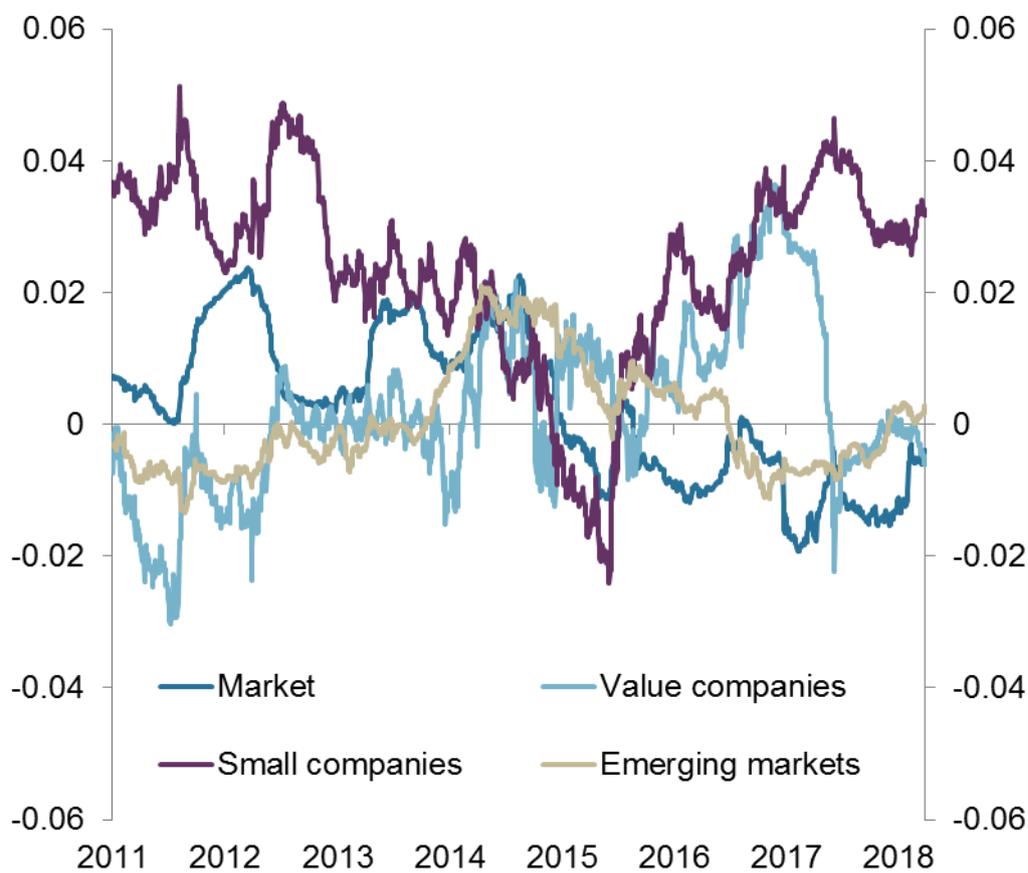


Factor exposure

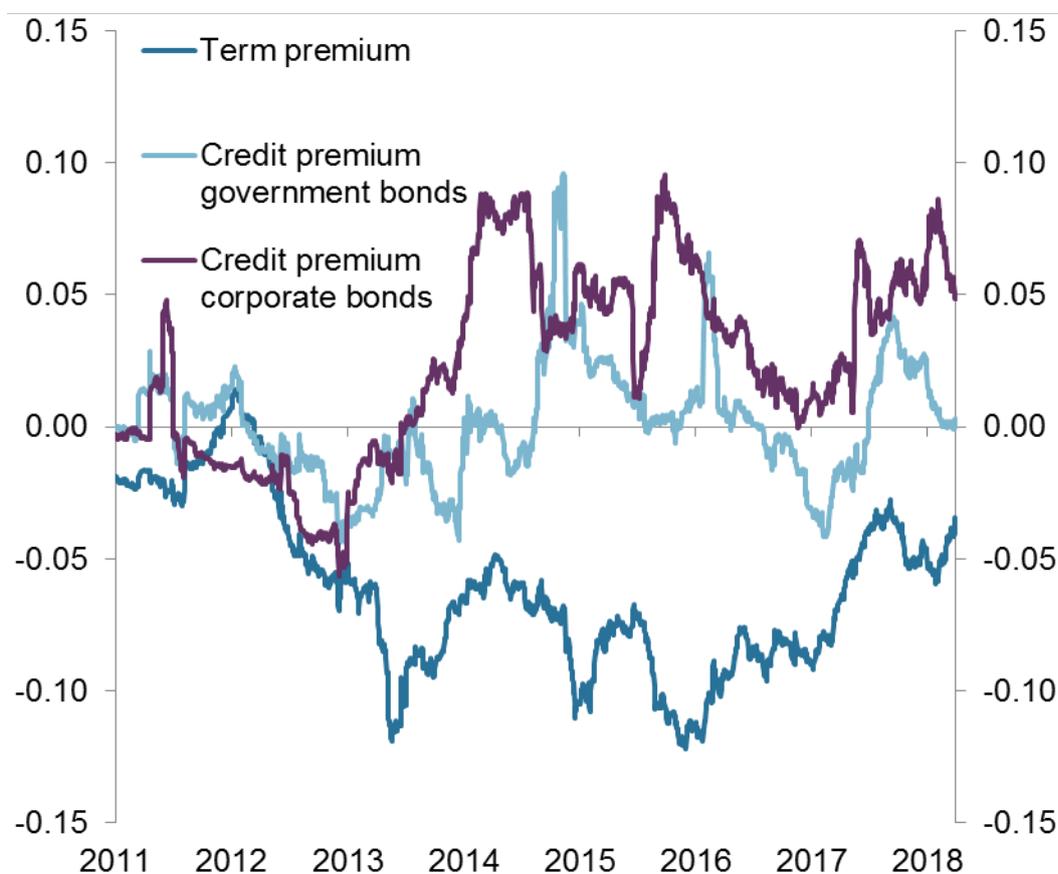
Norges Bank Investment Management measures the fund's exposure to various systematic risk factors such as small companies, value stocks and credit. Risk factors capture common variation in returns of securities with similar characteristics, and that contribute to both the risk and the return of the investments. Exposure to such factors can be estimated using the co-movement of the fund's historical relative return with the historical returns of the factors.

Chart 1. Factor exposures of equity investments relative to benchmark. Coefficients



The model's explanatory power was approximately 30 percent at the end of the first quarter of 2018. The analysis indicates, inter alia, that the fund's equity investments had greater covariance with small companies than the benchmark index at the end of the quarter.

Chart 2. Factor exposures of fixed-income investments relative to benchmark. Coefficients



The analysis of the fund's fixed-income investments indicates, inter alia, that the fund had less covariance with long maturity bonds than the benchmark index at the end of the first quarter. The model's explanatory power was around 20 percent at the end of the 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.