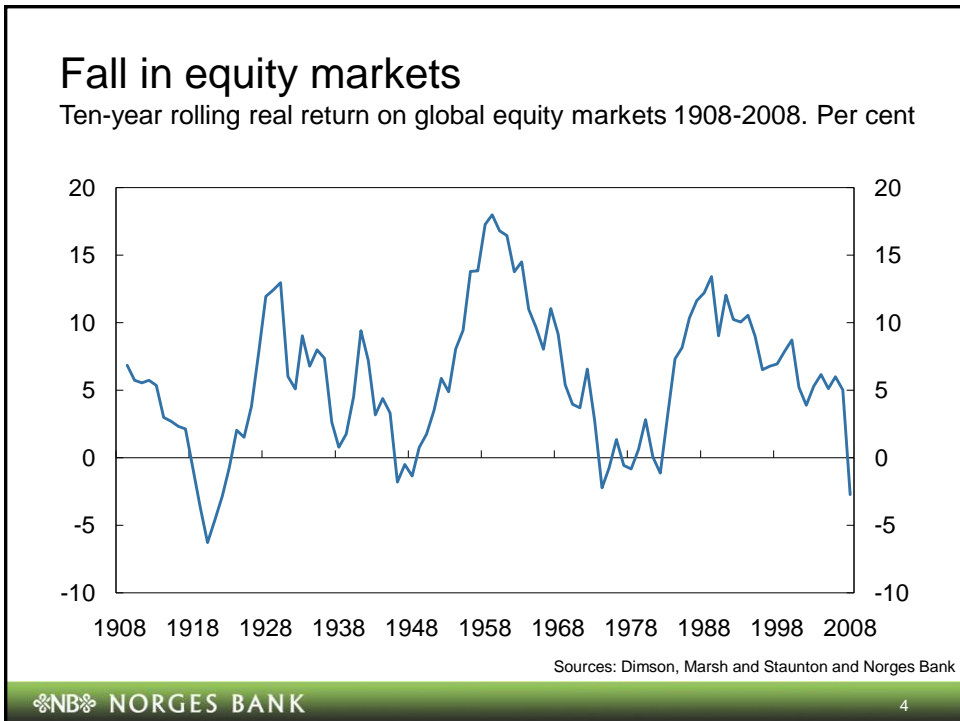
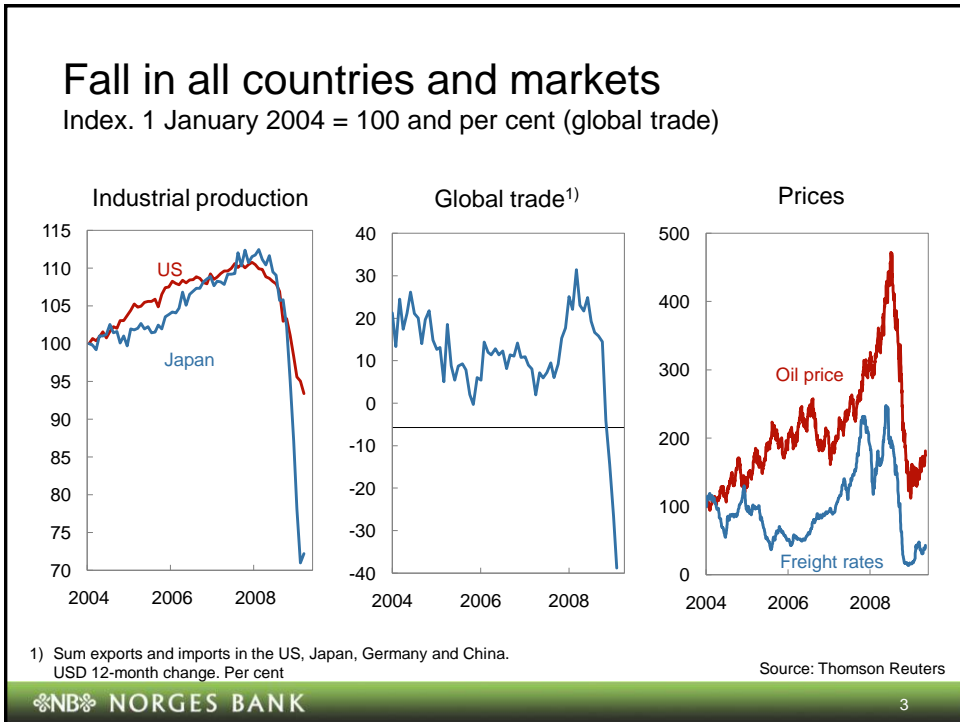


