

# Swedbank Pension Fund K1 (Conservative Strategy)

September 30, 2011

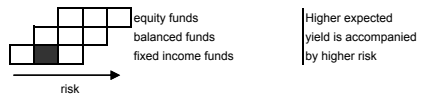
## Investment Principles

Swedbank Pension Fund K1 (Conservative Strategy) is a contractual investment fund provided for 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.

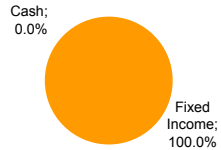
## General information

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)	0.75136 EUR
Net Assets	25 885 795 EUR
Management Fee per annum	1.19%
Subscription Fee	0.0%
Redemption Fee	1.0%
Weighted average rating	A
Weighted average modified duration, years	3.3
Standard deviation (computed over 3 years)	5.4%

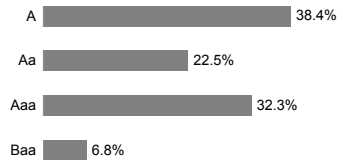
## Risk level



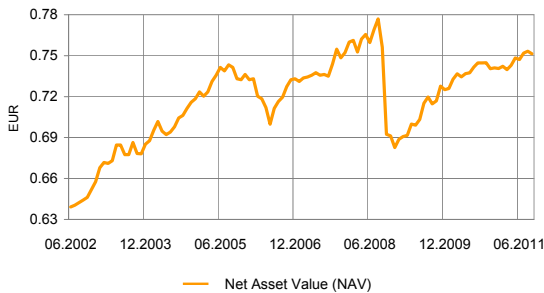
## Portfolio by instruments



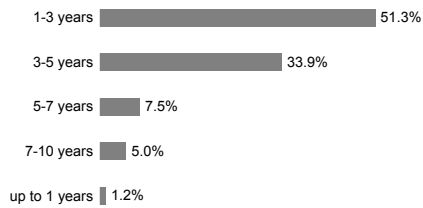
## Portfolio by ratings



## Fund performance\*



## Portfolio by modified duration



## Portfolio by regions



## Portfolio by currencies



	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	1.4%	-0.3%	0.6%	0.9%	5.1%	-0.6%	4.4%	17.6%
Annualized				0.9%	2.5%	-0.2%	0.9%	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 -0.3% in September with YTD performance of 1.4%.

September did not bring much relief to the financial markets. The debt crisis of the eurozone and the threat of a recession in developed countries still weighed heavily on everyone's minds. Increasing the mandate of the European Financial Stability Facility (EFSF) had been ratified in the countries having a bigger say in politics by the end of September. However, even the increased mandate is too small and insufficient for helping more than Greece, Ireland and Portugal. The leaders of the eurozone have not communicated any clear plans for extending the financing capacity of the EFSF, which has made the situation on the markets even more vague. The growing lack of clarity about Greece also added to the volatility. The latter has been unable to meet its obligations regarding the budget deficit, as the recession proved to be steeper than expected, and therefore risks losing another loan payout and becoming insolvent already in October.

Global economic growth is slowing down, which alongside the possible recession in the eurozone is another factor that kept riskier asset classes under continued selling pressure. In the search for a safe haven, cash flows headed to the core countries of the eurozone preferring longer duration (Germany 2 yr interest -17 bp and 10 yr interest -33bp). The required credit premiums increased very sharply even for bonds of higher quality and have already reached a level comparable to that of the crisis of 2008. However, the overall level of interest rates is still considerably lower than back then. Italy's credit premium increased 72 bp and came close to record levels despite the continuation of securities purchases by the ECB in September. Investment grade corporate bonds ended the month with just a small minus (-0.2%) due to the overall decrease in the interest rates.

In our fund portfolio we were underweight in financials and overweight in defensive sectors (e.g. healthcare). Looking forward, we believe that if the leaders of the eurozone manage to come out with a new package of solutions, which is seen by the markets as sufficient to avoid a considerable expansion of the risk margins of Italian and Spanish bonds, we can expect the risk margins of corporate bonds to become narrower again, as the stress on money markets is included in the risk margins to a considerable extent.

## Largest investments

Bonds	Weight
France 2.5% 12.01.2014	5.3%
Credit Suisse EUR 6.125% 05.08.2013	4.5%
France 3% 12.07.2014	4.4%
France 4.5% 12.07.2013	4.4%
France 2% 12.07.2015	3.7%
Roche EUR 4.625% 04.03.2013	3.7%
France 2.5% 15.01.2015	3.7%
Italy 3.75% 15.12.2013	3.5%
Germany 2.25% 10.04.2015	3.5%
Italy 3% 15.04.2015	3.5%

\* 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.