

# Swedbank Pension Fund K1 (Conservative Strategy)

December 31, 2012

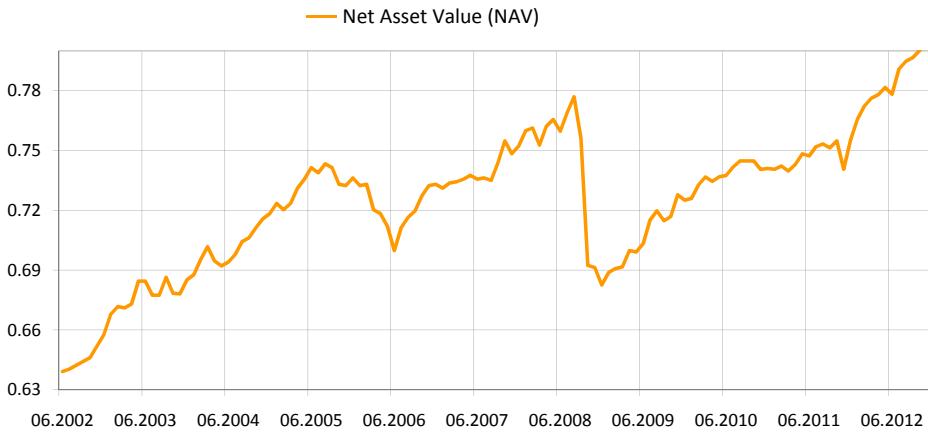
## Investment Principles

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)	0.80765 EUR
Net Assets	39 952 493 EUR
Weighted average rating	A
Weighted average modified duration, years	3.6
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>	6.9%	0.5%	1.4%	6.9%	9.0%	11.4%	7.4%	26.4%
<b>Annualized</b>				6.9%	4.4%	3.7%	1.4%	2.3%
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<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	3.4%
Rabobank EUR 3.875% 20.04.2016	2.7%
Enel Finance EUR 5% 14.09.2022	2.5%
Deposiit - Swedbank AS (EUR)	2.5%
Roche Holdings EUR 5.625% 04.03.2016	2.3%
Credit Suisse EUR 4.75% 05.08.2019	2.0%
DaimlerChrysler Corp EUR 4.625% 02.09.14	2.0%
Deposiit - Swedbank AS (EUR)	2.0%
Siemens Financierings EUR 5.125% 20.02.17	2.0%
BMW Finance EUR 4% 17.09.2014	1.8%

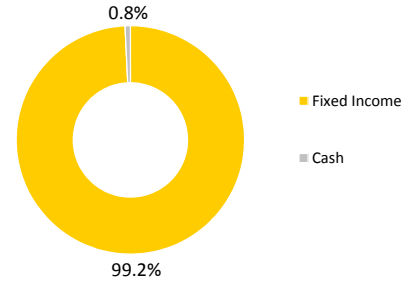
## Risk level

Lower risk Higher risk  
Typically lower rewards Typically higher rewards

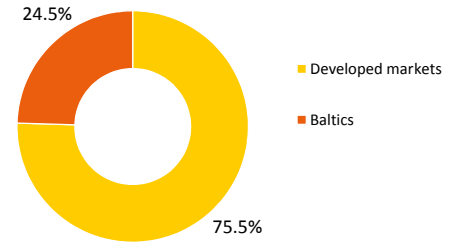


The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

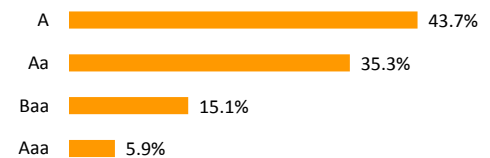
## Portfolio by instruments



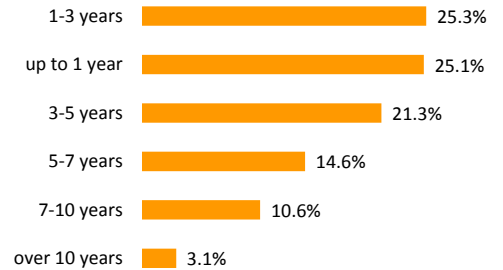
## Portfolio by regions



## Portfolio by ratings



## Portfolio by modified duration



## Portfolio by currencies



\* Fondiosaku väärtus võib ajas nii kasvada kui kahaneda. Fondi eelmiste perioodide tootlus ei tähenda lubadust ega viidet fondi järgmiste perioodide tootluse kohta. Välisriikidele investeerivad fondid on tundlikud valuutakurside kõikumise suhtes, mis võib põhjustada fondiosaku puhasväärtuse kasvu või kahanemist.  
Tutvuge fondi tingimuste ja prospektidega veebilehel [www.swedbank.ee/fondid](http://www.swedbank.ee/fondid) või külastades lähimat Swedbanki kontorit. Vajaduse korral konsulteerige pangatöötaja või investeerimisnõustajaga telefonil +372 613 1606.

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## Manager Commentary

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Swedbank's Pension Fund K1 returned 0.5% in December and 6.9% since the start of the year.

### Market overview

The sentiment on financial markets was quite cheerful during the last month of the year. The markets were more optimistic about the US crossing the fiscal cliff; several regional equity markets increased significantly and the bond markets were no losers either. In December, the US Federal Reserve gave the markets a huge stimulus by expanding its financial assets purchase program by 40 billion USD a month. The Federal Reserve also tightened the continuance of the easy monetary policy to decreasing unemployment rates.

All in all, the news related to the economy tended to support equities and, concurrently, bonds with higher risk in December. Exports improved in Korea, which, due to its trade structure, is an important indicator of global economic health. Polls among purchase managers in the industry sector showed that the economic situation is improving in China, Brazil and the US. The new government coalition in Japan, which supports an easier monetary policy, has brightened the outlook for the country. The Q3 GDP in Japan indicated that its economy was in decline for the second quarter in a row. However, the retrospective statistics are considerably less important than this month's parliamentary elections in Japan, where the Liberal Democratic Party led by Shinzo Abe won a landslide victory. The main promise of the LDP is to institute an easy monetary policy in order to fight the deflation the country has been struggling with for years.

The economy in Europe is still offering little to be happy about. However, the rate of economic decline is slowing, i.e. while things are still getting worse, it is not happening as quickly as earlier. In December, the general trends in the euro area were marked by the politics in Italy: Prime Minister Monti resigned due to a lack of support for his reform agenda. In addition, former prime minister Silvio Berlusconi has hinted that he might run for prime minister again. In view of this negative news, the Italian government bond interest rates increased initially, but the monthly yield curve change in both the short and long end was marginal. The 5-year interest rates even decreased (-9 bp).

The bond markets experienced a strong month as well. Risk-free interest rates have somewhat declined – for 2-year and 10-year Germany government bonds, the respective figures were -3 and -7 bp. A slight decrease was seen in risk premiums of credit asset classes of both high and lower quality. On average, euro area AAA-A rated government bond funds increased by 0.8% and euro area corporate investment-grade bonds by 0.7%.

### Short-term outlook

A larger than usual share of our bond portfolio is kept in cash, since short-term risks make it unreasonable to increase the share of riskier bond asset classes and we don't see enough value in euro area government bonds to increase their share.

However, in the long run we feel positive about the outlook of credit asset class – investors continue to look for an alternative to low-yield government bonds. We also presume that the global economy will continue to be in the growth phase, and this gives us reason to expect that the corporate insolvency rate will continue to remain low in 2013. However, there is no reason to expect a further decrease in risk margins. This means that the yield of bond asset classes will come mostly from

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