

‘Study Of Norway Pension Fund’s Investments In Indian Equity Markets’

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ABSTRACT

Sovereign Wealth Funds are among the largest institutional investors in the modern day. Responsible for managing billions to trillions of dollars of their country’s wealth, their investment strategies often have considerations which may not only be economic, but also have other strategic considerations to take care of. Norway’s Sovereign wealth fund is the largest sovereign wealth fund in the world with close to 1 trillion USD in total assets. It has invested close to 8 billion USD in India’s equity markets, and more than 3 billion USD in fixed income securities, making it one of the largest foreign institutional investors in India. This calls for a need to analyse their investments in India.

Keywords: SWF- Sovereign Wealth Funds, Norway-Norway Global Pension Fund, Norges Bank, FII- Foreign Institutional Investors, India-Indian Equities, Investment strategies

1. INTRODUCTION

Sovereign wealth funds, also known as state owned investment funds are funds set up by countries to invest and manage their surplus wealth which may arise from budgetary surpluses. These funds may invest in a wide range of securities according to their needs, but common investments by sovereign wealth funds may be in stocks, bonds, real estate, precious metals and other commodities or alternative investments such as private equity or hedge funds. Countries may use sovereign wealth funds for a variety of reasons, such as to utilise their budgetary surpluses for profits or to diversify the risk of over-dependence on a single revenue stream (eg- Saudi Arabia).

2. BACKGROUND

The term ‘Sovereign Wealth Fund’ was first used in 2005 by Andrew Rozanov in an article in the Central Banking Journal. Soon, this term gained widespread usage and became popular. Sovereign Wealth Funds are funds that are state-owned i.e, owned by the government of a country and may invest in a broad range of securities according to the aims and desires of the government of the country. Securities owned or managed or operated by sovereign wealth funds may include stocks, bonds, commodities, private equity investments,

investments into hedge funds, property investments etc. According to the Sovereign Wealth Fund Institute, total Assets Under Management (AUMs) of sovereign wealth funds is almost 8 trillion USD. Among the largest sovereign wealth funds are the Government Pension Fund of Norway, The China Investment Corporation, Abu Dhabi Investment authority and the SAMA Holdings of Saudi Arabia.

3. RESEARCH QUESTION

‘To study the nature of investments by Norway’s global pension fund focusing on its investments in India’. The research seeks to analyze the various types of investments undertaken by the Norway Global Pension Fund in India focusing on the equity market investments, in terms of sectoral allocation and its growth in India.

4. RESEARCH OBJECTIVES

The research seeks to study the following-

1. The various investment strategies used by the Norway Global Pension Fund in India.
2. Its growth in the last 5 years in India.
3. Its performance compared to the Indian Benchmark Indices.
4. Preferred sectors for allocation of funds.

5. LIMITATIONS OF THE STUDY

The main drawbacks of the study are-

- 1) The data for the study is available on only one source, i.e the fund’s website. There is no way to verify this data from independent sources.
- 2) There is a lack of previous studies on sovereign wealth fund investments with a focus specifically on India.
- 3) Due to their secretive nature, Sovereign Wealth Funds do not publish details about their investments and there is a general lack of transparency regarding their investment practices.

6. METHODOLOGY

The nature of the study undertaken is descriptive. For the purpose of this research, the data used is secondary data. Norway’s Global Pension fund has a dedicated website with its complete investment data for last two decades. Investment reports from this website are the main source of raw data for the purpose of this research. Additionally, the other sources of data used are reports and statistics published by the Sovereign Wealth Funds Institute (SWFI) which is a magazine for institutional investors.

Descriptive statistics, such as percentages, summation and growth rates, along with aggregative data has been used on MS Excel to analyze the investment patterns. Compounded Annual Growth Rate has been COMPUTED using the formula-

$$CAGR = \left(\frac{\text{Ending Balance}}{\text{Beginning Balance}} \right)^{\frac{1}{\# \text{Years}}} - 1$$

7. REVIEW OF LITERATURE

- 1) The investment strategies of Sovereign Wealth Funds- **Shai Bernstein, Josh Lerner, Antoinette Schoar- Journal of Economic Perspectives (2009)**. The article gives a brief overview of the 20 largest SWFs in the world on the basis of their source of wealth- oil or non-commodity. It then analyzes the impact of political control on the fund and their investments using descriptive statistics. It compares the differences between funds with political managers and funds with professional management. It also analyzes investments made by the funds domestically vs investments made abroad. It also considers valuation levels, investment performance, investment objectives and robustness on the basis of the fund's management. It then gives a brief overview on transparency and growth of SWFs
- 2) **TT Ram Mohan – Sovereign Wealth Funds: Western Fears- Economic and political weekly (2017)**- This article examines the impact of investments made by SWFs from developing countries into developed countries and examines whether such investments are a cause of concern for the developed countries (mainly USA). It talks about the primary concerns regarding such investments, namely financial, political and ideological concerns. It then suggests solutions to these concerns, i.e increasing transparency and regulations to solve the financial and political concerns and self-interest as a means of refuting the ideological concern. In the end, it also examines whether India should have its own Sovereign Wealth Fund.
- 3) Analysis of **China's SWF developments and affected politics and economy- Fan Shih Ping- The Journal of East Asian Affairs**- The article traces the development of China's SWF- the China Investment Corporation, its purpose and its investments. It studies the opportunities and challenges for china's SWF- its positive impact and the problems faced by it. It also gives suggestions for its future growth and development- mainly increasing transparency, better decision making and corporate governance, strong risk management and better management. The article also compares the investments made by China's State Administration of Foreign Exchange (SAFE) with those made by the China investment Corporation (CIC).

