# Swedbank Pension Fund K1 (Conservative Strategy)

September 30, 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.

## Risk level

Lower risk ← → Higher risk

Typically lower rewards ← → Typically higher rewards

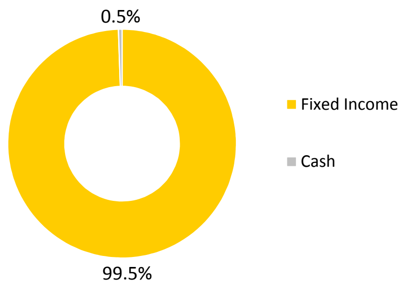
| 1 | 2 | **3** | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|

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.

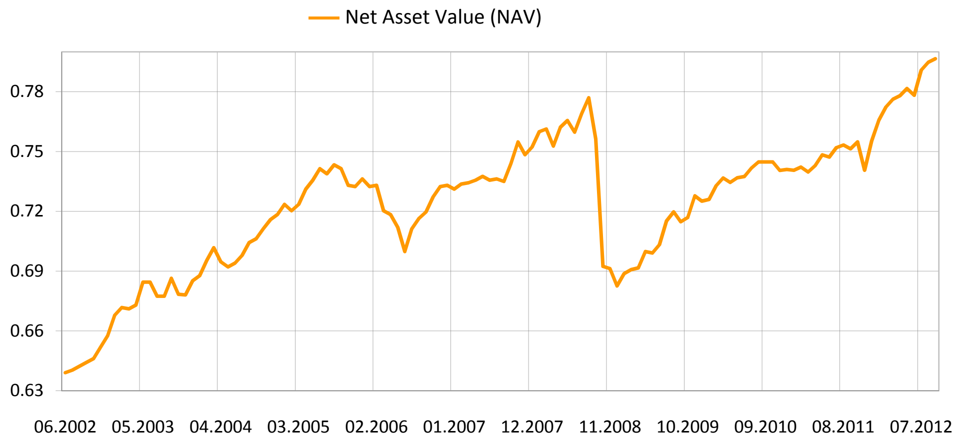
## General information

| | |
|---|---|
| Fund Management Company | Swedbank Investeerimisfondid AS |
| Fund Manager | Katrin Rahe |
| Inception | 2002 |
| Net Asset Value (NAV) | 0.79656 EUR |
| Net Assets | 38 950 972 EUR |
| Weighted average rating | A |
| Weighted average modified duration, years | 3.5 |
| Standard deviation (computed over 3 years) | 2.4% |
| Management Fee per annum | 1.19% |
| Subscription Fee | 0.0% |
| Redemption Fee | 1.0% |

## Portfolio by instruments



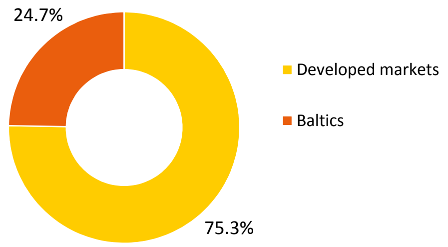

## Fund performance*



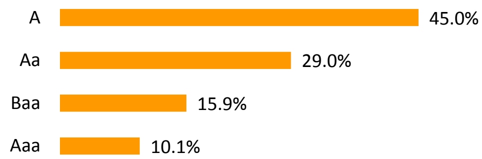

| | YTD | 1 month | 3 months | 1 year | 2 years | 3 years | 5 years | Inception |
|---|---|---|---|---|---|---|---|---|
| **Performance*** | 5.5% | 0.2% | 2.4% | 6.0% | 7.0% | 11.5% | 7.1% | 24.6% |
| **Annualized** | | | | 6.0% | 3.4% | 3.7% | 1.4% | 2.2% |

