

Swedbank Pension Fund K1 (Conservative Strategy)

March 31, 2013

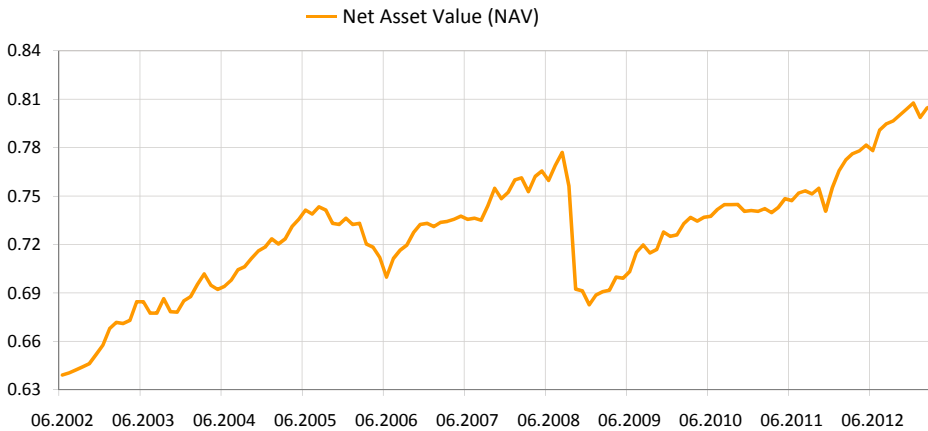
Investment Principles

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.

General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Inception	2002
Net Asset Value (NAV)	0.80639 EUR
Net Assets	42 227 564 EUR
Weighted average rating	A
Weighted average modified duration, years	3.4
Standard deviation (computed over 3 years)	2.4%
Management Fee per annum	0.90%
Subscription Fee	0.0%
Redemption Fee	1.0%

Fund performance*



	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	-0.2%	0.2%	-0.2%	3.9%	9.0%	9.5%	7.1%	26.2%
Annualized				3.9%	4.4%	3.1%	1.4%	2.2%
Performance*	2005	2006	2007	2008	2009	2010	2011	2012
	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	2.7%
DaimlerChrysler Corp EUR 4.625% 02.09.14	2.7%
Enel Finance EUR 5% 14.09.2022	2.5%
Deposiit - Swedbank AS (EUR)	2.4%
Deposiit - Danske Bank A/S Eestli filiaal (EUR)	2.4%
Volkswagen Int. Finance EUR 2.125% 19.01.20	2.2%
Credit Suisse EUR 4.75% 05.08.2019	2.1%
Deposiit - Swedbank AS (EUR)	1.9%

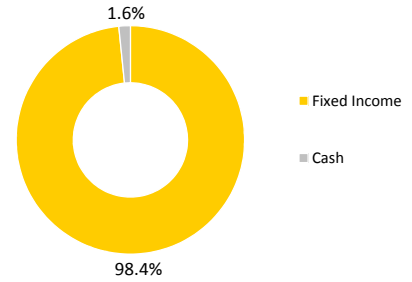
Risk level

Lower risk Higher risk
Typically lower rewards Typically higher rewards

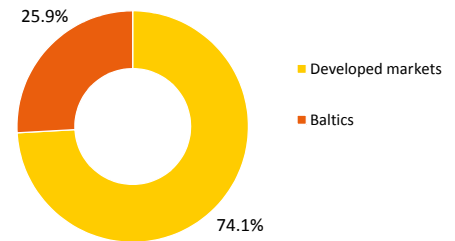


The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

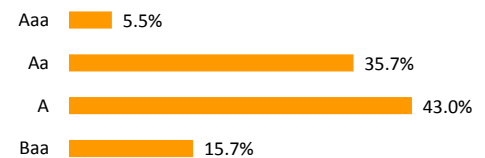
Portfolio by instruments



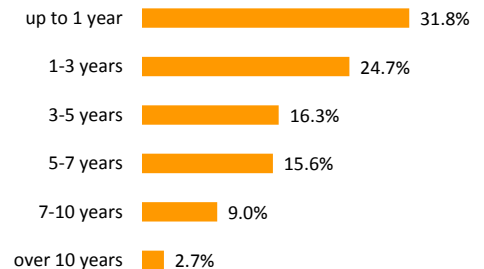
Portfolio by regions



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 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 0.2% in March and -0.2% since the start of the year.

Market overview

March offered a lot of turmoil for financial markets: issues relating to macroeconomics lost their appeal and the critical situation in the Cypriot banking sector and North Korea's aggressively intimidating attitude towards the rest of the world rose to the fore. However, equity markets were not bothered by it much and continued rising in March. Interestingly, several bond asset classes also ended the month in positive territory: although risk premiums largely rose, the rise was compensated by a noticeable fall in underlying interest rates. Yet the developments in Cyprus, which undermined the single currency area, did not have a positive impact on the euro and it weakened 1.8% against the US dollar over the month.

The initial solution to the Cypriot banking crisis was to tax insured depositors (individuals and businesses holding deposits below 100 000 euros). Upon the nationalisation of major banks in the euro area, depositors' money has been left untouched so far, but the developments in Cyprus fuelled insecurity about the possible restructuring model of banks. Although the solution was later set aside and the funds of minor depositors remained untouched, it remains to be seen which model will be applied in the event of bailing out nonperforming banks in the future. The coming months will tell what the impact of the event on the banking sector on the periphery of the euro area is and whether the outflow of funds that had come to a halt in the meantime has started again.

In March, the global business climate largely became cooler. The weakening of the business cycle-sensitive ISM Index in the US due to the automatic spending cuts (sequester) at the beginning of March was especially steep. Also, various temporary factors had increased the pace of growth at the beginning of the year. The average industrial sector sentiment of euro area peripheries weakened noticeably, but economic activity also weakened in Germany. Industrial sector growth picked up among the major powers of the developed world only in Japan where the Purchasing Managers' Index rose for the third consecutive month and finally reached positive territory. The economic growth rate also weakened in the BRIC states, although the slowdown was less pronounced in China.

Governor Draghi of the European Central Bank (ECB) remained cautious at the press conference following the meeting of the Monetary Policy Committee at the beginning of March and did not give a clear signal about a possible interest cut. However, the ECB lowered its forecasts regarding the growth expectations and inflation rate in the euro area. The inflation expectation for 2014 is now merely 1.3%, which is much lower than the 2% inflation rate that is in line with the central bank's price stability target. The rhetoric of the March and April meetings of the ECB's Monetary Policy Committee was much different from that of the January meeting, referring to the possibility that a reduction in the base rate in the coming months may not be unlikely.

On bond markets, risk-free asset classes became wanted again. The interest rate of shorter-term bonds returned to negative and due to their limited chances of falling investors preferred moving into longer-term bonds. The interest rate of German two-year government bonds fell 6 bp and that of 10-year government bonds by 17 bp. Euro area AAA to A-rated government bonds did in fact end the month with the best result among all bond classes (+0.8%). Although risk premiums of investment-grade as well as lower grade bonds rose, the price developments were slightly more influenced by an overall decrease in interest levels and the high-quality bonds of euro area companies found in our fund portfolio ended the month on the positive side (+0.3%).

Near-term outlook

In the bond portfolio, we remain tactically defensively positioned against the risk of rising interest rates. However, strategically we have not fully underweighted the duration of the bond portfolio, because it is not yet supported by the development of the base rate cycle or the unwinding of the euro area crisis. The recurrent problems of the euro area have so far continued to cause the return of capital to safe havens, i.e. the bonds of the core states of the euro area.