- 4) Sovereign Wealth Funds: **Dangers and Opportunities- Gawdat Bahgat- Royal Institute of International Affairs**- The article classifies SWFs on the basis of their nature into oil and non-oil funds. The focus of the article is on the SWFs of oil exporting countries. It examines these oil funds and their investment performance and also covers steps taken to regulate their authority. The research traces the growth in petroleum prices and the increase in the resources owned and controlled by the oil funds of petroleum exporting countries. The article examines in detail the origin of the fund, size of the fund, control and administration and major investments and deals made by the SWFs of the following countries- Kuwait, UAE, Iran, Qatar, Saudi Arabia, Norway and Russia. It then talks about the impact of investments by these funds in USA and Europe. In the end, it discusses the role of the IMF in guiding the workings of the SWFS by the formation of the International Working Group (IWG) and the establishment of the Santiago Principles.
- 5) In the article **Sovereign Wealth Funds- A Work Agenda** by Allen and Caruana (2008), it is stated that Sovereign Wealth Funds (SWFs) are investment funds owned by the government which facilitate various macroeconomic purposes. These are commonly funded by transfers of foreign exchange assets which are invested for a long term, overseas. Due to high oil prices, large global imbalances have resulted in the accumulation of wealth in the hands of a few counties such as the Asian countries. SWFs result in a number of financial and economic benefit, they lead to saving and intergenerational transfers from nonrenewable resources. They allow a greater portfolio diversification. SWFs investments are highly influenced by political agendas. They also face problems due to the increased role of governments in industries and international markets. SWFs can strengthen the domestic policy frameworks and can reduce pressures of a protectionist policy. SWFs serve many purposes, such as: - a) stabilization funds, b) savings funds, c) reserve investment corporations, d) development funds and e) contingent pension reserve funds. These objectives tend to change over time. Institutional arrangements, such as accumulation rules and withdrawal, reporting channels and investment management are not publicly disclosed in a number of cases. Although some SWFs are leading their way to a complete disclosure (Canada and Norway) and others are making conscious efforts to make their system more transparent. The SWF assets and their returns have a significant impact on the country's monetary conditions, public finances, the balance of payments and the balance sheets of the host countries. They can influence the private sector behaviour due to the changes caused in the public sector debt. A transparent and well designed SWF can support the monetary and fiscal policies of the country. There are four possible policy angles: monetary policy, fiscal policy, external stability and balance sheet implications; which decide the overall harmony of the SWFs with a country's macroeconomic conditions. Currently there are significant gaps in the statistics on SWFs. In many cases, the SWFs are not been included in the member's BOP and IIP positions. Eve when the

SWF statistics are included in the data, the functional breakdown is not available. SWFs have medium to long term investment horizons, therefore they are less likely to affect the portfolios. Even a slight change in the portfolios can cause a significant impact on the relative and absolute prices of assets, the resulting global imbalances and the flow of funds between the countries. The net flows are calculated as the sum of each country's net private capital flows and current account balance. For the countries that have just entered the process of setting up the SWFs, new flows are the sum of net private capital flows and the current account balance. In these cases, a 25-50 percent flow of new funds to the SWFs are assumed. Apart from the Capital flow simulation model, a gravity model is used to estimate the host country's private holdings of equity, debt or FDI in the foreign country. SWFs had a stabilizing influence on the markets in the recently experienced financial turmoil. The substantial injections of capitals to the large banks by SWFs from Middle East and East Asia are an example of the same. These help in safeguarding the credit markets from any substantial losses and thereby facilitate bank lending.

- 6) Bryan J. Balin in the essay, **Sovereign Wealth Funds: A Critical Analysis**, gives a multidimensional perspective of the Sovereign Wealth Funds (SWFs) in terms of its origin, relative size, strategies and their regulatory oversight. Also, it talks about why countries create SWFs. Further, it also projects the possible behaviour of the SWFs in the near future, stating that they will result in more liquidity and reduced capital cost because of the existence of a higher demand for the services of investment managers. Moreover, these funds as predicted may result in high volatility in the markets of developing and developed countries with a great demand for transparency and openness in FDI mainly in the SWFs holding nations. Initially, the Sovereign Wealth Funds were created during the oil strikes of Persian Gulf states during 1950s mainly for managing the excess revenue generated from oil. Subsequently, in 1970s another wave of it was observed when United Arab Emirates, Saudi Arabia and Alberta used it to absorb their higher liquidity to stabilize their economy from overheating. According to Morgan Stanley and Peterson Institute, the twenty largest funds hold around \$3.19 trillion, while the top five Sovereign Wealth Funds 90 percent of their total holdings. In subsequent sections, the paper talks about certain criticisms regarding the SWFs. The first criticism questions the effectiveness of an SWF in terms of mitigating over liquidity which a country faces due to certain natural endowments. Little evidence substantiates its goal of 'smoothing out' the excess liquidity. Another criticism mentioned is about the goal of making a financial base to respond effectively to the shocks is misguided. Also SWFs face criticism on international grounds about its lack of transparency and secrecy. As the demand for SWFs has grown significantly, it has faced severe criticisms too and the performance of it is based upon a proper evaluation of all these aspects.
- 7) In the article, **The rise of Sovereign Wealth Funds: An overview of the challenges and opportunities ahead**, the authors Cosmin and Emilian talk about how Sovereign Wealth Funds have become a major

player in the financial market. It has become an attractive option of investment holding \$7.42 trillion Assets Under Management (AMU) as of December, 2016. This has definitely marked an impressive growth in terms of the size of their AMU and the number of funds established across the globe. Further, the article talks about how has transparency and openness been both challenges and opportunities for Sovereign Wealth Funds in their international presence. SWF has been present since 60 years, however, it has become popular only from the past two decades due to its phenomenal growth. Major capitalization of SWF is in form of the extent of natural resources endowment. Their main functions are to stabilize the economy, protect it and further to check the fiscal balances in the economy. Over the last two decades, SWFs have witnessed a remarkable growth. As per this article, as of 2017, there were 79 SWFs managing assets estimated to be at US\$7.31 trillion. Further, talking about, transparency, the article states that transparency of SWFs provides trust regarding its value in the market, helping investors to make an informed decision with higher level of confidence. Moreover, there have been several initiatives taken by the countries like the Santiago Principle or establishment of the International Working Group of SWFs to ensure that utmost transparency is upheld by all the players. However, there exists a major concern about the potential unethical agendas of non-transparent SWFs. Hence, it talks about how transparency of such funds are essential to make it popular and attractive. Initially these funds were highly opaque due to which continues threat persisted in terms of investing in it, however, over the last 20 years with rising pressure of transparency and full disclosure from across the boundaries has led to a more open and transparent SWFs making it more attractive and popular, resulting in its growth.

