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Strong rebound in the financial markets in 2009

Government Pension Fund Norway

Solid performance in the equity and bond markets resulted in gains of NOK 29.3 billion for the Government Pension Fund Norway in 2009. This represents a 33.5 percent return. Assets under management as per year end were NOK 117 billion.

- We have experienced two exceptional years in the financial markets, and can conclude that the losses sustained in the crisis year of 2008 were recouped through the strong rebound in 2009, says Managing Director Olaug Svarva.

The Government Pension Fund Norway underperformed the benchmark portfolio by 2.2 percentage points in 2009. In sum, Folketrygdfondet has nevertheless maintained a robust portfolio throughout the financial crisis, with its annual mean return outperforming the benchmark portfolio by 1.7 percentage points over the last two years. The annual mean return on the Government Pension Fund Norway also exceeded that on the benchmark portfolio in a longer-term perspective, by 1.1 percentage points over the last five years and 0.5 percentage point over the last decade, respectively.

The return on the Norwegian equity portfolio was 59.0 percent in 2009. This is 5.8 percentage points less than the return on the benchmark portfolio. The return on the Nordic equity portfolio was 17.6 percent, compared to a 21.7 percent return on the benchmark portfolio. Experience shows that the long-term investment profile of Folketrygdfondet has resulted in the equity portfolios underperforming the respective benchmark portfolios in periods of strong market appreciation. This also held true for the strong market appreciation of 2009.

The Norwegian fixed-income portfolio delivered a return of 10.4 percent. This was as much as 2.1 percentage points better than the benchmark portfolio. The excess return was generated by favourable returns on credit-linked notes. The Nordic fixed-income is, pursuant to the applicable regulatory framework, not hedged. Appreciation of Norwegian kroner has therefore contributed to a negative return of 6.3 percent. This nevertheless represents an outperformance of the benchmark portfolio by as much as a 2.2 percentage points.

Government Bond Fund

The Government Bond Fund was established in March 2009 with a capital of NOK 50 billion. The invested capital per year end was NOK 8.2 billion, across 40 issuers.

- The Government Bond Fund has represented a safety net during a challenging period, and the market for credit-linked notes has become more resilient over the course of the year, says Managing Director Olaug Svarva.

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