

Norwegian Government Pension Fund Global Investment Benchmarking Results

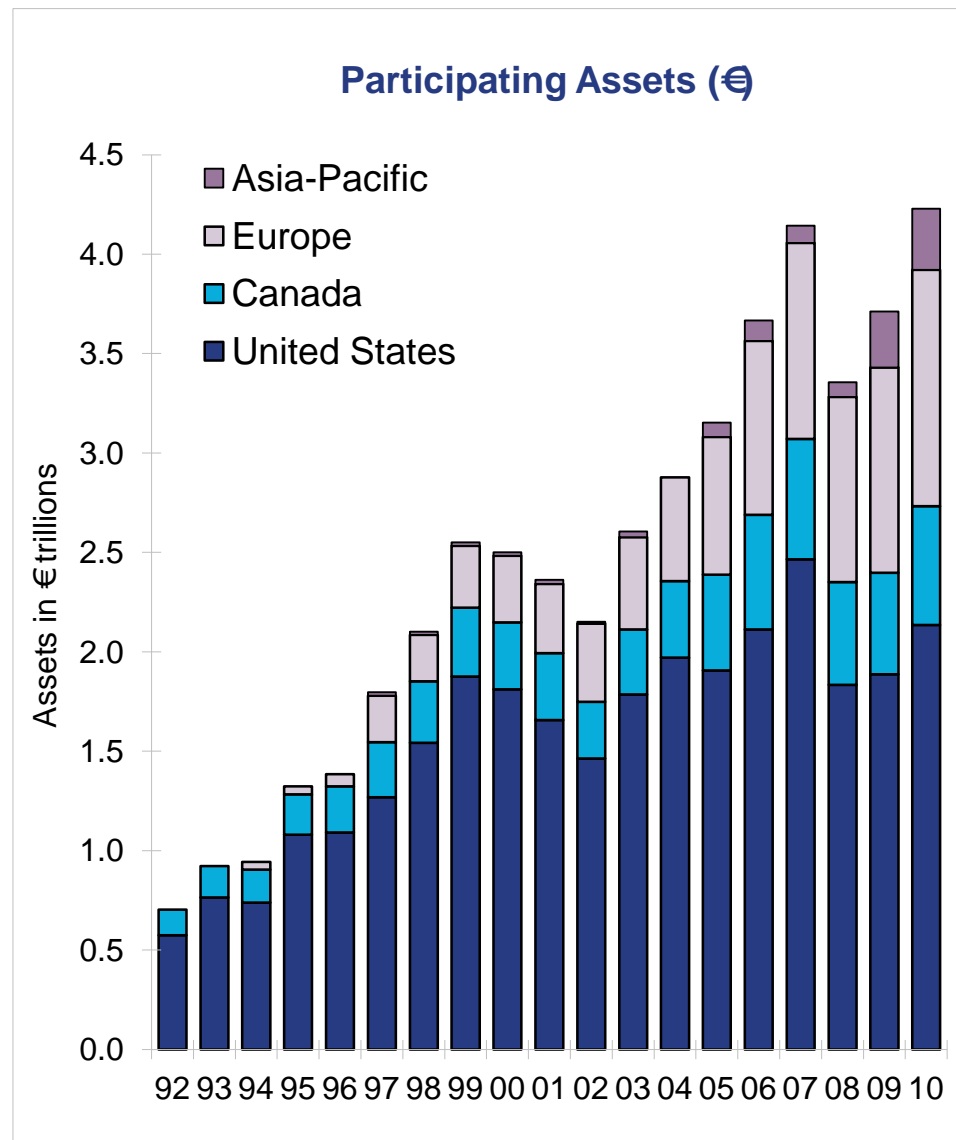
For the 5 year period ending December 2010



This benchmarking report compares your cost and return performance to CEM's extensive pension database.

- 52 European funds participate with aggregate assets of €1,188 billion. Included are funds from the Netherlands, Norway, Sweden, Finland, Denmark and the U.K.
- 201 U.S. funds participate with assets totaling €2,135 billion.
- 93 Canadian funds participate with assets totaling €598 billion.
- 7 Asia-Pacific funds participate with aggregate assets of €307 billion. Included are funds from Australia and New Zealand.

In the global database the types of funds can be split as follows: 51% corporate, 32% public and 17% other.



The most valuable comparisons for cost performance are to your custom peer group.

Custom Peer Group for Norwegian Government Pension Fund Global

- 14 largest Global sponsors from €55.3 billion to €353.7 billion
 - Average size €131.1 billion versus your €353.7 billion
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- 3 Canadian Funds, 4 European Funds, 1 Asia-Pacific Fund and 6 US Funds make up the Global Peer Group.
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- In the report there are also comparisons to our Global database of participants.

What gets measured gets managed, so it is critical that you measure and compare the right things:

1. Policy Return

How did the impact of your policy mix decision compare to other funds?

- Your 5-year policy return was 3.5%. This compares to the Global median of 4.9% and the peer median of 5.0%.

2. Value Added

Are your implementation decisions (i.e., the amount of active versus passive management) adding value?