8. RESEARCH GAP

The main reasons for undertaking this research was to study in detail about the actions of the Norway Global Pension Fund in India. Most research conducted in the field of Sovereign Wealth Funds have studied their investment strategies or performance globally, but without a specific focus on their investments in India. Our research seeks to address this gap by specifically studying the Norway Global Pension Fund's Indian equity investments.

Definition

According to the Sovereign Wealth Fund Institute, 'A Sovereign Wealth Fund (SWF) is a state-owned investment fund or entity that is commonly established from balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, governmental transfer payments, fiscal surpluses, and/or receipts resulting from resource exports. The definition of sovereign wealth funds excludes, among other things, foreign currency reserves, assets held by monetary authorities for the traditional balance of payments or monetary policy purposes, state-owned enterprises (SOEs) in the traditional sense, government-employee

pension funds (funded by employee/employer contributions), or assets managed for the benefit of individuals.’ (SWFI)

The international working group of sovereign wealth funds defines SWFs as “special purpose investment funds or arrangements, owned by the general government. Created by the general government for macroeconomic purposes, SWFs hold, manage, or administer assets to achieve financial objectives, and employ a set of investment strategies which include investing in foreign financial assets. The SWFs are commonly established out of balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, fiscal surpluses, and/or receipts resulting from commodity exports”

History of SWF

The first ever sovereign wealth fund to come into existence is believed to be the Kuwait Investment Authority, established in 1953. It was started to invest the revenues earned by Kuwait’s booming oil industry and diversify into other sectors to earn revenues.

The second sovereign wealth fund in the world was the Revenue Equalization Reserve Fund set up by the central pacific island republic of Kiribati to invest the proceeds earned from phosphate mining activities.

Some of the most important SWFs in the world were started post 1970. The two main funds of Singapore, Temasek Holdings and Government Investment Corporation (GIC) were started in 1974 and 1981 respectively. Similarly, the Abu Dhabi Investment Authority was started in 1976 while the Norway Government Pension Fund, which is presently the largest sovereign fund in the world was started in 1990.

Even though such funds were in existence since a long time, the term “Sovereign Wealth Fund” was first used by Andrew Rozanov in an article in 2005 titled- “Who holds the wealth of nations?” in the Central banking Journal.

Top 10 largest Sovereign Wealth Funds in the world

Table 1: Top Sovereign Funds as of 2017

S.no	Country	Fund	Assets
1	Norway	Government Pension fund	\$993.1 Billion
2	China	China Investment Corporation	\$940 Billion
3	UAE	Abu Dhabi Investment Authority	\$739.6 Billion
4	Kuwait	Kuwait Investment Authority	\$527.1 Billion
5	Singapore	Government Investment Corporation Fund(GIC)	\$398 Billion
6	Qatar	Qatar Investment Authority	\$300 Billion
7	Saudi Arabia	Saudi Arabian Monetary Authority	\$236.5 Billion
8	Singapore	Temasek Holdings	\$234.9 Billion
9	UAE	Investment Corporation of Dubai	\$230 Billion
10	UAE	Mubadala Investment Co.	\$227 Billion

Source- Sovereign Wealth Institute's Sovereign Wealth Centre

Santiago Principles

The growing importance of SWFs was recognized by the International Monetary and Financial Committee (IMFC) in October 2007, when it proposed the need to study the key issues for investors and countries accepting funds from SWFs. The need for identifying best practices for SWFs was also raised. The International Working Group of Sovereign Wealth Funds (IWG) was established with 26 IMF member countries which had their own SWFs. The purpose of the IWG was to establish a set of Generally Accepted Principles and Practices (GAPP) to properly follow investment practices and objectives. This came to be known as the Santiago Principles.

These principles are expected to guide the SWFs in their various investment activities and objectives. These principles cover three main areas for SWFs- legal framework and objectives, institutional framework and governance structure and investment and risk management framework.

According to the IWG, The Generally Accepted Principles and Practices (GAPP) have the following objectives for SWFs-

1. "To help maintain a stable global financial system and free flow of capital and investment;
2. To comply with all applicable regulatory and disclosure requirements in the countries in which they invest;
3. To invest on the basis of economic and financial risk and return-related considerations; and
4. To have in place a transparent and sound governance structure that provides for adequate operational controls, risk management, and accountability."

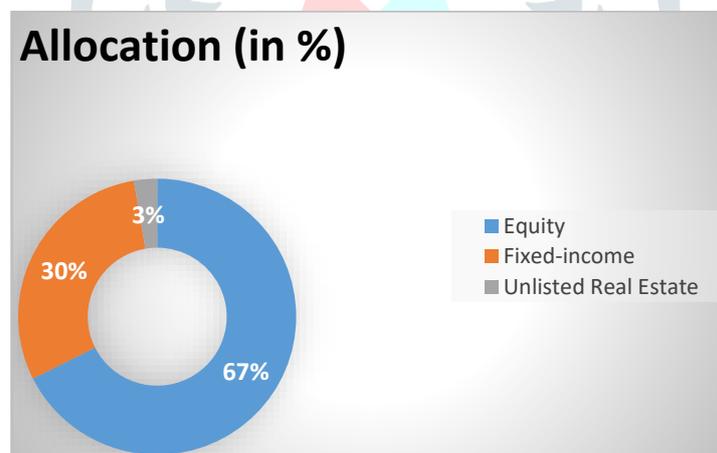
Government Pension Fund of Norway

The government pension fund of Norway is the largest Sovereign Wealth Fund in the world. It consists of two separate funds run by the government of Norway. The Government Pension Fund Global (also referred to as the Oil Fund) was started in 1990 to invest the surplus arising from Norway's energy and petroleum sector. It had assets of around 1 trillion USD for the year 2017. It has stakes in over 9000 companies in over 72 countries and also invests in other instruments such as fixed income and real estate.

