Swedbank Pension Fund K1 (Conservative Strategy)

March 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

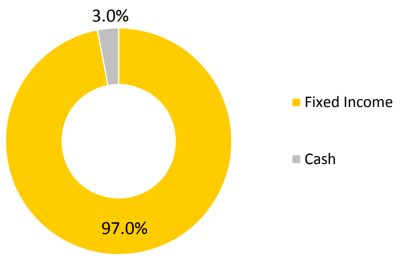
The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

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

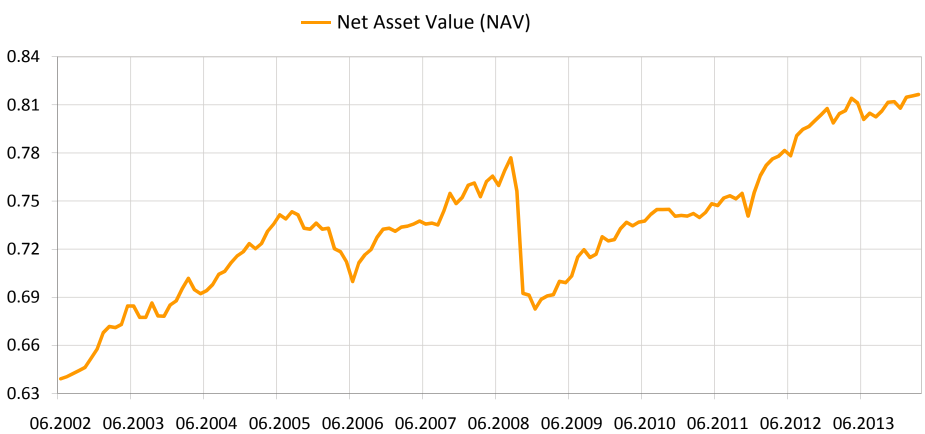
General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Inception	2002
Net Asset Value (NAV)	0.81649 EUR
Net Assets	46 552 146 EUR
Weighted average rating	A
Weighted average modified duration, years	2.4
Management Fee per annum	0.90%
Subscription Fee	0.0%
Redemption Fee	1.0%

Portfolio by instruments



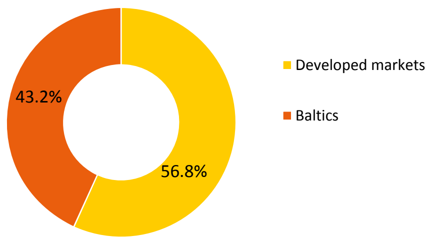
Fund performance*



	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	1.1%	0.1%	1.1%	1.3%	5.2%	10.4%	18.1%	27.8%
Annualized				1.3%	2.6%	3.3%	3.4%	2.1%

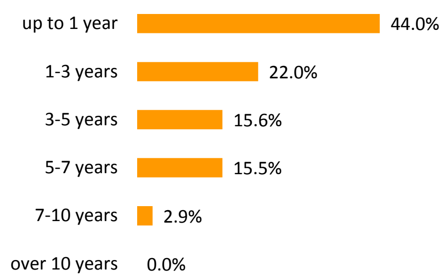
	2006	2007	2008	2009	2010	2011	2012	2013
Performance*	-0.4%	2.6%	-9.3%	6.2%	2.2%	1.9%	6.9%	0.0%

Portfolio by regions



Portfolio by ratings

Portfolio by modified duration



Largest investments TOP 10

Portfolio	Weight
Latvia T-Bond due 04.10.2018	4.4%
iShares Euro Ultrashort Bond UCITS ETF	3.2%
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%
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.

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 0.1% in March and 1.1% since the start of the year.

Market overview

March brought entirely new sentiments to the financial markets – equities of emerging markets preferred by more risk-averse investors began to recover from the long-term recession. On the other hand, the prices of high-quality government bonds with longer maturities also rose in the euro area. This should not be interpreted as a sign of a reduction in appetite for risk, however – rather as a reflection of the fact that the monetary policy of the European Central Bank continues to stimulate.

As the geopolitical risk factor sharpened in the first half of the month, the focus remained on the conflict between Russia and Ukraine and its predictable and unpredictable consequences for financial instruments. The initial negative impact remained very clearly within the limits of the region, and after the economic sanctions against Russia proved to be more modest than expected the situation settled and the price levels also recovered directly on the Russian financial market. Nevertheless, the events on the Crimean peninsula had a significant impact on the Russian economic climate – in the second and third quarter of the year economic growth in Russia will probably be negative.

In addition to Russia, China and its further economic outlook continued to be in the focus of financial markets. The HSBC Purchasing Managers' Index of the manufacturing sector was again disappointing, weakening to 48.1 points. Somewhat paradoxically the markets construed the weakened economic statistics as positive, because this increased the probability of the state's stimulating monetary policy and new investments in infrastructure, as the corresponding programme was disclosed at the beginning of April.

The possible improvement in the economic growth outlook of the euro area was confirmed by the rise in the Purchasing Managers' confidence index to 53.3 points (the level above 50 indicates growth in the service and manufacturing sector). The Purchasing Managers Index in the manufacturing sector of the United States increased to 53.2 points and the number of jobs grew by 175,000 in February. The improved economic statistics published in March indicate that the weakness shown by the US economy in the early months of the year can be put down to the poor weather conditions to a significant extent. In addition, Janet Yellen, the new Chair of the US Federal Reserve, surprised markets a little by suggesting that the central bank could increase the reference interest rate as soon as in 2015.

The European Central Bank did not change its monetary policy in March (or April), but several senior officials from the European Central Bank referred in their statements to the possibility that the central bank could make its monetary policy even more stimulating, considering the very low inflation in the euro area and continuing weak economic growth.

Risk-free interest rates mostly decreased in the euro area in expectation of a more stimulating monetary policy from the European Central Bank. This applied especially to bonds with longer maturities. The interest rate of German two-year government bonds rose by 3 basis points and that of ten-year government bonds fell by 6 basis points. The returns of all asset classes in the bond portfolio of our fund remained on the positive side in March. Investment-grade corporate bonds of the euro area performed best (+0.3%). The index of high-quality government bonds of the euro area with short maturities ended where it started (+0.0%).

Short-term outlook

We continue to position ourselves defensively against increases in interest rates, because the level of interest rates of bonds with longer maturities is already extremely low. At the same time, it is not impossible that the European Central Bank will be forced to take steps to boost economic growth and accelerate the rate of inflation, which is still hampering the possibility of a rise in interest rates in the future. We bought a fund investing in corporate bonds of high credit quality with short maturities. The return of the fund is comparable with the deposit rates of Estonian banks, but the liquidity of the fund allows for a more flexible response to the changed market conditions. At the same time, we reduced the share of euro area government bonds in the portfolio.

*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.