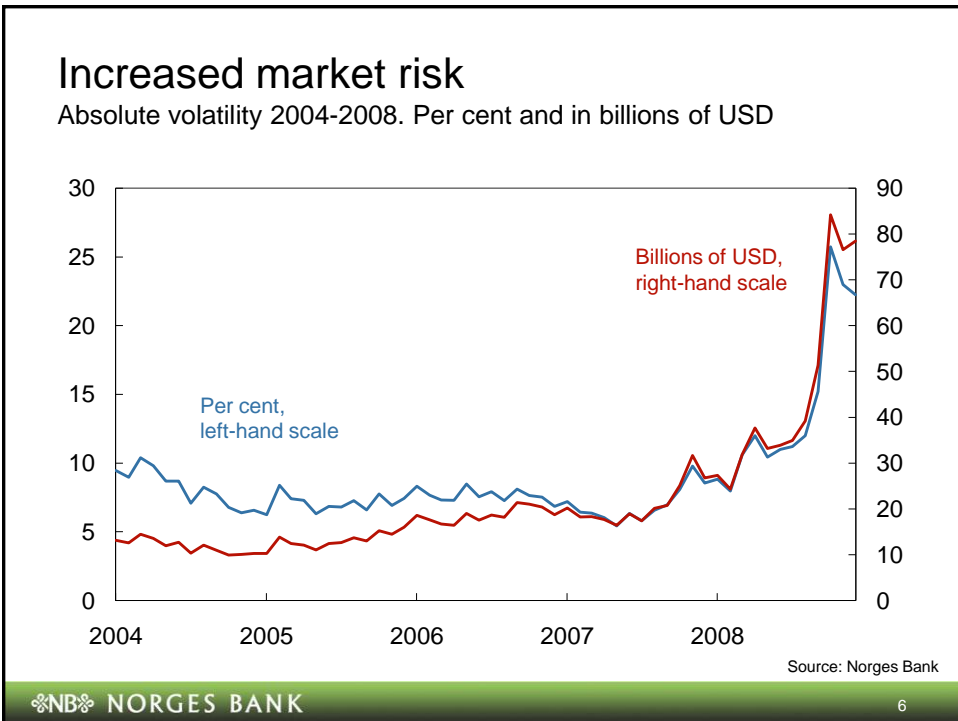
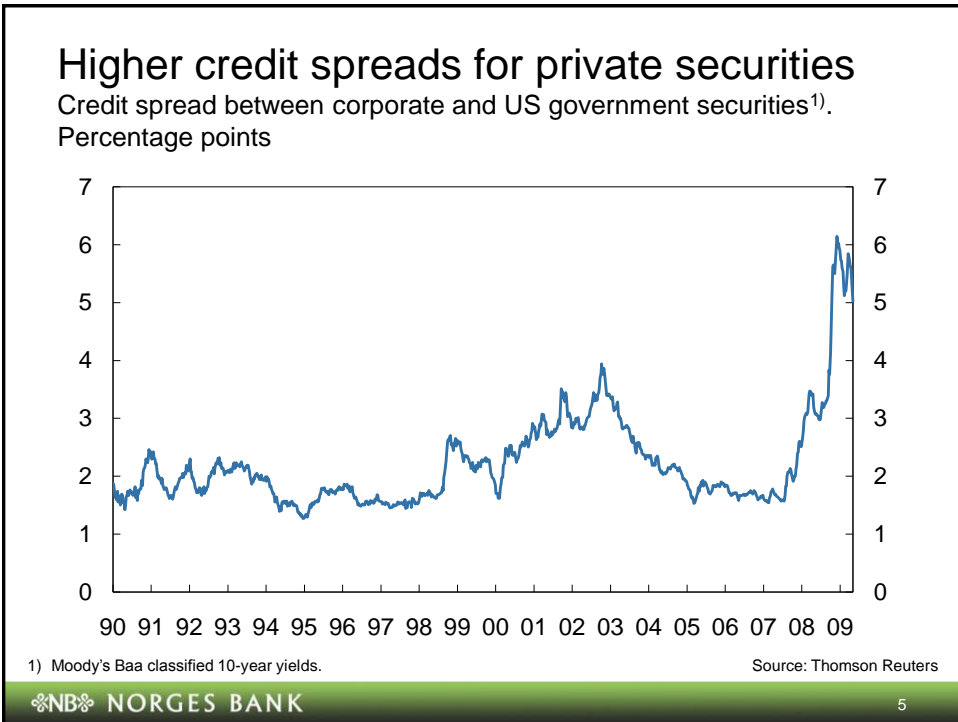
The global economic crisis and its impact on Sovereign Wealth Funds: The example of Norway

