

Swedbank Pension Fund K3 (Growth Strategy)

May 31, 2013

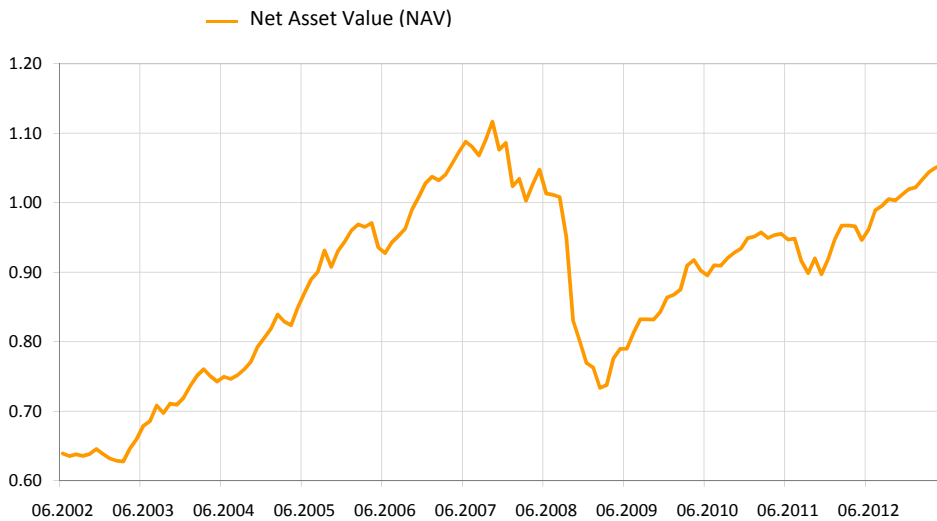
Investment Principles

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)	1.05412 EUR
Net Assets	415 194 948 EUR
Standard deviation (computed over 3 years)	4.9%
Average management fee per annum**	1.35%
Subscription Fee	0.0%
Redemption Fee	1.0%

Fund performance*



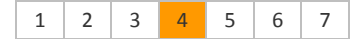
	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance* Annualized	3.4%	0.4%	2.0%	11.4%	10.4%	16.8%	0.6%	64.9%
				11.4%	5.1%	5.3%	0.1%	4.7%
	2005	2006	2007	2008	2009	2010	2011	2012
Performance*	17.2%	8.9%	5.7%	-29.1%	12.2%	9.9%	-3.2%	10.9%

Largest investments TOP 10

Equity portfolio	Weight
db x-trackers MSCI AC Asia ex Japan Index UCITS ETF	4.6%
Morgan Stanley Europe Equity Alpha Fund	3.3%
Swedbank Robur Indexfond Asien	3.2%
SSGA Europe Index Equity Fund	2.6%
DB x-Trackers MSCI EM Latin Index ETF	2.6%
Fixed Income portfolio	Weight
Bluebay Inv Grade Bond Fund	7.2%
PIMCO Global Inv Grade Credit Fund	7.2%
iShares Markit iBoxx € Corporate Bond Fund	4.5%
iShares Barclays Euro Corporate Bond Interest Rate Hedged	2.3%
Blackrock Global High Yield Bond Fund	1.9%

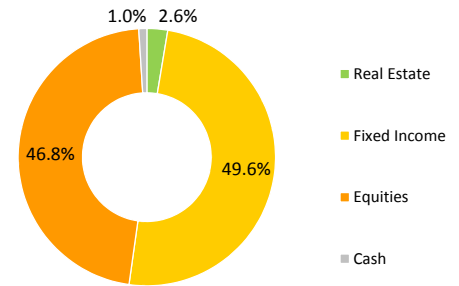
Risk level

Lower risk Higher risk
Typically lower rewards Typically higher rewards

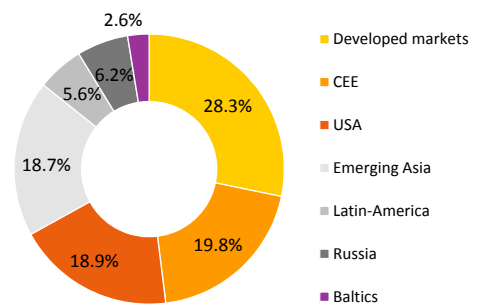


The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

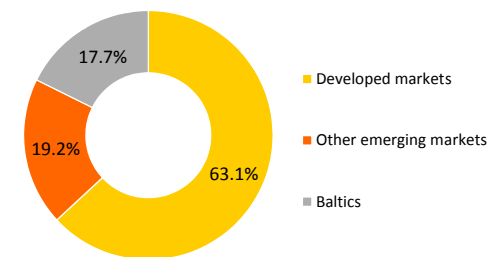
Portfolio by instruments



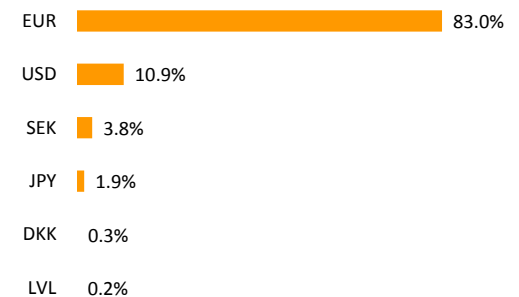
Equity portfolio by regions



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 0.4% in May and 3.4% since the start of the year.

