

# Swedbank Pension Fund K1 (Conservative Strategy)

August 31, 2013

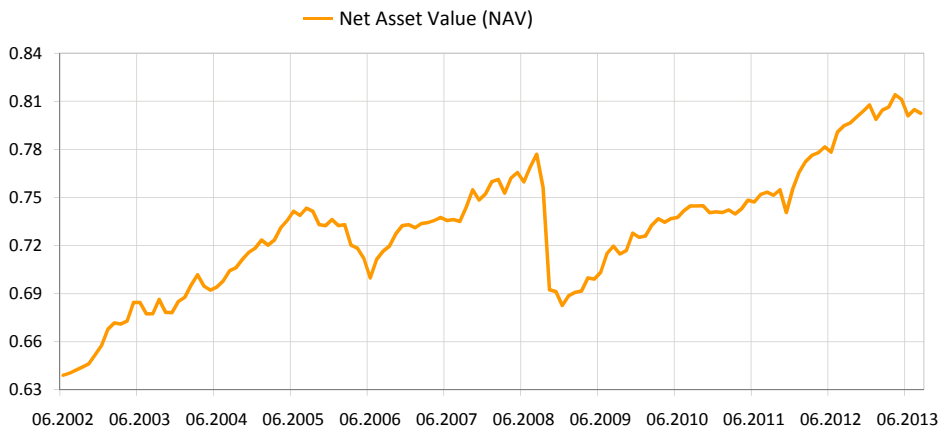
## Investment Principles

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)	0.80248 EUR
Net Assets	43 599 227 EUR
Weighted average rating	A
Weighted average modified duration, years	6.7
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
<b>Performance* Annualized</b>	-0.6%	-0.3%	-1.1%	1.0%	6.5%	7.8%	3.3%	25.6%
				1.0%	3.2%	2.5%	0.6%	2.1%
<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
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	2.2%
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%

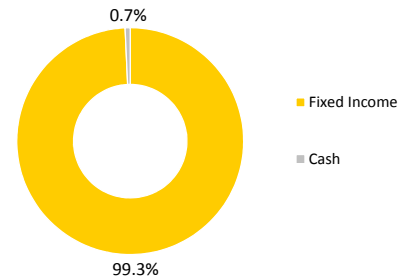
## Risk level

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

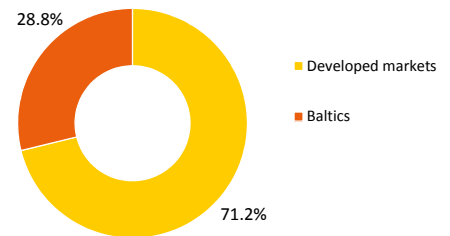


The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

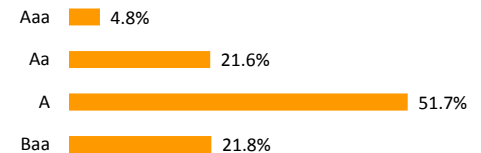
## Portfolio by instruments



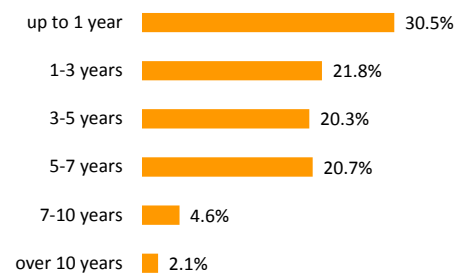
## Portfolio by regions



## 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](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 -0.3% in August and -0.6% since the start of the year.

### Market overview

August brought a wave of sell-offs to the financial markets due to which equity as well as bond prices suffered. Gold, however, was attractive to investors. The support of economic statistics referring to rather wide global improvement in economic status was nullified by the possibility of an act of war in Syria and the resulting increase in oil prices (ca 6% in US dollars). Riskier asset classes were weakened by the possibility of a new governmental crisis in Italy and rather modest quarterly results of companies in Europe and USA.

In addition to the events in Syria, one of the important keywords was economic statistics, which were stronger than expected, mainly in developed industrialised economies. The GDP of the euro area in the second quarter increased by 0.3% – these were the first positive growth figures since the decline period of the last six quarters. Positive trends were also noticeable in the periphery of the euro area. The US economic indicators are still moderately increasing. Unemployment decreased by 0.2% to 7.4%. The sentiment in the industrial sector of the USA also improved significantly: the ISM index calculated on the basis of the monthly inquiries of the purchase managers of industrial enterprises, which is widely followed in financial markets, remained strong (above 55 points) for the second month in a row. An index value which is higher than 50 points refers to increasing economic activity in the industrial sector.

At the session of the Federal Reserve Monetary Committee, most of the members supported a reduction in the financial assets purchase programme proposed by the president of the reserve Ben Bernanke, which will probably lead to a decrease in the purchasing of government bonds by the Federal Reserve at the end of the year. The expected decrease in global liquidity due to this has not had a very positive influence on developing market currencies. The euro weakened by 0.6% against the US dollar.

Bond markets saw a continuing increase in the interest rates of safer government bonds – two- and ten-year government bonds of Germany rose by 6 and 19 basis points respectively. The index of A- to AAA-rated euro area government bonds decreased by 1.1% during the month. Investment-grade corporate bonds of the euro area weakened by 0.2%. Interest rates increased irrespective of the promise of the European Central Bank to keep the base interest rates low for an extended period. Mario Draghi's warning that the financial markets current level of interest rates is unwarranted was of no help either.

### Near-term outlook

We have neutral positioning in the investment-grade corporate bonds of companies in the euro area, as risk marginals have again fallen to a rather low level since their increase at the end of May and in June, and we do not feel that they offer a good compensation for the credit risk taken. As liquidity is still high on financial markets and the euro area economy is now growing after its record period of decline, we do not see a major threat of risk marginals increasing.

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