

Norwegian Government Pension Fund - Global Investment Benchmarking Results

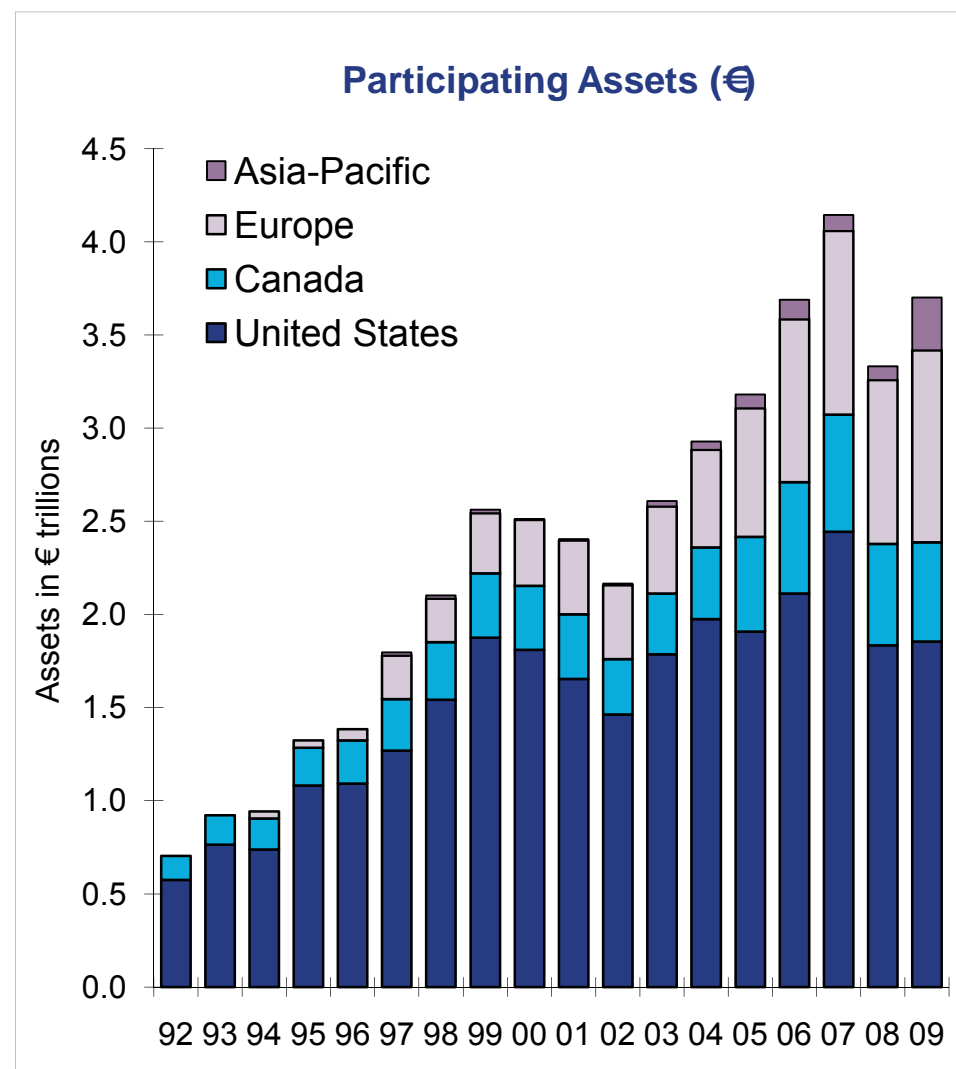
For the 5 year period ending December 2009



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

- 50 European funds participate with aggregate assets of €1,032 billion. Included are funds from the Netherlands, Norway, Sweden, Finland, France, Denmark, U.K. and Ireland.
- 195 U.S. funds participate with assets totaling €1,855 billion.
- 91 Canadian funds participate with assets totaling €531 billion.
- 8 Asia-Pacific funds participate with aggregate assets of €283 billion. Included are funds from Australia, New Zealand and South Korea.

In the global database the types of funds can be split as follows: 50% corporate, 32% public and 18% other.



The most valuable comparisons for cost performance are to your custom peer group because size impacts costs.

Custom Peer Group for Norwegian Government Pension Fund - Global

- 14 largest global sponsors from €47.4 billion to €263.3 billion
 - Median size €81.1 billion versus your €263.3 billion
- 3 Canadian Funds, 4 European Funds, 1 South Korean and 6 US Funds make up the Global Peer Group.
- In the report there are also comparisons to all of the European participants. There are 50 participants; 3 Danish, 1 French, 4 Finnish, 1 Irish, 2 Norwegian, 2 U.K., 35 Dutch and 2 Swedish. The median size of the European participants is €7 billion.

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 3.8%. This compares to the peer median of 4.2%. This was a result of several factors including currency and different regional and asset class allocations.

