The Norwegian Government Petroleum Fund Annual Report 1998

98

Forvaltning av Staten

NB NORGES BANK

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The Government Petroleum Fund

The Norwegian Storting adopted the Act relating to the Government Petroleum Fund in 1990.

One important reason for establishing the Fund was to make the use of petroleum revenues in the central government budget easily visible. The Petroleum Fund constitutes a buffer against fluctuations in revenues from petroleum activities, and a tool for dealing with the long-term challenges to state finances which will present themselves when petroleum activities decline.

According to the Act relating to the Government Petroleum Fund, the Ministry of Finance is the manager of the Fund. The Ministry has delegated the operational management to Norges Bank. Fund management takes place on the basis of a regulation laid down by the Ministry of Finance and pursuant to a Management Agreement between the Ministry of Finance and Norges Bank.

Norges Bank is to achieve the highest possible return on the portfolio, subject to the restrictions defined in the regulation. The Bank is to ensure that there are adequate risk management systems and control routines for the instruments used in the management of the Fund.

The Petroleum Fund is managed according to a benchmark portfolio defined by the Ministry of Finance, and its performance is measured against this benchmark portfolio. The Ministry has also fixed an upper limit to how far Norges Bank may deviate from the benchmark portfolio.

At the highest level, auditing of the Government Petroleum Fund has been assigned to the Office of the Auditor General, which bases its audit on the work done by Norges Bank's Auditing Department. The Auditing Department reports to the Bank's Supervisory Council, which is appointed by the Storting.
The Ministry of Finance uses an independent consulting company in its evaluation of Norges Bank's management.

Up to the end of 1997, the Petroleum Fund was managed according to a strategy similar to that followed by Norges Bank in its management of foreign exchange reserves. Capital was placed in government and government-guaranteed bonds and bills. From January 1998 portions of the Petroleum Fund have also been invested in the international equity markets. The number of countries in which investment is permitted has been expanded from 10 to 21. The Ministry of Finance submitted this strategy to the Storting in the Revised National Budget for 1997 and the National Budget for 1998. The revised strategy is in all essentials in accordance with the advice given by Norges Bank.

At year-end 1998 the market value of the Petroleum Fund was NOK 172 billion. The bond portfolio was NOK 102 billion and the equity portfolio NOK 70 billion. The equity portfolio consisted of investments in more than 2000 enterprises.

Information and confidence

This is the first annual report that Norges Bank has published about the operational management of the Government Petroleum Fund. One of the primary objectives of the report is to provide comprehensive background information, to permit an understanding and evaluation of the manner in which Norges Bank is fulfilling its management responsibilities.

The Government and the Storting (Norwegian parliament) have delegated an important responsibility to Norges Bank by assigning the operational management of the Petroleum Fund to the Bank. The division of responsibility between Norges Bank and the political authorities has been clearly defined. The Ministry of Finance is responsible for drawing up the strategy, and in the context of this strategy Norges Bank has been given a clearly defined responsibility for the results achieved through management operations. In addition, the Bank submits recommendations to the Ministry on the choice of strategy.

The management objectives are laid down in the Regulation relating to the Management of the Government Petroleum Fund: Norges Bank shall seek to achieve the highest possible return subject to the limits set out in the Regulation, and ensure that satisfactory risk management systems and control routines are in place.

Norges Bank has placed considerable emphasis on building up a sound system for risk management and control. As long as the systems and organisation were being developed, little use was made of the scope for permitted deviations from the benchmark portfolio, as set out in the guidelines for the management of the Fund.

The Petroleum Fund recorded a return of 9.3 per cent in 1998. As a result of the depreciation of the krone, the return measured in NOK was 19.8 per cent. Movements in the krone exchange rate do not affect the international purchasing power of the Petroleum Fund, so that it is more appropriate to consider the return measured in international currencies. Norges Bank outperformed the benchmark portfolio by 0.2 percentage point.

Developments through 1998 served to remind us on many occasions that the return on the Petroleum Fund may show substantial short-term fluctuations. There may also be considerable variations in the return from one year to the next. We must therefore be prepared for some years with weak or even negative returns. In such years, as well as in years with a high return, it is important to bear in mind that the strategy for the Petroleum Fund is based on a long time horizon.

During the past two years, Norges Bank has faced considerable challenges in connection with the preparation and implementation of the new management strategy for the Petroleum Fund, and this task has received high priority. The Fund is a very important economic policy instrument, and shall promote the long-term considerations pertaining to the use of petroleum revenues. Broad confidence in the manner in which this important part of our common financial wealth is managed is therefore important.

Clearly defined roles and responsibilities, and openness about management results, are preconditions for confidence in the management of the Fund. It is the intention that this annual report will contribute to this end.

Oslo 24 February 1999

Svein Gjedrem

Svein Gjedrem
Governor

The Government Petroleum Fond - key figures 1996-1998

Increase in market value due to the depreciation of the krone, with no effect on the international purchasing power of the Petroleum Fund.

Higher market value measured in international currencies:

Total return	9,25 %
• Equity portfolio	12,86 %
• Fixed income portfolio	9,31 %

Excess return relative to benchmark:
portfolio: 0,20 percentage point measured in NOK

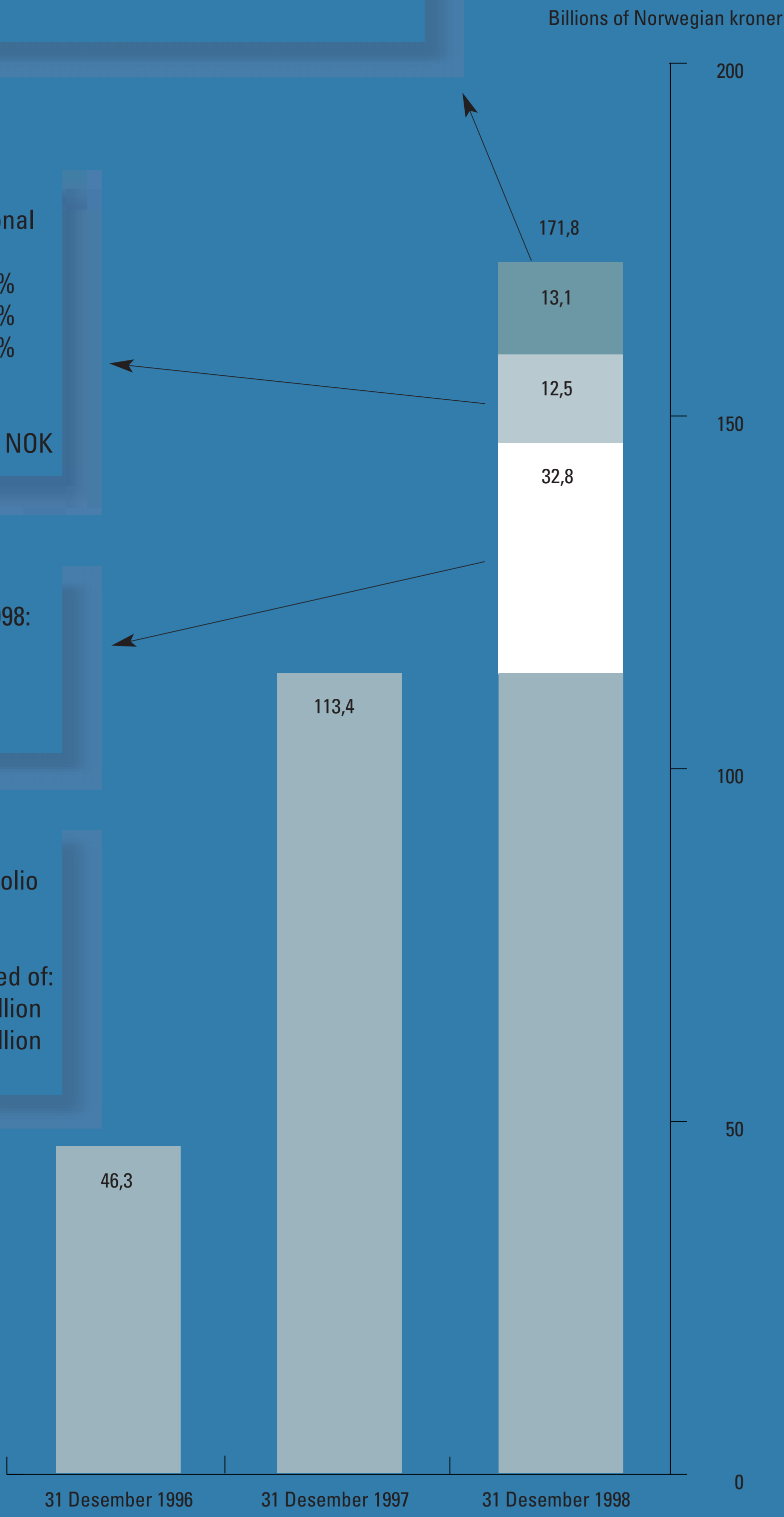
Transfers from the Ministry of Finance in 1998:

30 June	NOK 11,8 billion
30 Sept.	NOK 10,0 billion
30 Nov.	NOK 11,0 billion

In 1996 and 1997 the Petroleum Fund's portfolio consisted only of bonds.:

On 31 December 1998, investments consisted of:

• equity portfolio	NOK 69,5 billion
• fixed income portfolio	NOK 102,3 billion



Report

The New York Stock Exchange began in 1972 under a button-wood tree located at 68 Wall Street.
Declaring themselves «brokers for the purchase and sale of public stock»,
twentyfour gentlemen known as «button-wood brokers» traded mostly government issues.

FAXIMILE OF "A HISTORICAL REVIEW OF ANUAL REPORT DESIGN" PENTAGRAM DESIGN (SAN. FR.)
PUBLISHED BY POTLATCH CORP. (USA) ILLUSTRASJON: DOUGLAS SMITH

1. Mandate for management

Norges Bank manages the Government Petroleum Fund on behalf of the Ministry of Finance. The operational management is carried out by a separate unit in the Bank, Norges Bank Investment Management. The mandate for management was set out in a regulation issued by the Ministry of Finance. A management agreement has also been drawn up, which further specifies the relationship between the Ministry of Finance as delegating authority and Norges Bank as operational manager.

An important element of the mandate is a hypothetical benchmark portfolio of specific equities and bonds listed in countries where investment is permitted. The benchmark portfolio reflects the delegating authority's investment strategy for the Petroleum Fund. It serves as an important basis for managing the risk of the operational management, and for evaluating Norges Bank's management performance. The Ministry of Finance has

set limits for the deviation between the actual portfolio and the benchmark portfolio. Norges Bank submitted recommendations to the Ministry of Finance before the investment strategy was chosen.

In 1998 several important changes were made to the management strategy. First, equities were added to the benchmark portfolio in five monthly steps of 8 percentage points each, from 1 February to 1 June. Since then, equities have accounted for 40 per cent of the benchmark portfolio. Second, the country weights for bonds in the benchmark portfolio were gradually changed in the same period, and the investment universe was expanded from 10 to 17 countries. The first five months of 1998 constituted a transitional period, during which extensive changes were made to the Fund's benchmark portfolio at the end of each month.

A minor change was made when Portugal was included in the equity portion of the benchmark portfolio, as the 21st country, on 1 June, and in the bond portion, as the 18th country, on 1 July. The change reflected the inclusion of Portugal from those dates in the indices forming the basis for the benchmark portfolio: Financial Times/Standard & Poor's equity index and Salomon Smith Barney's bond index.

The selection of securities from each country included in these indices may change from month to month. In addition, country weights are changed quarterly. This means that the detailed benchmark portfolio is changed just as frequently. The responsibility for ensuring that the benchmark portfolio is correct is vested with Norges Banks' Market Operations Department, and hence outside the organisation responsible for operational management. The benchmark portfolio is discussed in more detail in feature article 2.

The Ministry of Finance has given Norges Bank the opportunity to deviate from the benchmark portfolio. Limits have been defined to restrict the degree of deviation permissible between the return on the actual portfolio and the return on the benchmark portfolio:
the Ministry has stipulated that the expected tracking error is not to exceed 1.5 per cent. In practice, this restriction means that in two out of three years the difference between the return on the actual and benchmark portfolios will be less than 1.5 percentage points, if Norges Bank makes full use of the risk limit. The feature article about the management of risk in the Petroleum Fund provides a further discussion of the concept 'tracking error'.

Norges Bank can use the scope for deviating from the benchmark portfolio for two main purposes. First, such deviations can be made with a view to achieving a higher return than the benchmark portfolio. This is normally called 'active management'. Second, it will not be cost effective to allow the actual securities holdings to

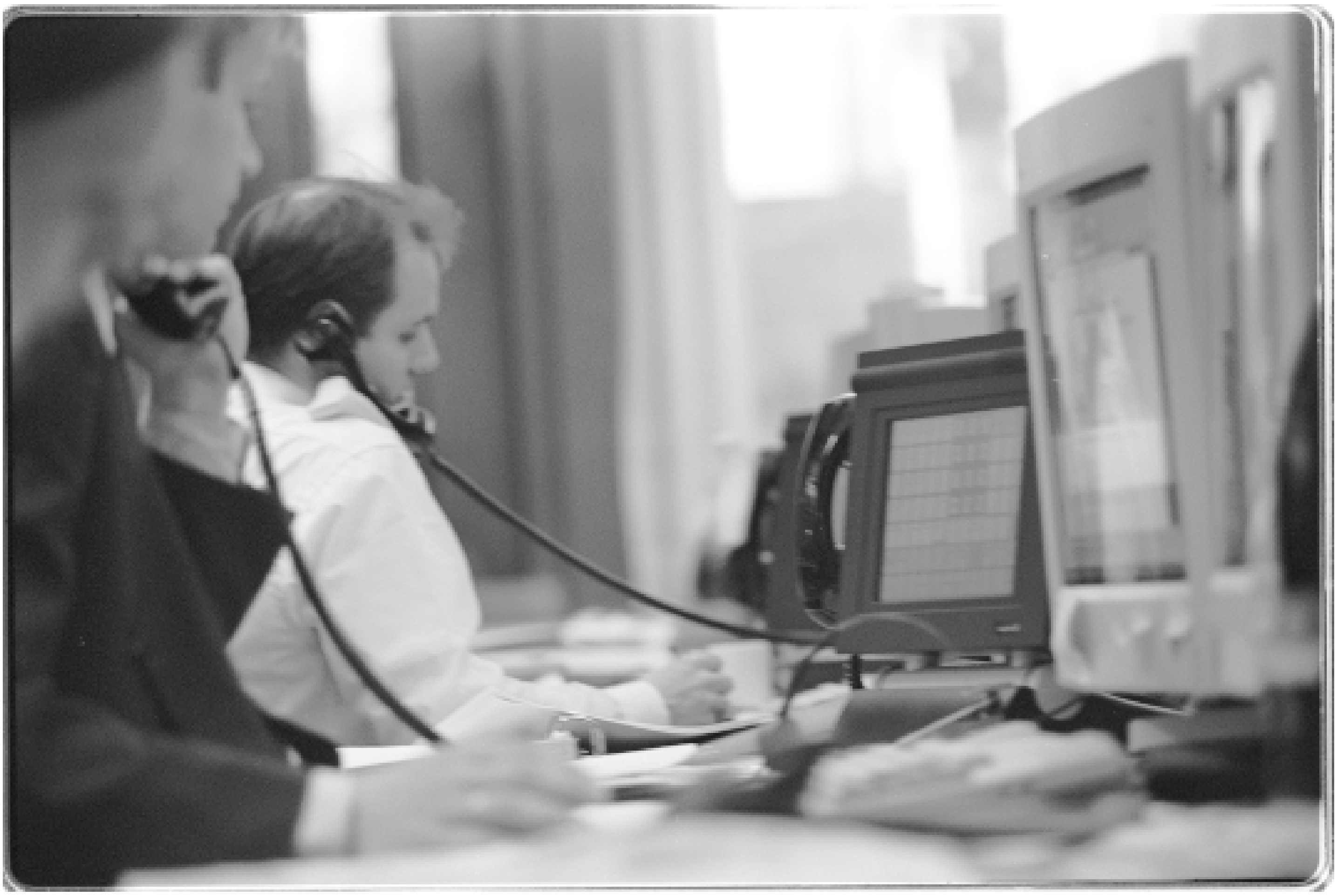
correspond precisely to the composition of the securities in the benchmark portfolio at all times.

In addition to imposing a limit on expected tracking error, the Ministry of Finance has set limits for interest rate risk, the share of the Fund that can be invested in equities and bonds, and the distribution of the Fund among the three main regions of Europe, the Americas and Asia/Oceania. A ceiling of 1 per cent has also been placed on maximum permissible ownership holdings in companies.

The Ministry of Finance is considering possible amendments to the guidelines. In the Revised National Budget for 1998, the Ministry writes:

As to guidelines on ethics and human rights, the Government has considered several alternatives. So far, no means have been identified for achieving the requirements that must apply with respect to clarity, consistency and feasibility, and which can thus be recommended to the Storting. The Government will continue working on a solution in which environmental considerations form the basis for investments, possibly by defining a smaller portion of the Fund's portfolio that would be subject to special restrictions as regards investment within this sub-portfolio, on the basis of specified environmental criteria. Such criteria must be based on objective, easily identifiable factors.

2. Organisation of management in Norges Bank

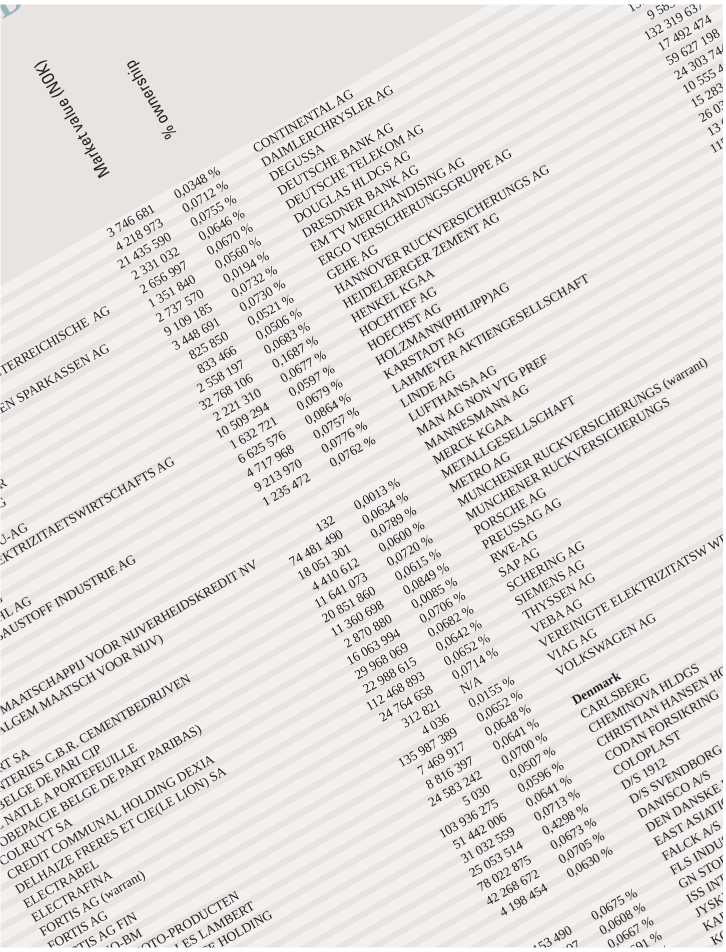


On 1 January 1998, Norges Bank established a separate unit for investment management. Norges Bank Investment Management performs the operational management of the Government Petroleum Fund and the Government Petroleum Insurance Fund, and also the portion of foreign exchange reserves that is not ear-marked for short-term liquidity requirements. At the end of 1998, the value of the combined portfolios under management was NOK 287 billion. The executive director of Norges Bank Investment Management reports to the governor of the central bank, but is not a full-fledged member of the Bank's management group. Procedures have been established to ensure that the Investment Management entity does not gain access to certain types of confidential information that Norges Bank receives from other central banks and inter-national organisations.

The liquidity portfolio portion of Norges Bank's foreign exchange reserves is managed by the Market Operations Department, which has executive respon-sibility for monetary policy. The Market Operations Department also has three different functions in relation to the operational management of the Government Petroleum Fund. First, the department has responsibility for formulating recommendations submitted by Norges Bank to the Ministry of Finance concerning the guide-lines for the Petroleum Fund. Second, the department is responsible for settlement functions for the internally managed sub-portfolios in the Petroleum Fund, and makes the final calculations of the return. Third, the department has a control function on behalf of the Central Bank Governor (see Section 7 below).

The supreme auditing of the Government Petroleum Fund has been assigned to the Office of the Auditor General. This office bases its audit on the work carried out by Norges Bank's Auditing Department. The latter unit reports to Norges Bank's Supervisory Council, which is appointed by the Storting. Norges Bank's Auditing Department submits a statement to the Ministry of Finance on the Fund's quarterly and annual reports. The day-to-day accounting functions of the Petroleum Fund are performed by Norges Bank, partly by the Market Operations Department and partly by the Budget and Accounting Department.

3. Fund management in 1998



At the end of 1997, the Fund amounted to NOK 113.4 billion. In 1998, NOK 11.8 billion was transferred to the Fund on 30 June, NOK 10 billion on 30 September and NOK 11 billion on 30 November. Total transfers in 1998 amounted to NOK 32.8 billion. From the second half of 1998, the general rule is that the Ministry of Finance will transfer capital to the Petroleum Fund on the last day of each quarter, but in the fourth quarter of 1998 an exception was made because of the work that had to be done in the New Year weekend following the introduction of the new European currency, the euro, on 1 January 1999.

3.1 Adaptation to the new benchmark portfolio

In the first five months of 1998 the management aimed primarily at adapting the actual portfolio to the extensive changes in the benchmark portfolio. This was an extensive operation, involving the establishment of a large equity portfolio financed by the sale of bonds, and the redistribution of large amounts within the bond portfolio.

The main aim of activities during this phase was to adapt the portfolio as cost-effectively as possible, and with adequate control.

The equity portfolio was established according to a plan drawn up by Norges Bank in which an external equity manager, Barclays Global Investor (BGI) played an important part. BGI was one of four equity managers selected after an extensive process in the autumn of 1997. The three other external managers that were selected at the same time, State Street, Bankers Trust and Gartmore, assisted BGI, primarily by offering crossing opportunities in addition to those available at BGI. Crossing permits large equity portfolios to be purchased without using brokers and incurring brokerage fees. Another advantage of crossing may be that equity prices are influenced to a lesser extent than through trades using brokers. In the establishment phase, 82.6 per cent of the Petroleum Fund's equity portfolio was acquired in this manner. See feature article 3 for further details.

Attempts were also made to curb the costs of equity purchases by spreading them over time. This reduced the influence of the purchases on the market, which could have led to a rise in the prices of the equities earmarked for purchase. Some of the equity exposure was initially achieved by buying futures contracts for equity indices, so that the timing of buying physical equities could be adapted more easily to the opportunities for crossing portfolios.

The capital for equity purchases was acquired through Norges Bank's sale of part of the Petroleum Fund's bond holdings. This was coordinated with a redistribution of the bond portfolio designed to minimise the number of transactions. Among other things, emphasis was placed on avoiding unnecessary exchanges of currency.

3.2 Current management

The three external equity managers that were not directly responsible for establishing portfolios, State Street, Bankers Trust and Gartmore, took over established portfolios in early March. Their mandate was to engage in index management, which means that the actual portfolio will contain virtually the same equity holdings as those in the benchmark portfolio. The actual return will therefore be very close to the return on the benchmark portfolio. This is a cost-effective form of management involving low management fees and few transactions. Transactions will only be required in connection with the small changes made each month in the equity indices the managers are required to follow.

From early June, when adaptation to a new benchmark portfolio had taken place, BGI also switched to pure index management of the equity portfolio to be invested. Further capital was supplied to the four index managers in connection with transfers of new capital to the Petroleum Fund. The transfers were primarily made by having the managers take over portfolios of futures contracts. In 1998, they managed almost the entire equity portfolio. At year-end the equity index portfolios had a market value of NOK 60.8 billion.

In February 1998 mandates were announced for active equity management. Around 260 proposals for this type of management were submitted, and an extensive evaluation process was initiated. The first mandates were awarded in November, and three of these managers received portfolios in connection with the transfer of new capital to the Petroleum Fund on 30 November. At year-end these three managers had equity portfolios with a combined market value of NOK 6.4 billion. The managers have had these mandates such a short time that it is difficult to comment on the experience gained in connection with this management.

In 1998, internal equity management in Norges Bank was limited to trading futures contracts for equity indices. In the second half of 1998, Norges Bank began preparing the ground for its own trading in physical equities, with the intention of making cost-effective purchases of equity portfolios which will later be taken over by external managers. A second objective is for the Bank to be able to actively adapt the portfolio to changes in the market indices included in the benchmark portfolio. A third objective is for the Bank itself to engage in active management in some market segments.

The sale of bonds and other fixed income securities to permit the purchase of equities in the first five months of the year was coordinated with the accumulation of the equity portfolio. The sales were carried out by Norges Bank at the same time equity purchases were to be made. The fixed income portion of the portfolio was redistributed as an adaptation to the new benchmark portfolio. The new benchmark portfolio contains more countries than previously, is based on other indices, and has a longer duration (ie the portfolio is positioned farther out on the yield curve, with prices that are more sensitive to interest rate changes). The changes were thus substantial. These were also the principal activities of the Fixed Income Unit in the transitional phase up to June 1998.

Table 1: Market value* of the Government Petroleum Fund in 1998. In millions of NOK

	31.12.97	31.3.98	30.6.98	30.9.98	31.12.98
Equities	0	32 101	55 147	52 198	69 532
Bonds	113 401	88 421	80 622	88 520	102 300
Total	113 401	120 522	135 769	140 718	171 832

*The market value is based on the trading date, and not the value date. The above figures are therefore not identical to those presented in Norges Bank's accounts. The figures include the portfolio reflecting the Fund's krone account with Norges Bank, but do not cover possible differences between the transfers to this account and the government's final annual surplus.

The Petroleum Fund's portfolio of fixed income securities was managed almost in its entirety internally in Norges Bank in 1998. The market value of the internal fixed income portfolio was NOK 101.6 billion at year-end. The portfolio consisted mainly of securities that are either issued by the governments of the 18 countries in the bond investment universe, or guaranteed by those governments. The guarantees are normally explicit, but in some cases they may be implicit, particularly as in the case of bonds issued by US federal credit institutions.

The guidelines for the Petroleum Fund also permit investment in bonds issued by enterprises or institutions with a particularly high credit rating. This was not done in 1998, but work to prepare for this type of management is under way.

The Petroleum Fund only had one external bond manager in 1998. A mandate for foreign exchange reserves previously awarded to the Dutch bank ABN Amro was transferred to the Petroleum Fund in May. The market value of the portfolio at year-end was NOK 0.8 billion.

In September 1998 mandates for active bond management were announced. Around 80 proposals were received, and these are currently being evaluated. According to plan, the process will be completed in the first half of 1999, and the first managers are expected to receive capital in the second half of the year.

4. The return on the Fund

1998 was a turbulent year for international equity and bond markets. The first half of the year saw a sharp rise in prices in European and US equity markets, while a fall in interest rates generated a slight rise in bond prices. Japan also experienced a drop in interest rates, but the equity market showed no overall gains in the first half of the year. The economic crisis that began in Asia in the autumn of 1997 gathered momentum, and the Russian economic situation became increasingly difficult.

One consequence of this was a fairly sharp fall in equity prices worldwide in the third quarter. This decline was particularly marked in Europe, which had recorded the strongest rise in the first half of the year. As a result of the decline in equity prices, Japan's equity index fell to more than 10 per cent below the level at the end of 1997. Interest rates dropped further in all main markets.

In the fourth quarter, equity markets in both the US and Europe recouped all or part of the losses in the third quarter and, viewed as a whole, the return on these markets was very high in 1998. The equity market in Japan also picked up, but the return on Japanese equity investments for 1998 as a whole was clearly negative. Interest rates were fairly stable in Germany and the US, but rose sharply in Japan in response to the gradual erosion of confidence in the Japanese economy. At the end of the year, the yield on 10-year Japanese government bonds was higher than at the beginning of the year.

A more thorough review of market developments in 1998 is presented in feature article 1.

In 1998 the Petroleum Fund recorded a return of 9.25 per cent, measured in terms of the currency basket defined by the country weights in the benchmark portfolio. If the equity and bond portions of the Petroleum Fund are considered separately, the return figures were 12.86 and 9.31 per cent for the equity and bond portfolios respectively. These figures are presented in Table 2, along with the return for each quarter in 1998. The returns on both equity and bond portfolios were negative in the third quarter, but the total return in the first and fourth quarters was solid. The return on equities was particularly high in both quarters.

The benchmark portfolio's currency basket is partly weighted according to the importance of the individual countries in the world economy, and hence the supply of imports available to Norway, and partly according to current import weights. Thus, these weights differ from the actual import weights. It may therefore also be of interest to look at the return on an import-weighted currency basket. Table 2 shows that the return has been slightly higher when measured in this manner.

In the course of 1998 the Norwegian krone depreciated by nearly 10 per cent, measured in terms of the Fund's currency basket. As a result, the return on the Petroleum Fund, measured in NOK, amounted to a full 19.75 per cent. The return in Norwegian currency is the official one, since the Fund's accounts are kept in NOK. However, the extra return resulting from the depreciation of the krone does not improve the Fund's international purchasing power. A better indication of changes in the Fund's purchasing power is obtained by computing the return either relative to the Fund's currency basket or to an import-weighted currency basket.

The reference currency used has little effect on the difference between the actual return and the benchmark portfolio return. The differential measured against NOK was 0.20 percentage point. Calculated as a geometric

difference instead of an arithmetic one, ie as a percentage of accumulated market value, the excess return was 0.16 per cent. This difference, calculated either way, represents an excess return that would not have arisen if the Fund's portfolio had been identical to the benchmark portfolio at all times.

The excess return in relation to the benchmark portfolio was highest in the first quarter. This was because most of the time the equity portion of the actual portfolio was larger than that of the benchmark portfolio. Since equity prices rose substantially in this quarter, the overweighting of equities was profitable. A similar situation occurred in the second quarter, but the gains in the form of an excess return were lower. In both quarters, the excess return was not a result of active management, but rather a side effect of a predetermined plan for reducing the possibility of market influence from equity purchases (see Section 3.1 above).

In the third quarter, the return on the actual portfolio was 0.23 percentage point lower than the return on the benchmark portfolio. One reason for this was a continued overweighting of equities in July and August. With a decline in share prices, this was not profitable. Another reason was that the bond portion contained securities not included in the benchmark portfolio's government bond indices. These non-government securities have a small credit risk, and hence a higher yield than government paper. In the third quarter the yield spread between these securities and government paper increased substantially, resulting in a clear price loss in relation to government paper in the same currency.

Table 2: Return figures for each quarter and for the year 1998. Per cent

Return in the period	Equity portfolio		Bond portfolio		Total portfolio	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
The Petroleum Fund's currency basket						
1st quarter	11.38*	11.78*	2.19	2.03	3.73	3.33
2nd quarter	2.14	1.89	1.86	1.90	2.07	2.03
3rd quarter	-15.57	-15.69	4.62	4.86	-3.58	-3.35
4th quarter	17.51	17.77	0.38	0.08	7.02	7.05
Year 1998	12.86	13.10	9.31	9.10	9.25	9.08
Import-weighted currency basket, 1998	13.26	13.50	12.16	11.95	11.58	11.40
USD, 1998	18.69	18.93	15.58	15.36	14.98	14.79
NOK, 1998	19.33	19.58	20.37	20.14	19.75	19.55
Excess return		-0.25		0.23		0.20

* The equity return for the first quarter includes February and March only. In January equities were not part of the benchmark portfolio.

Methodology for calculating returns

The calculation of the final return figures is performed by the Market Operations Department, which is an entity separate from Norges Bank Investment Management. The returns are calculated according to the market value principle, ie the portfolios are valued at the relevant market prices at the end of the period. All return components, ie interest expenses and income, changes in holdings and changes in securities prices, are included in the return and accounted for on an accruals basis. When calculating values and results, the trade date is used for recognising income and expenses for agreed, unsettled transactions. The return is compared with the return on the benchmark portfolio. The relative geometric return is used.

The calculations of the return are carried out in separate models, which are not reconciled with the accounting system. In the calculations, market values on the trade date are used, and not the principle of lower of cost or market value, and the settlement date, as in the accounts. There may therefore be discrepancies in the returns calculated by two systems. Discrepancies may also be due to differences in the pricing of securities.

During the transitional period in connection with the adaptation to the new guidelines for the Government Petroleum Fund during the first half of 1998, frequent, large external cash flows took place between the asset classes equities and bonds and between the various currency portfolios within each asset class. The time-weighted return should be used when comparing the results against a benchmark portfolio, in order to eliminate the effect of incoming and outgoing payments to and from the portfolio. It is then necessary to calculate the market value of the portfolio at each cash flow date, and the return is found as the change in market value. A return index is thus derived for each cash flow date. The return for a period is found by multiplying the various return indices.

To date, Norges Bank has carried out quality assurance of market values only at month-end, and has therefore not been able to calculate a time-weighted return at any other point during the month. Instead, a cash-weighted method has been used, whereby the monthly percentage return on the Government Petroleum Fund is calculated by distributing the various cash flows between the opening value and closing value, and the return is found by dividing the portfolio's adjusted final value by the adjusted initial value.

The method used to calculate the monthly percentage return is summed up in the following formula:

$$y = \left[\left(\frac{V_2 - \dfrac{\sum_i i \cdot d_i}{T}}{V_1 + \dfrac{\sum_i (T\text{-}i) \cdot d_i}{T}} \right) - 1 \right] \cdot 100$$

where

y = return for period

V_1 = the portfolio's value at the start (including accrued interest)

V_2 = the portfolio's value at the end of the period (including accrued interest)

T = number of days in the period

i = day number in the period

d_i = total transaction amount on day i

The return for longer periods, such as the quarterly return and return to date this year, is found by multiplying the return indices for the months. In other words, it is a time-weighted product of the return for the individual months.

The return in both NOK and local currencies is calculated by the method described above. The total return in NOK is found by totalling the market values in NOK of all currencies and distributing total cash flows in NOK, as expressed in the formula above. WM/Reuters exchange rates are used for converting local currencies to NOK. These exchange rates are fixed at 4 pm London time.

The total return in local currency is calculated by weighting the return for each currency by the share that currency constitutes of the total portfolio. The shares are regarded as the market values of the individual currencies as a percentage of the market value in NOK of the total portfolio at the start of the measurement period.

The currency return is calculated as the difference between the return in NOK and local currency. This has been found to be the most correct means of splitting the return between the currency return and the return on bonds/equities. This applied particularly during the transitional period, when there were many transfers between currencies and asset classes. The currency return can in turn be broken down into two components: one showing the return on currency achieved by the benchmark portfolio, and one corresponding to the return on currency the Fund has achieved by deviating from the currency distribution in the benchmark portfolio. By adding the latter portion of the return on currency to the return in local currency, one arrives at the return in local currency measured in the currency distribution of the benchmark portfolio.

In the fourth quarter there was little difference between the actual return and the return on the benchmark portfolio. Some limited active positions were taken. These had a varying effect on the excess return, and in opposite directions, and the overall effect was limited.

The return figures include income from the lending of securities, specifically short-term lending to counterparties that not only have high credit ratings but also supply full collateral for the value of the paper they borrow. Table 3 shows that total lending income amounted to NOK 45.1 million, or 0.03 per cent of the average value of the Petroleum Fund's portfolio. This is income that the benchmark portfolio is not expected to generate.

The Government Petroleum Fund pays taxes on the return in some markets, and is fully exempt in others. In the benchmark portfolio, account is not taken of taxes, so that the return on the benchmark portfolio will be somewhat higher than the return achieved in practice through passive management. According to calculations made by Norges Bank, the return on the Petroleum Fund is 0.03 per cent lower than the return on the benchmark portfolio as a result of tax payments.

Table 3: Income from the lending of securities in 1998

	Securities lending	Equities lending	Total
Income (NOK 1000)	14 538	30 560	45 098

Historical review

Capital was first transferred to the Government Petroleum Fund in 1996, when the central government accounts for 1995 showed a surplus. At the end of 1996 further capital was transferred, corresponding to the estimated central government surplus for that year. Capital was also transferred at the end of 1997. Table 4 shows the return for the three years that the Fund has been endowed with capital. The figure for 1996 is very small compared with figures for the past two years. Measured in NOK, the return in 1998 was markedly higher than in 1997, but mainly due to the depreciation of the krone in 1998.

Table 4: Historical return on the Government Petroleum Fund

	1996	1997	1998
Return measured against NOK	*3.15%	10.83%	19.75%
Excess return in relation to the benchmark portfolio		0.23%	0.20%
Transferred from the Ministry of Finance, in millions of NOK	46 194	64 019	32 873
Market value in millions of NOK, at 31 December	46 301	113 401	171 832

* The return for 1996 is for the period from the first transfer (NOK 1 981m in May) to the end of the year. The remainder of the 1996 transfer was made on 31 December.

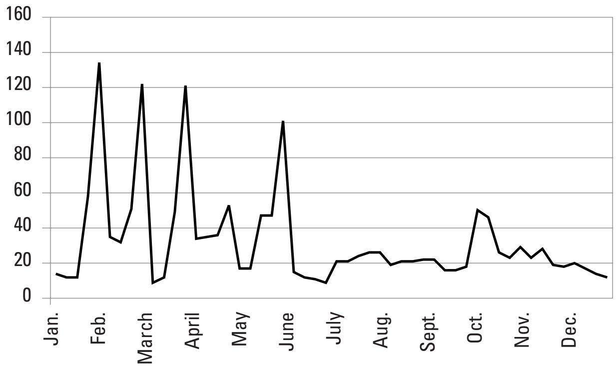

3

5. Market risk

The Ministry of Finance has set a limit for the market risk associated with the actual portfolio, relative to the benchmark portfolio, by requiring that expected tracking error always be less than 1.5 per cent (see Section 1 above). This limit has not been exceeded. The limit was neared during the transitional period to June, when equity purchases for the actual portfolio were largely made a few days before the benchmark portfolio was modified. The figures at the end of each month of this period consequently show a high expected tracking error. But the tracking error compared with the benchmark portfolio for the next month was consistently low (see Chart 5).

Since the transition to the new benchmark portfolio, relative market risk has been low and relatively stable. The deviations made from the benchmark portfolio have never brought the expected tracking error above 1.0 per cent, and the usual level has been around 0.2 per cent.

Figur 5: Exepted each Friday in 1998, in basis points



6. Compliance with the regulations

In addition to the limit on market risk, the Ministry of Finance has set other limits on the investment of the Petroleum Fund's capital. Table 6 provides a summary of these rules, and shows that in 1998 the Petroleum Fund has been managed such that there have been comfortable margins in relation to the stipulated limits.

Table 6: Risk exposure in relation to the limits in the regulation

Section	Risk	Limits	Actual 31.12.97	Actual 31.3.98	Actual 30.6.98	Actual 30.9.98	Actual 31.12.98
§ 4	Tracking error	Maximum 1.5%	0.12%**	1.20%	0.35%	0.50%	0.20%
§ 5*	Asset distribution	Fixed income 50-70%	100.0 %	73.4%	59.4%	62.8%	59.6%
		Equities 30-50%	0.0%	26.6%	40.6%	37.2%	40.5%
§ 6*	Currency distribution	Europe 40-60%	57.7%	53.2%	50.4%	50.1%	50.1%
		The Americas 20-40%	27.2%	29.2%	30.3%	29.8%	29.9%
		Asia / Oceania 10-30%	15.1%	17.6%	19.3%	20.1%	20.1%
§ 7	Interest-rate risk	Modified duration 3-7	3.43	4.06	5.13	5.29	5.14
§ 8	Credit risk	Max. 20% in bank deposits	4.6%	3.6%	4.7%	5.0%	3.4%
§ 10	Largest holding	Max. 1% of a company	0.0%	0.07%	0.09%	0.11%	0.43%
	Largest amount in one company (NOK m)	No limitations	0	131.6	581.3	485.6	831.2

* Sections 5 and 6 of the regulation entered into force on 1 June 1998.
** Calculated in relation to the benchmark portfolio for January 1998.