Investments

The Fund invests globally in international equities, fixed income and real estate. Their investment objective as stated on their website is to have well diversified investments, that spread the risk and generate the highest possible returns according to the guidelines of the Ministry of Finance. Some of its largest equity investments are in the following companies- Apple, Amazon, Microsoft, Alphabet, Royal Dutch Shell, Nestle and Novartis.

Chart 1: Allocation of Fund



Source- Norges Bank as at 30 September 2018

History and timeline of the fund

The idea of a Norwegian oil fund was first considered by the then prime minister of Norway in 1960. By 1966, international oil companies were given the licences to look for oil in the country. In 1969, Ekofisk, the largest oilfield found at sea, was found off the coast of Norway. In 1983, it was suggested that a fund be created to store and invest the oil revenues. Finally, the Government Petroleum Fund was formally established in 1990 and the government's petroleum revenues were transferred to the fund. Norges bank Investment Management was set up in 1998 to manage the Government Petroleum Fund. It started investing in equities apart from government bonds. By 2002, the fund started investing in emerging markets and corporate bonds.

In 2006, the Government Petroleum Fund was renamed as the Government Pension Fund Global. By 2011, it also started investing in real estate.

Some of the key guidelines for the fund are-

- The investment mandate of the fund sets the asset classes in which the fund can invest, and the maximum limit for each asset class. The present investment limits are set at upto 70% in equities, upto 7 % in unlisted real estate and the remainder in fixed income securities.
- The Fund's benchmark index is set on the basis of indices of the FTSE group and Bloomberg Barclays Indices.
- The mandate given by the Ministry of Finance allows the fund's benchmark to deviate from the strategic benchmark index due to market price movements. However, this limit to the expected relative volatility as compared to the benchmark index should be within 1.25 percentage points. Expected relative volatility shows how much the returns of the fund can be permitted to deviate from the benchmark index in a normal year.
- The investment portfolio of the fund may be different from the benchmark portfolio to take advantage of its massive size or fulfil specific investment objectives.

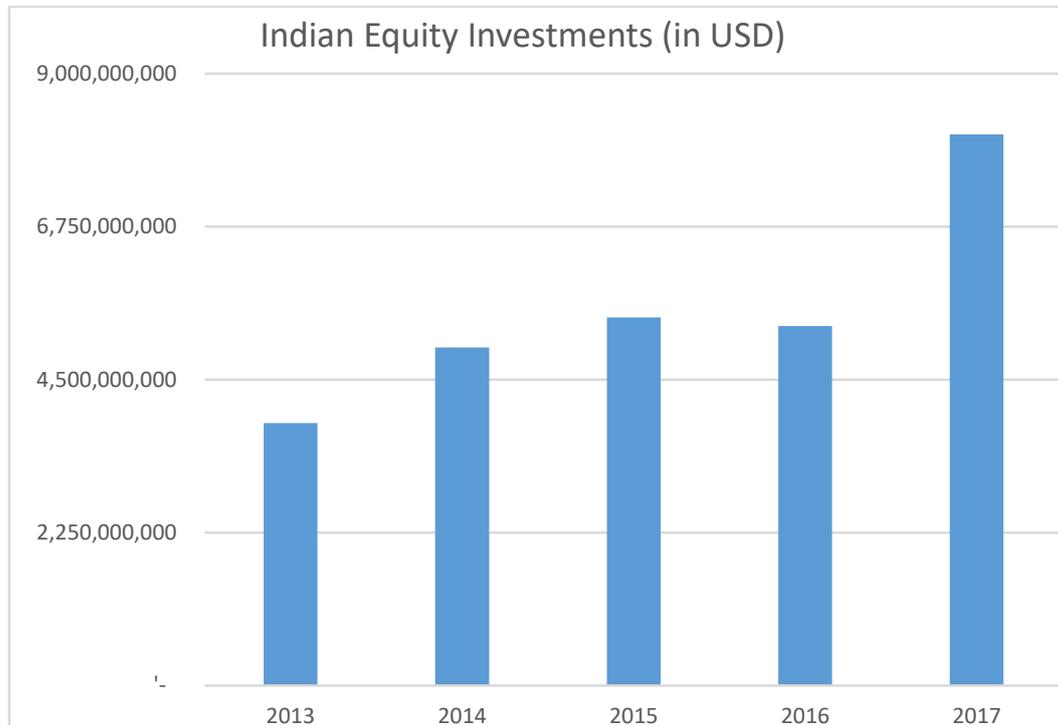
Investment Strategies of the Fund

- The fund takes advantage of its huge capital and limited short term liquidity needs to generate high returns.
- It seeks to diversify its investments by investing in wide range of markets and into different sectors to enhance returns.
- It tries to take advantage of global growth and consumption through long term investments.
- It also invests in real estate to reduce dependence on equity and fixed income securities.
- Investments are made into individual companies on the basis of fundamental analysis and extensive research.
- It builds strong relationships with its portfolio companies and also meets the senior management on a regular basis.
- It also invests a significant amount in emerging markets where investment decisions are taken by fund managers with expertise in the specific markets. These investments are regularly monitored and quick modifications can be made in reaction to market conditions if required.
- It seeks to earn fees through securities lending. It lends securities directly and through custodian banks to generate regular fee income.
- It tries to reduce transaction costs due to its large size and also take advantage of liquidity needs of other participants.

- It makes use of strong risk management techniques and monitors risk at all levels across different geographies and different asset classes.

