

Swedbank Pension Fund K1 (Conservative Strategy)

July 31, 2012

Investment Principles

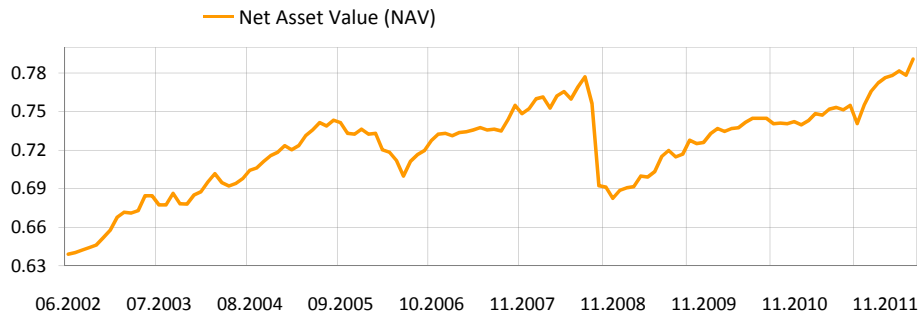
Swedbank Pension Fund K1 (Conservative Strategy) is a contractual investment fund founded for providing mandatory funded pension. The objective of the Fund is a long-term growth of the value of the Fund's assets by means of investing 100% of the assets in bonds, money market instruments, deposits, investment funds, which assets may be invested in the above securities and deposits, and other similar assets. The Fund invests neither in equities and immovables nor respective investment funds.

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): 0.79084 EUR
 Net Assets: 34 617 051 EUR
 Management Fee per annum: 1.19%
 Subscription Fee: 0.0%
 Redemption Fee: 1.0%
 Weighted average rating: A
 Weighted average modified duration, years: 3.4
 Standard deviation (computed over 3 years): 2.5%

Fund performance*



	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	4.7%	1.6%	1.7%	5.2%	6.6%	10.6%	7.4%	23.7%
Annualized				5.2%	3.3%	3.4%	1.4%	2.1%
	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%

Largest investments TOP 10

Portfolio	Weight
iShares Markit iBoxx € Corporate Bond Fund	9.1%
Roche Holdings EUR 5.625% 04.03.2016	2.5%
Depositiit - Swedbank AS (EUR)	2.4%
Rabobank EUR 3.875% 20.04.2016	2.3%
Siemens Financierings EUR 5.125% 20.02.17	2.2%
Enel Finance EUR 5% 14.09.2022	1.9%
DaimlerChrysler Corp EUR 4.625% 02.09.14	1.8%
Depositiit - Swedbank AS (EUR)	1.8%
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Manager Commentary

Swedbank's Pension Fund K1 returned 1.6% in July and 4.7% since the start of the year.

The focus of financial markets remained on the eurozone in July. Both risky and relatively risk-free assets ended the month in positive territory despite the increasing seriousness of the crisis. One of the reasons behind the optimism on equity markets was the President of the European Central Bank (ECB), whose powerful statements in the second half of the month led to the rise of risky asset classes. However, getting ahead of things, we can say that the results of the ECB session held in the beginning of August were a disappointment for investors. Greece's possible exit from the eurozone and the adherent risks to the other eurozone countries continue being a concern. Global economic growth continued to deteriorate – the leading indicators of the eurozone's industrial sector weakened and the GDP of the United States also failed to meet market expectations. However, the weaker growth rate also increased the possibility of the Federal Reserve easing its monetary policy even further in the coming months.

Bond markets were affected by the ECB reducing the base rate by 0.25% to the record low 0.75%. The deposit rate for financial institutions was reduced to 0%. The yields of bonds followed the move of the Central Bank – the yields of the 2-year and 10-year bonds of Germany decreased by 20 bp and 30 bp, respectively, whereas the yield of the 2-year bonds remained in negative territory for almost the entire month. The credit spreads of both investment grade and sub investment grade bonds decreased a little. In the fund's portfolio eurozone government bonds were outperforming (+3.2%), the good quality corporate bonds of the eurozone (+2.3%) also did relatively well.

Looking forward, we prefer good quality credit assets to eurozone bonds in bond portfolios, because the latter do not compensate sufficiently for the risks associated with the possible acceleration of the inflation, but we believe that the risk premiums of the former give a realistic reflection of the financial risks of companies. We expect the credit spreads to narrow even further in the coming months with the support of the ECB's actions. However, political risks, such as whether and how Greece's cooperation with international creditors will continue, are not going to disappear.

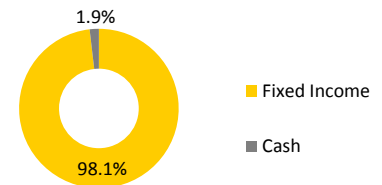
Risk level

Lower risk ← Higher risk
 Typically lower rewards ← Typically higher rewards

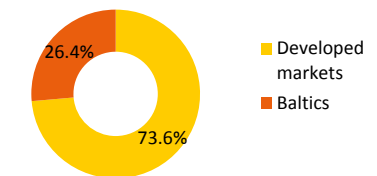


The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

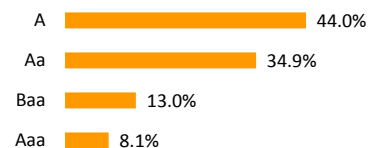
Portfolio by instruments



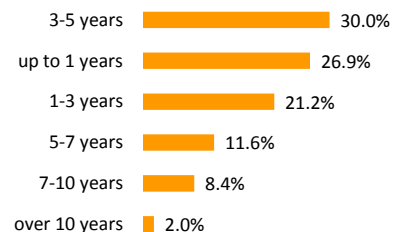
Portfolio by regions



Portfolio by ratings



Portfolio by modified duration



Portfolio by currencies



* 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.