



GOVERNMENT PENSION FUND GLOBAL

ANNUAL REPORT 2016

PRESS CONFERENCE
OSLO, 28 FEBRUARY 2017

Highlights

- The return was 6.9 percent in 2016
 - Equity 8.7 percent
 - Fixed income 4.3 percent
 - Real estate 0.8 percent
- The return on equity and fixed-income investments was 0.15 percentage point higher than the return on the benchmark index
- The market value of the fund grew by 35 billion kroner to 7,510 billion kroner
- Asset allocation at the end of the year:
 - Equity 62.5 percent
 - Fixed income 34.3 percent
 - Real estate 3.2 percent



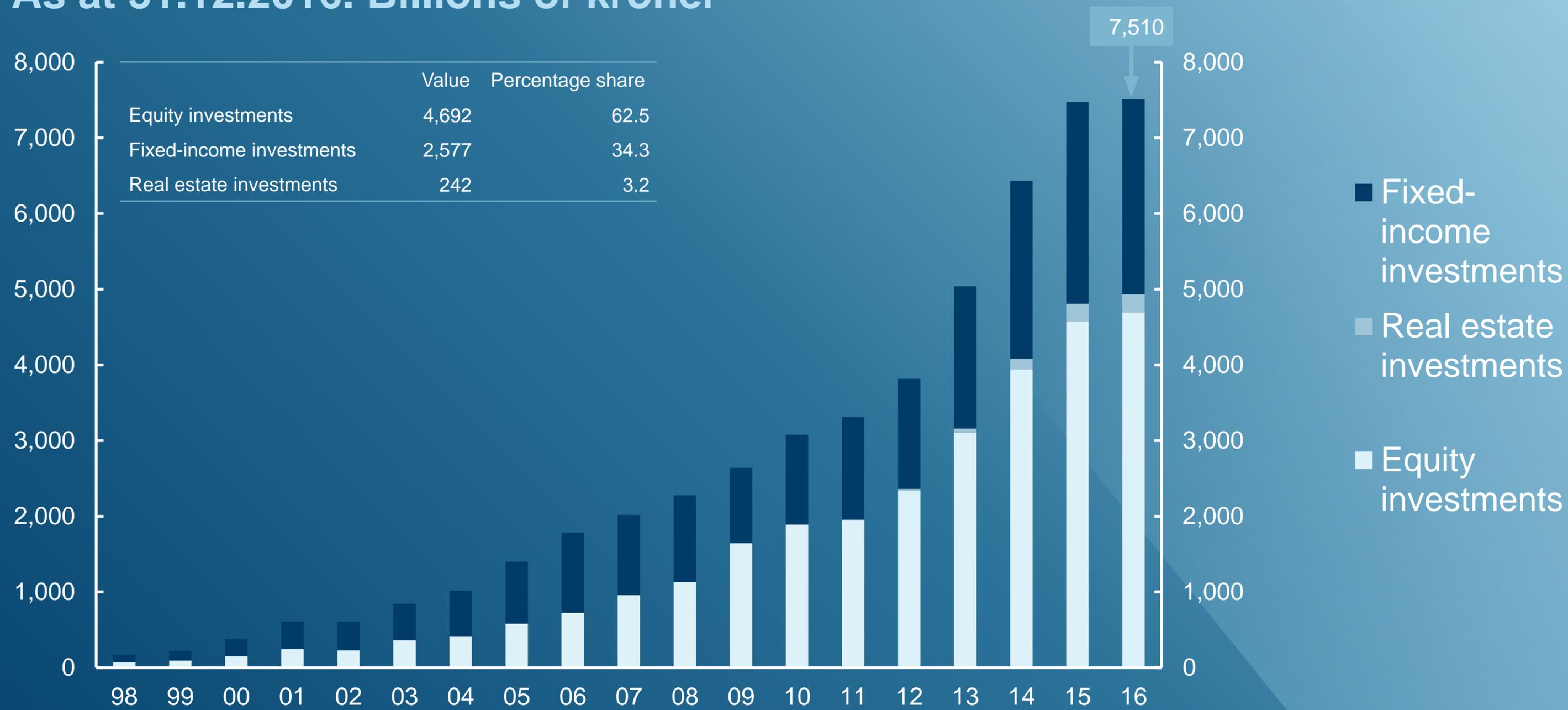
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7,510 billion kroner in the fund