7. Control of management

The management of the Government Petroleum Fund is part of Norges Bank's activity, and thus subject to the same control routines as the central bank's other activities. In addition, a number of control mechanisms apply specifically to the Petroleum Fund.

Norges Bank's Executive Board has decided that the internal control requirements applying to other Norwegian financial institutions shall also apply to Norges Bank. This means that Norges Bank Investment Management is required to have its own routines to control all aspects of its activities. This internal control is the most important and comprehensive form of control of investment management activities (see feature article 4).

The Central Bank Governor has the ultimate responsibility for the control of all the central bank's activities. Several organisational measures have been implemented to reinforce the Governor's control of investment management. The Market Operations Department, which is not a part of Norges Bank Investment Management, is responsible for ensuring that Fund management proceeds according to satisfactory internal control procedures, and for making independent measurements of return and risk. A special advisory committee of persons from other parts of the central bank also assists the Governor in matters pertaining to investment management.

Norges Bank's Auditing Department reports to the central bank's Supervisory Council, which is appointed by the Storting. The Auditing Department has the same responsibility for auditing Investment Management as for other parts of the central bank's activities, and has decided to give relatively high priority to this aspect of its responsibilities.

The Office of the Auditor General has the ultimate responsibility for supervising all government activities, including the management of the Government Petroleum Fund. To avoid duplication, an agreement has been entered into with Norges Bank's Auditing Department, which stipulates that the Auditor General shall base its audit of the Petroleum Fund on the work carried out by the Auditing Department of Norges Bank.

As delegating authority for the management of the Government Petroleum Fund, the Ministry of Finance is continuously informed of the Bank's management activities. The most important information is provided in quarterly reports, which are available to the public. In order to discharge its supervisory responsibilities, the Ministry has engaged the consulting company Bacon & Woodrow to evaluate management performance. Norges Bank's Investment Management is obliged to give the Ministry's consultants full access to its databases.

8. Management costs

The management agreement between the Ministry of Finance and Norges Bank (see documentation section) stipulates the principles and rates for remuneration to Norges Bank. In principle, costs incurred by Norges Bank in connection with the management of the Petroleum Fund are to be covered in full. The agreed rates for 1998 were 0.105 of the average value which may be invested in equity instruments according to the benchmark portfolio, and 0.065 per cent of the average value that can be invested in fixed income instruments. In the final calculation of the remuneration, a minor reduction was made because some of the cost components included in the calculation basis had actually been charged directly to the Petroleum Fund. Total remuneration for 1998 was NOK 77.4 million.

The actual costs incurred by Norges Bank consist partly of fees to external managers and to the custodian bank, and partly of the Bank's internal operating costs. The external costs associated with the Petroleum Fund can easily be identified, whereas the internal costs will apply to all three funds under management. The internal costs applying to the Petroleum Fund are therefore calculated using a set of internal prices. The internal costs cover not only the units that contribute directly to the operational management, but also all support functions. The internal costs are calculated according to the guidelines applying to business operations in Norges Bank.

Table 7 summarises the costs Norges Bank incurred in connection with the management of the Government Petroleum Fund in 1998. The table only presents current operating expenses, not write-offs of start-up costs and investments.

The average market value of the Fund, calculated on the basis of market values at the start of each quarter, was NOK 127.6 billion in 1998. Equities account for NOK 39.6 billion of this amount, and fixed income instruments for NOK 88.0 billion. Costs thus amounted to 0.082 per cent and 0.039 per cent of the average market value of the equity and bond portfolios respectively.

These are very low costs compared with those of other large international funds. It is difficult to find fully comparable funds, but the management costs of large pension funds in the US and Europe are normally over 0.10 per cent of the assets under management. The low cost level of the Petroleum Fund is partly attributable to the fact that the management model was not fully developed in 1998, and that only a limited amount of active management has taken place with the aim of outperforming the benchmark portfolio. In the longer term, a higher cost level can be justified if the increase in the return fully offsets the increase in costs.

Table 7: Costs of managing the Government Petroleum Fund in 1998, including the costs of establishing the equity portfolio

	Thousands of NOK
Internal costs, equities	9 343
Fees, external equity managers	13 497
Costs, equity custodian	9 797
Total costs, equity management	32 637
Internal cost, fixed income management	29 012
Costs, external bond managers	874
Costs, fixed income custodian*	4 272
Total costs, fixed income management	34 158
Total management costs	66 795

*Including custodian costs that are charged directly to portfolios.

9. Reporting of accounts

Pursuant to the Regulation on the Management of the Government Petroleum Fund, Norges Bank has invested the Fund's krone deposits separately in assets denominated in foreign currency. Table 8 shows how the accounting value of the portfolio is distributed among instruments at 31 December 1998, as well as at

the end of each quarter of the year. The accounting value recorded for the krone account, including the return for the period 1 January-31 December, 1998, amounted to NOK 167 643 767 103.99 at 31 December 1998. Investments made in foreign currency have been translated into NOK at the exchange rates prevailing on 31 December 1998 as listed on WM Reuters at 4 pm London time. The value of the foreign securities portfolio is set at the lower of average acquisition price or market value at 31 December 1998.

The valuation of the portfolio according to accounting principles differs from the market values presented in this report. Market values have been used since the Petroleum Fund is composed exclusively of securities with daily quotations of market prices. The principle of market value provides a more secure basis for the correct valuation of this type of asset than the accounting principle of lower value.

At 31 December 1998, the total market value of listed futures contracts purchased amounted to NOK 2 493.2 million. The total market value of futures sales contracts at 31 December 1998 amounted to NOK 3 531.5 million.

The total value of foreign currency bought forward at 31 December 1998 was NOK 3 135.3 million, and forward currency sales contracts amounted to NOK 3 135.3 million.

Pursuant to the Regulation, the return achieved by Norges Bank on foreign investments is transferred to the Government Petroleum Fund's krone account. The return recorded on the krone account at 31 December 1998 is broken down in Table 9, which also shows comparable figures for 1997 and previous quarters of 1998.

Table 8: The portfolio of the Government Petroleum Fund, sorted by instrument. In thousands of NOK

Instrument	**31.12.97**	**31.3.98**	**30.6.98**	**30.9.98**	**31.12.98**
Bank deposits/loans abroad	5 254 262	4 278 716	6 378 405	7 094 356	5 891 261
Foreign Treasury bills	164 822	-	123 783	333 606	492 384
Foreign bearer bonds	104 990 657	83 363 584	76 711 343	85 457 847	97 836 191
Equities abroad	-	28 583 192	46 292 677	45 949 356	64 245 807
Lending abroad	747 431	1 187 302	3 826 471	3 710 759	8 000 533
Accured interest	2 903 495	2 017 669	1 442 068	1 924 493	2 361 879
Accured dividends	-	68 909	91 283	150 686	98 578
Withholding tax	-	-	4 566	13 260	17 273
Forward conrtact adjustment	-	-	-1 739	-14 825	-7 610
Loans, foreign banks*	-747 431	-1 187 302	-2 213 499	-4 297 802	-11 215 049
Accured interest, loans	-273	-1 766	-5 136	-84	-118
Miscellaneous dept**	-	-	-	-49 153	-77 362
Total portfolio	**113 312 963**	**118 310 304**	**132 650 222**	**140 272 499**	**167 643 767**

* Collateral for securities on loan.

** Mainly remuneration erned by Norges Bank.

The same accounting principles used for Norges Bank's accounts have been used to calculate returns, ie income and expenses are translated into NOK according to the exchange rate at the time of transaction and recognised as they are earned or incurred according to the accruals principle. The return figures differ from those arrived at using the principle of market value, as applied earlier in this report. The use of the principle of lower value in the calculation of returns is arbitrary to some extent since the choice of the papers that are to be realised at various points in time may be somewhat random.

Table 9: The return on the portfolio of the Government Petroleum Fund in 1998. In thousands of NOK

Return	**31.12.97**	**31.03.98**	**30.06.98**	**30.09.98**	**31.12.98**
Interest income	3 342 455	1 657 894	2 932 567	4 156 859	5 566 546
Dividends	-	84 147	352 400	573 341	705 588
Exchange gains	1 688 979	2 776 568	3 751 569	3 291 827	13 149 314
Unrealised securities losses	36 660	-17 718	-18 393	-3 464 140	-60 969
Realised securities gains	-204 500	343 110	457 719	568 552	857 559
Brokers' commissions	-	-	-5 232	-7 302	-12 245
Result forward exchange trading	-	-	-140 298	-109 876	-4 158
Gains futures	10 332	153 341	134 232	166 806	1 369 864
Total return on investments	**4 873 926**	**4 997 342**	**7 500 591**	**50 176 067**	**21 571 499**
Accrued management remuneration	-	-	-	-53 200	-77 362
Net return	**4 873 926**	**4 997 342**	**7 500 591**	**5 122 867**	**21 494 137**

NORGES BANK
Central Bank of Norway

Auditor's report

Statement to the Ministry of Finance
Annual Report of the Government Petroleum Fund for 1998

We have audited the annual report and accounts of the Government Petroleum Fund for 1998 which show a market value for the year of NOK 171.8 billion, an accounting profit of NOK 21.5 billion and an accounting value of NOK 167.7 billion. The Executive Board of Norges Bank is responsible for the annual report. Pursuant to the management agreement between the Ministry of Finance and Norges Bank, our responsibility is to examine the Fund`s annual report and determine whether the Fund is being managed in accordance with Act no. 36 of 22 June 1990 on the Government Petroleum Fund and the Regulation of 3 October 1997 relating to the Management of the Government Petroleum Fund. Our audit of the annual report comprises the report on the accounts presented in section 9 of the annual report. We have also made an assessment of information and figures provided in sections 1-8 of the annual report.

We have conducted our audit in accordance with generally accepted auditing standards and submit our certification in accordance with the accounting standard RS 800 of the Norwegian Institute of State-Authorised Public Accountants - «Auditors' statements concerning audits for special purposes» We have performed those auditing procedures which we have considered necessary to confirm that the annual accounts are free of material misstatements or omissions.

We have examined selected parts of the evidence supporting the accounts and information provided in the annual report. We have also assessed the accounting principles applied and the contents and presentation of the annual report. We have confirmed that the accounting information provided is consistent with the information on the Fund presented in the revised annual accounts for Norges Bank for 1998, which were adopted on 18 February 1999. To the extent required by generally accepted auditing standards, auditing instructions and agreements, we have reviewed Norges Bank's asset management and the internal control of the Fund.

In our opinion, the annual report presents fairly the financial position of the Government Petroleum Fund at 31 December 1998 and the result of its operations for the financial year, in accordance with the annual accounts and accounting principles of Norges Bank. In our opinion, the management of the Fund in 1998 complies with the acts and regulations which are referred to in the first paragraph.

Oslo 24 February 1999
Norges Banks Revisjon

Svenn Erik Forsstrøm
State Authorized Public Accountant

Mats Leonhard Pedersen
State Authorized Public Accountant

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Feature articles

Market developments in 1998 – long-term perspective

The investment strategy of the Government Petroleum Fund is based on a long time horizon, and the return on the Fund may show wide year-on-year fluctuations. This article begins by examining movements in international equity and capital markets in 1998. We then consider what the return would have been over the past 20 years on a portfolio corresponding to the Government Petroleum Fund's benchmark portfolio. One of our conclusions is that the market return in 1998 was normal in the context of this time horizon, but that the fluctuations were unusually large. This year's experience illustrates the advantage of maintaining a portfolio that is widely diversified across a number of countries and different types of investment.

Equity and capital markets in 1998

Economic growth in major countries in the world economy varied substantially in 1998. The year was also unusual in that price inflation was subdued in an environment of turbulent financial markets. For many countries growth forecasts were revised downwards considerably during the year.

At the beginning of 1998 the outlook for economic growth and price inflation around the world was highly uncertain due to the crisis in Asian economies. In the US and the UK the prolonged cyclical upturn, with brisk growth recorded in 1997, was expected to slow, and GDP growth was projected at about 2.5 per cent in 1998. Fiscal policy in many EU countries was tightened in preparation for EMU, with GDP growth expected to stabilise at a level on a par with the US and the UK. Zero economic growth was projected for Japan.

In Japan, the trend was far more negative than anticipated, partly as a result of the economic problems experienced by its trading partners in Asia. Substantial structural problems in the country's financial system contributed to the sluggish performance of both Japan and other Asian countries. The problems in Asia resulted in a marked slowdown in the growth in international trade that gradually also had an effect on Western OECD countries.

The most important economies in both Europe and North America showed pronounced growth in the first six months of the year, ie an annual rate of 3-4 per cent. Growth was weaker in the second half of the year, particularly in Europe where the growth rate in the EU area fell to about 2 per cent towards the end of the year. The Federal Reserve and the major European central banks lowered interest rates to stimulate their economies in the last half of the year.

Over the summer it became evident that Russia, even with support from the International Monetary Fund (IMF), would not find any quick solutions to its burgeoning economic problems. On 17 August, Russia devalued its currency and the country no longer serviced its government debt. The economic problems in Russia had a contagion effect on countries which, like Russia, depended on short-term loans from international financial markets in order to finance substantial government budget deficits. In September, the central bank of Brazil was compelled to raise its key interest rate from about 20 per cent to nearly 50 per cent in order to counter a considerable outflow of capital from the country. These developments may prove to have a severe contagion effect on other Latin American countries.

Inflation in industrial countries has been low in recent years, and even more moderate in 1998. This primarily reflects the sharp fall in oil prices and other commodity prices over the last year, along with intensified competition as a result of cheaper imports of manufactured goods from Asia, where currencies have weakened. Strong competition and surplus production capacity in several major European countries also contributed to low price inflation. Measured by the CRB index, which includes a number of important commodities such as oil, commodity prices fell by 16.1 per cent in 1998.

Table 1: Projections for economic growth in 1999 were revised during 1998

Forecast	March	June	Sept.	Dec.
World	2,7	2,0	2,5	1,5
US	2,2	2,1	2,3	2,3
W-Europe	2,7	2,4	2,7	2,0
Japan	1,0	0,3	0,9	-0,6

Source: Consensus Forecast

Chart 2: Equity and bond prices in 1998, measured by the Petroleum Fund's benchmark index

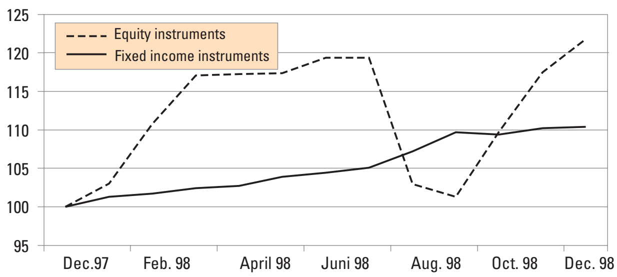


Chart 2 shows movements in equity and bond prices through the year, measured in relation to the Petroleum Fund's benchmark portfolio at year-end. Prices are indexed at 100 at the beginning of 1998, and are measured in local currency.

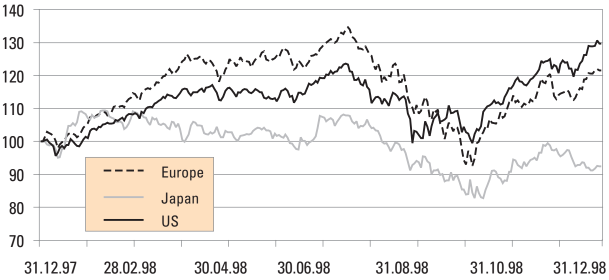
FEATURE ARTICLE 1

From January to July

Movements in international equity and bond markets in 1998 may generally be divided into three periods, with clear changes in market participants' perception of economic developments. Table 1 shows revisions of growth projections for 1999 during 1998. Projections for Europe and Japan, in particular, were revised downwards by a substantial margin in the period from March to December 1998.

The first period lasted until mid-July, with equity markets included in the Petroleum Fund's equity index showing strong growth (see Chart 2). Measured by the Financial Times/Standard & Poor's (FT/S&P) World Index, the increase was 22.9 per cent on a worldwide basis. All major markets showed an increase, but there was considerable regional variation. The highest gains were recorded by Europe, at 34.6 per cent, while the US and Japan recorded increases of 23.3 and 7.9 per cent, respectively. Bond markets also exhibited positive developments. Salomon Smith Barney's World Index for government bonds moved up by 4.4 per cent. Once again, the highest increase in prices was recorded by Europe at 5.6 per cent, compared with 4.2 and 2.0 per cent for the US and Japan, respectively.

Chart 3: Financial Times/Standard & Poor's indices for equity prices for selected countries/regions (31 Dec. 1997=100)



Source: Datastream

The positive trend in equity markets in the US and Europe was basically a continuation of developments that started in 1995, with robust growth in the real economy and low inflation. Spillover effects from Asia towards the end of 1997 were largely perceived to be of little consequence for the rest of the global economy. Equity prices in the US and Europe reached record levels during the end of the period.

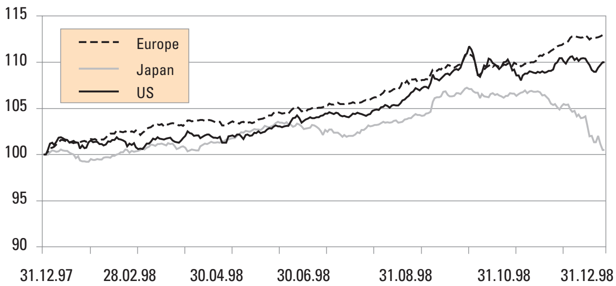
Bond yields in the US and particularly in Europe fell sharply during this period. Yields in German markets declined by more than half a percentage point to below 4.7 per cent for government bonds. Following the EU summit in May, yields in euro countries fell towards the German level.

In Japan, the substantial problems in the country's financial industry and property markets continued to affect both equity and bond markets.

From July to October

The second period continued to mid-October, and was marked by volatility in international financial markets. In mid-July, the Federal Reserve indicated that it might be necessary to raise interest rates in the US. A sharp fall in equity prices followed, but government bond prices continued to rise sharply in main markets. When Russia announced the postponement of government debt payments on 17 August, turbulence spread through the markets. At the same time, a large US hedge fund encountered severe problems. This created uncertainty and led to a marked shift of funds into the most liquid and safest bonds, issued by countries in the OECD area. The differential between returns on bonds with a government guarantee and bonds with credit risk widened considerably. Expectations of lower global economic growth also had an impact on developments. In the period from June to September, projections for growth in the international economy in 1999 were revised downwards from 2.5 per cent to 2.0 per cent (according to Consensus Forecast figures).

Chart 4: Salomon Smith Barney's World Government Bond Index 1998



Source: Datastream

Measured by FT/S&P's World Index, equity markets fell as much as 24 per cent. All main markets showed a substantial fall; Europe dropped by 31.5 per cent, while the US and Japan declined by 19.7 and 23.7 per cent, respectively. Developments in government bond markets, on the other hand, were very positive. On a global basis, bond prices rose by a good 4 per cent in this period. The highest return, 5.3 per cent, was in the US, while the figures for Japan and Europe were 4.6 and 3.9 per cent, respectively. Government bond yields in Europe fell to new record lows, and at the beginning of October yields on 10-year government bonds in Germany were under 4 per cent.

The Federal Reserve lowered its Fed Funds rate by 0.25 percentage point on 15 October. This came as somewhat of a surprise as it occurred in the period between two meetings of the Federal Open Market Committee. The rate was lowered to counter tendencies towards a more serious financial crisis and thereby a further slowing of economic growth. The Fed Funds rate was again reduced by 0.25 percentage point on 17 November. Other central banks followed suit with reductions in their key rates. The new European Central Bank lowered, in effect, interest rates in the euro area by announcing on 3 December that the key rate would be set at 3 per cent on 1 January 1999 when the euro was to be introduced.

From October to the end of the year

The reduction in central bank key rates led to a shift in the assessment of equity markets, and was the start of the third period of the year. By the end of the year, the US market had climbed back to the record levels prevailing in the summer. European equity markets recouped most of what they had lost. The impact on bond markets was more modest, reflecting to a larger extent the prospect of a slowdown in the world economy in 1999. The difference in return between government bonds and bonds with credit risk remained substantial, clearly reflecting the uncertain economic situation.

The equity markets included in FT/S&P's World Index rose by 27.2 per cent in the fourth quarter. All main markets showed an increase, with Europe and the US at about 30 per cent and Japan at 11.4 per cent. Hesitant government bond markets caused prices to rise by an average of only 0.3 per cent in this period. Europe showed the highest return at 2.9 per cent, against 0.3 per cent for the US. Returns in Japan declined by 5.8 per cent, and at the end of the year the yield on German ten-year government bonds was 3.9 per cent.

Equity and bond prices in emerging markets fell sharply for the year as a whole. This is partly attributable to economic developments in Asia in the autumn of 1997 as well as to developments in the major western economies. Market indices for equities and bonds showed losses of 24 and 10 per cent, respectively, but with wide variations among markets.

Fluctuations in equity and capital markets since 1978

1998 was a year of financial market turbulence, particularly in the third quarter, as equity prices fell sharply. This section presents both a comparison of developments in 1998 with those of previous years and an overview of some of the important long-term trends in major markets. The period from 1978 to 1998 has been selected because data are readily accessible for all markets. The period has not been chosen because it is representative of future 20-year periods (see discussion in feature article 2). Compared with the 20 years prior to 1978, the period 1978-1998 is marked by particularly high returns on equities relative to bonds.

Chart 5: Half-year return on the benchmark portfolio for the current Petroleum Fund

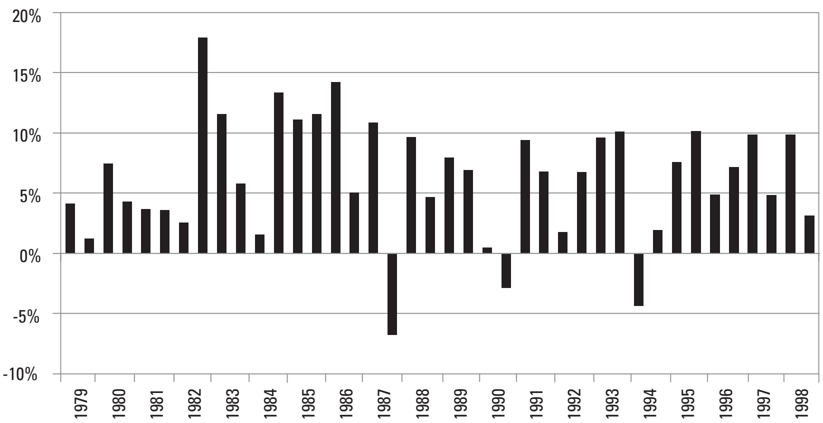


Chart 5 shows the total returns on the Petroleum Fund's benchmark portfolio since 1978. The total hypothetical return for 1998 is only slightly below the normal level for the 20-year period. The return for the first half-year would have been about 10 per cent if the equity portion had been 40 per cent, while the return in the second half of the year would have been about 3 per cent. These returns are not abnormal for a portfolio corresponding to the Petroleum Fund.

Historical returns

We have attempted to calculate what the return on the Petroleum Fund would have been since 1978 if the Fund had been invested in the various markets represented in the present benchmark portfolio (see separate box on indices used in the calculations). The equity portion has been maintained at 40 per cent and the country distribution has been the same as that of the Petroleum Fund's benchmark portfolio for the entire period.

All return figures are taken from the commercial database, Datastream, and are measured in local currency in order to exclude effects of exchange rate changes.

Some features of equity and bond markets

The key parameters in evaluating equities in relation to bonds are expected excess return, the risk associated with the returns on the two asset classes and covariance between the returns. The following charts illustrate the developments in these variables since 1978.

In the period from February 1978 to December 1998, the average annual excess return on equity investments was approximately 7.5 percentage points. However, one should be cautious about using this as an estimate of future expected excess return. In its letter to the Ministry of Finance in which it was recommended that portions of the Petroleum Fund be invested in equities (sent in April 1997 and published in the Revised National Budget for 1997), Norges Bank referred to studies indicating a normal excess return of 4 per cent. These studies are based on a longer time horizon than the 20 years considered here. From an historical perspective, the last 20 years have been particularly favourable in terms of equity returns.

FEATURE ARTICLE 1

Chart 6: Half-year equity returns measured by the Petroleum Fund's benchmark index.

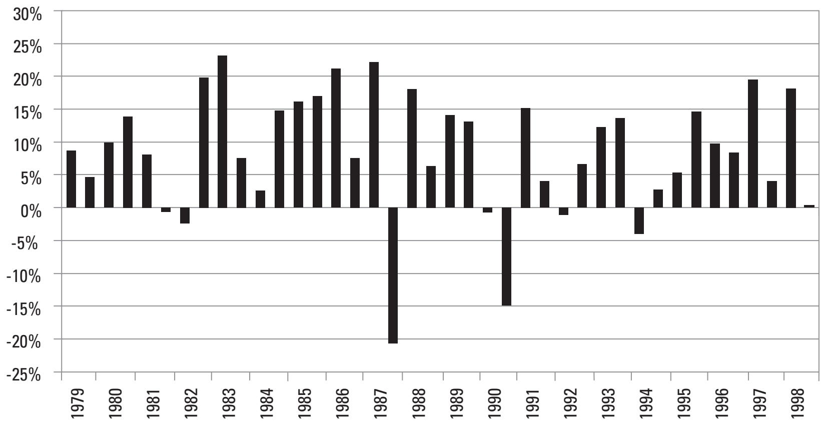


Chart 6 shows half-year return figures for the Petroleum Fund's equity index from the last half of 1978. The chart shows that the last six months of 1998 was a weak period, with almost zero return on equities. Since 1978, however, there have been seven six-month periods recording even poorer returns. The second half of 1987 in particular, as well as the second half of 1990, showed a very weak performance, with negative returns of 21 and 15 per cent, respectively. The return in the second half of 1998 is not among the worst, and such low returns must also be expected in the future. Similarly, periods such as the first half of 1998, which resulted in equity investment returns as high as 18 per cent, will also occur.

Chart 7: Half-year returns on bonds measured by the Petroleum Fund's benchmark index

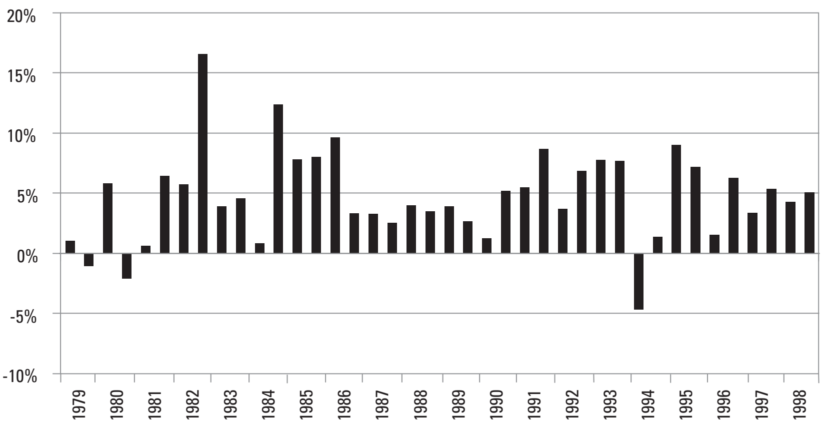


Chart 7 shows movements in international bond markets. The returns recorded on the Petroleum Fund's bond portfolio for both the first and the second half of 1998 were around 5 per cent. The year-end total is only slightly above the average for the 20-year period.

Chart 8: Moving average 12-month differential – equity return less bond return

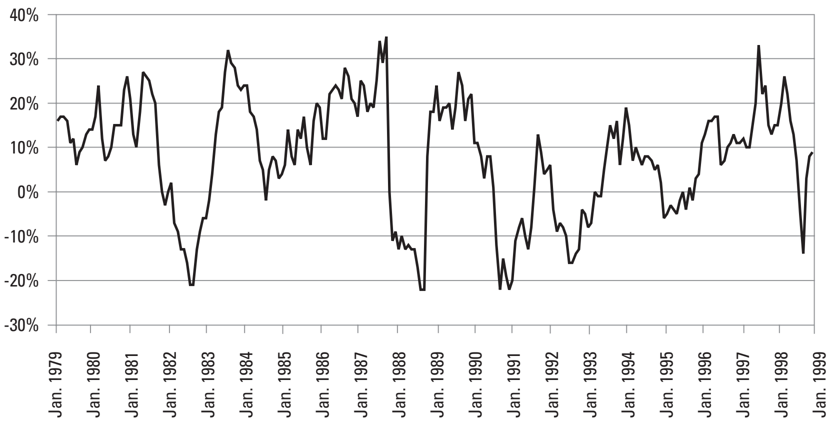


Chart 8 shows the moving average 12-month excess return (ie the excess return over the 12 months prior to the date specified) on equities in relation to bonds, measured from January 1979. The return figures are calculated for the equity and bond portions of the benchmark portfolio of the Petroleum Fund.

The return on equities is calculated as a weighted average of the local monthly returns for various country indices, with the country weights equal to those of the Government Petroleum Fund's benchmark portfolio at the beginning of 1998. The Petroleum Fund uses the Financial Times/Standard & Poor's (FT/S&P) country indices in its benchmark portfolio, and the return on these indices was used from the beginning of February 1986 to end-December 1998. FT/S&P's indices were introduced in January 1986, and the country indices of Morgan Stanley Capital International (MSCI) were used from January 1978 to end-January 1986. The difference in composition of the country indices for FT/S&P and MSCI is relatively small. However, the composition of FT/S&P's indices is broader, with more countries and companies represented. Returns for the indices are nevertheless approximately the same. The correlation between the two indices in the 1990s has been 0.998 for the US and 0.997 for the UK.

From the beginning of February 1986 until end-December 1998, the country indices of the Salomon Brothers World Government Bond Indices (SBWGBI) were used for bonds. The Salomon Brothers Government Bond Indices (BPI) were used from January 1978 until January 1986. These indices differ from SBWGBI in that they are composed exclusively of bonds with a residual maturity of more than five years. The composition of these indices is also somewhat narrower: a selection of the relevant maturity segments in each country is used. The return on the bond index is calculated as a weighted average of the bond return for each country, with the land weights equal to those of the Petroleum Fund's benchmark portfolio at the beginning of 1998. Some bond return figures from certain periods, particularly early in the period measured, are not available for a few minor markets. In these cases, the country weights for the remaining countries have been adjusted upwards on a pro rata basis.

Chart 9: Moving 12-month standard deviation for equity and bond returns measured by the Petroleum Fund's benchmark portfolio

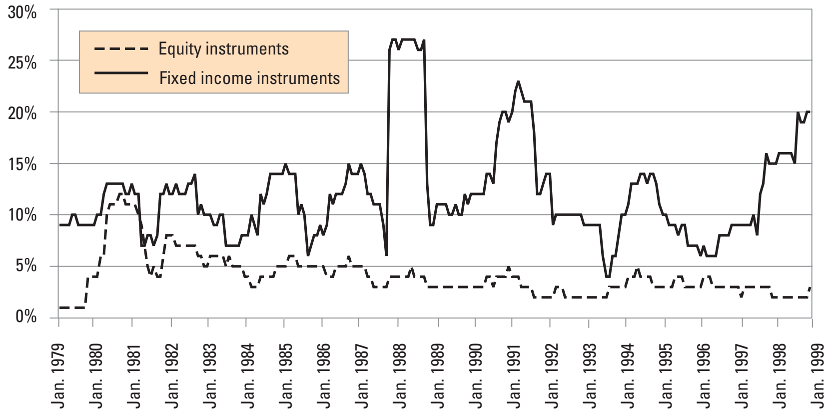


Chart 9 shows the standard deviation for annual returns, based on moving 12-month periods for equities and bonds. The standard deviation indicates the extent to which the return rate has varied from month to month within the 12-month period up to the date specified.

Chart 10: Covariation between equity markets in the US, Germany and Japan. Moving 12-month correlation

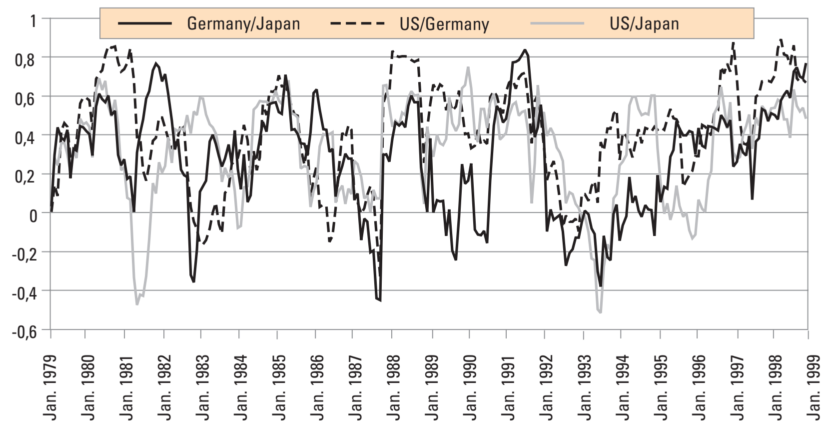


Chart 10 shows the correlation between G3 equity markets based on 12-month moving windows. The correlation coefficients indicates the degree of covariation between returns.

Chart 11: Covariation between government bond markets in the US, Germany and Japan. Moving 12-month correlation coefficients

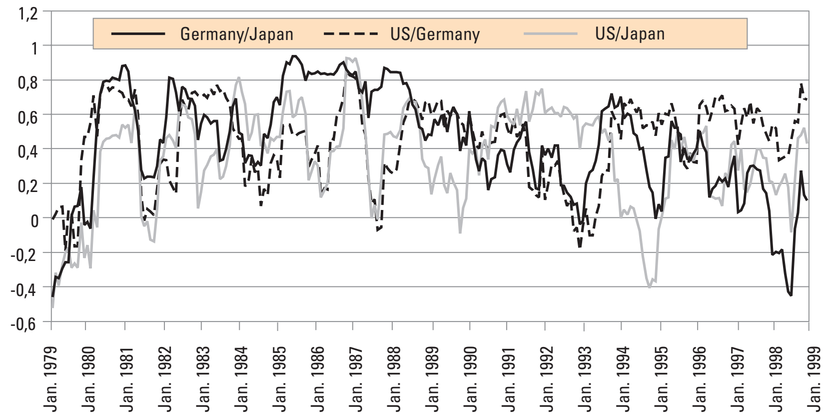


Chart 11 shows 12-month moving correlations for the returns in the bond markets of the G3-countries.

The standard deviation for the return on equities has varied widely since 1978, whereas the trend for bonds appears to be negative. The standard deviation for equities for the 20-year period is approximately 13 per cent, and for bonds just under 5 per cent. Over the last year, however, returns on equities have fluctuated to an unusually large extent, with a standard deviation of about 20 per cent for a diversified world index. At the same time, bonds have had a mere 2.7 per cent standard deviation over the past year. It is interesting to note that the equity market had a standard deviation of slightly under 7 per cent in 1995, ie volatility has increased nearly threefold in the past three years. It is difficult to determine whether this is due to turbulence in equity markets or whether these new levels will persist. For bond markets, it appears that this volatility may have stabilised at a level just below 3 per cent. However, these figures may change quickly in the future.

Chart 9 shows that the uncertainty associated with returns on a world equity index has increased over the past three years. This is partly due to an increase in the degree of covariation between equity markets during this period. Chart 10 shows the moving 12-month correlation between equity returns in three markets, the US, Germany and Japan.

Returns in 1993 for these three equity markets show virtually no covariation. Later, however, there is a rise in the correlation coefficients, and they were between 0.5 and 0.8 in 1998. The chart shows that this is not the first time the correlation has been at such a high level. It has often been pointed out that the correlation between the returns in equity markets is very high in times of turbulence. The correlation coefficients for 1988 (which encompass the fall in share prices in October 1987) also show particularly high covariation between markets. It is therefore difficult to determine whether the high correlations now observed are due to turbulence in equity markets or whether this is a sign of a trend towards more integrated global equity markets.

Chart 11 shows the corresponding moving 12-month correlation for returns in G3 country bond markets. It is more difficult to identify any clear trends from this chart. If anything, correlations have weakened since 1987. There are fewer indications of increasing global integration for bond markets than for equity markets. In Europe, however, EMU has already led to a closer integration of bond markets. It is also interesting to note that bond markets did not show a higher

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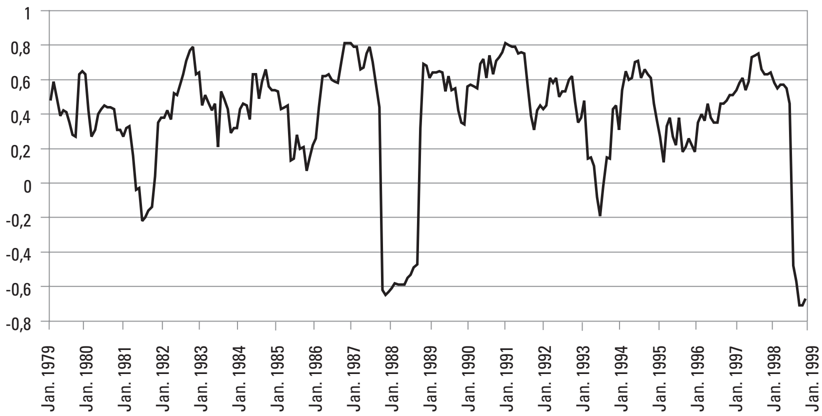
Chart 12: Moving 12-month correlation between equity and bond returns measured by the Government Petroleum Fund's benchmark portfolio



degree of covariation than equity markets in 1998. Thus the advantages of spreading bond investments across regions appear to be as great as those offered by diversifying investments in equities.

A global portfolio such as the Government Petroleum Fund's also reaps substantial diversification benefits from investing in two asset classes, equities and bonds. Chart 12 shows the moving 12-month correlation between the world equity index and the world bond index. Under normal circumstances, this correlation has been about 0.4. However, some extremely negative values can also be observed. The correlation was as low as -0.6 following October 1987 and -0.7 in the last quarter of 1998. This is actually the lowest recorded correlation between the world equity portfolio and the world bond portfolio in the period from 1979 to the present date.

The correlation between the markets can be summed up in a somewhat simplified manner: when equity prices fall, many investors become very nervous about future equity returns. Consequently, large sums of money are transferred to safer securities such as government bonds. This results in a rise in bond prices and a fall in equity prices. For investors with a relatively stable distribution of equities and bonds, this phenomenon represents diversification between asset classes. When equity returns are extremely negative, this is often matched by a positive development in the bond market.

The composition of the Government Petroleum Fund's portfolio

The Ministry of Finance is responsible for laying down the strategy of the Government Petroleum Fund. This strategy is reflected in a benchmark portfolio that forms the basis for Norges Bank's management of the Petroleum Fund. This article describes the Petroleum Fund's benchmark portfolio, addressing in particular issues relating to the equity portion of the benchmark.

The benchmark portfolio

The return on a portfolio is essentially determined by the strategy and framework laid down for its management. Empirical research in the US shows that 90-95 per cent of the differences in return between large pension funds are due to their different choice of strategy. The most important strategic decisions concern the distribution of investments among various asset classes, such as bonds, equities and property, and the distribution by country. The remaining 5 -10 per cent of the differences in return is related to the managers' selection of securities.

In the operational management of the Government Petroleum Fund, Norges Bank may deviate slightly from the benchmark portfolio defining the strategy. However, there are limits imposed on this deviation. The quality of the operational management can be measured by comparing the return on the actual portfolio with the return on the benchmark portfolio. One important management objective is to achieve an excess return, measured in this manner, within the stipulated limits and restrictions. Another important goal is to implement the established investment strategy in a cost-effective manner. Requirements concerning satisfactory risk management systems and control routines still take precedence over the objectives of returns and effectiveness. In building up the management, Norges Bank has given higher priority to developing control systems and expertise than to active management with a view to achieving higher excess returns.

The benchmark portfolio consists of equities and fixed-income securities (bonds). The equity portion constitutes 40 per cent of the market value of the benchmark portfolio, while the fixed-income portion accounts for 60 per cent. The equity portion consists of securities from 21 different countries, while the fixed-income portion includes paper from 18 countries. The shares for the individual countries are listed in the documentation section of the annual report, together with a graphical presentation of the benchmark portfolio.