2. Value Added

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

- Your 5-year value added was 0.0%. This compares to the peer median of 0.1%.

3. Costs

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

- Your actual cost of 14.0 bps was below your benchmark cost of 15.5 bps. This suggests that your fund was slightly low cost.

4. Cost Effectiveness

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

- Your 5-year performance placed in the net negative value added, low cost quadrant on the cost effectiveness chart.

Your 5-year total return* of 3.8% compares to the Peer median of 4.0%.

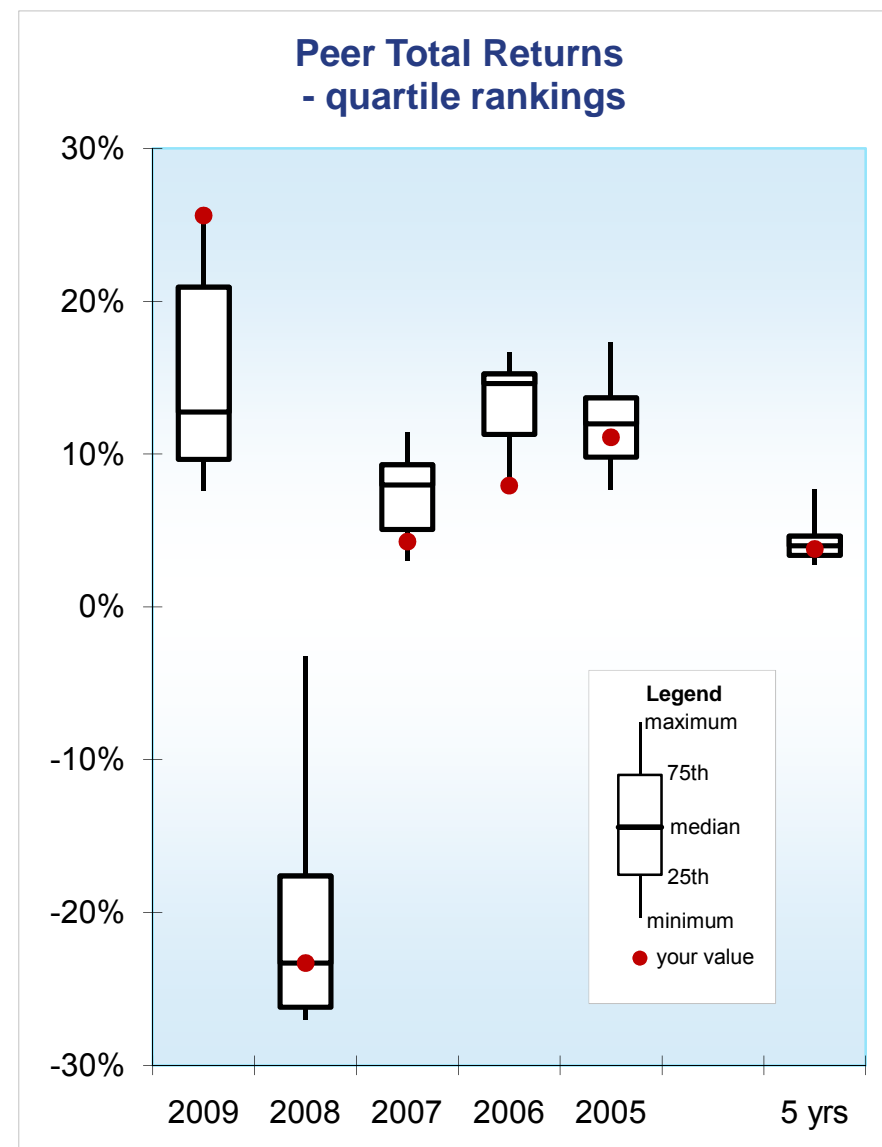
Total Returns do not tell you the reasons behind good or bad relative performance. Therefore, we separate Total Return into its more meaningful components - Policy Return (policy asset mix decisions which tend to be the Board's responsibility) and Implementation Value Added (implmentation decision which tend to be management's responsibility).

Norwegian Gov't Pension Fund - Global 5-year Returns	Currency Basket**
Total Fund Return	3.8%
Policy Return	3.8%
Value Added	0.0%

** Benchmark portfolio's currency basket

The currency basket measure is the relevant measure when assessing the Pension Fund's performance against the stated objective of maximising the Pension Fund's international purchasing power.

Note: The Pension Fund – Global's total return and policy return are reported in the fund's "Currency Basket". Other funds' Total and Policy Returns are reported in domestic currency. Comparing these returns is difficult because of currency fluctuations. Value Added comparisons are much more meaningful.



* All returns throughout this report are gross unless stated otherwise.

1. Policy Return

Your 5-year policy return of 3.8% compares to the Peer median of 4.2%.

