

Swedbank Pension Fund K3 (Growth Strategy)

January 31, 2013

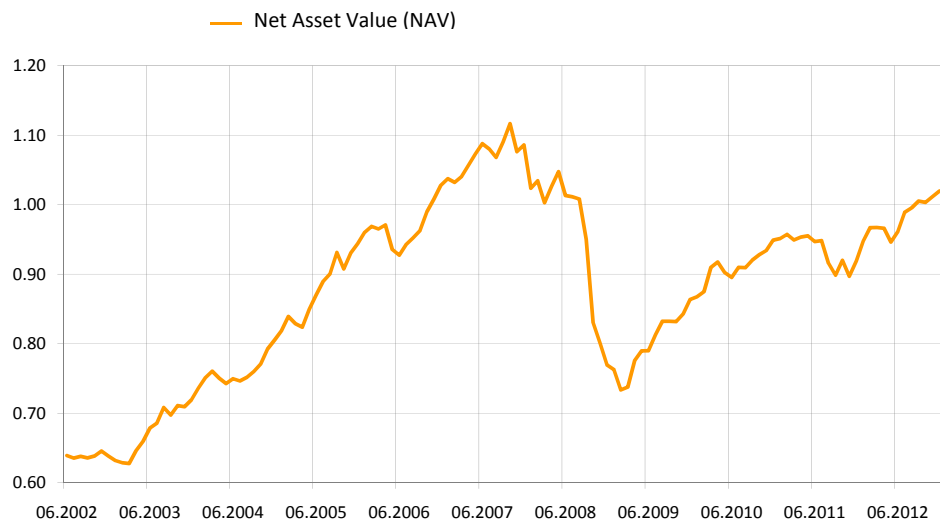
Investment Principles

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)	1.02205 EUR
Net Assets	389 048 915 EUR
Standard deviation (computed over 3 years)	5.5%
Average management fee per annum**	1.37%
Subscription Fee	0.0%
Redemption Fee	1.0%

Fund performance*



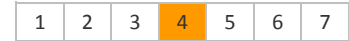
	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	0.3%	0.3%	1.9%	7.8%	7.4%	17.8%	-0.2%	59.9%
Annualized				7.8%	3.6%	5.6%	0.0%	4.5%
	2005	2006	2007	2008	2009	2010	2011	2012
Performance*	17.2%	8.9%	5.7%	-29.1%	12.2%	9.9%	-3.2%	10.9%

Largest investments TOP 10

	Weight
Equity portfolio	
Morgan Stanley Europe Equity Alpha Fund	3.2%
Lyxor Eastern Europe Index ETF	3.2%
DB x-Trackers MSCI EM Latin Index ETF	3.1%
SSGA Europe Index Equity Fund	2.6%
SPDR MSCI Europe ETF	2.6%
Fixed Income portfolio	
PIMCO Global Inv Grade Credit Fund	7.5%
Bluebay Inv Grade Bond Fund	7.5%
iShares Markit iBoxx € Corporate Bond Fund	4.4%
Lyxor ETF Euro Corp Bond Fund ex Financials	3.6%
Lyxor ETF Euro Corporate Bond Fund	2.1%

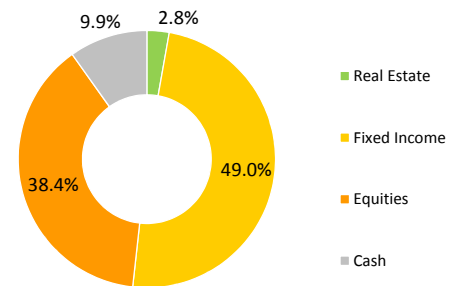
Risk level

Lower risk Higher risk
Typically lower rewards Typically higher rewards

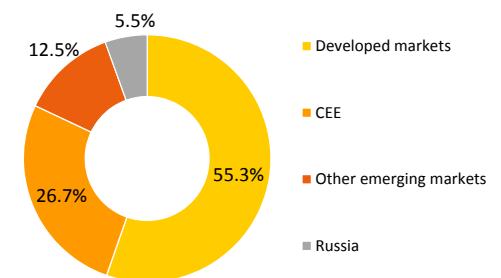


The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

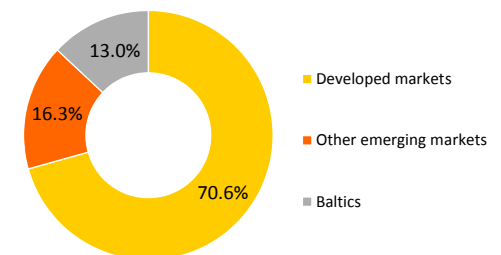
Portfolio by instruments



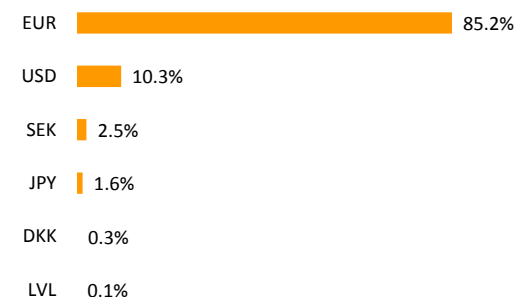
Equity portfolio by regions



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 0.3% in January and 0.3% since the start of the year.