- Your 5-year value added before costs was 0.0%. This compares to the Global median of 0.2% and the peer median of 0.2%.

3. Costs

Are your costs reasonable? Costs matter and can be managed.

- Your actual cost of 10.4 bps was below your benchmark cost of 17.7 bps. This suggests that your fund was low cost.

4. Cost Effectiveness

Net implementation value added versus excess cost. Does paying more get you more?

- Your fund had 5-year net value added of -0.1% and cost savings of 3.2 bps on the cost effectiveness chart.

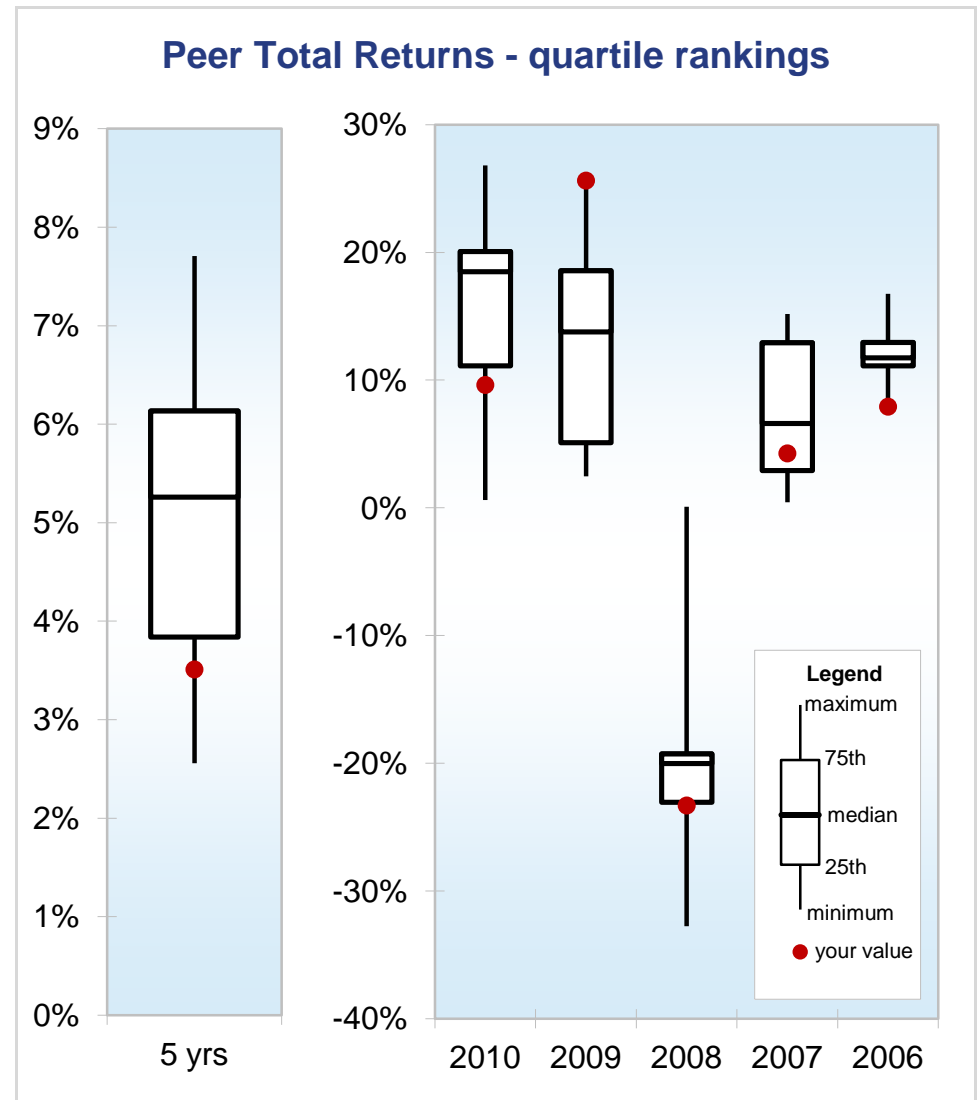
Your 5-year total return of 3.5% was below the peer median of 5.3%.

Total returns, by themselves, provide little insight into the reasons behind relative performance. Therefore, we separate total return into its more meaningful components: policy return and value added.

	Your 5-yr.
Total Fund Return	3.5%
Policy Return	3.5%
Value Added	0.0%

This approach enables you to understand the contribution from both policy mix decisions (which tend to be the board's responsibility) and implementation decisions (which tend to be management's responsibility).

Actual and policy returns have been converted to your 'Currency Basket' using unhedged currency returns.



1. Policy Return

Your 5-year policy return of 3.5% was below the peer median of 5.0%.

