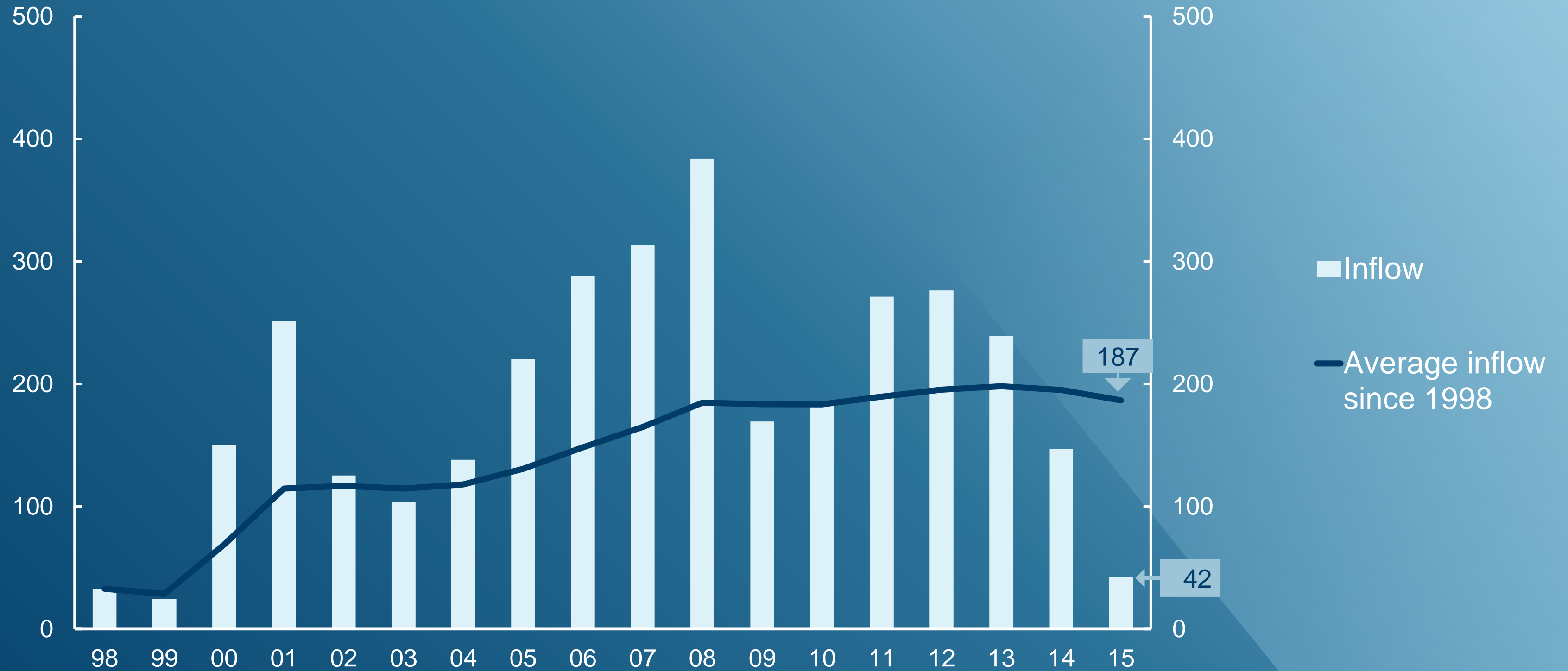


Source: Norges Bank Investment Management



# Inflows

Billions of kroner

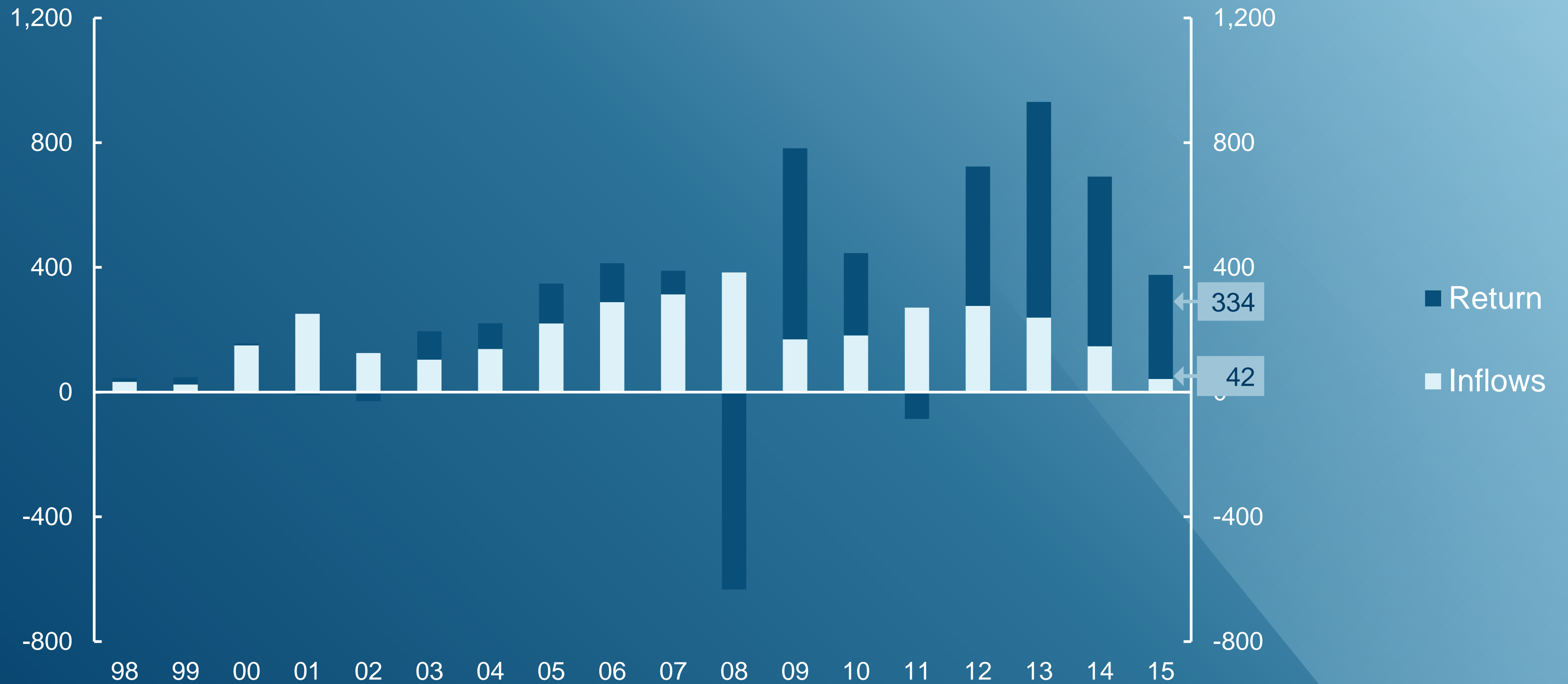


Source: Norges Bank Investment Management



# Inflows and return

Billions of kroner

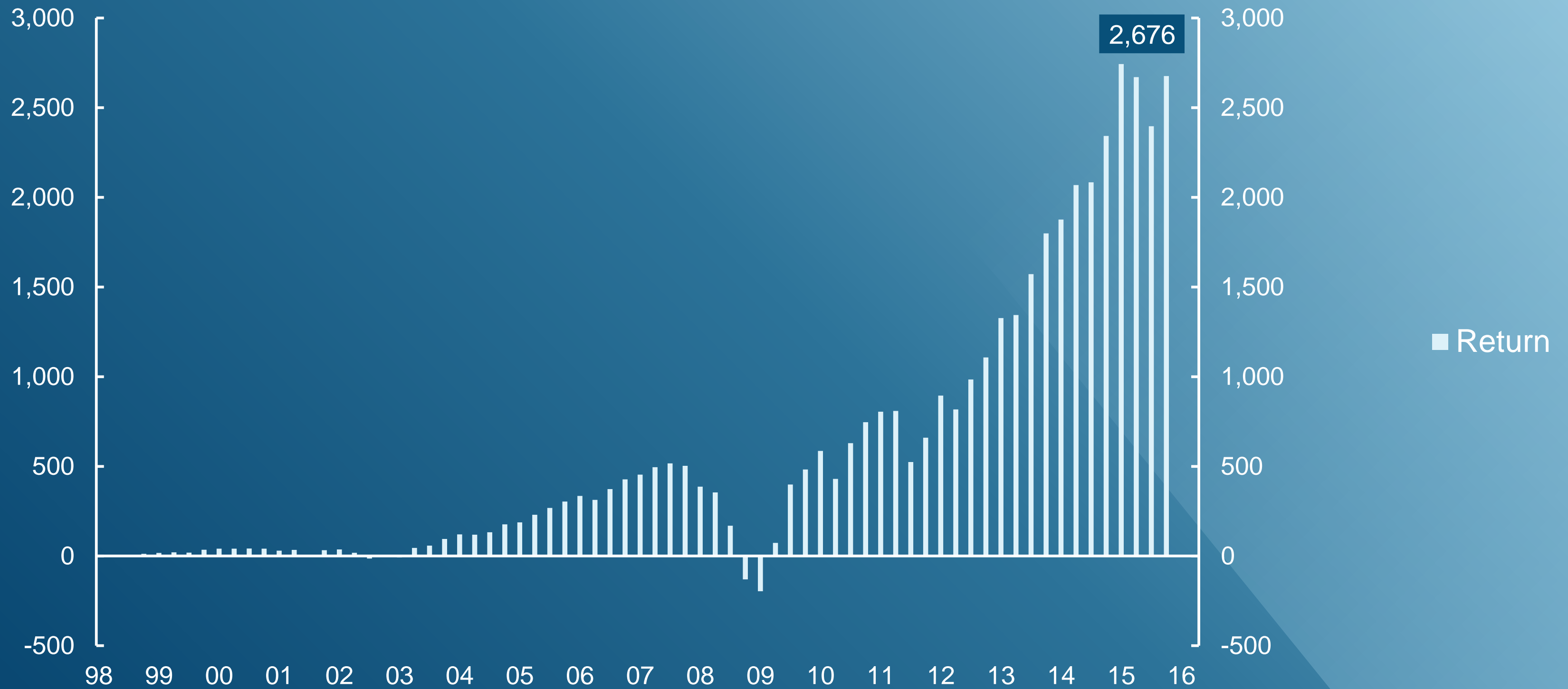


Source: Norges Bank Investment Management



# Accumulated return

As at 31.12.2015. Billions of kroner



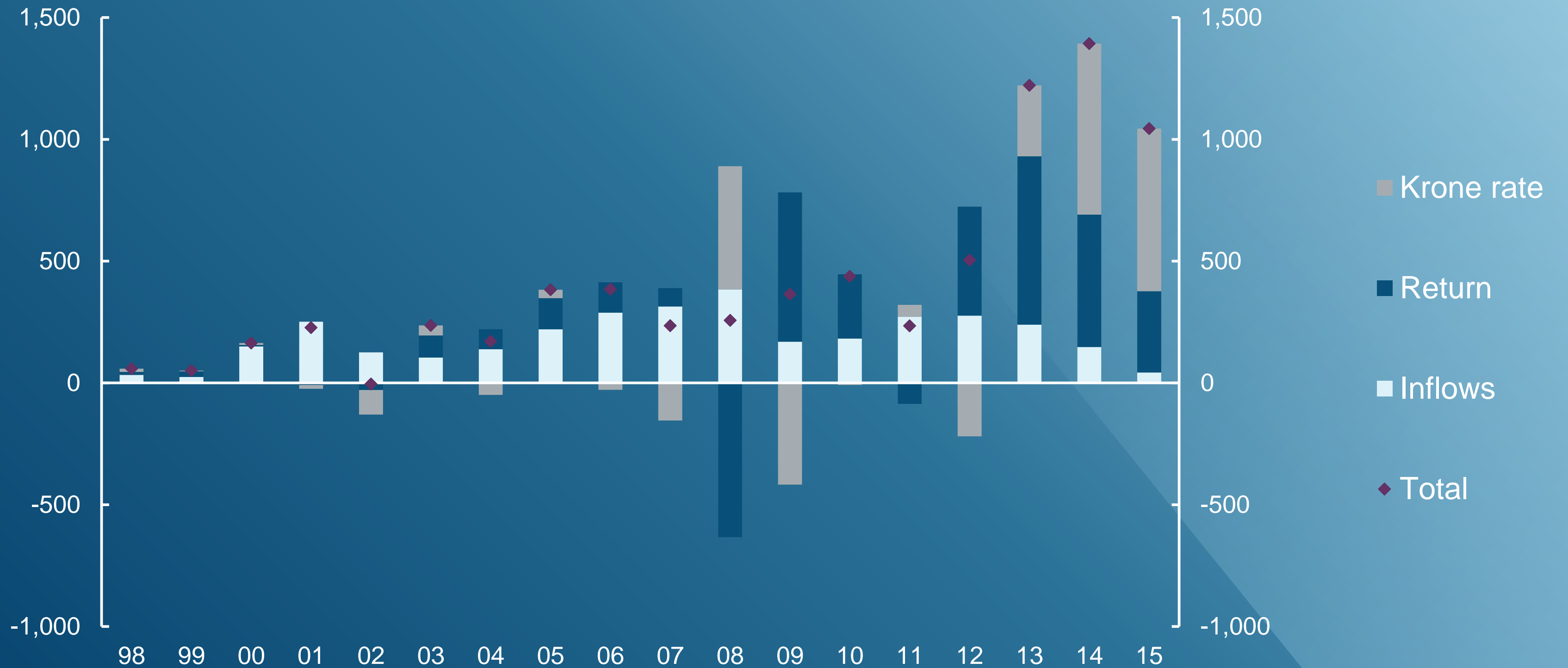
Source: Norges Bank Investment Management





