

Swedbank Pension Fund K1 (Conservative Strategy)

August 31, 2011

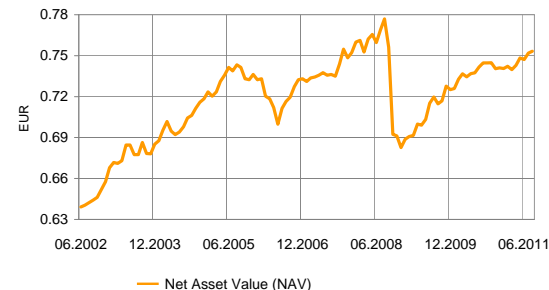
Investment Principles

Swedbank Pension Fund K1 (Conservative Strategy) is a contractual investment fund founded for providing mandatory funded pension. The objective of the Fund's investment activity is to achieve long-term, stable capital growth. The Fund's assets shall be invested in the bonds, money market instruments and other similar assets of either Estonian or foreign origin. The Fund's assets shall not be invested in equities or investment funds which invest in equities.

General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Contact	Swedbank offices and tel. +372 613 1606 www.swedbank.ee/funds
Inception	2002
Net Asset Value (NAV)	0.75326 EUR
Net Assets	25 848 148 EUR
Management Fee per annum	1.19%
Subscription Fee	0.0%
Redemption Fee	1.0%
Weighted average rating	A
Weighted average modified duration, years	3.0
Standard deviation (computed over 3 years)	5.6%

Fund performance*



	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	1.7%	0.2%	0.7%	1.1%	4.7%	-3.1%	5.1%	17.9%
Annualized				1.1%	2.3%	-1.0%	1.0%	1.8%

	2003	2004	2005	2006	2007	2008	2009	2010
Performance*	4.2%	4.9%	2.5%	-0.4%	2.6%	-9.3%	6.2%	2.2%

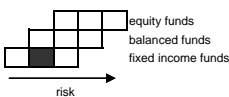
Manager Commentary

Swedbank Pension Fund K1 returned 0.2% in August with YTD performance of 1.7%. August was very eventful month on the financial markets, but it did not bring much good news to investors. The most significant notion in addition to the crisis in the euro area was the threat of a recession in developed economies. Expanding the mandate of the European Financial Stability Facility in the middle of July did not bring the expected relief in the markets and the ECB interfered strongly by making supportive purchases in euro periphery bond markets. Macro indicators also continued to weaken. While recession in the periphery of the euro area does not come as a surprise to anyone, the considerable weakening of growth in Germany and France is a much more serious problem. However, making budget cuts and taking measures to boost economic growth are rather contradictory goals. The ECB has ended up in a very difficult situation – it clearly started a cycle of increasing the base interest rates in the beginning of April referring to the threat of inflation, but is now moving in the wrong direction from the viewpoint of economic growth (although managing the latter is not officially covered by its mandate). Thus, in the beginning of August the markets started to expect that ECB would lower the base interest rates within the next six months, but the bank will probably choose other measures. Although the situation in the US is looking better, the labour market report published in the beginning of September was weaker than expected and referred to the threat of long-term structural unemployment, which may leave the economy struggling for a long time.

Almost all of the risky asset classes on the market fell in August as a result of the above reasons. The cash flow that was in search of safe haven assets once again made the month very positive for bond markets in the core euro area, primarily as regards shorter maturities (2-year interest in Germany -46bp and 10-year interest -35bp). Required credit premiums underwent a sudden increase for both investment grade and high-yield bonds. However, the overall decrease of the interest level meant that investment grade corporate bonds ended the month with only a small minus (-0.5%).

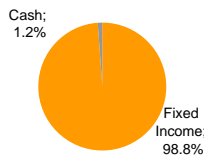
We continue to keep neutral weights between credit and sovereign bonds in the fund portfolio. We still maintain a slightly more positive view on the credit asset class, because the risk margins are becoming rather attractive for investors.

Risk level

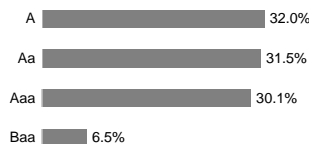


Higher expected yield is accompanied by higher risk

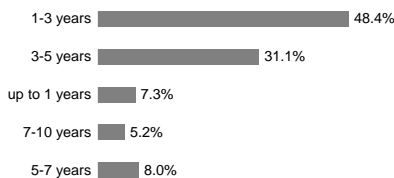
Portfolio by instruments



Portfolio by ratings



Portfolio by modified duration



Portfolio by regions



Portfolio by currencies



Largest investments

Bonds	Weight
France 4.5% 12.07.2013	5.7%
France 2.5% 12.01.2014	4.9%
France 3.75% 12.01.2013	4.1%
France 3% 12.07.2014	4.1%
France 2.5% 15.01.2015	4.1%
Italy 3.75% 15.12.2013	3.9%
Italy 3.5% 01.06.2014	3.9%
Italy 3% 15.04.2015	3.8%
Roche EUR 4.625% 04.03.2013	2.5%
France 2% 12.07.2015	2.4%

* The value of fund units may rise or fall over time. The fund's historical performance does not promise or offer any indications regarding future performance. Investments in foreign markets are sensitive to changes in foreign currency exchange rates, which may cause a rise or a fall in the net value of the fund unit.
Please read fund's rules and prospectuses available on the web-site www.swedbank.ee/fondid or visit a Swedbank office. If necessary, consult with a teller or an investment consultant.