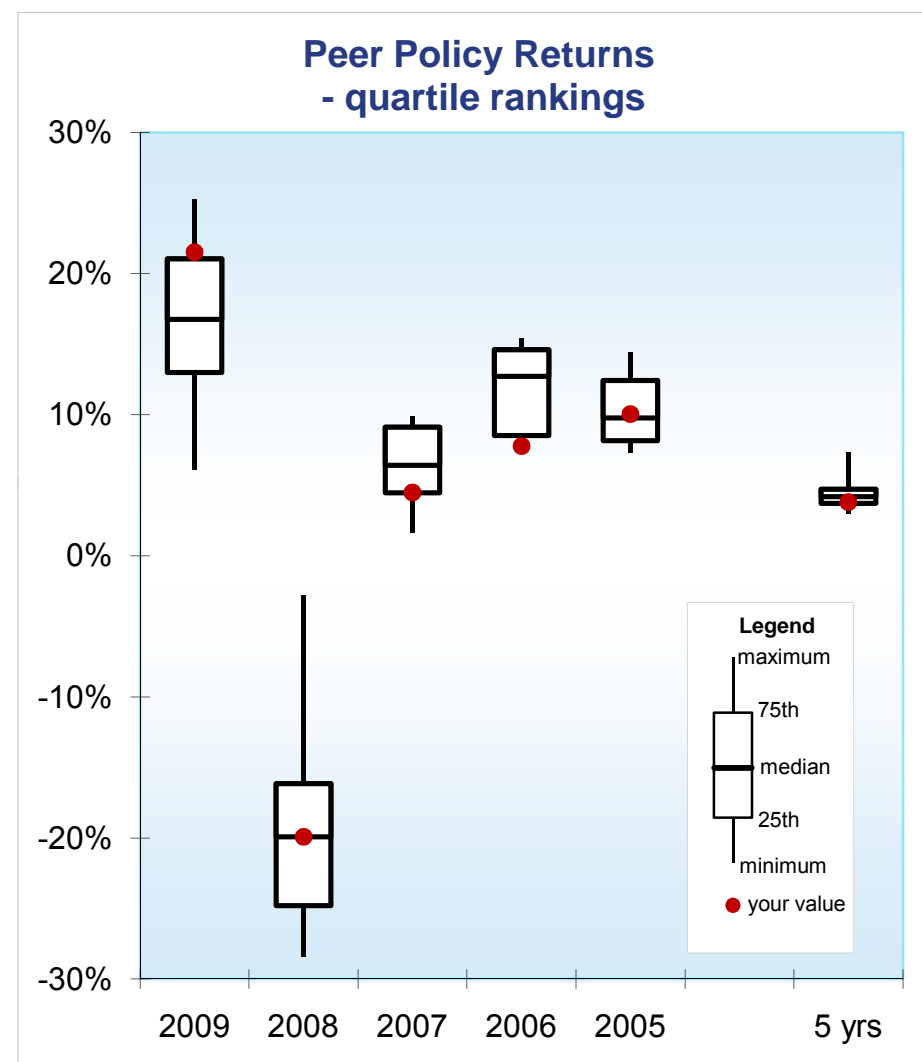
Your policy return is the return you could have earned passively by indexing your investments according to your investment policy asset mix.

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 European averages as follows:

- Your policy asset mix is more Globally diversified than the Peer and the European average. When comparing the policy return with other funds, this had large impact due to both market return differences between regions and currency fluctuations. The dollar has for instance depreciated against the Euro, so your return would have been much higher if it had been reported in dollars.

- Your fund did not have any allocation to real estate, hedge funds or private equity whereas the peer funds had allocations of 9%, 1% and 5% respectively. The European funds allocations were 10%, 1% and 2%.

5-Year Average Policy Mix			
Asset class	Your fund	Euro avg	Peer avg
Stocks	48%	40%	48%
Fixed Income	52%	47%	37%
Real Assets*	0%	10%	9%
Hedge Funds	0%	1%	1%
Private Equity	0%	2%	5%
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 European funds assuming they had used the Pension Fund – Global’s asset class allocation over the past 5 years (48% equities and 52% fixed income). In this 5-year period, their average policy return would have respectively been on average between 0.4 and 1.3 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.