# Annual change in market value

Billions of kroner

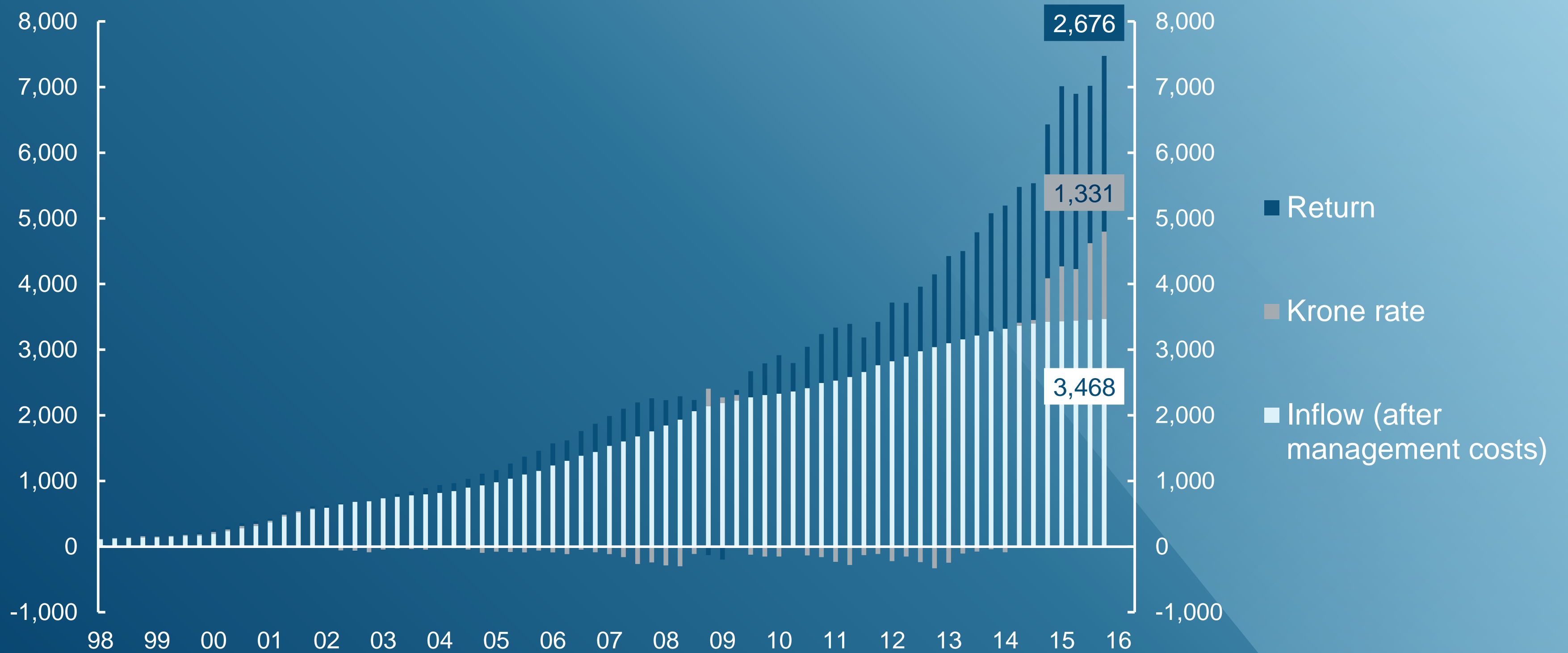


Source: Norges Bank Investment Management



# Accumulated market value

As at 31.12.2015. Billions of kroner

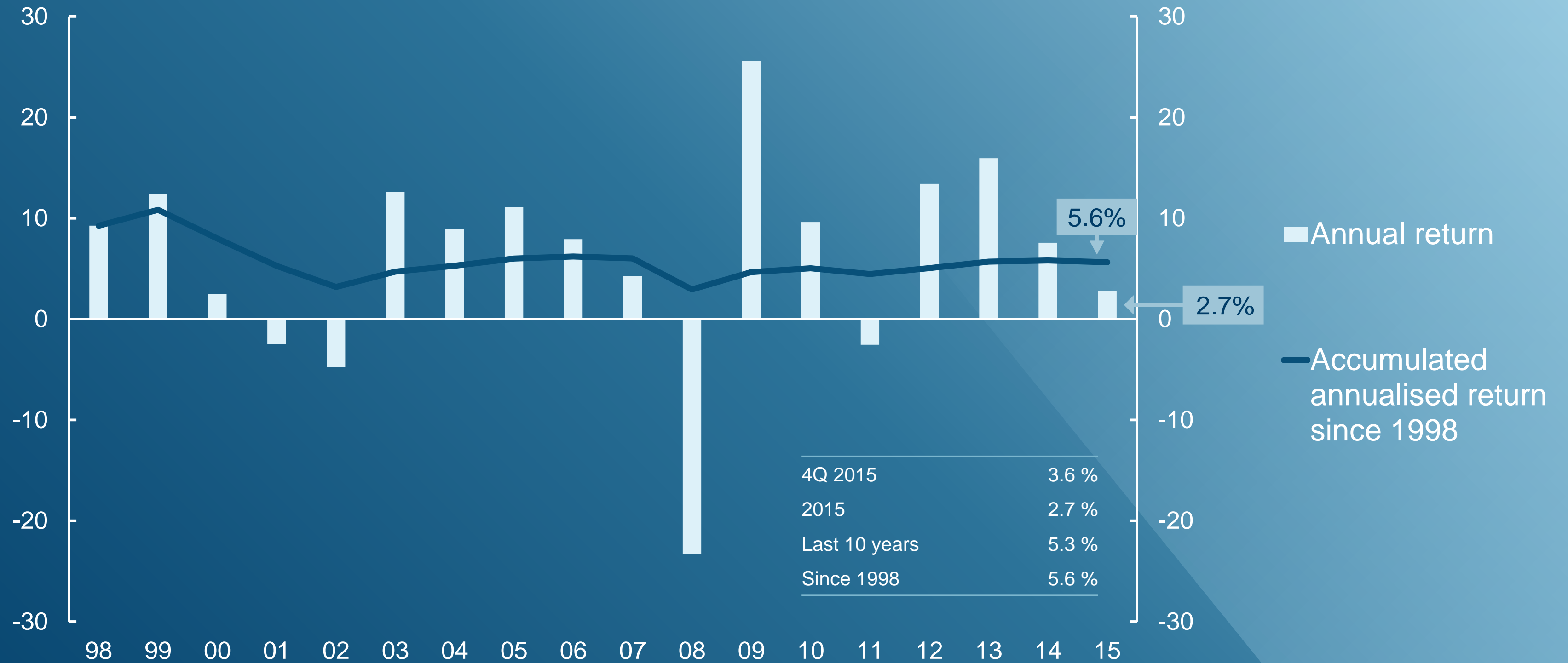


Source: Norges Bank Investment Management



# Annual return

## Percent



Source: Norges Bank Investment Management





# Historical key figures

Measured in the fund's currency basket. Percent

	2015	Last ten years	Since 1.1.1998
Gross annual return	2.74	5.34	5.64
Annual inflation	0.86	1.84	1.78
Annual management costs	0.06	0.09	0.09
Annual net real return	1.80	3.35	3.70

Source: Norges Bank Investment Management



# Relative return

Percentage points



Source: Norges Bank Investment Management





# Decomposition of relative return

2015. Contributions. Percentage points

<b>Total</b>	0.45
Equity investments	0.52
Fixed-income investments	-0.10

Source: Norges Bank Investment Management



# Contributions to relative return

31.12.2015. Strategies measured stand alone. Basis points

Strategy	Equity	Fixed-income	Cross Asset Allocation	Total
Internal Reference Portfolio	0.05	-0.17	0.00	-0.12
Allocation	0.10	0.01	0.04	0.15
Securities Selection	0.21	0.03		0.24
Asset Management	0.17	0.03	-0.01	0.18
Total	0.52	-0.10	0.02	0.45

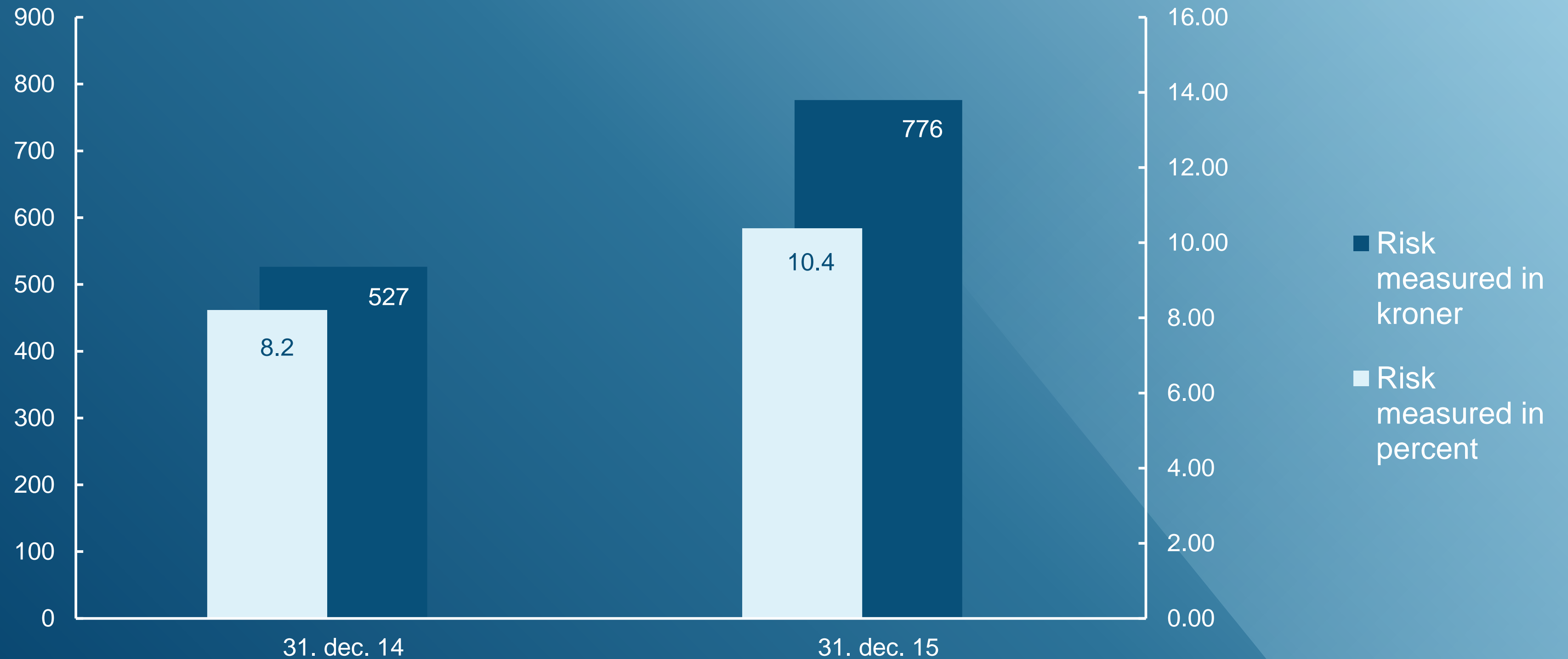
Source: Norges Bank Investment Management





# Expected absolute volatility

Billions of kroner (left axis) and percent (right axis)



Source: Norges Bank Investment Management





# FINANCIAL MARKETS IN 2015





# Price developments in equity markets

Measured in USD (Stoxx in EUR). Indexed (31.12.2014 = 100)



Source: Bloomberg



# Price developments in emerging equity markets

Measured in USD. Indexed (31.12.2014 = 100)



