

Swedbank Pension Fund K3 (Growth Strategy)

August 31, 2012

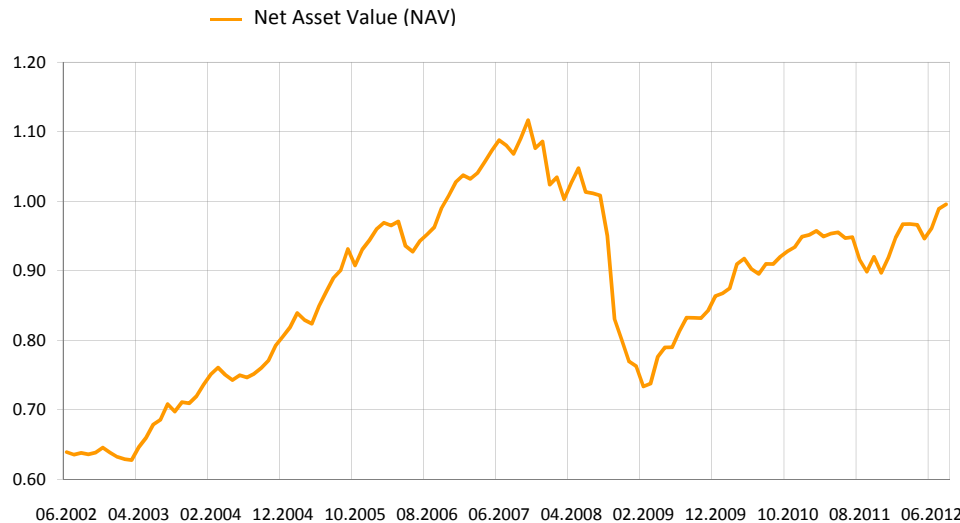
Investment Principles

Swedbank Pension Fund K3 (Growth 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 up to 50% of the assets in equities, equity funds and other instruments similar to equity and the remaining part of the assets in bonds, money market instruments, deposits, immovables and other assets.

General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Inception	2002
Net Asset Value (NAV)	0.99552 EUR
Net Assets	374 838 061 EUR
Standard deviation (computed over 3 years)	5.6%
Average management fee per annum**	1.38%
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*	8.3%	0.7%	5.2%	8.7%	9.5%	19.6%	-6.8%	55.8%
Annualized				8.7%	4.6%	6.1%	-1.4%	4.5%

	2004	2005	2006	2007	2008	2009	2010	2011
Performance*	11.9%	17.2%	8.9%	5.7%	-29.1%	12.2%	9.9%	-3.2%

Largest investments TOP 10

Equity portfolio	Weight
MSCI Europe Source ETF	6.1%
SSGA USA Index Equity Fund	5.8%
Lyxor Eastern Europe Index ETF	5.5%
MSCI Japan Source ETF	3.6%
Morgan Stanley Europe Equity Alpha Fund	3.1%
Fixed Income portfolio	Weight
PIMCO Global Inv Grade Credit Fund	7.6%
Bluebay Inv Grade Bond Fund	7.4%
Lyxor ETF Euro Corp Bond Fund ex Financials	3.8%
iShares Markit iBoxx € Corporate Bond Fund	3.7%
Lyxor ETF Euro Corporate Bond Fund	2.2%