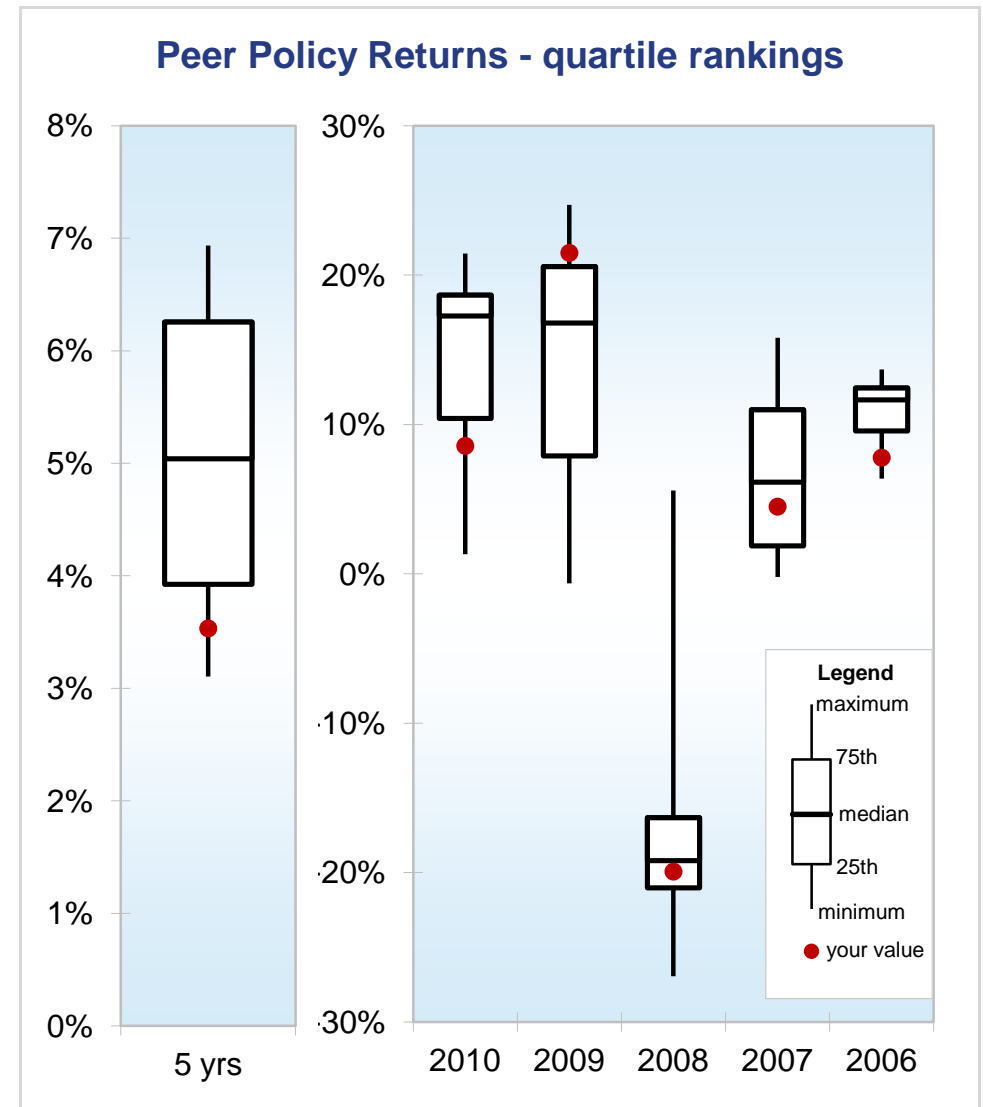
Your policy return is the return you could have earned passively by indexing your investments according to your investment policy asset mix.

Having a higher or lower relative policy return is not necessarily good or bad. This is because your policy return reflects your investment policy, which should reflect your:

- Long term capital market expectations
- Liabilities
- Appetite for risk

Each of these three factors is different across funds. Therefore, it is not surprising that policy returns often vary widely between funds.

Investment policy is based on considerations like risk tolerance and long-term capital markets prospects. In this context a five year period is short. If the comparisons had been made for other periods, the results could be different.



Your policy mix compares to the peer and Global averages as follows:

- Your fund did not have any allocation to real estate, hedge funds or private equity whereas the peer funds had allocations of 10%, 2% and 5% respectively. The Global funds allocations were 6%, 3% and 3%.
- Your policy asset mix is more Globally diversified than the average Peer or Global fund.

5-Year Average Policy Mix			
Asset Class	Your Fund	Peer Avg	Global Avg
Stocks	52%	46%	52%
Fixed Income	48%	38%	36%
Real Assets*	0%	10%	6%
Hedge Funds	0%	2%	3%
Private Equity	0%	5%	3%
Total	100%	100%	100%

* Includes Real Estate, REITs, Commodities, Infrastructure and Natural Resources

To get a sense of the impact of asset allocation differences we calculated the policy returns of the Peer group and the Global funds assuming they had used the Pension Fund – Global’s asset class allocation over the past 5 years (52% equities and 48% fixed income). In this 5-year period, their average policy return would have respectively been on average about 0.4 percentage points lower than their actual policy return. The difference in this five year period is mostly a result of a different allocation to real estate and private equity.

