

# Swedbank Pension Fund K1 (Conservative Strategy)

February 28, 2013

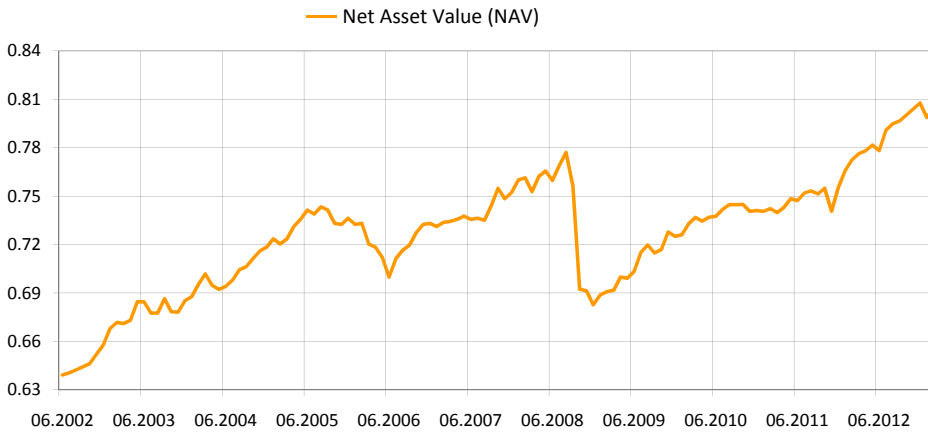
## Investment Principles

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.

## General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Inception	2002
Net Asset Value (NAV)	0.80446 EUR
Net Assets	42 034 871 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%

## Fund performance\*



	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
<b>Performance*</b>	-0.4%	0.7%	0.1%	4.2%	8.4%	9.8%	5.7%	25.9%
<b>Annualized</b>				4.2%	4.1%	3.2%	1.1%	2.2%
<b>Performance*</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	2.5%	-0.4%	2.6%	-9.3%	6.2%	2.2%	1.9%	6.9%

## Largest investments TOP 10

Portfolio	Weight
iShares Markit iBoxx € Corporate Bond Fund	3.2%
EFSS 1% 12.03.14	3.1%
Rabobank EUR 3.875% 20.04.2016	2.6%
Deposiit - Swedbank AS (EUR)	2.4%
Deposiit - Danske Bank A/S Eesti filiaal (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%
Credit Suisse EUR 4.75% 05.08.2019	1.9%
Deposiit - Swedbank AS (EUR)	1.9%

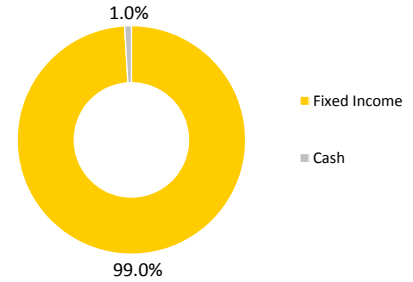
## Risk level

Lower risk Higher risk  
Typically lower rewards Typically higher rewards

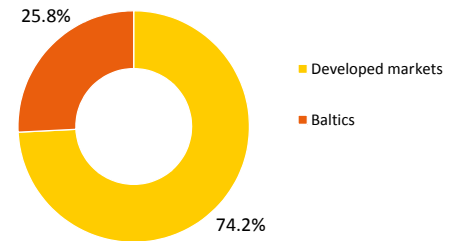


The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

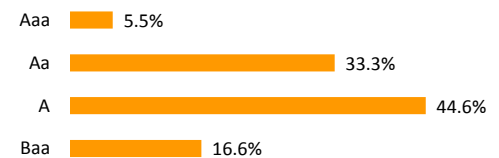
## Portfolio by instruments



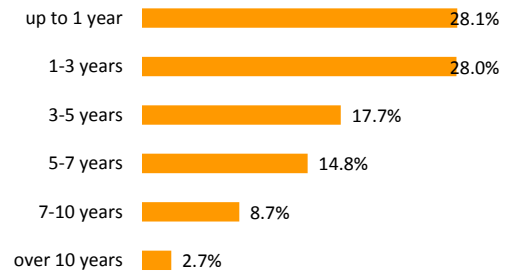
## Portfolio by regions



## 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 0.7% in February and -0.4% since the start of the year.

### Market overview

In February the financial markets were strongly affected by the elections in Italy, the results of which contributed largely to the increased nervousness on the markets. The elections had no clear winner as the pro-reform coalition which is most acceptable to the markets did not win a majority in the upper chamber of the Italian parliament. Hence it is likely that the critical decisions necessary for the sustainability of the country will be stalled or difficult to make. The country risk surged in the eyes of investors: the risk premium for both two- and ten-year government bonds rose by almost 50 basis points. Although at the moment Italy is still far from its highest level of risk premium in 2012, it is clear that investors are following political developments in euro area countries very closely and that a permanent solution to the euro area debt crisis is not yet within reach. Equity markets were not significantly affected by the events but the so-called risk-free bonds, which had fallen substantially in January, became attractive again on euro area debt markets.

The economic statistics published in February did not offer unambiguous conclusions. The euro area GDP, for example, decreased more than expected in the fourth quarter and the Purchasing Managers' index weakened. At the same time the IFO (the German Business Climate Indicator) rose significantly and the French manufacturing industry's confidence regarding the current situation and future outlook improved. The European economic outlook benefited also from the exchange rate of the euro, which weakened owing to the 'verbal intervention' of the President of the European Central Bank.

In the USA economic sentiment continued to rise slowly but the negotiations between the Republicans and the Democrats over budget cuts caused concerns yet again. There is consensus among US politicians that the timing of the fiscal cliff resolution is unfortunate taking into account the weak economic growth and that the cuts are not being made in the right areas. This, however, does not contribute to their ability to achieve a reasonable agreement on delaying or mitigating the cuts. Forecasts of numerous analysts indicate that the effect of the cuts on the economy will be approximately 0.4% of GDP, i.e. significant but not sufficient to trigger a new recession.

The strongest among the fund's asset class of bonds in February was euro area investment grade corporate bonds (+1.1%), primarily due to the fall in interest rates of bonds in core countries. Risk margins remained largely at the same level as before. The risk of a euro area crisis that has grown again due to the elections in Italy caused inflows into debt securities of core countries, which are considered safer than those of periphery countries. The interest rate of German two-year government bonds fell by 25 bp and that of ten-year government bonds by 23 bp. Euro area government bonds with a AAA-A rating ended the month up 0.9%.

### Short-term outlook

We do not expect a fast or sharp rise in interest rates in our bond portfolios yet. In both the euro area and developed industrialised economies as a whole there is still a significant amount of available unused capacity and unemployment remains at a high level. Such an environment does not lend itself to the tightening of monetary policy. Yet from a long-term perspective a rise in interest rates is probably inevitable.

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