The countries selected for the investment universe must have well functioning, liquid securities markets and satisfactory company, stock exchange and securities legislation. The Ministry of Finance decided, on the advice of Norges Bank, to delimit this by looking at those markets that are defined as developed in one of the most widely used international market indices. This is further discussed in the National Budget for 1998.

The countries in the investment universe are geographically located in three regions: Europe, Asia and Oceania, and North America. The Ministry

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of Finance has decided that the benchmark portfolio is to consist of 50 per cent from Europe, 20 per cent from Asia and Oceania, and 30 per cent from North America. These figures were arrived at partly on the basis of GDP figures in each region, and partly on current Norwegian imports from each region. The portions may thus roughly correspond to the weights in a price index for future Norwegian imports. The idea is that changes in import patterns will probably take the form of a shift towards regions with high production.

The Ministry of Finance has chosen to construct the benchmark portfolio for equities within each region in proportion to market capitalisation weights. This implies looking at the market values of all companies listed on the stock exchanges of the countries in each region, and determining the weights accordingly. The benchmark portfolio benefits from economic growth in countries outside the investment universe because companies listed in approved markets may have production activities in several countries.

Market capitalisation weights are constantly changed because price movements in the equity markets in question are not synchronised. The composition of the benchmark portfolio therefore has to be adjusted on a regular basis. The Ministry of Finance has decided that this will take place at the end of each quarter.

In each market, the benchmark portfolio consists of shares in the companies included in the Financial Times/ Standard & Poor's Actuaries World Index. This international equity index includes the largest companies listed on each stock exchange. In the Petroleum Fund's investment universe, it includes some 2 040 companies, which accordingly are included in the Fund's benchmark portfolio. However, the Fund's actual investments may be made in all the listed companies in the countries in question, which total about 20 000.

The FT/S&P Actuaries Index is used by many other international equity investors. Nevertheless, the Petroleum Fund's investment universe does differ from what is customary, for example, for large pension funds with international equity portfolios. Such funds normally have a slightly larger spread of equity investments with significant portions also outside markets defined as 'developed'. In a submission published in the National Budget for 1998, Norges Bank raised the question of whether emerging markets should be included in the investment universe, but the Ministry of Finance did not want this issue to receive priority while Fund management was being developed. The Ministry indicated, however, that it would revert to this issue at a later stage, and announced in the Revised National Budget for 1998 that further work would be done to expand the Petroleum Fund's investment area.

The fixed-income portion of the benchmark portfolio has the same regional weights as the equity portion, but the distribution principle within each region varies. The use of market capitalisation weights might lead to the Petroleum Fund purchasing most securities in countries with a high debt level. Instead, the Ministry of Finance decided to use GDPs as weights.

At the end of 1998, the Petroleum Fund had a market value of about USD 23 billion, and the equity portion of the benchmark portfolio was thus worth about USD 9 billion, whereas the fixed-income portion was worth around USD 14 billion. By way of comparison, the total market value of all the companies included in the Petroleum Fund's country indices for equities was around USD 19 000 billion. This means that with an even investment distribution among all companies in the index, the Petroleum Fund would have an ownership interest of less than 0.1 per cent in each company. This applies to all three regions in which the Petroleum Fund invests. The market value of the bonds in the Petroleum Fund's bond indices was approximately USD 7 000 billion, so that the Fund's market share is around 0.2 per cent.

Given the assumptions about allocations to the Petroleum Fund made in the National Budget for 1999, the market value of the Fund at the end of 2002 will be about NOK 600 billion, or USD 80 billion. However, this figure is based on a substantially higher oil price than the current level. Moreover, the markets will probably have risen in value, so that the Fund's shares in the market can be expected to remain very small. Nevertheless, the Petroleum Fund is so large in relation to the liquidity in many of the individual shares in which it has invested that the possibility of influencing share prices must be taken into account in the management of the Fund.

The basis for recommendations concerning equity investments

When the first allocations to the Petroleum Fund were made in 1996, the Fund's entire capital was invested in bonds and other fixed-income instruments, according to roughly the same guidelines that applied to the foreign exchange reserves. In the course of 1997, however, considerable capital was allocated to the Petroleum Fund, and in a submission to the Ministry of Finance, Norges Bank raised the issue of investing some of the Fund's capital in equities. This submission was published as an annex to the Revised National Budget for 1997, in which the Ministry of Finance also proposed that investments in equities be permitted. The Storting endorsed the proposal.

The point of departure for Norges Bank's submission was that the size of the Petroleum Fund made it improbable that its capital would be used in the next decade. Consequently, when deciding how to invest the capital, the return over a time horizon of at least ten years should be considered. With such a long investment horizon, Norges Bank believed that equity investments would, with a high degree of probability, provide a higher return than investments in fixed-income instruments. This was supported by a study carried out by the G-10 countries, with return figures for the past two decades, and a study of equity and bond markets in the US since 1871.

It was also pointed out that, calculated over five-year periods, the return on portfolios consisting of both equities and fixed-income instruments has varied less than the return on portfolios consisting only of securities from one of these asset classes. Fixed-income instruments have often provided a solid return when the return on equities was low, and vice versa. Such diversification gains have been achieved for equity portions of up to 50 per cent. The underlying data for these calculations were from the UK, for the period 1926-1996.

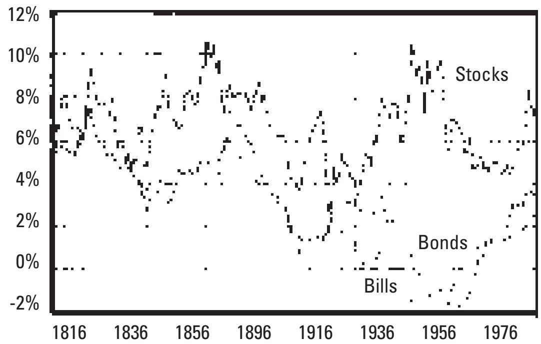
The recommendations on equity investments were thus based on historical material that shows a higher average return on equities than on fixed-income instruments, and less fluctuation in five-year rates of return on mixed portfolios. The former finding, in particular, has been a controversial issue in the economic literature of recent years.

Will equities provide a higher return than bonds?

Jeremy Siegel's book, «Stocks for the Long Run» (Irwin, 1994), which compares the return on equity investments with the return on investments in fixed-income instruments in the period 1871-1992 in the US, has made an important contribution to the recent debate. Siegel found that, for the period as a whole, equities provided an average annual return that was almost 7 percentage points higher than the return on fixed-income instruments. Looking at individual decades, equities provided the highest return in eight of ten cases. Siegel documents that for an investor who is solely considering long-term returns, a diversified equity portfolio has been the best choice as a rule.

Critics immediately pointed out that this result only applies to the US. The US and the UK are the only two major stock markets in the world that have functioned without breaks of any length

Chart 1: Annual returns on stocks, bonds and bills in the US: Moving 30 year averages.



Source: Siegel, «Stocks for the Long Run»

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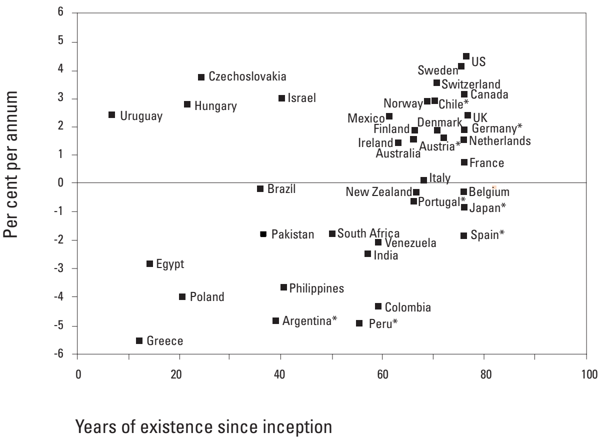
Chart 2: Average real returns on Global Stock Markets



Source: Goetzmann and Jorion, «Global Stock Markets in the Twentieth Century»

during this century. In other stock markets, shareholders have in periods incurred major losses as a result of war, nationalisation or a collapse of the financial system. The same applies to some extent to owners of bonds and other fixed-income instruments. Looking at one of the two markets that have avoided such interruptions may nevertheless provide a distorted picture of what can be expected to happen in stock markets in the future, in both the US and other countries. When Siegel's book was published, there were no comparable studies on other countries' markets.

However, William N. Goetzmann and Philippe Jorion recently made a study of stock markets in 39 countries in the period 1921-1996 («Global Stock Markets in the Twentieth Century», to be published in the Journal of Finance in 1999). The study covers virtually all the stock markets for which data exist for at least parts of the period 1929-1970. The countries covered include Japan and Germany, whose stock markets were interrupted for long periods in the 1940s. The data also cover a number of countries in Central and Eastern Europe which had Communist regimes after the Second World War.

Goetzmann and Jorion look at the real rise in share prices, over and above the rise in world market prices, that would have been achieved by buying a diversified equity portfolio in each of these markets in 1921 (or later in cases where there are no data for 1921). They have no figures on dividend payments, and can therefore not calculate return figures. The median for the annual real rise in prices up to 1996 is only 0.8 per cent, and in many countries share prices have risen less than prices in the world market. For the US they find that real share prices in this period rose at an annual rate of 4.3 per cent, which is higher than in any other country. This illustrates the fact that experience in the US is not representative of the world's stock markets.

However, if an investor in 1921 had spread equity investments in all the countries included in the data, using GDP as the weight for each country, the real price rise of the portfolio would have been 4 per cent a year. The stock markets in the countries that were wealthiest in 1921 were the same markets that provided the best return later. In this respect the study provides some support for the guidelines concerning the distribution of equity investments that have been established for the Petroleum Fund.

There are two possible reasons for regarding both Siegel's and Goetzmann and Jorion's studies with scepticism. First, history is only a good guide to the future if we can assume that the processes that have generated the historical data are the same processes that will be important in the future. This is a general problem with empirical studies that can never be entirely ignored. But if no major changes take place in the manner in which the return on equities and fixed-income instruments is generated, historical data form the best available basis for arriving at expectations of what will happen in the future.

Second, the available return series are fairly short considering that the objective is to provide some indication of the expected return over ten-year periods. Return figures are not available for so many independent ten-year periods, and the results we obtain thus have little statistical significance. This is a real objection, which underscores the uncertainty of expectations.

However, there are sufficient empirical data from stock and bond markets to enable us to conclude with a fair degree of certainty that the annual return on equity investments fluctuates more than the annual return on investments in fixed-income instruments. This is also because the return to shareholders is a residual, ie the income remaining after an enterprise has serviced its debt and met other obligations. It can furthermore be assumed that investors will generally demand a risk premium in the form of a higher expected annual return if they are to be willing to buy a security with sharply fluctuating rates of return.

It follows that most investors will only buy equities if they expect investments in equities to provide a higher rate of return than investments in fixed-income instruments. If this condition is not met, there will be few buyers in the stock markets, and prices will inevitably fall. Naturally, buyers' expectations may later prove to have been incorrect, but systematically wrong expectations cannot last; few investors will continue to believe in something they see is not happening.

In a normal situation, equities must therefore have a higher long-term return than fixed-income instruments. This follows from undisputed empirical results showing greater fluctuations, coupled with generally accepted assumptions about rational investor behaviour. This thereby enhances confidence in the above empirical data, which are consistent with the conclusions arrived at by theoretical reasoning. But there is reason to stress that the long term in this line of reasoning may well be more than the 10-20 years that have been examined in the empirical data.

The equity index for the Petroleum Fund

● The FT/S&P Actuaries World Indices were established in 1987, and are constructed by FTSE International, Goldman Sachs & Co and Standard & Poor's, in collaboration with the Institute of Actuaries and the Faculty of Actuaries. There are currently 29 countries, and around 2 400 shares, included in this world index, and of these, 21 countries and around 2 040 shares are included in the Petroleum Fund's benchmark index.

● The FT/S&P indices aim to cover around 80 per cent of the value of all listed shares in every country, excluding equities with inadequate liquidity, shares which foreigners may not own and long-term government shareholdings in companies. The choice of companies to be included in the index is made by a committee, according to relatively clear guidelines. The object is that the index should be representative of the market with respect to sectoral composition, so that the index does not necessarily consist only of the largest companies in each country.

● The daily price return is calculated by dividing the value of all the shares in the index at the close of the stock exchange by the value at the close of the previous day, after adjusting for changes in the composition of the index. This is done for each country and each sector within each country, for regions and for the index as a whole. In addition, the total return is calculated by adjusting the return for an estimated annual dividend payment distributed evenly over the year. Since dividend payments show seasonal variations, the total return on an actual portfolio composed according to the index will follow a different course from the reported total return on the index. Taxes on dividends are excluded when the total return is calculated.

● There are also other world indices. The MSCI World Index, administered by Morgan Stanley Capital International, has excluded a number of smaller companies, so that the index only represents 60 per cent of the market value. The Salomon Brothers Broad Market Index covers a full 95 per cent. The MSCI index is used most by American investors, while the FT&S&P index is most popular with European investors.

● The composition of the FT&S&P World Index at 31 December 1998, including those countries that are not included in the Petroleum Fund's investment universe:

Country	No. of equities	Share
The Americas		
* Brazil	32	0.28 %
Canada	117	1.87 %
* Mexico	29	0.28 %
US	619	53.19 %
Europe and Africa		
Belgium	22	0.91 %
Denmark	34	0.38 %
Finland	29	0.57 %
France	75	3.73 %
* Greece	36	0.22 %
Ireland	16	0.24 %
Italy	53	2.30 %
Netherlands	26	2.65 %
* Norway	37	0.13 %
Portugal	18	0.22 %
Spain	30	1.34 %
UK	207	10.00 %
Switzerland	30	3.10 %
Sweden	44	1.10 %
* South Africa	38	0.35 %
Germany	55	4.26 %
Austria	21	0.11 %
Asia and Oceania		
Australia	76	1.16 %
* Philippines	22	0.04 %
Hong Kong	67	1.07 %
* Indonesia	26	0.04 %
Japan	445	10.13 %
New Zealand	18	0.09 %
Singapore	41	0.20 %
* Thailand	35	0.03 %

** Not inluded in the investment universe of the Petroleum Fund.*

• The total market value of all companies included in the index is NOK 145 000 billion.

Building up the equity portion of the Petroleum Fund

At the beginning of 1998, the Petroleum Fund's capital was invested in its entirety in fixed-income securities, but during the next five months equities were purchased. The equity portion thus increased from zero to about 40 per cent, which is the intended level as long as the current guidelines apply.

Equity prices fluctuate considerably over time, and it is difficult to know whether they are unreasonably expensive or especially cheap at any given time. When purchasing equities, there is always a risk of paying such a high price that the return is low at a later time. The risk can be reduced by spreading equity purchases over time, with purchases at different price levels. This reasoning may suggest that the process of acquiring the equity portion of the Petroleum Fund should have extended over a longer period than five months.

Such a conclusion would be reasonable if the size of the Petroleum Fund could be expected to remain fairly constant. But the projections presented by the Ministry of

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Finance in its Long-Term Programme, and which applied in 1997 when the management strategy was changed, show new transfers of capital to the Petroleum Fund for at least 15-20 years ahead. The Fund will then be considerably larger than it was at the beginning of 1998. If the equity portion is to remain at around 40 per cent, further equities must be purchased every year for a long period. The equity purchases made in the first half of 1998 were not much larger than the quantities that will probably be purchased later within equally short periods of time.

This means that a rapid increase in the equity portion while the Petroleum Fund is relatively small will help to provide precisely the spread of equity purchases over time that can reduce the risk that the total equity portfolio is purchased at too high a price. It would have been considerably more risky to postpone the building up of the equity portion until the Fund had grown larger, because it would then have been necessary to concentrate the equity purchases over a shorter period (cf the National Budget for 1998).

The bond index for the Petroleum Fund

● Salomon Smith Barney's World Government Bond Indices were established in 1981 and now contain 19 countries. Indices are published both for each country and for groups of countries (eg the global index, the world excluding the US and the euro area).

● Government bonds in markets that satisfy certain minimum requirements regarding size and capital mobility are represented in the index. In addition, each issue must be of a certain minimum size. Each bond and each market is represented in the index according to its market value (the market capitalisation principle).

● The index is reconstructed every month. New issues are registered daily, and must be dated no later than the 25th of the month prior to implementation. They must also be publicly announced, ie announced with all relevant information, before the 25th. Participation in the index by an individual bond is contingent on a minimum issue (USD 1bn for the US). The intention is that there should be bonds available to investors under normal market conditions.

● The index contains only government bonds, and may not contain bonds that are difficult for potential investors to buy. Special costs associated with individual issues, such as withholding tax, pledging of collateral etc. must be announced and easy for investors to predict. The index must not be changed often, and changes must be easily predictable.

● The index contains only bonds with a maturity of more than a year.

● The world index and the various currency indices are priced daily. Even more detailed return figures for sub-segments of the country indices are also provided on a monthly basis. Bonds are priced at offer price, and mainly at the close of each market.

● The total return is calculated on the assumption that bonds are bought at the beginning of a period and sold at the end. The basis for calculating the total return is price changes, principal payments, coupon payments, accrued interest and reinvestment of coupon income. Adjustments for exchange rate effects are made using prices quoted in London at 5 pm each day (Reuters closing spot rates, Reuters page WMRH).

● Daily, weekly, monthly and annual calculations of returns are published on Salomon Smith Barney's web pages, and in monthly publications from their index group. Figures for the various maturities are also presented.

● Salomon Smith Barney has appointed special teams in London and New York to maintain the indices, monitor all relevant instruments with respect to criteria for inclusion, solicit prices, publish return figures on the world index and its various components, and be responsible for providing service to users of the index.

● Salomon Smith Barney is not alone in offering a recognised global bond index, but is one of the leading suppliers of indices. The indices are used today by a large number of international managers to measure their own return against a benchmark. Since the Salomon Smith Barney World Government Index includes so many countries, it is very suitable for global management.

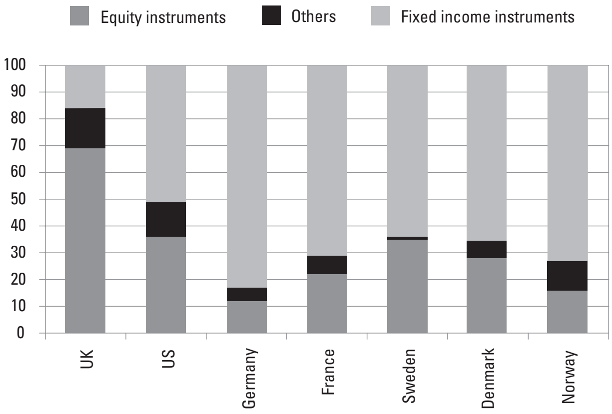
The portfolio composition of other large international funds

The distribution 40/60 between equities and fixed-income securities in the benchmark portfolio for the Petroleum Fund was chosen as a compromise between higher expected returns on the one hand, and wider fluctuations in the annual rate of return on the other. Both effects accompany an increase in the equity portion: wider annual fluctuations are the price of a higher expected return. Other investors face the same need to strike a balance when they decide on the composition of assets in their portfolios.

The Petroleum Fund is an institutional investor, like investment funds, pension funds and life insurance companies. The OECD publishes annual statistics on institutional investors, including asset distribution figures. The most recent figures are from 1995, and show substantial differences among OECD countries. The equity portion of investors' portfolios varies from an average of 12 per cent in Germany to 69 per cent in the UK, with the bulk in the interval from 20 to 40 per cent equities. In making comparisons with the Petroleum Fund, it should be remembered that most other institutional investors invest some of their capital in property, which shares many features with equity instruments.

It is also important to remember that most institutional investors have definite commitments, which influence what kind of portfolios they want. For example, pension funds have to pay pensions to their customers according to rules laid down in pension contracts. A pension fund can therefore calculate in advance how much capital must be available at a given point in time, and can develop an investment strategy which entails little risk that sufficient capital will not be available. In principle, pension funds can completely eliminate this risk by buying fixed-income instruments that mature at the time the capital must be available. This requirement suggests that pension funds should have a substantial portfolio of fixed income instruments, at the expense of other asset classes with a more uncertain return.

Chart 3: Asset composition at institutional investors in 1995



Source: OECD, Institutional Investors Statistical Yearbook, 1997

Taking into account the above considerations as well as economic policy goals, the governments of some countries have issued rules that restrict the freedom of pension funds and life insurance companies to choose the composition of their portfolios (see E.P. Davis, «Regulation of Pension Fund Assets», in Institutional Investors in the New Financial Landscape, OECD, 1998.) German pension funds, for example, may not invest more than 36 per cent in equities, and the limit in Japan and Switzerland is 30 per cent. Norway's Nordic neighbours, Denmark and Sweden, have limits of 40 per cent and 50 per cent respectively for asset classes that include more than equities. The limit for Norwegian life insurance companies and pension funds is 35 per cent.

The nature of commitments can also influence the composition of portfolios in countries without such rules. For example, pension funds may have commitments based on either defined-contribution or defined-benefit schemes. In the first case, disbursements to pension customers depend on the realised return on the capital in the funds. In the second case, the disbursements follow rules that are in-

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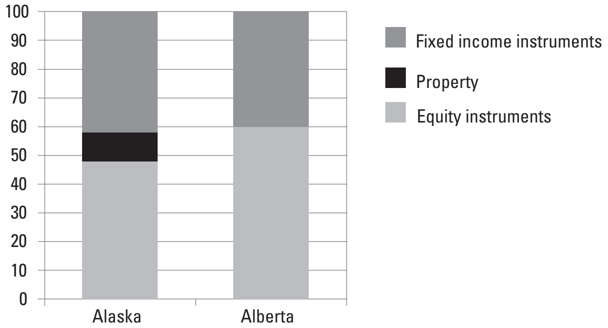
dependent of the realised return. A study of US pension funds shows what can be expected: pension funds with defined-contribution-based commitments have higher equity portions than those with defined-benefit-based commitments (Eckbo in Annex 3 of NOU 1998:10)*. However, both types of funds had on average more than 50 per cent in equities in 1996.

The Petroleum Fund is an investment fund without commitments as clearly defined as those of pension funds or life insurance companies. The capital in the Fund is to be used to finance deficits on future government and social security budgets, but it is uncertain when such needs will arise. Discussions of the purpose of the Petroleum Fund have often focused on the needs that will arise when the large post-war generation reaches retirement age in 15-20 years, but there are also many other factors that may influence government budget balances. The need to draw on the Petroleum Fund for the first time may arise either earlier or later than around the year 2015.

Chart 4: Composition of two North American petroleum funds, taken from their annual reports. The left-hand column shows the benchmark composition of Alaska Permanent Fund Corporation, and the right-hand column shows the benchmark for the asset composition of the Alberta Heritage Savings Trust Fund



Source: Annual Reports

It is reasonable to maintain that the objective of a high return on the Petroleum Fund, to a greater degree than for pension funds and life insurance companies, is to apply primarily with a time horizon of more than 10 years. Consequently, the Petroleum Fund should have a higher proportion of asset classes with a high expected return than these other funds, because less importance should be attached to the annual fluctuations in the return in the case of the Petroleum Fund.

There are few other funds with the same type of purpose as the Petroleum Fund. Closest are probably two petroleum funds in North American: Alaska Permanent Fund in the US, and Alberta Heritage Savings Trust Fund in Canada. The return on these funds is intended to benefit the inhabitants of these states in various ways, but there are no specific obligations attached.

The equity portion of the Petroleum Fund is thus smaller than those of two comparable North American funds. It is also smaller than the average US or British pension fund, but a little larger than the average pension fund in continental Europe. This latter, however, is partly because European pension funds are subject to restrictions that are not always based on the interests of pension customers.

*Norwegian Official Report - available only in Norwegian

Equity investments and choice of external equity managers

In the first half of 1998, the equity portion of the Government Petroleum Fund was built up from 0 to 40 per cent. Equities for NOK 46 billion representing more than 2 000 enterprises were purchased. When new capital was later transferred to the Fund, further purchases were made, so that at the end of 1998 the market value of the equity portfolio was almost NOK 70 billion. This portfolio was managed mainly by four external management organisations, all index managers. This means that the managers' portfolios deviate very little from specified equity indices in terms of either composition or return.

In February 1998 Norges Bank initiated a process to choose external managers to engage in more active management. These managers will be given the opportunity to deviate by a wider margin from the specified equity indices with a view to achieving a higher return.

Five management organisations were selected in the autumn of 1998, and a few more will be selected in 1999.

Norges Bank's own management organisation has given priority to building up expertise with a view to cost-effective establishment and rebalancing of equity portfolios. In this connection routines have been established for trading equity futures contracts (see separate box). All equity investments have been made by external managers to date, but in 1999 Norges Bank aims to start its own management of a limited portion of the Petroleum Fund's equity portfolio.

This article provides a brief review of the work on building up the equity portfolio in the first half of 1998. This is followed by a description of the routines for selecting external managers of equity portfolios and for monitoring the managers over time.

The first half of 1998: Gradual entry into the equity market through index managers

The building up of the benchmark portfolio

In December 1997 the Ministry of Finance drew up a plan for building up the equity portion of the benchmark portfolio. At the end of January 1998, the equity portion was set at 8 per cent, and it was to increase by 8 percentage points each month until it reached 40 per cent of the Fund by the end of May 1998. The purpose of spreading equity purchases over time was to curb the costs associated with a rise in share prices as a result of a large concentration of equity purchases in a short period of time.

Use of index managers

In July 1997 Norges Bank announced mandates for the index management of large equity portfolios via the Internet and press releases. Four management organisations were selected in November 1997. It was natural for Norges Bank to choose index management in connection with the start-up of equity management. It is simpler to monitor index management than active management, and a large spread of equity investments is achieved right from the start. Index management will continue to hold a central place in Norges Bank's strategy, also in the long run. Index management involves low administration and transaction costs, and basing management of a large equity portfolio primarily on indexing permits better control of the risk associated with the portfolio. Such control is an important prerequisite for the effective use of active equity managers.

By using four of the world's largest index managers, Norges Bank sought to achieve the highest possible degree of «crossing» in the establishment of its equity portfolio. Crossing means that funds wishing to buy or sell equities find a counterparty interested in matching the transaction, preferably among the managers' customers. This means that neither fund pays a broker's commission, and costs in the form of influencing the market can also be reduced. A network was established between the index managers in order to take full advantage of crossing possibilities.

Transactions

In the period January to June, 17 258 equity transactions were carried out in 21 countries, and in addition equity futures were purchased in 12 countries. The value of all the equity purchases was about NOK 46 billion. Of this amount, 82.6 per cent was purchased through the crossing network between the four managers. Crossing was used most in the UK, France and Spain, and least in Portugal and Canada. The remaining transactions were effected by

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brokers in the open market in the normal way.

Equity futures contracts were used to achieve market exposure pending the opportunity to cross portfolios. A total of 24.3 per cent of the overall amounts transferred to the equity market were first invested in futures contracts.

Costs

In five countries - Australia, Hong Kong, Ireland, Switzerland and the UK - government taxes and indirect taxes on equity transactions have accrued. A total of some NOK 43 million (0.094 per cent) in taxes was paid in connection with the Petroleum Fund's entry into the equity market. Of this amount, NOK 39 million was paid to the UK.

Brokerage averaged 0.019 per cent of the transaction amounts. Brokerage was lowest on the crossed transactions, at 0.01 per cent. The average brokerage on market transactions was 0.053 per cent. Total brokerage amounted to NOK 8 million.

Another cost associated with purchasing equities can be measured as the difference between the price achieved and a benchmark price, which may be a volume-weighted average price or closing price on the day in question. There was no price differential for the crossed transactions, whereas there was an average differential of 0.08 per cent to Norges Bank's disadvantage for the market transactions. This amounted to NOK 6 million.

Total observable costs in the form of taxes, brokerage and price differentials amounted to around NOK 50 million, equivalent to 0.11 per cent of the equity portfolio. This is substantially lower than what is normal in the market.

Second half of 1998: Selection of managers for active equity mandates

Three key factors are taken into account when evaluating the quality of equity management. These are highest possible excess return, sound risk management and low management costs - not only direct costs, but also indirect ones in the form of transaction costs. When assessing index management, the last two factors are of particular importance. Index management constitutes an effort to take account of the last two in particular.

In 1998 Norges Bank completed the extensive process of selecting management organisations to actively manage parts of the Petroleum Fund's equity portfolio. The process of selecting and establishing portfolios consisted of four stages:

Announcement of mandates

Norges Bank announced eight different equity management mandates on 2 February 1998. Five of them concerned active equity management in North America, the UK, Europe excluding the UK, Japan, and Asia and Oceania excluding Japan. In addition, mandates were announced for active indexing in the first three countries/regions. This form of management entails a somewhat higher active risk than index management, and can be regarded as a cross between index management and active management.

An extensive questionnaire was published on the Internet. In response, 260 applications were received from around 150 different management organisations. The form contained questions on client structure, investment strategy and portfolio construction, risk measurement and control, and contractual matters. Norges Bank used two consultancies to access databases and information about potential management organisations.

Selection of managers

After the first sorting of applications, Norges Bank retained 70 candidates, who received a further questionnaire in April 1998. The main emphasis this time was on documentation concerning the organisation's advantage in terms of information, excess return achieved and risk structure, based on actual portfolios. Candidates were also required to document their transaction costs for equity transactions and their procedures for ensuring equal treatment of different customers.

The responses to the two questionnaires were in several cases incomplete, and in some cases contained contradictory information. One or more visits were made to 48 managers. The purpose of these visits was to provide more in-depth knowledge of personnel and the investment process, and to evaluate how the management and control systems function in practice.

Norges Bank has developed a standardised programme for compiling and

evaluating the information obtained from the answers to the two questionnaires, the rounds of visits, the consultants' reports, and from analyses of the companies' actual portfolios. The evaluation programme consists of four parts, which are in turn broken down into 52 criteria and 148 sub-criteria.

The first of the four parts of the evaluation programme deals with the applicants' organisations, historical return and risk, total assets and internal control routines. The aim is to find out whether the manager has the strategy, capacity and control systems necessary to manage part of the Petroleum Fund.

The second part aims to identify the applicants' information advantage. Such advantages can be achieved in three ways: by better access to relevant information, through better processing of available information, and by better generation of ideas and flow of internal information.

In the third part, the skill of the applicants in constructing portfolios resulting from their information advantage is evaluated. In addition to evaluating the portfolio manager and the management team, Norges Bank analysed how the various active positions in the portfolio are established. One important aspect in this respect is the total expected excess return viewed in relation to risk.

The fourth part consists of an evaluation and quantification of the organisation's routines and costs for transactions in equity markets. It is important that opportunities for achieving an excess return are not cancelled as a result of transaction and market costs.

These analyses provided a ranking of potential candidates for every mandate. In addition, expectations regarding net excess return after fees, transaction costs and other external costs/revenues were specified, and regarding risk-taking relative to tracking error (see box in the feature article 'Management of the risk associated with the Petroleum Fund').

Combination of managers

The portfolios of the managers that are selected will constitute a total portfolio, with features that Norges Bank wishes to monitor. The portfolios of the individual managers must be regarded as parts of a whole. Risk management of the overall portfolio is Norges Bank's responsibility, and no managers can be selected without an evaluation of how they will contribute to the whole.

In order to find the best possible combination of managers, three factors were emphasised: expected excess return on portfolios, expected tracking error and expected correlation between excess returns on the portfolios. The last parameter was estimated on the basis of three different sources of information: actual correlation based on historical monthly excess returns over the past five years, analyses of actual portfolios using a risk model, and estimates based on the observable differences in the managers' investment processes.

The optimisation procedure provides answers both to the question of division between active and passive management in each region, and the question of allocations to the various active managers in the region. In general, the larger the differences in estimated excess returns, and the higher the correlation between the excess returns of the various managers, the fewer the managers that should be selected in each region. In consequence, Norges Bank has selected only one active manager for the UK mandates and for the mandate Asia and Oceania excluding Japan.

Monitoring selected managers

The monitoring of managers is based on the same general criteria that formed the basis for selecting the managers: that the managers abide by their management agreement and their investment mandate, and that they deliver the expected product in the form of risk-adjusted excess return. Moreover, monitoring must cover the valuation of individual equities, and analyses of the portfolios' market, volatility and liquidity risk, and an assessment of the managers' total costs for equity trading.

Each of the external managers is obliged to report extensively to Norges Bank. All transactions are to be reported daily to the Petroleum Fund's global custodian, The Chase Manhattan Bank, which forwards the information electronically to Norges Bank's central investment management data records. Data are drawn from here for the various analytical systems mentioned above. The reporting procedures are presented in more detail in the feature article on risk management.

Awarding mandates

To date, five management organisations have been selected for active equity management. Mercury Asset Management has been awarded the mandate for a UK equity portfolio. Capital International Limited, Gartmore Investment Management plc and Storebrand Kapitalforvaltning have been awarded mandates for equities in Europe excluding the UK. Fidelity Pensions Management is to manage a regional equity portfolio for Asia and Oceania excluding Japan. The process of selecting managers for North American and Japanese equities is nearing completion.

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FUTURES CONTRACTS

- A futures contract is an agreement to deliver an asset or its cash value on a predetermined day at a predetermined price.
- Futures contracts are traded on stock exchanges in the same way as equities, and they are constructed so as to have the same return and risk as the underlying equities.
- The value of daily trading in futures contracts is higher than equities trading in several of the largest markets around the world, including the US, Japan, France and Germany.
- The main advantages that can be achieved by using futures contracts rather than equities relate to liquidity and low costs.
- In 1998 Norges Bank used futures contracts to gain exposure in equity markets, control the time and means of transferring assets to external managers, and to implement changes in the allocation of asset classes.
- The Government Petroleum Fund is unique in many respects because of the regular inflows of capital and frequent rebalancing of the various asset classes. These factors make the use of futures contracts particularly important.

INDEX MANAGEMENT

- Index management means that managers buy equities in most of the enterprises defined in the equity index, in the proportions indicated by their weights in the index.
- This management strategy is often called ‘passive management’, since no attempt is made to outperform a selected benchmark index. Instead, one attempts to follow it as closely as possible (the goal is to achieve the lowest possible tracking error).
- Management methods differ from one manager to another, ranging from pure replication, where all equities in the benchmark index are purchased, to various simulations of this index using fewer equities.
- The fee for index management is substantially lower than for active management.
- Transaction costs are also far lower, because annual purchases and sales of equities normally amount to only 3-7 per cent of the portfolio. Moreover, index management makes it possible to cross the portfolios of various customers within the management organisations. This also reduces transaction costs, because transactions can be carried out without the usual brokerage expenses and market influence.

EXTERNAL MANAGERS SELECTED TO MANAGE PARTS OF THE PETROLEUM FUND

Index managers (selected in November/December 1997:)	**Mandate:**
Barclays Global Investors	Global index portfolio
Gartmore Investment Management plc	Global index portfolio
Bankers Trust Company	Global index portfolio
State Street Global Advisors UK	Global index portfolio

Active equity managers (selected in October/November 1998):	**Mandate:**
Capital International Limited	Europe excluding the UK
Gartmore Investment Management plc	Europe excluding the UK
Storebrand Kapitalforvaltning	Europe excluding the UK
Mercury Asset Management	UK
Fidelity Pensions Management	Asia and Oceania excluding Japan

1999: The work ahead

In 1998 Norges Bank’s equity managers devoted time to building up expertise in the area of effective establishment and rebalancing of equity portfolios, phasing in equities with the assistance of index managers, and selecting external active equity managers. In 1999 Norges Bank will focus more strongly on two further aspects of the Petroleum Fund’s equity management, ie internal active index strategies, and internal management of global sector portfolios. With internal active index strategies, efforts will be made to compensate for the fact that the index managers selected do not utilise all opportunities for achieving an excess return associated with changes in equity indices. The internal management of global sector portfolios will be concentrated on a selection of sectors.

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Risk management for the Petroleum Fund

The risk associated with the management of the Government Petroleum Fund is determined primarily by the composition of the Fund's portfolio. This composition in turn is to a large extent determined by the strategy laid down by the Ministry of Finance, after submission to the Storting. The strategy is arrived at by striking a balance between risk and expected return, and considerable emphasis is placed on limiting risk by diversifying investments among a very large number of securities in many countries. The Ministry of Finance has also set a risk limit for Norges Bank's management operations, in the form of measured deviation from a given benchmark portfolio. Norges Bank has to ensure that the composition of the Petroleum Fund at any time is within the established limits, and must also engage in risk monitoring. This means that a full overview of the composition of the portfolio is a fundamental requirement for satisfactory risk management. This article describes the complex network of suppliers and recipients of information that has been built up to make it possible to gain such an overview. Large quantities of data are exchanged daily through the network. The description is followed by an account of the other risk factors Norges Bank has to deal with in its management, and of how Norges Bank works to manage the total risk associated with management.

Information flows

The Petroleum Fund's market and credit risk are tracked using daily updated lists of holdings of the various financial instruments. The process for purchases and sales of financial instruments determines what settlement risk the Fund is exposed to. The quality of reporting and analytical routines will be a deciding factor for operational risk.

The Petroleum Fund is a large fund composed of many securities. The Fund is managed partly by Norges Bank, and partly by external managers under contract with Norges Bank. All internal and external managers enter into transactions on behalf of the Fund, which poses a considerable challenge as

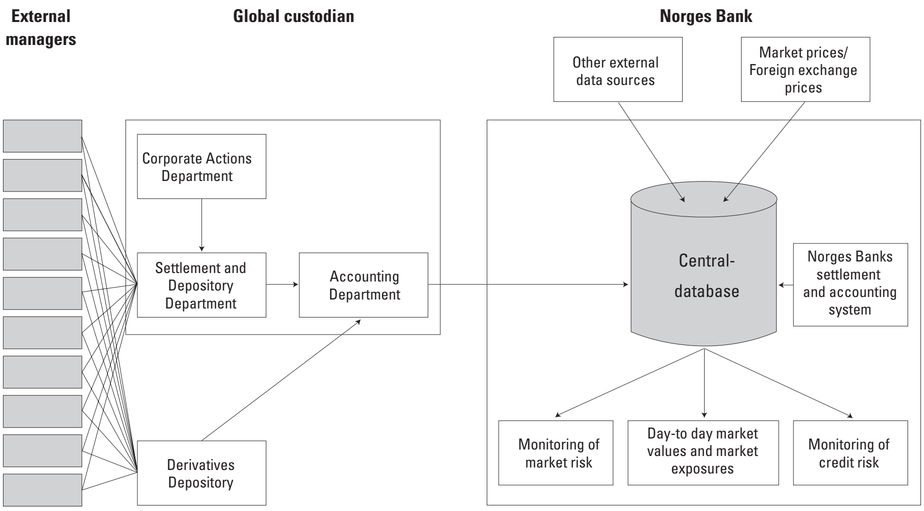

Chart 1 shows the information flows that must function and be correct on a daily basis in order for Norges Bank to know the exact composition of the Petroleum Fund. The most important operators outside Norges Bank are external managers and an external custodian for the whole equity portfolio, The Chase Manhattan Bank. The latter provides safekeeping of the securities in the Fund by acting as account manager in local securities depositories throughout the world. The custodian also keeps accounts of the Fund's assets, and submits daily reports to Norges Bank.

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regards maintaining a full overview of holdings.

The managers can carry out transactions round the clock. Ideally, each transaction should be analysed immediately to determine its effect on overall risk. At present, this is not a realistic aim. Norges Bank now receives full overviews of the position of the Fund once a day.

The aim of a daily overview of risk exposure is ambitious in view of the large quantities of data to be reported. At the end of 1998, the Petroleum Fund owned equities in more than 2 000 different companies. A number of managers have the same equities in their portfolios, involving about 9 000 equity holdings in all. Furthermore, the Petroleum Fund owned about 500 different bonds, in addition to warrants, various types of money market instruments, futures contracts and pure foreign exchange positions. A full overview of all holdings is received every day.

Information about trading in equities and bonds

In the contracts with the external managers, Norges Bank requires that the managers report all transactions continuously, and no later than at a set time on the trading date. The reason for this requirement is that the market risk associated with a security is transferred from seller to buyer as soon as the transaction is agreed.

Just as important as the reporting time are the format of the reports and the medium used. These may vary from one manager to another and from one transaction type to the next.

