

Stocks Drive Norwegian Oil Fund's Returns

Stockholm (HedgeNordic) – Norway's Government Pension Fund Global, the largest sovereign wealth fund in the world with NOK 12.2 trillion or about €1.17 trillion under management, returned 9.4 percent in the first half of this year, equivalent to NOK 990 billion or close to €95 billion. The fund's equity investments, which accounted for 72.4 percent of its entire portfolio at the end of June, returned 13.7 percent for the first half of 2021 as investments in energy, finance and technology companies contributed strongly to performance.

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"The equity investments had the most positive contribution to the return in the first half of the year, and especially the investments within the sectors of energy and finance. The investments in energy companies returned 19.5 percent," says Nicolai Tangen, the CEO of Norges Bank Investment Management. "The strongest performance during the period was in sectors exposed more to inflation, such as energy, financials, materials, real estate and industrials. Similarly, the highest returns shifted from growth stocks to value stocks," writes the fund in its half-year report.

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The healthcare and technology sectors delivered solid returns for the Norwegian sovereign wealth fund throughout the coronavirus pandemic and made further gains in the first half of this year. "Technology companies returned 16.8 percent. Several major technology companies saw a continued increase within digital advertisement," says Tangen, a former hedge fund manager who has been at the helm of the largest sovereign wealth fund in the world since September of last year.

The fund's fixed-income investments were down 2.0 percent in the first half of 2021, while investments in unlisted real estate returned 4.6 percent. The fund's investments in unlisted renewable energy infrastructure were down 1.9 percent in the first six months of the year. Fixed-income investments accounted for 25.1 percent of the fund's NOK 11,673 billion portfolio at the end of June. The Government Pension Fund Global had 2.4 percent of its portfolio invested in unlisted real estate at the mid-point of the year and 0.1 percent in unlisted renewable energy infrastructure.

Total real estate investments amounted to 4.2 percent of the fund at the end of June this year and returned 8.05 percent during the first half of 2021. The fund's unlisted and listed real estate investments are managed under a combined strategy for real estate. Unlisted real estate investments, meanwhile, made up 57.0 percent of the overall real estate portfolio and returned 4.6 percent in the first six months of 2021. Listed real estate made up 43.0 percent of the overall real estate portfolio and returned 14.0 percent.