As at 31.12.2016. Billions of kroner

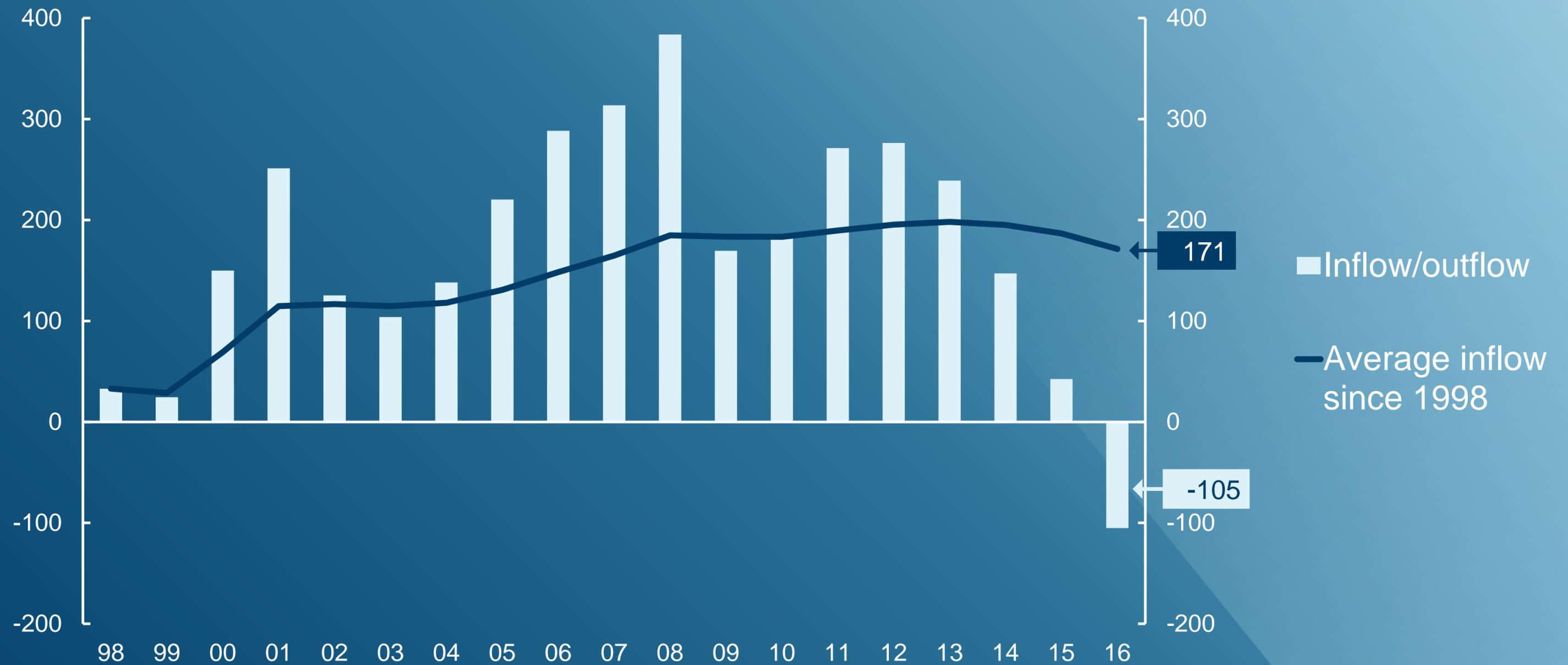


Source: Norges Bank Investment Management



First year of outflow

Billions of kroner

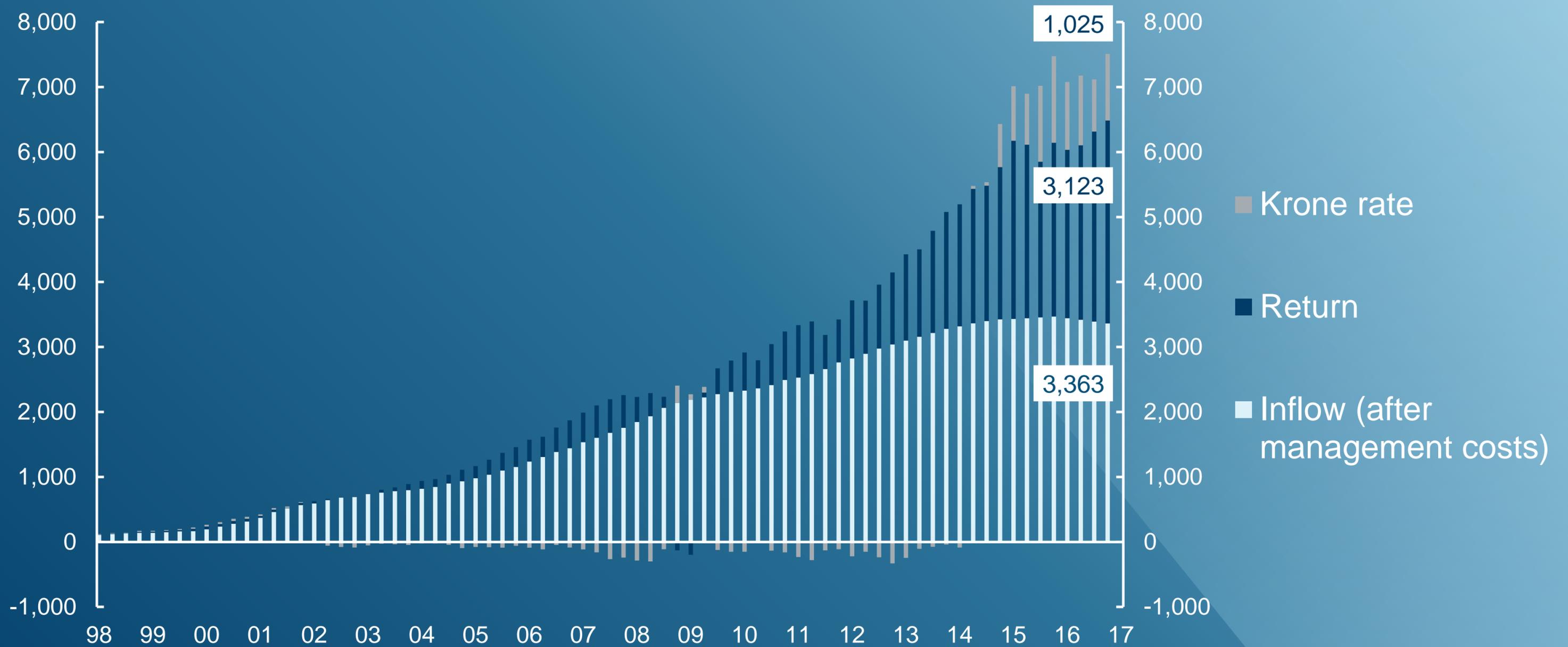


Source: Norges Bank Investment Management



3,123 billion kroner return

Accumulated market value as at 31.12.2016. Billions of kroner

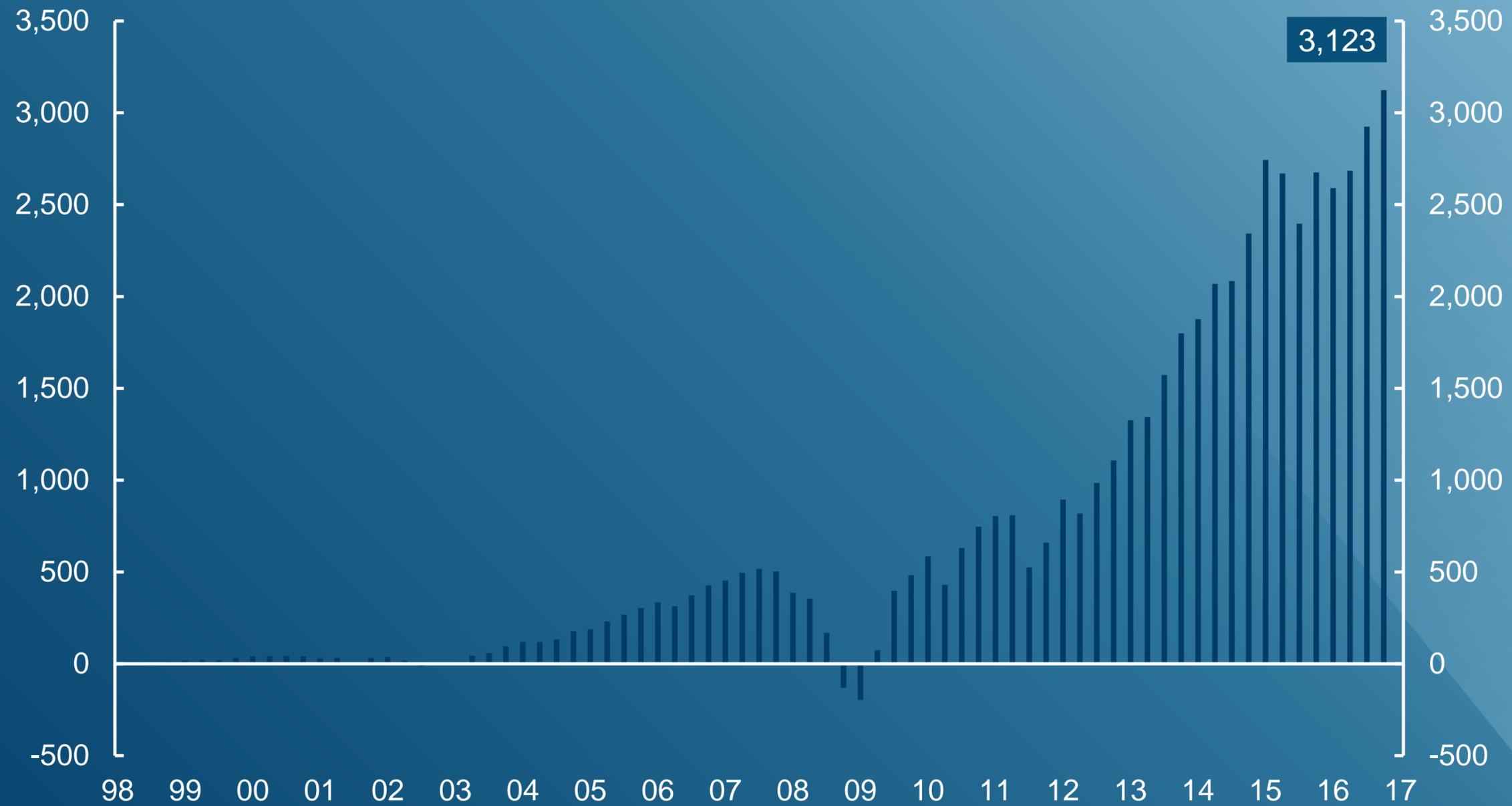


Source: Norges Bank Investment Management



4 out of 5 kroner of return past five years

Accumulated return as at 31.12.2016. Billions of kroner

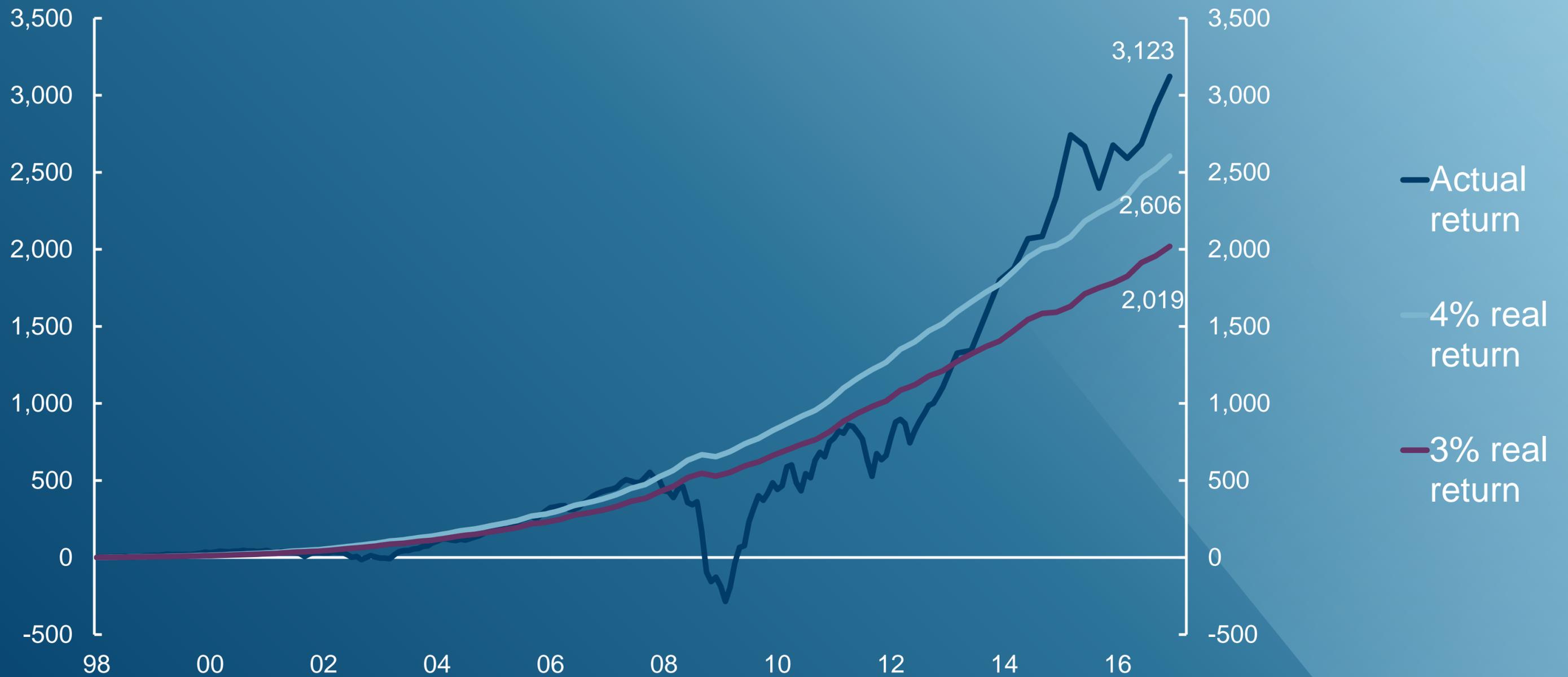


Source: Norges Bank Investment Management



Total return

Billions of kroner

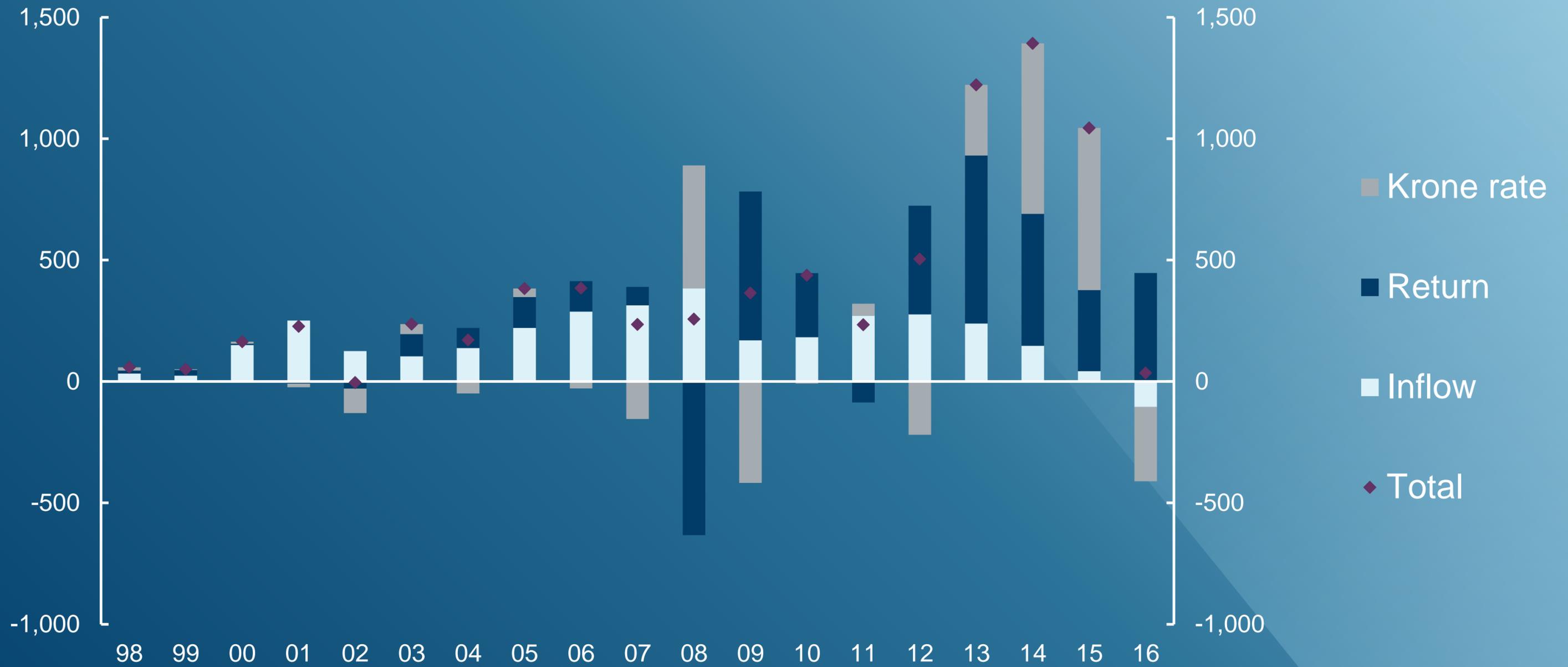


Source: Norges Bank Investment Management



Stronger krone reduced the market value

Annual change in market value. Billions of kroner