| | 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% |

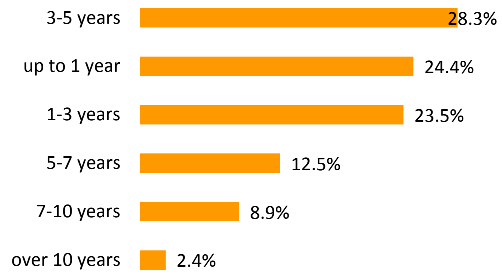
## Portfolio by regions




## Portfolio by ratings




## Portfolio by modified duration




## Largest investments TOP 10

| Portfolio | Weight |
|---|---|
| iShares Markit iBoxx € Corporate Bond Fund | 4.8% |
| Roche Holdings EUR 5.625% 04.03.2016 | 2.8% |
| Rabobank EUR 3.875% 20.04.2016 | 2.8% |
| Enel Finance EUR 5% 14.09.2022 | 2.3% |
| Deposiit - Swedbank AS (EUR) | 2.1% |
| Credit Suisse EUR 4.75% 05.08.2019 | 2.0% |
| ING Group EUR 3.375% 03.03.2015 | 1.9% |
| Lloyds TSB Bank EUR 6.375% 17.06.2016 | 1.8% |
| Siemens Financierings EUR 5.125% 20.02.17 | 1.8% |
| Volkswagen Int. Finance EUR 2.125% 19.01.20 | 1.8% |

## 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 on phone number +372 613 1606.

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September 30, 2012

## Manager Commentary

Swedbank's Pension Fund K1 returned 0.2% in September and 5.5% since the start of the year.

September proved to be relatively volatile on the financial markets. The focus was on the activities of the European Central Bank (ECB) and the US Federal Reserve – both of them announced non-standard monetary policy operations in the beginning of the month, which are aimed at curbing the decrease in economic growth indicators and stopping the increase in unemployment. Risky asset classes were supported by the ECB's decision to buy unlimited amounts of short-term bonds issued by the euro zone countries plagued by debt, provided that they seek financial help from Europe's financial stability mechanisms and meet the conditions for obtaining assistance, especially in respect of budget deficit and structural reforms (e.g. making their labour market more flexible or increasing competition). The base interest rate of the ECB remained unchanged (0.75%). The wave of optimism died in a couple of weeks as it became evident that there are a number of different internal policy obstacles in the multicountry euro zone. The Federal Reserve surprised the markets with its decision to start buying financial assets again – US$50 billion worth of mortgage-backed securities will be purchased every month. The programme will not end before the economic environment and employment have improved considerably. The Federal Reserve also announced that interest rates will be kept on the current low levels until 2015 instead of 2014, as formerly promised.

The economic environment generally continued to weaken. The Purchasing Managers Index in the euro zone's industrial and service sectors weakened for the seventh month on the run, and it continues to indicate that the economy of the euro zone is in a downfall. The Purchasing Managers Index in the industrial sector of the United States remained at the same relatively weak level as in the previous month. Economic activity in China weakened as well.

The euro strengthened by 2.2%.

The bond markets were affected by growing risk appetite and the risk premiums of both investment grade and lower quality bonds decreased. The bond interest rates of the states that are considered safer, such as Germany and France, increased a little (German 2-year bonds +6 bp and 10-year bonds +8 bp). The index of JP Morgan's A to AAA-rated euro zone government bonds decreased by 0.2% in the month. The asset classes of fund portfolios that remained in positive territory are the investment grade corporate bonds of the euro zone (+0.5%) and money market investments (+0.04%).

In a short-term outlook we remain positive about the outlook of riskier bond asset classes – we believe that risk premiums give an adequate reflection of the financial risks of companies and the investors' flows into asset classes with higher interest rate levels should result in the decrease of the interest spreads of bonds with credit risk in comparison to the bonds that are considered the safe havens of the financial markets. Riskier bond asset classes should also be supported by the Federal Reserve's programme for purchasing mortgage-backed securities (MBS) – it is highly likely that some of the money exiting this asset classes finds its way into high yield corporate debt securities or emerging market bonds.