Swedbank Pension Fund K1 (Conservative Strategy)

May 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

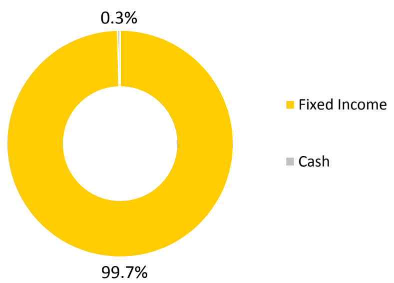
1	2	**3**	4	5	6	7

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.

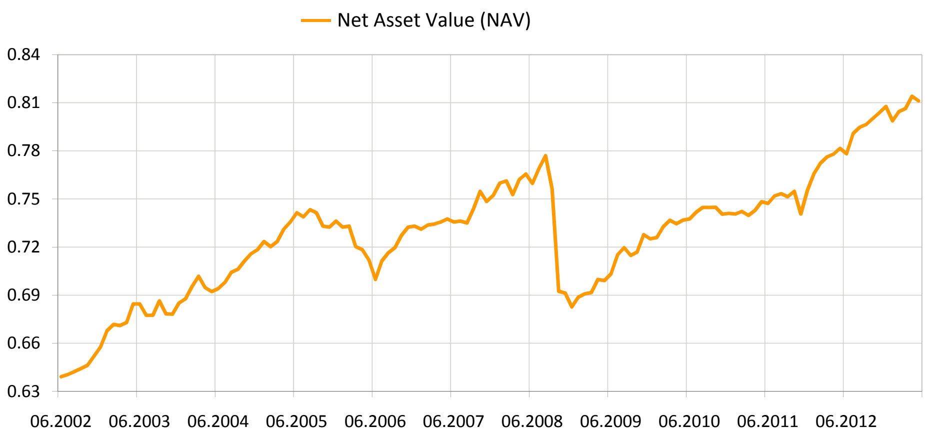
General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Inception	2002
Net Asset Value (NAV)	0.81114 EUR
Net Assets	43 727 963 EUR
Weighted average rating	A
Weighted average modified duration, years	3.3
Standard deviation (computed over 3 years)	2.4%
Management Fee per annum	0.90%
Subscription Fee	0.0%
Redemption Fee	1.0%

Portfolio by instruments



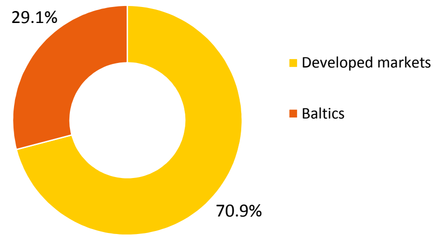
Fund performance*



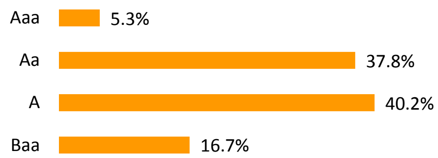
	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	0.4%	-0.4%	0.8%	3.8%	8.4%	10.1%	6.0%	26.9%
Annualized				3.8%	4.1%	3.3%	1.2%	2.2%

	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%

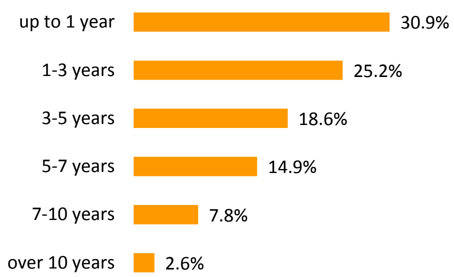
Portfolio by regions



Portfolio by ratings



Portfolio by modified duration



Largest investments TOP 10

Portfolio	Weight
iShares Markit iBoxx € Corporate Bond Fund	5.8%
Deposiit - Pohjola Bank Plc Eesti filiaal (EUR) - 30/360	3.0%
DaimlerChrysler Corp EUR 4.625% 02.09.14	2.6%
Enel Finance EUR 5% 14.09.2022	2.6%
Rabobank EUR 3.875% 20.04.2016	2.5%
Deposiit - Swedbank AS (EUR)	2.3%
Deposiit - Danske Bank A/S Eesti filiaal (EUR)	2.3%
Volkswagen Int. Finance EUR 2.125% 19.01.20	2.1%
Deposiit - Bank DNB A/S Eesti filiaal (EUR)	2.0%
Credit Suisse EUR 4.75% 05.08.2019	2.0%

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 -0.4% in May and 0.4% since the start of the year.

Market overview

The month of May turned out to be fairly turbulent – tensions have increased on both equity and debt markets, and the month’s events have given investors plenty of food for thought with regard to their future behaviour. All this was reflected in the uncertainty of markets, and apart from a few asset classes that remained in positive territory, many others were hit by a wave of sell-offs, especially in the second half of the month.

May began with a cut to the European Central Bank’s key interest rate of 0.25 percentage points to a level of 0.5%. This move had been widely expected and already priced in by the markets. As such, its impact on bond markets lasted merely half a day.

Much more attention was attracted by the US Federal Reserve, which in the opinion of a number of investors had started to prepare the markets for a possible reduction in the bond purchase programme. The US economic statistics published over the month were largely interpreted in terms of their potential effect on the monetary policy of the Federal Reserve. Compared to the relatively strong labour market indicators published at the beginning of the month, those relating to industrial sector activity were rather weak. Therefore uncertainty with regard to a possible reduction in the volume and timing of the Federal Reserve’s asset purchase programme is fairly high.

Besides the outlook for the US monetary policy it cannot be overlooked that the economic growth in developing countries is tending to slow down. At the same time, some countries are facing the problem of rising inflation – the central bank of Brazil, for example, was forced to raise its key policy rate by 0.5 percentage point to mitigate inflationary pressure. The uncertainty of the markets also grew regarding Japan’s aggressive new economic policy.

Bond portfolios were first and foremost affected by the outlook for the Federal Reserve's monetary policy, against the backdrop of which the interest rates of long-term government bonds in many developed industrial countries rose significantly. The effect on different asset classes of bonds was not uniform, however: emerging market bonds (and currencies) were hit by a particularly harsh wave of sell-offs, while the rise of risk premiums was relatively modest and the risk margins of euro-area investment-grade corporate bonds even experienced a fall.

Among risk-free bonds, the biggest losses were incurred by longer-term securities – the interest rates of German 2- and 10-year government bonds rose by 6 bps and 29 bps respectively. Euro area government bonds with an AAA-A rating fell 1.5%. The prices of euro-area investment-grade corporate bonds weakened by 0.3% over the month.

Looking ahead, we will continue to prefer asset classes with higher credit risk and interest rates, namely corporate bonds. In terms of an interest rate risk, we will continue to hold a tactical defence position, as we consider it more probable that interest rates will rise further rather than fall.