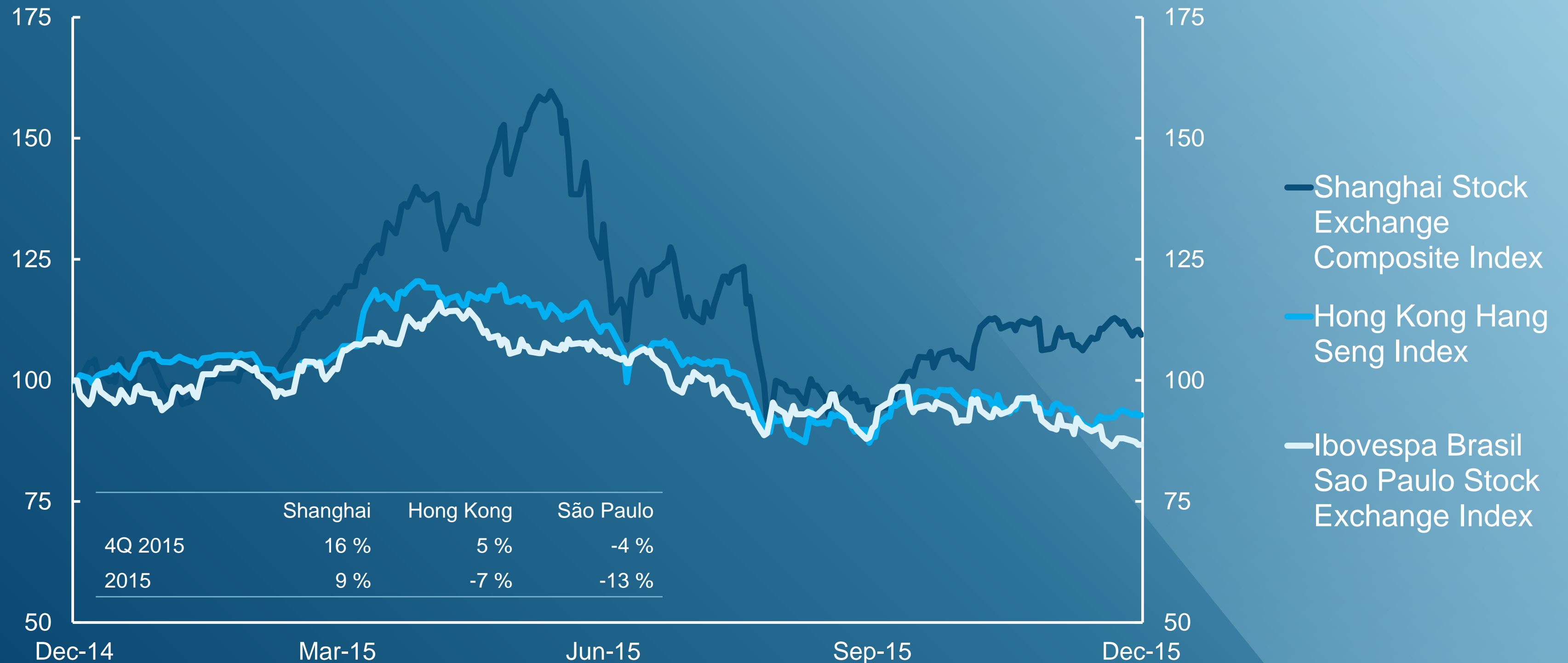
Source: Bloomberg





# Equity markets in China and Brazil

Measured in local currency. Indexed (31.12.2014 = 100)

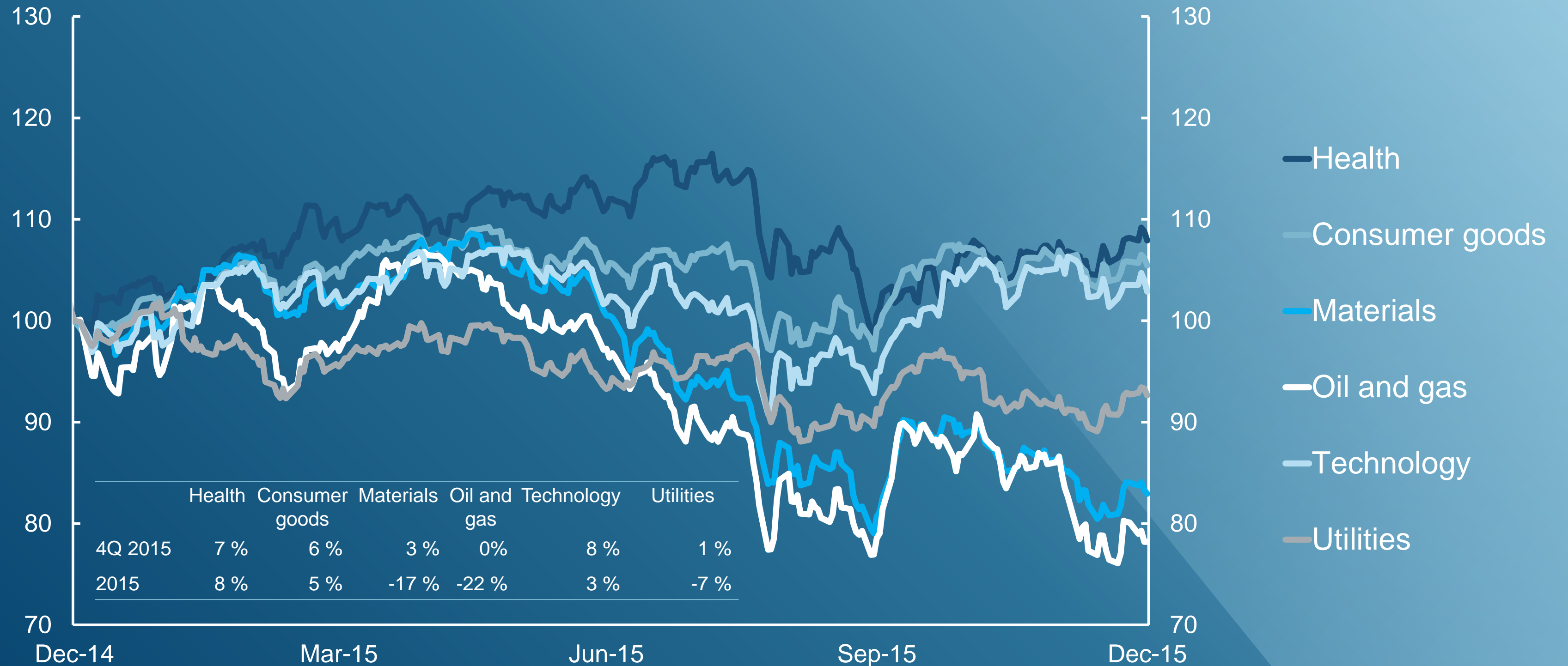


Source: Bloomberg



# Price development in stock sectors

Measured in USD. Indexed (31.12.2014 = 100)



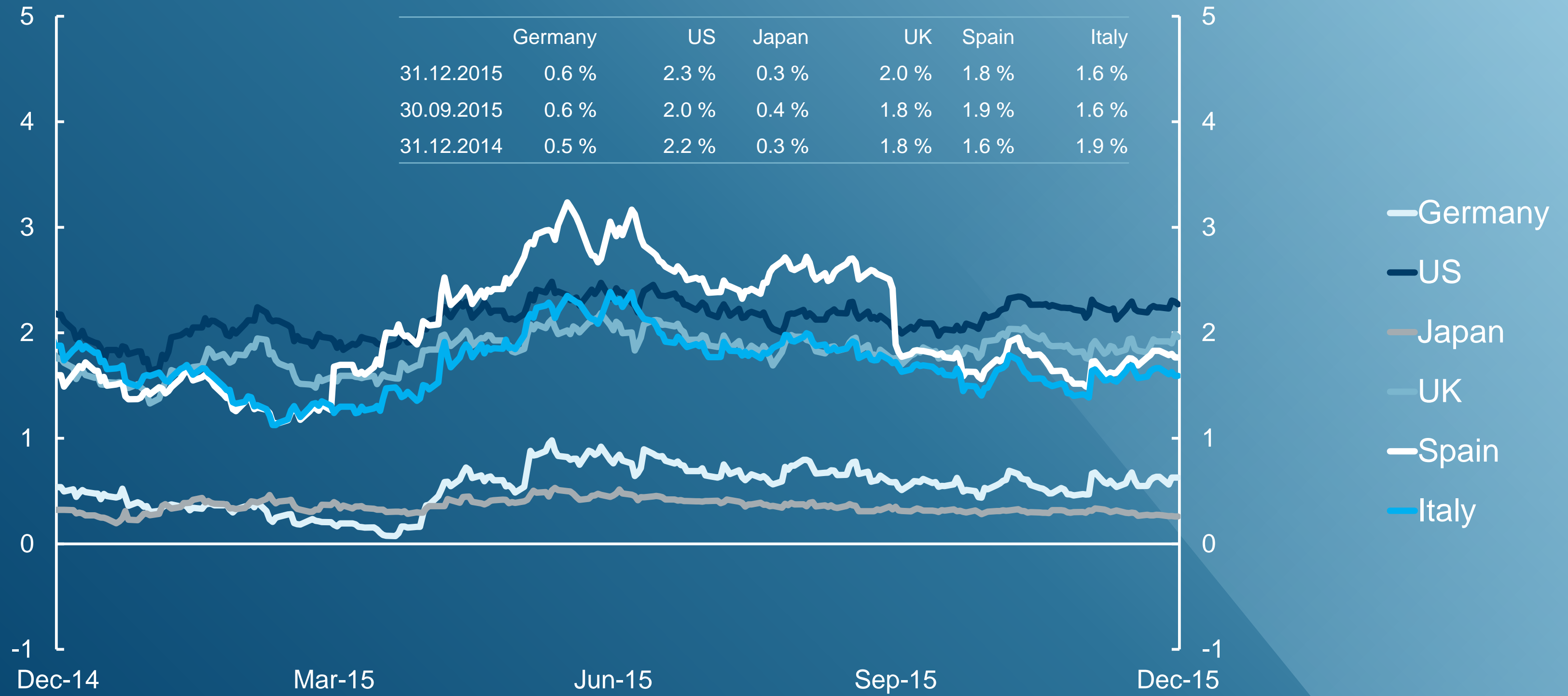
Source: FTSE





# Low interest rates

10-year government bonds. Percent



Source: Bloomberg



# Two year government bond yields

Increasing in the US, decreasing in Germany. Percent



Source: Bloomberg





# Price developments for fixed-income sectors

Measured in USD. Indexed (31.12.2014 = 100)