The international SWIFT electronic system is used for reporting ordinary purchases and sales of equities and bonds. A correctly completed SWIFT report means automatic, problem-free reporting.

Information about foreign exchange transactions and cash investments

Foreign exchange transactions and cash investments are not reported using a standard electronic notification format. Consequently, it has been customary to fax information, which entails a considerable amount of manual work, and hence a higher risk of error. There is no standard for what information should be included, so it is customary only to include what is necessary for settlement of the transaction. However, this is not sufficient to ensure correct accounts and risk classification. Work is in progress to establish more complete, efficient procedures.

Information about corporate actions

The most common corporate actions are the issue of warrants, dividend payments and share splits. The Petroleum Fund's equities are held at a custodian bank, which is also responsible for monitoring corporate actions and updating the Petroleum Fund's holdings.

Corporate actions represent a twofold challenge. When a share is split into several units, this leads to a change in the Fund's holdings of the share in question. If this is not recorded on the correct date, the share value and contribution of the share to risk exposure will not be correct. Another type of corporate action is that the Fund receives warrants in addition to its own holdings of the share. There are a variety of warrants, and they can be very complex. Accurate, ongoing modelling of risk properties is therefore a demanding task.

Information about derivatives trading

Futures contracts, ie agreements on the purchase or sale of securities at a future date, are used in management. The accounts for futures contracts in bonds are kept internally in Norges Bank. The accounts for futures contracts in equities have been centralised by Norges Bank at an external custodian bank. This custodian is a member of the local financial futures and options exchanges, and is obliged to make daily reports on futures contracts in equities to the global custodian.

The flow of information in connection with equity futures contracts is manual. Work on automating this process is under way.

Accounting information to Norges Bank

Updated accounts of the Petroleum Fund's holdings of bonds and associated derivatives instruments are kept at Norges Bank. Equity accounts are mainly kept by the global custodian.

Data are transferred daily from the equity managers to the custodian, where the information is used to prepare accounts for each of the externally managed portfolios. The day after the trading day, the accounting reports are checked and reconciled to ensure that all information is correct. In the afternoon of the day following the trading day, reports are sent to Norges Bank. These reports are used in risk management.

Information flows in Norges Bank

The daily accounting reports from the global custodian and from Norges Bank's own accounting system are kept in a central database in Norges Bank. Information about all the Petroleum Fund's holdings is thus centralised in one place. Norges Bank can extract the data from the database in various ways, depending on what these data are to be used for.

The accounting reports in the central database are supplemented daily with price information from external sources. As long as the securities holdings have universal codes, this process is to a large extent automatic. However, it is not uncommon for different sources to use different codes for the same security, or for some securities not to be registered in all sources. In such cases, it is necessary to compare information from different sources to ensure that the information used is correct.

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Market risk

The value of the Petroleum Fund is constantly changing as a result of movements in interest rates, equity prices and exchange rates. The market risk associated with such movements is determined mainly through the Ministry of Finance's choice of benchmark portfolio. According to the Ministry's guidelines, the actual portfolio may only deviate to a limited extent from the benchmark portfolio. In addition, the Ministry of Finance has established absolute limits for factors such as interest rate risk, the proportions of the Fund that can be invested in equities and bonds, and the allocation by region. A ceiling of one per cent ownership has also been placed on holdings in individual enterprises.

Norges Bank uses a statistical model to calculate the tracking error relative to the benchmark. The model is based on actual securities holdings and the composition of the benchmark portfolio. It then uses historical price data to estimate the magnitude of the uncertainty associated with future price changes. Finally, the model calculates expected fluctuations in the Petroleum Fund's absolute return, and in the difference in return between the actual portfolio and the benchmark portfolio.

The model simplifies this analysis by assuming that most of the variations in the value of financial instruments can be explained by changes in a limited number of basic risk factors. The model makes no attempt to predict the future magnitudes of the risk factors, but uses historical data to estimate the magnitude of previous fluctuations in the factors. The model then calculates how sensitive the individual security is to the risk factors. Finally, the expected fluctuation in the return on the portfolio is calculated in absolute terms and relative to the return on the benchmark portfolio. This is done by weighting the sensitivity of the individual securities in relation to their share of the total market value, and by taking account of the historical fluctuation and covariation of the risk factors.

Monthly return figures for the past ten years indicate that the return on the benchmark portfolio, assuming the same composition as at 1 January 1999 and measured in terms of the Fund's currency basket, can be expected to show a standard deviation of about 5 percentage points on an annual basis. This means that in two out of three years the return will lie within a band of plus/minus 5 percentage points around a normal return. This normal return is difficult to quantify, however.

In addition to fluctuations in the return on the benchmark portfolio, the value of the Petroleum Fund varies because the actual portfolio deviates from the benchmark portfolio. The fluctuation in the Fund's total return is determined by these two factors, and by the degree of covariation between them. If Norges Bank fully utilises the risk limit of 1.5 percentage points expected tracking error, the standard deviation of the Petroleum Fund's total return, measured in terms of the Fund's currency basket, will be approximately 5.25 per cent. It is assumed here that the return on the deviations made is not correlated with the return on the benchmark portfolio. We see that only a small portion of the total market risk in the Petroleum Fund is due to decisions made by Norges Bank as manager.

Risk limits measured by expected tracking error

- The Ministry of Finance's limit on deviations from the benchmark portfolio takes the form of restrictions on fluctuations in the difference between the Petroleum Fund's actual return and the return on the benchmark portfolio.
- The limit is expressed as the expected tracking error (standard deviation of the difference between the return on actual investments and the return on the benchmark portfolio). The expected tracking error may not be higher than 1.5 percentage points on an annual basis. Roughly speaking, this means that in two out of three years the Petroleum Fund will have a return that does not deviate from the return on the benchmark portfolio by more than plus/minus 1.5 percentage points, assuming that Norges Bank makes full use of this margin.]

Credit risk

As an owner of bonds, bank deposits etc., the Petroleum Fund is exposed to the risk that the issuer of the security will fail to meet its financial commitments, so that the whole or part of the capital invested is lost. The Petroleum Fund's exposure to credit risk is to a large extent restricted by the Ministry of Finance's investment guidelines. Supplementary internal guidelines laid down by Norges Bank also apply.

The degree of credit risk is reflected in the rating assigned to a bond by different rating agencies (Moody's and Standard & Poor's are the best known). The Ministry of Finance has set minimum requirements for bond ratings. A supplementary requirement is that securities without a government guarantee may not account for more than one tenth of the market value or interest rate risk of the bond portfolio. Norges Bank has drawn up detailed internal guidelines for approved bond issuers.

The Petroleum Fund is also exposed to credit risk as an owner of bank deposits. The Ministry of Finance has authorised Norges Bank to invest up to one fifth of the Fund's value in bank deposits with a maturity of up to three months. Normally, less than five per cent will be invested in this manner (inclusive of cash collateral for futures contracts). In internal guidelines, Norges Bank has stipulated that deposits must only be made in the world's 200 largest banks, as measured by total assets. In addition to size, these banks must satisfy certain minimum rating requirements. Limits have also been placed on the amounts that may be invested in any individual bank, depending on the size and rating of the bank. As a result of these limits, deposits have to be spread among many banks, so that the credit risk associated with the individual bank is reduced.

Information from both internal and external managers is used to monitor compliance with the limits on bank deposits.

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Other risk types associated with management

In implementing the established investment strategy, the Petroleum Fund is also exposed to risks other than credit and market risk. There is no compensation for these types of risk in the form of a higher return, and the aim is therefore to reduce them to a minimum. There will nevertheless be a trade-off between the costs of limiting these risk factors and the benefit in the form of lower risk exposure.

Settlement risk

When an agreement on the purchase or sale of a financial instrument has been concluded, there is a risk that the counterparty will not fulfil its part of the agreement. Breach of agreement may take place in the period before settlement takes place, or while settlement is taking place. Settlement risk consists of three main factors: the counterparty may fail to fulfil its obligations in connection with settlement, so that the whole or part of the principal is lost (counterparty risk); the counterparty may be in breach of agreement before settlement, so that the transaction has to be replaced by another at the current market price (repurchase risk); the counterparty may settle accounts at a later date than the settlement date, so that any liquidity needs have to be met by raising a loan or selling assets (liquidity risk).

The Petroleum Fund will be exposed to settlement risk through the transactions made. The type of settlement risk the Fund will be exposed to will depend largely on the type of transaction. A distinction can be made between five main types of transaction: purchase/sale of securities, foreign exchange market transactions, collateralized transactions, purchase/sale of listed derivatives and purchase/sale of derivatives traded over the counter. The last type of transaction is not used by Norges Bank. A summary is given below of the types of transaction types mainly used in the management of the Petroleum Fund.

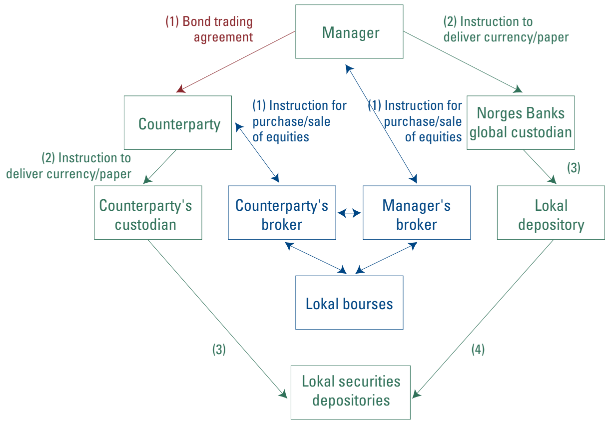

Chart 2 presents a somewhat simplified example of the course of events in a transaction involving the purchase/sale of a security. What is common to equity and bond dealers is marked green , while what is particular to equities is marked blue and what is particular to bonds is marked red.

Purchase/sale of securities

Transactions are agreed between a portfolio manager (internal or external) and a counterparty. Bond transactions are normally agreed directly between buyer and seller. For transactions in the equity market a broker is often used as an intermediary between buyer and seller. All equities in the Petroleum Fund are listed, and the brokers used are either direct members of the local stock exchanges, or they use local agents. Buyer and seller send instructions to their custodians. On settlement day, the transaction takes place in the settlement system of the country where the security is registered.

With simple purchases/sales of securities, the best protection against loss of payment or securities is to require that payment and security are exchanged simultaneously. Countries with well developed capital markets have such mechanisms which protect investors against failure on the part of counterparties after the transaction has been agreed, but before it is settled. Counterparty risk associated with the settlement of security trades is therefore limited.

Since some days pass between the transaction and settlement dates, the Petroleum Fund will always be exposed to some repurchase and liquidity risk. Norges Bank therefore continuously evaluates the financial strength of the counterparties and dealers used in securities transactions.

Foreign exchange transactions

Foreign exchange transactions (spot and forward) do not provide the same degree of certainty as to the simultaneous exchange of assets as securities transactions. Because the transactions do not involve collateral, there is a risk that counterparties will not deliver the agreed sum at the same time as the corresponding amount of currency is delivered.

The counterparty risk of the Petroleum Fund is limited by imposing certain requirements regarding the choice of counterparties and contracts. The maturity of forward contracts is limited to a maximum of six months to reduce repurchase risk. Monitoring procedures have been established to ensure that the terms of the forward contracts entered into are in accordance with the guidelines, and that counterparties satisfy credit rating requirements.

Collateralized transactions

Repurchase agreements and loan of securities are agreements with underlying collateral. Loans of securities take place through custodian institutions. Repurchase agreements are made by both internal and external managers. A repurchase agreement is a sale of securities with an

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agreement to repurchase them later at an agreed price. Norges Bank can be on both sides of such an agreement. Common to the agreements is that Norges Bank lends out money or securities for a limited period to an approved counterparty against acceptable collateral. Bank guarantees, securities and cash, which is reinvested, are accepted as collateral.

In an agreement with underlying collateral, the risk of losing the principal is associated mainly with the actual settlement. During the contract period, the risk will be limited to one party being left with securities/cash that have been provided as collateral if the counterparty fails to fulfil its obligations. Because of market movements in the intervening time, the value of the collateral may not be sufficient to repurchase the original security.

The management of risk in agreements involving collateral takes place by imposing restrictions when selecting counterparties. As a rule the collateral provided by a borrower will exceed the market value of the loan by a certain margin. The market value of the collateral is normally evaluated and cleared on a daily basis.

Purchase/sale of listed derivatives

Norges Bank uses equity index and interest rate futures contracts in its fund management. The contracts in question are traded on stock exchanges and are standardised with respect to quantity, quality and delivery terms.

The following is a slightly simplified illustration of a futures transaction: An agreement is made for the purchase/sale of a listed contract, and collateral deposited with the clearing house. The contract is cleared daily at market price. The clearing house functions as counterparty to both buyer and seller for the duration of the contract. Because of the daily clearing at market price, any credit risk arising will be limited to one day.

As part of futures contracts Norges Bank must make margin payments to brokers, with an associated counterparty risk. In addition, the Bank is exposed to a custody risk in relation to the settlement broker's custodian bank because of the securities that have to be provided as collateral for the initial margin.

The futures contract itself will hold a repurchase risk for Norges Bank in the event that the financial futures and options exchange does not meet its obligations. In the period between the actual transaction by a dealer and its transfer to the settlement broker, the Bank is exposed to a credit risk in relation to the dealer. The exposure is a matter of minutes, and the risk can be regarded as marginal.

The risk associated with futures transactions is considered marginal provided the trade takes place on stock exchanges in well functioning capital markets, with satisfactory regulation and supervision. Norges Bank manages the risk associated with futures activity through guarantee requirements, restrictions with respect to which agents can be used, and continuous monitoring of the initial margin.

Operational risk

Operational risk includes the risk of financial loss as a result of error or irregularities in the execution of transactions, deficient internal control (on the part of either Norges Bank or the external managers) or through interruptions in IT systems (including information, transaction processing and payment transfer systems). Reputational risk, legal risk, and risk associated with inadequate qualifications, ethics or personnel attitudes are also operational risk factors.

Internal control

The degree of operational risk will depend on the organisational structure chosen, the procedures and technical systems used and the expertise in the organisation. Norges Bank places emphasis on managing this type of risk by establishing sound internal control procedures, a sound organisation of activities with clear authorisations and a clear distribution of responsibility, recruitment of specialists with practical and theoretical qualifications, satisfactory training of personnel, technical standby solutions and a sound set of legal agreements.

In the selection process for external managers, emphasis is placed on managers having a clear, well documented investment process, where it is made explicitly clear who is responsible for the individual decisions. Emphasis is also placed on high-quality current risk management, and on the integration of risk management and the investment process.

Ethical guidelines

The Regulation on the Government Petroleum Fund stipulates that external managers used in the management of the Fund must have adequate internal ethical guidelines for their activities. An important part of the process of selecting external managers is precisely an evaluation of the measures the management organisation has implemented to prevent losses due to operational weaknesses. Norges Bank's Executive Board has laid down stringent guidelines for the financial transactions employees in Norges Bank Investment Management are permitted to make, and for the employees' relationship with existing and potential business partners.

Legal risk

Legal risk is the risk that the agreements Norges Bank has entered into do not protect the Bank's rights adequately in the event of a legal process, for example if agreements are not formulated in a manner that makes them legally binding. In managing the Petroleum Fund, Norges Bank has made extensive use of its own legal expertise, and has also used a recognised international firm of lawyers which specialises in the type of legal issues involved.

Control structure

In addition to the standard control routines which are part of the line responsibilities in Norges Bank Investment Management, a control system has been established outside the Investment Management unit. The primary objective of this external system is to ensure that the internal control system functions satisfactorily. External audits are performed by a unit in another department in Norges Bank, the Auditing Department, by the Office of the Auditor General and by the Ministry of Finance. As delegating authority, the Ministry uses the independent consultancy Bacon & Woodrow to evaluate the results of Norges Bank's management. See also Section 7 of the report proper for a further presentation of the external control bodies evaluating Norges Bank's Investment Management.

Foto: Jiri Havran

Dokumentation section

Manage mandate

Act no. 36 of 22 June 1990 relating to the Government Petroleum Fund

§ 1. The Act shall regulate the deployment and investment of a fund intended to safeguard long-term interests through the use of petroleum revenues.

§ 2. The Fund's income consists of the cash flow from petroleum activities, which is transferred from the central government budget, and the return on the Fund's capital.

The cash flow is the sum of
- total tax revenues and royalty deriving from petroleum activities collected pursuant to Act no. 35 of 13 June 1975 relating to Taxation of Offshore Petroleum Resources and Act no. 11 of 22 March 1985 relating to Petroleum Activities
- revenues deriving from tax on CO2 emissions due to petroleum activities on the continental shelf
- revenues deriving from the State's direct financial interest in petroleum activities, defined as operating income and other income less operating expenses and other direct expenses
- central government revenues from net surplus agreements associated with certain production licences
- dividends from Den norske stats oljeselskap A/S
- transfers from the Petroleum Insurance Fund
- central government revenues deriving from the removal or alternative use of offshore installations on the continental shelf
- any government sale of stakes representing the State's direct financial interest in petroleum activities

less
- central government direct investment in petroleum activities
- central government expenses in connection with the Petroleum Insurance Fund
- central government expenses in connection with the removal or alternative use of installations on the continental shelf
- any government purchase of stakes as part of the State's direct financial interest in petroleum activities

§ 3 The Fund's capital may only be used for transfers to the central government budget pursuant to a resolution by the Storting (Norwegian parliament). The Fund's capital may not be used in any other way, nor may it be used to provide credit to the central government or to private sector entities.

§ 4 The Fund's capital shall be invested in the same manner as the central government's other assets.

§ 5 The Fund may not raise loans. The Fund itself has no rights or obligations vis-à-vis private sector entities or public authorities. The Fund cannot be subjected to legal proceedings, and may not institute legal proceedings.

§ 6 The Ministry of Finance shall manage the Fund.

§ 7 The King may issue provisions to supplement this Act and concerning its implementation, including provisions relating to the establishment of the Fund, its management, etc.

§ 8 The Act enters into force at such time as may be decided by the King.

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Regulation relating to the Management of the Government Petroleum Fund

Issued on 3 October 1997 by the Ministry of Finance pursuant to ‘7 of the Act no. 36 of 22 June 1990 relating to the Government Petroleum Fund.

§ 1 Management of the Government Petroleum Fund
Norges Bank is responsible for the operational management of the Government Petroleum Fund on behalf of the Ministry of Finance. The Bank may use other managers. Such managers must have adequate internal, ethical guidelines for their activities.
Norges Bank shall submit reports on the management of the Government Petroleum Fund in accordance with the guidelines set out by the Ministry of Finance.

§ 2 Placement of the Fund
The Government Petroleum Fund shall be placed in a separate account in the form of NOK deposits in Norges Bank. Norges Bank shall invest this capital separately in its own name in financial instruments and cash deposits denominated in foreign currency (the separate portfolio). Norges Bank shall seek to achieve the highest possible return on the separate portfolio within the limits set out in the regulation.

§ 3 Accounting return on Government Petroleum Fund
The value of the Government Petroleum Fund’s NOK account shall be equivalent to the value of the separate portfolio. Norges Bank=s book return on the separate portfolio, less remuneration to Norges Bank, shall be added to the Petroleum Fund’s krone account on 31 December every year.

§ 4 Benchmark portfolio and relative risk
The Ministry of Finance, following consultation with Norges Bank, shall establish a benchmark portfolio for the separate portfolio. The Ministry shall set a maximum limit for expected variations in the return on investments in the separate portfolio and the benchmark portfolio, in the form of a measure of relative volatility.

§ 5 Asset distribution
The separate portfolio shall be invested in accordance with the following distribution of assets:
Interest-bearing instruments 50 - 70%
Equity instruments 30 - 50%
When calculating the asset distribution in accordance with the first paragraph, equity derivatives shall be treated as is i f parts of the separate portfolio had been invested directly in the underlying equity instrument. The asset distribution pursuant to the first paragraph is based on the total portfolio, excluding derivatives.

§ 6 Foreign currency and market distribution
The separate portfolio shall be invested in accordance with the following foreign currency and market distribution:
Europe 40 - 60%
The Americas 20 - 40%
Asia and Oceania 10 - 30%

The separate portfolio can be invested in the following countries:
Europe: Belgium, Denmark, Finland, France, Italy, Ireland, the Netherlands, Portugal, Spain, the UK, Switzerland, Sweden, Germany and Austria.
The Americas: The US and Canada
Asia and Oceania: Australia, Hong Kong, Japan, New Zealand and Singapore.
The separate portfolio can be invested in equity instruments listed on the stock exchanges in the countries/region listed above and in interest-bearing instruments issued in the currency of the above-mentioned countries/region or in the European Currency Unit, the ECU. Issuers of interest-bearing instruments shall be registered in one of the above-mentioned countries/region or be an international organisation.
[Entered into force 1 June 1998 (cf. § 11)]

§ 7 Interest rate risk
The modified duration on the total portfolio of interest-bearing instruments and associated derivatives shall be between 3 and 7.

§ 8 Credit risk
The Ministry of Finance shall establish limits for credit risk in the separate portfolio.

§ 9 Risk systems and risk management
Norges Bank shall ensure that satisfactory risk systems and control routines exist for those instruments to be used in the management of the Fund. Derivatives may be used to the extent that the subsequent financial exposure does not exceed that which would result from investing directly in the underlying instruments.

§ 10 Equity ownership
The separate portfolio may not be invested in more than 1 per cent of the share capital in any one company. Norges Bank shall not exercise its ownership rights linked to share holdings unless it is necessary in order to secure the financial interests of the Fund.

§ 11 Entry into force
The regulation enters into force on 1 January 1998, with the exception of ‘’5 and 6, which shall enter into force on the date decided by the Ministry of Finance. The regulation on the management of the Government Petroleum Fund of 10 May 1996 will be revoked on 1 January

The reference in § 6 to the European Accounting and Currency Unit, the ECU, has been removed with effect from 1 January 1999. The Ministry took the decision to amend the regulation on 10 December 1998.

The purpose and management of the Petroleum Fund

The Revised National Budget for 1997 contained a discussion of the principles for guidelines for management of the Government Petroleum Fund.

The Ministry of Finance wrote about the purpose of the Fund in Chapter 3.5.2:
Basically the Petroleum Fund is to be a fiscal policy control instrument for making the use of petroleum revenues visible. The general background material to the Act stresses that the allocation of capital to the Fund must form part of a comprehensive budgeting process. In establishing the Fund, emphasis has therefore been placed on the premise that there must be no accumulation of capital that does not reflect the actual surplus on the government budget.

In formal terms, the Petroleum Fund is a krone account in Norges Bank. This krone account has a counterpart in that Norges Bank has simultaneously invested an equivalent amount in the Bank's own name in foreign securities. The return on these foreign securities determines the exact return on the Petroleum Fund.

The capital in the Petroleum Fund has two purposes: to serve as a buffer, providing greater scope of manoeuvre in economic policy if the oil price or mainland economic activities should fail, and to be a tool for handling the financial challenges associated with an ageing population coupled with declining petroleum revenues. These factors combined indicate that the Fund should be invested with a long-term horizon, but in a way that makes it possible to drawn on it when required.

The Ministry wrote the following about the management of the Fund in Chapter 3.5.6:
According to the Petroleum Fund Act, it is as previously mentioned the Ministry of Finance that is delegated responsibility for managing the Petroleum Fund. Responsibility for the operational management of the Fund has since been delegated to Norges Bank. In connection with investment in equity instruments, it may also be desirable to use managers other than Norges Bank to procure adequate expertise for the management of the Petroleum Fund. Today Norges Bank uses external managers to some extent to manage parts of its ordinary foreign exchange reserves. Among other things, this permits a fair comparison to be made with its own management. This should also apply to the Petroleum Fund.

Norges Bank takes up the matter of external managers in its submission of 10 April:

«Responsibility for overall control should be centralised in one institution in order to ensure that the different limits for low risk in the total portfolio (distribution of asset classes, currency and market distribution etc.) set out in the Ministry of Finance's guidelines are

observed at all times. This institution should, however, be authorised to use other managers for parts of the portfolio. On the whole, it must be appropriate to assign the operational responsibility for any equity investments to those managers that can execute this in the most cost-effective manner.»

The Ministry assumes that the use of other managers should be organised in such a way that Norges Bank retains the overall responsibility for the operational management of the Fund's capital, and that the bank delegates parts of the portfolio to other managers. Reference is made to Norges Bank's submission of 10 April, which states:

«In assessing internal versus external management, the main emphasis will be on commercial criteria. If there is reason to expect that institutions other than Norges Bank are in a position to undertake the management at a lower cost and/or a higher return, responsibility for the management itself should be outsourced. This will, however, be based on overall risk management in Norges Bank, in accordance with the guidelines set by the Ministry of Finance.»

It is assumed that Norges Bank will make commercial criteria the basis for selecting external managers. Both Norwegian and foreign managers are potential candidates. Investing in equity instruments will mean that greater demands are made of Norges Bank's risk management and risk control.

In establishing new guidelines for the management of the Petroleum Fund, which open the way for the investment of some of the Fund's capital in equity instruments, provisions placing limits on the risk associated with both the equity portfolio and the Fund's overall portfolio will be included.

Evaluating Norges Bank's management of the Fund's capital is an important responsibility for the Ministry, which will use external expertise for the purpose. It is intended that the reports received by the Ministry will be public. Evaluation will take place by means of a benchmark portfolio, which will be established in accordance with the guidelines for the Petroleum Fund's investment, and which can be said to represent a neutral investment strategy according to the investment guidelines. The difference between the return of the Fund's portfolio and the benchmark portfolio will then be broken down into different elements and analysed.

It is intended that the Storting will be informed about the Petroleum Fund's accounts through the Central Government Accounts. It may also be natural to discuss the Fund's half-yearly results in the National Budget. There will additionally be preliminary figures for the value of the Fund every month, since Norges Bank publishes an overview of its assets and liabilities every month.

The Ministry has been informed that an agreement has been made between Norges Bank's Auditing Department and the Auditor General on the auditing of the Government

Petroleum Fund. The ultimate auditing of the Petroleum Fund is assigned to the Office of the Auditor General, which bases its audit on the work performed by Norges Bank's Auditing Department. The Ministry of Finance receives all essential reports from Norges Bank's audit of the Petroleum Fund.

Management agreement between The Ministry of Finance and Norges Bank

The following agreement concerning the Petroleum Fund has been established:

1. The contents of the agreement, etc.

The State, represented by the Ministry of Finance, has delegated to Norges Bank the responsibility for the operational management of the Government Petroleum Fund. The management of the Fund is subject to Act no. 36 of 22 June 1990 on the Government Petroleum Fund with the appurtenant regulations, as well as other decisions and guidelines that have been or may be adopted by the Ministry of Finance. This agreement, together with the regulations and decisions mentioned, governs the relationship between the Ministry of Finance and Norges Bank in connection with the management of the Fund.

All notifications that affect this agreement shall be in writing and signed. Such notifications shall be communicated to Norges Bank Investment Management and to the Economic Policy Department of the Ministry of Finance.

2. Norges Bank's obligations

2.1 Norges Bank's responsibilities

Norges Bank shall manage the Fund in accordance with the law, the financial management regulation for the central government, regulations and other decisions and guidelines that apply to the Fund (cf Clauses 1 and 3.1). Matters of special importance shall be submitted to the Ministry of Finance.

Quarterly and annual reports on the management of the Fund, to be drawn up by Norges Bank in accordance with guidelines laid down by the Ministry (cf Section1 of the regulation), shall be approved by Norges Bank's Auditing Department. Norges Bank shall without undue delay notify the Ministry of significant changes or expected significant changes in the Fund's assets. Norges Bank shall provide the Ministry of Finance with information as requested by the Ministry, including information in machine-readable form to companies that assist the Ministry in evaluating Norges Bank's management of the Government Petroleum Fund.

Norges Bank is liable for paying damages to the State for losses arising as a result of negligence or intent on the part of the Bank, external managers or external service providers operating under an agreement with the Bank (cf Clause 2.2, first paragraph of the agreement).

2.2 Management of the Fund

Norges Bank may use external managers and external service providers in the management of the Fund. Norges Bank is party to agreements with such service providers, and shall supervise their activity on behalf of the Fund.

The Ministry of Finance shall be informed, prior to the conclusion of a final agreement, of the choice of external service providers of major importance to management and the basis for the selection. Such information shall always be provided when concluding a new management agreement with external managers. The Ministry of Finance may require Norges Bank to submit to the Ministry the contracts it enters into in connection with the management of the Fund.

2.3 Information

Norges Bank shall provide information concerning the Fund's management to the public, in accordance with the Public Information Act and the Public Administration Act, and the relevant guidelines issued by the Ministry of Finance.

3. The obligations of the Ministry of Finance

3.1 Regulations, guidelines, etc.

Norges Bank shall have the opportunity to express its view before any changes are made to regulations, decisions or guidelines on management, and shall be notified in due time for changes to be made in the portfolio.

3.2 Remuneration

Remuneration is subject to Annex 1 to this agreement. Remuneration is determined on the basis of the principle of full coverage of expenses incurred by Norges Bank. Changes in the method for calculating remuneration for the following calendar year may be requested by both parties before 1 December of each year.

Remuneration is drawn from the Fund's gross return before the net return is transferred to the Fund's krone account on 31 December of each year. Norges Bank shall submit its remuneration calculations to the Ministry of Finance as early as possible and no later than one week before finalising the accounts.

The Ministry of Finance shall approve in advance those clauses of the agreements between Norges Bank and Norges Bank's managers that have a direct influence on the remuneration paid by the Ministry of Finance to Norges Bank.

3.3. Amounts credited
The Ministry of Finance effects any transfer of funds from the Treasury to the Fund's krone account at Norges Bank at the end of each quarter. The approximate amount to be transferred shall be communicated to Norges Bank in due time for the Bank to make any portfolio adjustments.

3.4 Amounts debited
The Ministry of Finance shall inform Norges Bank of any drawings on the Fund in due time for the Bank to make any portfolio adjustments. The Ministry of Finance will inform Norges Bank of the account to which the transfer is to be credited.

3.5 Taxation
The Ministry of Finance shall contribute to providing the documentation necessary to clarify the tax position of capital from the Fund that has been invested abroad.

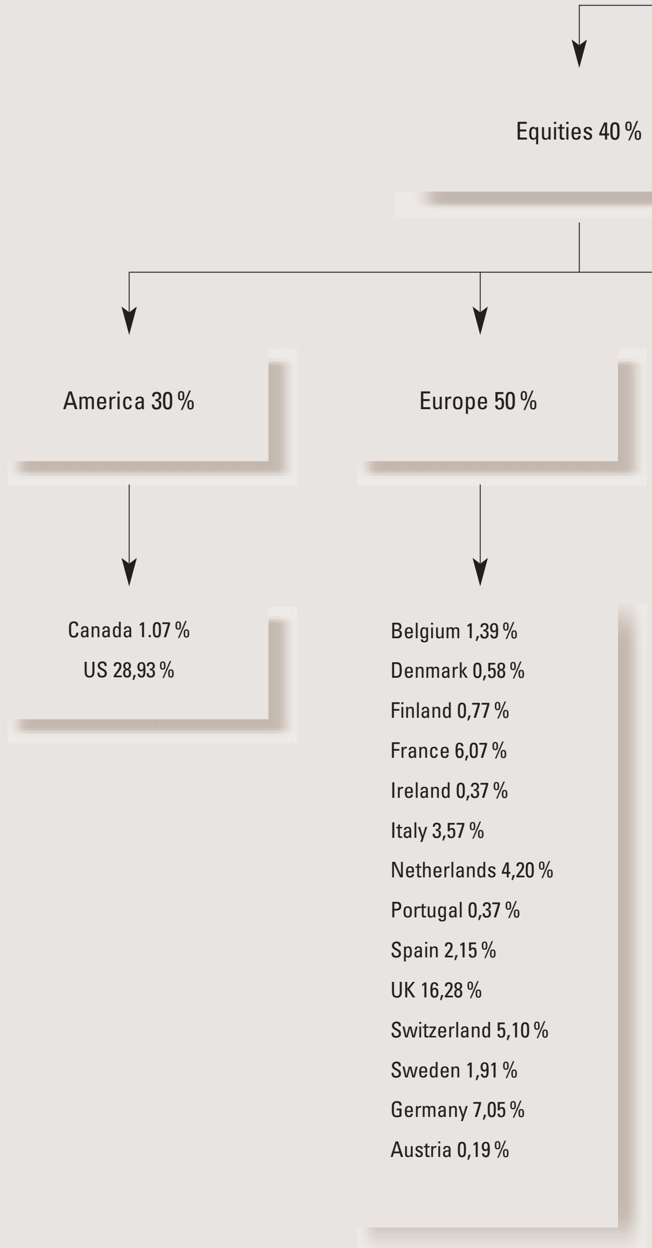
4. Amendments and entry into Force, etc.
4.1 Amendments
The agreement shall be revised when changes to laws or regulations, decision or guidelines so require. This agreement and the annex thereto may not otherwise be amended without the written approval of both parties.

4.2 Entry into force and termination, etc.
This agreement enters into force on 15 May 1998, albeit such that Annex 1 to this agreement applies in full from 1 January 1998. If the parties have not given written notification by 31 December in a given year that the agreement shall be terminated as from 31 December of the following year, the agreement will continue to apply one year at a time until such notification is given.

The Ministry of Finance issues further specified rules and instructions in connection with the termination of the management assignment, including severance pay and other remuneration to Norges Bank in connection with the termination. Clause 3.1 applies accordingly.

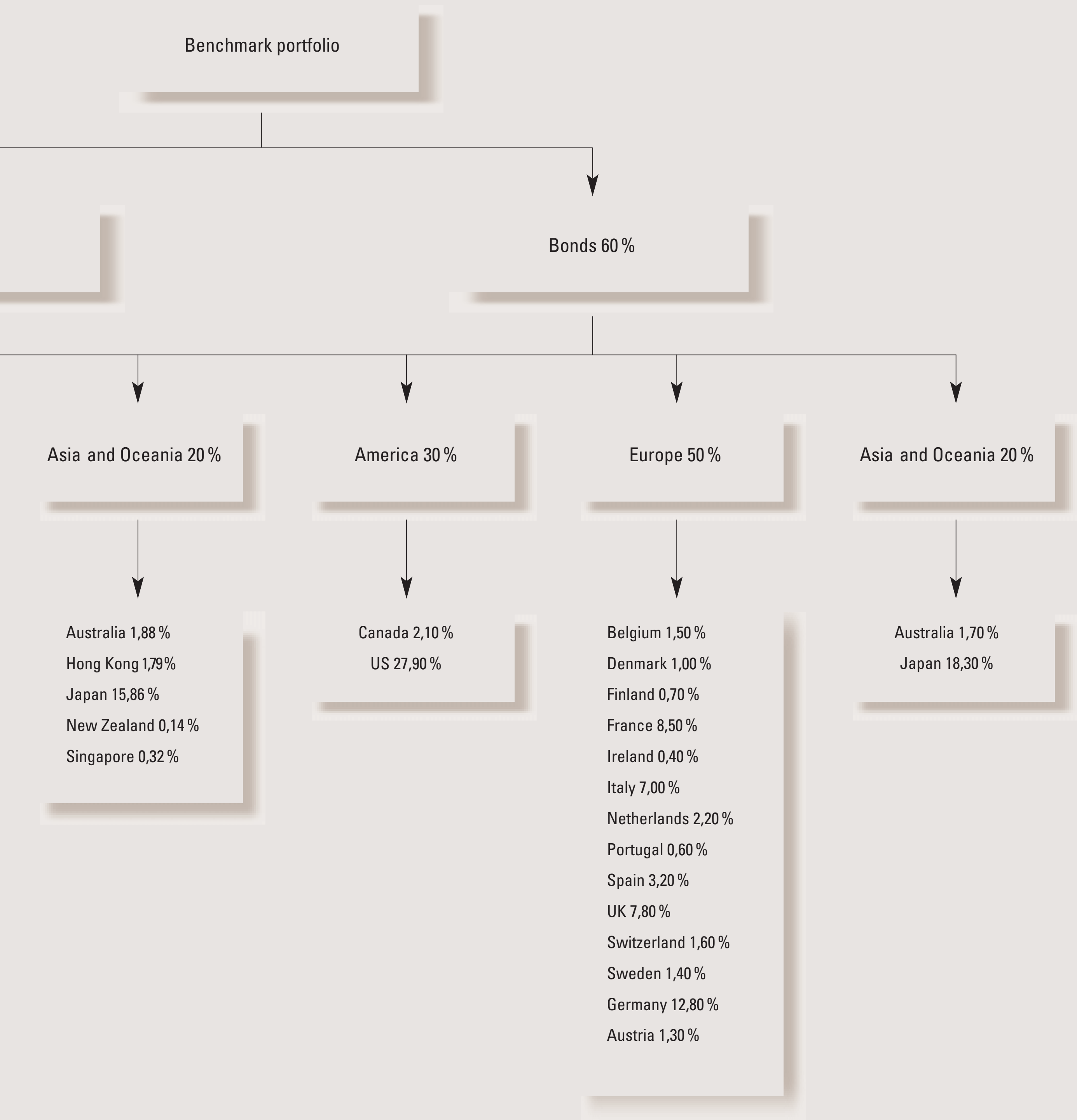
The Benchmark Portfolio

The benchmark portfolio is an imaginary portfolio and is not actually invested. This portfolio define the neutral investment strategy according to the guidelines. It is constructed by using the mid values of the permissible intervals for the asset classes, for regional portfolios, etc. The two asset classes, equities and bonds, are represented by commonly used equity and bond indices in each country. These indices are composed of specific stocks and bonds, in order for the indices to reflect the price changes in the respective markets.

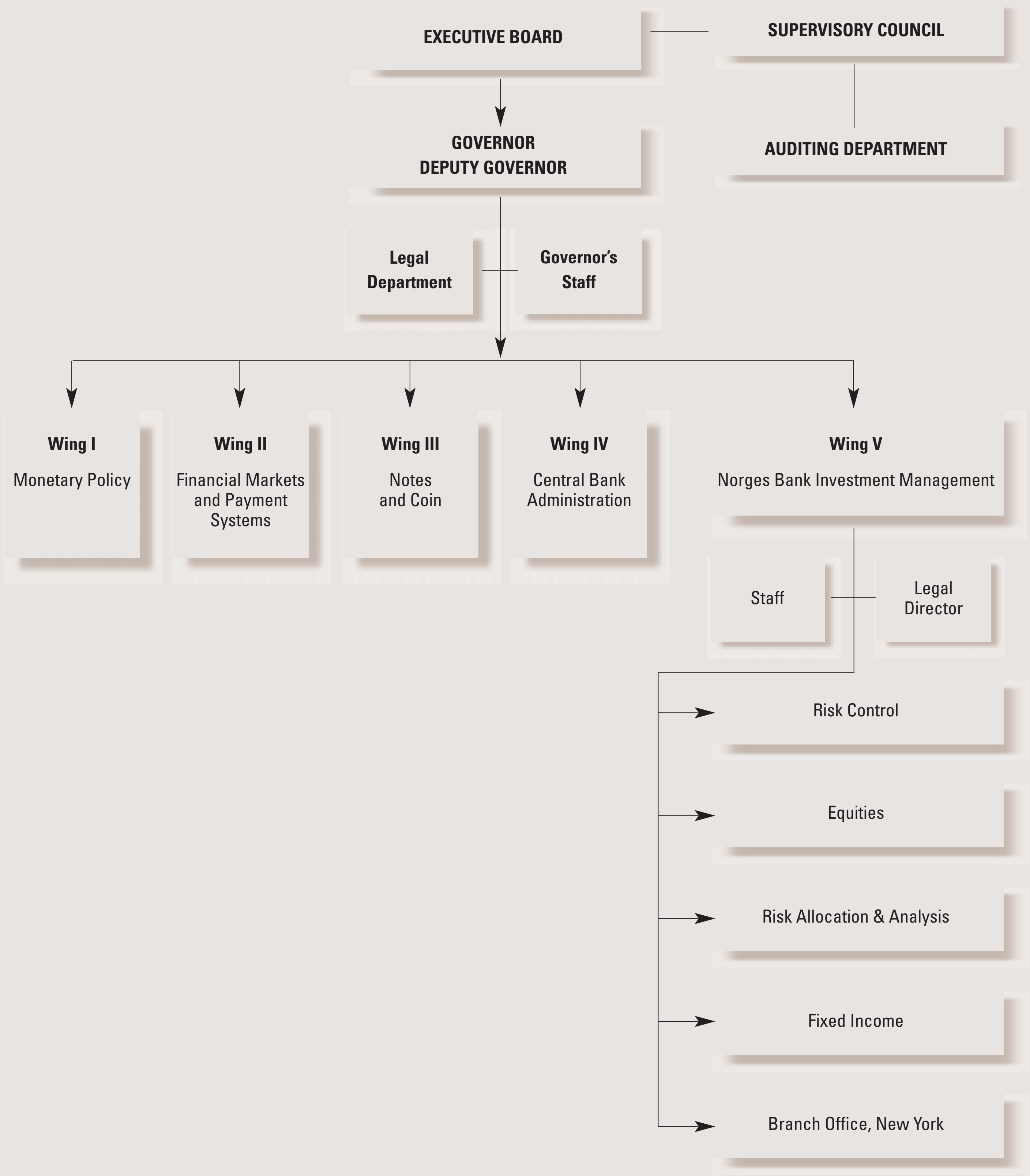


The Chart shows the composition of the banchmark portfolio as per 31 December 1998. The portfolio is first allocated into 40 per cent equities and 60 per cent bonds. The equities and bond portfolios are then allocated to the three regions, the Americas, Europe and Asia/Oceania with shares of 30 per cent, 50 per cent and 20 per cent, respectively.