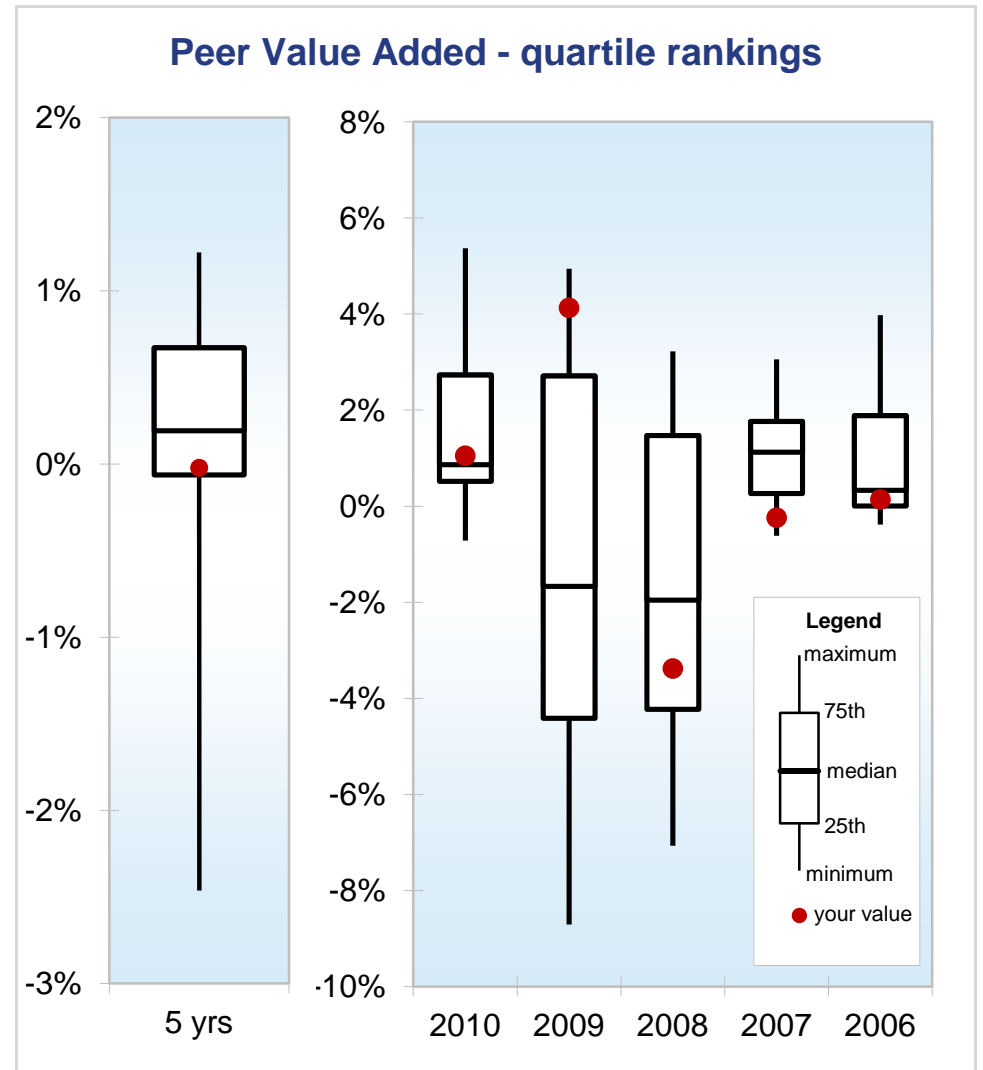
2. Value Added

Value added is the component of your total return from active management. Your 5-year value added before costs was 0.0%.

