Swedbank

Swedbank Pension Fund K1 (Conservative Strategy)

January 31, 2013

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

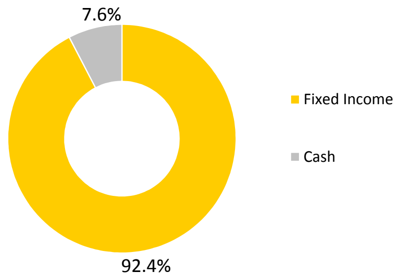
1	2	**3**	4	5	6	7

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.

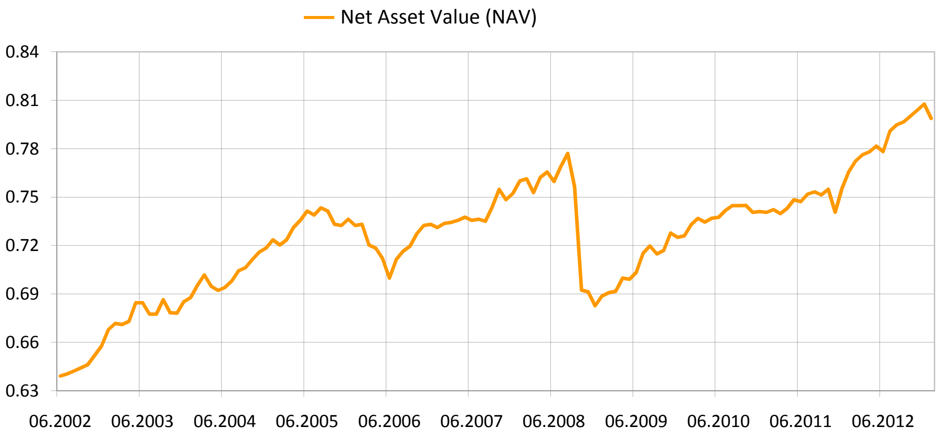
General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Inception	2002
Net Asset Value (NAV)	0.79874 EUR
Net Assets	41 624 141 EUR
Weighted average rating	A
Weighted average modified duration, years	3.3
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



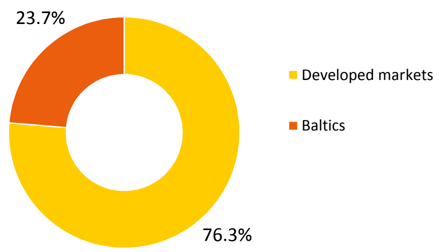
Fund performance*



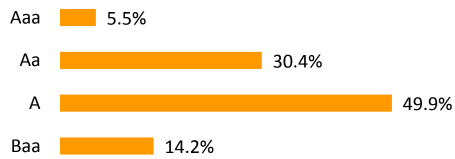
	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	-1.1%	-1.1%	-0.2%	4.3%	7.9%	10.0%	5.1%	25.0%
Annualized				4.3%	3.9%	3.2%	1.0%	2.1%

	2005	2006	2007	2008	2009	2010	2011	2012
Performance*	2.5%	-0.4%	2.6%	-9.3%	6.2%	2.2%	1.9%	6.9%

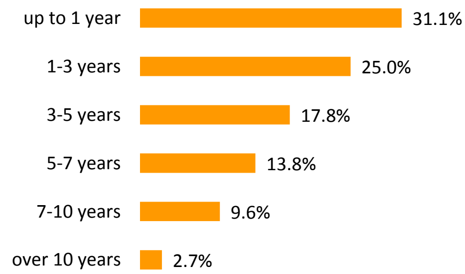
Portfolio by regions



Portfolio by ratings



Portfolio by modified duration



Largest investments TOP 10

Portfolio	**Weight**
iShares Markit iBoxx € Corporate Bond Fund	3.2%
Rabobank EUR 3.875% 20.04.2016	2.6%
Deposiit - Swedbank AS (EUR)	2.4%
Enel Finance EUR 5% 14.09.2022	2.4%
Roche Holdings EUR 5.625% 04.03.2016	2.2%
DaimlerChrysler Corp EUR 4.625% 02.09.14	1.9%
Deposiit - Swedbank AS (EUR)	1.9%
Credit Suisse EUR 4.75% 05.08.2019	1.9%
Siemens Financierings EUR 5.125% 20.02.17	1.9%
BMW Finance EUR 4% 17.09.2014	1.7%

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 -1.1% in January and -1.1% since the start of the year.
Market overview

The new year began with a more cheerful sentiment on financial markets as the US Republicans and Democrats reached an agreement on the 'fiscal cliff' issue. It was agreed to extend the deadline for solving the problem by a couple of months. Nevertheless, it gave investors some breathing space and equity markets responded with a strong rise. The next serious political threat was seen in the possibility that the February deadline of the decision regarding the debt ceiling would be missed. The risk diminished somewhat as the US Congress moved the deadline to the end of March. The positive stock market sentiment lasted for the entire month and due to inflows from deposits and low-interest bonds into equities the prices of higher quality bonds fell.

Our view that the slowdown in the global business cycle is about to end and the pace of economic growth to accelerate was confirmed in January. The US real estate and labor markets showed continued positive developments and the sales statistics of new cars hit a five-year high. After the slowdown that lasted the last seven quarters, GDP growth in China again gained momentum by rising from annual growth of 7.4% in the previous quarter to 7.8%. Also, the euro area Purchasing Managers' Surveys, which are predictive of the business cycle, showed impressive results.

The acute phase of the euro area crisis seems to be over, at least for the time being, but substantial risks still exist. The European Central Bank offered banks the option of early repayment of loans granted in the framework of the long-term programme (LTRO). Within the first repayment window banks returned to the central bank a considerably larger amount of loans than expected and the financial markets interpreted it as a sign of the banking sector's strength. In addition, the statistics of the euro area central bank showed that after a long period there was growth in bank deposits of periphery countries – Italy and Spain – in December. This reduces their dependence on the central bank's support and increases the availability of credit to the countries' private sectors, thus contributing to economic growth.

While last year both equity markets and bond markets rose at the same time, the first month of this year returned the markets to normal and lower-risk asset classes acted as a mirror image of equities. The weakest performers in our portfolios in the asset class of bonds were euro area government bonds with an AAA-A rating, the price of which fell by 1.7% on average against the rise in interest rates in January. Thereby risk-free interest rates rose almost evenly across the interest rate curve (Germany 2y +28 bp and 10y +33 bp). Among other weak performers were European investment grade corporate bonds whereas the weakness of this asset class resulted directly from the weakness of government bonds; the risk premiums of corporate bonds did not change much over the month.

Short-term outlook

Within bond markets we prefer assets containing credit risk. Although risk margins have tightened considerably, we feel that they continue to compensate for the probable risk of insolvency. At the same time the general outlook for bond markets at continued historically very low interest rate levels is rather bleak. Therefore we maintain a larger than usual cash portfolio.