Source: Barclays



# Currency development

Weaker EUR, CHF and CNY in 2015



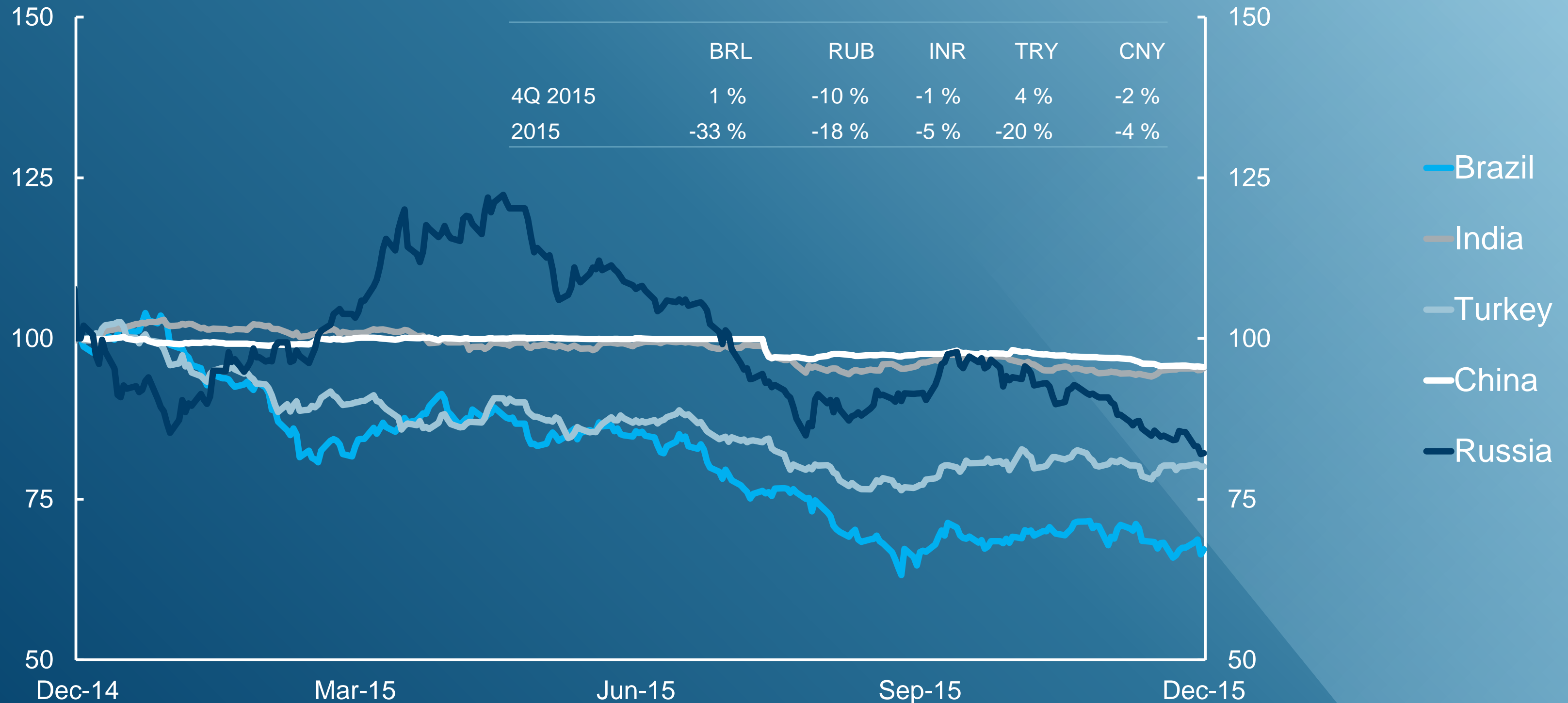
Source: Bloomberg





# Currency development emerging markets

Measured against USD. Indexed (31.12.2014 = 100)\*



\*Falling curve implies a weaker currency measured against USD

Source: Bloomberg





# New real estate investments in 2015

10 transactions in total

- US
  - 7 transactions
  - Total value 36,5 bn NOK.
- UK
  - 2 transactions
  - Total value 5,9 bn NOK .
- Europe
  - 1 transaction
  - Total value 1,3 bn NOK.

