

Swedbank Pension Fund K1 (Conservative Strategy)

February 28, 2014

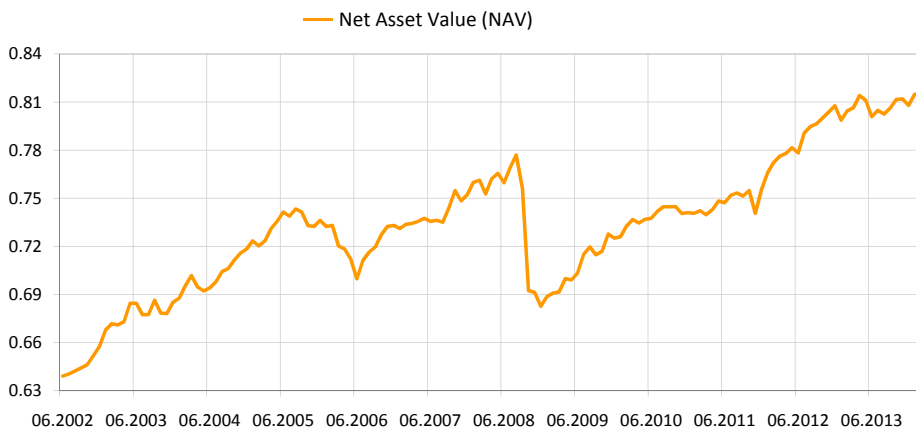
Investment Principles

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.

General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Inception	2002
Net Asset Value (NAV)	0.81558 EUR
Net Assets	46 532 213 EUR
Weighted average rating	A
Weighted average modified duration, years	2.9
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	0.9%	0.1%	0.4%	1.4%	5.6%	9.9%	18.1%	27.6%
				1.4%	2.8%	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%

Largest investments TOP 10

Portfolio	Weight
Latvia T-Bond due 04.10.2018	4.4%
Deposit - Pohjola Bank Plc Estonian Branch (EUR) - 30/360	2.8%
Rabobank EUR 3.875% 20.04.2016	2.3%
Deposit - Swedbank AS (EUR)	2.2%
Morgan Stanley EUR 4.5% 23.02.2016	2.0%
Deposit - AS DNB Bank (EUR)	1.9%
Deposit - Danske Bank A/S Estonian Branch (EUR)	1.8%
BNP Paribas EUR 3.75% 25.11.2020	1.8%
Lloyds TSB Bank Plc EUR 6.5% 24.03.2020	1.8%
Deposit - Swedbank AS (EUR)	1.7%

Risk level

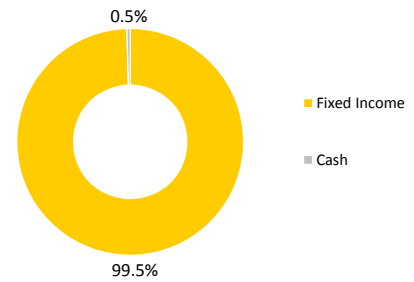
Lower risk ← Higher risk
Typically lower rewards ← Typically higher rewards



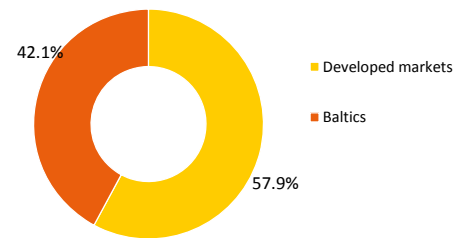
The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

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

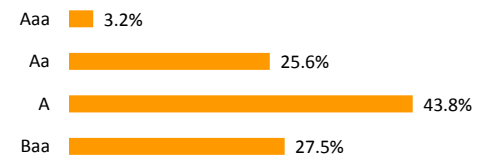
Portfolio by instruments



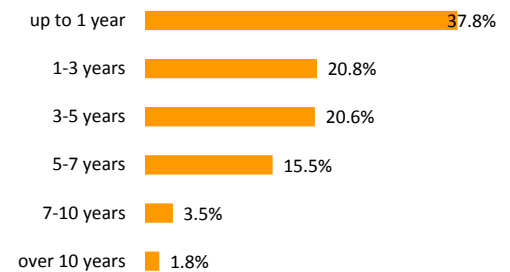
Portfolio by regions



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.

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. For 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 0.1% in February and 0.9% since the start of the year.

Market overview

February started on the financial markets with a considerable increase in investors' appetite for risk – in addition to the equities of developed countries, riskier asset classes also became attractive on bond markets, while the risk premiums of both investment-grade and lower-quality bonds decreased. The appetite for risk recovered despite the relatively weak US economic statistics, as according to surveys the majority of investors blamed the poor weather conditions – one of the coldest winters within the last half-century, accompanied by blizzards – for the weakness of economic activity. At the end of the month, volatility on the financial markets increased due to the political situation in Ukraine becoming more acute and following intervention by Russia.

In February, US economic statistics remained significantly weaker than expected – indicators of private consumption, real estate and the manufacturing sector were disappointing. The Purchasing Managers' Index of the manufacturing sector experienced the biggest fall in the last five years, although it remained at a level above 50 points, indicating an increase. The Purchasing Managers' Index of the Chinese manufacturing sector – the world's second-largest economy – pointed to weakening economic activity. Nevertheless, it is too early to draw fundamental conclusions, because the Chinese New Year holidays could contribute to the weakness in the manufacturing sector. The euro area's economic growth statistics remained relatively stable, although its Member States continued to exhibit large differences: Germany's economic growth continued to recover, while French economic indicators weakened, placing the country on the verge of recession.

Many companies disclosed the results of Q4 2013 in February. The trends seen in the last few quarters continued – companies listed on the Japanese stock exchange stood out in terms of exceeding expectations. US companies also exceeded analysts' forecasts, but not to an extent that had any significant impact on the stock exchange. The economic results of European companies were considerably lower than analysts expected. Several reporting companies in the United States have highlighted the increase in investments planned this year as a positive development that is favourable from the perspective of economic growth.

At the end of the month, the anxiety on the markets primarily related to Eastern Europe intensified due to the change in power in Ukraine and events on the Crimean peninsula. In comparison with the first few days of March, the effect on the markets remained moderate in February. The change of government in Italy was rather uneventful – the new Prime Minister is 39-year-old Matteo Renzi, who is the youngest Italian Prime Minister of all time and whose target is to substantially accelerate reforms.

The volatility of the government bonds of the euro area's core countries was relatively low during the month. The interest rate of German two-year government bonds rose by 6 basis points and that of ten-year government bonds fell by 4 basis points. However, investors' interest in the bonds of peripheral countries remained high – the interest rates of both Italian and Spanish government bonds considerably decreased. Since January our fund's high-quality euro-area government bond asset class has only included bonds with a maturity of one to three years. The performance of the asset class was -0.05% in February. The investment grade corporate bonds of the euro area strengthened by 0.3%.

Short-term outlook

We continue to position ourselves defensively against increases in interest rates. We bought five-year eurobonds of the Republic of Latvia. Considering the relatively low external debt of Latvia and positive macroeconomic trends, in our opinion the interest level of the bond is attractive.

*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.

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