

# Swedbank Pension Fund K1 (Conservative Strategy)

April 30, 2014

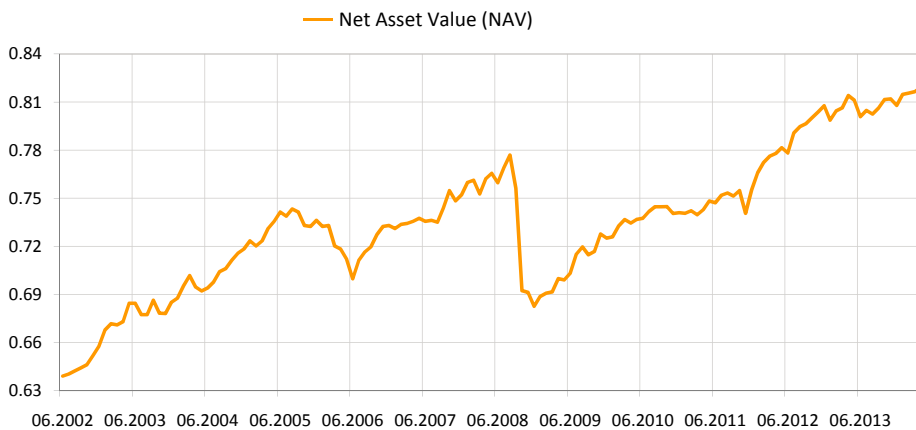
## Investment Principles

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)	0.81916 EUR
Net Assets	46 662 785 EUR
Weighted average rating	A
Weighted average modified duration, years	2.5
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>	1.4%	0.3%	0.5%	0.6%	5.3%	10.3%	17.0%	28.2%
				0.6%	2.6%	3.3%	3.2%	2.1%
<b>Performance*</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
	-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%
iShares Euro Ultrashort Bond UCITS ETF	3.2%
Deposit - Pohjola Bank Plc Estonian Branch (EUR) - 30/360	2.8%
Volkswagen International Finance EUR 1.875% 15.05.17	2.5%
Rabobank EUR 3.875% 20.04.2016	2.5%
Deposit - Swedbank AS (EUR)	2.1%
ING BANK N.V. EUR 4.25% 13.01.2017	2.0%
ABN AMRO BANK 3.625% 06.10.17	2.0%
BNP Paribas EUR 3.75% 25.11.2020	2.0%
Daimler AG EUR 1% 08.07.2016	1.9%

## Risk level

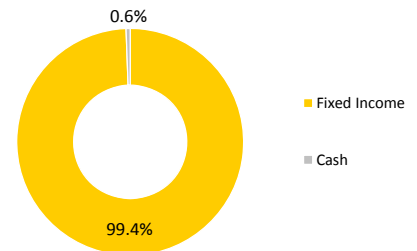
Lower risk ← Higher risk  
Typically lower rewards ← Typically higher rewards



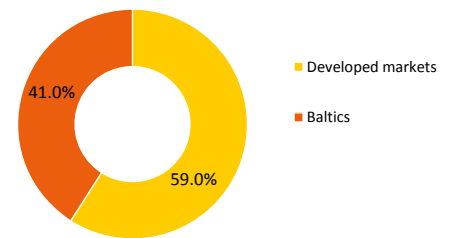
The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

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

## Portfolio by instruments



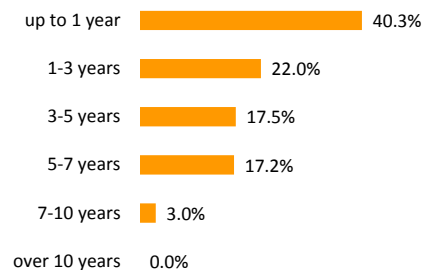
## Portfolio by regions



## 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](http://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

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Swedbank's Pension Fund K1 returned 0.3% in April and 1.4% since the start of the year.

### Market overview

April turned out to be a rather volatile month on financial markets, although no trends became clear in asset classes. As a continuation of March, the first half of April was more positive for the equities of emerging markets, but their advantageous position evaporated by the end of the month. Russian equity markets were underperforming considerably, but the geopolitical impact arising from the region has so far remained very clearly delimited. April proved to be stable and positive for bonds. The belief spreading among investors that the deflation of the euro area poses a greater risk at the moment than inflation has, at least on a short-term basis, produced a certain ceiling on bond interest rates.

One of the focal themes on financial markets was the results of companies in Q1, which considerably exceeded the expectations of analysts in comparison with the average over the last two years. However, prior to the period of publication of results equity analysts had significantly lowered their expectations. The US economy shows signs of acceleration in economic growth following the harsh weather conditions of the winter months. The Purchasing Managers' Index of the manufacturing sector rose by half a point to 53.7 (a level above 50 indicating growth in the sector). Investors continue to worry about China, as the potential slowdown of China's economic growth does not make the region very attractive for investments. The Purchasing Managers' Index of the Chinese manufacturing sector published in April strengthened a little (up to 48.3), but again remained below the level of 50 points, which indicates growth. According to official statistics, China's economy grew by 7.4% in Q1 year-on-year, but the reliability of the official statistics of China is questionable in the eyes of many investors.

The events in Ukraine added volatility and uncertainty to financial markets. Standard & Poor's rating agency cut Russia's credit rating to BBB- – the lowest investment grade rating. The US government also informed of new sanctions. At the same time, the Russian equity market responded to the sanctions with a short-term rise, as investors had expected considerably stricter measures, e.g. sanctions on some large national banks in Russia.

The European Central Bank did not change its monetary policy in April. However, the rhetoric of the central bank is clearly targeted at directing the expectations of investors towards a further easing of monetary policy. On the one hand, the slowly strengthening exchange rate of the euro (+0.7% against the US dollar in April) is forcing the European Central Bank to act more quickly, while on the other hand it indicates that investors' belief in the materialisation of practical steps of policy changes is not very strong.

In April, risk-free interest rates continued in the euro area on the same wavelength as in March, decreasing 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 fell by 2 basis points and that of ten-year government bonds by 10 basis points. The risk premiums of both investment-grade and lower-quality bonds decreased slightly. Therefore, 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 (+0.7%). The index of high-quality government bonds of the euro area with short maturities almost ended where it started (+0.1%).

### Short-term outlook

We are keeping the sensitivity of the bond portfolio to the fluctuation of interest rates close to neutral – low euro area inflation will probably keep the interest rates at low levels in the short term. 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 initially still hampering the possibility of a rise in interest rates in the future, while creating prerequisites for the exit of bond markets from the historical lows of interest rates in the longer term.

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\*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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