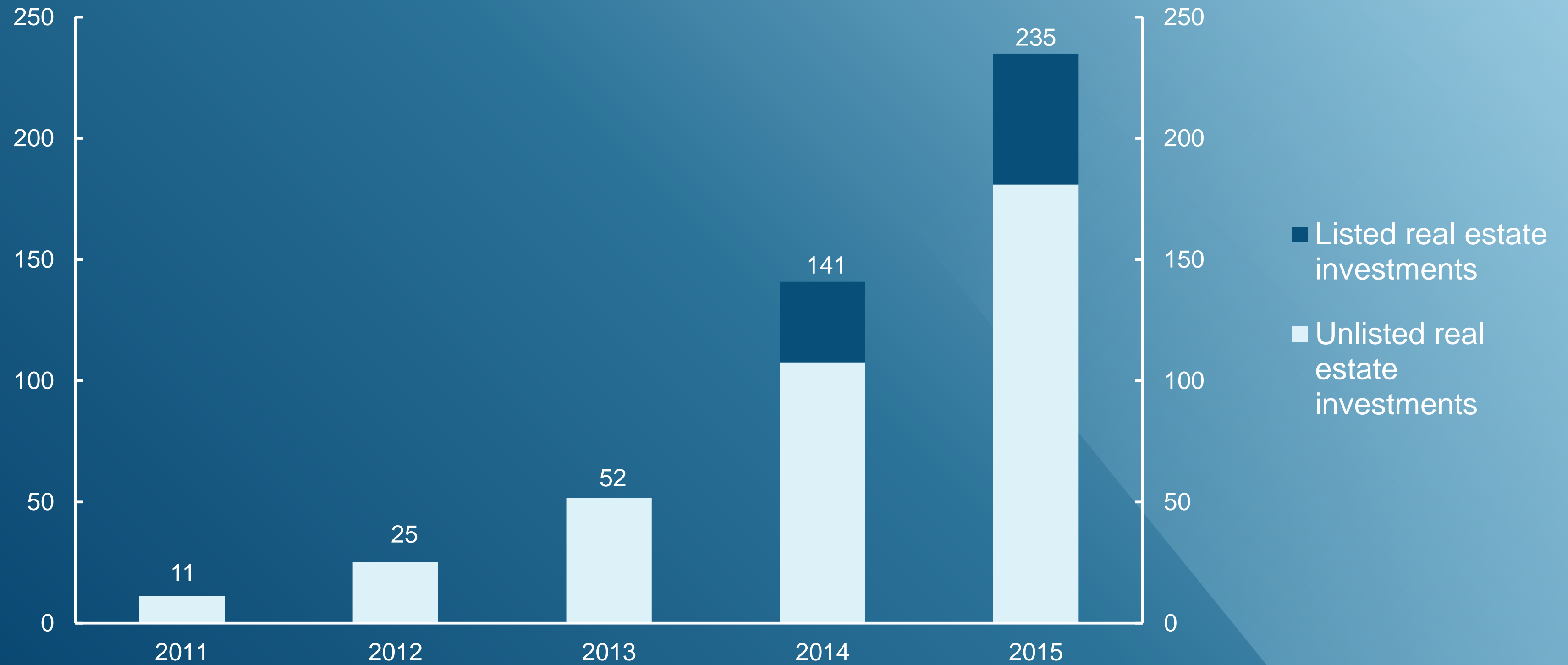


Source: Norges Bank Investment Management



# Real estate investments

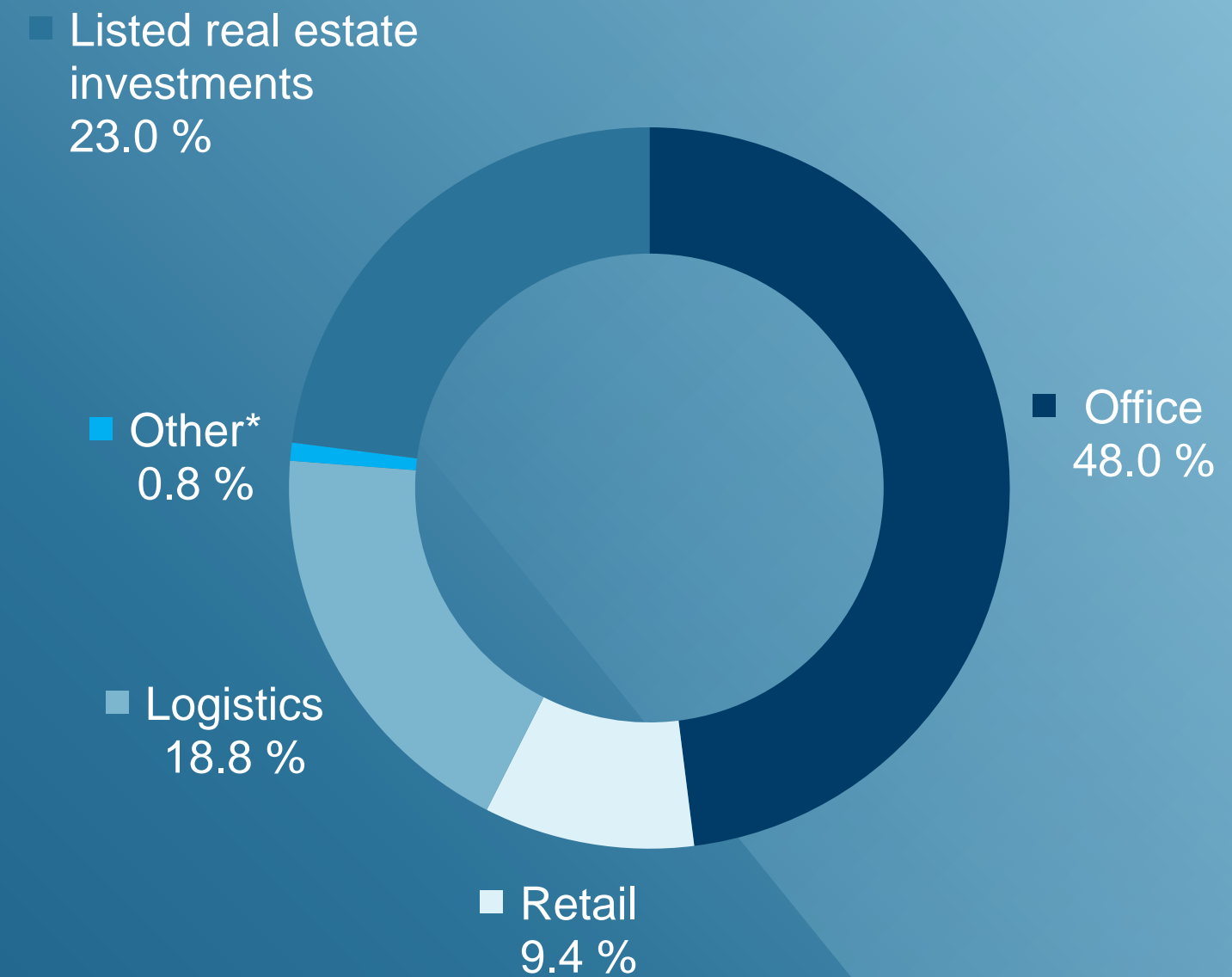
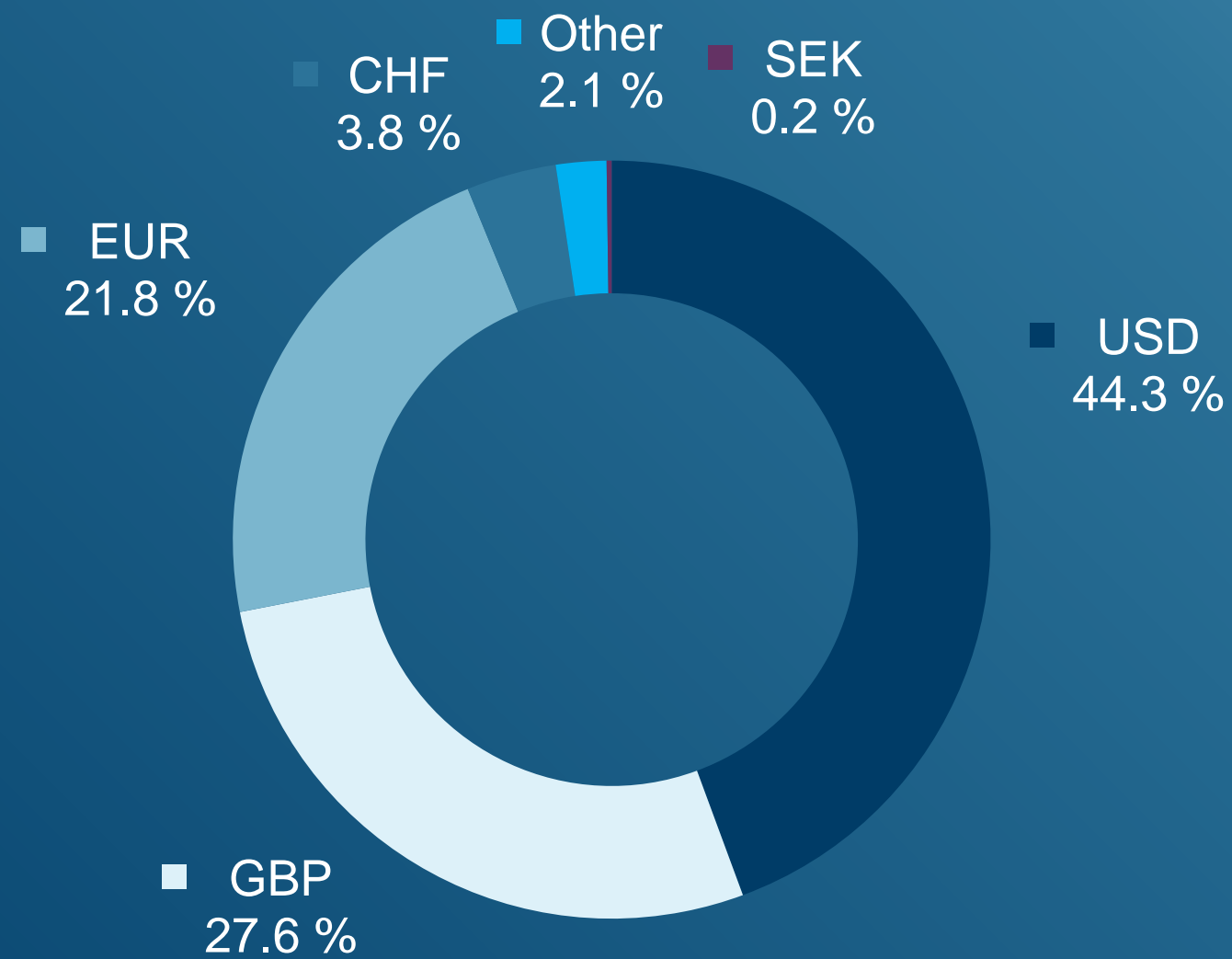
Market value at year end in billion kroner



Source: Norges Bank Investment Management