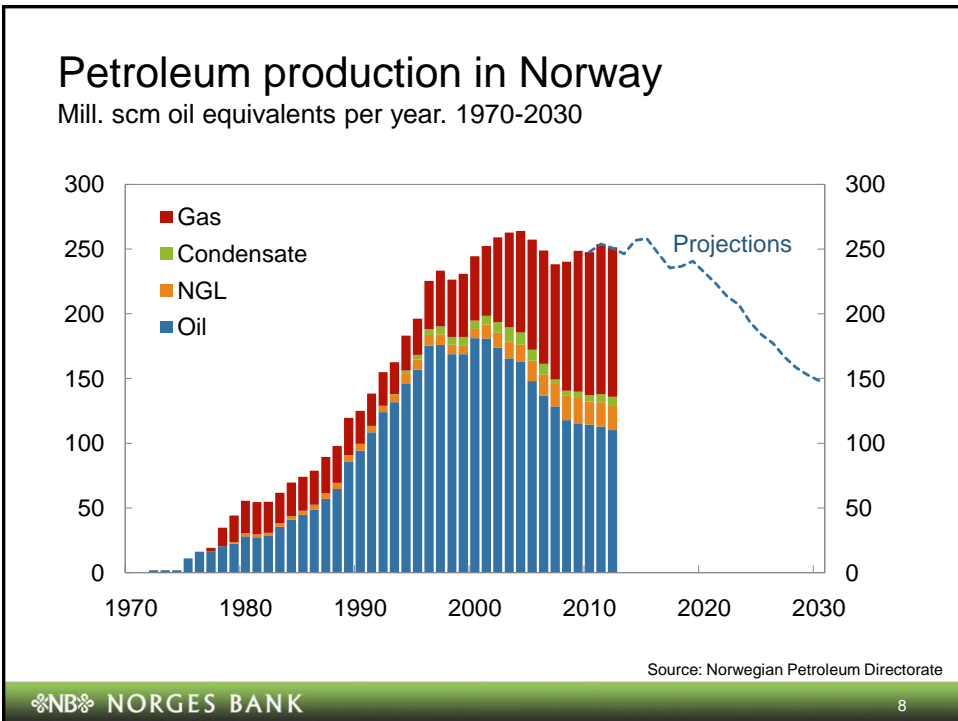
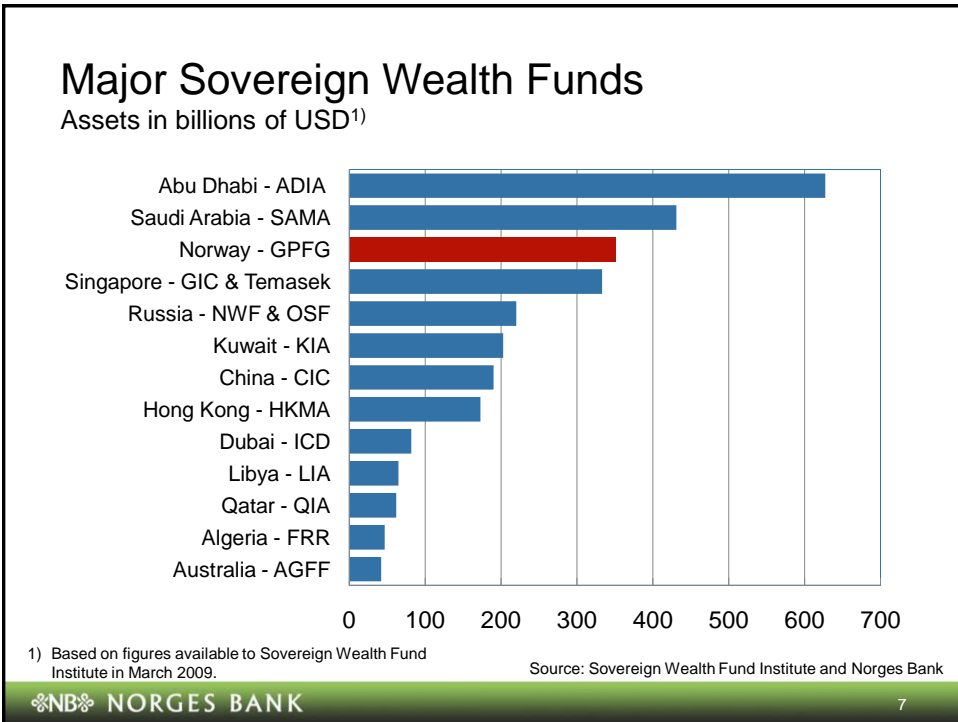
*Deputy Governor Jan F. Qvigstad
Norges Bank
Geneva, 11 May 2009*

