Swedbank Pension Fund K1 (Conservative Strategy)

October 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

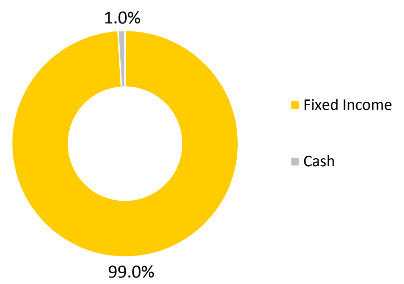
The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

Standard deviation of returns (over the last 3 years) 2.6%

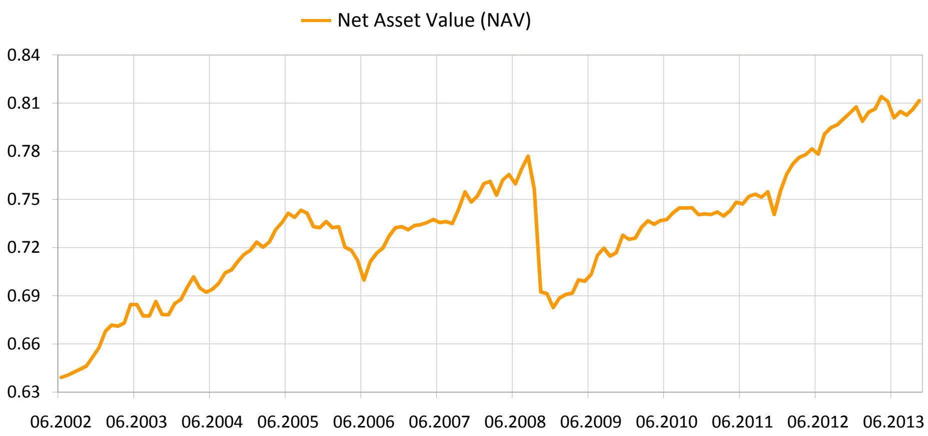
General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Inception	2002
Net Asset Value (NAV)	0.81159 EUR
Net Assets	45 495 391 EUR
Weighted average rating	A
Weighted average modified duration, years	6.8
Management Fee per annum	0.90%
Subscription Fee	0.0%
Redemption Fee	1.0%

Portfolio by instruments



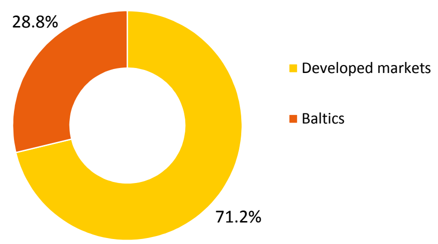
Fund performance*



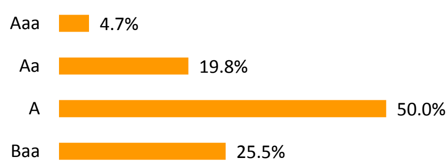
	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	0.5%	0.7%	0.8%	1.4%	7.5%	9.0%	17.2%	27.0%
Annualized				1.4%	3.7%	2.9%	3.2%	2.1%

	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



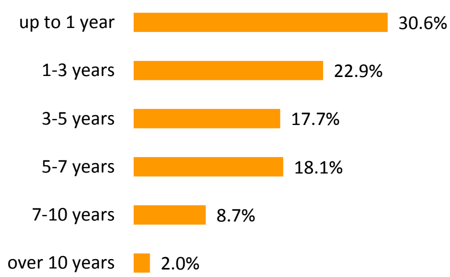
Portfolio by ratings



Largest investments TOP 10

Portfolio	**Weight**
Enel Finance EUR 5% 14.09.2022	3.4%
Rabobank EUR 3.875% 20.04.2016	3.1%
Deposiit - Pohjola Bank Plc Eesti filiaal (EUR) - 30/360	2.9%
Deposiit - Danske Bank A/S Eesti filiaal (EUR)	2.2%
Deposiit - Swedbank AS (EUR)	2.2%
Barclays Bank EUR 4% 20.01.2017	2.1%
ING Group EUR 3.375% 03.03.2015	2.0%
Deposiit - Bank DNB A/S Eesti filiaal (EUR)	1.9%
BNP Paribas EUR 3.75% 25.11.2020	1.9%
Volkswagen International Finance EUR 1.875% 15.05.17	1.9%

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.

This document and the information contained herein does not constitute investment recommendation or investment advice. Please read fund's rules and prospectuses available on the web-site www.swedbank.ee/fondid. Fur further information please contact Swedbank Investment Support on phone at +372 613 1606, Mon-Fry 8.30am - 6pm or visit nearest Swedbank branch.

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Manager Commentary

Swedbank's Pension Fund K1 returned 0.7% in October and 0.5% since the start of the year.

Even though the political struggle for the debt ceiling and budget in the United States at the beginning of October made the financial markets quite nervous, the month ultimately proved to be a very good one for most asset classes.

In early October investors focused their attention on America, where political negotiations on raising the national debt ceiling and public sector budget reached a dead end. This affected numerous US government sector services in the first half of the month and staff were forced to take a leave of absence. Among other things, the publication of economic statistics was affected: for instance, the labour market indicators for September, which are important to investors, were published several weeks later than usual. The partial halt in the government sector also had an adverse impact on US economic growth in the fourth quarter. However, a positive impact of similar magnitude can be expected in the first quarter of next year. In the middle of the month an agreement was reached, preventing the technical insolvency of the country and allowing the government to finance itself for a few months. At the beginning of next year this political spectacle and the resulting volatility on the financial markets may well repeat themselves.

In the second half of the month the financial markets again focused on ordinary issues: corporate earnings and economic statistics. The USD profit season is quite close to historic averages: earnings exceeded analysts' expectations by 4% on average, and sales were 0.6% higher than expected by the time 80% of US companies had disclosed their earnings figures to the stock exchange. The earnings of European companies were somewhat weaker: with two-thirds of companies having disclosed their results, sales and earnings figures were approx. 1% lower than expected.

The US labour market figures were worse than expected and convinced investors that the Federal Reserve would not start tapering before March next year. This supported risky asset classes – among others, emerging market equities and riskier bonds. Economic statistics largely indicated stabilisation in global growth.

One of the most important pieces of news in Europe during the month was the notably slower rate of inflation in the euro area (with prices rising year-on-year by a mere 0.7% in October). This fuelled expectation that the European Central Bank might make monetary policy even more stimulating by, for instance, lowering the deposit rate into the negative territory. It should be noted that on 7 November the ECB cut the base rate by 0.25 percentage points. Most investors did not expect such a rapid reaction. The euro strengthened at the beginning of October, but started falling in the second half of the month and eventually ended the month a mere 0.4% higher.

Various pieces of news eventually gave a boost to bond markets. The interest rate of German two-year government bonds fell by 5.2 bp and that of 10-year government bonds by 10.5 bp. The risk premia of investment-grade bonds as well as bonds of lower quality fell. The index of the government bonds of the highest quality in the fund portfolio (AAA-A) rose by 0.9% over the month and the index of euro area investment-grade corporate bonds rose by 1.1%.

Near-term outlook

We will keep the average maturity of bonds at a lower-than-neutral level, i.e. we will be protectively positioned against a possible rise in interest rates, especially in the medium term.

*The commentary is an unofficial English translation of the original Estonian version. In case of any discrepancies, the text of the Estonian version shall prevail.