

# Swedbank Pension Fund K1 (Conservative Strategy)

December 31, 2011

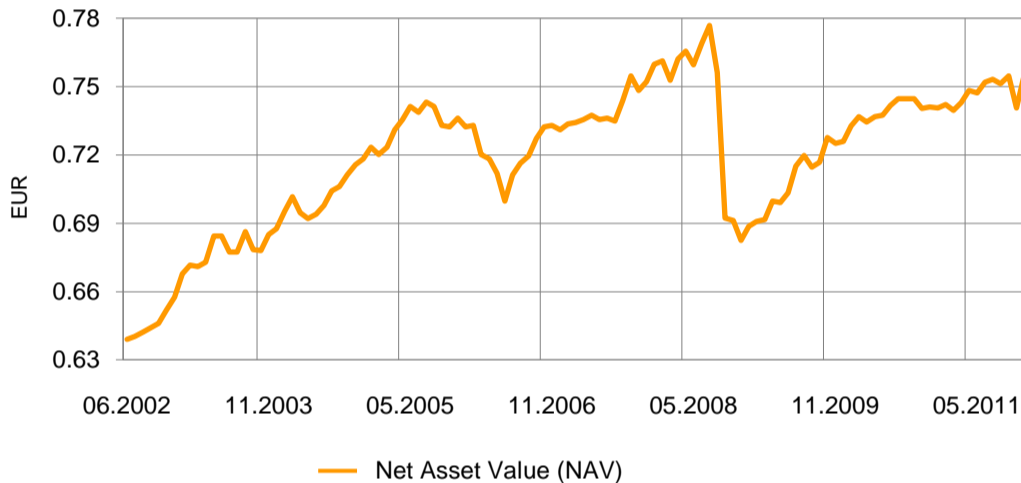
## Investment Principles

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)	0.75525 EUR
Net Assets	26 089 855 EUR
Management Fee per annum	1.19%
Subscription Fee	0.0%
Redemption Fee	1.0%
Weighted average rating	A
Weighted average modified duration, years	2.6
Standard deviation (computed over 3 years)	2.4%

## Fund performance\*



	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	1.9%	2.0%	0.5%	1.9%	4.2%	10.6%	3.0%	18.2%
Annualized				1.9%	2.1%	3.4%	0.6%	1.8%

	2004	2005	2006	2007	2008	2009	2010	2011
Performance*	4.9%	2.5%	-0.4%	2.6%	-9.3%	6.2%	2.2%	1.9%

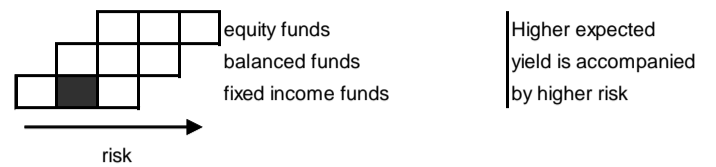
## Manager Commentary

Swedbank Pension Fund K1 returned 2.0% in December and 1.9% in 2011. The financial markets calmed somewhat before the year's end. The readiness of euro zone leaders to sign an intergovernmental agreement, which makes it easier to impose sanctions on states that breach budget discipline, added some positivity. The ECB also came up with a strong solution to the financing problems of euro zone banks by offering them low-interest three-year loans with milder collateral requirements. The banks used this opportunity much more actively than the markets had anticipated. Also, the "Save Italy" plan of Mario Monti and the long-term plan of Spain's new Prime Minister Mariano Rajoy, who was appointed before Christmas, to restore the state's AAA rating both demonstrated the clear intention of the struggling countries to resolve their budget deficit problems. The strong economic growth indicators of the US, which exceeded expectations, added another positive dimension. The improvement in labour market data continued and the confidence indicators in the industrial sector also offered some positive surprises.

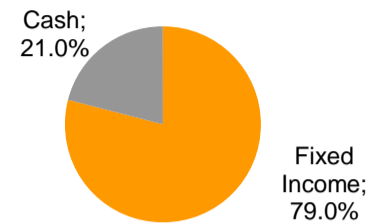
However, the money that flew into equities, which mostly showed positive returns, did not leave the fixed income markets in large quantities. The latter also strengthened, as both euro zone sovereign bonds (+2.1%) as well as investment grade corporate bonds (+2.6%) ended the month in positive territory. The euro weakened by 3.7%. The fact that the ECB cut interest rates by 0.25 percentage points, which this time was expected by the markets, also played a part in both developments.

We reduced the weight of sovereign bonds in the fund portfolio, as we reposition the component of government bonds in pension funds' portfolios in the beginning of the year – we increase the weight of deposits in local credit institutions and also increase the average maturity of euro zone bonds. We will maintain a neutral position on the credit markets – even though the behaviour of corporate bonds in the euro zone depends largely on the success of governments in resolving their budget problems, the attractive risk margin makes us prefer corporate bonds.

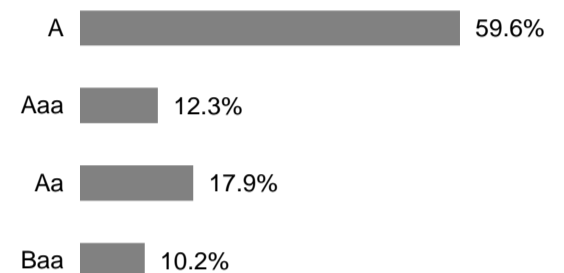
## Risk level



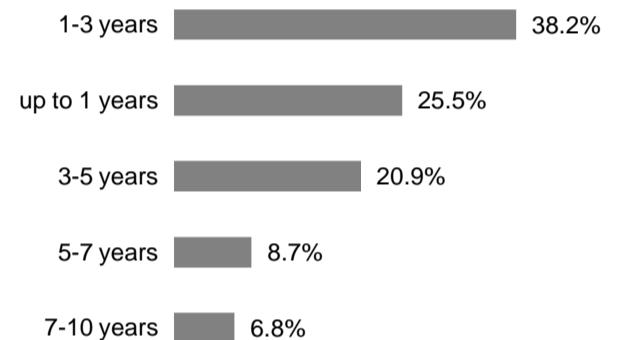
## Portfolio by instruments



## Portfolio by ratings



## Portfolio by modified duration



## Portfolio by regions



## Portfolio by currencies



## Largest investments

Bonds	Weight
Citigroup EUR 7.375% 16.06.2020	3.8%
Deposiit - Swedbank (EUR)	3.1%
Roche Holdings EUR 5.625% 04.03.2016	2.8%
Rabobank EUR 4.375% 22.01.2014	2.6%
Barclays Bank EUR 5.25% 27.05.2014	2.6%
Lloyds TSB Bank EUR 4.5% 15.09.2014	2.4%
France 2.5% 12.01.2014	2.3%
Shell International Finance EUR 4.375% 14.05.2011	2.1%
France 3% 12.07.2014	1.9%
France 4.5% 12.07.2013	1.9%

\* 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.