“The global economy is in a severe recession
inflicted by a massive financial crisis and
acute loss of confidence”

IMF, World Economic Outlook, April 2009

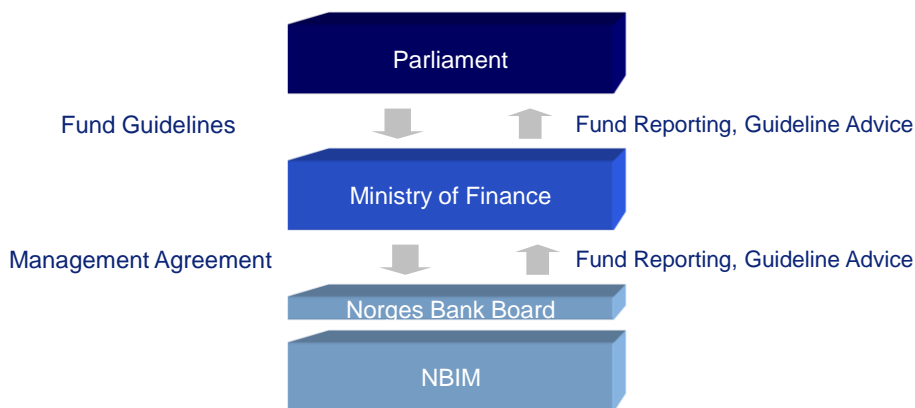






Governance Structure

Norway's Government Pension Fund – Global

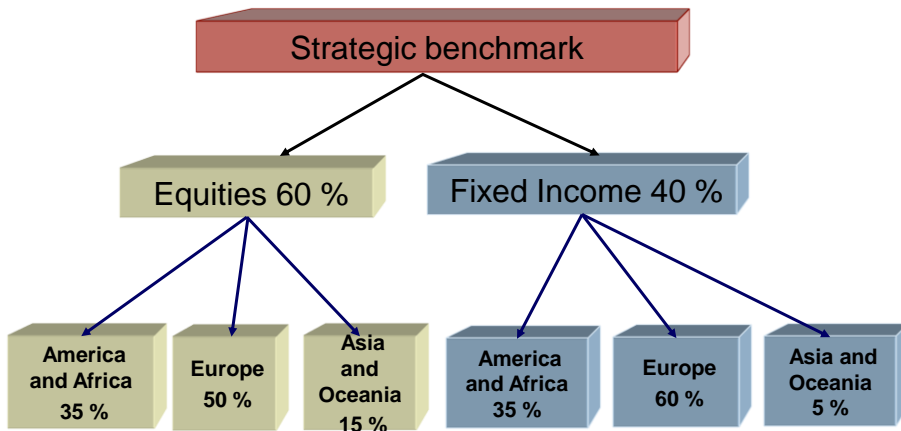


Source: Norges Bank

Main properties of the Fund

- **Accountability**
A clear division of responsibilities and a system of checks and balances
- **Transparency**
Open information on performance, risk, costs and investments
- **Professionalism**
All investment decisions delegated to professionals in a clear line structure division