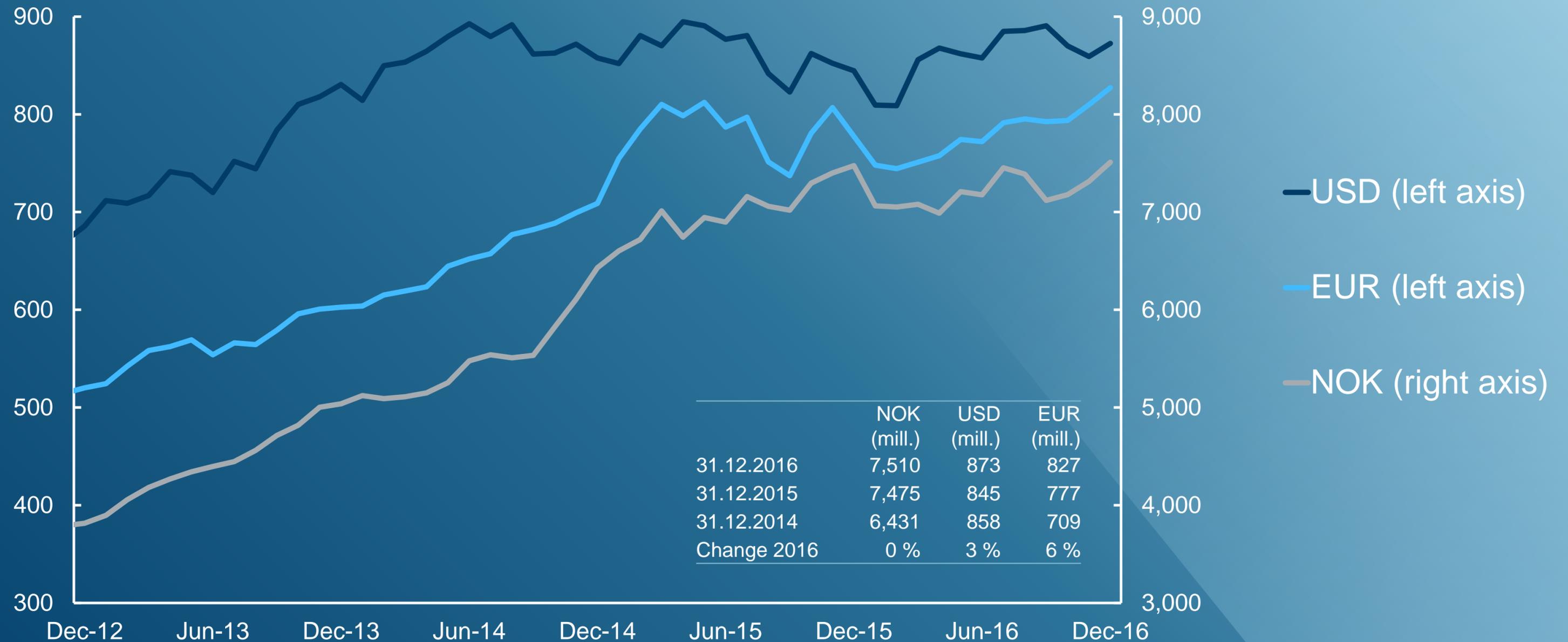


Source: Norges Bank Investment Management



Change in market value in different currencies

NOK, USD and EUR. Billion currency units



Source: Norges Bank Investment Management



6.9 percent return

Annual return. Percent

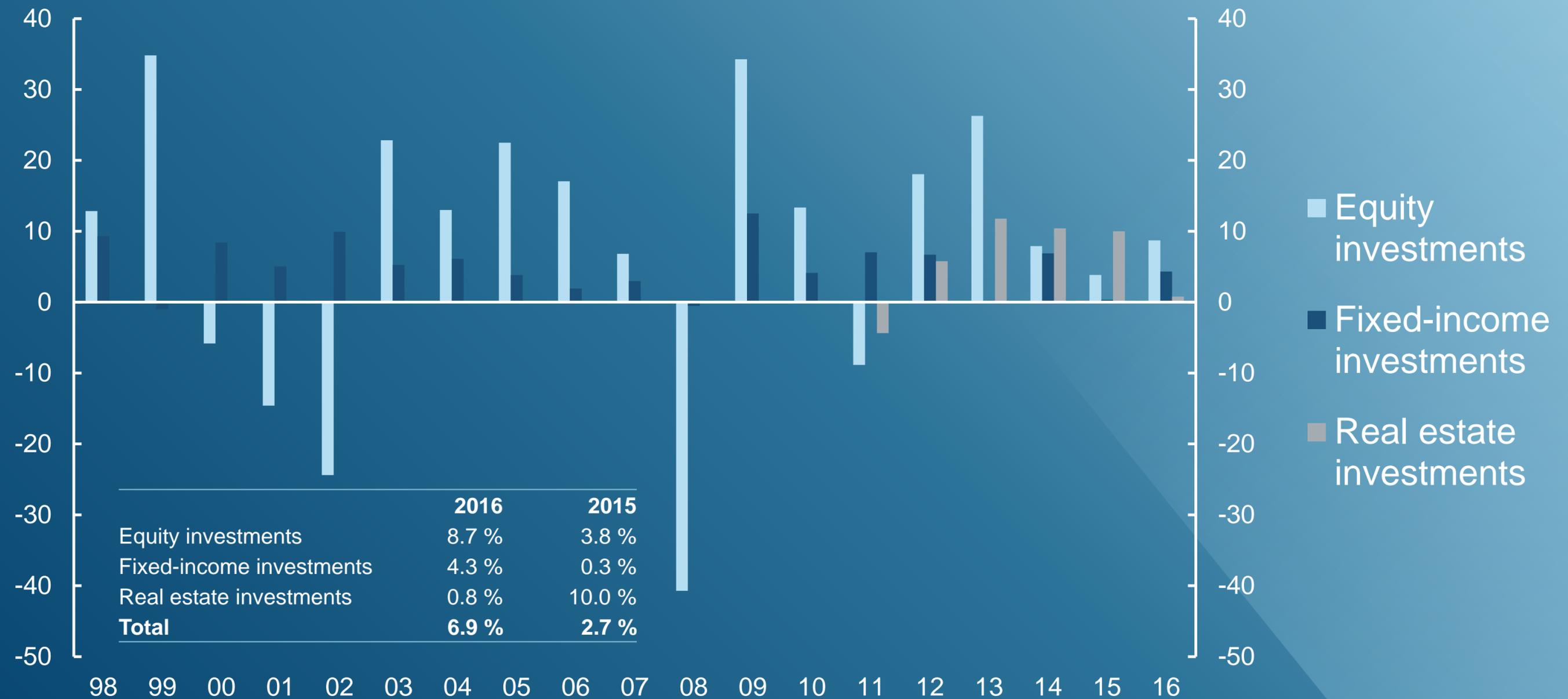


Source: Norges Bank Investment Management



Positive return in all asset classes

Measured in the fund's currency basket. Percent



Source: Norges Bank Investment Management



Good return on the fund

Key figures measured in the currency basket. Annualised. Percent

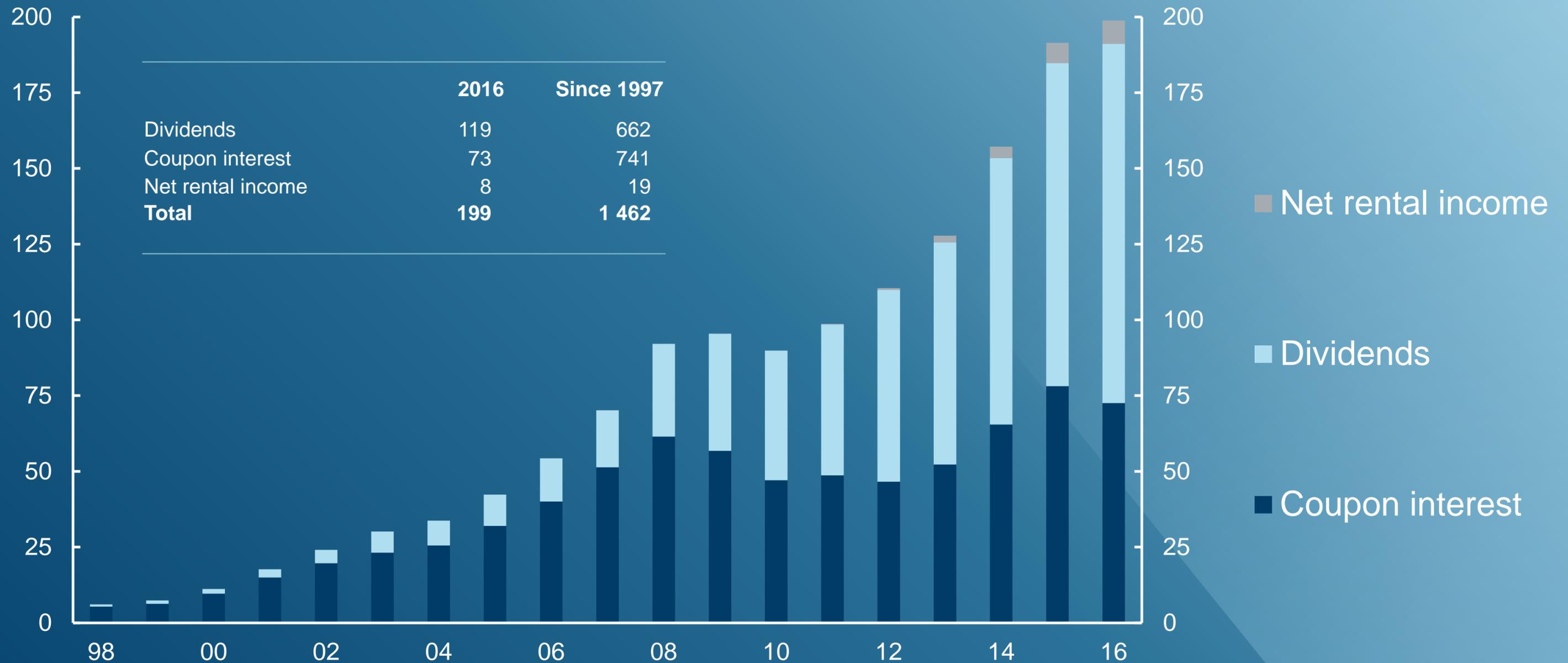
	2016	Past 5 years	Past 10 years	Since 1.1.1998
Return on fund	6.92	9.22	5.25	5.70
Annual inflation	1.52	1.31	1.77	1.76
Annual management fees	0.05	0.06	0.08	0.09
Annual net real return	5.27	7.74	3.33	3.79

