Swedbank Pension Fund K2 (Balanced Strategy)

October 31, 2010

Investment Principles

Swedbank Pension Fund K2 (Balanced Strategy) is a contractual investment fund founded for providing mandatory funded pension. The objective of the Fund's investment activity is to achieve long-term, stable capital growth. The Fund's assets will be invested in bonds, shares, money market instruments and other assets of either Estonian or foreign origin. The Fund's assets may be invested in shares or in the investment funds dealing with investments in shares to the extent of 25% of the market value of the Fund's assets.

General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Kristjan Tamla
Contact	Swedbank offices and tel. +372 613 1606 www.swedbank.ee/funds
Inception	2002
Net Asset Value (NAV)	12.70 EEK
Net Assets	2 196 475 131 EEK
Average management fee per annum**	1.45%
Subscription Fee	0.0%
Redemption Fee	1.0%

Statistics (computed over 3 years)

Standard Deviation	7.6%

Fund performance*

Net Asset Value (NAV)
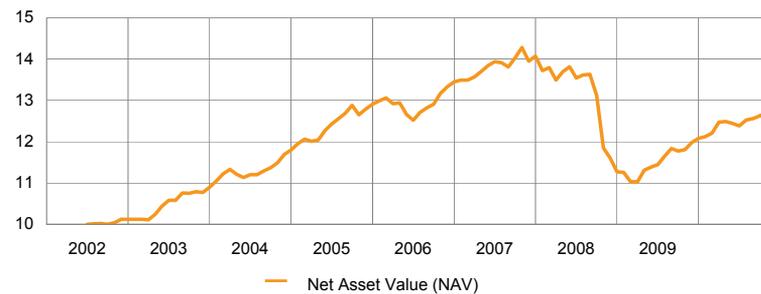
	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	5.1%	0.6%	1.4%	7.5%	7.2%	-11.1%	0.4%	26.9%
Annualized				7.5%	3.5%	-3.8%	0.1%	2.9%

	2003	2004	2005	2006	2007	2008	2009
Performance*	7.7%	8.3%	9.4%	4.2%	4.6%	-19.9%	7.2%

Portfolio by regions

Swedbank Pension Fund K2 performance in October was 0.6%, with YTD performance of 5.1%.
In October the global financial markets adopted a wait-and-see stance. Several significant events with a major impact on the development of the markets took place over a short period of time – the publication of Q3 earnings results began in the middle of the month and in the first week of November there were US Congress elections and a regular meeting of the Federal Reserve, which adopted a decision on further economic stimulus measures. The largest growth in the fund's portfolio was shown by investments in the equity markets of the Baltic countries, where the average monthly gains exceeded 5%. The only positions to remain negative over the month in terms of Estonian kroons were investments in the Swedish and Japanese equity markets.
During the month we reduced our allocation in the Japanese equity market and channelled new investments to the Latin American equity markets. We think that the appreciating exchange rate of Japanese yen is having a significant adverse effect on the profitability of exporting businesses in the country. According to our fixed income view the yields of longer-term government bonds of developed countries will start to show a gradual upward trend more clearly. Therefore, we will continue to favour corporate bonds containing a credit premium as well as short-term government bonds of developed countries.

Risk level

equity funds
balanced funds
fixed income funds

Higher expected yield is accompanied by higher risk

risk

Portfolio by instruments

Cash; 11.35%
Real Estate; 3.1%
Other; 0.2%
Equities; 23.9%
Fixed Income; 61.5%
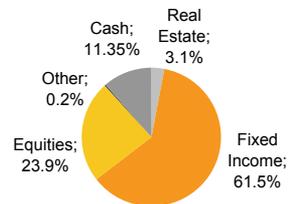
Equity portfolio by regions

Developed markets	10.8%
Central and Eastern Europe	9.2%
Emerging markets	2.8%
Russia	1.1%
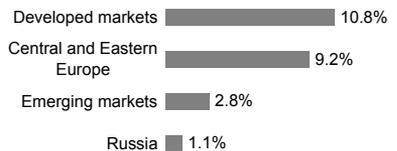
Fixed Income portfolio by regiones

Western Europe	46.1%
Baltics	12.5%
Emerging markets	2.8%
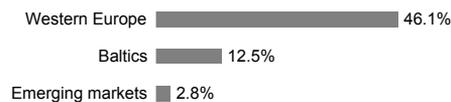
Portfolio by currencies

EUR	67.9%
EEK	22.3%
USD	7.4%
SEK	1.1%
DKK	0.6%
JPY	0.6%
LVL	0.1%
LTL	0.01%
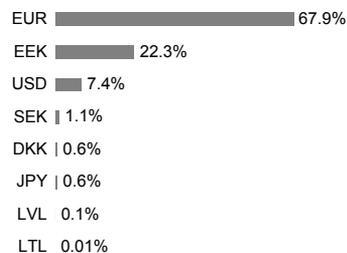
Largest investments

Stocks	Weight
SSGA Tracks Pan Euro	3.5%
SSGA USA Index Equity Fund	3.5%
Hansa CEE Fund of Funds	2.9%
SSGA Europe Index Equity Fund	1.8%
Lyxor Eastern Europe Index ETF	1.5%
Bonds	**Weight**
Lyxor EuroMTS 1-3Y Index ETF	8.4%
DB x-Trackers iBoxx € Sov 1-3Y Index ETF	8.2%
iShares Barclays € Gov Bond 1-3Y Index ETF	7.8%
PIMCO Global Inv Grade Credit Fund	5.6%
SSGA Euro Corp. Bond Index Fund	5.1%