Swedbank

Swedbank Pension Fund K1 (Conservative Strategy)

October 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.

Risk level

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

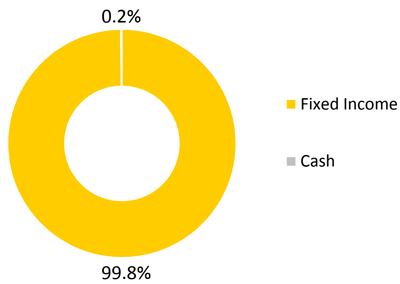
1	2	**3**	4	5	6	7

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.

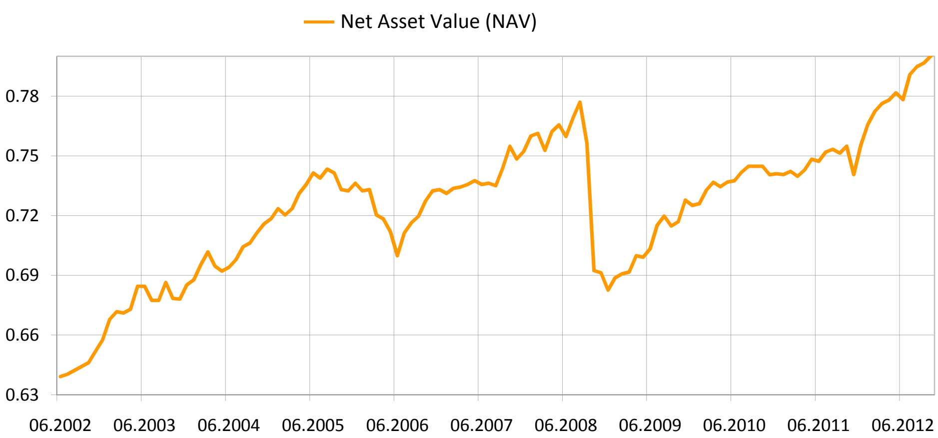
General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Inception	2002
Net Asset Value (NAV)	0.80021 EUR
Net Assets	39 268 510 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



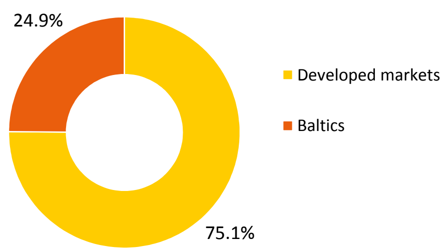
Fund performance*



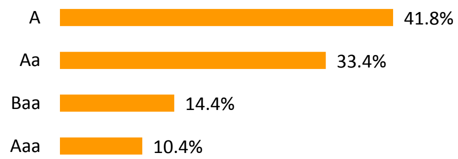
	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	6.0%	0.5%	1.2%	6.0%	7.4%	11.6%	6.0%	25.2%
Annualized				6.0%	3.7%	3.7%	1.2%	2.2%

	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%

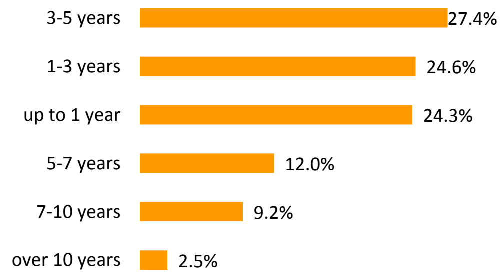
Portfolio by regions



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	2.7%
Deposiit - Swedbank AS (EUR)	2.5%
Enel Finance EUR 5% 14.09.2022	2.3%
Credit Suisse EUR 4.75% 05.08.2019	2.0%
ING Group EUR 3.375% 03.03.2015	1.9%
Siemens Financierings EUR 5.125% 20.02.17	1.8%
Volkswagen Int. Finance EUR 2.125% 19.01.20	1.8%
Deposiit - Swedbank AS (EUR)	1.6%

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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Manager Commentary

Swedbank's Pension Fund K1 returned 0.5% in October and 6.0% since the start of the year.

October was an interesting month for investors on both sides of the ocean. The markets' opinion of the euro zone's outlook improved after the President of the European Central Bank declared that the bank was ready to buy unlimited amounts of euro zone government bonds, provided that the countries belonging to the euro zone implement the required savings measures and structural reforms. The interest rates of both Italian and Spanish bonds continued to decrease in October. However, the situation with Greece remained unclear – it's not impossible that Greece's creditors may have to write off even more of the loans they gave to the country. The coalition government of Greece is facing another difficult task in the beginning of November – they have to get the parliament to support the unpopular cost-cutting plans.

Although the economic weakness of the euro zone continued – the situation deteriorated in both the industrial and service sectors – the statistical indicators of the economies in many other regions of the world were rather positive. The indicators of China suggested that the slowdown of growth was decelerating. In the United States, consumer confidence strengthened on the back of the improving property market, retail sales exceeded the expectations of analysts, and the confidence index of the service sector pointed at a strong growth. However, the Q3 financial results of companies that were published in October may be seen as rather weak, and the earnings and sales of the members of the US S&P 500 Index members decreased in comparison to the same quarter last year. Companies also became more cautious in their expectations. The continuing lack of clarity in US politics also had an impact on the financial markets – there is a sharp conflict between the Republicans and the Democrats about increasing the US debt ceiling, and the impending elections promise to be very close. Another significant risk is the so-called fiscal cliff – the tax cuts that expire and the savings measures that enter into force at the start of the year. If no agreement can be reached about mitigating the latter in the tense post-election atmosphere, it may result in a serious, albeit temporary, backlash on the economic growth of the United States.

Although investors didn't have much interest in equities in October, the same cannot be said about riskier bond asset classes that offer higher returns. The risk premiums of both investment grade and lower level bonds decreased over the month. The investment grade corporate bonds of the euro zone strengthened by 0.8%. The performance of higher rated euro zone government bonds just about remained in positive territory as well. The government bonds of Germany and France lost some value while the prices of Belgian bonds went up. 'Risk free' interest rates increased rather evenly across shorter and longer terms (+2 bp for the 2-year and 10-year German government bonds).

We remain overweight in the asset class of high-quality corporate bonds on account of risk-free government bonds. We believe that the strong performance of bonds with higher interest rates is likely to continue – the expected returns on low-risk instruments remain at a very low level, and many investors are forced to look for alternatives with the highest possible returns in order to achieve their performance goals. The US Federal Reserve's programme for purchasing mortgage-backed securities or the so-called QE3 will also release liquidity, which will probably move on to riskier bonds.