Within these regions the equities portfolio is allocated to individual countries in proportion to the market values of their equity markets, while the bond portfolio is allocated in proportion to their gross national products. The implication of all this is that the value of the benchmark portfolio will be a weighted average of the values of securities in each of the countries included.


Benchmark portfolio
Bonds 60 %
Asia and Oceania 20 %
America 30 %
Europe 50 %
Asia and Oceania 20 %
Australia 1,88 %
Hong Kong 1,79 %
Japan 15,86 %
New Zealand 0,14 %
Singapore 0,32 %
Canada 2,10 %
US 27,90 %
Belgium 1,50 %
Denmark 1,00 %
Finland 0,70 %
France 8,50 %
Ireland 0,40 %
Italy 7,00 %
Netherlands 2,20 %
Portugal 0,60 %
Spain 3,20 %
UK 7,80 %
Switzerland 1,60 %
Sweden 1,40 %
Germany 12,80 %
Austria 1,30 %
Australia 1,70 %
Japan 18,30 %

Organisation Chart



Holdings of equities at 31 December 1998

Holdings of equities at 31 December 1998

Europe

	Market value (NOK)	% ownership
Austria		
AUSTRIA TABAKWERKE AG	3 746 681	0,0348 %
AUSTRIAN AIRLINES	4 218 973	0,0712 %
BK AUSTRIA AG	21 435 590	0,0755 %
BOEHLER UDDEHOLM	2 331 032	0,0646 %
BRAU-UNION GOESS-REININGHAUS-OESTERREICHISCHE AG	2 656 997	0,0670 %
BWT AG (BENCKISER W)	1 351 840	0,0560 %
ERSTE BANK DER OSTERREICHISCHEN SPARKASSEN AG	2 737 570	0,0194 %
EVN AG	9 109 185	0,0732 %
FLUGHAFEN WIEN AG	3 448 691	0,0730 %
LENZING AG	825 850	0,0521 %
LEYKAM MEURZTALER PAPIER	833 466	0,0506 %
MAYR-MELNHOF KARTON AG	2 558 197	0,0683 %
O E M V	32 768 106	0,1687 %
OESTERREICHISCHE BRAU-AG	2 221 310	0,0677 %
OESTERREICHISCHE ELEKTRIZITAETSWIRTSCHAFTS AG	10 509 294	0,0597 %
RHI AG	1 632 721	0,0679 %
VA TECHNOLOGIE AG	6 625 576	0,0864 %
VOEST ALPINE STAHL AG	4 717 968	0,0757 %
WIENERBERGER BAUSTOFF INDUSTRIE AG	9 213 970	0,0776 %
WOLFORD AG	1 235 472	0,0762 %
Belgium		
ALGEMENE MAATSCHAPPIJ VOOR NIJVERHEIDSKREDIT NV	132	0,0013 %
ALMANIJ(ALGEM MAATSCH VOOR NIJV)	74 481 490	0,0634 %
BARCO	18 051 301	0,0789 %
BEKAERT SA	4 410 612	0,0600 %
CIMENTERIES C.B.R. CEMENTBEDRIJVEN	11 641 073	0,0720 %
CIE BELGE DE PARI CIP	20 851 860	0,0615 %
CIE NATLE A PORTEFEUILLE	11 360 698	0,0849 %
COBEPA(CIE BELGE DE PART PARIBAS)	2 870 880	0,0085 %
COLRUYT SA	16 063 994	0,0706 %
CREDIT COMMUNAL HOLDING DEXIA	29 968 069	0,0682 %
DELHAIZE FRERES ET CIE(LE LION) SA	22 988 615	0,0642 %
ELECTRABEL	112 468 893	0,0652 %
ELECTRAFINA	24 764 658	0,0714 %
FORTIS AG (warrant)	312 821	N/A
FORTIS AG	4 036	0,0155 %
FORTIS AG FIN	135 987 389	0,0652 %
G.B.-INNO-BM	7 469 917	0,0648 %
GEVAERT PHOTO-PRODUCTEN	8 816 397	0,0641 %
GROUPE BRUXELLES LAMBERT	24 583 242	0,0700 %
KBC BANCASSURANCE HOLDING	5 030	0,0507 %
KREDIETBANK	103 936 275	0,0596 %
PETROFINA SA	51 442 006	0,0641 %
SOLVAY ET CIE	31 032 559	0,0713 %
TELINFO	25 053 514	0,4298 %
TRACTEBEL CAP	78 022 875	0,0673 %
UCB CAP	42 268 672	0,0705 %
UNION MINIERE	4 198 454	0,0630 %
Switzerland		
ABB AG	51 153 490	0,0675 %
ADECCO SA	36 418 097	0,0608 %
ALUSUIS LONZA HOLDING AG	33 939 029	0,0667 %
BALOISE-HOLDINGS LTD	28 725 086	0,0691 %
BANQUE CANTONALE VAUDOISE	18 133 284	0,2099 %
CIBA SPECIALITY CHEMICALS	26 817 735	0,0669 %
CLARIANT	26 659 156	0,0489 %
COMPAGNIE FINANCIERE RICHEMONT AG	34 934 757	0,0522 %
CREDIT SUISSE GROUP	210 427 251	0,0687 %
HOLDERBANK FINANCIERE GLARIS AG	28 997 668	0,0496 %
KUONI REISEN HLDG	15 115 693	0,1667 %
NESTLE SA	426 981 211	0,0774 %
NOVARTIS AG	831 179 495	0,0853 %
OERLIKON-BUHRLE HLDG	6 948 795	0,0626 %
PARGESA HLDGS SA	11 591 712	0,0693 %
ROCHE HOLDINGS AG	617 201 776	0,0686 %
SAIRGROUP	27 285 490	0,1229 %
SCHINDLER-HLDG AG	10 105 936	0,0671 %
SCHWEIZ RUCKVERSICHER	210 279 899	0,0759 %
SMH AG NEUENBERB	11 281 791	0,0414 %
SOCIETE GEN. DE SURVEIL. HLDG SA	8 149 716	0,0739 %
SOCIETE INTERNATIONAL PIRELLI SA	9 036 660	0,0748 %
SULZER GEBRUDER AG	10 925 545	0,0802 %
SWATCH GROUP	41 803 072	0,2449 %
SWISSCOM AG	61 248 926	0,0249 %
UBS AG	404 857 417	0,0827 %
ZURICH ALLIED AG	208 126 066	0,0785 %
Germany		
ADIDAS - SALOMON AG	24 232 050	0,0765 %
ALLIANZ AG	429 875 017	0,0642 %
ALTANA AG	14 777 573	0,0809 %
AMB AACHENER UND MUNCHENER BETEILIGUNGS AG	16 128 597	0,0362 %
BANKGESELLSCHAFT BERLIN	963 367	0,0041 %
BASF AG	125 680 877	0,0732 %
BAYER AG	171 980 825	0,0848 %
BAYERISCHE MOTOREN WERKE AG	151 470 342	0,1151 %
BAYERISCHE VEREINSBANK	178 398 552	0,0877 %
BEIERSDORF	27 455 340	0,0616 %
BHF-BANK AG NPV	16 335 611	0,0681 %
BILFINGER & BERGER BAU AG	4 696 791	0,0872 %
CKAG COLONIA KONZERN AG	14 993 201	0,0616 %
COMMERZBANK AG	71 848 637	0,0656 %

	Market value (NOK)	% ownership
CONTINENTAL AG	15 347 341	0,0680 %
DAIMLERCHRYSLER AG	468 098 342	0,0628 %
DEGUSSA	25 021 182	0,0810 %
DEUTSCHE BANK AG	181 862 394	0,0848 %
DEUTSCHE TELEKOM AG	159 195 731	0,0188 %
DOUGLAS HLDGS AG	9 583 840	0,0637 %
DRESDNER BANK AG	132 319 637	0,0889 %
EM TV MERCHANDISING AG	17 492 474	0,0766 %
ERGO VERSICHERUNGSGRUPPE AG	59 627 198	0,0718 %
GEHE AG	24 303 744	0,0705 %
HANNOVER RUCKVERSICHERUNGS AG	10 555 409	0,0790 %
HEIDELBERGER ZEMENT AG	15 283 638	0,0605 %
HENKEL KGAA	26 036 524	0,0337 %
HOCHTIEF AG	13 619 154	0,0759 %
HOECHST AG	115 685 954	0,0667 %
HOLZMANN(PHILIPP)AG	3 200 073	0,0507 %
KARSTADT AG	22 071 532	0,0883 %
LAHMEYER AKTIENGESELLSCHAFT	21 193 157	0,0699 %
LINDE AG	24 822 251	0,0764 %
LUFTHANSA AG	20 822 690	0,0336 %
MAN AG NON VTG PREF	19 292 795	0,0709 %
MANNESMANN AG	359 443 819	0,0891 %
MERCK KGAA	28 809 749	0,1866 %
METALLGESELLSCHAFT	32 593 686	0,1931 %
METRO AG	102 405 410	0,0553 %
MUNCHENER RUCKVERSICHERUNGS (warrant)	55 304	N/A
MUNCHENER RUCKVERSICHERUNGS	264 395 426	0,1542 %
PORSCHE AG	17 695 577	0,1202 %
PREUSSAG AG	34 703 509	0,0617 %
RWE-AG	133 786 839	0,0758 %
SAP AG	236 733 964	0,0842 %
SCHERING AG	70 557 457	0,1068 %
SIEMENS AG	214 549 762	0,0732 %
THYSSEN AG	30 241 445	0,0679 %
VEBA AG	180 634 404	0,0884 %
VEREINIGTE ELEKTRIZITATSW WESTFAL	19 555 525	0,0662 %
VIAG AG	74 103 488	0,0714 %
VOLKSWAGEN AG	136 813 748	0,0638 %
Denmark		
CARLSBERG	17 959 862	0,0714 %
CHEMINOVA HLDGS	1 246 716	0,0548 %
CHRISTIAN HANSEN HOLDING AS	2 925 115	0,0660 %
CODAN FORSIKRING	3 543 418	0,0601 %
COLOPLAST	5 884 109	0,0635 %
D/S 1912	18 378 488	0,0358 %
D/S SVENDBORG	17 681 775	0,0348 %
DANISCO A/S	16 394 437	0,0715 %
DEN DANSKE BANK	34 492 660	0,0681 %
EAST ASIATIC CO	516 190	0,0472 %
FALCK A/S	4 253 897	0,0609 %
FLS INDUSTRIES	3 589 758	0,0519 %
GN STORE NORD A/S	5 799 055	0,0556 %
ISS INTERNATIONAL SERVICE SYSTEM AS	7 625 297	0,0515 %
JYSKE BANK(AS)	3 908 709	0,0668 %
KAPITAL HOLDING AS	13 794 586	0,1250 %
KOBENHAVEN LUFTHAVE AS	5 012 260	0,0608 %
LAURITZEN (J) HOLDINGS	541 170	0,0438 %
MICRO MATIC HOLDING	864 307	0,0460 %
NKT HOLDING	2 087 744	0,0440 %
NOVO-NORDISK AS	72 417 743	0,1177 %
RADIOMETER A/S	1 996 321	0,0587 %
RATIN A/S	45 386 874	0,1068 %
SAS DANMARK A/S	1 202 109	0,0307 %
SOPHUS BERENDSEN	3 860 291	0,0558 %
SUPERFOS	2 057 227	0,0606 %
TELE DANMARK AS	118 541 459	0,1085 %
TOPDANMARK AS	3 441 664	0,0592 %
TRYG-BALTICA FORSIKRING AS	7 337 190	0,0806 %
UNIDANMARK	21 062 986	0,0706 %
WILLIAM DEMANT HOLDING	4 281 191	0,0554 %
Spain		
ACCIONA SA	27 557 733	0,0845 %
ACERINOX SA	6 766 322	0,0573 %
ARGENTARIA CAJA POSTAL Y BCO	60 591 920	0,0618 %
AUMAR AUTOPISTAS DE MARE	8 383 937	0,0636 %
AUTOPISTAS C E S A	20 518 195	0,0696 %
AZUCARERA EBRO AGRICOLAS SA	6 030 883	0,0596 %
BANCO BILBAO VIZCAYA S A	173 120 644	0,0802 %
BANCO CENTRAL HISPANOAMERICANO SA	94 014 089	0,1028 %
BANCO POPULAR ESPANOL	54 412 270	0,0918 %
BANCO SANTANDER SA	112 982 252	0,0703 %
BANKINTER SA	14 169 728	0,0687 %
COMPANIA ESPANOLA DE PETROLEOS SA	16 323 456	0,0657 %
CORPORACION FINANCIAERA REUNIDA SA	30 502 528	0,3350 %
CORPORATION FINANCIERA ALBA	12 500 126	0,0891 %
CORPORATION MAPFRE SA	6 662 574	0,0644 %
CRISTALERIA ESPANOLA	4 634 914	0,0701 %
DRAGADOS AND CONSTR SA	9 577 439	0,0610 %
ENDESA S A	165 853 900	0,0823 %
FOMENTO DE CONSTRUCTION Y CONTRAS SA	22 405 667	0,0762 %
GAS NATURAL SGD	77 637 642	0,0702 %
HIROELECTRICA DEL CANTABRICO SA	10 865 906	0,0740 %


Svalbard
BARENTS
SJÖEN
Kola
Island
Trondheim
Kristiansund
Ålesund
Sognef
Bergen
Shetlands
Hebriderne
Færöene
Aberdeen
Nord
sjöen
DANMARK
København
Berlin
Riga
Varsjava
Lodz
Hull
England
London
Dresden
Praha
Wien
Budapest
UNGARN
Paris
Brest
S.t Nazaire
FRANKRIKE
SCHW.
Lyon
Bordeaux
Nimes
Marseille
Korsika
Rom
Barcelona
Sardinia
Madrid
SPANIA
Palma
Cartagena
Malta
Tripolis
Bengasi
Neapel
Palermo
Bari
Sicilia
GREKENL

Europe

Holdings of equities at 31 December 1998

Europe

	Market value (NOK)	% ownership
IBERDROLA SA	79 397 273	0,0681 %
INMOBILIARIA METROPOLOITANA VASCO SA	6 812 957	0,0690 %
KOIPE SA	335 176	0,0103 %
PORTLAND VALDERRIVAS SA	4 039 924	0,0665 %
REPSOL SA	76 650 127	0,0649 %
TABACALERA SA	23 092 922	0,0703 %
TELEFONICA SA (warrant)	5 777 117	N/A
TELEFONICA SA	289 314 358	0,0818 %
TELEPIZZA SA	28 443 553	0,1826 %
UNION ELECTRICA FENOSA	65 781 363	0,1636 %
URALITA	2 465 363	0,0587 %
VALLEHERMOSO SA	8 354 821	0,0675 %
VISCOFAN ENVOLTURAS CELULOSI	3 583 115	0,0643 %
Finland		
CULTOR OYJ	3 075 018	0,0613 %
ENSO OY	3 589 199	0,0083 %
FINNAIR	1 089 618	0,0314 %
HUHTAMAKI OY	4 860 202	0,0632 %
KEMIRA OY	2 092 520	0,0336 %
KESCO OYJ	4 677 230	0,0772 %
MERITA PLC	23 944 756	0,0590 %
METRA	4 164 004	0,0625 %
METSA SERLA OY	3 771 697	0,0531 %
NOKIA(AB)OY	514 457 657	0,0804 %
ORION-YHTYMA OY	7 562 279	0,0624 %
OUTOKUMPU OY	4 035 081	0,0447 %
POHJOLA	10 446 275	0,0583 %
RAISIO GROUP PLC	29 129 915	0,2700 %
RAUMA OY	3 496 336	0,0772 %
RAUTARUUKKI OY	2 589 103	0,0388 %
SAMPO	11 646 429	0,0609 %
SONERA CORPORATION OYJ	24 376 246	0,0244 %
STOCKMANN AB	4 945 963	0,0394 %
TAMRO MEDICAL AS	1 708 143	0,0541 %
TIETO CORPORATION	17 064 073	0,1012 %
UPM-KYMMENE OY	37 840 661	0,0702 %
VALMET CORPORATION	5 515 050	0,0880 %
STORA ENSO OYJ	25 155 823	0,0581 %
France		
ACCOR	55 533 290	0,1014 %
AIR LIQUIDE(L’)	92 495 802	0,0902 %
ALCATEL	111 756 691	0,0674 %
ALSTOM	23 447 006	0,0616 %
ASS GEN DE FRANCE	51 083 602	0,0655 %
AXA (warrant)	125 869	N/A
AXA	271 031 904	0,0738 %
BANQUE NATIONALE DE PARIS	158 966 815	0,1093 %
BIC SA	15 054 130	0,0667 %
BONGRAIN SA	4 023 509	0,0586 %
BOUYGUES	25 400 252	0,0539 %
CANAL PLUS	55 815 447	0,0861 %
CAP GEMINI SOGETI	73 216 765	0,0796 %
CARREFOUR	174 930 717	0,0915 %
CASINO(ETABL ECON)(GUICH-PERR)	37 437 059	0,0609 %
CASTORAMA DUBOIS INVESTISSMENT	17 094 117	0,0249 %
CHRISTIAN DIOR	22 911 465	0,0540 %
CLUB MEDTIERRANEE	5 958 757	0,0581 %
COMPAGNIE DE ST-GOBAIN	93 011 047	0,1058 %
COMPAGNIE GENERALE D’INDUSTRIE ET DE PARTICIPATION	18 651 624	0,0631 %
COMPAGNIE PARISIENNE DE REESCOMPTE	2 290 078	0,0642 %
CREDIT COMMERCIAL DE FRANCE	32 718 220	0,0641 %
CSF (THOMSON)	33 455 082	0,0738 %
DAMART SA	326 654	0,0071 %
DEXIA FRANCE	27 875 986	0,0695 %
ELF AQUITAINE	201 664 300	0,0869 %
ERID BEGHIN SAY	22 442 277	0,0725 %
ESSILOR INTL	19 083 708	0,0568 %
EURAFRANCE	11 894 448	0,0664 %
EURO DISNEYLAND	4 886 477	0,0653 %
EUROTUNNEL (warrant)	38 028	N/A
EUROTUNNEL PLC/EUROTUNNEL SA UNITS	4 373 420	0,0283 %
FINANCIERE ET INDUSTRIELLE GAZ ET EAUX	7 647 886	0,0671 %
FONCIERE LYONNAISE (warrant)	5 174	N/A
FONCIERE LYONNAISE	4 730 146	0,0629 %
FRANCE TELECOM	157 905 376	0,0224 %
FROMAGERIES BEL	5 206 489	0,0653 %
GROUPE DANONE (EX BSN)	113 304 197	0,0827 %
GROUPE GTM	6 807 886	0,0587 %
GROUPEMENT POUR LE FINANCEMENT DE LA CONSTRUCTION	1 088 393	0,0100 %
HAVAS ADVERTISING (warrant)	16 725	N/A
HAVAS ADVERTISING SA	4 099 922	0,0460 %
IMETAL	7 536 264	0,0562 %
LABINAL	3 905 122	0,0617 %
LAFARGE	45 950 324	0,0692 %
LARARDERE SCA	25 215 417	0,0679 %
LEGRAND SA	32 471 508	0,0761 %
L’OREAL	231 465 357	0,0684 %
LVMH MOET-HENNESSY LOUIS VUITTON FF10	110 409 805	0,0721 %
MICHELIN (CGDE)	42 859 373	0,1252 %
MOULINEX	1 956 958	0,0625 %
NATEXIS	4 096 942	0,0573 %
PARIBAS(EX-BANQUE PARIBAS)	92 370 271	0,0818 %
PECHINEY	46 720 783	0,2332 %
PERNOD-RICARD	18 334 402	0,0717 %

	Market value (NOK)	% ownership
PEUGEOT SA	59 983 285	0,1042 %
PINAULT-PRINTEMPS-REDOUTE SA	135 127 285	0,0904 %
PROMODES	65 533 650	0,0658 %
RENAULT (REGIE NATIONALE DES USINES)	62 514 912	0,0718 %
REXEL SA	22 016 642	0,0776 %
RHONE-POULENC SA	128 110 298	0,0940 %
SAGEM S A	9 103 769	0,0521 %
SANOFI	113 117 998	0,0681 %
SCHNEIDER SA	73 006 587	0,1209 %
SEB SA	6 468 984	0,0959 %
SEFIMEG FF100 (REGD)	4 247 973	0,0541 %
SIDEL SA	14 196 904	0,0661 %
SILIC	566 837	0,0098 %
SIMCO-UNION POUT L’HABITATION	10 059 913	0,0728 %
SOCIETE GENERALE	101 286 712	0,0773 %
SODEXHO ALLIANCE	35 814 345	0,0751 %
SOMMER ALLIBERT	2 468 904	0,0572 %
ST MICROELECTRONICS	102 837 782	0,1072 %
SUEZ LYONNAISE DES EAUX (warrant)	1 682 559	0,1293 %
SUEZ LYONNAISE DES EAUX	192 857 201	0,0866 %
SYNTHELABO	102 481 156	0,1315 %
TOTAL PETROLEUM	153 312 880	0,0806 %
UNIBAIL SA	20 702 059	0,1826 %
UNION IMMOB FRANCE	721 777	0,0118 %
USINOR	24 237 463	0,1146 %
VALEO	30 229 525	0,0600 %
VALLOUREC SA	237 864	0,0103 %
VIVENDI	235 699 138	0,0678 %
United Kingdom		
3I GROUP PLC	28 280 355	0,0630 %
ABBEY NATIONAL	142 606 904	0,0634 %
ALLIANCE & LEICESTER PLC	62 492 441	0,1073 %
ALLIANCE TRUST	11 906 800	0,0674 %
ALLIED DOMECQ PLC	46 219 270	0,0778 %
ALLIED ZURICH	171 957 986	0,0981 %
ANGLIAN WATER PLC	17 582 224	0,0681 %
ANGLIAN WATER PLC (B-SHARES)	172 040	0,0095 %
ARCADIA GROUP	2 680 421	0,0724 %
ARJO WIGGINS APPLETON	7 554 833	0,0723 %
ARRIVA PLC	7 103 493	0,0662 %
ASDA GROUP	39 018 181	0,0669 %
ASSOCIATED BRITISH FOODS	39 982 157	0,0674 %
ASSOCIATED BRITISH PORTS HLDGS	7 923 813	0,0698 %
BANK OF SCOTLAND	70 207 308	0,0596 %
BARCLAYS	209 901 547	0,0816 %
BARRATT DEVELOPMENTS	3 859 525	0,0665 %
BASS PLC	54 960 014	0,0709 %
BBA GROUP	12 636 280	0,0693 %
BG PLC	153 085 305	0,0833 %
BICC	2 546 721	0,0766 %
BILLITON PLC	20 370 498	0,0684 %
BLUE CIRCLE INDS	19 280 963	0,0758 %
BOC GROUP	33 379 438	0,0670 %
BOOKER	1 140 878	0,0821 %
BOOTS CO	72 634 845	0,0757 %
BOWTHORPE PLC	5 364 712	0,0601 %
BP AMOCO PLC	668 777 098	0,0642 %
BPB INDUSTRIES	9 375 339	0,0846 %
BRADFORD PROPERTY TRUST	2 074 575	0,0498 %
BRITISH AEROSPACE	60 400 196	0,0642 %
BRITISH AIRWAYS	13 760 654	0,0297 %
BRITISH AMERICAN TOBACCO	112 702 997	0,0973 %
BRITISH BIO-TECHNOLOGY	1 583 233	0,0778 %
BRITISH ENERGY	29 537 646	0,0477 %
BRITISH LAND CO PLC	54 620 777	0,1872 %
BRITISH SKY BROADCASTING	61 052 264	0,0659 %
BRITISH STEEL	14 049 876	0,0489 %
BRITISH TELECOM	603 504 908	0,0809 %
BRIXTON ESTATE	2 958 418	0,0590 %
BRYANT GROUP	1 609 432	0,0522 %
BTR	32 110 986	0,0767 %
BUNZL	8 821 177	0,0677 %
BURMAH OIL	14 009 225	0,0697 %
BAA	87 195 036	0,0951 %
CABLE & WIRELESS	173 291 302	0,0678 %
CABLE AND WIRELESS COMMUNICATIONS	109 718 161	0,0785 %
CADBURY SCHWEPPES	124 976 003	0,1058 %
CALEDONIA INVESTMENTS	4 079 610	0,0522 %
CARADON PLC	4 360 242	0,0568 %
CARLTON COMMUNICATIONS	26 390 938	0,0654 %
CENTRICA PLC	78 370 108	0,1154 %
CGU PLC	93 076 263	0,0692 %
CHARTER ORD	2 340 637	0,0578 %
CITY OF LONDON TRUST	3 284 021	0,0515 %
COATS VIYELLA	1 609 863	0,0646 %
COMPASS GROUP PLC	36 301 389	0,0588 %
COOKSON GROUP	7 419 372	0,0705 %
COUNTRYWIDE ASSURED GROUP PLC	207 679	0,0045 %
COURTAULDS TEXTILES	1 191 481	0,0811 %
DAILY MAIL & GENERAL TRUST	21 778 399	0,0558 %
DE LA RUE CO	3 751 119	0,0672 %
DEBENHAMS RETAIL	10 865 659	0,0672 %
DIAGEO	211 313 059	0,0735 %
DIXONS GROUP	70 722 587	0,1533 %
EDINBURGH INVESTMENT TRUST	10 284 758	0,0649 %

Holdings of equities at 31 December 1998

Europe

	Market value (NOK)	% ownership
ELECTRA INVESTMENT TRUST	6 671 925	0,0462 %
ELECTROCOMPONENTS	14 082 458	0,0800 %
ELEMENTIS (1998)	2 542 989	0,0660 %
EMAP	19 421 754	0,0557 %
EMI GROUP PLC	25 356 295	0,0707 %
ENGLISH CHINA CLAYS	3 761 670	0,0412 %
ENTERPRISE OIL	11 866 764	0,0845 %
EUROTUNNEL PLC/EUROTUNNEL SA	3 331 445	0,0216 %
FAIRVIEW HOLDINGS PLC	346 105	0,0196 %
FIRST LEISURE CORP	1 409 480	0,0357 %
FISHER ALBERT GROUP	78 329	0,0160 %
FKI	6 482 742	0,0674 %
FLEMING MERCANTILE INVESTMENT TRUST	3 433 079	0,0621 %
FOREIGN AND COLONIAL INVESTMENT TRUST	16 227 767	0,0654 %
GALLAHER GROUP PLC	22 498 115	0,0630 %
GARBAN PLC	211 854	0,0147 %
GENERAL ELECTRIC	152 264 458	0,0839 %
GKN	45 037 332	0,0676 %
GLAXO WELLCOME	709 275 855	0,0750 %
GLYNWED INTERNATIONAL	2 478 364	0,0561 %
GRANADA GROUP	106 259 093	0,0966 %
GREAT PORTLAND ESTATES	6 079 632	0,0718 %
GREAT UNIVERSAL STORES	49 587 461	0,0547 %
GREENALLS GROUP PLC	6 892 443	0,0687 %
GUARDIAN ROYAL EXCHANGE PLC	24 114 100	0,0589 %
HALIFAX PLC	165 384 600	0,0722 %
HALMA	3 300 911	0,0573 %
HAMMERSON PLC	8 146 436	0,0606 %
HANSON	23 967 145	0,0707 %
HAYS	36 260 312	0,0634 %
HENDERSONS SMALLER COMPANIES INVESTMENT TRUST	2 218 814	0,0446 %
HEPWORTH	3 098 320	0,0734 %
HIGHLAND DISTILLERIES CO	2 402 100	0,0574 %
HILLSDOWN HOLDINGS PLC	2 207 872	0,0748 %
HSBC HLDGS	364 846 843	0,0716 %
IMI	6 967 549	0,0828 %
IMPERIAL CHEMICAL	29 496 475	0,0657 %
IMPERIAL TOBACCO GROUP PLC	25 980 363	0,0570 %
INCHCAPE	5 570 845	0,0632 %
INVESCO MIM	23 778 152	0,0579 %
IWP INTERNATIONAL PLC	517 185	0,0332 %
JOHNSON MATTHEY	7 405 886	0,0746 %
KINGFISHER PLC	114 379 467	0,1145 %
LADBROKE GROUP	23 358 676	0,0716 %
LAIRD GROUP	1 824 086	0,0663 %
LAND SECURITIES	34 025 874	0,0704 %
LAPORTE 1992	6 716 327	0,0557 %
LASMO PLC	7 619 994	0,0647 %
LEGAL & GENERAL GROUP PLC	78 565 314	0,0609 %
LLOYDS TSB GROUP	442 179 238	0,0823 %
LONRHO AFRICA	240 739	0,0251 %
LONRHO PLC	4 783 322	0,0759 %
LUCASVARITY PLC	22 330 552	0,0539 %
M & G GROUP	8 716 653	0,0622 %
MARKS & SPENCER	92 544 734	0,0786 %
MARLEY PLC	2 055 331	0,0465 %
MCKECHNIE	1 635 736	0,0349 %
MEPC PLC	10 673 880	0,0644 %
MEYER INTERNATIONAL	4 347 319	0,0700 %
MISYS PLC	14 473 354	0,0428 %
MORGAN CRUCIBLE CO	4 752 546	0,1015 %
MORRISON(WM.)SUPERMARKETS	36 480 343	0,1358 %
NATIONAL EXPRESS GROUP	46 909 867	0,2908 %
NATIONAL GRID	103 377 466	0,1141 %
NATIONAL POWER	50 615 488	0,0664 %
NATIONAL WESTMINSTER BANK	207 709 168	0,0890 %
NEXT PLC	15 191 778	0,0549 %
NFC	5 151 284	0,0621 %
NORTHERN FOODS	6 835 463	0,0804 %
NORTHERN ROCK	15 188 793	0,0521 %
NORWICH UNION	62 330 701	0,0576 %
NYCOMED AMERSHAM PLC	19 714 798	0,0620 %
ORANGE PLC	66 412 382	0,0510 %
P & O	35 538 398	0,0743 %
PEARSON	94 773 821	0,0969 %
PERPETUAL	6 450 033	0,0541 %
PIC INTERNATIONAL GROUP	1 613 588	0,0638 %
PILKINGTON	5 376 014	0,0826 %
POWERGEN 1998 PLC	41 076 197	0,0600 %
PREMIER FARNELL	3 547 676	0,0646 %
PROVIDENT FINANCIAL	18 966 742	0,0642 %
PRUDENTIAL CORP	190 222 229	0,0867 %
RACAL ELECTRONICS	6 175 245	0,0449 %
RAILTRACK GROUP PLC	111 472 613	0,1150 %
RANK GROUP PLC	14 571 926	0,0810 %
RECKITT & COLMAN PLC	25 798 450	0,0717 %
REED INTERNATIONAL PLC	42 388 065	0,0603 %
RENTOKIL INITIAL PLC	102 149 316	0,0641 %
REUTERS GROUP	69 903 903	0,0468 %
REXAM PLC	5 543 061	0,0660 %
RIO TINTO PLC	59 059 467	0,0627 %
RMC GROUP	16 806 847	0,0837 %
ROLLS-ROYCE	12 250 574	0,0278 %
ROYAL & SUN ALLIANCE INSURANCE GROUP	60 432 210	0,0662 %
ROYAL BANK OF SCOTLAND GROUP	65 338 312	0,0587 %
RUGBY GROUP	4 525 018	0,0605 %
SAFEWAY PLC	25 943 427	0,0704 %
SAINSBURY (J)	70 778 159	0,0719 %
SCAPA GROUP	1 722 834	0,0641 %
SCHRODERS	24 826 249	0,0669 %
SCOT & NEWCASTLE	34 264 521	0,0648 %
SCOTTISH & SOUTHERN ENERGY	75 415 092	0,1144 %
SCOTTISH INVESTMENT TRUST	7 273 789	0,0586 %
SCOTTISH MORTGAGE & TRUST	9 191 582	0,0588 %
SCOTTISH POWER	58 429 071	0,0608 %
SEARS PLC	2 945 278	0,0439 %
SECURICOR PLC	23 478 982	0,0539 %
SELFRIDGES PLC	410 782	0,0100 %
SEMA GROUP	49 477 114	0,1434 %
SEVERN TRENT PLC	27 824 417	0,0700 %
SHELL TRANSPORT & TRADING	353 002 727	0,0888 %
SIEBE	37 742 078	0,0733 %
SLOUGH ESTATES	8 864 433	0,0624 %
SMITH & NEPHEW	17 374 586	0,0711 %
SMITHKLINE BEECHAM	433 325 824	0,0751 %
SMITHS INDUSTRIES	21 452 541	0,0645 %
SOMERFIELD PLC	888 436	0,0037 %
SPIRAX-SARCO ENGINEERING	2 620 029	0,0554 %
STAGECOACH HOLDINGS PLC	24 598 101	0,0600 %
STANDARD CHARTERED	54 998 044	0,0593 %
STOREHOUSE	4 607 353	0,0723 %
SUN LIFE & PROVINCIAL HOLDINGS PLC	26 332 667	0,0482 %
TARMAC	9 233 529	0,0756 %
TATE & LYLE	11 827 967	0,0536 %
TAYLOR WOODROW	4 843 936	0,0707 %
TELEWEST PLC	44 463 056	0,0743 %
TERRANOVA FOODS PLC	436 564	0,0252 %
TESCO PLC	152 702 457	0,1074 %
THAMES WATER PLC	32 155 653	0,0696 %
TI GROUP	12 272 711	0,0648 %
TOMKINS	27 241 694	0,0936 %
UNIGATE	7 809 482	0,0664 %
UNILEVER	273 919 265	0,1148 %
UNITED ASSURANCE GROUP PLC	14 977 564	0,0658 %
UNITED BISCUITS (HLDGS) PLC	9 381 467	0,0846 %
UNITED NEWS & MEDIA PLC	20 514 205	0,0659 %
UNITED UTILITIES	81 343 753	0,1443 %
VAUX GROUP	1 867 831	0,0422 %
VICKERS PLC	3 138 450	0,0769 %
VODAFONE GROUP	249 360 455	0,0575 %
W H SMITH GROUP	10 226 080	0,0581 %
WHITBREAD & CO	30 496 776	0,0617 %
WILLIAMS PLC	19 618 642	0,0725 %
WILSON(CONNOLLY)HLDGS	1 731 394	0,0698 %
WIMPEY(GEORGE)	3 127 918	0,0734 %
WITAN INVESTMENT CO	9 770 629	0,0584 %
WOLSELEY	17 925 768	0,0724 %
WOOLWICH PLC	56 006 475	0,0889 %
WPP GROUP	21 695 666	0,0572 %
ZENECA GROUP	258 390 133	0,0769 %
Ireland		
ALLIED IRISH BANKS	93 475 559	0,0721 %
AVONMORE FOODS PLC	1 032 921	0,0190 %
AVONMORE WATERFORD	1 414 959	0,0253 %
BANK OF IRELAND	46 792 526	0,0528 %
BANK OF IRELAND (GOVERNOR & CO OF)	32 589 355	0,0365 %
BARLO GROUP	541 601	0,0486 %
CLONDALKIN GROUP	1 395 657	0,0690 %
CRH	33 169 732	0,0719 %
DCC	3 209 557	0,0538 %
FYFFES	2 941 576	0,0501 %
GREENCORE GROUP PLC	4 059 636	0,0773 %
INDEPENDENT NEWSPAPERS	4 558 824	0,0600 %
IRISH LIFE	4 520 350	0,0178 %
IRISH LIFE PLC	10 200 952	0,0406 %
KERRY GROUP	11 475 180	0,0650 %
RYANAIR HOLDINGS	5 168 601	0,0651 %
SMURFIT (JEFFERSON) GROUP	9 771 815	0,0671 %
TULLOW OIL PLC	122 624	0,0077 %
WATERFORD GLASS/WATERFORD WEDGWOOD	2 818 968	0,0595 %
Italy		
ALITALIA LINEE	14 053 001	0,0331 %
ALLEANZA ASSICURAZIONI	51 822 479	0,0722 %
ASSICURAZIONI GENERALI SPA	201 735 511	0,0638 %
BANCA COMMERCIALE ITALIANA SA	59 789 621	0,0731 %
BANCA DI ROMA	82 987 941	0,1199 %
BANCA FIDEURAM	31 063 609	0,0715 %
BANCA INTESA SPA VENETO	50 589 567	0,0554 %
BANCA NAZIONALE DEL LAVORO	13 709 125	0,0299 %
BANCO AMBROSIANO VENETO DI RISP	9 728 559	0,0107 %
BENETTON GROUP SPA	17 806 810	0,0751 %
BURGO(CARTIERE)SPA	3 339 809	0,0607 %
CIR-COMPAGNIE INDUSTRIALI SPA	2 878 701	0,0427 %
EDISON SPA	35 811 341	0,0653 %
ENI SPA	267 133 950	0,0751 %
FIAT SPA PRIV	109 941 411	0,1030 %
LA FONDIARA ASSICURAZIO SPA	11 539 243	0,0753 %
GILARDINI INDUSTRIALE SPA	4 159 547	0,0670 %
GRUPPO EDITORIALE L'ESPRESSO	4 636 244	0,0440 %
HOLDING PARTECIPAZIONI INDUSTRIALI	8 458 771	0,0595 %