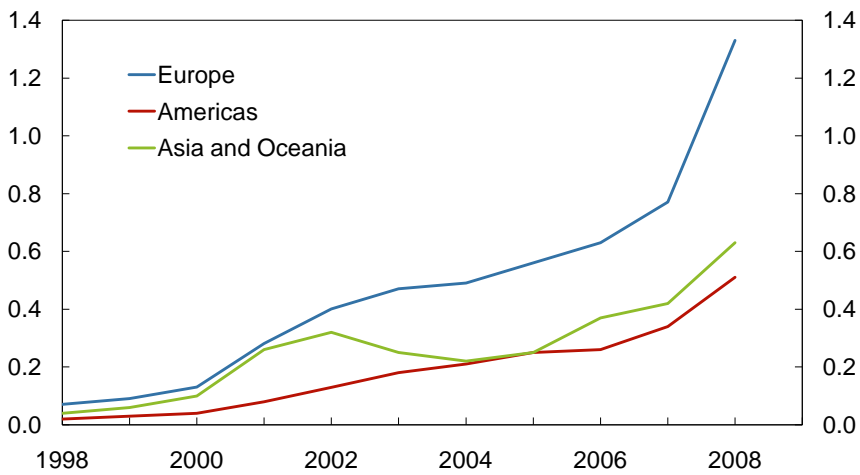
Benchmark for the Fund



Source: Ministry of Finance

Ownership of equity markets

Per cent. 1998 – 2008



Sources: FTSE and Norges Bank

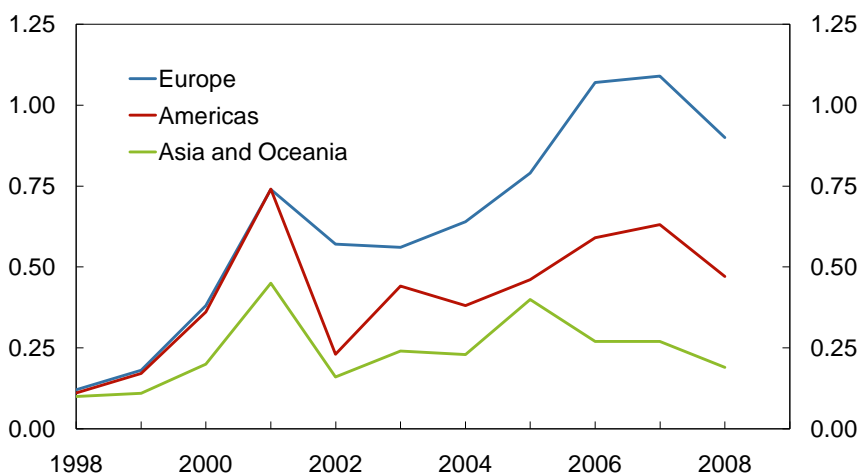
Norway's GPFG – large equity holdings

Holdings on 31 December 2008

Company	Country	Millions of USD	Ownership
Largest equity holdings			
Royal Dutch Shell plc	UK	2 355	1.37 %
Nestlé SA	Switzerland	2 299	1.42 %
BP plc	UK	2 029	1.33 %
Exxon Mobil Corporation	US	1 885	0.43 %
Largest ownership interests			
Mondi plc	UK	101	8.71 %
Babcock & Brown Infrastr. Gr.	Australia	15	7.84 %
UPM-Kymmene OYJ	Finland	406	5.77 %
Other large investments in Switzerland			
Novartis AG		1 597	1.13 %
Roche Holding AG		1 542	1.08 %
Zurich Financial Services AG		622	1.90 %

Ownership of fixed income markets

Per cent¹⁾, 1998 – 2008



1) Per cent of Barclays index's market capitalisation.