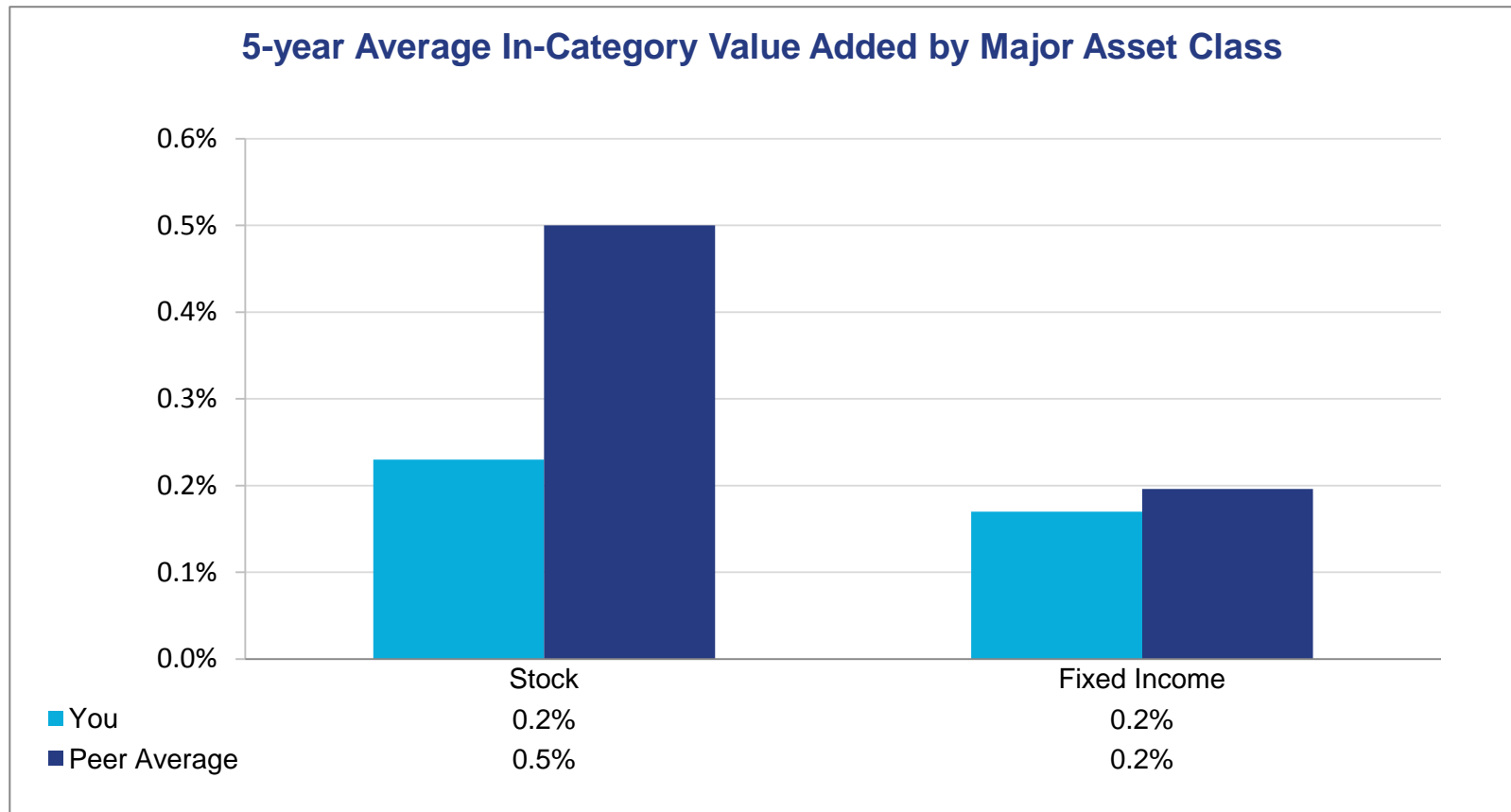
Your 5-year value added before costs of 0.0% compares to a median of 0.2% for your peers and 0.2% for the Global universe.

Norwegian Government Pension Fund Global			
Year	Total return	Policy return	Value Added
2010	9.6%	8.6%	1.1%
2009	25.6%	21.5%	4.1%
2008	(23.3)%	(19.9)%	(3.4)%
2007	4.3%	4.5%	(0.2)%
2006	7.9%	7.8%	0.1%
5-year	3.5%	3.5%	(0.0)%

Value added equals your total return minus your policy return.



You had positive 5-year value added in stock and fixed income.



3. Costs

Your asset management costs in 2010 were €369.6 million or 10.4 basis points.

Your Investment Management Costs (€000s)						
	Internal		External		Total	
	Passive	Active	Passive	Active: base fees Active: perform fees ¹		
Stock		44,759	55,754	129,559	230,072	
Fixed Income		32,705	7,840	-6,414	34,131	
Total investment management costs				7.5bp	264,203	

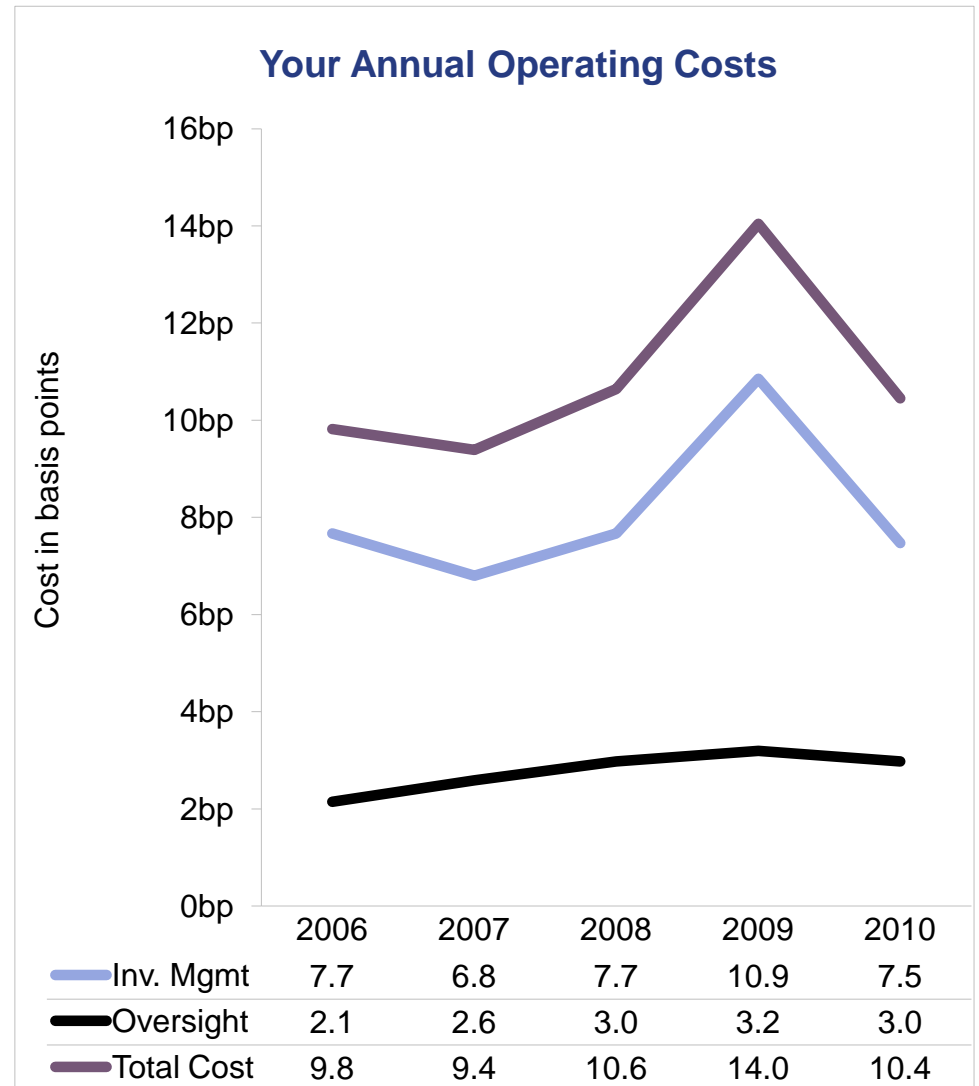
Your Oversight, Custodial and Other Asset Related Costs ¹ (€000s)		
Oversight of the fund		69,126
Trustee & custodial		31,701
Consulting and performance measurement		
Audit		4,537
Total oversight, custodial & other costs		3.0bp 105,364
Total asset management costs		10.4bp 369,567