Holdings of equities at 31 December 1998

Europe

	Market value (NOK)	% ownership
I.F.I.(ISTIT FIN INDUSTR)SPA PRIV	4 916 248	0,0713 %
IFIL(ISTIT FIN ITAL LANIERO)SPA	13 135 305	0,0774 %
INSTITUTO NAZIONALE ASSICURAZ	51 055 580	0,0715 %
ITALCEMENTI SPA	11 528 997	0,0743 %
ITALGAS SPA	18 897 874	0,0566 %
MARZOTTO(GAETANO)& FIGLI SPA	2 985 663	0,0624 %
MEDIASET	45 607 634	0,0568 %
MEDIOBANCA SPA (warrant)	438 321	N/A
MEDIOBANCA SPA	37 123 666	0,0761 %
MILANO ASSICURAZIONI	6 320 092	0,0806 %
MONTEDISON SPA DI RISP	33 201 642	0,0754 %
OLIVETTI & C SPA	91 099 765	0,1216 %
PARMALAT FINANZIARIA	14 351 096	0,0854 %
PIRELLI SPA	29 353 198	0,0780 %
RAS	38 128 300	0,0790 %
RINASCENTE(LA)	10 956 102	0,0560 %
ROLO BANCA 1473 SPA	56 452 998	0,0682 %
SAIPEM	8 095 083	0,0805 %
SAN PAOLO-IMI SPA	120 286 488	0,0680 %
SIRTI SPA	7 094 276	0,0771 %
SNIA BPD	4 999 660	0,0548 %
SOCIETA ASSICURATRICE INDUSTRIALE SPA	6 721 905	0,0574 %
TELECOM ITALIA MOBILE SPA	326 898 919	0,0868 %
TELECOM ITALIA SPA	387 299 930	0,0827 %
TORO ASSICURAZIONI SPA	7 836 361	0,0601 %
UNCREDITO ITALIANO SPA	134 342 610	0,0699 %
UNICEM SPA	2 801 277	0,0481 %
UNIONE IMMOBILIARE	1 537 400	0,0085 %
Netherlands		
ABN-AMRO HLDGS NV	140 267 728	0,0652 %
AEGON NV	377 795 653	0,0799 %
AKZO NOBEL NV	103 162 586	0,1335 %
ASM LITHOGRAPHY HLDG NV	18 314 406	0,0406 %
BOLSWESSANEN (KON) CVA	4 847 627	0,0640 %
BUHRMANN NV	26 624 445	0,2347 %
BAAN CO NV	9 222 008	0,0626 %
DSM NV	15 461 381	0,0690 %
ELSEVIER NV	44 442 631	0,0623 %
FORTIS AMEV NV	71 527 329	0,0627 %
GETRONICS NV	20 480 839	0,0644 %
HAGEMEYER NV	17 395 506	0,0620 %
HEINEKEN HOLDING	13 884 274	0,0284 %
HEINEKEN NV	109 826 443	0,0838 %
HUNTER DOUGLAS NV	5 995 720	0,0926 %
ING GROEP NV	340 646 571	0,0836 %
K L M (KONINKLIJKE LUCHTVAART MIJ)	16 996 982	0,1199 %
KONINKLIJKE AHOLD NV	154 250 995	0,0835 %
KONINKLIJKE HOOGOVENS NV	12 666 355	0,1589 %
KONINKLIJKE KPN NV	150 856 048	0,0788 %
KONINKLIJKE NUMICO NV	27 685 131	0,0599 %
PHILIPS ELECTRONIC NV	159 866 674	0,0782 %
RANDSTAD HOLDINGS NV	28 658 412	0,0597 %
ROYAL DUTCH PETROLEUM	548 499 493	0,0795 %
STORK VMF	3 135 445	0,0696 %
TNT POST GROUP NV	87 763 641	0,0689 %
UNILEVER NV	362 444 366	0,1006 %
VNU NV	32 961 189	0,0584 %
WOLTERS KLUWER	68 980 153	0,0666 %
Portugal		
BANCO COMERCIAL PORTUGUESE	53 734 422	0,1801 %
BANCO ESPIR SANTO E COM DE LISBOA	22 715 805	0,0831 %
BANCO MELLO SA	4 261 971	0,0656 %
BANCO PINTO & SOTTO MAYOR SA	14 445 258	0,0529 %
BANCO PORTUGUES DO ATLANTICO (BPA)	10 022 131	0,0546 %
BANCO TOTTA & ACORES SA	805 043	0,0078 %
BPI-SGPS SA	13 393 400	0,0601 %
BRISA(AUTO-ESTRADAS DE PORTUGAL) SA	11 391 538	0,0439 %
CIMENTOS DE PORTUGAL SA	8 463 663	0,0467 %
COMPANHIA DE SEGUROS TRANQUILIDADE	705 176	0,0164 %
CREDITO PREDIAL PORTUGUES	1 888 237	0,0543 %
ELECTRICIDADE DE PORTUGAL SA	26 923 403	0,0246 %
INPARSA INDUSTRIAS E PARTICIPACOES (warrant)	211 971	N/A
INPARSA INDUSTRIAS E PARTICIPACOES	2 162 103	0,0401 %
JERONIMO MARTINS	19 339 598	0,0495 %
PORTUCEL INDUSTRIAL SA	354 862	0,0089 %
PORTUGAL TELECOM	51 658 626	0,0745 %
SEMAPA SOC INV E GESTO-SGPS	2 081 509	0,0662 %
SONAE INDUSTRIA SGPS SA	1 888 906	0,0412 %
SONAE INVESTIMENTOS	8 667 155	0,0680 %
TELECEL COMUNICACOES PESSOASIS SA	32 238 763	0,0876 %
Sweden		
ABB AB	58 561 001	0,0872 %
AGA AB	15 593 900	0,0671 %
ASSIDOMAN AB	9 300 192	0,0564 %
ASTRA AB	232 723 751	0,0858 %
ATLAS COPCO AB	34 679 644	0,1402 %
AVESTA SHEFFIELD AB	2 256 658	0,0598 %
BURE INVESTMENT AB	7 957 641	0,1349 %
DROTT AB	1 421 526	0,0224 %
ELECTROLUX AB	30 184 361	0,0951 %
FASTIGHETS AB BALDER	50 249	0,0029 %
FORENINGS SPARBANKEN AB	82 265 588	0,1184 %
GAMBRO AB	17 775 489	0,0766 %
HENNES & MAURITZ AB	70 847 414	0,0606 %
HUFVUDSTADEN	273 900	0,0078 %
INDUSTRIVARDEN AB	1 651 295	0,0099 %
INVESTOR AB	42 053 827	0,0640 %
LM ERICSSSON (A-AKSJER)	293 610 363	0,0837 %
MO OCH DOMSJO AB	7 166 893	0,0468 %
NCC AB	3 670 720	0,0541 %
NORDBANKEN HLDG AB	38 422 321	0,0574 %
S.K.F. AB	17 832 889	0,2676 %
SANDVIK AB	45 286 073	0,1588 %
SCANIA AB	18 295 936	0,0410 %
SECURITAS	42 706 967	0,1166 %
SKANDIA FORSAKRINGS AB	37 378 606	0,0659 %
SKANDINAVISKA ENSKLIDA BK	28 553 791	0,0599 %
SKANSKA AB	14 381 159	0,0652 %
SSAB SVENSKT STAL	5 760 131	0,0631 %
SVENSKA CELLULOSA	20 710 279	0,0689 %
SVENSKA HANDELSBANKEN	47 645 109	0,0673 %
SYDKRAFT AB	17 473 108	0,0486 %
SAAB AB	1 609 971	0,0200 %
TRELLEBORG AB	4 249 492	0,0586 %
VOLVO(AB)	63 398 917	0,0688 %

North America

Holdings of equities at 31 December 1998

North America

Canada

	Market value (NOK)	% ownership
ABITIBI-CONSOLIDATED CORP INC	3 254 168	0,0246 %
AGNICO EAGLE MINES	171 875	0,0092 %
AGRIUM INC	2 196 430	0,0274 %
AIR CANADA	106 771	0,0019 %
ALBERTA ENERGY CO LTD	5 459 080	0,0272 %
ALCAN ALUMINIUM	12 535 436	0,0296 %
ALLIANCE FOREST PRODUCTS INC	644 544	0,0223 %
ANDERSON EXPLORATION LTD	1 523 761	0,0183 %
BANK OF MONTREAL	21 060 033	0,0258 %
BANK OF NOVA SCOTIA	21 529 699	0,0283 %
BARRICK GOLD CORPORATION	14 648 718	0,0268 %
BC GAS INC	1 331 350	0,0215 %
BC TELECOM INC	7 203 662	0,0275 %
BCE INC	47 511 921	0,0252 %
BCE MOBIL COMMUNICATIONS INC COM NPV	4 714 040	0,0249 %
B.F.GOODRICH COMPANY	4 455 168	0,0232 %
BIOCHEM PHARMA INC	6 496 878	0,0299 %
BOMBARDIER INC	14 590 286	0,0201 %
BRUNCOR INC	687 748	0,0143 %
CAE INDUSTRIES	828 745	0,0179 %
CAMBRIDGE SHOPPING CENTRES LIMITED	531 250	0,0129 %
CAMECO CORPORATION	1 715 626	0,0160 %
CANADIAN HUNTER EXPLORATION	758 780	0,0259 %
CANADIAN IMP BANK	20 458 940	0,0268 %
CANADIAN MARCONI CO	230 035	0,0106 %
CANADIAN NATIONAL RAILWAYS CO	10 509 023	0,0280 %
CANADIAN NATURAL RESOURCES	2 989 089	0,0258 %
CANADIAN OCCIDENTAL PETROLEUM	2 485 559	0,0234 %
CANADIAN PACIFIC	12 719 457	0,0251 %
CANADIAN TIRE CORP	4 132 815	0,0265 %
CANADIAN UTILITIES	1 690 477	0,0113 %
CANFOR CORPORATION	142 212	0,0098 %
CLINICHEM DEVELOPMENT INC	18 030	0,0182 %
CN LOEWEN GROUP INC	1 277 282	0,0563 %
COGNOS INC	1 312 575	0,0166 %
COMINCO	1 583 533	0,0210 %
CRESTAR ENERGY INC	573 909	0,0169 %
DOFASCO INC	1 521 723	0,0188 %
DOMTAR INC	1 040 402	0,0126 %
DONOHUE INC	2 514 337	0,0183 %
DUNDEE BANCORP	351 935	0,0189 %
ECHO BAY MINES LTD	219 519	0,0112 %
EDPERBRASCAN CORP	8 589 737	0,0300 %
ENBRIDGE INC	7 928 107	0,0306 %
EURO NEVADA MINING CORP	2 480 160	0,0215 %
EXTENDICARE INC	362 500	0,0134 %
FAIRFAX FINANCIAL HLDGS	7 767 861	0,0217 %
FALCON BRIDGE LTD	4 738 842	0,0325 %
FINNING INTERNATIONAL INC	575 744	0,0150 %
FLETCHER CHALLENGE CANADA INC	2 588 791	0,0277 %
FOUR SEASONS HOTEL INC	870 536	0,0128 %
FRANCO NEVADA MINING CORP	2 489 510	0,0213 %
GENDIS INC	40 476	0,0100 %
GENTRA INC	340 179	0,0133 %
GEORGE WESTON LIMITED	10 591 524	0,0261 %
GULF CANADA RESOURCES LIMITED	2 033 334	0,0291 %
HOLLINGER INC	285 714	0,0106 %
HUDSONS BAY CO	1 228 572	0,0203 %
IMASCO LTD	19 154 489	0,0284 %
IMPERIAL OIL	14 263 485	0,0283 %
INCO	3 498 823	0,0249 %
INVESTORS GROUP	6 875 004	0,0277 %
JANNOCK LIMITED	409 226	0,0170 %
KINROSS GOLD CORP	842 228	0,0175 %
LAIDLAW INC	6 245 911	0,0287 %
LOBLAW COS	12 928 979	0,0269 %
MACMILLAN BLOEDEL	1 863 171	0,0210 %
MAGNA INTERNATIONAL INC	9 472 335	0,0266 %
MARITIME TELEGRAPH & TELEPHONE CO	681 920	0,0131 %
MDS INC	1 191 816	0,0136 %
METHANEX CORP	1 428 572	0,0218 %
MITEL CORP	1 215 030	0,0182 %
MOLSON COS	676 588	0,0106 %
MOORE CORPORATION LIMITED	1 464 795	0,0193 %
NATIONAL BANK OF CANADA	5 691 455	0,0298 %
NEWBRIDGE NETWORKS CORP	10 794 748	0,0227 %
NEWCOURT CREDIT GROUP INC	10 110 869	0,0304 %
NEXFOR INC	1 351 678	0,0297 %
NORANDA FOREST INC	187 142	0,0041 %
NORANDA INC	4 628 635	0,0240 %
NORTHERN TELECOM	53 898 540	0,0204 %
NOVA CORPORATION	2 085 616	0,0208 %
P0WER FINANCIAL CORP	15 515 881	0,0269 %
PANCANADIAN PETROLEUM NPV	463 393	0,0022 %
PETRO-CANADA	2 547 124	0,0109 %
PHILIP SERVICES CORP	51 339	0,0249 %
PLACER DOME INC	5 353 798	0,0253 %
POCO PETROLEUMS LTD	1 295 239	0,0166 %
POTASH CORP OF SASKATCHEWAN	6 504 458	0,0247 %
POWER CORP OF CANADA	8 629 370	0,0264 %
PROVIGO INC	261 409	0,0032 %
QUEBECOR INC	864 931	0,0084 %
RANGER OIL LTD	833 135	0,0218 %
RENAISSANCE ENERGY LIMITED	2 882 368	0,0248 %
RIO ALGOM	780 953	0,0162 %
ROGERS COMMUNICATIONS INC	372 396	0,0013 %
ROYAL BANK OF CANADA	30 490 914	0,0268 %
ROYAL GROUP TECHNOLOGIES	2 634 823	0,0213 %
RUSSEL METALS INC	93 750	0,0109 %
SEAGRAM CO	28 547 138	0,0248 %
SEARS CANADA INC	2 223 215	0,0194 %
SHELL CANADA	1 164 807	0,0036 %
SOBEYS CANADA INC	230 293	0,0047 %
SOUTHAM INC	1 691 023	0,0182 %
SPAR AEROSPACE	146 825	0,0217 %
ST LAWRENCE CEMENT INC	237 351	0,0102 %
STELCO INC	678 572	0,0162 %
SUNCOR ENERGY INC	6 206 353	0,0267 %
TALISMAN ENERGY	3 662 849	0,0247 %
TECK CORPORATION	927 778	0,0193 %
TELEGLOBE INC	15 632 449	0,0403 %
TELUS CORPORATION	5 851 938	0,0250 %
THOMSON CORP	28 332 701	0,0252 %
TORONTO-DOMINION BANK	20 735 428	0,0237 %
TRANSALTA CORP	4 621 680	0,0256 %
TRANSCANADA PIPELINES	13 865 342	0,0279 %
TRILON FINANCIAL CORP 895903102	1 391 370	0,0214 %
TRIMAC LTD	145 833	0,0129 %
TRIMARK FINANCIAL CORP	1 927 332	0,0226 %
TRIZEC HAHN CORPORATION	5 656 253	0,0242 %
TVX GOLD INC	346 875	0,0169 %
UNITED DOMINION INDUSTRIES	1 018 850	0,0155 %
WESTCOAST ENERGY INC	4 264 102	0,0277 %

US

	Market value (NOK)	% ownership
3 COM CORPORATION	31 717 534	0,0262 %
ABBOTT LABORATORIES	147 617 971	0,0295 %
ABERCROMBIE & FITCH CO	97 564	0,0004 %
ADAPTEC INC	3 077 504	0,0164 %
ADC TELECOMMUNICATIONS	8 657 392	0,0241 %
ADOBE SYSTEMS INC	5 928 926	0,0250 %
ADVANCED MICRO DEVICES INC	7 783 200	0,0335 %
ADVANTA CORP	63 998	0,0027 %
AEROQUIP - VICKERS INC	997 423	0,0144 %
AES CORP	16 982 899	0,0343 %
AETNA INC	22 855 212	0,0262 %
AFLAC INC	23 499 411	0,0284 %
AIR PRODUCTS & CHEMS INC	18 467 884	0,0328 %
AIRTOUCH COMMS INC	81 435 483	0,0204 %
ALBERTSONS INC	31 296 692	0,0290 %
ALEXANDER & BALDWIN INC	1 062 818	0,0146 %
ALLEGHENY POWER SY	7 981 360	0,0269 %
ALLEGHENY TELEDYNE CORP	7 278 438	0,0245 %
ALLIED SIGNAL INC	49 647 734	0,0300 %
ALLSTATE CORP	63 581 153	0,0295 %
ALLTEL CORP	29 797 592	0,0226 %
ALTERA CORPORATION	10 759 980	0,0247 %
ALUMINUM CO OF AMERICA	26 631 313	0,0240 %
AMBAC FINANCIAL GROUP INC	7 932 990	0,0277 %
AMERADA HESS CORP	8 518 399	0,0255 %
AMEREN CORPORATION	10 136 969	0,0249 %
AMERICA ONLINE INC	136 623 104	0,0285 %
AMERICAN ELEC POWER CO INC	17 906 032	0,0273 %
AMERICAN EXPRESS CO	92 461 320	0,0279 %
AMERICAN FINANCIAL GROUP INC OHIO	5 214 663	0,0314 %
AMERICAN GENERAL CORP	39 089 471	0,0311 %
AMERICAN GREETINGS CORP	4 825 642	0,0254 %
AMERICAN HOME PRODUCTS CORP	147 012 796	0,0287 %
AMERICAN INTL GROUP INC	201 752 851	0,0263 %
AMERICAN NATIONAL INSURANCE CO	4 224 033	0,0258 %
AMERICAN POWER CONVERSION	8 635 393	0,0264 %
AMERICAN STORES CO	20 110 981	0,0282 %
AMERITECH CORPORATION	138 596 086	0,0247 %
AMGEN	53 516 481	0,0246 %
AMP INC	17 038 182	0,0206 %
AMR CORP	21 668 241	0,0289 %
AMSOUTH BANCORP	10 132 370	0,0267 %
ANADARKO PETROLEUM CORP	6 951 968	0,0277 %
ANALOG DEVICES INC	9 547 207	0,0274 %
ANDREW CORP	2 247 688	0,0193 %
ANHEUSER-BUSCH COS INC	63 047 653	0,0264 %
AON CORP	18 686 732	0,0282 %
APACHE CORP	4 063 349	0,0257 %
APPLE COMPUTER CO INC	10 278 127	0,0263 %
APPLIED MATERIALS INC	31 341 378	0,0207 %
ARCHER-DANIELS-MIDLAND CO	19 970 856	0,0290 %
ARCHSTONE COMMUNITIES TRUST	4 011 279	0,0192 %
ARMCO INC	553 846	0,0134 %
ARMSTRONG WORLD INDUSTRIES INC	4 218 731	0,0231 %
ARROW ELECTRONICS INC	5 672 789	0,0449 %
ASARCO INC	714 450	0,0159 %
ASCEND COMMUNICATIONS	27 351 483	0,0214 %
ASHLAND OIL INC	6 503 938	0,0246 %
ASSOCIATES FIRST CAPITAL CORP	60 227 404	0,0278 %
AT & T CORP	255 205 957	0,0221 %
ATLANTIC RICHFIELD CO	41 800 589	0,0291 %
ATMEL CORP	1 994 926	0,0147 %
AUTO DATA PROCESS INC	46 821 647	0,0275 %

Holdings of equities at 31 December 1998

North America

	Market value (NOK)	% ownership
AUTODESK INC	4 285 828	0,0280 %
AUTOZONE INC	8 833 697	0,0237 %
AVERY DENNISON CP	9 406 983	0,0273 %
AVNET INC	3 779 669	0,0315 %
AVON PRODUCTS INC	23 302 447	0,0317 %
BAKER HUGHES INC	10 598 106	0,0236 %
BALL CORP	1 636 830	0,0162 %
BALTIMORE GAS AND ELECTRIC COMPANY	8 584 224	0,0273 %
BANDAG INC	365 129	0,0064 %
BANK OF NEW YORK CO INC	60 507 374	0,0297 %
BANK ONE CORPORATION	116 247 770	0,0265 %
BANKAMERICA CORPORATION	207 544 690	0,0247 %
BANKBOSTON	22 869 182	0,0277 %
BANKERS TRUST CORPORATION	14 442 143	0,0234 %
BATTLE MOUNTAIN GOLD CO	1 091 217	0,0155 %
BAUSCH & LOMB INC	6 363 649	0,0255 %
BAXTER INTERNATIONAL INC	36 481 102	0,0274 %
BB&T CORP	22 688 413	0,0282 %
BEAR STEARNS COS INC	8 670 915	0,0245 %
BECTON DICKINSON & COMPANY	21 131 559	0,0339 %
BELL ATLANTIC CORP	159 114 900	0,0234 %
BELLSOUTH CORP	193 886 262	0,0277 %
BELO (A H) CORP	3 691 148	0,0257 %
BERKSHIRE HATHAWAY INC	154 407 204	0,0262 %
BESTFOODS	30 427 439	0,0294 %
BETHLEHEM STEEL CORPORATION	1 226 501	0,0137 %
BEVERLY ENTERPRISES INC W/I	776 543	0,0161 %
B.F. GOODRICH COMPANY	4 455 168	0,0232 %
BLACK & DECKER CORP	10 248 057	0,0275 %
BLOCK (H&R) INC	7 940 962	0,0254 %
BMC SOFTWARE INC	18 931 822	0,0268 %
BOEING COMPANY	64 303 532	0,0250 %
BOISE CASCADE CORP	2 442 827	0,0181 %
BOSTON SCIENTIFIC CORP	21 040 645	0,0308 %
BOWATER INC	3 251 736	0,0200 %
BRIGGS & STRATTON	1 455 726	0,0168 %
BRISTOL-MYERS SQUIBB CO	264 760 477	0,0301 %
BROWN-FORMAN CORP	8 350 899	0,0240 %
BROWNING-FERRIS INDUSTRIES INC	11 220 966	0,0339 %
BRUNSWICK CORPORATION	4 559 676	0,0250 %
BURLINGTON NORTHERN INC	32 101 167	0,0279 %
BURLINGTON RESOURCES INC	12 770 603	0,0289 %
CABLETRON SYSTEMS INC	2 048 210	0,0148 %
CABOT CORP	3 448 157	0,0267 %
CADENCE DESIGN SYSTEMS INC	12 738 192	0,0261 %
CAMPBELL SOUP CO	49 445 778	0,0337 %
CAPITAL ONE FINANCIAL CORP	15 218 862	0,0242 %
CARDINAL HEALTH INC COM NPV	28 325 034	0,0260 %
CARNIVAL CORP	56 976 165	0,0301 %
CAROLINA POWER & LIGHT CO	14 317 224	0,0308 %
CASE EQUIP CORPORATION	2 526 001	0,0220 %
CATERPILLAR INC	33 362 689	0,0284 %
CBS CORPORATION	46 810 757	0,0254 %
CENDANT CORP	32 573 420	0,0270 %
CENTRAL & SOUTHWEST CORP	10 872 789	0,0254 %
CERIDIAN CORP	9 674 456	0,0252 %
CHAMPION INTL CORP	6 637 741	0,0253 %
CHARLES SCHWAB CORP	44 646 531	0,0260 %
CHASE MANHATTAN CORPORATION	119 260 414	0,0263 %
CHEVRON CORP	107 635 282	0,0277 %
CHIRON CORP	8 678 963	0,0285 %
CHRIS-CRAFT INDUSTRIES,INC	1 369 392	0,0162 %
CHUBB CORP	21 508 533	0,0308 %
CIENA CORP	2 908 177	0,0168 %
CIGNA CORP	32 867 634	0,0274 %
CINCINNATI BELL INC	9 681 656	0,0481 %
CINCINNATI FINANCIAL CORPORATION	12 303 310	0,0287 %
CINCINNATI MILACRON INC	893 460	0,0165 %
CINERGY CORPORATION	10 074 054	0,0258 %
CIRCUIT CITY STORES INC	9 311 428	0,0241 %
CIRCUS CIRCUS ENTERPRISES INC	1 516 896	0,0168 %
CISCO SYSTEMS	265 804 398	0,0220 %
CITIGROUP INC	225 358 589	0,0258 %
CITIZENS UTILITIES CO	4 023 683	0,0265 %
CLEAR CHANNEL COMMUNICATIONS INC	26 014 529	0,0224 %
CLOROX CO	24 029 105	0,0272 %
CMS ENERGY CORP	9 082 293	0,0253 %
CNF TRASPORTATION INC	3 062 124	0,0210 %
COASTAL CORP	15 000 024	0,0306 %
COCA COLA CO	328 785 475	0,0294 %
COCA COLA ENTERPRISES INC	27 810 967	0,0281 %
COLGATE-PALMOLIVE CO	54 479 685	0,0332 %
COLUMBIA ENERGY GROUP	9 032 424	0,0277 %
COLUMBIA HCA HEALTHCARE CORP	31 063 158	0,0363 %
COMCAST CORPORATION	39 811 954	0,0227 %
COMERICA INC	21 312 671	0,0294 %
COMPAQ COMPUTER CORP	139 235 137	0,0238 %
COMPUTER ASSOCIATES INTERNATIONAL INC	47 162 117	0,0245 %
COMPUTER SCIENCES	20 307 629	0,0267 %
COMPUWARE CORP	28 391 800	0,0315 %
COMSAT CORPORATION	2 605 617	0,0203 %
CONAGRA INC	30 148 158	0,0257 %
CONECTIV	4 106 514	0,0220 %
CONSOLIDATED EDISON INC	24 706 712	0,0282 %
CONSECO INC	18 575 842	0,0236 %
CONSOLIDATED NATURAL GAS CO	9 615 551	0,0257 %
CONSOLIDATED PAPERS INC	4 797 917	0,0297 %
COOPER INDUSTRIES INC	10 318 283	0,0310 %
CORNING INC	20 889 508	0,0248 %
COUNTRYWIDE CREDIT INDUSTRIES INC	10 327 725	0,0280 %
COX COMMMUNICATIONS	36 180 653	0,0262 %
CRESTAR FINANCIAL CORP	14 810 877	0,0245 %
CRESTLINE CAP CORP	511 438	0,0316 %
CROWN CORK & SEAL CO INC	7 274 296	0,0236 %
CSX CORP	18 210 313	0,0280 %
CUMMINS ENGINE CO INC	2 319 788	0,0204 %
CVS CORP	41 709 190	0,0283 %
CYPRESS SEMICONDUCTOR CORP	804 303	0,0132 %
CYPRUS MINERALS CO	1 095 807	0,0161 %
DAIRY FARMS INTL	16 033 689	0,1189 %
DANA CORP	12 643 529	0,0262 %
DARDEN RESTAURANTS	4 092 602	0,0216 %
DAYTON-HUDSON CORP	47 448 900	0,0241 %
DEERE & CO	16 280 346	0,0284 %
DELL COMPUTERS	186 070 549	0,0237 %
DELTA AIR LINES INC	15 411 236	0,0296 %
DELUXE CORPORATION	5 090 146	0,0241 %
DIAMOND OFFSHORE DRILLING	6 641 277	0,0262 %
DIEBOLD INC	4 431 883	0,0251 %
DILLARD DEPARTMENT STORES,INC	5 138 008	0,0267 %
DOLE FOOD COMPANY INC	3 108 456	0,0249 %
DOLLAR GENERAL CORP	7 343 727	0,0194 %
DOMINION RESOURCES INC	18 137 969	0,0277 %
DOVER CORPORATION	16 380 044	0,0309 %
DOW CHEMICAL CO	40 247 959	0,0281 %
DOW JONES & CO INC	5 998 810	0,0189 %
DQE INC	5 824 640	0,0243 %
DTE ENERGY INC	11 680 084	0,0257 %
DUKE ENERGY CORP	46 030 060	0,0269 %
DUN & BRADSTREET CORPORATION	9 931 297	0,0256 %
EASTMAN CHEMICAL CO	6 212 262	0,0244 %
EASTMAN KODAK CO	46 571 981	0,0295 %
EATON CORP	9 660 535	0,0256 %
ECOLAB INC	8 464 113	0,0244 %
EDISON INTERNATIONAL	20 252 319	0,0269 %
EDWARDS (AG) INC	6 016 538	0,0243 %
EG & G INC	1 507 434	0,0169 %
E.I DU PONT DE NEMOURS & CO	109 602 224	0,0241 %
ELAN CORP PLC	17 711 512	0,0258 %
ELI LILLY & CO	194 298 910	0,0296 %
ELECTRONIC DATA SYSTEMS CORP	49 329 130	0,0257 %
EMC CORP MASSACHUSETTS	84 472 284	0,0229 %
EMERSON ELECTRIC CO	53 238 018	0,0295 %
ENGELHARD CORP	4 906 834	0,0232 %
ENRON CORP	36 716 450	0,0225 %
ENSCO INTERNATIONAL INC	2 243 274	0,0200 %
ENTERGY CORP	15 407 309	0,0278 %
EQUIFAX INC	9 428 887	0,0238 %
EQUITABLE COMPANIES INC	25 828 706	0,0258 %
EQUITY INCOME FUND	4 087 467	0,0151 %
EQUITY OFFICE PROPERTIES TRUST	9 179 087	0,0183 %
ESTEE LAUDER COMPANIES INC	9 836 205	0,0269 %
ETHYL CORP	115 710	0,0029 %
E.W. SCRIPPS COMPANY	4 835 330	0,0238 %
EXXON CORP CAP NPV	354 123 531	0,0274 %
FDX CORP	25 687 082	0,0306 %
FEDERATED DEPARTMENT STORES INC	18 412 063	0,0290 %
FIFTH THIRD BANCORP	36 051 541	0,0273 %
FIRST DATA CORP	28 194 422	0,0251 %
FIRST ENERGY CORP	15 349 329	0,0274 %
FIRST SECURITY CORP DELAWARE	7 809 186	0,0263 %
FIRST TENNESSEE NATIONAL CORP	8 815 672	0,0263 %
FIRST UNION CORPORATION	114 039 695	0,0276 %
FIRST VIRGINIA BANKS INC	5 192 188	0,0309 %
FIRSTAR CORPORATION	36 136 506	0,0263 %
FLEET FINANCIAL GROUP	49 510 885	0,0272 %
FLEMING COMPANIES INC	782 542	0,0293 %
FLORIDA PROGRESS CORPORATION	8 112 382	0,0264 %
FLUOR CORP	6 053 394	0,0260 %
FMC CORP	3 139 723	0,0236 %
FNMA	155 194 070	0,0288 %
FOOD LION INC	8 227 789	0,0235 %
FORD MOTOR CO	132 534 469	0,0257 %
FORE SYSTEMS INC	2 483 431	0,0184 %
FORT JAMES CORP	16 741 472	0,0279 %
FORTUNE BRANDS INC	10 124 442	0,0248 %
FOSTER WHEELER CORP	562 646	0,0136 %
FPL GROUP INC	22 282 301	0,0294 %
FRANKLIN RESOURCES INC	16 162 751	0,0277 %
FREDDIE MAC	87 109 875	0,0286 %
FRED MEYER INC	14 551 268	0,0226 %
FREEPORT MCMORAN COPPER GOLD	2 432 957	0,0182 %
FRONTIER CORP	10 822 089	0,0233 %
GANNETT CO INC	36 332 419	0,0279 %
GAP INC	65 206 056	0,0258 %
GATEWAY 2000	15 989 405	0,0220 %
GAYLORD ENTERTAINMENT CO	1 468 898	0,0197 %
GENENTECH INC RED	9 471 076	0,0120 %
GENERAL DYNAMICS CORP	13 808 857	0,0273 %
GENERAL ELECTRIC COMPANY	670 392 872	0,0281 %
GENERAL INSTRUMENT	9 463 362	0,0220 %
GENERAL MILLS INC	24 049 771	0,0265 %

Holdings of equities at 31 December 1998

North America

	Market value (NOK)	% ownership
GENERAL MOTORS CORP	95 275 720	0,0215 %
GENERAL MOTORS CORP (H-AKSJER)	7 135 925	0,0195 %
GENERAL RE CORP	30 383 545	0,0270 %
GENUINE PARTS CO	11 190 510	0,0266 %
GEORGIA-PACIFIC CORP	10 160 271	0,0258 %
GILLETTE CO	106 091 351	0,0247 %
GLOBAL MARINE INC	3 503 870	0,0284 %
GLOBAL TELESYSTEMS GROUP INC	67 847 242	0,2661 %
GOLDEN WEST FINC CORP	9 602 904	0,0252 %
GOODYEAR TIRE & RUBBER CO	15 868 104	0,0285 %
GPU CORP	10 308 350	0,0245 %
GREAT ATLANTIC	1 785 559	0,0205 %
GREAT LAKES CHEMICAL CORP	4 582 839	0,0265 %
GREENPOINT FINANCIAL CORP	5 833 878	0,0259 %
GTE CORP	124 349 657	0,0252 %
GUIDANT CORP	33 120 291	0,0276 %
HALLIBURTON CO	25 909 230	0,0247 %
HARCOURT GENERAL INC	4 510 537	0,0237 %
HARLEY DAVIDSON	13 354 741	0,0239 %
HARNISCHFEGER INDUSTRIES INC	577 231	0,0179 %
HARRAHS ENTERTAINMENTS	2 236 446	0,0196 %
HARRIS CORP	4 986 116	0,0229 %
HARTFORD FINANCIAL SERVICES GROUP INC	25 986 996	0,0317 %
HASBRO INC	8 477 018	0,0252 %
HBO & CO	25 766 427	0,0261 %
HCR MANOR CARE INC	5 291 332	0,0214 %
HEALTHSOUTH CORP	12 837 641	0,0295 %
HERCULES INC	4 411 325	0,0215 %
HERSHEY FOODS CORP	14 024 240	0,0283 %
HEWLETT-PACKARD CO	140 076 268	0,0266 %
HILLENBRAND INDUSTRIES INC	7 236 397	0,0303 %
HILTON HOTELS CORP	9 920 734	0,0340 %
H.J. HEINZ COMPANY	41 027 330	0,0288 %
HOME DEPOT INC	186 310 284	0,0303 %
HOMESTAKE MINING CO	4 269 667	0,0224 %
HONEYWELL INC	19 107 146	0,0308 %
HONG KONG LAND HOLDINGS	22 807 989	0,1055 %
HOUSEHOLD INTL INC	37 881 901	0,0229 %
HOUSTON INDUSTRIES INC	18 916 293	0,0285 %
HUBBELL INC	4 024 231	0,0237 %
HUMANA INC	5 010 249	0,0207 %
HUNTINGTON BANCSHARES INC	12 740 987	0,0257 %
IKON OFFICE SOLUTIONS	1 732 333	0,0099 %
ILLINOIS TOOL WORKS INC	29 015 712	0,0258 %
ILLINOVA CORP	2 895 130	0,0216 %
IMC FERTILIZER GROUP INC	4 608 686	0,0273 %
IMS HEALTH INCORPORATED	24 231 060	0,0265 %
INFORMIX CORP	2 625 712	0,0165 %
INGERSOLL-RAND CO OF AMERICA	15 824 291	0,0277 %
INLAND STEEL INDUSTRIES	972 092	0,0403 %
INTEL CORP	393 798 927	0,0246 %
INTERNATIONAL BUSINESS MACH CORPORATION	342 440 109	0,0277 %
INTERNATIONAL FLAVORS & FRAG	9 459 981	0,0278 %
INTERNATIONAL PAPER CO	27 447 104	0,0292 %
INTERPUBLIC GROUP OF COMPANIES	21 408 053	0,0274 %
ITT CORP	8 839 768	0,0286 %
IVAX CORP	1 743 554	0,0166 %
JARDINE MATHESON	14 662 896	0,0862 %
JARDINE STRATEGIC HOLDINGS LIMITED	13 411 310	0,0976 %
JEFFERSON-PILOT CORP	14 779 164	0,0263 %
JOHNSON & JOHNSON	224 510 798	0,0286 %
JOHNSON CONTROLS INC	9 303 448	0,0233 %
K MART CORP	14 879 696	0,0256 %
KANSAS CITY SOUTHERN INDUSTRIES INC	10 005 770	0,0279 %
KELLOGG CO	27 870 962	0,0242 %
KERR-MCGEE CORP	3 012 676	0,0246 %
KEYCORP	28 037 052	0,0266 %
KEYSPAN CORPORATION	8 563 712	0,0269 %
KIMBERLY-CLARK CORP	59 210 748	0,0304 %
KING WORLD PRODUCTIONS INC	4 018 826	0,0275 %
KLA - TENCOR CORPORATION	7 002 199	0,0210 %
KNIGHT RIDDER INC	7 745 393	0,0283 %
KOHLS CORPORATION	19 425 229	0,0271 %
KROGER CO	30 913 082	0,0286 %
LEGGETT & PLATT INC	8 062 176	0,0249 %
LEHMAN BROS HOLDINGS	10 434 619	0,0240 %
LEUCADIA NATIONAL CORP	2 831 895	0,0195 %
LEVEL 3 COMMUNICATIONS INC	20 600 662	0,0194 %
LIMITED INC	13 095 000	0,0243 %
LINCOLN NATIONAL CORP	16 578 803	0,0279 %
LINEAR TECHNOLOGY	12 145 929	0,0219 %
LITTON INDUSTRIES	5 175 045	0,0257 %
LIZ CLAIBORNE	4 751 873	0,0273 %
LOCKHEED MARTIN CO	33 014 788	0,0300 %
LOEWS CORP	22 583 559	0,0304 %
LOUISIANA-PACIFIC CORP	3 511 684	0,0248 %
LOWE'S COS INC	34 285 964	0,0247 %
LSI LOGIC CORPORATION	3 922 683	0,0176 %
LUBRIZOL CORP	2 309 343	0,0247 %
LUCENT TECHNOLOGIES INC	287 141 035	0,0283 %
LUXOTTICA GROUP	15 542 279	0,0917 %
MALLINCKRODT GROUP	4 270 395	0,0261 %
MANDARIN ORIENTAL INTERNATIONAL	3 412 673	0,1076 %
MARRIOTT CORP	4 830 249	0,0253 %
MARRIOTT INTERNATIONAL INC	14 516 031	0,0251 %
MARSH & MCLENNAN CO INC	29 050 704	0,0262 %

	Market value (NOK)	% ownership
MARSHALL & ILSLEY CORP	11 353 149	0,0248 %
MASCO CORP	19 547 739	0,0257 %
MATTEL INC	13 801 730	0,0300 %
MAXIM INTEGRATED PRODUCTS	10 284 903	0,0205 %
MAY DEPT STORES CO	27 874 962	0,0289 %
MAYTAG CORP	10 765 885	0,0252 %
MBIA INC	12 964 158	0,0270 %
MBNA CORP	37 166 513	0,0225 %
MCDERMOTT INTERNATIONAL INC	2 401 887	0,0238 %
MCDONALDS CORP	104 177 281	0,0272 %
MCGRAW-HILL INC	20 280 326	0,0244 %
MCI WORLDCOM INC	255 993 377	0,0250 %
MCKESSON CORP	14 938 492	0,0023 %
MEAD CORP	4 934 366	0,0223 %
MEDIAONE GROUP INC	57 015 234	0,0245 %
MEDITRUST CORP	4 239 842	0,0241 %
MEDPARTNERS INC	1 571 941	0,0197 %
MEDTRONIC INC	72 062 298	0,0291 %
MELLON BANK CORP	35 538 629	0,0275 %
MENTOR GRAPHICS CORP	641 119	0,0133 %
MERCANTILE BANCORP INC	13 424 072	0,0256 %
MERCK & COMPANY INC	349 990 704	0,0284 %
MERRILL LYNCH & CO INC	46 514 754	0,0246 %
MGIC INVESTMENT CP COM	9 179 132	0,0334 %
MICRON TECHNOLOGY INC	19 946 116	0,0153 %
MICROSOFT CORP	681 431 646	0,0235 %
MILLIPORE CORP	1 449 762	0,0136 %
MINNESOTA MINING & MANUFACTURING CO	56 960 199	0,0267 %
MIRAGE RESORTS INC	4 582 370	0,0240 %
MOBIL CORP	134 792 791	0,0269 %
MOLX INC	10 273 903	0,0301 %
MONSANTO CO	56 438 756	0,0308 %
MORGAN J P & CO INC	36 987 027	0,0275 %
MORGAN STANLEY DEAN WITTER DISC & CO	82 005 328	0,0234 %
MORTON INTERNATION INC	5 246 445	0,0234 %
MOTOROLA INC	72 814 030	0,0236 %
MYLAN LABORATORIES INC	7 487 721	0,0257 %
NABISCO HLDGS CORP	4 805 916	0,0324 %
NALCO CHEMICAL CO	3 970 923	0,0295 %
NATIONAL CITY CORPORATION	47 348 333	0,0275 %
NATIONAL SEMICONDUCTOR CORP	4 233 648	0,0239 %
NATIONAL SERVICES INDUSTRIES INC	2 333 765	0,0220 %
NAVISTAR INTERNATIONAL	3 551 022	0,0223 %
NCR CORPORATION	7 983 893	0,0223 %
NETSCAPE COMMUNICATIONS	9 627 070	0,0217 %
NEW ENGLAND ELECTRIC SYSTEM	5 793 118	0,0291 %
NEW YORK TIMES CO	12 481 750	0,0282 %
NEWELL COS INC	13 537 982	0,0294 %
NEWMONT MINING CORP	5 710 195	0,0247 %
NEXTEL COMMUNICATIONS INC	12 440 237	0,0202 %
NIAGARA MOHAWK POWER CORP	4 530 680	0,0215 %
NICOR INC	3 122 360	0,0220 %
NIELSEN MEDIA RESEARCH	2 210 523	0,0295 %
NIKE INC COM STK	15 255 259	0,0271 %
NL INDUSTRIES INC	183 755	0,0037 %
NORDSTORM INC	9 591 100	0,0245 %
NORFOLK SOUTHERN CORP	24 031 871	0,0298 %
NORTEL NETWORKS LIMITED	10 520 751	0,0040 %
NORTHEAST UTILITIES	2 901 225	0,0188 %
NORTHERN STATES POWER CO	7 727 427	0,0257 %
NORTHERN TRUST CORP	19 424 229	0,0285 %
NORTHROP GRUMMAN CORPORATION	10 100 624	0,0327 %
NORTHWEST AIRLINES CORP	4 245 651	0,0291 %
NOVELL INC	11 921 318	0,0237 %
NUCOR CORP	7 199 498	0,0244 %
OCCIDENTAL PETROLEUM CORP	12 099 150	0,0277 %
OCTEL CORP	50 212	0,0036 %
OFFICE DEPOT INC	14 808 918	0,0234 %
OLD KENT FINANCIAL CORP	8 712 979	0,0254 %
OLD REPUBLIC INTERNATIONAL CORP	5 296 946	0,0273 %
OLIN CORP	2 200 204	0,0244 %
OMNICOM GROUP INC	19 487 275	0,0258 %
ORACLE CORPORATION	84 494 912	0,0237 %
ORYX ENERGY CO	1 996 354	0,0208 %
OWENS-CORNING FIBERGLAS CORP	3 506 359	0,0236 %
OWENS-ILLINOIS INC	9 458 515	0,0266 %
OXFORD HEALTH PLAN	1 835 932	0,0163 %
P G & E CORP	24 127 502	0,0259 %
PACCAR INC	5 468 716	0,0228 %
PACIFIC CENTURY FINL CORPORATION	3 899 855	0,0294 %
PACIFICARE HEALTH SYSTEMS	5 514 652	0,0246 %
PACIFICORP	12 629 006	0,0276 %
PAINE WEBBER GROUP INC	10 917 594	0,0283 %
PALL CORP	5 384 371	0,0245 %
PARAMETRIC TECHNOLOGY CORP	8 517 778	0,0309 %
PARKER-HANNIFIN CORP	7 464 227	0,0311 %
PAYCHEX INC	16 999 804	0,0301 %
PENNEY J C CO INC	23 492 340	0,0311 %
PENNZOIL CO	1 221 559	0,0234 %
PENNZOIL-QUAKER ST CO	1 104 551	0,0120 %
PEOPLES ENERGY CORP	2 059 448	0,0220 %
PEOPLESOFT INC	8 740 503	0,0211 %
PEPSICO INC	119 363 014	0,0280 %
PERKIN ELMER CORPORATION	8 919 668	0,0263 %
PFIZER INC	323 652 713	0,0289 %
PHARMACIA & UPJOHN INC	57 373 550	0,0251 %