Source: Norges Bank Investment Management



199 billion in cash flow in 2016

Fund income. Accrued. Annual. Billions of kroner

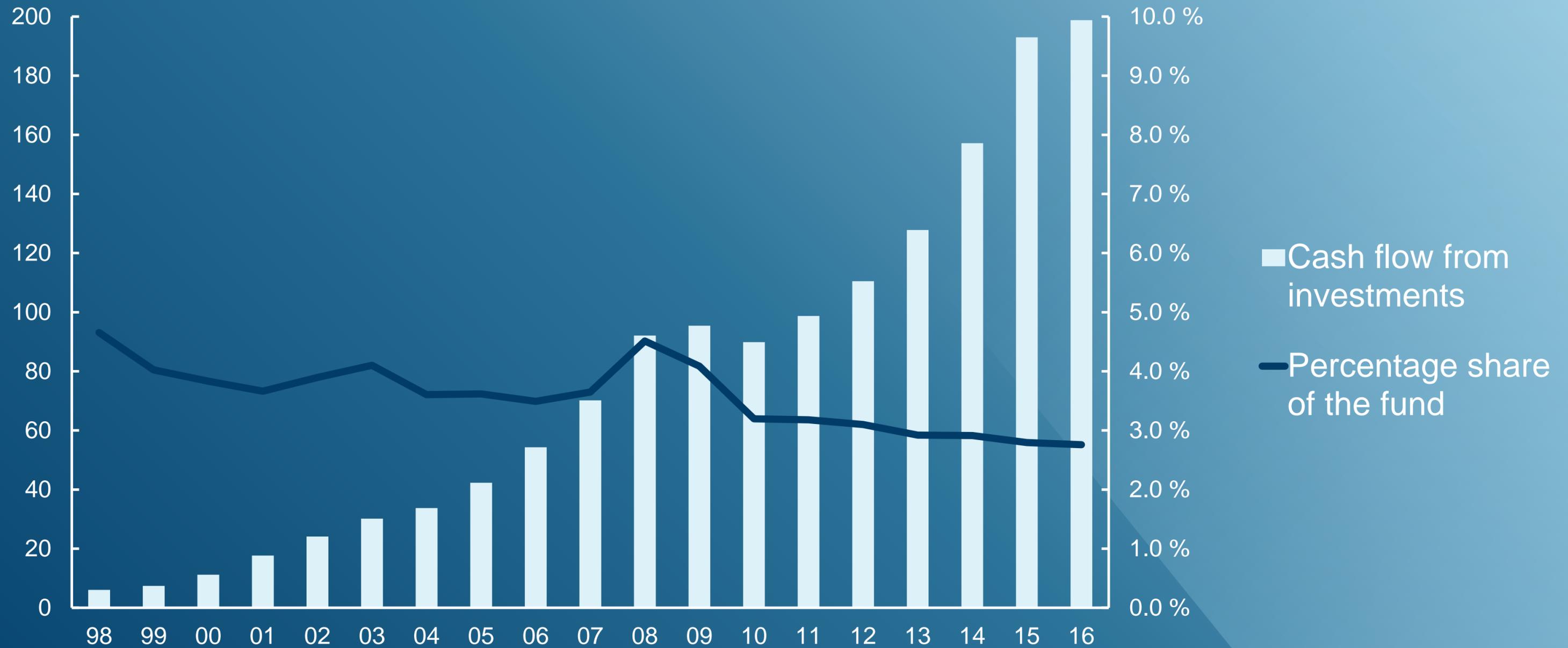


Source: Norges Bank Investment Management



Cash flow and share of fund value

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

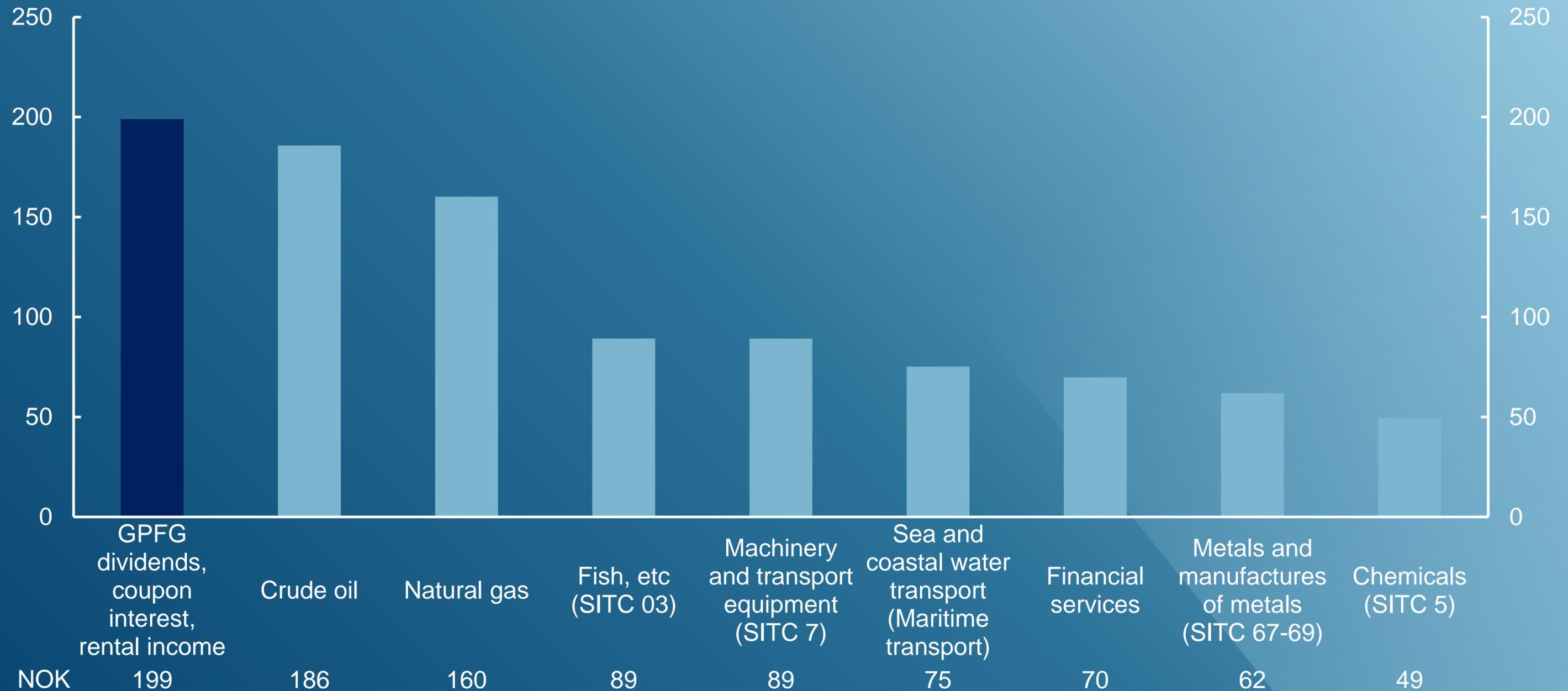


Source: Norges Bank Investment Management



Balance of payments and fund income

Export 2016.*) Billions of kroner



* Export of services 4Q 2015- 3Q 2016



Source: Statistics Norway, Norges Bank Investment Management

Positive relative return

Annual relative return of the fund. Percentage points



Source: Norges Bank Investment Management



Contributions to relative return

2016. Contribution. Percentage points

Strategy	Equity	Fixed income	Cross-asset allocation	Total
Fund allocation	-0.04	-0.04	-0.02	-0.10
Security selection	-0.02	-0.03		-0.06
Asset management	0.16	0.13	0.02	0.31
Total	0.10	0.05	0.00	0.15

Source: Norges Bank Investment Management



Contributions to relative return

2013-2016. Contribution. Annualised. Percentage points

Strategy	Equity	Fixed income	Cross-asset allocation	Total
Fund allocation	-0.03	-0.14	0.04	-0.13
Security selection	0.07	0.00		0.07
Asset management	0.17	0.08	0.00	0.25
Total	0.21	-0.06	0.04	0.20

Source: Norges Bank Investment Management



Expected relative volatility of investment strategies 31.12.2016. Each strategy measured stand-alone. Basis points

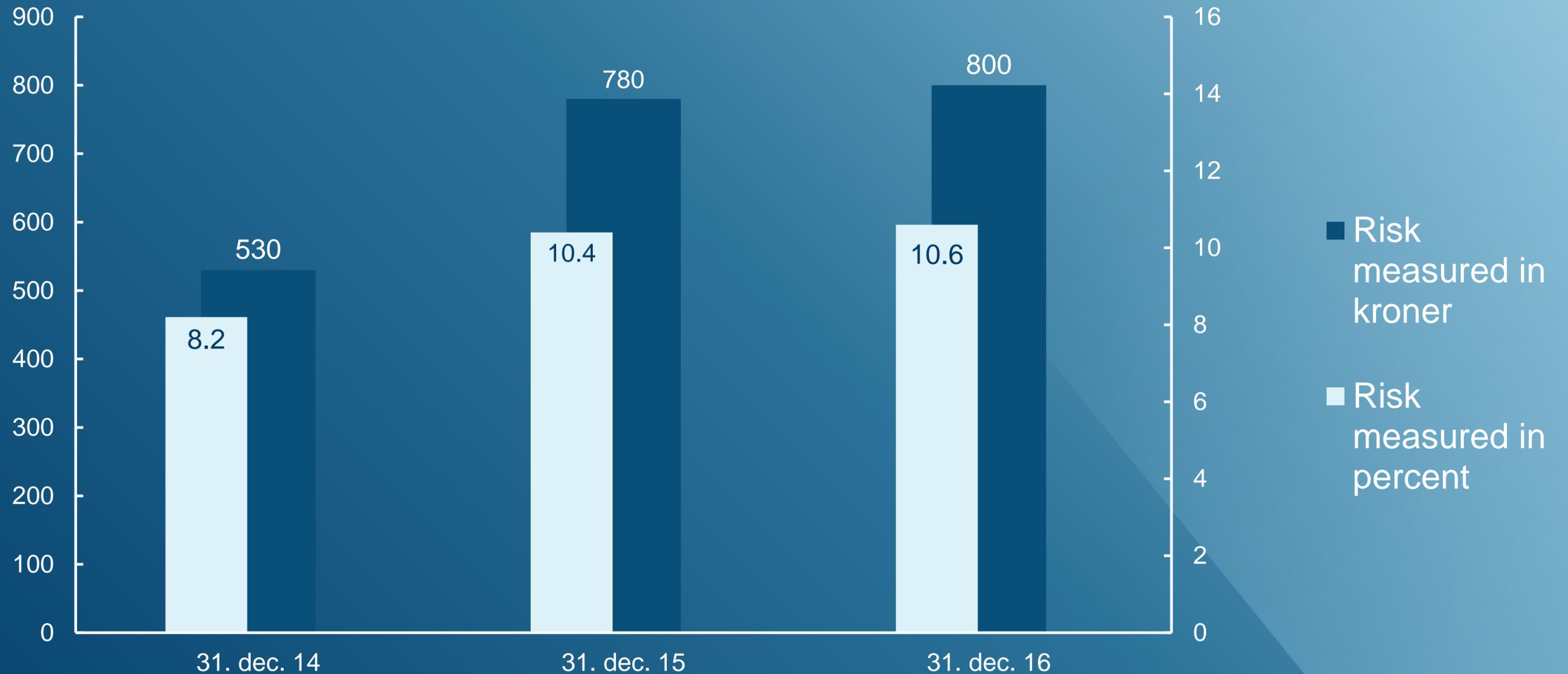
Strategy	Equity	Fixed income	Cross-asset allocation	Total
Fund allocation	16	13	1	18
Security selection	17	3		17
Asset management	6	5	3	7
Total	24	16	4	28

Source: Norges Bank Investment Management



Large fund – large expected value fluctuations

Expected volatility. Billion kroner (left axis) and percent (right axis)