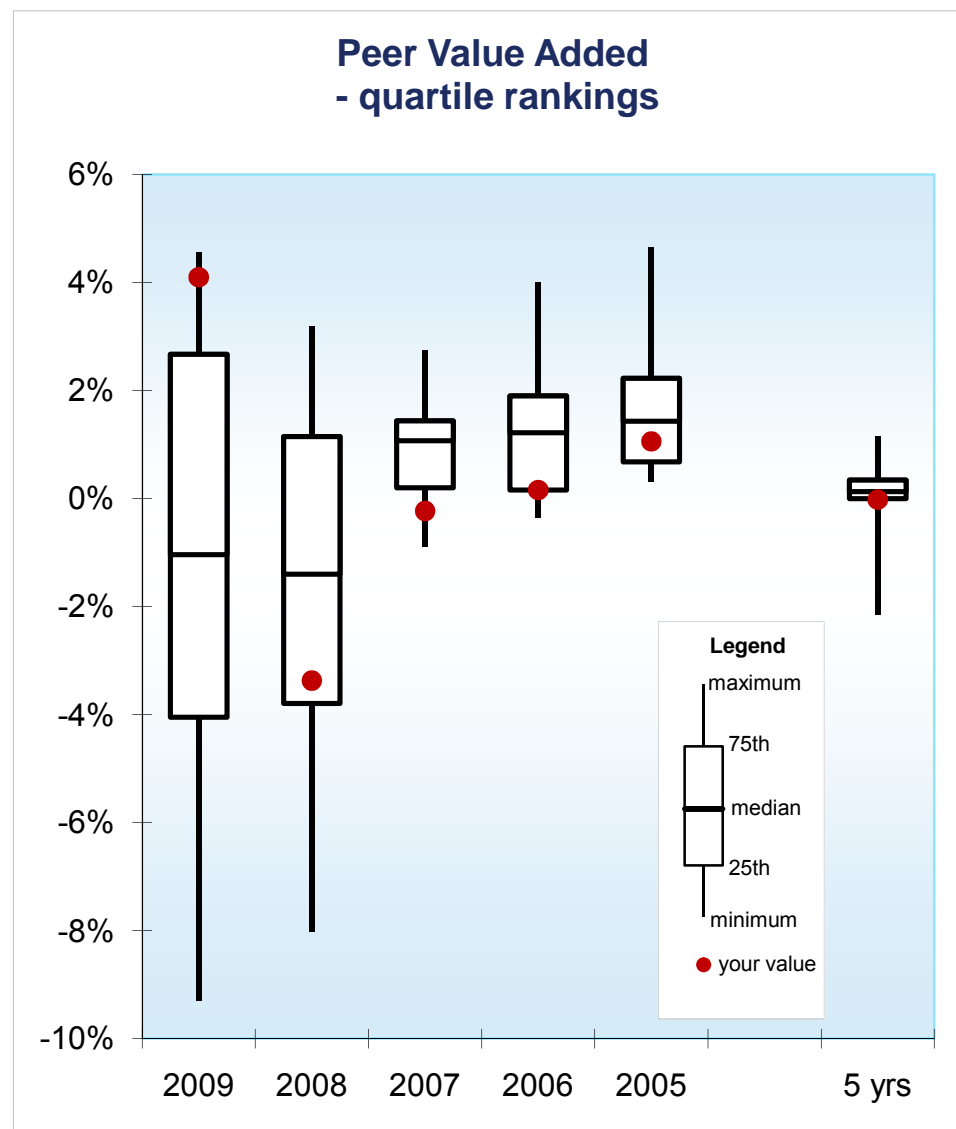
2. Value Added

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

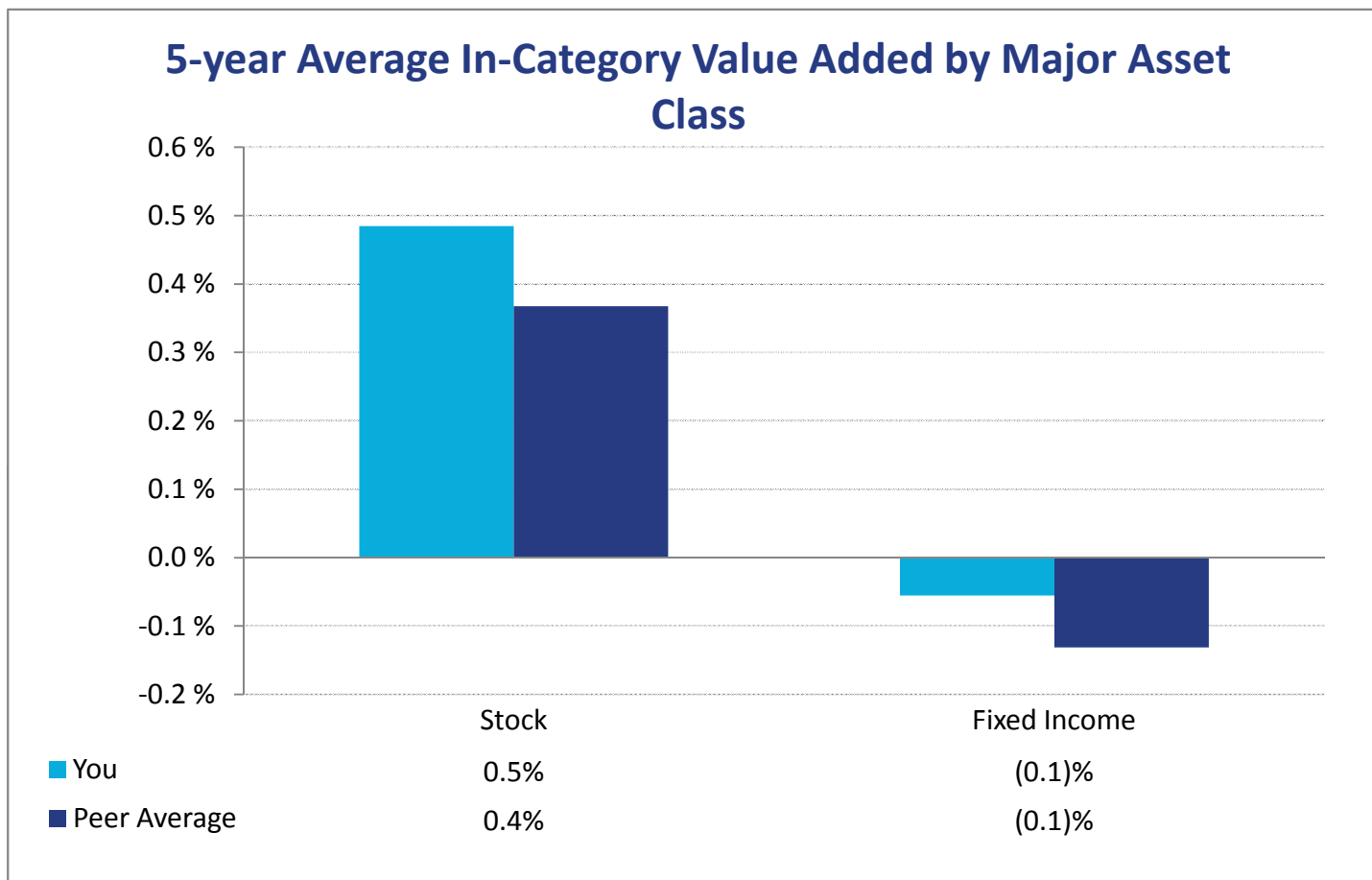
Your 5-year value added of 0.0% compares to a median of 0.1% for your peers and 0.2% for the European universe.

Norwegian Gov't PF - Global			
Year	Total return	Policy return	Value Added
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%	0.2%
2005	11.1%	10.0%	1.1%
5-year	3.8%	3.8%	(0.0)%

- Implementation value added or excess return equals your actual return minus your policy return.



You had positive 5-year in-category value added in Stocks.



3. Costs

Your asset management costs in 2009 were €369.8 million or 14.0 basis points.

Your Investment Management Costs (€000s)					
	Internal		External		Total
	Passive	Active	Passive	Active: base perform	
Stock - All Global		40,275	47,465	141,808	229,548
Fixed Income - All Global		26,478	10,925	18,788	56,191
Total investment management costs				10.9bp	285,739