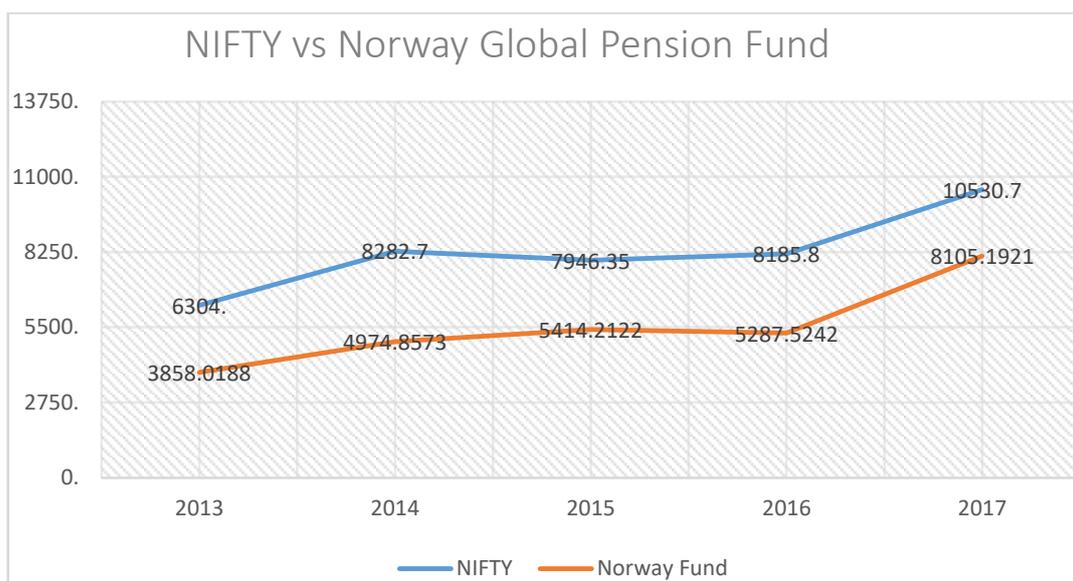
Investments in India

The fund has been investing in India ever since it started investing in emerging market economies. The fund is among the largest Foreign Institutional Investors (FIIs) in India. It has invested in over 275 companies covering a wide variety of sectors such as financials, consumer goods and industrials.



For the year 2017, the funds investments in India stood at USD 8,105,951,063 or NOK 66,301,410 891. The fund has regularly increased its India investments since the last 5 years. This represents a compounded aggregate growth rate (CAGR) of 16.01 % in the last 5 years. The fund has significantly stepped up its investment in India from 2014, this was mainly due to the formation of the new and more stable government in 2014 along with healthy macro-economic indicators such as strong growth rate of the economy.

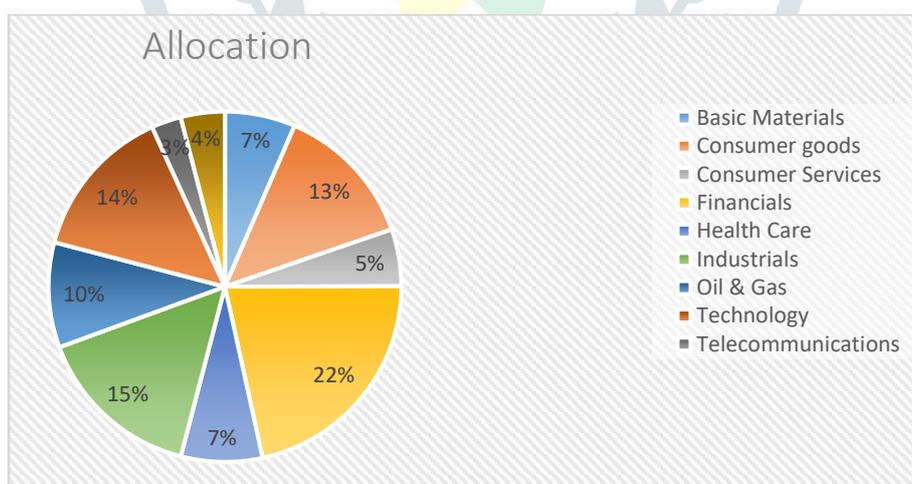
NIFTY vs The Norway Global Investment Fund



For the period from 2013 to 2017, the NIFTY had a Compound Annual Growth Rate (CAGR) of 10.81 %. For the same period, the Norway Global Pension Fund’s India equity investments portfolio grew by 16.01%. According to the trend lines, the performance of the Norway Global Pension Fund has been similar to the NIFTY’s trends. However, it has outperformed the NIFTY by 5.20 %. This shows Norway’s bullishness on its India equity investments and overall healthy returns.

Yearly sectoral allocations in Indian equity markets

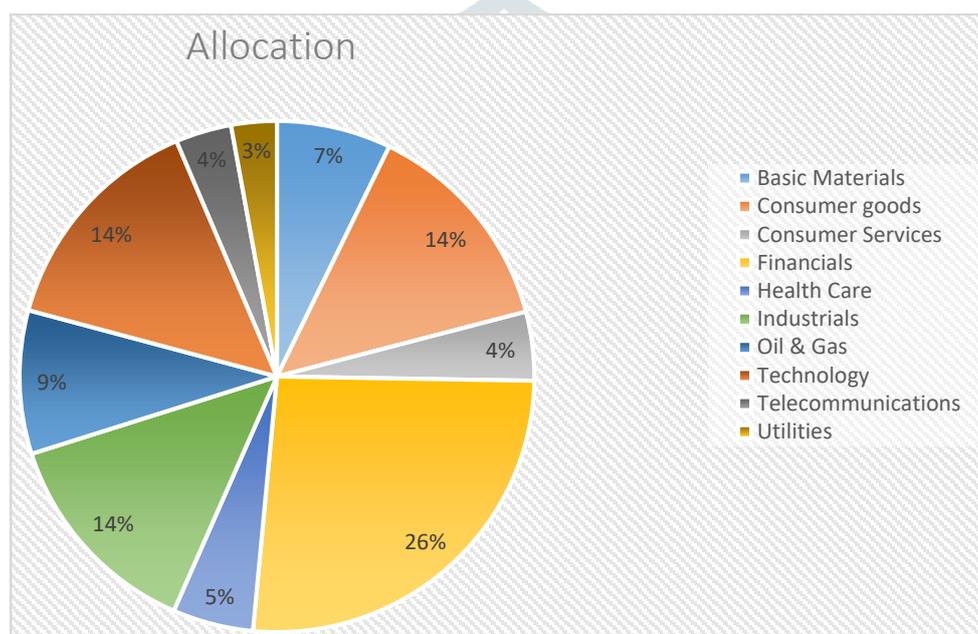
Chart 2: Sector wise allocation for the year 2013