Market overview

The month of May turned out to be fairly turbulent – tensions have increased on both equity and debt markets, and the month's events have given investors plenty of food for thought with regard to their future behaviour. All this was reflected in the uncertainty of markets, and apart from a few asset classes – US and West-European equities, for example – that remained in positive territory, many others were hit by a wave of sell-offs, especially in the second half of the month.

May began with a cut to the European Central Bank's key interest rate of 0.25 percentage points to a level of 0.5%. This move had been widely expected and already priced in by the markets. As such, its impact on bond markets lasted merely half a day.

Much more attention was attracted by the US Federal Reserve, which in the opinion of a number of investors had started to prepare the markets for a possible reduction in the bond purchase programme. The US economic statistics published over the month were largely interpreted in terms of their potential effect on the monetary policy of the Federal Reserve. Compared to the relatively strong labour market indicators published at the beginning of the month, those relating to industrial sector activity were rather weak. Therefore uncertainty with regard to a possible reduction in the volume and timing of the Federal Reserve's asset purchase programme is fairly high.

Besides the outlook for US monetary policy, developing market equities were negatively affected by predominantly slower economic growth. At the same time, some countries are facing the problem of rising inflation – the central bank of Brazil, for example, was forced to raise its key policy rate by 0.5 percentage point to mitigate inflationary pressure.

The uncertainty of the markets regarding Japan's new aggressive economic policy grew, which was clearly reflected in increased volatility on the local equity market – there was a trading day in May when Japanese equities fell by almost 7%. This was nothing fundamental, having rather more to do with profit-taking and closing of speculative positions as well as rebalancing of the increased weight of Japanese equities mainly by local long-term investors.

The mass protests that started in Turkey in the second half of May have remained contained, but there is no end in sight and they have affected both the Turkish equity and bond market. The latter's risk premiums rose significantly at the end of May and beginning of June. The emerging market debt asset class in our funds includes investments in Turkey. Turkish equities also form part of our Central and East-European region, which is why we are following developments in the country very closely.

The dynamics of equity markets were varied. Among developed regions, US equities gained 3.5% (all returns are in euros) and European equities 1.9%. Japanese equities, on the other hand, ended in negative territory (-4.3%). The results of equity markets in developing regions were not brilliant either. Latin American equities fell sharply (-5.6%); the Russian equity index – which has shown very weak performance since the beginning of the year – fell less dramatically (-1.3%). Baltic equities lost 1.4%. Equity markets in Developing Asia, however, remained close to zero (+0.2%) and East-European equities strengthened by 0.7%. Equities of Developing Asia make up the largest proportion of developing region equities in our portfolios.

Bond portfolios were first and foremost affected by the outlook for the Federal Reserve's monetary policy, against the backdrop of which the interest rates of long-term government bonds in many developed industrial countries rose significantly. The effect on different asset classes of bonds was not uniform, however: emerging market bonds (and currencies) were hit by a particularly harsh wave of sell-offs, while the rise of risk premiums was relatively modest and the risk margins of euro-area investment-grade corporate bonds even experienced a fall.

Among risk-free bonds, the biggest losses were incurred by longer-term securities – the interest rates of German 2- and 10-year government bonds rose by 6 bps and 29 bps respectively. Euro-area government bonds with an AAA-A rating fell by 1.5%. The prices of euro-area investment-grade corporate bonds weakened by 0.3% over the month and the same loss was faced by emerging market government bonds denominated in euros. The asset class of speculative grade bonds remained slightly in the negative.

Short-term outlook

At the end of May we decreased the weight of equities in the fund's portfolio to neutral, as in our view the probability of a larger equity market correction has grown. Although flows of liquidity provided by central banks are mostly supportive of equity markets, the signs of a possible reversal of the monetary policy of the US Federal Reserve are causing additional volatility on the markets.

As equity markets became mostly stronger in March and April and the interest rates of risk-free bonds rose in May, the price level of equity markets has lost some of its attraction. Global economic growth is likely to be less supportive of equity markets in the coming months but we expect it to provide a more positive impulse for the markets towards the end of the year. In terms of regions we prefer the Russian equity market to Latin American equities, as in our opinion the absolute and relative price level of Russian equities (compared to Latin America) is unreasonably low.

In bond portfolios we continue to prefer asset classes with higher credit risk and interest rates, i.e. emerging market government and corporate bonds. We maintain our investments in speculative grade corporate bonds, as payment difficulties of companies remain at low levels globally and investment conditions are fairly favourable.

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