

Swedbank Pension Fund K1 (Conservative Strategy)

July 31, 2013

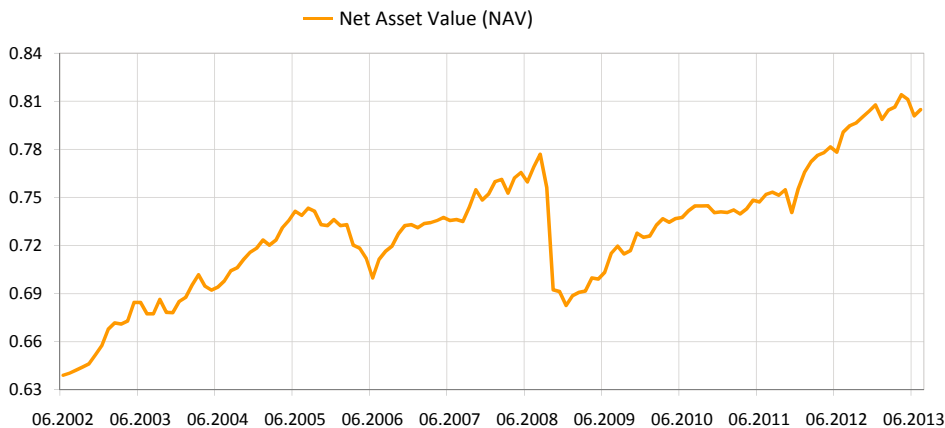
Investment Principles

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) | 0.80479 EUR |
| Net Assets | 43 643 308 EUR |
| Weighted average rating | A |
| Weighted average modified duration, years | 6.9 |
| Standard deviation (computed over 3 years) | 2.6% |
| 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* Annualized | -0.4% | 0.5% | -1.1% | 1.8% | 7.0% | 8.5% | 4.7% | 25.9% |
| | | | | 1.8% | 3.5% | 2.8% | 0.9% | 2.1% |
| 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 |
|--|--------|
| Deposiit - Pohjola Bank Plc Eesti filiaal (EUR) - 30/360 | 3.0% |
| Enel Finance EUR 5% 14.09.2022 | 2.9% |
| Rabobank EUR 3.875% 20.04.2016 | 2.8% |
| Deposiit - Swedbank AS (EUR) | 2.3% |
| Deposiit - Danske Bank A/S Eesti filiaal (EUR) | 2.3% |
| Credit Suisse EUR 4.75% 05.08.2019 | 2.3% |
| Deposiit - Bank DNB A/S Eesti filiaal (EUR) | 2.0% |
| Volkswagen Int. Finance EUR 2.125% 19.01.20 | 2.0% |
| Citigroup EUR 7.375% 04.09.2019 | 2.0% |
| Deposiit - Danske Bank A/S Eesti filiaal (EUR) | 1.9% |

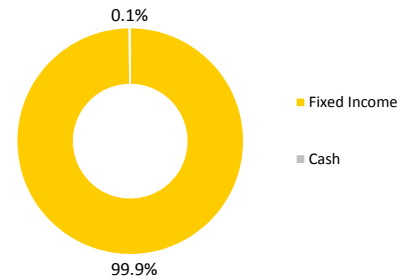
Risk level

Lower risk ← Higher risk
Typically lower rewards ← Typically higher rewards

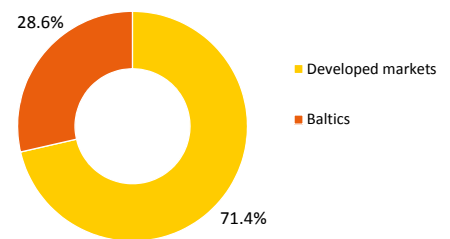


The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

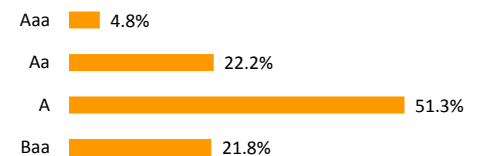
Portfolio by instruments



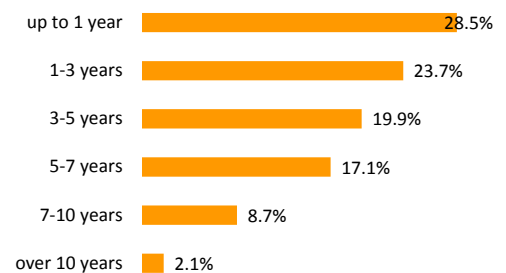
Portfolio by regions



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 0.5% in July and -0.4% since the start of the year.

Market overview

In July the financial markets mostly recovered from the sell-off of the previous six weeks and several equity and bond markets strengthened. Positive stock market sentiment was supported by improved economic results in Europe and confirmation by President Draghi of the European Central Bank that the central bank was not moving in the same rhythm as the USA when it came to monetary policy and that the implementation of a tightening policy was not within reach. Further reduction in the key interest rate is what could be considered instead. However, the financial markets have not priced in this option.

The economic statistics published in July mostly exceeded the expectations of analysts – the figures for the euro area provided a particularly positive surprise. For example, the industrial sector rose for the first time in the last two years, and although economic growth in the second quarter will probably remain near zero, it is still better than the decline period of the last six quarters. The third quarter, however, should see some small growth in the euro area.

Although the economic climate of the euro area is showing signs of improvement, there is still tension in the political field and many periphery countries are on the verge of a government crisis. The conviction of the former prime minister of Italy and current MP Silvio Berlusconi has caused a situation where other MPs who belong to the same party are threatening to cease support for the current government coalition. Spain's Prime Minister Rajoy has become involved in a corruption scandal caused by the party's confusing financing scheme in previous years. Interestingly, the financial markets have become much more ambivalent about such political events than they were some time ago. The price at which a country can borrow money (the interest rates of government bonds) has not been influenced much by the increasing political risks of either Italy or Spain.

In developing countries there are signs of a slowdown in economic growth – in China, growth in the second quarter turned out to meet the expectations of analysts (7.5%), but the economic activity of the Chinese industrial sector seemingly continues to weaken. The slowdown in economic growth has affected other developing countries too, such as Mexico, Brazil and Russia.

In July the Upper Chamber was elected in Japan, which was won with an overwhelming majority by the Japanese Liberal Democratic Party, which is currently in power. Several analysts say this means a strengthened mandate for Prime Minister Shinzo Abe in implementing economic reforms, which include improving the poor financial situation in the country and fighting deflation.

Bond markets recovered in July to some extent from their prior sharp decline – the interest rates of government bonds decreased in the euro area across almost all terms, with the interest rate of German two-year government bonds falling by 4 bp and that of 10-year government bonds by 6 bp. Risk margins for investment-grade as well as high yield bonds also decreased. However, the overall level of interest rates is still considerably higher than in April/May, despite some decline.

The pension fund bond investments which ended on the plus side were investment-grade corporate bonds of European companies (+0.8%) as well as euro area government bonds with a AAA-A rating (+0.6%). The euro strengthened by 2.2% during the month.

Near-term outlook

We have positioned the investment-grade corporate bonds of the companies of the euro area neutrally, as risk marginals have again fallen to very low since the increase in May and June and we do not feel that they are good enough to compensate for the credit risk taken. The average term in the pension fund portfolio is still somewhat shorter than the benchmark, which means that the fund is better protected against a decline in bond prices caused by a possible increase in interest rates.

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