Holdings of equities at 31 December 1998

North America

	Market value (NOK)	% ownership
PHELPS DODGE CORP	5 524 916	0,0278 %
PHILADELPHIA ELECTRIC	18 748 154	0,0294 %
PHILIP MORRIS COS INC	238 111 993	0,0283 %
PHILLIPS PETROLEUM	24 933 317	0,0319 %
PINNACLE WEST CAP	6 732 935	0,0255 %
PIONEER HI-BRED INTERNATIONAL INC	9 711 258	0,0245 %
PITNEY BOWES INC	36 323 711	0,0285 %
PITTSTON CO	1 748 506	0,0195 %
PMI GROUP INC	2 257 059	0,0233 %
PNC FINANCIAL	32 461 329	0,0304 %
POLAROID CORP	1 471 737	0,0247 %
POTOMAC ELECTRIC POWER CO	5 312 421	0,0245 %
PP&L RESOURCES INC	8 642 521	0,0273 %
PPG INDUSTRIES INC	20 674 967	0,0282 %
PRAXAIR INC	11 244 399	0,0280 %
PREMARK INTERNATIONAL INC	2 954 557	0,0197 %
PRICE COSTCO	31 020 495	0,0266 %
PROCTER & GAMBLE CO	242 187 216	0,0287 %
PROGRESSIVE CORP OHIO	24 738 798	0,0301 %
PROVIDENT COS INC	10 402 279	0,0246 %
PROVIDIAN FININCIAL CORP	21 435 202	0,0227 %
PUBLIC SERVICE ENT GRP INC	18 381 030	0,0272 %
PUGET SOUND ENERGY INC	4 098 800	0,0248 %
QUAKER OATS CO	16 455 387	0,0290 %
R H DONNELLEY	650 157	0,0160 %
RALSTON PURINA CO	20 265 531	0,0310 %
RAYCHEM CORP	5 436 668	0,0375 %
RAYTHEON CO	34 140 878	0,0254 %
READERS DIGEST ASSOCIATION INC	3 550 106	0,0165 %
REEBOK INTERNATIONAL	1 108 359	0,0175 %
REGIONS FINANCIAL CORP	15 755 842	0,0252 %
RELIASTAR FINANCIAL CORPORATION	7 414 867	0,0265 %
REPUBLIC INDUSTRIES INCORPORATED	13 452 846	0,0258 %
REPUBLIC NEW YORK CORP	9 962 282	0,0307 %
REYNOLDS METALS COMPANY	7 337 440	0,0306 %
RITE AID CORP	25 668 149	0,0276 %
RJR NABISCO HLDGS GROUP INC	19 335 626	0,0288 %
ROCKWELL INTERNATIONAL CORP	19 617 780	0,0334 %
ROHM & HAAS CO	10 114 049	0,0264 %
ROUSE CO	4 253 175	0,0331 %
R.R DONNELLEY & SONS CO	11 277 335	0,0303 %
RUBBERMAID INC	8 878 578	0,0280 %
RUSSELL CORP	872 051	0,0168 %
RYDER SYSTEM INC	3 048 176	0,0226 %
SAFECO CORP	12 259 222	0,0295 %
SAFEWAY STORES INC	58 456 038	0,0299 %
SARA LEE CORP	51 755 692	0,0303 %
SCHERING-PLOUGH CORP	160 526 740	0,0281 %
SCHLUMBERGER	48 454 330	0,0231 %
SCIENTIFIC-ATLANTA INC	2 122 309	0,0129 %
SEAGATE TECHNOLOGY INC	13 685 858	0,0195 %
SEALED AIR CORP (convertible bond)	1 933 433	N/A
SEALED AIR CORP	6 543 537	0,0202 %
SEARS ROEBUCK & CO	32 827 883	0,0281 %
SEMPRA ENERGY	10 439 805	0,0239 %
SENSORMATIC ELECTRONICS CORP	1 062 389	0,0186 %
SERVICE CORP INTERNATIONAL	19 565 572	0,0278 %
SERVICEMASTER CO	9 614 690	0,0232 %
SHARED MEDICAL SYSTEMS CORP	1 517 284	0,0151 %
SHAW INDUSTRIES INC	5 117 714	0,0223 %
SHERWIN-WILLIAMS CO	9 495 437	0,0284 %
SIGMA-ALDRICH CORP	5 009 566	0,0241 %
SILICON GRAPHICS INC	4 602 555	0,0196 %
SIMON DEBARTOLO GROUP INC	7 816 852	0,0225 %
SLM HOLDING CORP	15 907 979	0,0284 %
SMURFIT-STONE CONTAINER CORPORATION	4 699 240	0,0196 %
SNAP-ON TOOLS CORP	4 734 589	0,0313 %
SODEXHO MARRIOTT SERVICES	316 417	0,0030 %
SOLECTRON CORP COM NPV	20 038 349	0,0266 %
SONAT INC	5 514 565	0,0264 %
SONOCO PRODUCTS CO	5 231 637	0,0248 %
SOUTHERN CO	40 180 704	0,0274 %
SOUTHTRUST CORP	10 722 029	0,0234 %
SOUTHWEST AIRLINES CO	15 153 303	0,0227 %
SOUTHWESTERN BELL CORP	205 557 708	0,0249 %
SPRINT CORP	57 679 080	0,0279 %
SPRINT PCS	15 071 829	0,0156 %
SPX CORPORATION	3 874 881	0,0248 %
ST JOE CORP	3 946 282	0,0269 %
ST JUDE MEDICAL INC	4 645 873	0,0282 %
ST PAUL COS INC	16 477 569	0,0312 %
STANLEY WORKS	4 270 698	0,0240 %
STAPLES INC	20 170 392	0,0221 %
STARWOOD LODGING TRUST	8 305 649	0,0257 %
STATE STREET BOSTON CORP	22 603 184	0,0266 %
SUN MICROSYSTEMS INC	64 713 781	0,0233 %
SUNAMERICA INC	32 239 013	0,0275 %
SUNDSTRAND CORP	5 493 605	0,0287 %
SUNOCO INC	5 199 126	0,0220 %
SUNTRUST BANKS	31 965 610	0,0293 %
SUPERVALU INC	5 967 565	0,0249 %
SYNOVUS FINANCIAL CORP	11 720 707	0,0247 %
SYSCO CORP	18 625 868	0,0291 %
TANDY CORP	8 365 537	0,0238 %
TECO ENERGY INC	6 923 666	0,0285 %
TEKTRONIX INC	2 152 967	0,0243 %
TELE - COMMUNICATION	13 032 943	0,0184 %
TELE-COMM LIBERTY MEDIA GR-A	29 198 151	0,0223 %
TELE-COMMUNICATIONS TCI	52 807 248	0,0199 %
TELLABS INC	25 767 571	0,0224 %
TEMPLE-INLAND INC	5 722 709	0,0235 %
TENET HEALTHCARE CORP	16 015 804	0,0330 %
TENNECO INC	11 681 770	0,0273 %
TERADYNE INC	6 715 179	0,0187 %
TEXACO INC	56 481 966	0,0282 %
TEXAS INSTRUMENTS INC	66 475 144	0,0246 %
TEXAS UTILITIES CO	24 507 802	0,0259 %
TEXTRON INC	24 904 259	0,0301 %
THERMO ELECTRON CORP	4 533 532	0,0230 %
TIG HLDGS INC	829 969	0,0136 %
TIME WARNER INC HOLDINGS COMPANY	131 137 318	0,0252 %
TIMES MIRROR	5 845 116	0,0266 %
TJX COMPANIES INC	17 843 892	0,0254 %
TORCHMARK CORP	9 006 303	0,0261 %
TOSCO CORP	6 840 603	0,0267 %
TOYS'R'US INC	9 180 880	0,0339 %
TRANSAMERICA CORP	14 507 140	0,0283 %
TRANSATLANTIC HLDGS INC	4 087 419	0,0213 %
TRANSOCEAN OFFSHORE INC	4 575 830	0,0215 %
TRAVELERS PROP CAS	4 676 397	0,0340 %
TRIBUNE CO(DELAWARE)	15 990 262	0,0286 %
TRICON GLOBAL RESTAURANTS	14 240 699	0,0272 %
TRI-CONTINENTAL CORP	4 450 177	0,0250 %
TRINITY INDUSTRIES INC	2 375 912	0,0197 %
TRW INC	13 697 534	0,0307 %
TUPPERWARE CORP	1 204 620	0,0183 %
TYCO INTERNATIONAL LTD	92 418 274	0,0277 %
TYSON FOODS INC	4 079 848	0,0208 %
UAL CORP	7 175 876	0,0303 %
UJB FINANCIAL CORP	15 344 143	0,0299 %
UNICOM CORPORATION	16 862 864	0,0286 %
UNION CAMP CORPORATON	9 469 770	0,0290 %
UNION CARBIDE CORP	11 156 766	0,0264 %
UNION PACIFIC CORP	22 294 550	0,0245 %
UNION PACIFIC RESOURCES GROUP INC	3 811 287	0,0216 %
UNION PLANTERS CORP	8 492 541	0,0176 %
UNISYS CORP	13 459 642	0,0206 %
UNITED HEALTHCARE CORPORATION	16 621 014	0,0272 %
UNITED TECHNOLOGIES CORP	49 342 906	0,0256 %
UNITRIN	5 302 469	0,0249 %
UNOCAL CORP	14 274 769	0,0262 %
UNUM CORP	16 170 941	0,0265 %
US BANCORP	52 449 872	0,0316 %
US WEST INC	64 459 622	0,0280 %
USAIR GROUP INC	9 310 130	0,0285 %
UST INC(DEL)	12 009 839	0,0271 %
USX MARATHON GROUP	18 159 477	0,0289 %
USX-US STEEL GROUP	4 511 512	0,0262 %
VENATOR GROUP INC	1 590 497	0,0277 %
VF CORP	10 635 318	0,0271 %
VIACOM INC	49 799 847	0,0233 %
VIAD CORPORATION	4 674 683	0,0231 %
VULCAN MATERIALS CO	7 818 280	0,0237 %
WACHOVIA CORP	35 309 446	0,0275 %
WADDELL & REED FINANCIAL INC	365 128	0,0036 %
WALGREEN CO	57 697 420	0,0266 %
WAL-MART STORES INC	362 576 035	0,0267 %
WALT DISNEY CORPORATION	121 771 695	0,0234 %
WARNER-LAMBERT CO	122 115 994	0,0294 %
WASHINGTON GAS LIGHT CO	1 378 234	0,0164 %
WASHINGTON MUTUAL INC	44 444 344	0,0245 %
WASHINGTON POST CO	9 246 656	0,0255 %
WASTE MANAGEMENT INC	54 934 461	0,0258 %
WEIS MARKETS INC	2 369 436	0,0198 %
WELLS FARGO	128 125 685	0,0290 %
WENDYS INTERNATIONAL INC	6 041 464	0,0289 %
WESTVACO CORP	4 684 506	0,0263 %
WEYERHAEUSER CO	20 285 531	0,0258 %
WHIRLPOOL CORPORATION	7 806 213	0,0272 %
WHITMAN CORPORATION	4 291 840	0,0259 %
WILLAMETTE INDS	7 009 598	0,0269 %
WILLIAM WRIGLEY JR COMPANY	16 649 475	0,0214 %
WILLIAMS COMPANIES INC	25 783 796	0,0249 %
WINN-DIXIE STORES INC	13 506 445	0,0278 %
WISCONSIN ENERGY CORP	6 778 271	0,0273 %
WITCO CORP	1 748 506	0,0242 %
WORTHINGTON INDUSTRIES INC	1 761 458	0,0186 %
W.R. GRACE & CO	1 762 433	0,0218 %
W.W. GRAINGER INC	7 530 277	0,0282 %
XEROX CORP	76 775 809	0,0287 %
XILINX INC	8 931 096	0,0215 %
YAHOO INC	35 200 832	0,0167 %

Holdings of equities at 31 December 1998

Asia/Oceania

	Market value (NOK)	% ownership
Australia		
AMCOR LIMITED	13 443 000	0,0608 %
AMP LIMITED	65 426 848	0,0656 %
ASHTON MINING LIMITED	572 884	0,0497 %
AUSTRALIA & NEW ZEALAND	49 939 760	0,0659 %
AUSTRALIAN FOUNDATION INVESTMENT COMPANY	5 991 332	0,0653 %
AUSTRALIAN GAS LIGHT CO	11 404 212	0,0653 %
AUSTRALIAN NATL INDS LTD	865 150	0,0195 %
BANK OF FUKUOKA	11 249 632	0,0644 %
BORAL LIMITED	8 093 597	0,0644 %
BOUGAINVILLE COPPER	27 926	0,0067 %
BRAMBLES INDUSTRIES LIMITED	26 777 486	0,0578 %
BROKEN HILL PROPIETARY CO	74 159 291	0,0628 %
BURNS PHILP & CO LTD	26 669	0,0089 %
CABLE & WIRELESS OPTUS	29 077 381	0,0433 %
CALTEX AUSTRALIA LIMITED	3 308 890	0,0666 %
CAPITAL PROPERTY TRUST	891 655	0,0464 %
CMNWLTH BK OF AUST	64 418 879	0,0643 %
COCA-COLA AMATIL LIMITED	17 173 929	0,0527 %
COCA-COLA BEVERAGES PLC	2 142 838	0,0164 %
COLES MYER LIMITED	29 529 556	0,0636 %
COLONIAL LIMITED	12 496 297	0,0498 %
COMALCO LIMITED	10 803 495	0,0729 %
CSL LIMITED	4 476 267	0,0500 %
CSR LIMITED	12 366 314	0,0678 %
DAVIDS LIMITED	86 218	0,0077 %
EMAIL LIMITED	1 989 724	0,0630 %
EVANS DEAKIN INDUSTRIES LIMITED	1 509 312	0,0793 %
F.H. FAULDING & CO LIMITED	3 437 295	0,0588 %
FOODLAND ASSOC LTD	3 100 294	0,0579 %
FOSTERS BREWING DEF DEL	22 775 430	0,0588 %
FRANKED INCOME FUND	4 241 851	0,0627 %
GANDEL RETAIL TRUST	3 727 986	0,0602 %
GENERAL PROPERTY TRUST	12 638 758	0,0650 %
GIO AUSTRALIA HLDGS LIMITED	9 411 831	0,0615 %
GOODMAN FIELDER WATTIE	6 451 041	0,0661 %
HARVEY NORMAN HLDGS	5 974 425	0,0436 %
HOWARD SMITH LIMITED	6 315 809	0,0676 %
JAMES HARDIE INDUSTRIES LTD	4 196 750	0,0683 %
JOHN FAIRFAX HOLDINGS LTD	2 996 310	0,0214 %
KIDSTON GOLD MINES	24 066	0,0082 %
LEND LEASE CORP	33 159 776	0,0659 %
MAYNE NICKLESS LTD	6 420 412	0,0628 %
MIM HOLDINGS LTD	3 679 387	0,0654 %
NATIONAL AUSTRALIA BANK LTD	107 763 014	0,0595 %
NATIONAL FOODS LIMITED	1 932 491	0,0464 %
NATIONAL MUTUAL HLDGS LIMITED	15 493 190	0,0660 %
NEWCREST MINING LTD	1 579 687	0,0574 %
NEWS CORP	43 567 263	0,0245 %
NORMANDY MINING LIMITED	8 005 574	0,0698 %
NORTH LIMITED	6 104 570	0,0716 %
OPSM PROTECTOR LIMITED	1 150 620	0,0568 %
ORBITAL ENGINE CORP LTD	467 398	0,0527 %
ORICA LTD	7 020 301	0,0668 %
PACIFIC DUNLOP LTD	8 349 029	0,0639 %
PASMINCO LIMITED	4 300 734	0,0653 %
PIONEER INTERNATIONAL LTD	9 430 115	0,0755 %
PUBLISHING AND BROADCASTING LIMITED	1 952 482	0,0107 %
QBE INSURANCE GROUP LTD	7 844 221	0,0665 %
QCT RESOURCES LIMITED	1 553 537	0,0514 %
QUANTAS AIRWAYS	4 576 560	0,0241 %
RGC LTD	79 991	0,0029 %
RIO TINTO LTD	36 910 608	0,0674 %
ROTHMANS HOLDINGS LTD	4 008 525	0,0566 %
SANTOS LIMITED	8 151 192	0,0625 %
SCHRODERS PROPERTY FUND SECURITIES	2 554 252	0,0490 %
SEVEN NETWORK LIMITED	770 393	0,0091 %
SIMSMETAL LIMITED	1 154 074	0,0552 %
SONS OF GWALIA LIMITED	1 238 030	0,0484 %
SOUTHCORP LIMITED	10 070 072	0,0655 %
ST GEORGE BANK LTD	14 186 671	0,0644 %
STOCKLAND TRUST GROUP	4 783 837	0,0662 %
STOCKLAND TRUST GROUP (NEW)	21 046	0,0151 %
TABCORP HLDGS LIMITED	2 735 741	0,0169 %
TELSTRA CORPORATION	36 378 636	0,0217 %
WESFARMERS LTD	10 342 382	0,0604 %
WESTFIELD HOLDINGS LTD	12 886 708	0,0610 %
WESTFIELD TRUST UNITS	13 707 891	0,0632 %
WESTPAC BANKING CORP	61 572 936	0,0626 %
WESTRALIAN SANDS	1 294 700	0,0331 %
WMC LTD	16 859 188	0,0650 %
WOODSIDE PETROLEUM LIMITED	14 597 050	0,0638 %
WOOLWORTHS LTD	18 979 117	0,0614 %
Hong Kong		
AMOY PROPERTIES	10 512 277	0,0765 %
BANK OF EAST ASIA	11 792 525	0,0886 %
CATHAY PACIFIC AIRWAYS	16 608 962	0,0626 %
CDL HOTELS INTERNATIONAL	2 388 816	0,0739 %
CHEN HSONG HLDGS	306 834	0,0681 %
CHEUNG KONG (HOLDINGS) LTD	81 271 698	0,0688 %
CHINA MOTOR BUS CO	1 554 087	0,0699 %
CHINA OVERSEAS LAND & INVEST	3 254 491	0,0821 %
CHINA RESOURCES ENTERPRISES	11 399 884	0,0744 %
CHINA TELECOM (HONG KONG) LIMITED	15 260 295	0,0097 %
CHINESE ESTATES (warrant)	15 080	N/A
CHINESE ESTATES (warrant)	12 505	N/A
CHINESE ESTATES	1 209 085	0,0692 %
CITIC PACIFIC	22 549 482	0,0785 %
CLP HOLDINGS	60 103 012	0,0732 %
COSCO PACIFIC LIMITED	4 078 686	0,0940 %
CROSS-HARBOUR TUNNEL CO	685 362	0,0591 %
DAO HENG BANK GROUP LTD	10 624 975	0,0894 %
DICKSON CONCEPT INTERNATIONAL LTD	1 038 517	0,0683 %
FIRST PACIFIC CO	5 116 184	0,0490 %
GREAT EAGLE HOLDINGS	3 185 866	0,0798 %
GUANGDONG INVESTMENT LIMITED	2 213 339	0,0954 %
GUOCO GROUP	3 439 496	0,0690 %
H.K.AIRCRAFT ENGINEERING CO	1 350 349	0,0713 %
HANG LUNG DEVELOPMENT CO	7 125 936	0,0803 %
HANG SENG BANK	83 843 155	0,0705 %
HARBOUR CENTRE DEVELOPMENT	590 460	0,0605 %
HENDERSON INVESTMENT	8 215 493	0,0768 %
HENDERSON LAND DEVELOPMENT COMPANY LTD	43 734 633	0,0801 %
HONG KONG & CHINA GAS CO (warrant)	12 288	N/A
HONG KONG & CHINA GAS CO	26 993 363	0,0710 %
HONG KONG & SHANGHAI HOTELS	3 919 762	0,0742 %
HONG KONG ELECTRIC HOLDINGS	30 148 208	0,0682 %
HONG KONG REALTY & TRUST	1 838 647	0,0652 %
HONG KONG TELECOMMUNICATIONS	102 467 787	0,0700 %
HOPEWELL HOLDINGS	2 263 284	0,0860 %
HUTCHISON WHAMPOA	134 398 616	0,0656 %
HYSAN DEVELOPMENT (warrant)	2 023	N/A
HYSAN DEVELOPMENT	7 126 599	0,0825 %
JARDINE INTERNATIONAL MOTOR HOLDINGS LTD	713 685	0,0527 %
JOHNSON ELECTRIC HLDGS	11 742 319	0,0693 %
KERRY PROPERTIES LTD	3 916 571	0,0793 %
KOWLOON MOTOR BUS HLDGS	2 978 773	0,0604 %
MIRAMAR HOTEL & INV	2 853 708	0,0639 %
NATIONAL MUTAL ASIA LIMITED	8 084 699	0,0693 %
NEW WORLD DEVELOPMENT COMPANY LIMITED	24 363 770	0,0846 %
NEW WORLD INFRASTRUCTURE	6 038 689	0,0882 %
PEARL ORIENTAL HOLDINGS	699 948	0,0583 %
REALITY DEVELOPMENT CORPORATION	1 179 149	0,0502 %
SEMI TECH GLOBAL	302 869	0,0679 %
SHANGRI-LA ASIA	7 516 265	0,0838 %
SHAW BROS HONG KONG LTD	691 853	0,0628 %
SHUN TAK HOLDINGS LIMITED	1 211 839	0,0734 %
SIME DARBY	420 619	0,0469 %
SINO LAND CO	7 859 491	0,0720 %
SOUTH CHINA MORNING POST HOLDINGS	4 214 106	0,0724 %
SUN HUNG KAI CO	506 867	0,0872 %
SUN HUNG KAI PROPERTIES	85 782 150	0,0746 %
SWIRE PACIFIC	30 833 521	0,0699 %
TELEVISION BROADCASTS	5 369 603	0,0656 %
TSIM SHA TSUI PROPERTIES	8 848 613	0,0776 %
VARITRONIX INTERNATIONAL LIMITED	2 466 969	0,0677 %
WHARF HOLDINGS (warrant)	8 969	N/A
WHARF HOLDINGS	16 553 221	0,0829 %
WHEELOCK & COMPANY LIMITED	8 133 020	0,0679 %
WING ON COMPANY INTERNATIONAL LIMITED	356 597	0,0571 %
Japan		
77TH BANK	17 554 754	0,0635 %
ACOM CO	43 544 976	0,0708 %
ADVANTEST CORPORATION	28 775 207	0,0506 %
AISIN SEIKI CO	14 379 836	0,0646 %
AJINOMOTO CO INC	31 367 556	0,0587 %
ALL NIPPON AIRWAYS	7 709 097	0,0220 %
ALPS ELECTRIC CO	15 276 824	0,0665 %
AMADA CO	6 724 302	0,0638 %
AMANO CORPORATION	3 459 347	0,0538 %
ANRITSU CORP	4 882 437	0,0635 %
AOKI CORP	127 659	0,0098 %
AOYAMA TRADING	9 570 955	0,0612 %
ARABIAN OIL CO	2 959 803	0,0551 %
ASAHI BREWERIES	32 726 209	0,0650 %
ASAHI CHEMICAL INDUSTRY	31 564 313	0,0701 %
ASAHI GLASS CO	33 380 713	0,0632 %
ASAHI OPTICAL	1 374 458	0,0421 %
ASHAI BANK	38 980 875	0,0496 %
ASHIKAGA BANK	4 215 978	0,0538 %
ASICS CORP	120 364	0,0091 %
ATSUGI NYLON INDUSTRIAL CO	827 755	0,0488 %
AUTOBACS SEVEN	5 723 701	0,0601 %
BANK OF FUKUOKA	11 249 632	0,0644 %
BANK OF KYOTO LIMITED	6 814 541	0,0547 %
BANK OF TOKYO MITSUBISHI BANK	220 255 563	0,0533 %
BANK OF YOKOHAMA	12 520 275	0,0711 %
BANYU PHARMACUTICAL CO	22 694 873	0,0649 %
BEST DENKI CO	3 349 520	0,0477 %
BRIDGESTONE CORP	85 759 263	0,0614 %
BROTHER INDUSTRIES LTD	3 138 377	0,0556 %
CALPIS FOOD INDUSTRY CO LTD	1 102 322	0,0438 %
CALSONIC CORPORATION	1 461 523	0,0524 %
CANON INC	84 332 728	0,0589 %
CANON SALES CO INC	10 260 311	0,0651 %
CASIO COMPUTER CO	9 632 758	0,0696 %
CENTRAL GLASS CO LTD	1 079 357	0,0311 %
CENTRAL JAPAN RAILWAY CO	43 461 222	0,0495 %
CHIBA BANK	14 284 193	0,0599 %

Asia/Oceania

Holdings of equities at 31 December 1998

Asia / Oceania

Asia/Oceania	Market value (NOK)	% ownership
CHIYODA CORP	232 352	0,0076 %
CHIYODA FIRE & MARINE INSURANCE CO	5 990 231	0,0640 %
CHUBU ELECTRIC POWER CO INC	68 422 610	0,0675 %
CHUGAI PARMACEUTICAL CO	11 754 053	0,0604 %
CHUGOKU ELECTRIC POWER CO INC	31 006 161	0,0675 %
CHUO TRUST & BKG	3 515 409	0,0410 %
CITIZEN WATCH CO	8 956 369	0,0566 %
C. ITOH & CO LTD	12 648 474	0,0610 %
COSMO OIL COMPANY	4 562 277	0,0640 %
CREDIT SAISON CO	15 105 295	0,0540 %
CSK CORP	6 638 250	0,0556 %
DAI NIPPON PRINT	55 136 788	0,0660 %
DAICEL CHEMICAL INDUSTRIES	4 856 703	0,0602 %
DAIDO STEEL CO	2 616 665	0,0598 %
DAIEI INC	9 123 879	0,0612 %
DAIFUKU CO	2 080 634	0,0471 %
DAI-ICHI KANGYO BANK	75 874 633	0,0541 %
DAIICHI PHARMACEUTICAL CO	22 049 082	0,0728 %
DAIKIN KOGYO CO	12 482 180	0,0734 %
DAIKYO INC	137 790	0,0082 %
DAIMARU INC	3 743 303	0,0560 %
DAINIPPON INK & CHEMICALS INC	10 206 006	0,0687 %
DAINIPPON PHARMACEUTICAL CO	2 366 413	0,0409 %
DAISHOWA PAPER MANUFACTURING CO	4 259 747	0,0683 %
DAITO TRUST CONSTRUCTION	5 157 815	0,0494 %
DAI-TOKYO FIRE & MARINE INSUR CO	6 916 533	0,0685 %
DAIWA BANK	11 334 603	0,0582 %
DAIWA HOUSE IND CO	25 676 817	0,0637 %
DAIWA SECURITIES CO	20 883 741	0,0585 %
DDI CORP	36 737 325	0,0510 %
DENNYS JAPAN CO	3 747 356	0,0641 %
DENSO CORPORATION	75 242 284	0,0594 %
DOWA FIRE & MARINE INSURANCE CO	5 758 824	0,0597 %
DOWA MINING CO	2 150 137	0,0489 %
EAST JAPAN RAILWAY CO	100 669 457	0,0590 %
EBARA CORPORATION	11 632 541	0,0523 %
EISAI CO	25 558 749	0,0606 %
EZAKI GLICO CO	3 583 493	0,0549 %
FAMILYMART CO	22 209 365	0,0659 %
FANUC CO	37 458 090	0,0599 %
FUDO CONSTRUCTION CO LTD	147 111	0,0095 %
FUJI BANK	48 525 961	0,0506 %
FUJI ELECTRIC CO	7 420 683	0,0633 %
FUJI FIRE & MARINE	1 708 870	0,0437 %
FUJI HEAVY INDUSTRIES	13 852 991	0,0565 %
FUJI PHOTO FILM CO	87 091 574	0,0603 %
FUJI TELEVISION NETWORK INC	3 187 819	0,0091 %
FUJIKURA	8 800 342	0,0515 %
FUJISAWA PHARMACEUTICAL CO	21 073 810	0,0653 %
FUJITA CORP	1 080 843	0,0568 %
FUJITA TOURIST ENTERPRISES CO	4 945 523	0,0580 %
FUJITSU	113 344 341	0,0627 %
FUJIYA CO	805 465	0,0430 %
FUKUYAMA TRANSPORTING CO	5 924 307	0,0645 %
FURUKAWA ELECTRIC CO	10 505 835	0,0539 %
GAKKEN CO	70 246	0,0085 %
GENERAL SEKIYU KK	6 496 002	0,0672 %
GUN-EI CHEMICAL INDUSTRY CO	109 422	0,0092 %
GUNMA BANK	18 660 859	0,0621 %
GUNZE	2 278 133	0,0531 %
HACHIJUNI BANK	22 264 143	0,0612 %
HANKYU CORP	17 119 499	0,0588 %
HANKYU DEPARTMENT STORES INC	5 105 131	0,0596 %
HANSHIN ELECTRIC RAILWAY	5 532 280	0,0649 %
HANWA CO	1 185 875	0,0663 %
HASEKO CORP	138 601	0,0137 %
HAZAMA-GUMI	134 953	0,0088 %
HEIWA CORP NPV	6 294 308	0,0579 %
HEIWA REAL ESTATE CO	1 092 596	0,0430 %
HINO MOTORS LTD	4 887 638	0,0490 %
HIROSE ELECTRIC CO	12 555 466	0,0645 %
HIROSHIMA BANK	10 937 105	0,0588 %
HITACHI	94 089 160	0,0557 %
HITACHI CABLE	9 355 151	0,0582 %
HITACHI CHEMICAL CO	7 291 403	0,0713 %
HITACHI CREDIT CORP	12 545 672	0,0679 %
HITACHI KOKI CO	1 241 126	0,0433 %
HITACHI MAXELL	7 781 099	0,0609 %
HITACHI METALS	5 196 518	0,0641 %
HITACHI ZOSEN CORP	6 553 955	0,0691 %
HOKKAIDO ELECTRIC POWER CO INC	17 068 436	0,0645 %
HOKURIKU BANK	4 675 617	0,0550 %
HOKURIKU ELECTRIC POWER CO INC	17 203 186	0,0636 %
HONDA MOTOR CO	145 842 926	0,0566 %
HOUSE FOOD INDUSTRIAL CO	9 030 668	0,0647 %
HOYA CO	26 376 035	0,0608 %
INAX CORPORATION	6 508 565	0,0513 %
INDUSTRIAL BANK OF JAPAN	53 243 320	0,0546 %
ISEKI & CO	154 001	0,0082 %
ISETAN CO	11 215 320	0,0713 %
ISHIHARA SANGYO KAISHA	1 786 884	0,0499 %
ISHIKAWAJIMA-HARIMA HEAVY INDUSTR	10 590 941	0,0634 %
ISUZU MOTORS	9 899 287	0,0621 %
ITO YOKADO CO	132 332 722	0,0635 %
ITOHAM FOOD	4 256 032	0,0581 %
IWATANI INTERNATIONAL CORP	1 786 546	0,0437 %

	Market value (NOK)	% ownership
IWATSU ELECTRIC CO	75 650	0,0080 %
IZUMIYA CO	4 429 958	0,0567 %
JAPAN AIR LINES	7 306 533	0,0215 %
JAPAN ENERGY CORP	4 943 430	0,0587 %
JAPAN METALS & CHEMICALS CO	137 453	0,0077 %
JAPAN RADIO CO	2 441 725	0,0563 %
JAPAN STEEL WORKS	1 598 097	0,0448 %
JAPAN STORAGE BATTERY CO	1 259 565	0,0453 %
JAPAN TELECOM CO LTD	14 455 823	0,0485 %
JAPAN TOBACCO INC	30 224 707	0,0207 %
JAPAN WOOL TEXTILE CO	1 614 781	0,0441 %
JGC CORP	1 449 838	0,0534 %
JOYO BANK	15 882 628	0,0649 %
JSR CORPORATION	6 715 926	0,0640 %
JUSCO CO	29 941 697	0,0655 %
KAGOME CO	2 096 574	0,0444 %
KAJIMA CORP	11 556 824	0,0620 %
KAKEN PHARMACEUTICAL	217 763	0,0070 %
KANDENKO CO	6 656 892	0,0664 %
KANEBO	2 216 533	0,0576 %
KANEKA CORPORATION	12 242 938	0,0636 %
KANEMATSU CORP	825 458	0,0444 %
KANSAI ELECTRIC POWER CO	97 528 176	0,0671 %
KANSAI PAINT CO	3 411 796	0,0587 %
KAO CORP	63 728 013	0,0682 %
KAWASAKI HEAVY INDUSTRIES	14 981 655	0,0715 %
KAWASAKI KISEN KAISHA	3 213 486	0,0572 %
KAWASAKI STEEL CORP	22 487 512	0,0688 %
KDD CORPORATION	1 401 408	0,0084 %
KEIHIN ELECTRIC EXPRESS RAILWAY CO	7 673 028	0,0616 %
KEIO ELECTRIC RAILWAY CO LTD	12 963 028	0,0603 %
KEYENCE	21 218 355	0,0633 %
KIKKOMAN CORP	6 062 098	0,0607 %
KINDEN CORPORATION	18 102 403	0,0667 %
KINKI NIPPON RAILWAY CO	39 393 166	0,0578 %
KIRIN BREWERY CO	60 206 255	0,0631 %
KISSEI PHARMACEUTICAL CO	4 312 026	0,0526 %
KOBE STEEL	9 494 022	0,0658 %
KOITO MANUFACTURING CO	2 976 541	0,0626 %
KOKUSAI ELECTRIC CO	1 579 995	0,0402 %
KOKUSAI SECURITIES CO LTD	11 333 657	0,0639 %
KOKUYO CO	8 321 521	0,0570 %
KOMATSU	23 551 604	0,0600 %
KONICA CORPORATION	7 722 336	0,0621 %
KOYO SEIKO LTD	4 904 794	0,0554 %
KUBOTA	19 643 966	0,0686 %
KUMAGAI GUMI CO	2 309 406	0,0634 %
KURABO INDUSTRIES	846 195	0,0406 %
KURARAY CO	17 435 133	0,0615 %
KUREHA CHEMICAL INDUSTRY CO	1 992 556	0,0431 %
KURITA WATER INDUSTRIES	9 295 036	0,0639 %
KYOCERA CORP	45 646 684	0,0629 %
KYOWA HAKKO KOGYO CO	10 213 909	0,0572 %
KYUSHU ELECTRIC POWER CO INC	41 111 829	0,0699 %
KYUSHU MATSUSHITA ELECTRIC CO	8 395 752	0,0645 %
LION CORP	5 917 283	0,0599 %
MABUCHI MOTOR	16 300 795	0,0706 %
MAEDA CORP	2 459 287	0,0556 %
MAKINO MILLING MACHINE CO	2 316 160	0,0555 %
MAKITA CORP	8 503 823	0,0729 %
MARUBENI CORP	11 793 228	0,0611 %
MARUDAI FOOD CO	806 141	0,0457 %
MARUHA CORP	956 224	0,0428 %
MARUI CO	32 613 748	0,0645 %
MARUICHI STEEL TUBE	6 007 252	0,0724 %
MATSUSHITA COMMUNICAT INDUSTRIAL LTD	40 321 224	0,0657 %
MATSUSHITA ELEC IND	169 721 376	0,0651 %
MATSUSHITA ELECTRIC WORKS	34 169 968	0,0609 %
MATSUSHITA REFRIGERATION	2 444 292	0,0478 %
MATSUSHITA-KOTOBUKI ELECTRON	15 821 568	0,0609 %
MATSUZAKAYA	3 113 655	0,0465 %
MAZDA MOTOR CORP	22 022 132	0,0607 %
MEIJI MILK PRODUCTS CO	4 156 674	0,0566 %
MEIJI SEIKA KAISHA	7 416 360	0,0600 %
MERCIAN CORP	2 148 515	0,0462 %
MIKUNI COCA-COLA BOTTLING CO	5 546 060	0,0534 %
MINEBEA CO	20 714 340	0,0589 %
MINOLTA CO	6 508 633	0,0585 %
MISAWA HOMES	1 229 306	0,0404 %
MITSUBISHI CHEMICAL	20 158 721	0,0598 %
MITSUBISHI CORP	40 215 855	0,0613 %
MITSUBISHI ELECTRIC CORP	31 123 721	0,0546 %
MITSUBISHI ESTATE CO	53 095 735	0,0612 %
MITSUBISHI GAS CHEMICAL CO INC	6 574 961	0,0631 %
MITSUBISHI HVY IND	59 646 989	0,0651 %
MITSUBISHI MATERIAL CO	8 932 053	0,0673 %
MITSUBISHI MOTOR CORP	12 315 211	0,0636 %
MITSUBISHI OIL CO	2 755 468	0,0468 %
MITSUBISHI PAPER MILLS	2 293 601	0,0497 %
MITSUBISHI PLASTICS INDUSTRIES	962 371	0,0446 %
MITSUBISHI RAYON CO	8 431 956	0,0631 %
MITSUBISHI STEEL MANUFACTURING CO	81 864	0,0082 %
MITSUBISHI TRUST & BANKING CORP	38 350 755	0,0509 %
MITSUBISHI WAREHOUSE & TRANSP CO	9 094 160	0,0602 %
MITSUBOSHI BELTING	924 276	0,0455 %
MITSUI & CO	40 148 446	0,0598 %