# Real estate portfolio as at 31.12.2015

## Currency and sector distribution

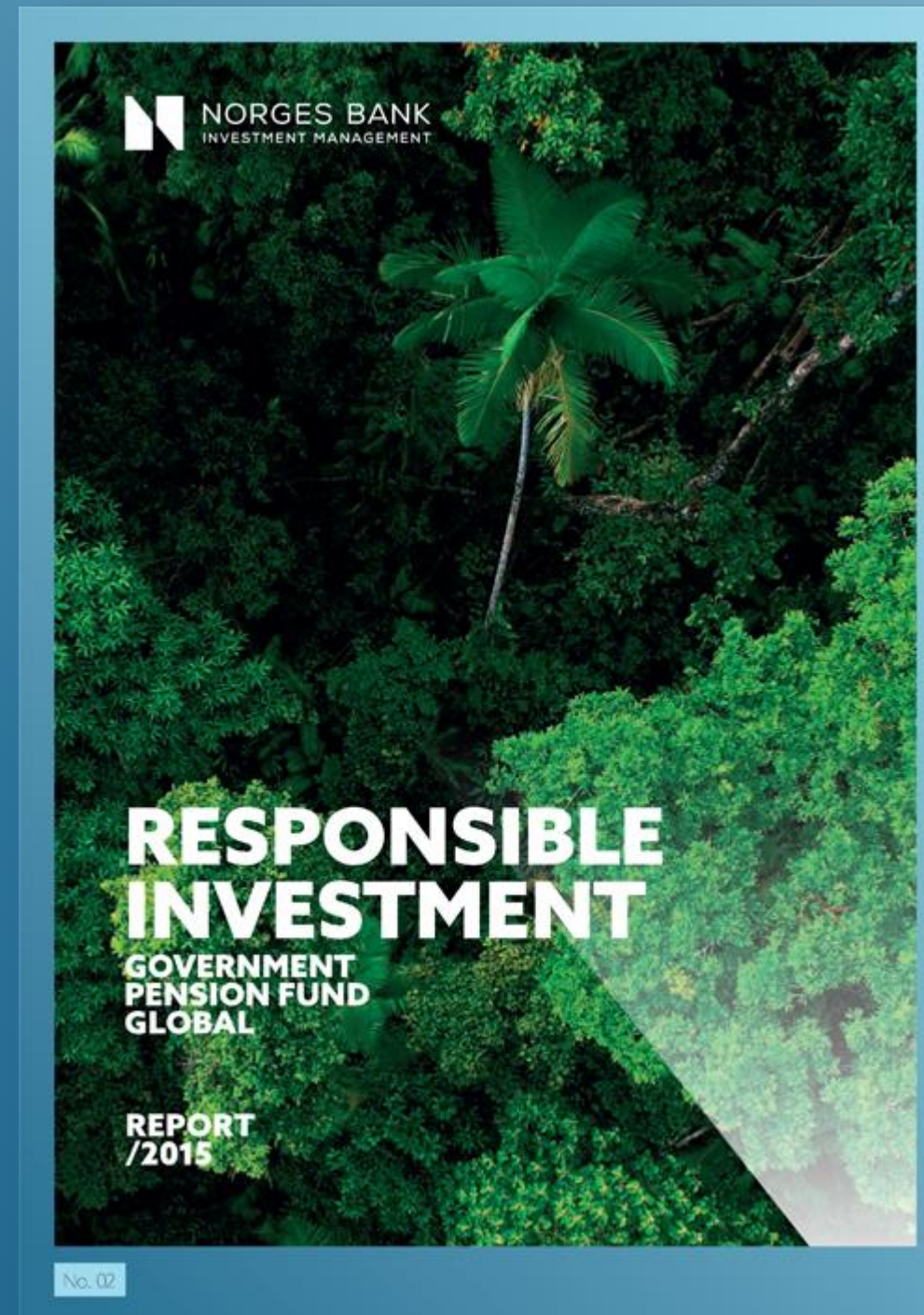


\* Bank deposits and other claims  
Source: Norges Bank Investment Management



# Responsible investment 2015

- We worked on standard setting
- We voted at 11,562 general meetings
- We had 3,520 meetings with companies