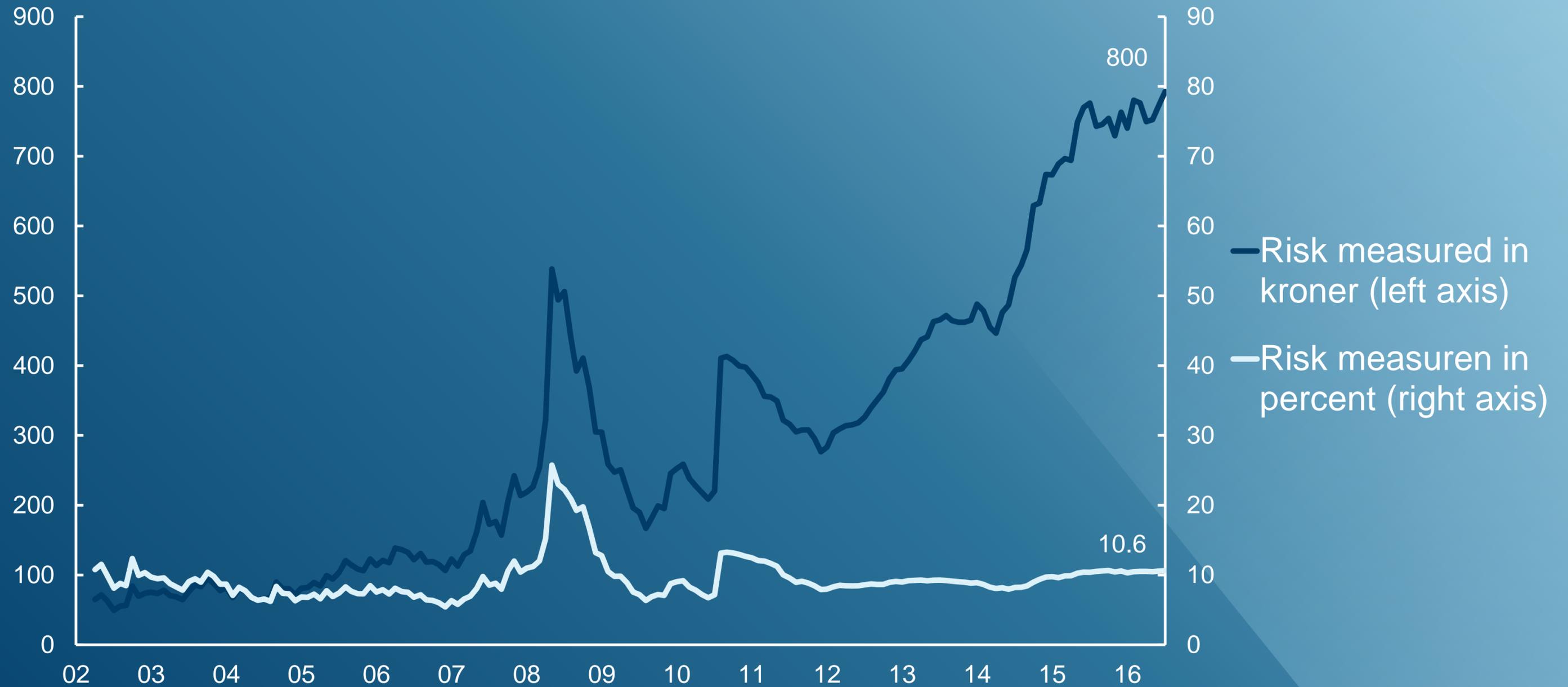


Source: Norges Bank Investment Management



Large fund – large expected value fluctuations

Billion kroner (left axis) and percent (right axis)



Source: Norges Bank Investment Management





FINANCIAL MARKETS IN 2016

Equity markets in 2016

Measured in USD (Stoxx in EUR). Indexed (31.12.2015 = 100)



Source: Bloomberg



Equity markets in the US, China and Brazil

Measured in local currency. Indexed total return (31.12.2015 = 100)



Source: Bloomberg



Emerging equity markets in 2016

Measured in USD. Indexed total return (31.12.2015 = 100)



Source: Bloomberg



Emerging equity markets last 5 years

Measured in USD. Indexed total return (31.12.2011 = 100)

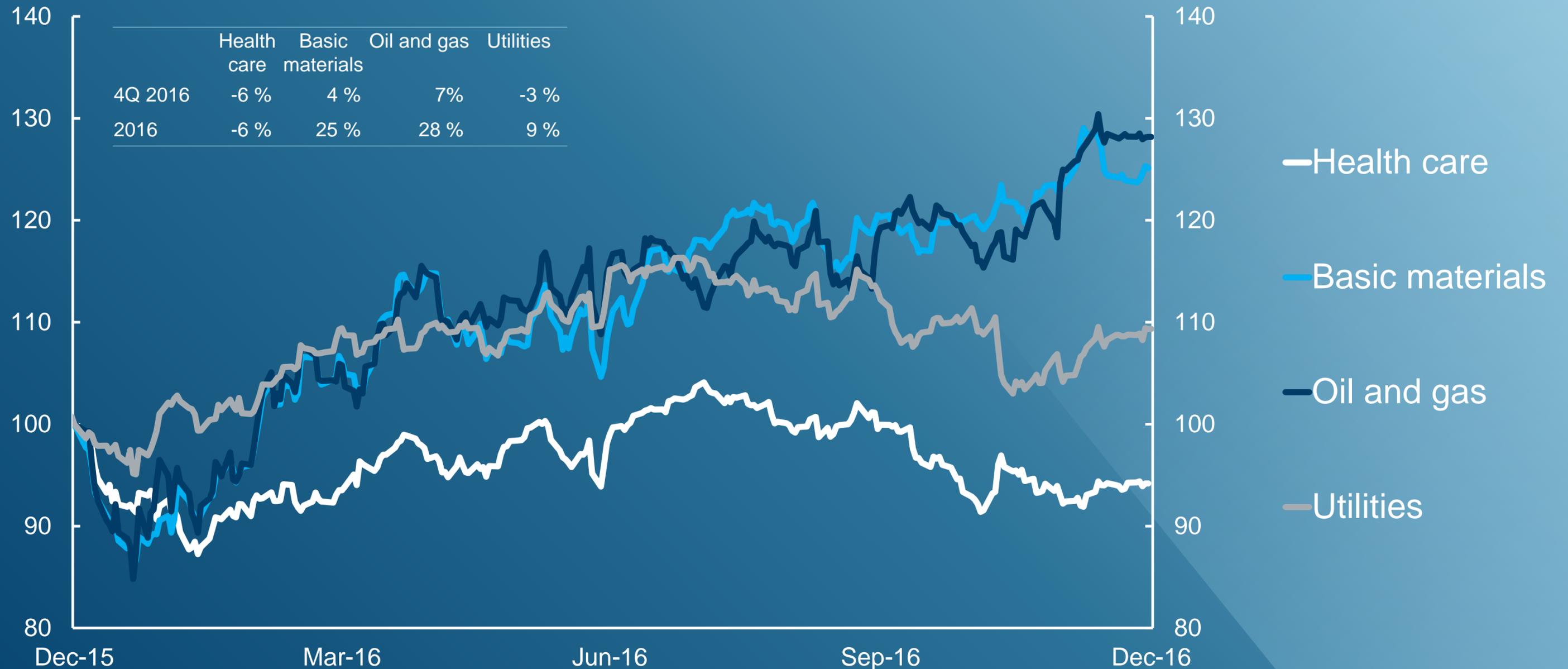


Source: Bloomberg



Different stock sectors in 2016

Measured in USD. Indexed total return (31.12.2015 = 100)



Source: FTSE



Different stock sectors last 5 years

Measured in USD. Indexed total return (31.12.2011 = 100)