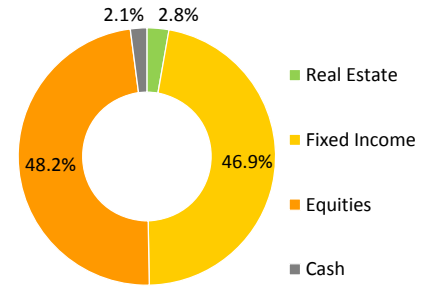
Risk level

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

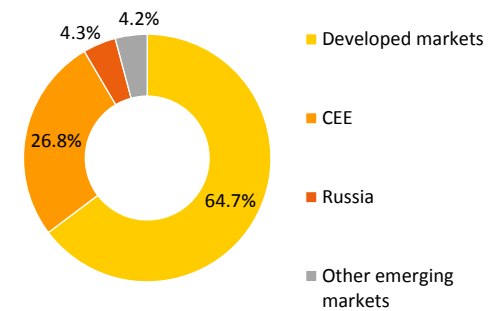


The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

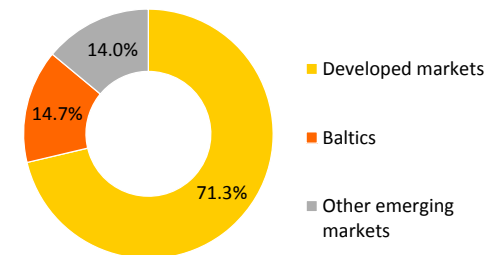
Portfolio by instruments



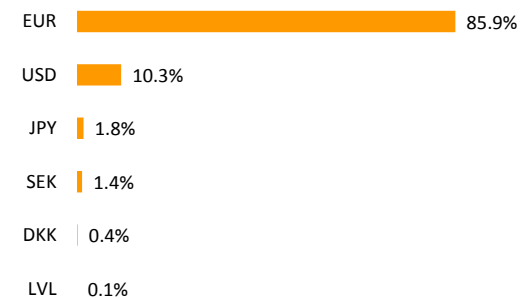
Equity portfolio by regions



Fixed Income portfolio by regions



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. Investments in foreign markets are sensitive to changes in foreign currency exchange rates, which may cause a rise or a fall in the net value of the fund unit.

** Methodology of calculating fund's average management fee can be found in the prospectus of mandatory pension funds.

Please read fund's rules and prospectuses available on the web-site www.swedbank.ee/fondid or visit a Swedbank office. If necessary, consult with a teller or an investment consultant on phone number +372 613 1606.

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Manager Commentary

Swedbank's Pension Fund K3 returned 0.7% in August and 8.3% since the start of the year.

August was relatively quiet on the financial markets and investors were in wait-and-see mood due to the lack of important political decisions and events. Although risk appetite on the markets was mostly rising, it did not cause any significant outflows from risk-free assets. The focus remained on the activities of the European Central Bank (ECB). The expectations of the markets regarding the results of the regular ECB meeting held at the start of August were very high, especially after the bank's president Draghi insisted that the euro is irreversible. However, the results of the meeting did not include another reduction of the base interest rate or any specific plans for lowering the sky-high interest rates of problem countries to more manageable and sustainable levels. It started to become apparent during the month that a very limited interference in the markets, i.e. purchasing up to three-year bonds on the secondary market, is more probable. Such market expectations brought the shorter term interest rates of Italy and Spain down by ca. 120 to 150 basis points, but the interest rates of longer terms remained almost as high as before.

Global economy stayed at a predominantly weak level – the Purchasing Managers Indices in the European industrial sector pointed at a continuing decrease in production activity. The Purchasing Managers Indices of Germany, France and the UK, which suggested that the pace of contraction in the industrial sector is decelerating, stood out as the positives against a generally negative background. The economic situation in the US is somewhat stronger than in Europe, but the slow increase in the number of jobs is a massive problem there as well, and it may lead to the third Quantitative Easing Program of the Federal Reserve.

Eastern Europe was the region with the best performance in the equity portfolio (+4.7%, all returns are given in euros) and the Baltic States were also an emerging region that did well (+1.9%). Returns on the equities of Russia (-0.9%), Emerging Asia (-2.8%) and Latin America (-2.6%), on the other hand, remained in the negative territory. Western European equities performed well among developed regions (+2.0%) and the US just about managed to stay in the positive territory (+0.1%), whereas the performance of Japanese (-2.8%) and Swedish (-1.7%) equities remained in the negative territory.

The risk premiums of both investment grade and lower quality bonds decreased on the bond markets. Among the asset classes of our fund portfolios, the performance of investment grade corporate bonds of the eurozone (+0.9%) and the euro-denominated government bonds of emerging markets (+1.7%) remained in the positive territory. Relatively risk-free interest rates increased slightly – both the 2-year and 10-year term in Germany went up by 5 basis points.

The fund portfolio had an overweight of Western European equities, mainly because of their relatively favourable valuations. The decision proved to be a profitable one despite the political risks.

Looking forward, we expect September to be more eventful and therefore also more volatile on the financial markets. We continue keeping the overweight position in equities. The valuations of equities remain attractive compared to bonds, and global liquidity continued increasing. We also expect the world's economic growth to accelerate again in the second half of the year. The risks threatening the equity markets are mainly political – there is still no clarity about the ECB's bond purchase plan and the possible impact of the results of the presidential elections in the US is moving firmly into the focus.

We continue preferring European equities to other regions, because the equities of this region have priced in an economic growth that is noticeably weaker than we forecast. Sentiment about emerging markets has also become slightly more favourable, which is why we reduced our underweight in these asset classes.

We are also positive about the outlook of riskier bond asset classes – we believe that risk premiums reflect adequately the financial risks of companies and the investors' movement into asset classes with higher interest rate levels should result in the decrease of the credit spreads of bonds with credit risk in comparison to the bonds that are considered the safe havens of the financial markets. We believe that the yields of the bonds of Germany and other countries located outside the epicentre of the eurozone's debt crisis do not give an adequate reflection of the credit risk or the possible acceleration of inflation, which is why we have invested considerably less compared to the neutral level of the asset class of eurozone bonds.

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