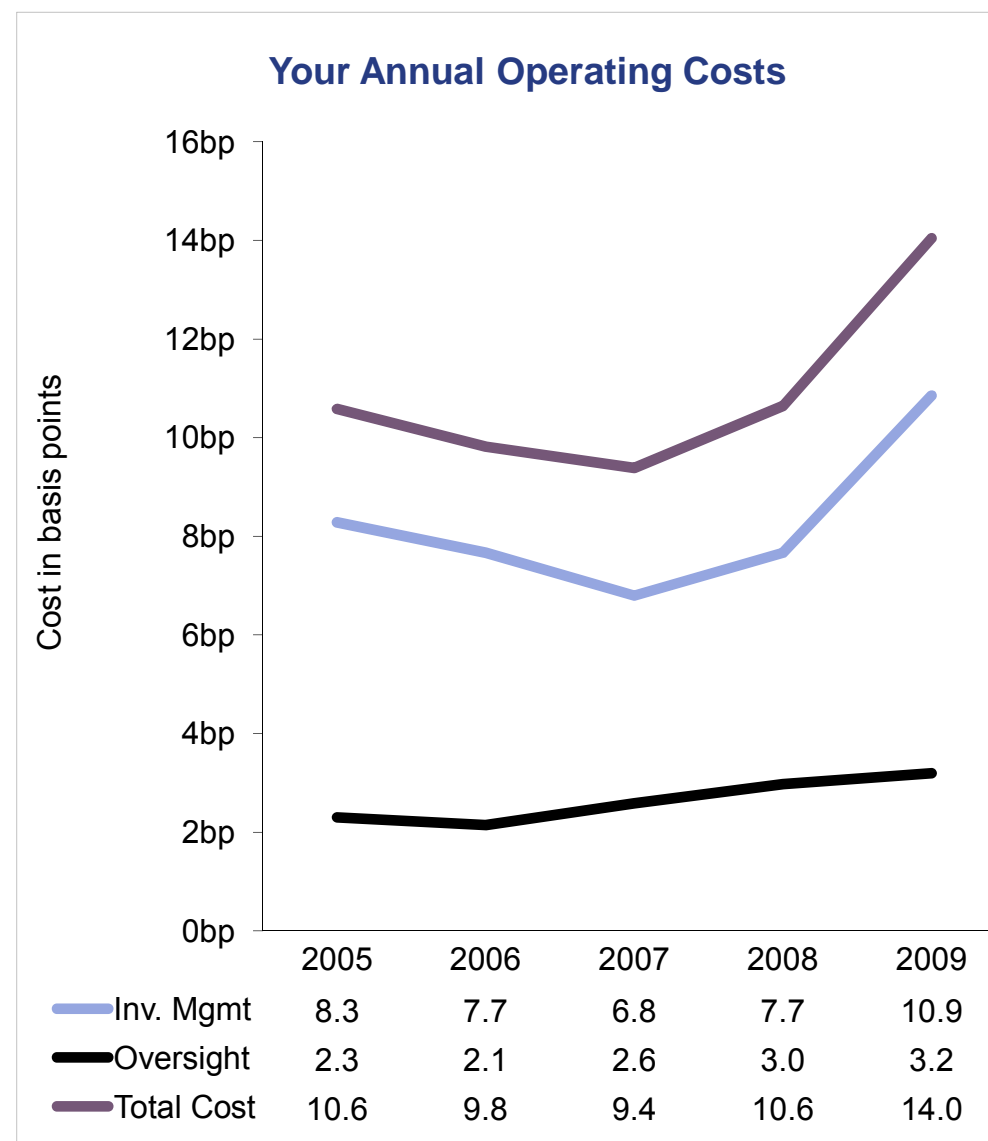
Your Oversight, Custodial and Other Asset Related Costs ¹ (€000s)		
Oversight of the fund		60,159
Trustee & custodial		23,923
Consulting and performance measurement		
Audit		
Other		
Total oversight, custodial & other costs		3.2bp 84,082
Total asset management costs		14.0bp 369,821

Notes

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

Your costs increased between 2005 and 2009.

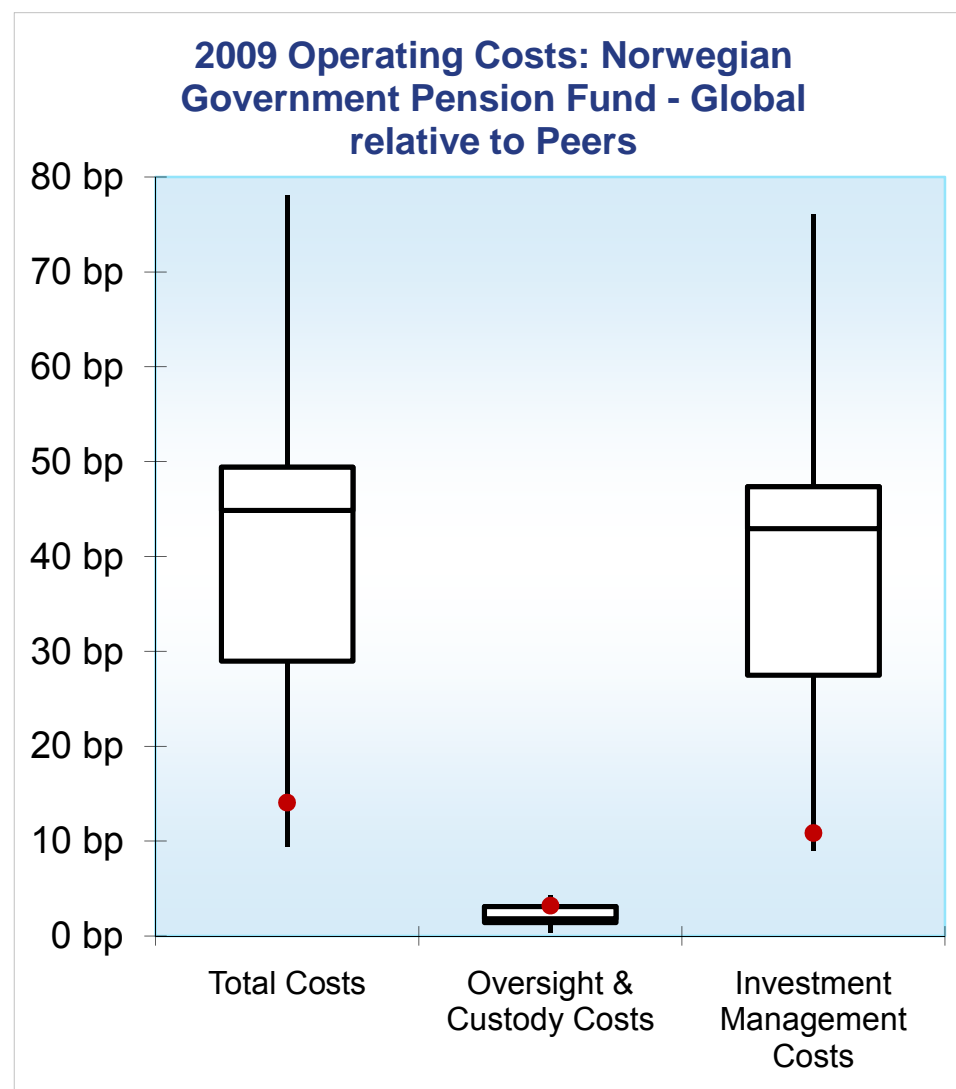
Your costs increased in 2009 primarily because there were performance fees paid on stock and fixed income.