Source: FTSE



Low 10-year interest rates

10-year government bonds. Percent

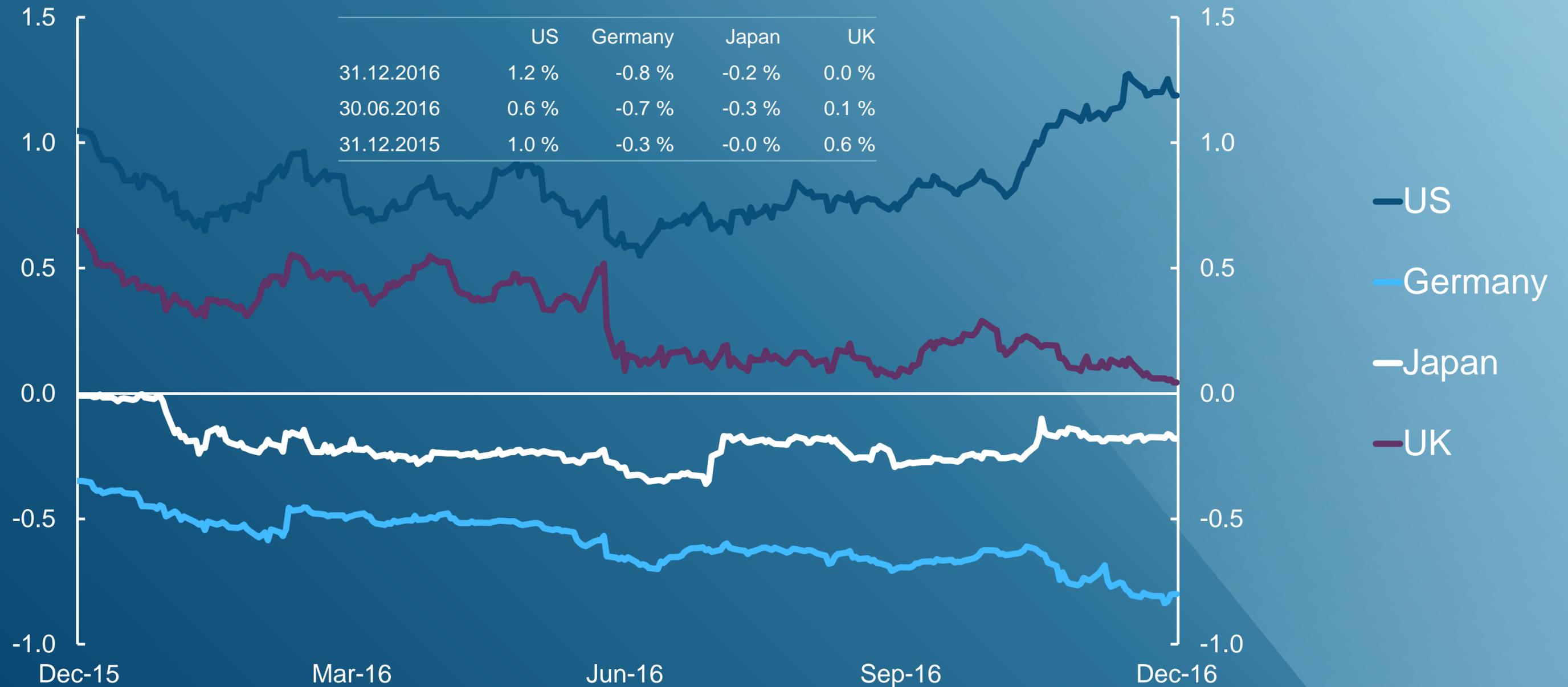


Source: Bloomberg



Negative two-year interest rates

Interest rates on two year government bonds. Percent

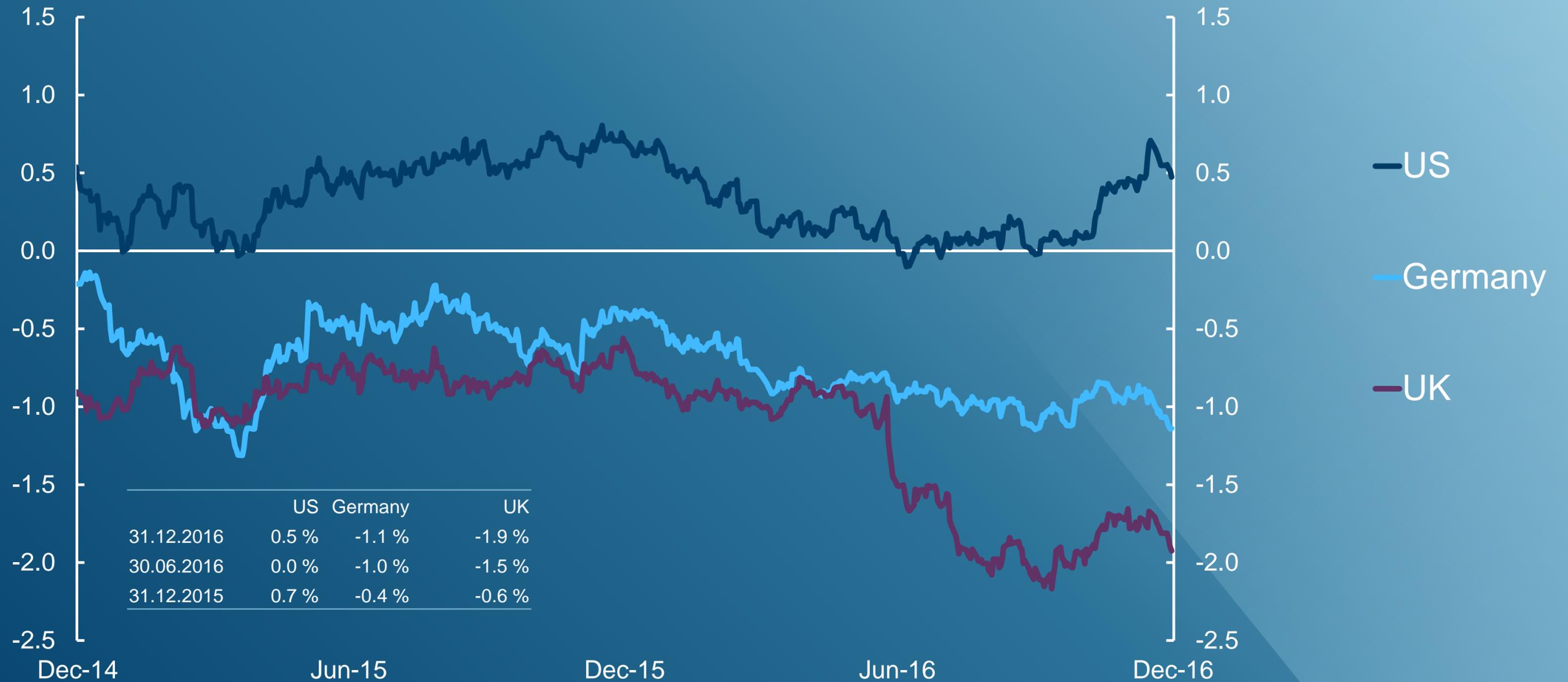


Source: Bloomberg



Negative real interest rates

Inflation-linked government bonds. 10 years to maturity. Percent



Source: Bloomberg



Large holdings with negative rates

Percent of fixed-income investments



Source: Norges Bank Investment Management



Currency markets in 2016

Measured against USD. Indexed (31.12.2015 = 100)*



* Declining curve indicates weaker exchange rate against USD
Source: Bloomberg



Currency markets in 2016

Emerging markets. Measured against USD. Indexed (31.12.2015 = 100)*



* Declining curve indicates weaker exchange rate against USD
Source: WM Reuters



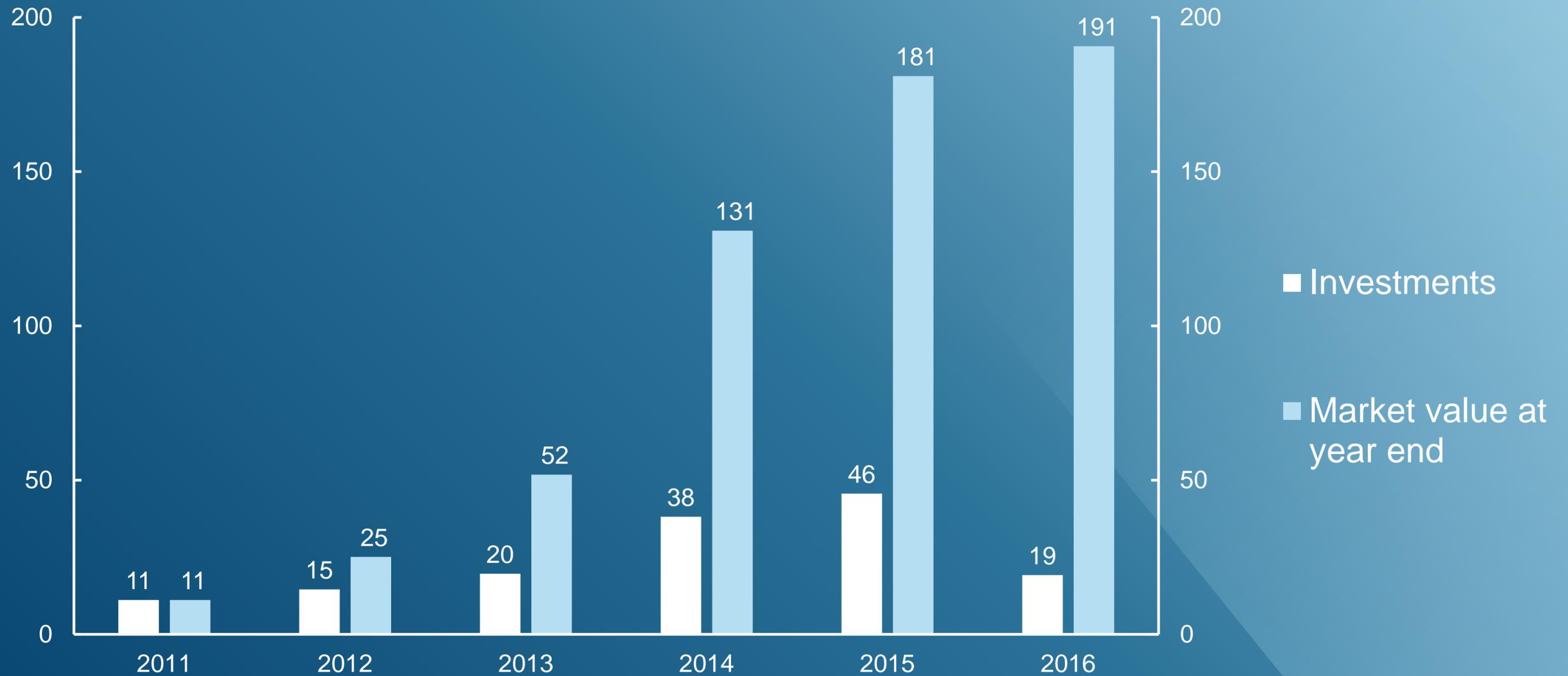
New real estate investments in 2016

- Two properties in Oxford Street, London, UK
 - 355-361 Oxford St, London
 - 73-89 Oxford St, London
- One property in Washington, D.C., US
 - Constitution Square, Washington, D.C.
- Large acquisition in Paris, France
 - 9 Place Vendôme / 368-374 rue Saint-Honoré, Paris
- Two properties in San Francisco, US
 - 100 First St, San Francisco / 303 Second St, San Francisco
- 10 logistics properties in Europe



