

# Swedbank Pension Fund K1 (Conservative Strategy)

August 31, 2012

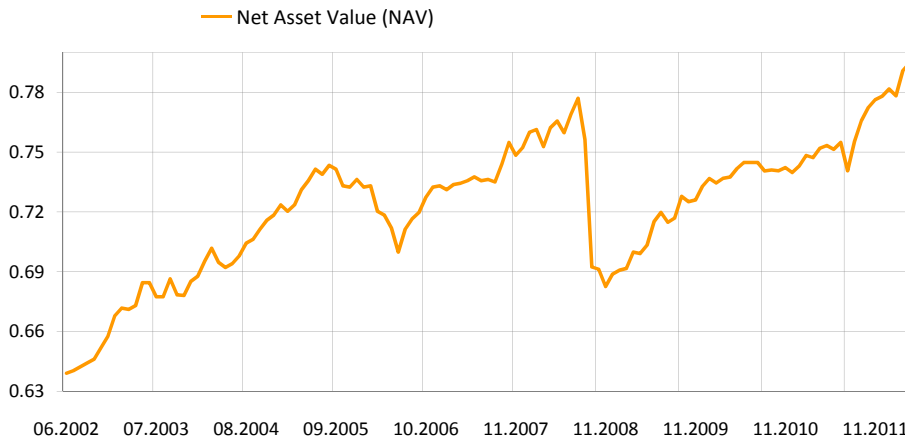
## Investment Principles

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
Inception	2002
Net Asset Value (NAV)	0.79473 EUR
Net Assets	34 973 994 EUR
Weighted average rating	A
Weighted average modified duration, years	3.4
Standard deviation (computed over 3 years)	2.5%
Management Fee per annum	1.19%
Subscription Fee	0.0%
Redemption Fee	1.0%

## Fund performance\*



	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	5.2%	0.5%	1.7%	5.5%	6.7%	10.4%	8.1%	24.3%
Annualized				5.5%	3.3%	3.4%	1.6%	2.2%

	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	9.0%
Roche Holdings EUR 5.625% 04.03.2016	2.5%
Deposiit - Swedbank AS (EUR)	2.3%
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%
Deposiit - Swedbank AS (EUR)	1.8%
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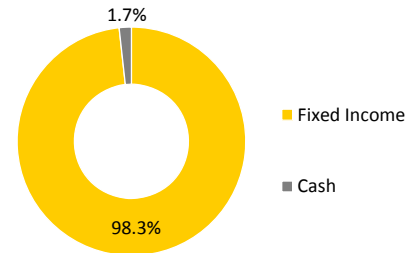
## Risk level

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

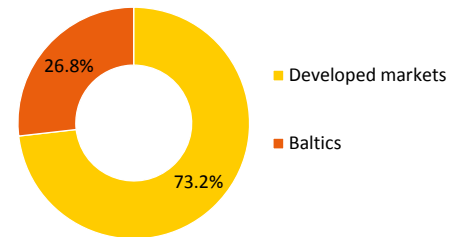


The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

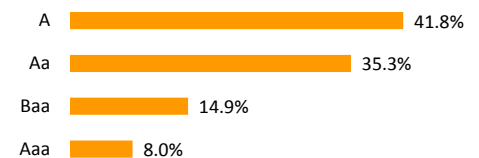
## Portfolio by instruments



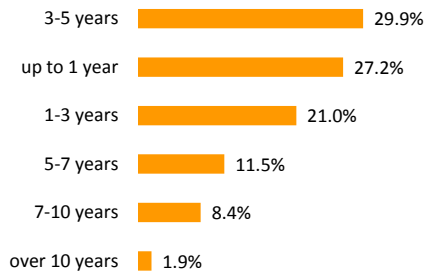
## Portfolio by regions



## 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](http://www.swedbank.ee/fondid) or visit a Swedbank office. If necessary, consult with a teller or an investment consultant on phone number +372 613 1606.

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## Manager Commentary

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Swedbank's Pension Fund K1 returned 0.5% in August and 5.2% since the start of the year.

August was relatively quiet on the financial markets and investors were in wait-and-see mood due to the lack of important political decisions and events. Although risk appetite on the markets was mostly rising, it did not cause any significant outflows from risk-free assets. The focus remained on the activities of the European Central Bank (ECB). The expectations of the markets regarding the results of the regular ECB meeting held at the start of August were very high, especially after the bank's president Draghi insisted that the euro is irreversible. However, the results of the meeting did not include another reduction of the base interest rate or any specific plans for lowering the sky-high interest rates of problem countries to more manageable and sustainable levels. It started to become apparent during the month that a very limited interference in the markets, i.e. purchasing up to three-year bonds on the secondary market, is more probable. Such market expectations brought the shorter term interest rates of Italy and Spain down by ca. 120 to 150 basis points, but the interest rates of longer terms remained almost as high as before.

Global economy stayed at a predominantly weak level – the Purchasing Managers Indices in the European industrial sector pointed at a continuing decrease in production activity. The Purchasing Managers Indices of Germany, France and the UK, which suggested that the pace of contraction in the industrial sector is decelerating, stood out as the positives against a generally negative background. The economic situation in the US is somewhat stronger than in Europe, but the slow increase in the number of jobs is a massive problem there as well, and it may lead to the third Quantitative Easing Program of the Federal Reserve.

The risk premiums of both investment grade and lower quality bonds decreased on the bond markets. Among the asset classes of our fund portfolios, the performance of investment grade corporate bonds of the eurozone (+0.9%) remained in positive territory whereas the highest rated (AAA to A) government bonds of the eurozone ended up in negative territory (-0.2%). Relatively risk-free interest rates increased slightly – both the 2-year and 10-year term in Germany went up by 5 basis points.

Looking forward, we remain positive about the outlook of riskier bond asset classes – we believe that risk premiums reflect adequately the financial risks of companies and the investors' movement into asset classes with higher interest rate levels should result in the decrease of the credit spreads of bonds with credit risk in comparison to the bonds that are considered the safe havens of the financial markets. We believe that the yields of the bonds of Germany and other countries located outside the epicentre of the eurozone's debt crisis do not give an adequate reflection of the credit risk or the possible acceleration of inflation, which is why we have invested considerably less compared to the neutral level of the asset class of eurozone bonds.

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