Sources: Barclays and Norges Bank

Active ownership

Our goal

- Promote sustainable development and sound corporate governance in order to safeguard the financial interests of the fund

Our tools

- Proxy voting
- Company dialogue and engagement
- Investor networks
- Contact with regulators and standard setters
- Communicate principles for good corporate governance

Active ownership

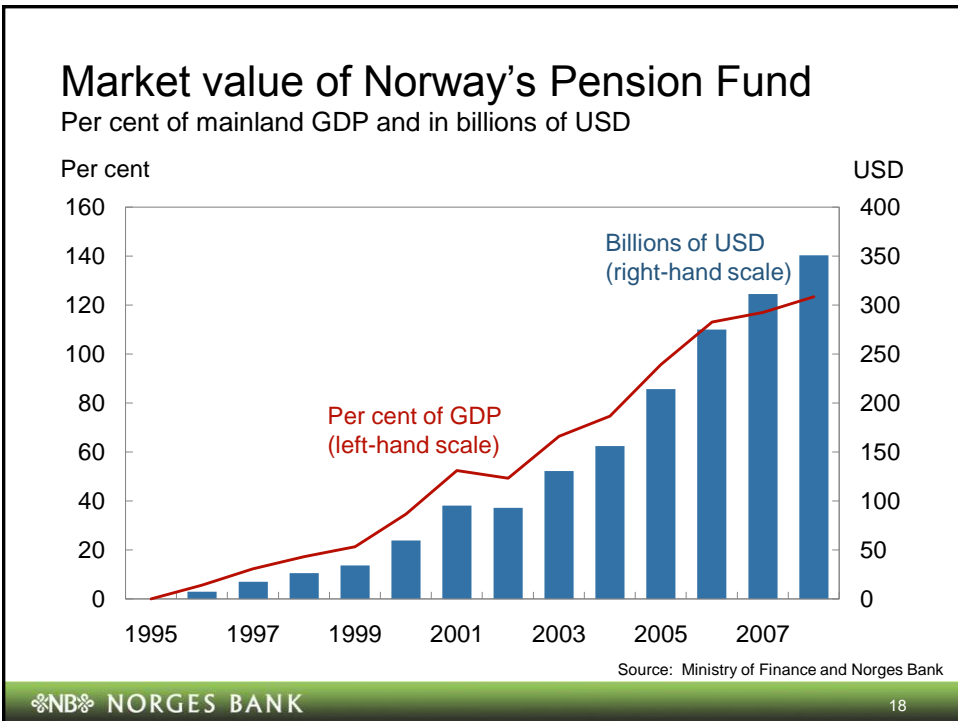
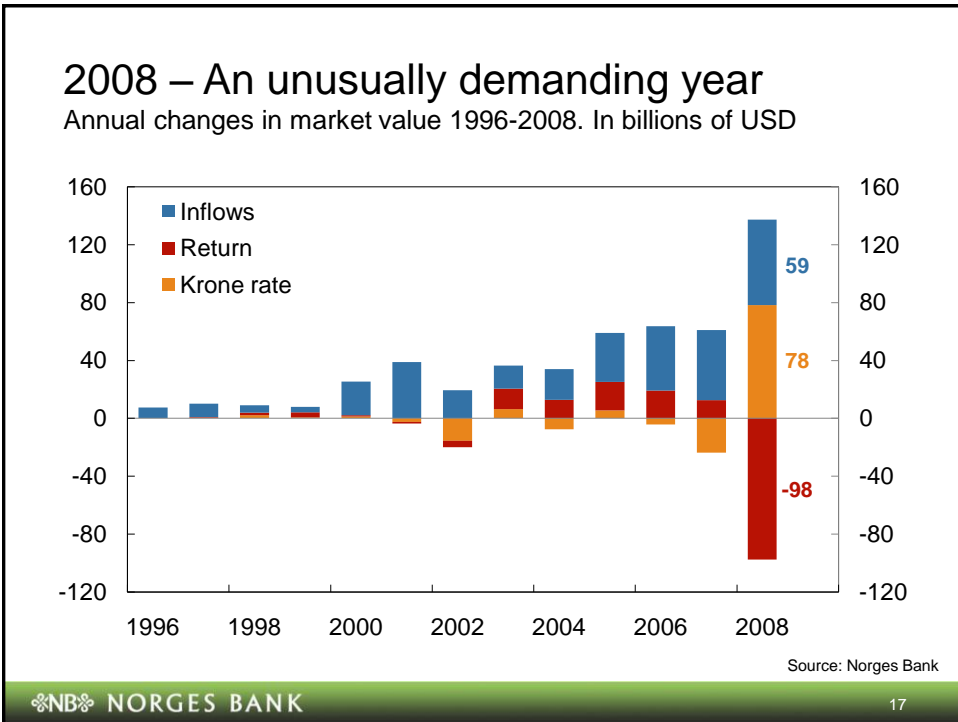
What do we do?