Unlisted real estate investments

Billions of kroner

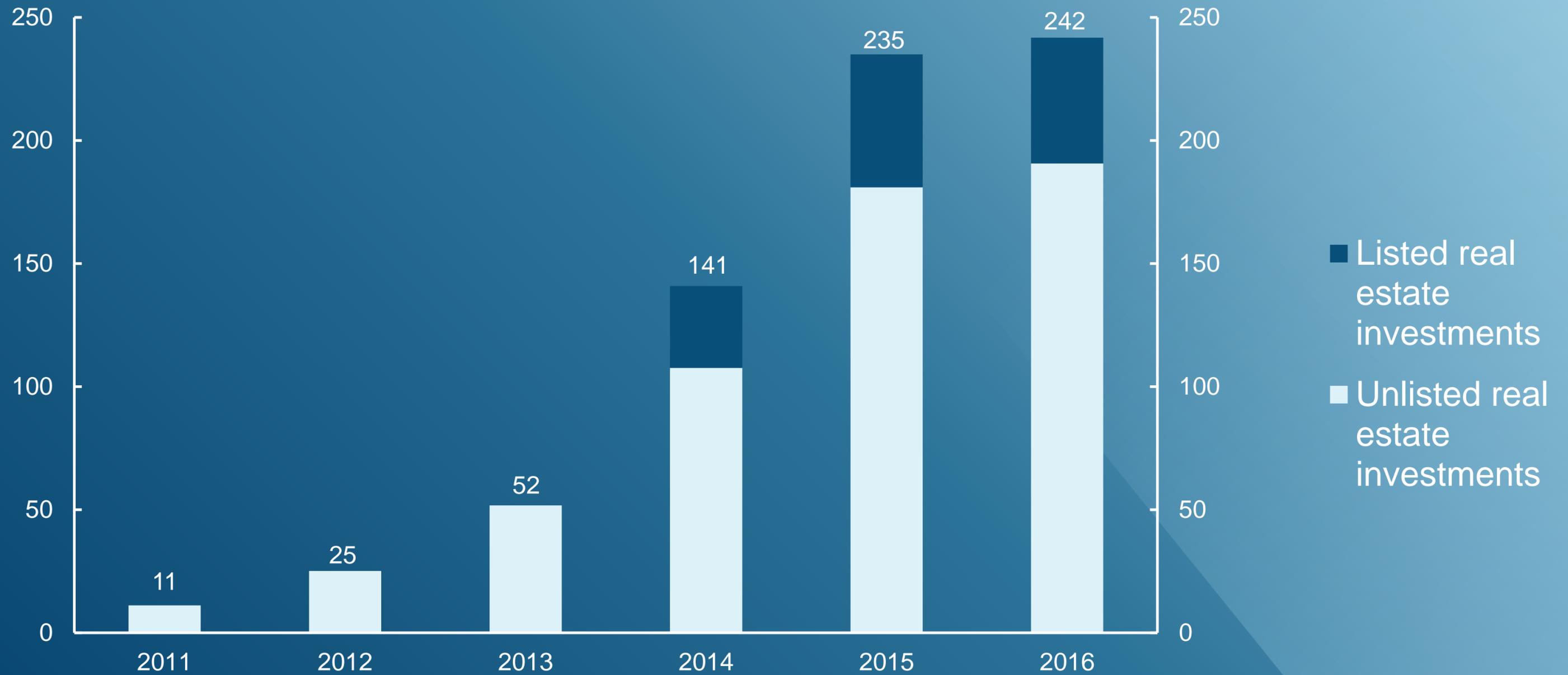


Source: Norges Bank Investment Management



Real estate investments

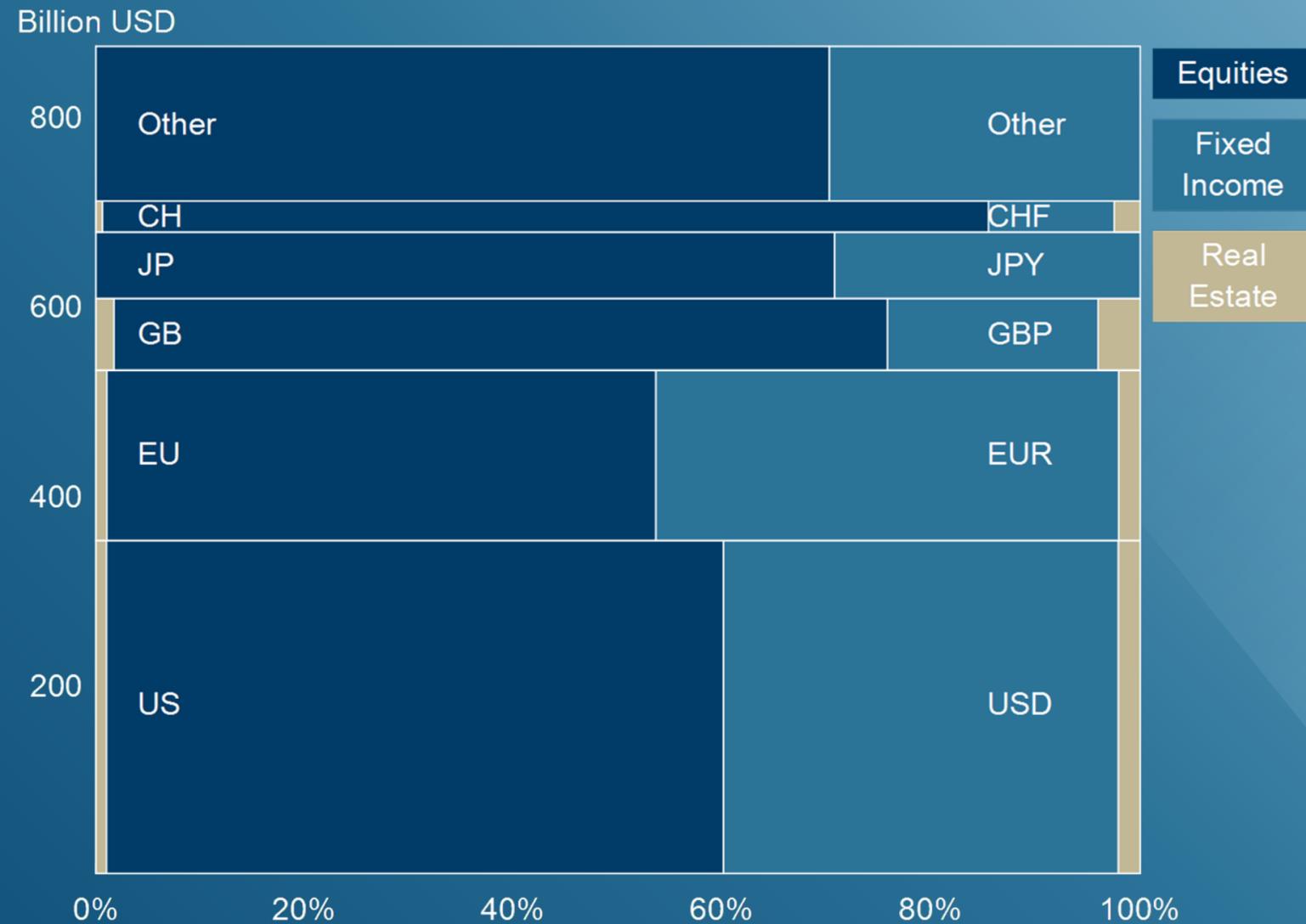
Market value at year end in billion kroner



Source: Norges Bank Investment Management

New framework for real estate investments

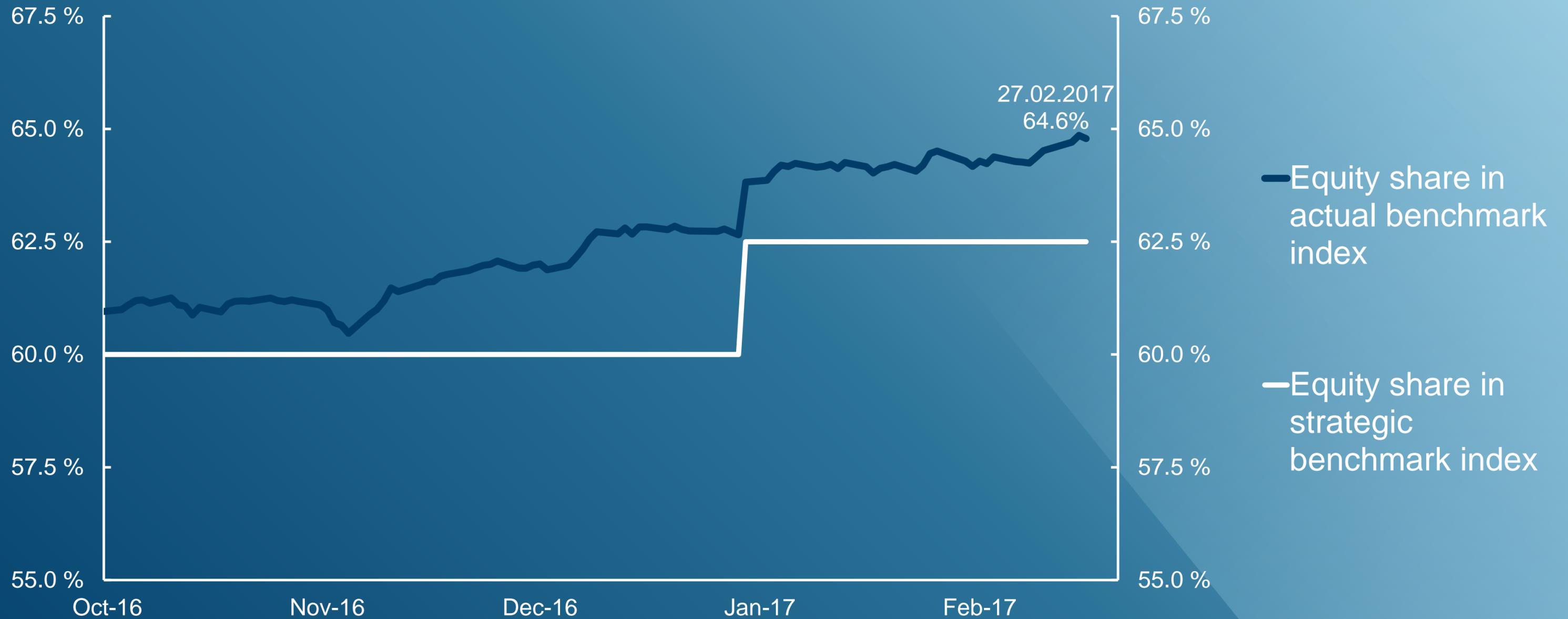
Financing real estate investments



Equity share in the benchmark

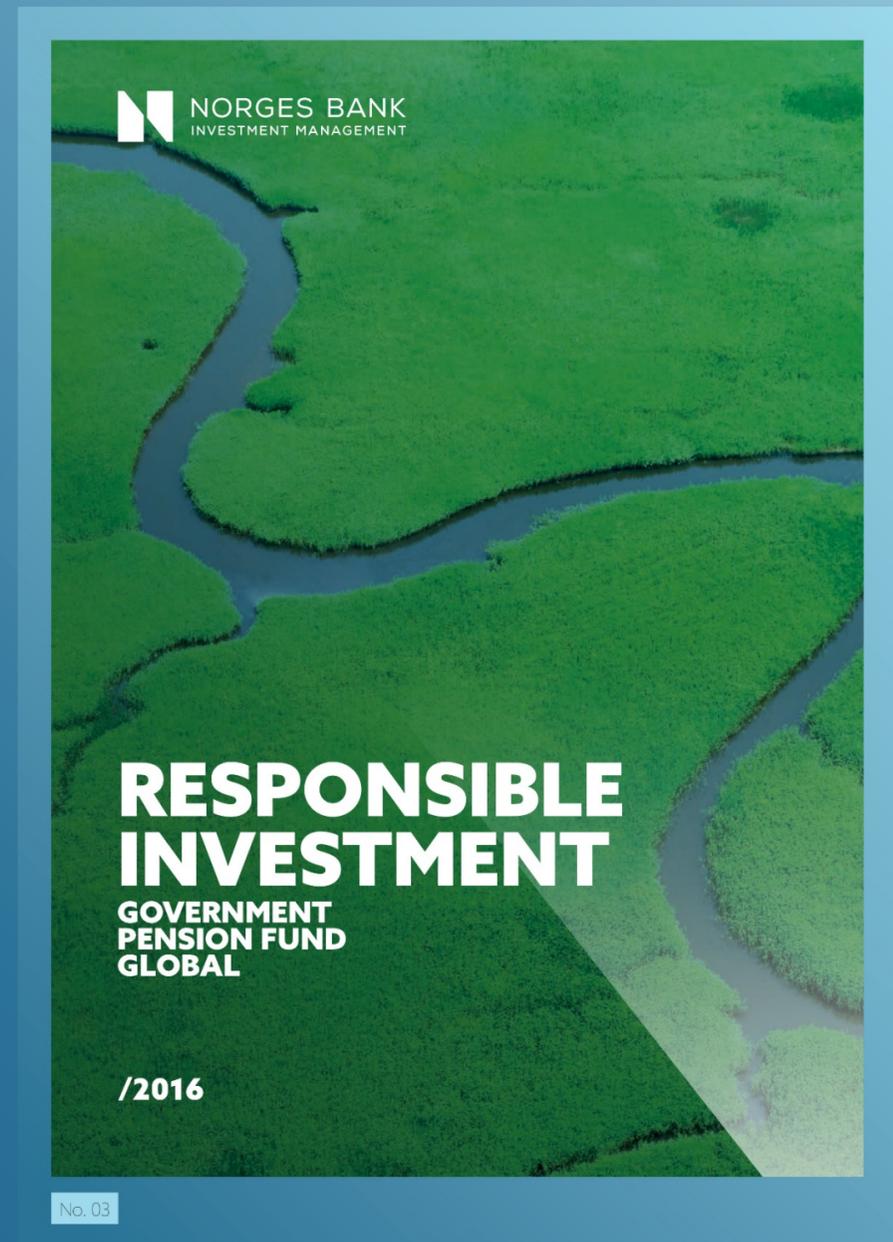


Equity share in the benchmark



Responsible investments 2016

- Standard setting
 - New expectations documents on human rights
- Ownership
 - We voted at 11,294 shareholder meetings
 - We voted on 112,210 resolutions
- Risk management
 - Non-financial data



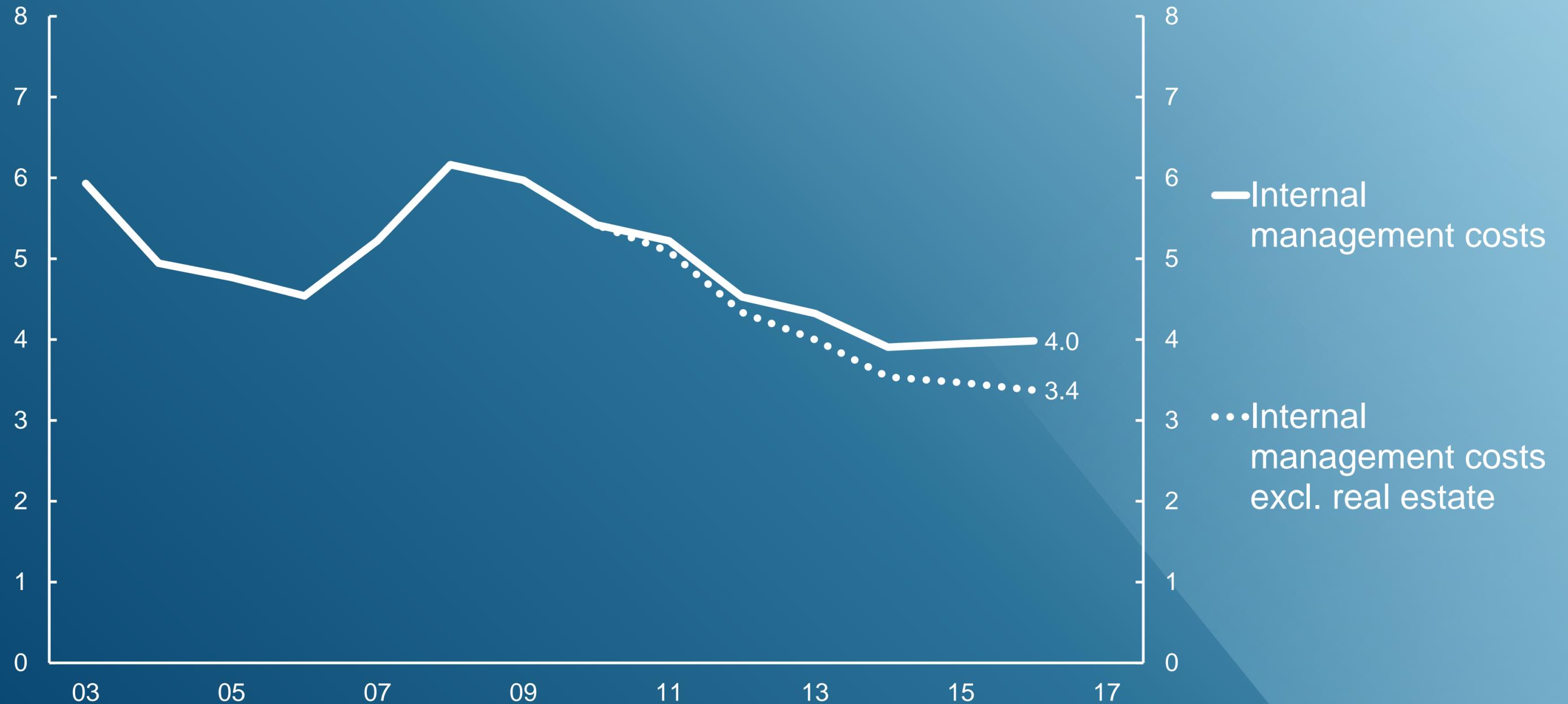
Exclusions based on the coal criterion

Guidelines for observation and exclusion

- 59 companies excluded
- 11 companies put under observation
- Several public announcements
- Market value of excluded companies
27 billion kroner