# Observation and exclusions in 2015

Changes from 31.12.2014 to 31.12.2015

## ■ Exclusions

- Daewoo International Corp
- POSCO
- Genting Berhad
- IJM Corporation
- ZTE Corp

## ■ Observation

- PT Astra International Tbk



# Risk-based divestments

Main category	Theme	2015	2014 and earlier
GHG-emissions	Oil sands	0	5
	Coal extraction towards electricity production	11	14
	Cement production	8	2
	Coal-fired power generation	16	1
	Other	7	0
Deforestation	Palm oil production in Malaysia and Indonesia	2	27
	Coal mining in Indonesia	0	11
	Coal mining in India	1	5
	Pulp and paper	4	0
Water	Gold mining	0	16
	General mining and precious metals	9	17
	Mountain-top removal	0	2
Social and governance	Heavy construction	9	0
	Corruption	5	0
	Other	1	14
		73	114

Source: Norges Bank Investment Management



# Environment-related mandates

## Investments in 224 companies

Main category	Sub-groups	Number of companies	Total (billion NOK)
Low-emission energy & alternative fuels	Renewable energy	54	6.7
	Low-emission energy	19	10.9
	Low-emission fuels	14	1.5
Clean energy & efficiency technology	Electricity production	3	1.2
	Transport	10	3.5
	Buildings	9	5.4
	Industry	45	8.2
Natural resource management	Water	35	8.8
	Waste management and emissions reduction	9	3.6
	Sustainable agriculture	7	2.5
	Other	19	1.5*
		224	53.8

\*Includes cash

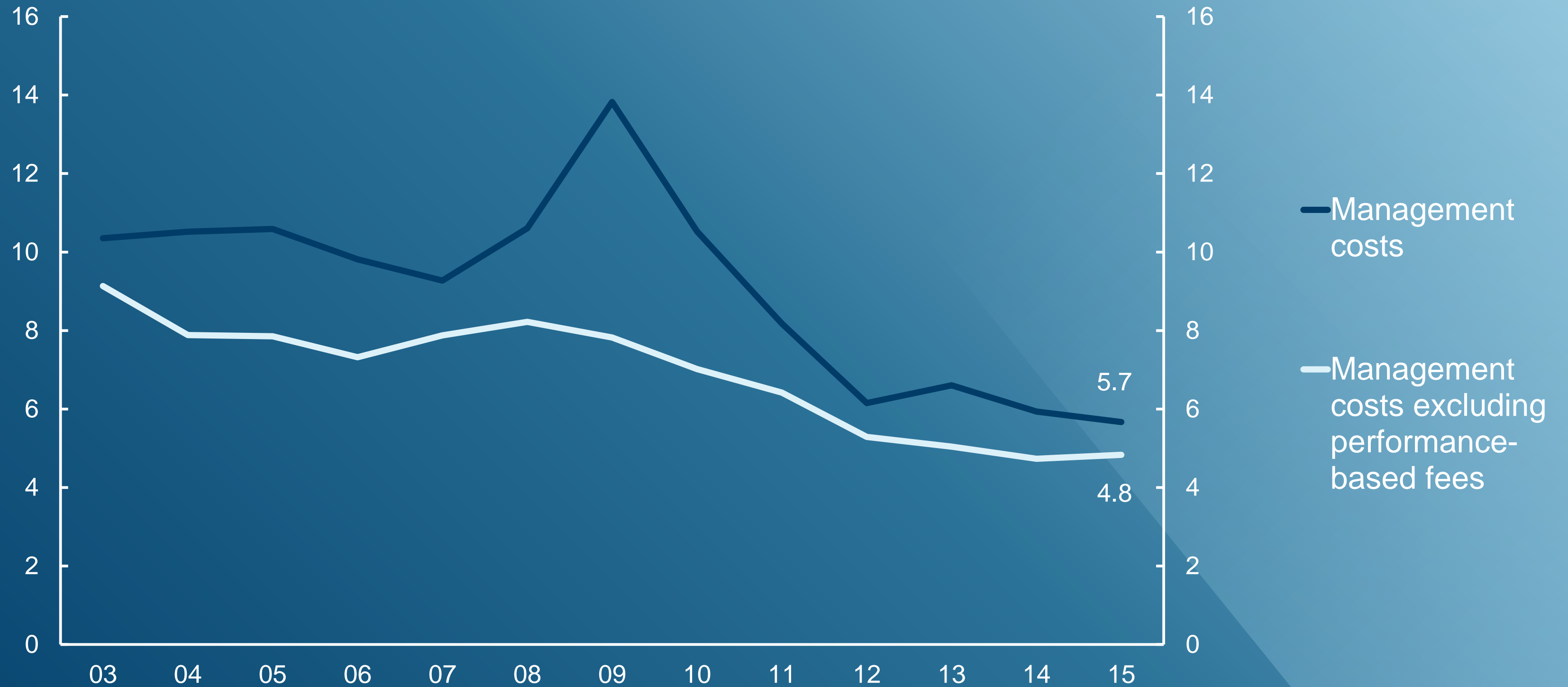
Source: Norges Bank Investment Management