Notes

¹ Excludes non-investment costs, such as benefit insurance premiums and preparing cheques for retirees.

Your costs increased slightly between 2006 and 2010, but came down from 2009.

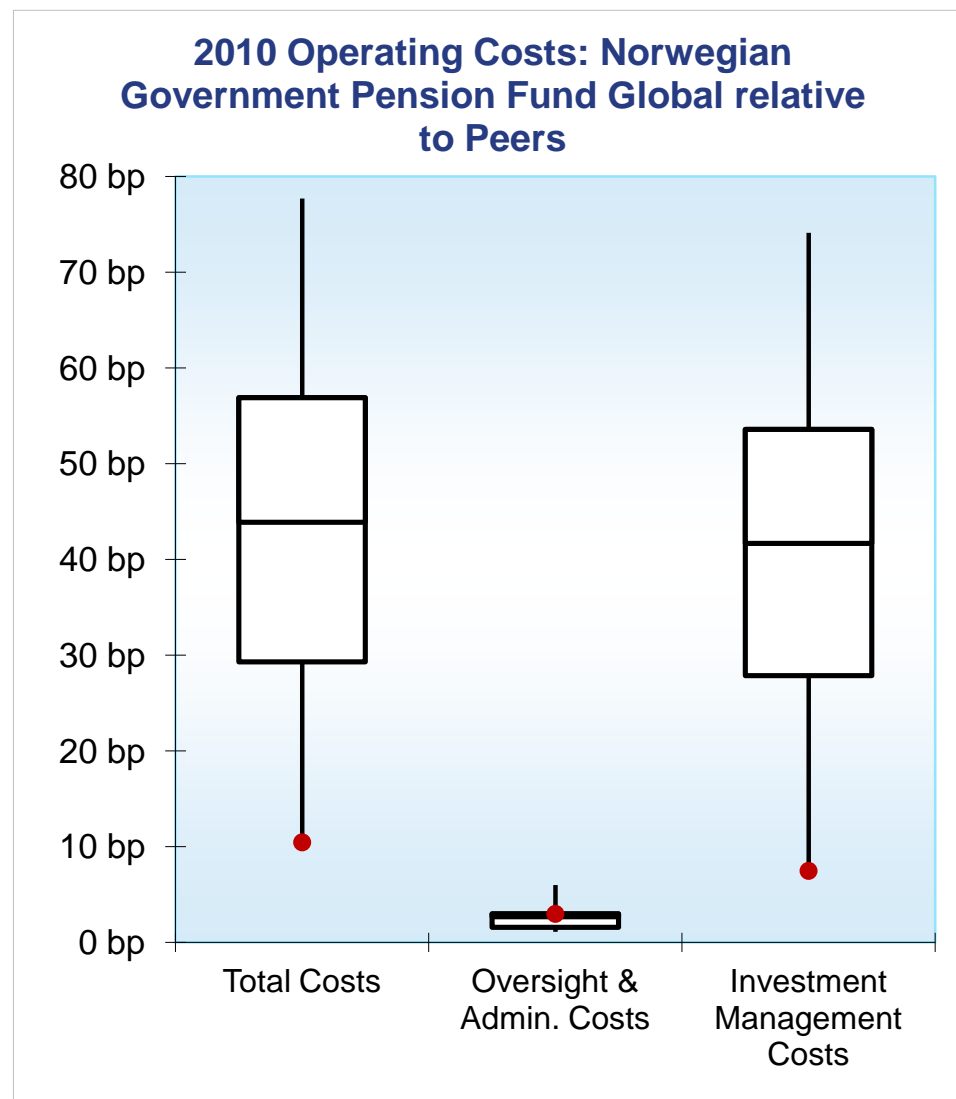
Costs have come down in 2010 versus 2009 due to less performance fees being paid to external managers.