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 slightly low cost by 1.5 basis points.

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 14.0 bp was slightly lower than your benchmark cost of 15.5 bp. Thus, your cost savings was 1.5 bp.

	€000s	basis points
Your actual cost	369,821	14.0 bp
Your benchmark cost	<u>408,819</u>	<u>15.5 bp</u>
Your excess cost	(38,998)	(1.5) bp

You were slightly low cost primarily because you had a slightly lower cost implementation style.

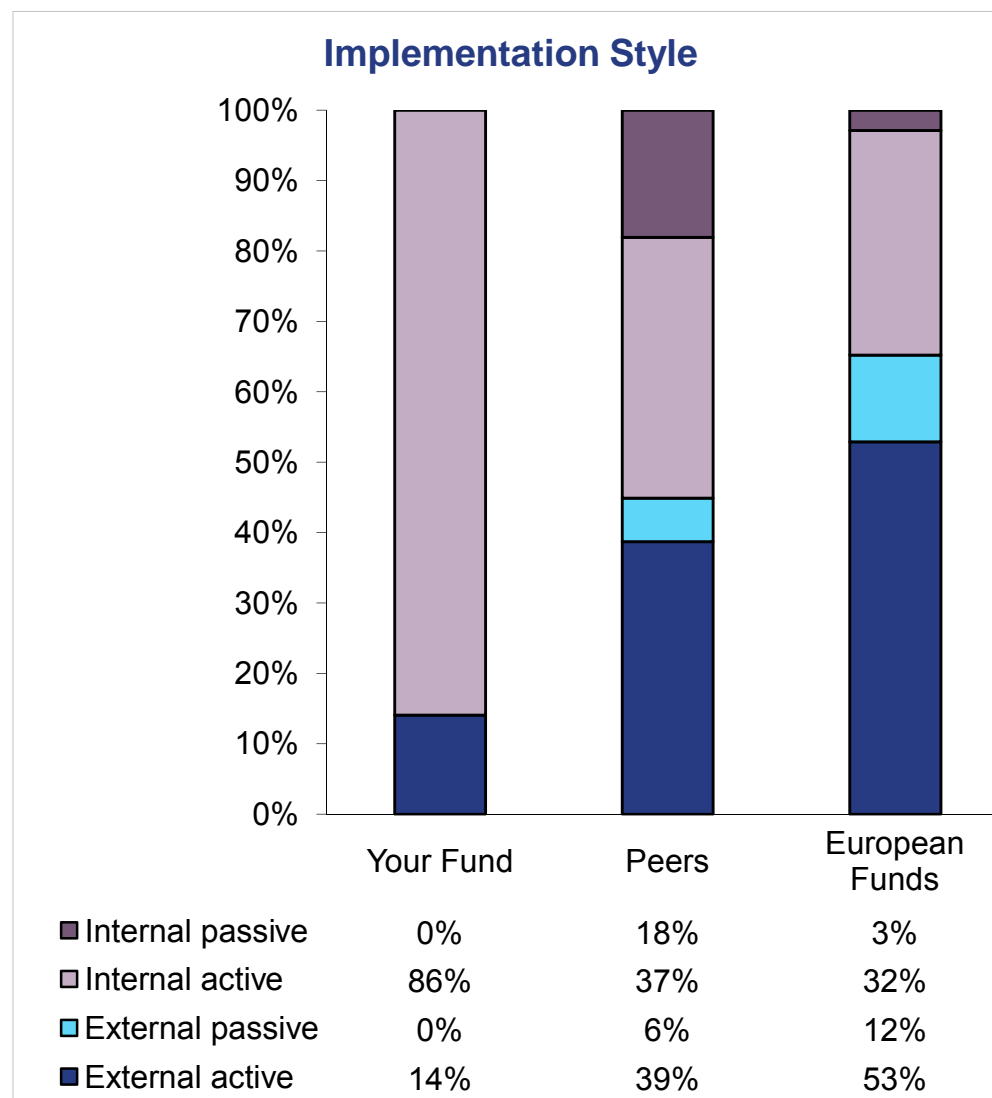
Reasons for Your Low Cost Status		
	Excess Cost/ (Savings)	
	€000s	bps
1. Lower cost implementation style		
• Less external active management and more lower cost internal management	(113,636)	(4.3)
• Lower use of overlays	(30,741)	(1.2)
• Other style differences	<u>66,965</u>	<u>2.5</u>
	(77,412)	(2.9)
2. Paying more or (less) than your peers		
• External investment management costs	86,538	3.3
• Internal investment management costs	(84,582)	(3.2)
• Oversight, custodial & other costs	<u>36,457</u>	<u>1.4</u>
	38,413	1.5
Total Savings	(38,998)	(1.5)