- In 2013, Norway Global Pension Fund had investments of around USD 3.85 billion in the Indian equity markets.
- The most preferred sector by the fund was financials, followed by industrials, technology and consumer goods. These sectors represent 64 % of its entire portfolio value for 2013.

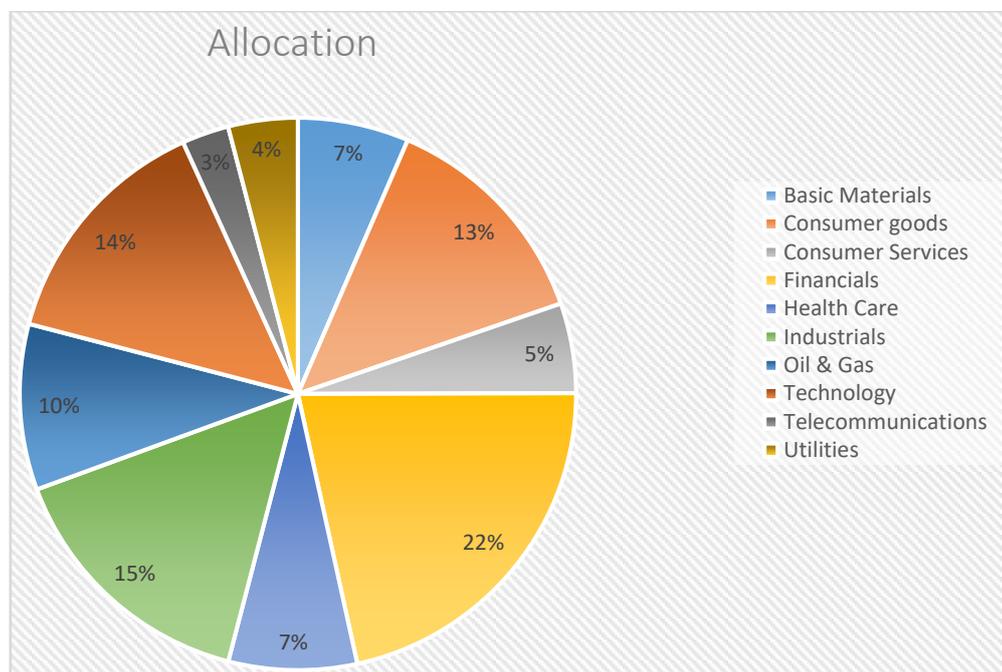
- Some of the fund's major holdings in the financial sector were Axis Bank, ICICI bank and HDFC. In the Industrials segment, major holdings were in Larsen and Toubro, Container Corporation of India and Tata Motors.
- For the year 2013, the largest holdings were in large, blue chip stocks such as Infosys, Bharti Airtel, ICICI Bank, Reliance Industries and ONGC.
- The top 10 largest holdings accounted for approximately 22 percent of its entire portfolio value for the year.

Chart 3: Sector wise allocation for the year 2014



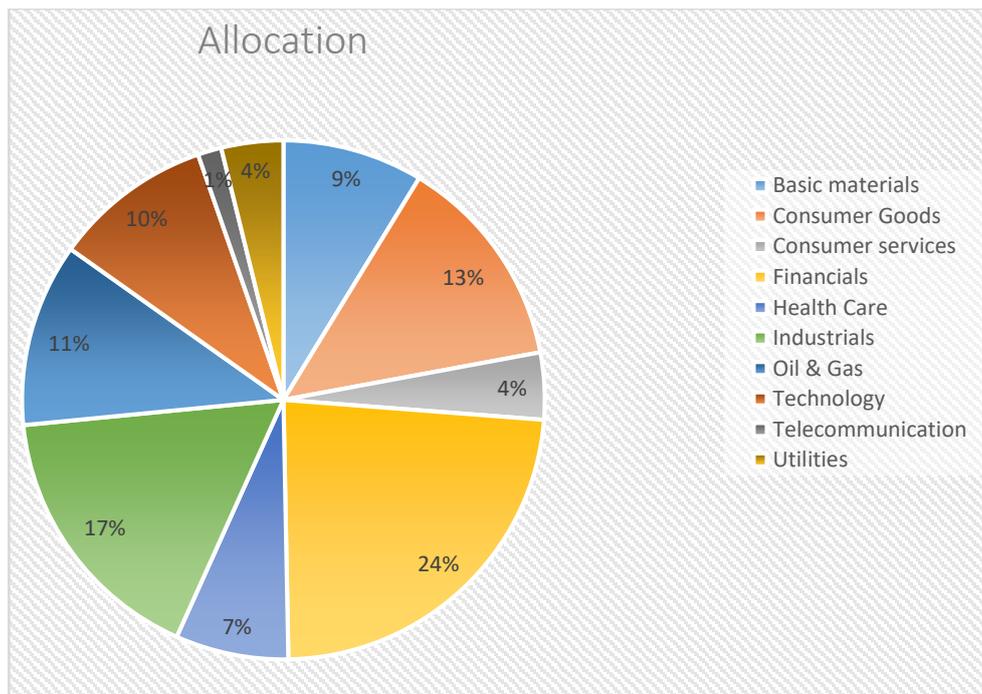
- In 2014, the Fund had investments of around USD 4.97 billion in the Indian equity markets.
- The most preferred sectors were financials, followed by industrials, technology and consumer goods which was similar to 2013. However, the concentration of the top 4 sectors in the portfolio was 68%, a slight increase from last year.
- The fund's top holdings in the most preferred sectors were similar to last year, with Axis, ICICI bank and HDFC being the major holdings, and Havells, Hero Motorcorp and Infosys being the top holdings in industrials, consumer goods and technology sectors respectively.
- In 2014, the trend was similar to last year with large blue chip companies forming the largest holdings.
- However, in 2014, the top 10 portfolio stocks formed a larger part of the total portfolio, forming 32 % of the total, an increase of almost 10 percent over last year, showing signs of a more concentrated portfolio.