# Management costs

Basis points

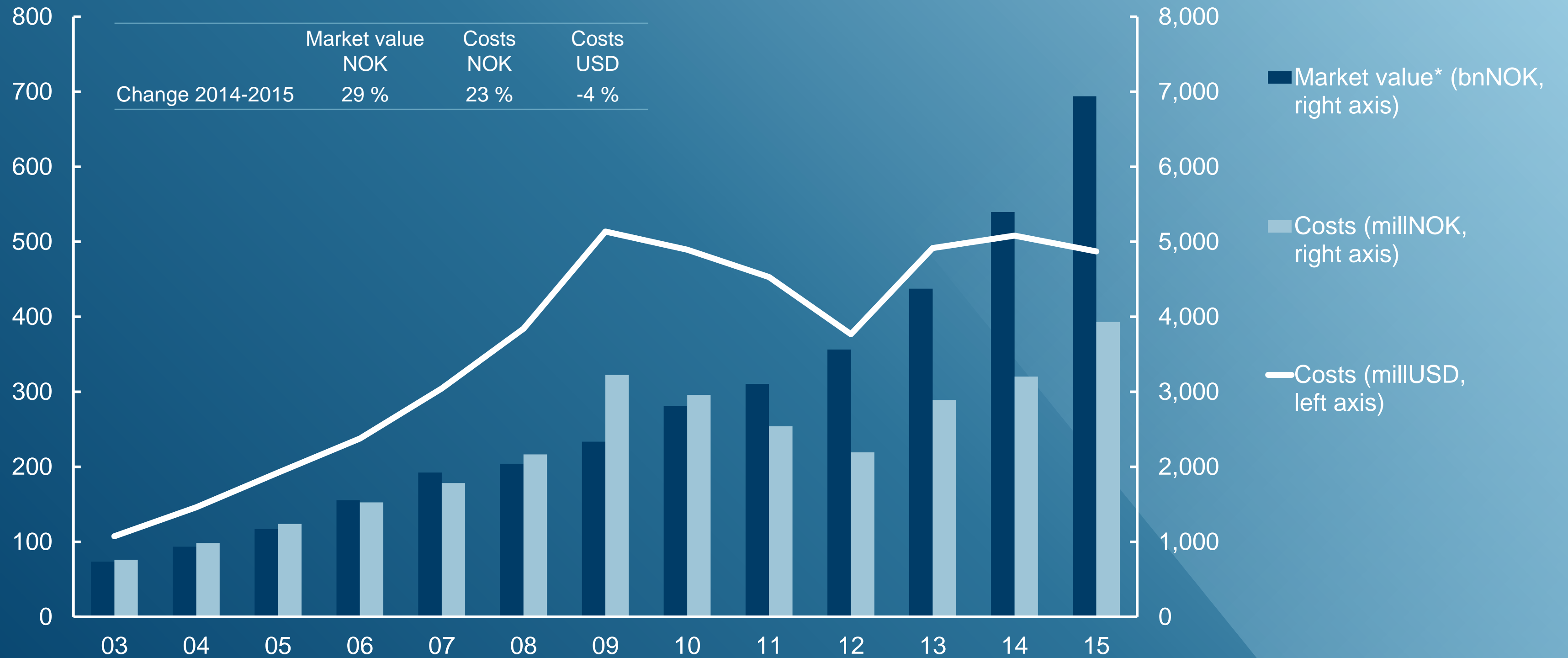


Source: Norges Bank Investment Management



# Market value and management costs

Fees in million currency units



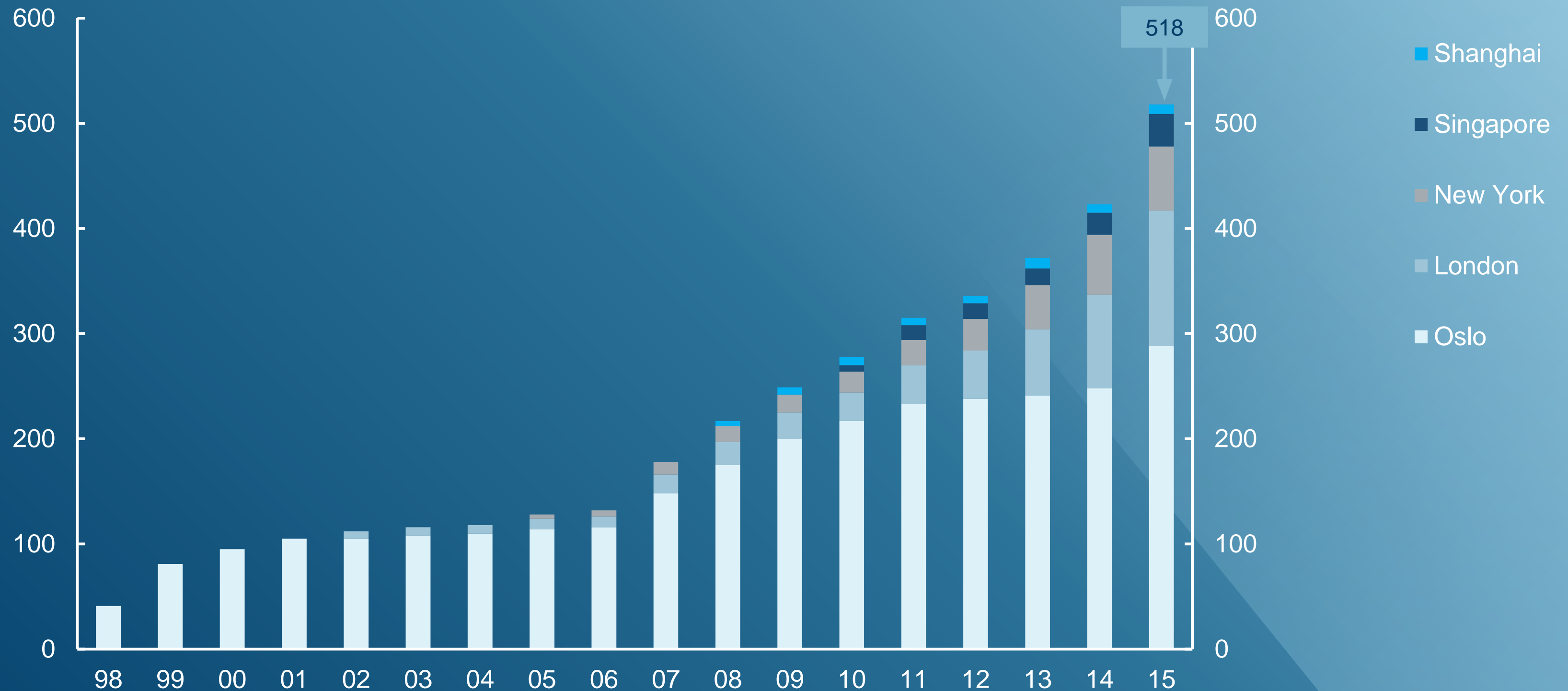
\* Average market value in respective year  
Source: Norges Bank Investment Management





# Number of employees by office

Number as at 31.12.2015\*

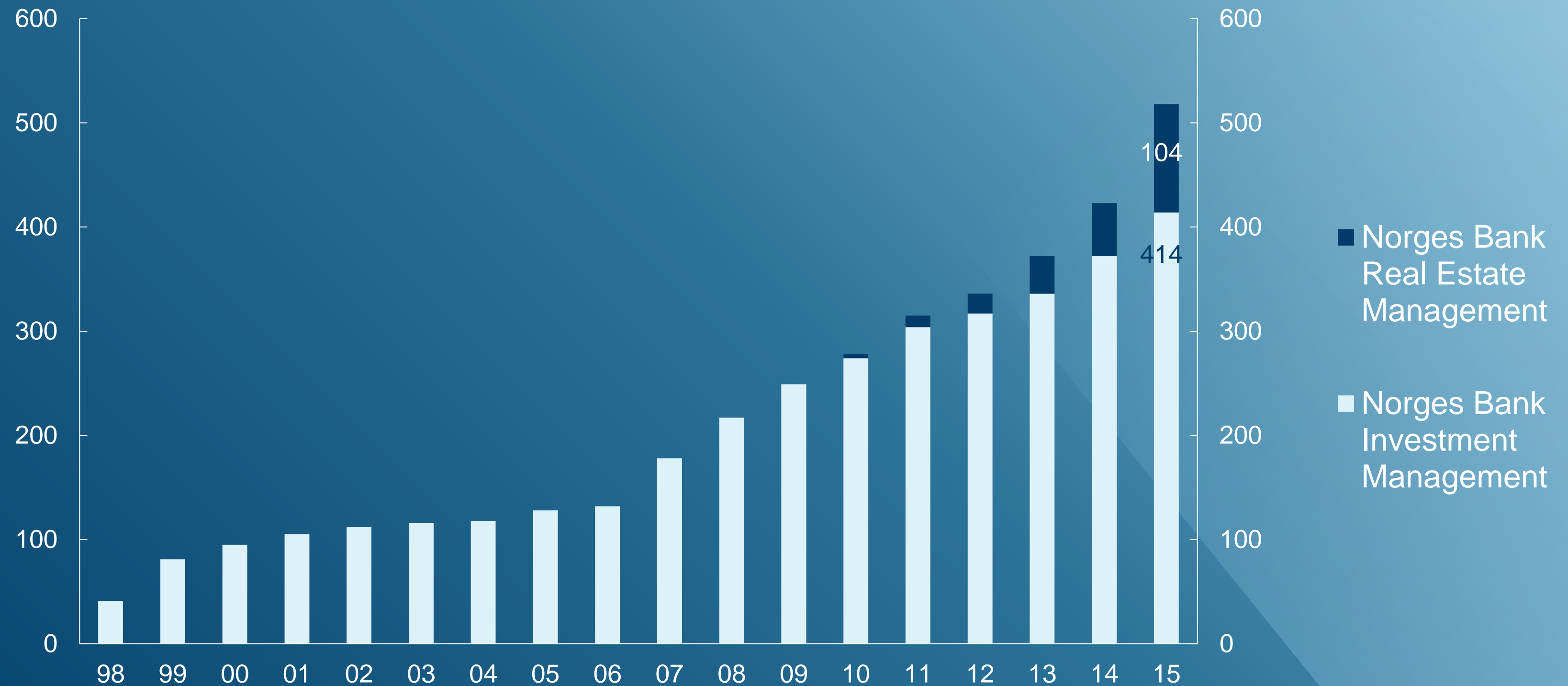


Source: Norges Bank Investment Management  
Excl employees in subsidiaries



# Number of employees

Number as at 31.12.2015\*



Source: Norges Bank Investment Management  
Excl employees in subsidiaries





# Submissions, documents and reports

## Categories

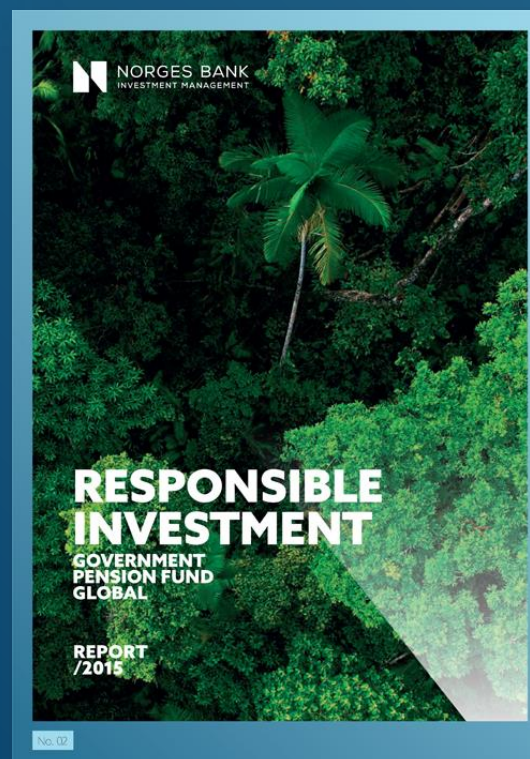
- Submissions to the Ministry of Finance
  - Advice on the fund's investments
- Discussion notes
  - Analysis which may form relevant background for investment strategy and advice to asset owner
- Asset manager perspective
  - Views and reflections on issues topical for the financial industry
- Expectation documents
  - The fund's expectations to companies within focus areas
- Position papers
  - The fund's view on special topics within our ownership work
- Public reports





# Reports

- Annual report – press conference 9 March 2016
- Report on performance and risk – press seminar 16 March 2016
- Report on unlisted real estate investments – press seminar 13 April 2016





# Main points

- The return was 2.7 percent in 2015
  - Equity 3.8 percent
  - Fixed income 0.3 percent
  - Real estate 10.0 percent
- The return on equity and fixed-income investments was 0.5 percentage point higher than the return on the reference indices
- The market value of the fund grew by 1,044 billion kroner to 7,475 billion kroner
- Asset allocation at the end of the year:
  - Equity 61.2 percent
  - Fixed income 35.7 percent
  - Real estate 3.1 percent

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