Your total costs compare to your peers as follows:

Total cost comparisons are interesting but do not provide any insight into why costs are different between funds.

These figures are not adjusted for size, asset mix or implementation style. On the next few pages we use a benchmark cost to adjust for differences between funds and provide more insightful comparisons and conclusions about your relative cost performance.



Benchmark cost analysis suggests that your fund was low cost by 7.3 basis points in 2010.

To assess your cost performance, we start by calculating your benchmark cost. Your benchmark cost is an estimate of what your cost would be given your actual asset mix and the median costs that your peers pay for similar services. It represents the cost your peers would incur if they had your actual asset mix.

Your total cost of 10.4 bp was lower than your benchmark cost of 17.7 bp. Thus, your cost savings was 7.3 bp.

	€000s	basis points
Your actual cost	369,567	10.4 bp
Your benchmark cost	<u>626,759</u>	<u>17.7 bp</u>
Your excess cost	(257,192)	(7.3) bp

You were low cost because you had a lower cost implementation style and paid slightly less for similar mandates.

Reasons for Your Low Cost Status		
	Excess Cost/ (Savings)	
	€000s	bps
1. Lower cost implementation style		
• Less external active management and more lower cost internal management	(215,458)	(6.1)
• Lower use of overlays	(39,710)	(1.1)
• Other style differences	<u>57,181</u>	<u>1.6</u>
	(197,987)	(5.6)
2. Paying more or (less) than your peers		
• External investment management costs	(7,952)	(0.2)
• Internal investment management costs	(83,538)	(2.4)
• Oversight, custodial & other costs	<u>32,285</u>	<u>0.9</u>
	(59,205)	(1.7)
Total Savings in 2010	(257,192)	(7.3)

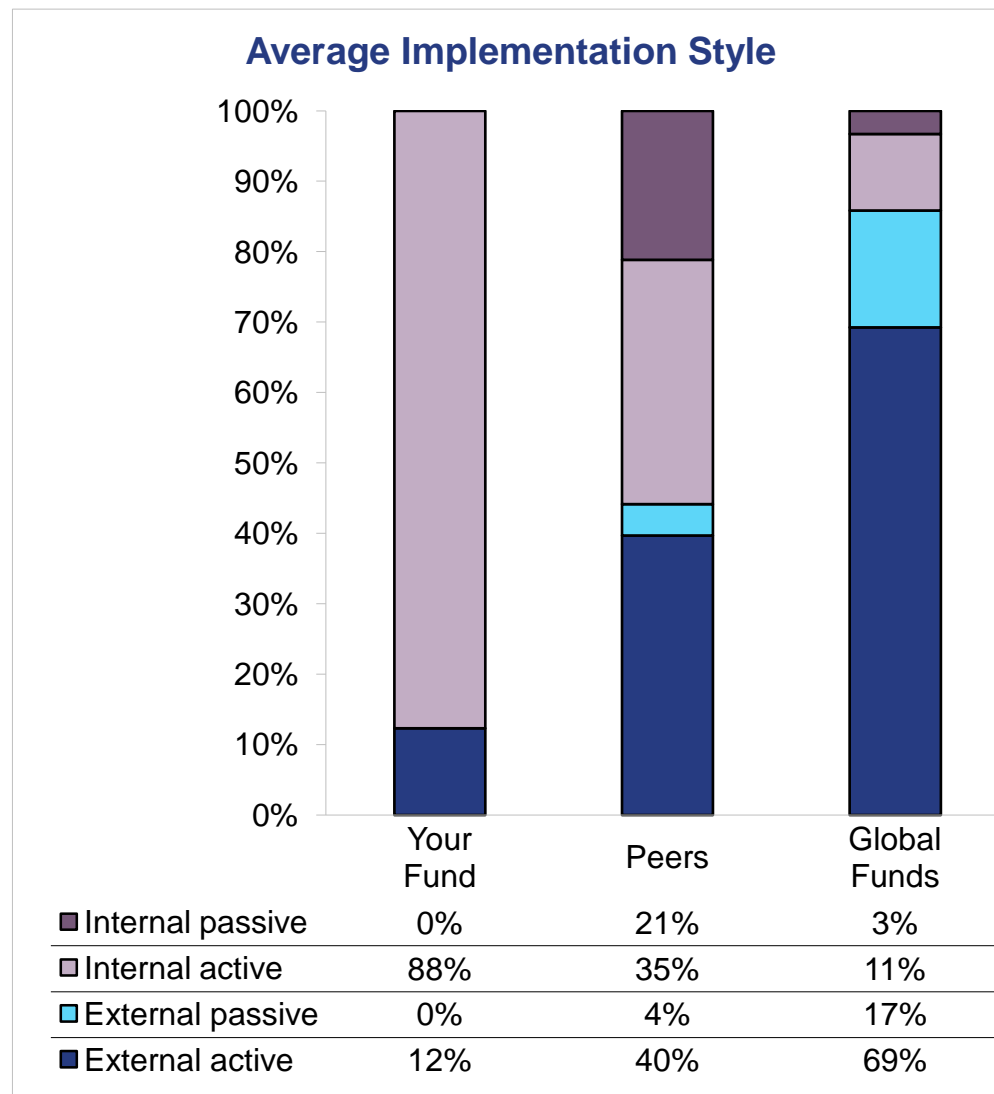
These reasons are examined in detail in the following pages.

