Swedbank Pension Fund K1 (Conservative Strategy)

January 31, 2014

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

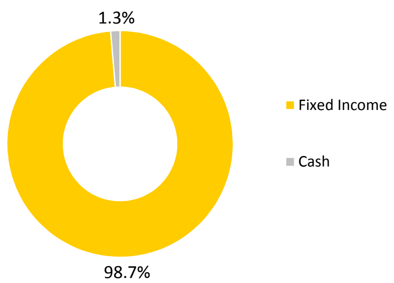
The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

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

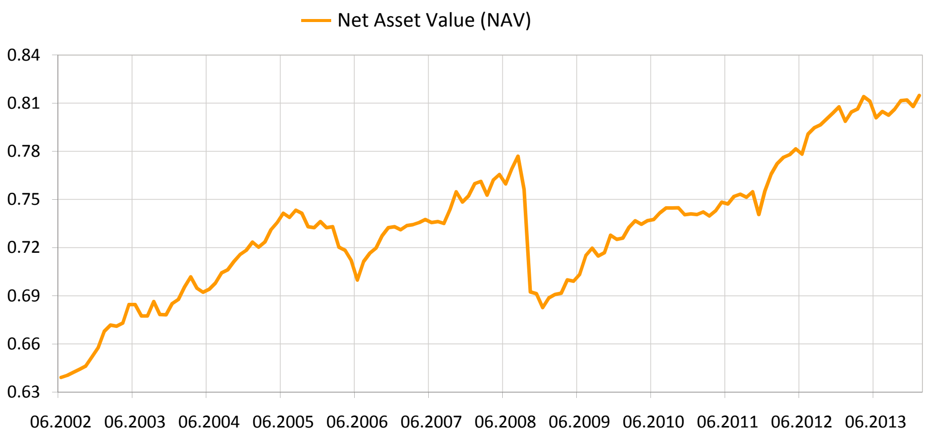
General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Inception	2002
Net Asset Value (NAV)	0.81473 EUR
Net Assets	46 512 295 EUR
Weighted average rating	A
Weighted average modified duration, years	3.0
Management Fee per annum	0.90%
Subscription Fee	0.0%
Redemption Fee	1.0%

Portfolio by instruments



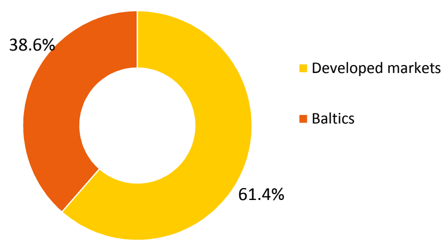
Fund performance*



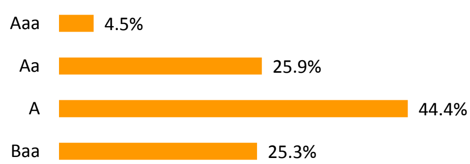
	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	0.8%	0.8%	0.4%	2.0%	6.4%	10.0%	18.3%	27.5%
Annualized				2.0%	3.1%	3.2%	3.4%	2.1%

	2006	2007	2008	2009	2010	2011	2012	2013
Performance*	-0.4%	2.6%	-9.3%	6.2%	2.2%	1.9%	6.9%	0.0%

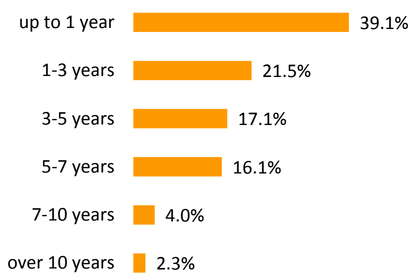
Portfolio by regions



Portfolio by ratings



Portfolio by modified duration



Largest investments TOP 10

Portfolio	Weight
Deposit - Pohjola Bank Plc Estonian Branch (EUR) - 30/360	2.8%
Rabobank EUR 3.875% 20.04.2016	2.3%
Deposit - Danske Bank A/S Estonian Branch (EUR)	2.2%
Deposit - Swedbank AS (EUR)	2.2%
Morgan Stanley EUR 4.5% 23.02.2016	2.1%
Deposit - Bank DNB A/S Estonian Branch (EUR)	1.9%
Deposit - Danske Bank A/S Estonian Branch (EUR)	1.8%
BNP Paribas EUR 3.75% 25.11.2020	1.7%
Lloyds TSB Bank Plc EUR 6.5% 24.03.2020	1.7%
Deposit - Swedbank AS (EUR)	1.7%

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.

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Manager Commentary

Swedbank's Pension Fund K1 returned 0.8% in January and 0.8% since the start of the year.

Market overview

The year began successfully for bond portfolios – cash flow in January found its way from the equities of developed regions, but primarily from the equities of emerging markets. The fact that investors lost their risk appetite was evident in bond markets, where an increase in interest in buying the highest-quality instruments was seen.

Global economic growth remained stable – the J.P. Morgan Global Manufacturing PMI increased marginally, but remained clearly above 50 points, indicating an increase in economic activity. The economic growth of the United States has also remained strong. However, the labour market statistics published for December were disappointing – only 74,000 jobs were created in the country. At the same time, the weakness of the report could have been caused by the poor weather conditions in the US at the end of the year. This did not stop the Federal Reserve from tapering by 10 billion dollars to 65 billion per month.

In January, it was mainly emerging markets that were the focus of financial markets – especially the slowdown in growth in China, but also financial stability in several emerging countries with a weaker macroeconomic position. In the last week of January, investors withdrew 6.6 billion dollars from the equity funds of emerging markets – the biggest weekly cash outflow since August 2011. More than 12 billion dollars was withdrawn from the equity funds of emerging markets during the month. The capital fleeing from developing markets also led to falls in the currencies of several emerging countries.

The inflation statistics for the euro area proved to be weaker than expected in January – the prices in these countries only increased by 0.7%. Slowing inflation creates expectations that the monetary policy of the European Central Bank will remain moderate and stimulate economic growth (and thus a rise in prices). The euro weakened by 1.8% against the US dollar.

The turbulence on the emerging markets was somewhat compensated by the publication of fourth quarter profits by companies. Almost half of Standard and Poor's 500 index companies in the USA published their results in January, exceeding the expectations of analysts on average by 5.6%, which is somewhat better than the historical average. In Europe the season for publishing profit figures starts a little later. Initial results have again been poor, falling short of expectations by 10% on average.

As inflation was lower than expected and the risk appetite of investors reduced, the interest rates of government bonds decreased in the euro area across almost all terms. The interest rates of German 2- and 10-year government bonds decreased by 15 and 36 basis points, respectively. The risk premiums of both investment-grade and lower-quality bonds increased slightly. As of January, our fund's high-quality euro area government bond asset class includes only 1- to 3-year bonds. The yield of this asset class was +0.24% with the changes made in January. The index of investment grade corporate bonds of the euro area strengthened by 1.4%.

Short-term outlook

In the bond portfolio we are keeping the average maturity of bonds shorter than neutral, i.e. we have positioned ourselves defensively against increases in the interest rates of bonds. But in the short term, further decline in interest rates is not out of the question if investors still wish to reduce the risk level of portfolios and purchase low-risk government bonds. However, we are expecting global economic growth to remain relatively strong and therefore it is more likely that we will see a rise in interest rates in annual figures. We are maintaining a neutral view of credit asset classes. Credit bonds are still supported by strong demand for instruments providing higher yield, but the decrease in the risk-readiness of investors could increase risk margins.

*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.