Decreasing management costs

Management costs. Basis points

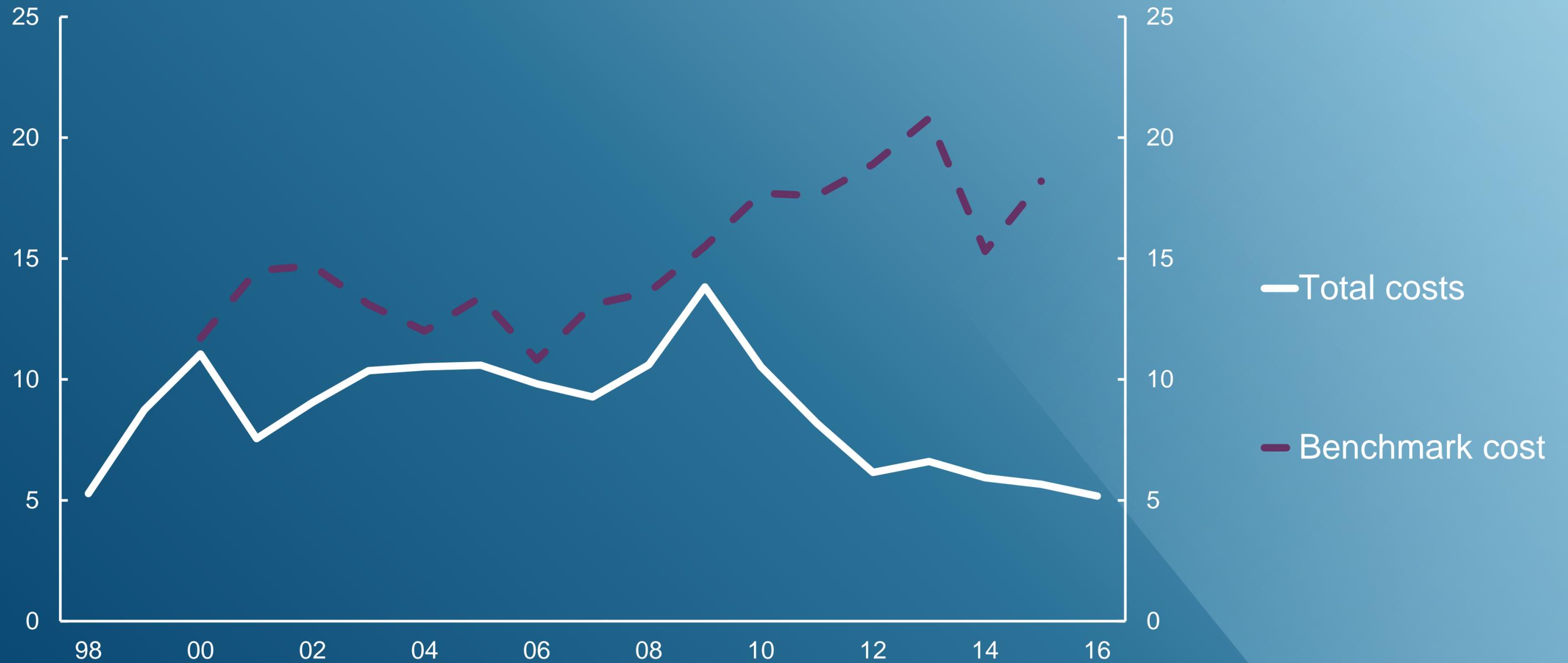


Source: Norges Bank Investment Management



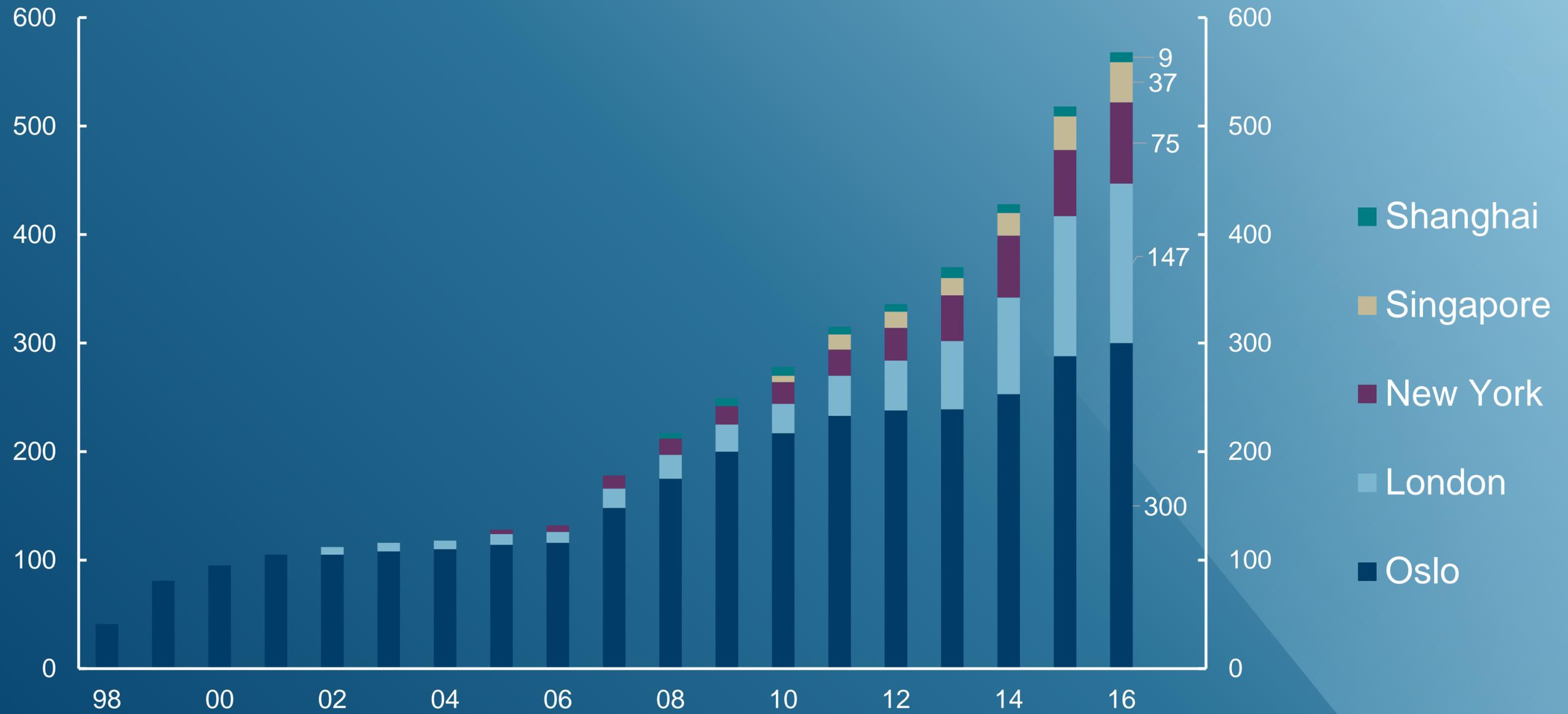
Low costs compared with peers

CEM Benchmarking costs. Basis points



Global organisation

Employees by office. Number as at 31.12.2016*



Source: Norges Bank Investment Management
*Excluding subsidiaries



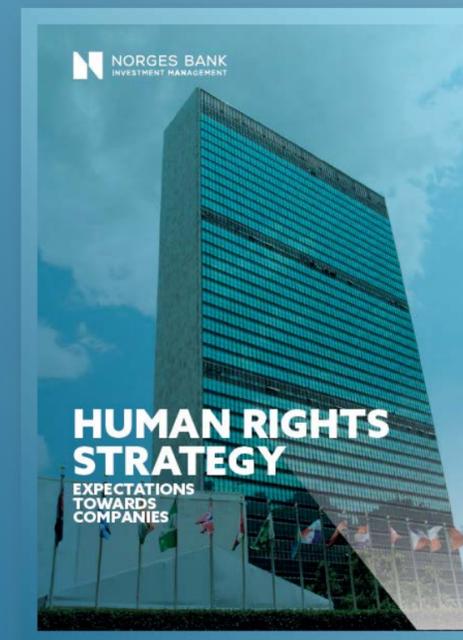
Strategy 2017 - 2019

Established by the Executive Board on 8 February 2017

- Large, global investor
- Long-term owner
- Safeguarding assets
- Efficient execution



New publications in 2016



Published on website 28 February 2017

www.nbim.no

- Holding lists
- GIPS – report
- Monthly returns
- Main external service providers
- Overview of external managers
- Detailed tables on return and risk



Public information available on our website

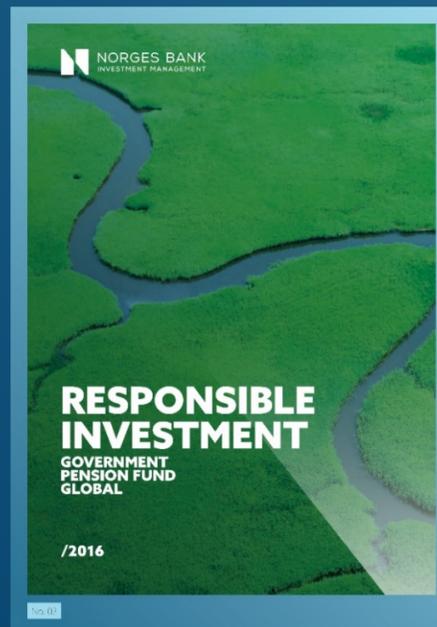
www.nbim.no

- Submissions to the Ministry of Finance
 - Investment advice
- Discussion notes
 - Analyses that may form the basis for the fund's investment strategy and advice to the Ministry of Finance
- Asset manager perspectives
 - The fund's views and reflections on issues topical for the financial industry
- Expectations documents
 - The fund's expectations to companies regarding specific focus areas
- Position papers
 - The fund's position on specific ownership topics
- Public reports



Upcoming press seminars

- 7 March : additional information on responsible investments 2016
- 14 March : additional information on real estate investments 2016
- 21 March : additional information on return and risk 2016
- 7 April: preliminary results first quarter 2017



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