Market overview

The new year began with a more cheerful sentiment on financial markets as the US Republicans and Democrats reached an agreement on the 'fiscal cliff' issue. It was agreed to extend the deadline for solving the problem by a couple of months. Nevertheless, it gave investors some breathing space and equity markets responded with a strong rise. The next serious political threat was seen in the possibility that the February deadline of the decision regarding the debt ceiling would be missed. The risk diminished somewhat as the US Congress moved the deadline to the end of March. The positive stock market sentiment lasted for the entire month and, supported by inflows from deposits and low-interest bonds into equities, stock exchange indices moved slowly but surely upwards.

Our view that the slowdown in the global business cycle is about to end and the pace of economic growth to accelerate was confirmed in January. The US real estate and labor markets showed continued positive developments and the sales statistics of new cars hit a five-year high. After the slowdown that lasted the last seven quarters, GDP growth in China again gained momentum by rising from annual growth of 7.4% in the previous quarter to 7.8%. Also, the euro area Purchasing Managers' Surveys, which are predictive of the business cycle, showed impressive results.

The acute phase of the euro area crisis seems to be over, at least for the time being, but substantial risks still exist. The European Central Bank offered banks the option of early repayment of loans granted in the framework of the long-term programme (LTRO). Within the first repayment window banks returned to the central bank a considerably larger amount of loans than expected and the financial markets interpreted this as a sign of the banking sector's strength. In addition, the statistics of the euro area central bank showed that after a long period there was growth in the bank deposits of periphery countries – Italy and Spain – in December. This reduces their dependence on the central bank's support and increases the availability of credit to the countries' private sectors, thus contributing to economic growth.

The strength of equity markets was certainly further enhanced by the unexpectedly strong performance of the corporate sector. In the USA, 201 companies representing more than half of all market capitalisation had reported their financial results by the end of January. On average, the earnings of these companies exceeded analysts' expectations by 5.5% and sales growth by 0.8%. Earnings season data is in line with the downward revision of earnings expectations by analysts. However, considering the relatively sluggish economic growth, higher expectations which would be a driving force for the markets in the short term are unlikely.

Overall, the biggest winner on equity markets over the month was the Stockholm Stock Exchange (+5.6%; all returns are in euro), closely followed by the Baltic index (+5.5%). The next were Europe (+2.8%), the USA (+2.3%) and Japan (+0.7%). Russia was the strongest (+3.2%) among emerging markets and Latin America too ended the month positively (0.8%). The index of the Far East excluding Japan was weak (-1.6%) and the performance of Eastern Europe, which showed strong returns last year, was also poor (-5.4%) as investors preferred cheaper equity markets with better growth prospects.

In contrast to the rise in all asset classes which we witnessed last year, the first month of this year was more traditional on financial markets as lower-risk asset classes acted as a mirror image of equities – financial assets moved from debt markets to equity markets. The weakest performers in our portfolios in the asset class of bonds were euro area government bonds with an AAA-A rating, the price of which fell by 1.7% on average against the rise in interest rates in January. Among other weak performers were European investment grade corporate bonds whereas the weakness of this asset class resulted directly from the weakness of government bonds; the risk premiums of corporate bonds did not change much over the month. Euro-denominated emerging market government bonds performed somewhat better and ended the month only slightly in the negative (-0.2%). Speculative grade bonds continued their remarkable performance – the monthly return of the portfolio fund BlackRock was +1.4%.

We reduced in the portfolios the weight of Eastern Europe and developed industrialised economies (Japan, the USA and Western Europe), whereas we increased the weight of developing Asia and Latin America. This change was strategic in nature as we see relatively better potential in Latin America and Asia, considering long-term economic growth, demographic trends and the price levels on the markets.

Short-term outlook

Going into February we are rather cautious regarding the outlook of equity markets. Although the price levels are still attractive, especially compared to lower-risk bonds, equities have lost part of their relative advantage when we look at the rise in the interest rates of bonds. There are also several technical indicators that make us cautious with regard to short-term developments on equity markets.

Tactically, our slight regional preference in February is for Russian equity markets. 2012 was clearly disappointing for Russian equities, largely due to the swapping of roles by Medvedev and Putin, which did not have a good impact on the country's already tarnished image in the eyes of investors. The Russian equity market has a history of sharp turns – extremely unsuccessful years have often been followed by very successful ones. The equity market, which has proved to be a value trap, i.e. it has become even cheaper than initially over a sustained period of time, has today become one of the best markets among emerging ones in terms of cash flow and dividend yield.

Within bond markets, we continue to maintain an overweight status in the speculative grade corporate bond asset class. Although risk margins have tightened considerably, we feel that they continue to compensate for the probable risk of insolvency. This is also likely to provide protection within the asset class of bonds against the interest rate rise of low-risk bonds. We also prefer emerging market bonds which offer more attractive interest yields than euro area corporate debt securities. At the same time, the fundamental indicators of the asset class are even stronger.

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