THE EQUITY SHARE IN THE GOVERNMENT PENSION FUND GLOBAL

DEPUTY GOVERNOR EGIL MATSEN
The Government Pension Fund Global
At the start of the year. NOK bn

Sources: Ministry of Finance and Norges Bank
Equity share in the strategic benchmark index and of the fund
In percent of total fund value

Source: Norges Bank
Yield and future returns

Yield six years earlier and return on a bond portfolio the next six years. Percent

Sources: Gurkaynak et al. (2006), Barclays and Norges Bank
Yields on US inflation-linked bonds

Source: Reuters
Driving forces behind the fall in the global real interest rate

Global real interest rate

- Increased saving in emerging economies and oil-producing countries
- Demographic trends
- Greater income inequality
- Deleveraging
- Increased uncertainty
- Fall in investment
- Lower growth prospects
- Relative price of capital
- Increased uncertainty

Global investment

Global saving

\( r^* \)
Realised real return on equity and fixed income
Cumulative return in international markets. Log scale

Equity
Bonds
Bills

Source: Dimson, Marsh and Staunton (2016)
Equity premium from different model specifications

Shaded area indicates the width between 9 different specifications.

Percent

Source: NBIM Discussion Note 1/2016: The Equity Risk Premium
Growth and returns

Real return in international equity markets in periods with high, medium and low growth in the global economy. Percent

Sources: Dimson et al. (2016), Reinhardt and Rogoff (2011) and Feenstra et al. (2015)
Equity allocation and expected return

Percent

Source: Norges Bank
Equity allocation and fluctuations

Portfolio risk. Percent

Correlation = 1
Correlation = 0.4
Correlation = -0.3
Correlation between equities and bonds

24-month rolling equity and bond correlation coefficient for US market data

Source: Norges Bank
The government’s petroleum wealth
Share of total petroleum wealth. Percent

Source: Ministry of Finance
Petroleum revenue spending
Non-oil deficit. Percent

Sources: Ministry of Finance and Norges Bank