Address topics relating to traditional shareholder rights

- The right to vote
- The right to participate in board elections
- The right to sell
- The right to information

Focus on topics that influence the development and regulation of companies' input factors

- Social issues – children's rights / child labour
- Environmental issues



The losses in perspective

Lower market values of government assets in 2008. In billions of USD

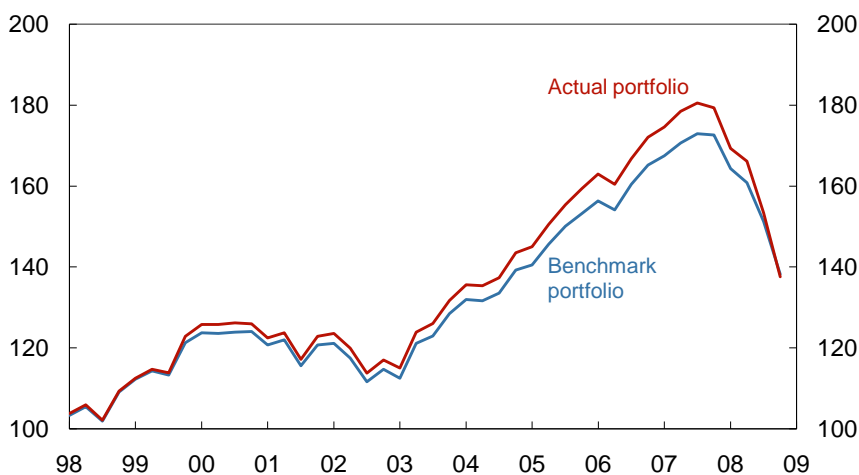
Government Pension Fund – Norway	-5
Government direct ownership ¹	-35
Government share of subsea petroleum resources ²	-350
Government Pension Fund – Global³	-20 (-98)
Household housing wealth ⁴	-60

- 1) Negative return adjusted for dividends. Listed companies
- 2) Estimated decrease in value based on reduced oil price
- 3) Negative return measured in NOK. Negative return measured in international currency in brackets
- 4) Reduced value of housing wealth from August 2007 to Q4 2008 (nominal values)