Differences in cost performance is often caused by differences in implementation style.

Implementation style is defined as the way in which you implement your asset allocation. It includes internal, external, active and passive styles.

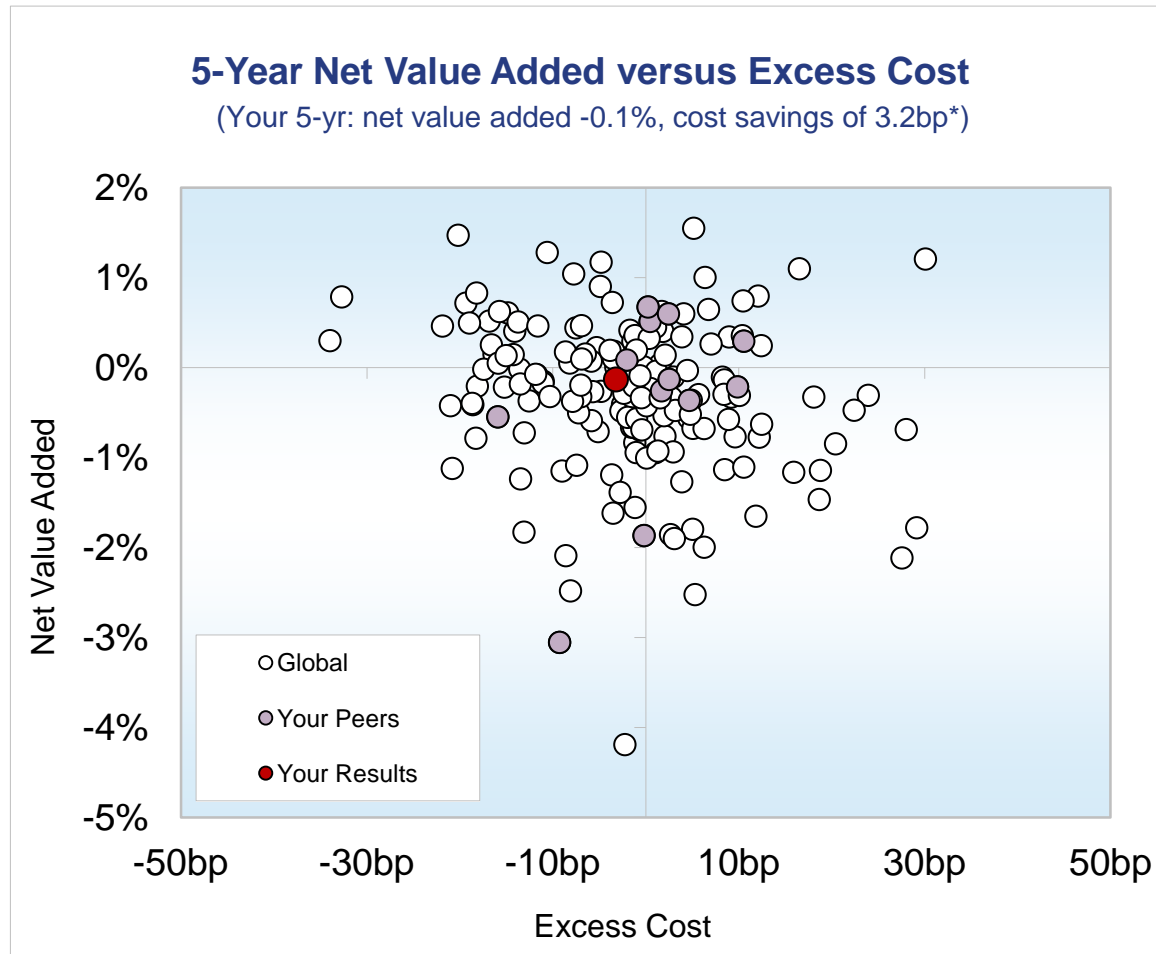
The greatest cost impact is usually caused by differences in the use of:

- External active management because it tends to be much more expensive than internal or passive management. You used less external active management than your peers (your 12% versus 40% for your peers).



4. Cost Effectiveness

Your fund had 5-year net value added of -0.1% and cost savings of 3.2 bps.



* Your 5-year net value added of -0.1% equals your 5-year 0.0% gross value added minus your 0.1% 5-year average cost.

5-year net value added versus excess cost as a percentage of benchmark cost.

