

# Swedbank Pension Fund K1 (Conservative Strategy)

November 30, 2012

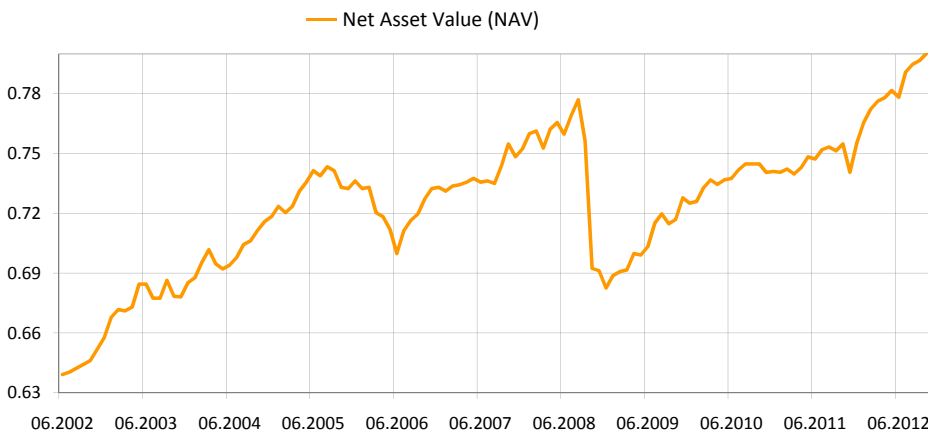
## Investment Principles

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.

## General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Inception	2002
Net Asset Value (NAV)	0.80383 EUR
Net Assets	39 586 389 EUR
Weighted average rating	A
Weighted average modified duration, years	3.5
Standard deviation (computed over 3 years)	2.3%
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
<b>Performance*</b>	6.4%	0.5%	1.1%	8.5%	8.5%	10.5%	7.4%	25.8%
<b>Annualized</b>				8.5%	4.2%	3.4%	1.4%	2.2%

	2004	2005	2006	2007	2008	2009	2010	2011
<b>Performance*</b>	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	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%

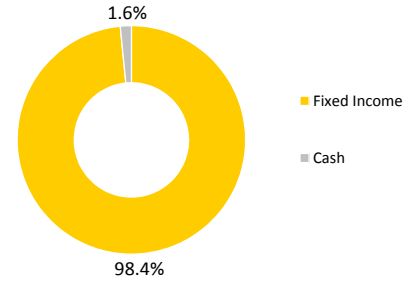
## Risk level

Lower risk Higher risk  
Typically lower rewards Typically higher rewards

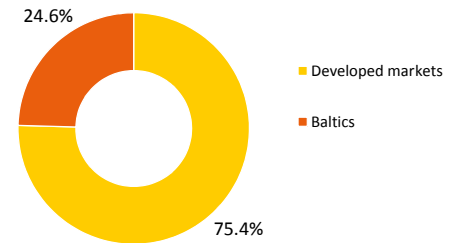


The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

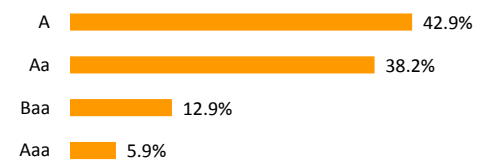
## Portfolio by instruments



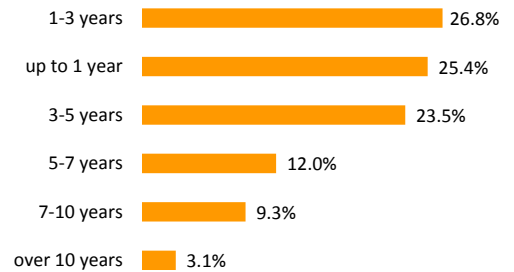
## Portfolio by regions



## 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 November and 6.4% since the start of the year.

November was once again eventful on the financial markets. The most significant events were the presidential elections in the United States and the negotiations that followed to avoid the 'fiscal cliff'. Issues related to the Greek aid package also remained in the spotlight.

The presidential elections in the United States resulted in the victory of the incumbent Democrat President Barack Obama. Many analysts saw this as a relatively negative solution from the viewpoint of the financial markets – although Democrats have the majority in the Senate, the House of Representatives is controlled by the Republicans, which makes reaching agreements rather difficult. The first problem that the parties have to solve is the impact of the tax cuts, which will expire in the beginning of 2013, and other measures that reduce the budget deficit, or the so-called 'fiscal cliff', on the economy. The second half of November did indeed show that neither of the parties is willing to back down despite the initially positive rhetoric. The positive side of Obama's re-election is that the fiscal policy of the Federal Reserve is likely to remain lenient and favourable for economic growth for a long time to come.

Lending more money to Greece was on the agenda again in November. Without this, the country would have been facing bankruptcy, which would have had unpredictable consequences for financial markets and the economic environment. Heated negotiations were held at various levels like many times before, and the Greek parliament passed another austerity package. An agreement was reached in the end and the quick bankruptcy of Greece was once again avoided.

Global economy supported risky asset classes in November and demonstrated some signs of strengthening, but significant regional differences in economic growth prevailed – European economy is still at a low, but the important German IFO index did improve for the first time since March 2012. The statistics published in the United States mostly exceeded the expectations of markets, especially because of the improving situation in the real estate sector and growing car sales. However, economic activities in some regions were negatively affected by Hurricane Sandy in November. The economic data of China was also indicative of a stabilising economic environment and suggested that a 'soft landing' was likely.

Risk-free interest rates decreased slightly – German 10-year bonds by 8 bp and 2-year bonds by 4 bp. Considering the generally low level of interest rates, the performance of the JP Morgan AAA to A rated EMU Government Bond Index was remarkable in November (0.95%). Flows into asset classes of higher credit risk – both investment grade and sub-investment grade - also continued. The performance of investment grade euro zone corporate bonds in our portfolio was +0.6%.

Looking forward in the short term, we remain overweight in euro zone corporate bonds. The low level of interest rates will continue forcing investors to move into assets that offer higher returns, and the solvency of companies remains at an acceptable level in the conditions of the continuing (albeit slow) economic growth. We are cautious about the outlook of long-term government bonds – these bonds have very little room for increase when compared to possible risks.