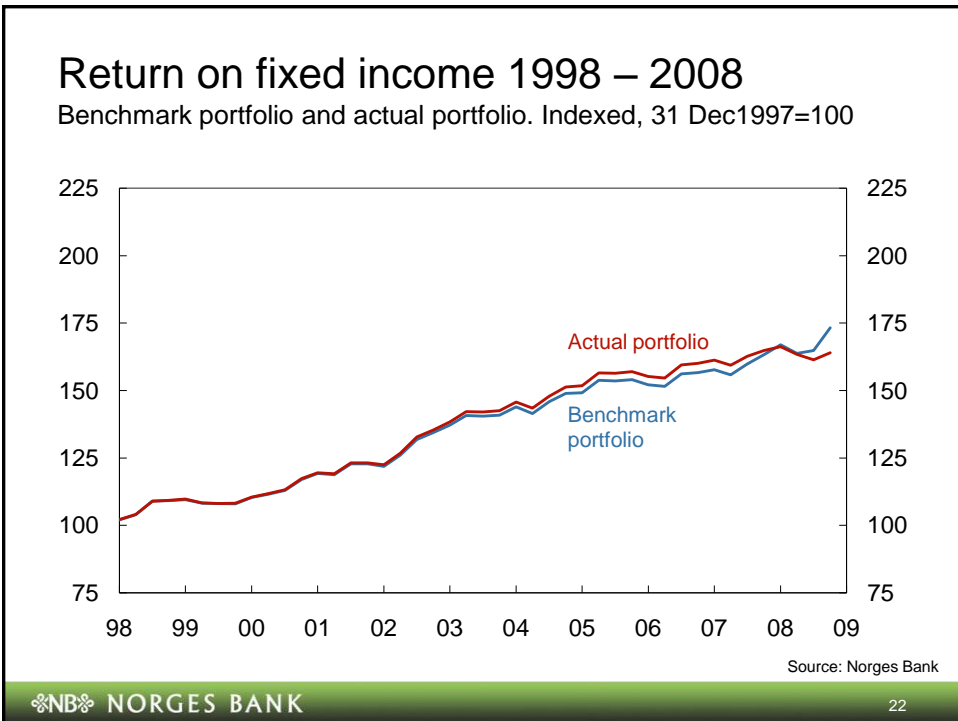
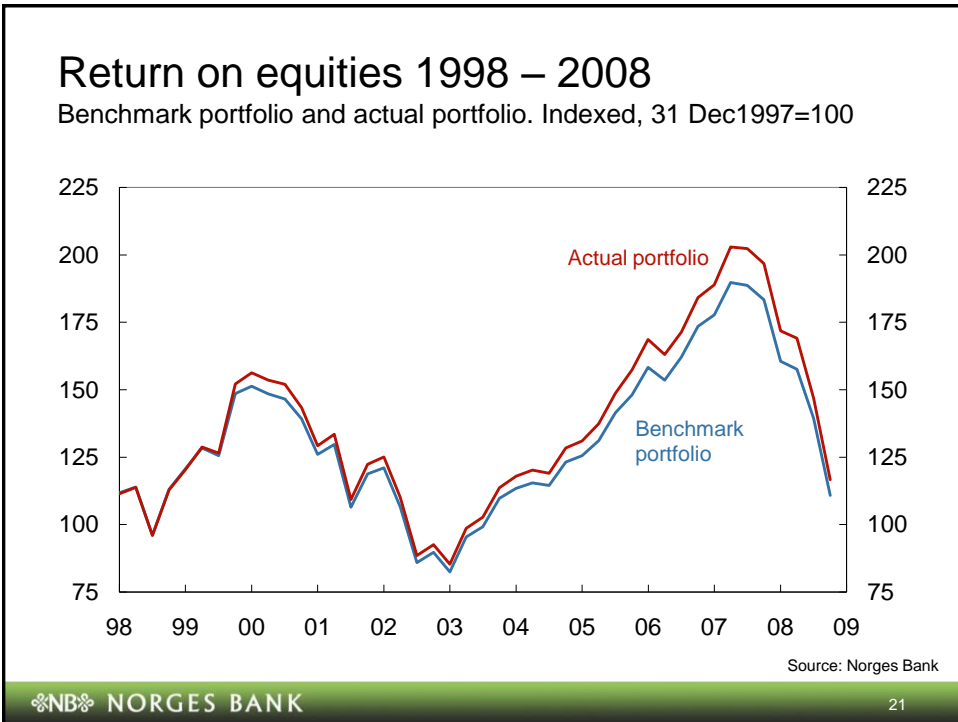
Sources: Ministry of Finance, Ministry of Trade and Industry, Folketrygdfondet and Norges Bank

Return 1998 – 2008

Benchmark portfolio and actual portfolio. Indexed, 31 Dec 1997=100



Source: Norges Bank



Lessons from the crisis

- Investment strategy: Correlation between diverse assets in the fixed income portfolio. Liquidity may have been structurally underpriced
- Risk management: Statistical models based on historical prices and correlations proved insufficient
- Organisation and governance: Ensure clear responsibilities and limits to delegation

Focus from Norges Bank's Executive Board

- Maintain an incentive structure in order to retain and build long-term competence
- Ensure the quality of the investment management organisation. If you aim for the average the outcome will be mediocre
- Our size and active ownership strategy requires an active investment strategy