Chart 4: Sector wise allocation for the year 2015



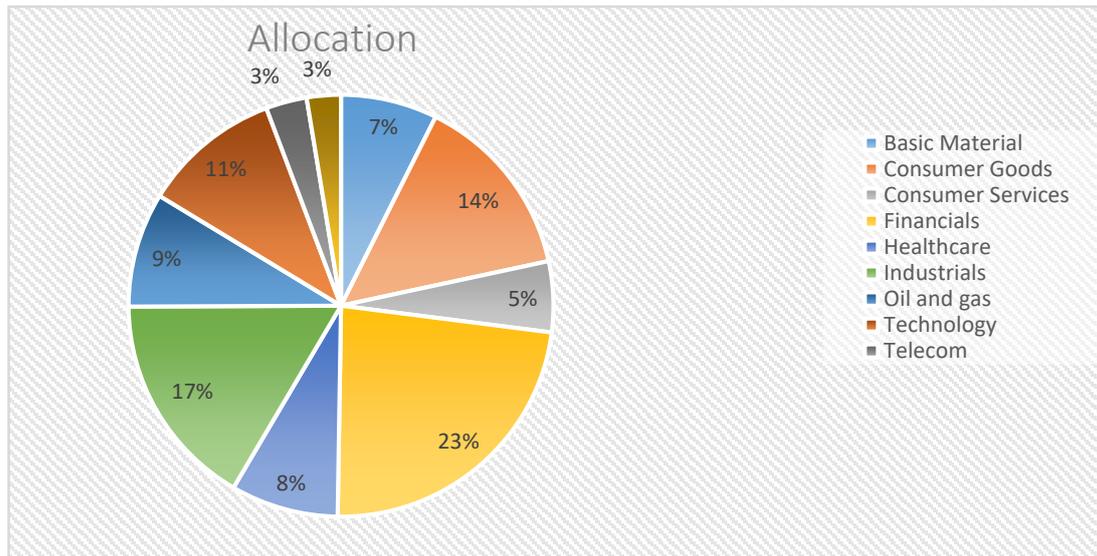
- In 2015, the Fund had investments of around USD 5.414 billion in the Indian equity markets, which is an increase of around 9 % from the previous year.
- Financials sector still leads, followed by industrials, technology and consumer goods which was similar to 2014. The concentration of the top 4 sectors in the portfolio was 64%, a slight decline in the concentration of the top 4 sectors.
- In the most preferred sectors, the fund also invested in smaller banks such as Kotak Mahindra and Indusind bank along with the usual holdings in the financials sector. The largest holding in the industrials sector was Tata motors, while it also had companies like Ashok Leyland and Kajaria ceramics in its portfolio. Bajaj auto and Maruti Suzuki India were the major holdings in the consumer goods sector.
- Among the top 10 largest holdings, Kotak Mahindra Bank and Sun Pharma were new additions. The concentration of the top 10 stocks remained unchanged at 31.8%.

Chart 5: Sector wise allocation for the year 2016



- In 2016, the Fund had investments of around USD 5.287 billion in the equity markets, which is a decrease of around 2.35% from the previous year.
- The choice of sectors remains unchanged with financials, industrials and consumer goods dominating. The concentration was also similar at 65 %.
- Financial sector holdings remained unchanged with ICICI bank and Axis Bank being the top picks. The holdings in the industrial sector remained unchanged. Similar to last year, Bajaj auto and Maruti Suzuki India were the major holdings in the consumer goods sector.
- Among the top 10 largest holdings, State bank of India was a new addition while Sun Pharma stake was reduced to almost half of the previous year. The concentration of the top 10 stocks marginally reduced to around 29.5% of the total portfolio value.

Chart 6: Sector wise allocation for the year 2017



- In 2017, the Fund had investments of around USD 8.105 billion in the equity markets, which is a massive increase of 53.3% over 2016’s portfolio value.
- Despite the massive increase in portfolio value, sectoral allocation remains similar with financials, industrials and consumer goods being the key sectors constituting almost 65 % of the portfolio value.
- While top stocks in each sector remained unchanged, the fund significantly increased its stake in the State Bank of India in the financials sector.
- TCS and Bharti Airtel were new additions to the top holdings and the top 10 stocks formed 27.5 % of the total portfolio which shows a trend towards reducing the concentration in top 10 holdings leading to greater diversification.