One key cause of differences in cost performance is often 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.

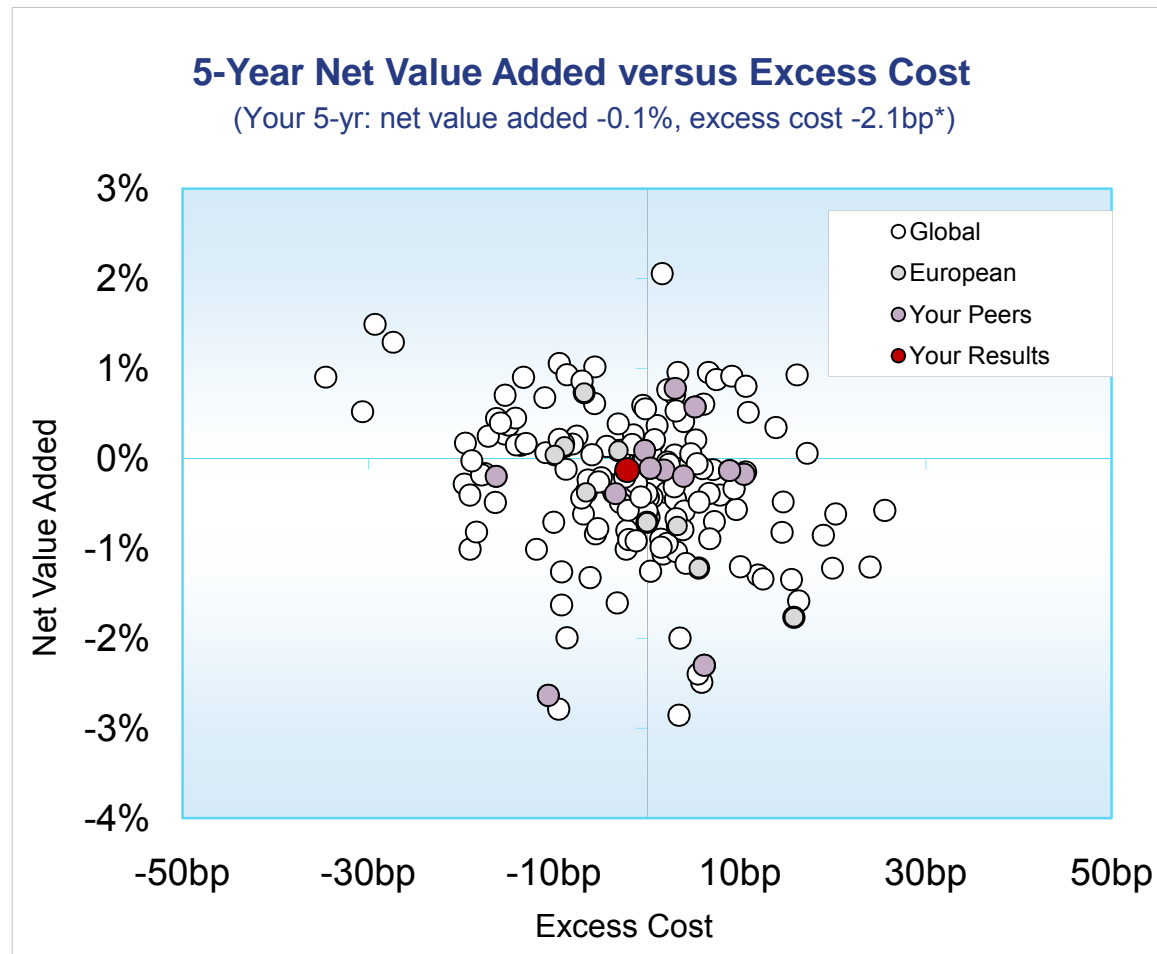
The greatest cost impact is usually caused by differences in the use of:

- 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 14% versus 39% for your peers).



4. Cost Effectiveness

Your 5-year performance placed in the negative value added, low cost quadrant.



* 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.