Holdings of equities at 31 December 1998

Asia / Oceania

	Market value (NOK)	% ownership
MITSUI CHEMICALS INC	12 821 185	0,0565 %
MITSUI ENGINEERING & SHIPBUILDING	3 797 609	0,0680 %
MITSUI FUDOSAN CO LTD	28 239 919	0,0594 %
MITSUI MARINE & FIRE INSURANCE COMPANY LTD	17 562 522	0,0573 %
MITSUI MINING & SMELTING CO	11 850 979	0,0616 %
MITSUI O.S.K. LINES	8 445 330	0,0645 %
MITSUI TRUST & BANKING CO	6 439 062	0,0572 %
MITSUI WAREHOUSE CO	1 707 384	0,0452 %
MITSUKOSHI	6 038 457	0,0652 %
MITSUMI ELECTRIC CO LIMITED	4 520 062	0,0576 %
MIZUNO CORP	1 251 055	0,0468 %
MOCHIDA PHARMACEUTICAL	2 066 854	0,0438 %
MORI SEIKI CO	951 023	0,0123 %
MORINAGA MILK INDUSTRY CO	2 384 988	0,0429 %
MURATA MANUFACTURING CO	42 692 027	0,0539 %
MYCAL CORP	8 922 867	0,0643 %
N G K INSULATORS	21 847 462	0,0681 %
NACHI FUJIKOSHI CORP	1 243 085	0,0444 %
NAGASAKIYA CO	114 285	0,0072 %
NAGASE & CO	1 777 495	0,0419 %
NAGOYA RAILROAD CO	13 735 802	0,0632 %
NANKAI ELECTRIC RAILWAY CO	11 837 267	0,0617 %
NATIONAL HOUSE INDUSTRIAL CO	6 945 374	0,0702 %
NAVIX LINE	692 396	0,0499 %
NCR JAPAN	1 521 975	0,0154 %
NEC CORP	66 944 471	0,0576 %
NEW JAPAN SECURITIES CO	1 295 904	0,0437 %
NGK SPARK PLUG CO	10 806 339	0,0581 %
NHK SPRING CO	3 961 471	0,0558 %
NICHIDO FIRE & MARINE INSURANCE CO	10 383 917	0,0605 %
NICHIEI CO	23 624 957	0,0684 %
NICHIREI CORP	3 434 018	0,0639 %
NICHIRO CORP	141 843	0,0091 %
NIHON YAMAMURA GLASS CO LTD	93 211	0,0083 %
NIIGATA ENGINEERING CO	172 103	0,0091 %
NIKKO SECURITIES CO	20 084 962	0,0521 %
NIKON	16 568 608	0,0471 %
NINTENDO CO	62 800 630	0,0671 %
NIPPON ELECTRIC GLASS	10 147 445	0,0678 %
NIPPON EXPRESS CO	27 879 841	0,0676 %
NIPPON FIRE & MARINE INSURANCE CO	10 087 331	0,0649 %
NIPPON FLOUR MILLS	1 670 167	0,0410 %
NIPPON HODO CO	2 903 525	0,0662 %
NIPPON KAYAKU CO	4 049 279	0,0550 %
NIPPON LIGHT METAL	2 574 382	0,0588 %
NIPPON MEAT PACKERS INC	16 841 487	0,0647 %
NIPPON OIL CO	19 773 043	0,0643 %
NIPPON PAINT COMPANY	1 447 001	0,0428 %
NIPPON PAPER INDUSTRIES CO	19 962 707	0,0692 %
NIPPON ROAD CO	108 071	0,0096 %
NIPPON SANSO KK	3 933 778	0,0570 %
NIPPON SEIKO KK	9 947 784	0,0643 %
NIPPON SHARYO	1 656 320	0,0455 %
NIPPON SHEET GLASS	5 348 290	0,0542 %
NIPPON SHINPAN CO	2 114 271	0,0493 %
NIPPON SHOKUBAI KAGAKU KOGYO	5 092 297	0,0598 %
NIPPON SIGNAL CO	202 633	0,0089 %
NIPPON STEEL CORP	56 895 573	0,0628 %
NIPPON SUISAN	1 202 963	0,0470 %
NIPPON TEL & TEL CORP	110 847 162	0,0118 %
NIPPON TELEVISION NETWORK CORP	3 081 437	0,0120 %
NIPPON YAKIN KOGYO CO	57 683	0,0084 %
NIPPON YUSEN KK	17 482 144	0,0664 %
NIPPON ZEON CO	3 396 666	0,0445 %
NISHIMATSU CONSTRUCTION CO	6 865 199	0,0644 %
NISSAN DIESEL MTR	1 343 726	0,0409 %
NISSAN FIRE & MARINE INSURANCE CO	2 526 155	0,0477 %
NISSAN MOTOR CO	35 172 325	0,0478 %
NISSEI SANGYO CO LTD	3 481 907	0,0553 %
NISSHIN FLOUR MILLING CO	9 999 996	0,0644 %
NISSHIN OIL MILLS	1 178 377	0,0405 %
NISSHIN STEEL CO	4 983 146	0,0720 %
NISSHINBO INDUSTRIES INC	3 752 354	0,0609 %
NISSHO IWAI CORP	3 520 947	0,0743 %
NISSIN ELECTRIC CO	134 953	0,0080 %
NISSIN FOOD PRODUCTS CO	15 565 238	0,0699 %
NITSUKO CORPORATION	912 185	0,0331 %
NITTO BOSEKI CO	2 685 695	0,0600 %
NITTO DENKO CORP	11 809 439	0,0651 %
NKK CORP	11 301 574	0,0737 %
NOK CORP	3 274 546	0,0644 %
NOMURA SECURITIES CO	77 442 200	0,0596 %
NORITAKE CO	3 116 222	0,0454 %
NTN CORP	7 080 800	0,0626 %
NTT DATA CORPORATION	57 520 560	0,0524 %
NTT MOBILE COMMUNICATION NETWORK INC	133 484 352	0,0221 %
OBAYASHI CORP	16 254 392	0,0633 %
ODAKYU ELECTRIC RAILWAY CO	12 086 033	0,0605 %
OJI PAPER CO	24 701 005	0,0628 %
OKI ELECTRIC INDUSTRY CO	8 614 528	0,0618 %
OKUMA CORPORATION	3 018 418	0,0608 %
OKUMURA CORP	5 042 112	0,0652 %
OLYMPUS OPTICAL CO	14 126 140	0,0634 %
OMRON CORP	16 001 912	0,0689 %
ONO PHARMACEUTICAL CO	17 294 033	0,0535 %
ONWARD KASHIYAMA CO	10 560 816	0,0725 %
ORIENT CORP	2 944 660	0,0557 %
ORIENTAL LAND CO LTD	21 177 829	0,0601 %
ORIX CORP	21 947 833	0,0662 %
OSAKA GAS CO	39 727 375	0,0702 %
PENTA OCEAN CONSTRUCTION	3 327 771	0,0671 %
PIONEER ELECTRONIC CORP	14 207 598	0,0597 %
PRIMA MEAT PACKERS	102 735	0,0083 %
PROMISE CO	27 642 355	0,0696 %
RENOWN INC	108 746	0,0086 %
RICOH COMPANY	28 363 593	0,0564 %
ROHM CO	48 190 131	0,0586 %
ROYAL CO	1 811 537	0,0471 %
RYOBI	1 048 625	0,0426 %
SAKURA BANK	37 367 108	0,0528 %
SANDEN CORP	4 735 528	0,0635 %
SANKYO CO	45 378 938	0,0646 %
SANKYU TRANSPORT	1 133 325	0,0404 %
SANRIO CO	4 730 260	0,0628 %
SANWA BANK	101 895 385	0,0497 %
SANWA SHUTTER CORP	4 738 095	0,0605 %
SANYO CHEMICAL INDUSTRIES	4 392 944	0,0564 %
SANYO ELECTRIC CO	27 162 926	0,0660 %
SAPPORO BREWERIES	6 983 401	0,0580 %
SATO KOGO CO	127 794	0,0096 %
SECOM CO	44 255 002	0,0630 %
SEGA ENTERPRISES	10 574 899	0,0672 %
SEIBU RAILWAY CO	62 278 513	0,0713 %
SEIKO CORP	1 384 928	0,0401 %
SEINO TRANSPORTATION CO	3 359 787	0,0526 %
SEIYO FOOD SYSTEMS INC	1 044 910	0,0478 %
SEIYU	2 713 388	0,0539 %
SEKISUI CHEMICAL CO	17 094 102	0,0667 %
SEKISUI HOUSE	34 546 189	0,0644 %
SETTSU CORP	58 358	0,0087 %
SEVEN-ELEVEN JAPAN	152 433 895	0,0645 %
SHAOWA ALUMINIUM	1 460 307	0,0493 %
SHARP CORP	46 183 323	0,0564 %
SHIKOKU ELECTRIC POWER CO	22 239 489	0,0631 %
SHIMA SEIKI	5 052 311	0,0560 %
SHIMACHU CO	4 559 238	0,0649 %
SHIMANO INDUSTRIAL CO	15 886 411	0,0655 %
SHIMIZU CONSTRUCTION CO	12 185 255	0,0573 %
SHIN-ETSU CHEMICAL CO	41 888 251	0,0564 %
SHIONOGI & CO	12 233 144	0,0631 %
SHISEIDO COMPANY	24 812 791	0,0707 %
SHIZUOKA BANK	44 850 742	0,0604 %
SHOCHIKU CO	1 198 573	0,0412 %
SHOHKOH FUND	11 678 403	0,0403 %
SHOWA DENKO KK	4 112 433	0,0646 %
SHOWA ELECTRIC WIRE & CABLE CO	1 217 485	0,0468 %
SHOWA SANGYO CO	1 286 043	0,0417 %
SHOWA SHELL SEKIYU K.K.	9 950 621	0,0580 %
SKYLARK CO	7 266 682	0,0645 %
SMC CORP	23 395 172	0,0638 %
SNOW BRAND MILK PRODUCTS CO	6 796 304	0,0600 %
SOFTBANK CORPORATION	21 587 147	0,0416 %
SONY CORPORATION	134 914 331	0,0636 %
SONY MUSIC ENTERTAINMENT	22 829 961	0,0616 %
STANLEY ELECTRIC CO	2 031 731	0,0437 %
SUMITOMO BAKELITE CO	8 658 094	0,0647 %
SUMITOMO BANK	146 908 774	0,0513 %
SUMITOMO CEMENT CO	3 619 967	0,0642 %
SUMITOMO CHEMICAL CO	29 154 806	0,0661 %
SUMITOMO CORP	23 924 178	0,0566 %
SUMITOMO ELECTRIC INDUSTRIES	37 258 362	0,0603 %
SUMITOMO FORESTRY CO	6 072 905	0,0624 %
SUMITOMO HEAVY INDUSTRIES	5 786 382	0,0593 %
SUMITOMO LIGHT METAL INDUSTRIES	818 636	0,0431 %
SUMITOMO MARINE & FIRE INSURANCE	19 779 932	0,0647 %
SUMITOMO METAL INDUSTRIES	18 977 371	0,0651 %
SUMITOMO METAL MINING CO	8 775 216	0,0622 %
SUMITOMO REALTY & DEVELOPMENT CO	6 221 975	0,0625 %
SUMITOMO TRUST & BANKING CO	15 339 302	0,0592 %
SUMITOMO WAREHOUSE CO	2 010 117	0,0467 %
SUZUKI MOTOR CO	25 704 645	0,0677 %
TAIHEIYO CEMENT CORPORATION	9 305 195	0,0533 %
TAISEI CORP	8 882 206	0,0678 %
TAISHO PHARMACEUTICAL CO	43 482 971	0,0616 %
TAKARA SHUZO CO	5 818 533	0,0552 %
TAKASHIMAYA CO	12 140 338	0,0674 %
TAKEDA CHEMICAL INDUSTRIES	155 135 665	0,0655 %
TANABE SEIYAKU CO	7 292 416	0,0689 %
TDK CORPORATION	55 818 580	0,0714 %
TEIJIN	16 437 572	0,0688 %
TEIKOKU OIL CO	3 597 745	0,0639 %
TEKKEN CORPORATION	135 224	0,0077 %
TERUMO CORPORATION	21 739 797	0,0679 %
TOA CORP	1 137 986	0,0399 %
TOBISHIMA CORP	92 401	0,0085 %
TOBU RAILWAY CO	11 456 858	0,0593 %
TODA CORP	7 463 236	0,0657 %
TOEI CO	1 579 185	0,0433 %
TOHO CO	11 605 996	0,0599 %
TOHOKU ELECTRIC POWER CO INC	40 634 629	0,0658 %
TOKAI BANK	43 823 394	0,0591 %
TOKAI CARBON CO	1 295 364	0,0403 %

Holdings of equities at 31 December 1998

Asia / Oceania

	Market value (NOK)	% ownership
TOKICO CO	105 504	0,0092 %
TOKIO MARINE & FIRE INS CO	83 616 422	0,0606 %
TOKUYAMA SODA CO	3 255 296	0,0532 %
TOKYO BROADCASTING SYSTEM INC	1 194 318	0,0084 %
TOKYO DOME CORP	3 659 548	0,0544 %
TOKYO ELECTRIC POWER CO	152 096 781	0,0690 %
TOKYO ELECTRON	30 425 314	0,0509 %
TOKYO GAS CO	33 862 371	0,0664 %
TOKYO ROPE MANUFACTURING CO	133 467	0,0080 %
TOKYO STEEL MANUFACTURING CO	2 981 944	0,0580 %
TOKYO STYLE CO	4 945 321	0,0708 %
TOKYU CAR CORP	81 729	0,0084 %
TOKYU CONSTRUCTION CO	110 367	0,0092 %
TOKYU CORP	13 159 784	0,0620 %
TOKYU DEPARTMENT STORE CO	936 164	0,0489 %
TOKYU LAND CORP	2 101 910	0,0597 %
TOMEN CORPORATION	2 567 763	0,0639 %
TONEN CORP	15 744 568	0,0684 %
TOPPAN PRINTING CO	39 241 866	0,0637 %
TORAY INDUSTRIES INC	33 435 086	0,0674 %
TOSHIBA CORP	87 232 539	0,0555 %
TOSHIBA ENGINEER & CONSTRUCT	121 174	0,0090 %
TOSHIBA MACHINE CO	1 092 191	0,0403 %
TOSOH CORP	4 092 372	0,0618 %
TOSTEM CORP	19 971 488	0,0675 %
TOTO	13 845 358	0,0611 %
TOYO CONSTRUCTION	138 939	0,0093 %
TOYO INK MANUFACTURING CO	2 331 898	0,0510 %
TOYO KANETSU KK	94 832	0,0087 %
TOYO SEIKAN KAISHA	17 359 686	0,0557 %
TOYO TIRE & RUBBER CO	1 264 294	0,0441 %
TOYO TRUST & BANKING CO	9 207 634	0,0542 %
TOYOBO CO	4 062 923	0,0593 %
TOYODA AUTOMATIC LOOM WORKS	23 088 588	0,0616 %
TOYOTA MOTOR CO	469 299 167	0,0672 %
TOYOTA TSUSHO CORP	3 141 619	0,0621 %
TSUBAKIMOTO CHAIN CO	1 758 042	0,0571 %
UBE INDUSTRIES	6 052 236	0,0769 %
UNITIKA	1 143 254	0,0466 %
UNY CORPORATION	16 040 074	0,0624 %
VICTOR CO OF JAPAN	7 847 293	0,0631 %
WACOAL CORP	9 421 614	0,0689 %
WEST JAPAN RAILWAY CO	26 983 933	0,0419 %
YAKULT HONSHA CO	5 047 583	0,0642 %
YAMAGUCHI BANK	8 928 271	0,0622 %
YAMAHA CORP	10 115 429	0,0658 %
YAMANOUCHI PHARMACEUTICALS	49 909 808	0,0614 %
YAMATAKE CORPORATION	3 107 712	0,0496 %
YAMATO KOGYO	2 385 393	0,0596 %
YAMATO TRANSPORT CO	26 039 665	0,0588 %
YAMAZAKI BAKING CO	13 531 007	0,0616 %
YASKAWA ELECTRIC CORP	1 501 914	0,0498 %
YASUDA FIRE & MARINE INSURANCE CO	19 437 618	0,0569 %
YASUDA TRUST & BANKING CO	3 543 440	0,0385 %
YOKOGAWA ELECTRIC CORP	6 014 141	0,0616 %
YOKOHAMA RUBBER CO	3 349 723	0,0553 %
YOMIURI LAND CO	132 387	0,0086 %
YORK BENIMARU	7 032 033	0,0599 %
YOSHITOMI PHARMACEUTICAL CO	11 172 497	0,0510 %
YUASA BATTERY CO	1 332 311	0,0366 %
ZEXEL CORP	2 119 674	0,0606 %
New Zealand		
AIR NEW ZEALAND LIMITED	1 694 084	0,0271 %
BRIERLEY INVESTMENTS LIMITED	3 105 623	0,0565 %
CARTER HOLT HARVEY LIMITED	7 950 435	0,0647 %
CERAMCO CORPORATION LIMITED	18 031	0,0090 %
FERNZ CORPORATION LIMITED	2 010 685	0,0610 %
FISHER & PAYKEL	1 893 603	0,0563 %
FLETCHER CHALLENGE BUILDING	2 562 581	0,0546 %
FLETCHER CHALLENGE ENERGY	3 202 969	0,0676 %
FLETCHER CHALLENGE FORESTS	1 394 540	0,0470 %
FLETCHER CHALLENGE PAPER	2 250 227	0,0557 %
INDEPENDENT NEWSPAPERS	2 493 585	0,0627 %
LION NATHAN LIMITED	6 649 240	0,0625 %
PROGRESSIVE ENTERPRISES LIMITED	953 565	0,0519 %
SANFORD LIMITED	627 366	0,0465 %
SKY CITY LTD	1 390 955	0,0502 %
SKY NETWORK TELEVISION LTD	2 090 160	0,0484 %
TELECOM CORP OF NEW ZEALAND	39 012 016	0,0614 %
TRANZ RAIL HOLDINGS LIMITED	877 116	0,0391 %
WAREHOUSE GROUP LIMITED	1 736 086	0,0466 %
Singapore		
ACMA	277 861	0,0533 %
CITY DEVELOPMENTS	16 276 634	0,0689 %
CYCLE & CARRIAGE	3 939 463	0,0567 %
DBS LAND	7 046 566	0,0686 %
DEVELOPMENT BANK SINGAPORE	14 909 285	0,0277 %
FRASER & NEAVE LIMITED	4 139 726	0,0569 %
GOLDTRON	52 317	0,0241 %
HAW PAR BROS INTL	811 534	0,0465 %
HITACHI ZOSEN SINGAPORE	596 634	0,0204 %
HOTEL PROPERTIES	778 981	0,0586 %
INCHCAPE MOTORS	732 020	0,0545 %
JURONG SHIPYARD LIMITED	2 740 285	0,0628 %
KEPPEL BANK OF SINGAPORE	1 314 894	0,0104 %
KEPPEL CORPORATION	9 776 185	0,0717 %
KEPPEL FELS	2 055 733	0,0741 %
KEPPEL LAND LIMITED	3 405 351	0,0701 %
LUM CHANG HLDGS	226 283	0,0288 %
MARCO POLO DEVELOPMENT	2 289 843	0,0740 %
METRO HLDGS	372 175	0,0502 %
NATSTEEL LTD	1 780 204	0,0629 %
NEPTUNE ORIENT LINES	438 067	0,0258 %
OVERSEA-CHINESE BANKING CORPORATION	15 535 242	0,0246 %
OVERSEAS UNION BANK	6 649 272	0,0308 %
OVERSEAS UNION ENTERPRISES	1 484 265	0,0612 %
PACIFIC CARRIERS LTD	550 966	0,0663 %
PARKWAY HOLDINGS	2 796 573	0,0623 %
ROTHMANS INDUSTRIES	3 382 817	0,0652 %
SEMBCORP INDUSTRIES LIMITED	7 521 014	0,0495 %
SHANGRI-LA HOTEL	965 253	0,0510 %
SIME SINGAPORE LIMITED	581 996	0,0530 %
SINGAPORE INTERNATIONAL AIRLINES LTD	12 012 557	0,0180 %
SINGAPORE LAND	3 515 249	0,0682 %
SINGAPORE PRESS HLDGS	817 306	0,0027 %
SINGAPORE PRESS HOLDINGS LIMITED	19 344 562	0,0658 %
SINGAPORE TELECOMMUNICATIONS LTD	13 532 932	0,0082 %
STRAITS TRADING CO	894 281	0,0485 %
TIMES PUBLISHING	738 623	0,0548 %
UNITED INDUSTRIAL CORPORATION	2 566 065	0,0664 %
UNITED OVERSEAS BANK	12 138 616	0,0284 %
UNITED OVERSEAS LAND LTD	1 753 191	0,0620 %
UTD ENGINEERS	295 616	0,0396 %
WBL CORPORATION LTD	166 417	0,0275 %
WING TAI HOLDINGS LIMITED	1 732 690	0,0677 %

Equities futures

Switzerland	
SWISS EQUITY INDEX FUTURESS MAR 99 (SMI) 6 contracts	2 386 338
Germany	
GERMAN EQUITY INDEX FUTURES (DAX) 1 contract	2 136 472
Spain	
SPANISH EQUITY INDEX FUTURES JAN 99 (IBEX) 2 contracts	1 066 241
France	
FRENCH EQUITY INDEX FUTURES MAR 99 (CAC 40) 3 contracts	806 782
UK	
UK EQUITY INDEX FUTURES 99 (FT-SE 100) 87 contracts	64 713 493
Italy	
ITALIAN EQUITY INDEX FUTURES MAR 99 (MIB) 1 contract	1 636 085
Netherlands	
DUTCH EQUITY INDEX FUTURES JAN 99 (AEX) 18 contracts	17 315 444
Sweden	
SWEDISH EQUITY INDEX FUTURES JAN 99 (OMX) 35 contracts	2 320 959
US	
US EQUITY INDEX FUTURES MARCH 99 (S&P) 16 contracts	37 956 682
Australia	
AUSTRALIAN EQUITY INDEX FUTURES MARCH 99 (ALL ORDS) 677 contracts	226 359 252
Hong Kong	
HONG KONG EQUITY INDEX FUTURES JAN 99 (HANG SENG) 504 contracts	250 801 781
Japan	
JAPANESE EQUITY INDEX FUTURES MAR 99 (TOPIX) 1003 contracts	728 956 609
JAPANESE EQUITY INDEX FUTURES MAR 99 (NIKKEI 225 OSAKA) 1223 contracts	1 131 710 897
JAPANESE EQUITY INDEX FUTURES MAR 99 (NIKKEI 300 OSAKA) 3 contracts	434 850
JAPANESE EQUITY INDEX FUTURES MAR 99 (NIKKEI 225 SIMEX) 52 contracts	24 103 171

Bonds and money market investments at 31 December 1998

Bonds and money market investments at 31 December 1998

Europe

	Value NOK
Austrian schilling	
BONDS	
THE AUSTRIAN GOVERNMENT	1 340 883 994
BANK DEPOSITS	
GENERALE BANK	1 777 926
KREDIETBANK	229 530 343
SVENSKA HANDELSBANKEN	173 776 814
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	-402 407 233
Belgian franc	
BONDS	
THE BELGIAN GOVERNMENT	1 539 776 366
BANK DEPOSITS	
GENERALE BANK	9 979 717
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	340 647
Swiss franc	
BONDS	
THE SWISS GOVERNMENT	1 186 247 846
THE AUSTRIAN GOVERNMENT	169 175 91
ØRESUNDSFORBINDELSEN	68 487 238
INSTITUTO CREDITO OFFICIAL	171 539 830
BANK DEPOSITS	
RABOBANK	38 026 226
FORWARD EXCHANGE CONTRACTS	
PURCHASES (MISC. COUNTERPARTIES)	13 313 142
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	4 150 565
Deutsche mark	
BONDS	
THE GERMAN GOVERNMENT	8 627 262 488
THE BELGIAN GOVERNMENT	62 225 493
THE IRISH GOVERNMENT	330 959 461
BADEN-WURTTEMBERG LANDESBANK	98 311 448
CAISSE D'AMORTIZATON DE DETTE SOCIALE (CADES)	412 640 941
DEUTSCHE AUSGLEICHSBANK	148 488 345
DEUTSCHE SIEDLUNGS -UND LANDESRENTENBANK	53 913 025
THE EUROPEAN INVESTMENT BANK	128 584 348
GERMAN UNITY FUND	822 845 523
KREDIETANSTALT FÜR WIEDERAUFBAU	
INTERNATIONAL FINANCE INC.	152 736 798
TREUHANDANSTALT	2 511 021 135
BANK DEPOSITS	
CHASE MANHATTAN BANK	5 947 741
THIRD-PARTY AGREEMENTS (MISC. COUNTERPARTIES)	2 725 138 839
FORWARD EXCHANGE CONTRACTS	
SALES (MISC. COUNTERPARTS)	-2 466 916 789
PURCHASES (MISC. COUNTERPARTIES)	4 486 839
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	32 401 603
Danish krone	
BONDS	
THE DANISH GOVERNMENT	909 900 805
THE SWEDISH GOVERNMENT	52 335 497
THE EUROPEAN INVESTMENT BANK	8 804 617
DANMARKS HYPOTEKBANK OG FINANSFORVALTNING	9 097 908
THE NORDIC INVESTMENT BANK	12 629 500
STOREBÆLTFORBINDELSEN A/S	39 503 398
BANK DEPOSITS	
DEN DANSKE BANK	959 012
FORWARD EXCHANGE CONTRACTS	
PURCHASES (MISC. COUNTERPARTIES)	1 197 490
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	-259 398
Spanish peseta	
BONDS	
THE SPANISH GOVERNMENT	3 323 596 510
BANK DEPOSITS	
GENERALE BANK	37 755 180
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	2 846 235
Finnish mark	
BONDS	
THE FINNISH GOVERNMENT	725 630 888
BANK DEPOSITS	
GENERALE BANK	301 481
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	159 777
French franc	
BONDS	
THE BELGIAN GOVERNMENT	119 283 000
THE DANISH GOVERNMENT	111 708 599
THE FRENCH GOVERNMENT	5 184 510 324
THE SWEDISH GOVERNMENT	199 609 508
THE FINNISH GOVERNMENT	217 472 654
THE PORTUGUESE GOVERNMENT	34 524 987
CAISSE D'AMORTIZATON DE DETTE SOCIALE (CADES)	488 614 315
THE COUNCIL OF EUROPE	68 795 634
THE WORLD BANK	22 813 219
THIRD-PARTY AGREEMENTS (MISC. COUNTERPARTIES)	**9 577 849**
FORWARD EXCHANGE CONTRACTS	
PURCHASES (MISC. COUNTERPARTIES)	83 456 842
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	6 472 945

	Value NOK
Pound sterling	
BONDS	
THE BRITISH COMMONWEALTH	2 553 731 619
THE SWEDISH GOVERNMENT	324 335 152
THE FINNISH GOVERNMENT	956 350 700
THE ITALIAN GOVERNMENT	202 266 110
AUTOBAHNEN- UND SCNELLSTRASSEN	
FINANZIERUNGS AKTIENGESELLSCHAFT (ASFINAG)	116 380 340
BAYERISCHE LANDESBANK GIROZENTRALE	103 643 000
THE EUROPEAN INVESTMENT BANK	631 114 227
THE JAPANESE DEVELOPMENT BANK	79 874 577
DEUTSCHE SIEDLUNGS UND LANDESRENTENBANK	213 081 469
EUROPEAN COMPANY FOR THE FINANCING	
OF RAILROAD ROLLING STOCK (EUROFIMA)	46 710 338
EXPORT-IMPORT BANK OF JAPAN	481 232 603
FEDERAL HOME LOAN BANK	132 608 785
FEDRAL NATIONAL MORTGAGE ASSOCIATION	152 749 196
GUARANTY EXPORT FINANCE CORPORATION	162 461 924
KOBE MUNICIPALITY	152 802 437
KREDIETANSTALT FÜR WIEDERAUFBAU	
INTERNATIONAL FINANCE INC.	390 419 351
THE WORLD BANK	1 108 533 890
WESTDEUTSCHE LANDESBANK FINANCE CURACAO	168 124 513
BANK DEPOSITS	
ABN AMRO	151 549 168
BANK OF MONTREAL	41 394 971
CHASE MANHATTAN BANK	4 438 282
HALIFAX	25 397 440
NATIONAL WESTMINSTER BANK	306 015 123
RABOBANK	289 627 043
DEN DANSKE BANK	44 393 373
THIRD-PARTY AGREEMENTS (MISC. COUNTERPARTIES)	37 453 243
REPURCHASE AGREEMENTS (MISC. COUNTERPARTIES)	-3 882 496 222
INVERSE REPURCHASE AGREEMENTS (MISC. COUNTERPARTIES)	1 045 844 097
FORWARD EXCHANGE CONTRACTS	
PURCHASES (MISC. COUNTERPARTIES)	2 078 747 000
SALES (MISC. COUNTERPARTS)	-91 397 509
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	79 457 957
Irish punt	
BONDS	
THE IRISH GOVERNMENT	385 043 385
BANK DEPOSITS	
RABOBANK	15 259 361
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	630 112
Italian lire	
BONDS	
THE ITALIAN GOVERNMENT	6 680 863 737
BANK DEPOSITS	
GENERALE BANK	554 888
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	3 105 040
Dutch guilder	
BONDS	
THE DUTCH GOVERNMENT	2 199 396 006
THIRD-PARTY AGREEMENTS (MISC. COUNTERPARTIES)	68 336 945
FORWARD EXCHANGE CONTRACTS	
SALES (MISC. COUNTERPARTS)	-7 713 593
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	28 401 766
Portuguese escudo	
BONDS	
THE PORTUGUESE GOVERNMENT	552 851 601
BANK DEPOSITS	
GENERALE BANK	66 144 168
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	3 044 791
Swedish krone	
BONDS	
THE SWEDISH GOVERNMENT	1 199 971 57
THE EUROPEAN INVESTMENT BANK	15 979 992
THE INTER-AMERICAN DEVELOPMENT BANK	85 583 803
THE NORDIC INVESTMENT BANK	106 378 847
THE WORLD BANK	22 546 066
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	3 150 968
ECU	
BONDS	
THE DANISH GOVERNMENT	94 918 635
THE FINNISH GOVERNMENT	30 764 083
THE FRENCH GOVERNMENT	1 179 179 129
THE ITALIAN GOVERNMENT	244 526 741
THE PORTUGUESE GOVERNMENT	109 861 006
THE SPANISH GOVERNMENT	393 786 967
THE EUROPEAN INVESTMENT BANK	118 901 941
EUROPEAN COMPANY FOR THE FINANCING OF	
RAILROAD ROLLING STOCK (EUROFIMA)	84 949 897
FORWARD EXCHANGE CONTRACTS	
SALES (MISC. COUNTERPARTS)	-175 897 857
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	262 360

Bonds and money market investments at 31 December 1998

North America

	Value NOK
Canadian dollar	
BONDS	
THE CANADIAN GOVERNMENT	1 784 575 182
THE AUSTRIAN GOVERNMENT	57 192 103
THE SWEDISH GOVERNMENT	82 818 917
AUTOBAHNEN- UND SCNELLSTRASSEN FINANZIERUNGS AKTIENGESELLSCHAFT (ASFINAG)	35 550 373
CANADA GENERIC RESIDUAL	29 999 813
ELECTRICITÉ DE FRANCE	10 525 728
KREDIETANSTALT FÜR WIEDERAUFBAU INTERNATIONAL FINANCE INC.	22 003 235
OSTERREICH KONTROLLBANK	57 901 424
REPURCHASE AGREEMENTS (MISC. COUNTERPARTIES)	33 748 978
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	-6 294 324
US dollar	
BONDS	
THE US GOVERNMENT	19 127 971 589
THE BELGIAN GOVERNMENT	56 358 048
THE DANISH GOVERNMENT	83 426 869
THE FINNISH GOVERNMENT	159 496 146
THE IRISH GOVERNMENT	200 908 078
THE ITALIAN GOVERNMENT	134 628 682
THE NEW ZEALAND GOVERNMENT	142 298 539
THE SWEDISH GOVERNMENT	87 404 025
AID-ISRAEL	53 431 895
BADEN-WURTTEMBERG LANDESBANK	666 844 724
BAYERISCHE LANDESBANK	901 269 491
CAISSE FRANCAISE DE DEVELOPMENT	83 999 475
THE AFRICAN DEVELOPMENT BANK	641 268 983
THE ASIAN DEVELOPMENT BANK	400 004 890
THE EUROPEAN INVESTMENT BANK	97 695 125
THE INTER-AMERICAN DEVELOPMENT BANK	286 420 197
THE NORDIC INVESTMENT BANK	371 907 771
EXPORT DEVELOPMENT CORP CANADA	174 776 051
EXPORT-IMPORT BANK OF JAPAN	252 820 667
FEDERAL HOME LOAN MORTGAGE ASSOCIATION	315 557 365
FEDERAL NATIONAL MORTGAGE ASSOCIATION	671 238 029
JAPAN FINANCE CORPORATION	252 166 043
JAPAN HIGHWAY PUBLIC CORPORATION	504 804 616
KOBE MUNICIPALITY	46 373 287
KREDIETANSTALT FÜR WIEDERAUFBAU INTERNATIONAL FINANCE INC.	666 541 411
LANDESBANK HESSEN-THUERINGEN GIROZENTRALE (HELABA) INTERNATIONAL FINANCE PLC.	289 944 855
LANDESBANK RHEINLAND-PFALZ GZ	96 713 681
NATEXIS BANQUE	147 468 031
NORDDEUTSCHE LANDESBANK GZ	271 161 528
OSTERREICH KONTROLBANK	163 810 610
STUDENT LOAN MARKETING ASSOCIATION	106 761 390
TENNESSEE VALLEY AUTHORITY	151 115 955
TOKYO MUNICIPALITY	169 503 703
TRANS-TOKYO BAY HIGHWAY	77 363 326
THE WORLD BANK	150 030 300
WESTDEUTSCHE LANDESBANK GZ	362 882 913
YOKOHAMA MUNICIPALITY	328 588 354Z
BANK DEPOSITS	
CHASE MANHATTAN BANK	5 722 018
HALIFAX	763 423 800
RABOBANK	847 682 321
REPURCHASE AGREEMENTS (MISC. COUNTERPARTIES)	-3 117 115 890
INVERSE REPURCHASE AGREEMENTS (MISC. COUNTERPARTIES)	382 993 375
FORWARD EXCHANGE CONTRACTS	
PURCHASES (MISC. COUNTERPARTIES)	693 851 280
SALES (MISC. COUNTERPARTS)	-358 402 241
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	122 843 011

Asia/Oceania

	Value NOK
Asia and Oceania:	
AUSTRALIAN DOLLAR	
BONDS	
THE AUSTRALIAN GOVERNMENT	1 645 895 307
FEDERAL NATIONAL MORTGAGE ASSOCIATION	7 609 896
BANK DEPOSITS	
MORGAN GUARANTY	191 972 554
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	-8 857 459
Hong Kong dollar	
BANK DEPOSITS	
DEUTSCHE BANK	162 537 946
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	60 118 772
Japanese yen	
BONDS	
THE JAPANESE GOVERNMENT	19 033 629 511
THE SWEDISH GOVERNMENT	137 533 757
THE JAPANESE DEVELOPMENT BANK	126 172 801
BANK DEPOSITS	
ABN AMRO	405 282 844
ALLIED IRISH BANKS	398 534 771
RABOBANK	405 287 065
CANADA IMPERIAL BANK OF COMMERCE	270 201 696
FIRST UNION NATIONAL BANK	209 417 687
REPURCHASE AGREEMENTS (MISC. COUNTERPARTIES)	-1 359 040 052
INVERSE REPURCHASE AGREEMENTS (MISC. COUNTERPARTIES)	1 365 114 206
FORWARD EXCHANGE CONTRACTS	
PURCHASES (MISC. COUNTERPARTIES)	78 351 418
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	68 086 296
New Zealand dollar	
BONDS	
THE NEW ZEALAND GOVERNMENT	31 735 647
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	-29 020 951
Singapore dollar	
OTHER ASSETS/LIABILITIES (MISC. COUNTERPARTIES)	6 129 230

Bond futures

	Value NOK
Storbritannia	
GILT 10-ÅR, MARS 1999, 13 KONTRAKTER SOLGT	19 623 717
USA	
TREASURY 10-ÅR, MARS 1999, 100 KONTRAKTER SOLGT	90 704 195
TREASURY LONG, MARS 1999, 568 KONTRAKTER SOLGT	550 686 082
Japan	
10-ÅR, MARS 1999, 332 KONTRAKTER SOLGT	56 263 613
UK	
UK 10-YEAR GILTS 31.03.99: HOLDNING -13	19 623 717
US	
US 10-YEAR TREASURY 31.03.99: HOLDING -100	90 704 195
US 30-YEAR TREASURY 31.03.99: HOLDING -568	550 686 082
Japan	
JAPANESE 10-YEAR BOND 23.03.99: HOLDING -332	56 263 613

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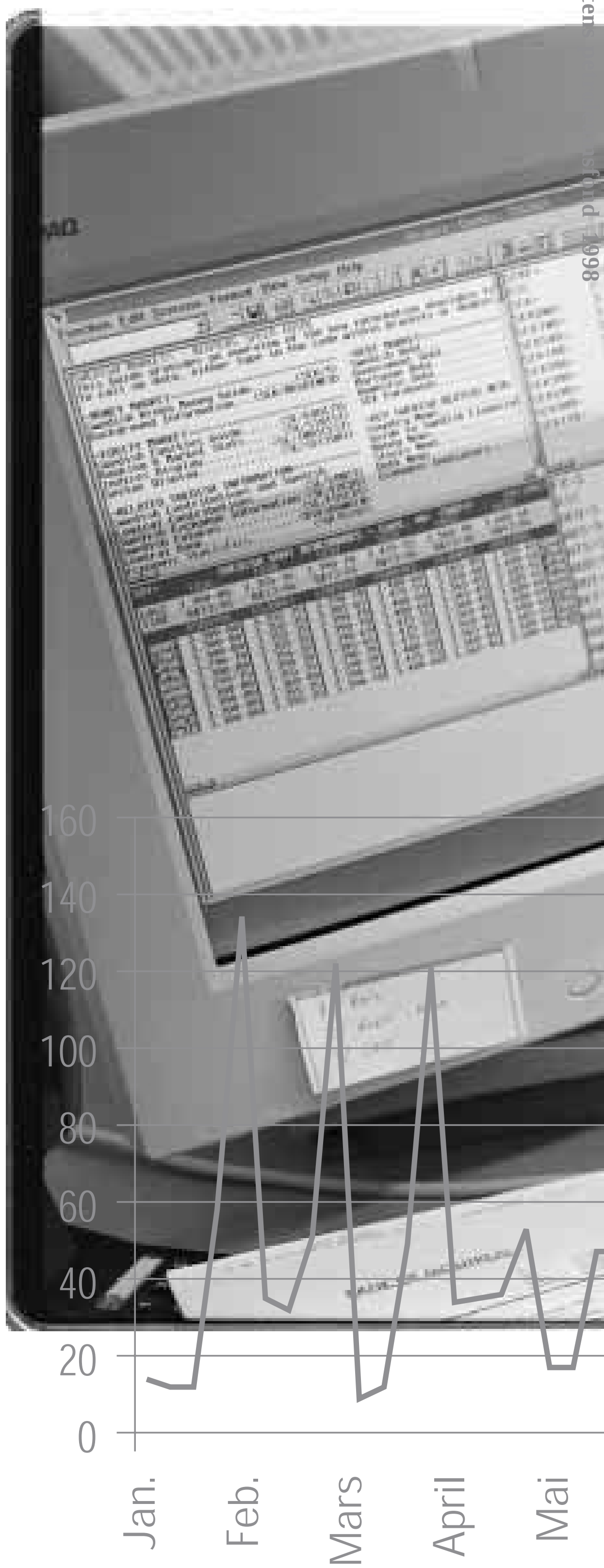

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