Chart 7: Sector wise investments growth from 2013-2018

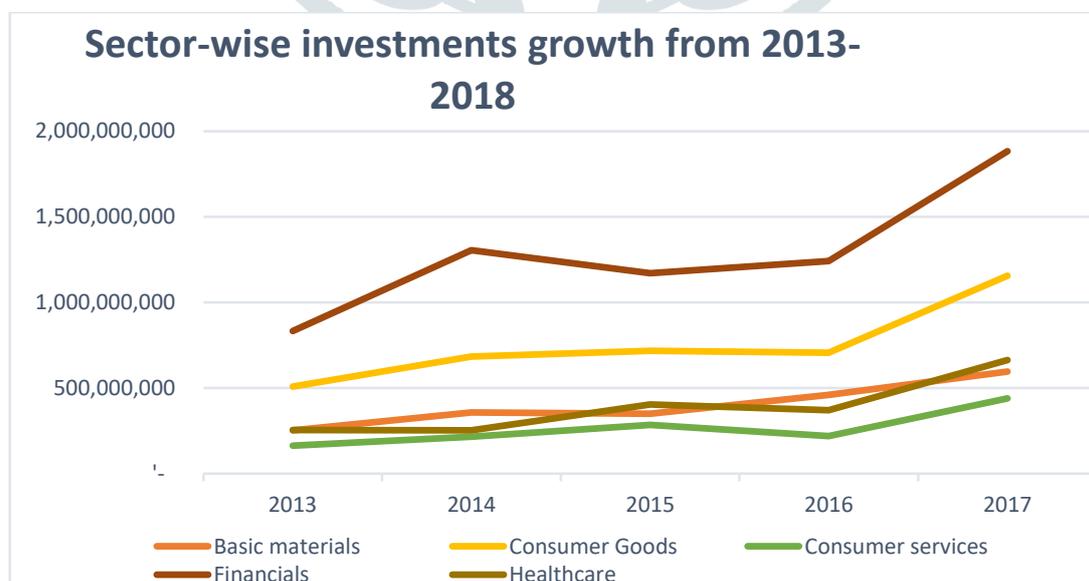
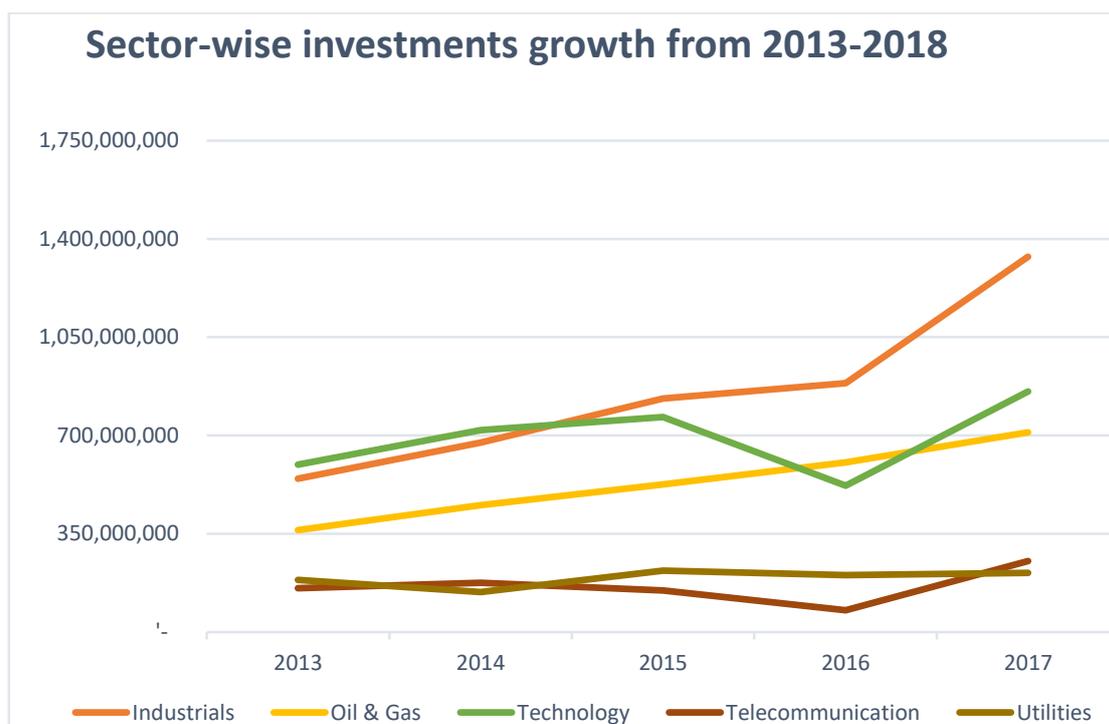


Chart 8: Sector wise investments growth from 2013-2018



The detailed analysis of the Norway Global Pension Fund's investments for the last 5 years has revealed some interesting insights into its investment practices. Most sectors have seen an increase in investments from 2016 to 2017, while the total amount invested in each sector has also increased from 2013 to 2017, with the exception of utilities and telecom sectors where the investments have remained comparatively more stable.

Findings

- The analysis shows that the fund has been consistent in its investment practices.
- About one fourth of the entire portfolio value has been invested in large blue chip companies. The top 10 companies in which the fund has invested are all constituents of the SENSEX.
- At the same time, the fund's investments in these companies has been consistent for the past 5 years, which shows its patient and disciplined investment strategy.
- The most preferred sector by the fund has been financials, and the fund owns significant stakes in prominent Indian banks and financial services companies. It is followed by industrials, technology and consumer goods.
- The investment pattern indicates that the fund wants to participate in stocks that are primarily driven by the consumption needs to Indians and are expected to achieve strong growth rates.
- The least preferred sectors are telecom and utilities. The telecom sector in India has been plagued by strong competition and regulatory burdens due to which most telecom companies are struggling to be

profitable. Most stocks in the utilities sector are government owned and operate in highly regulated areas and thus have slow growth rates.

9. CONCLUSION

The fund's investments in India stand at about USD 11.7 billion as of 2018 with investments of USD 8.1 billion in equities and USD 3.6 billion in fixed income, which is around 1% of its total investments. This amount is significantly lower than USD 400 billion and USD 26.5 billion, which are the fund's investments in USA and China respectively, the world's largest economies.

With India expected to be the fastest growing major economy in the world, the Indian government is taking major steps to make the nation more investor-friendly for FIIs. The government is also taking steps to make investments in the form of Foreign Direct Investments (FDI) easier. The Norway Global Pension Fund's investments in India have been in the nature of portfolio investments till now. It is soon expected to invest in unlisted companies. Some of the proposed areas for future investments by the fund are energy, environmental technologies, green transport and maritime industry. The Norway Global Pension Fund's investments in India should increase significantly in the future.

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