

# Swedbank Pension Fund K3 (Growth Strategy)

June 30, 2013

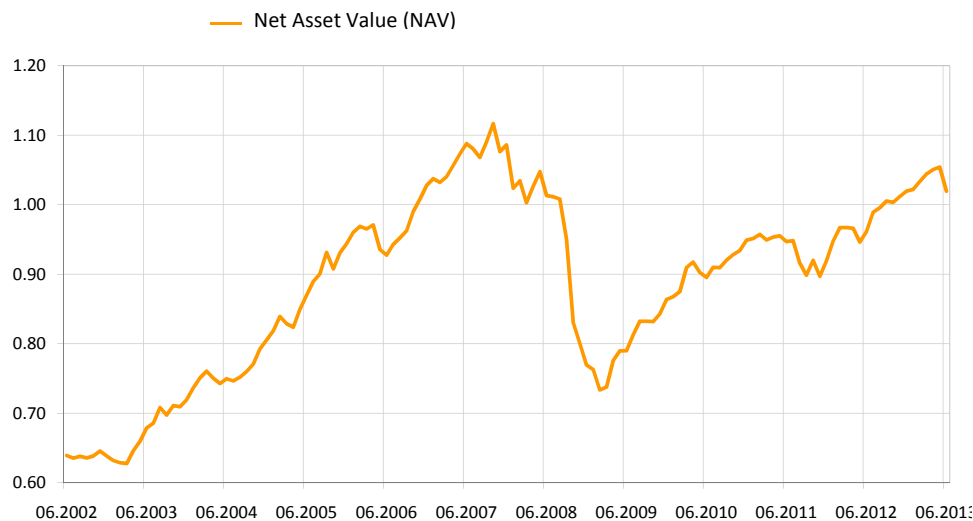
## Investment Principles

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)	1.01951 EUR
Net Assets	407 195 251 EUR
Standard deviation (computed over 3 years)	5.3%
Average management fee per annum**	1.35%
Subscription Fee	0.0%
Redemption Fee	1.0%

## Fund performance\*



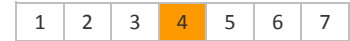
	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance* Annualized	0.0%	-3.3%	-2.4%	6.1%	7.7%	13.9%	0.6%	59.5%
				6.1%	3.8%	4.4%	0.1%	4.3%
	2005	2006	2007	2008	2009	2010	2011	2012
Performance*	17.2%	8.9%	5.7%	-29.1%	12.2%	9.9%	-3.2%	10.9%

## Largest investments TOP 10

Equity portfolio	Weight
db x-trackers MSCI AC Asia ex Japan Index UCITS ETF	4.4%
Swedbank Robur Indexfondn Asien	3.7%
Morgan Stanley Europe Equity Alpha Fund	3.1%
SSGA Europe Index Equity Fund	2.5%
iShares MSCI Europe ETF	2.4%
Fixed Income portfolio	Weight
Bluebay Inv Grade Bond Fund	7.2%
PIMCO Global Inv Grade Credit Fund	7.0%
iShares Markit iBoxx € Corporate Bond Fund	4.4%
iShares Barclays Euro Corporate Bond Interest Rate Hedged	2.3%
Blackrock Global High Yield Bond Fund	1.9%

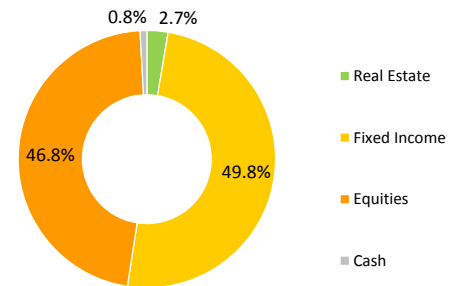
## Risk level

Lower risk Higher risk  
Typically lower rewards Typically higher rewards

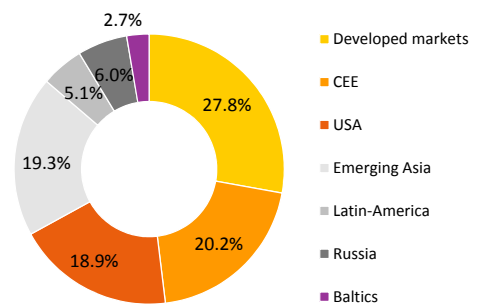


The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

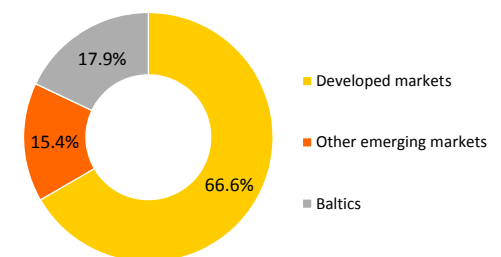
## Portfolio by instruments



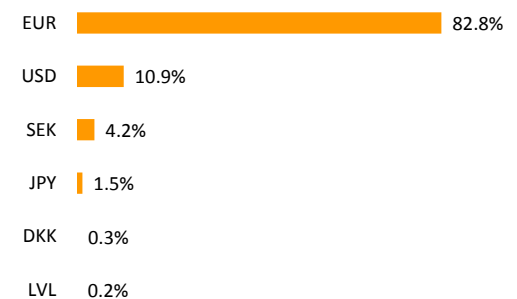
## Equity portfolio by regions



## 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](http://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

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Swedbank's Pension Fund K3 returned -3.3% in June and 0.0% since the start of the year.

### Market overview

June did not bring about any drastic changes in the mood prevailing on financial markets: the sales pressure that had emerged in equity and bond markets at the end of May continued. Positions were reduced due to the fear that in the coming quarters the Federal Reserve (the US central bank) would start decreasing its bond purchase programme, which had pumped massive funds into the markets. Additionally, China came to the centre of attention over the month due to steeply rising intra-bank money market rates, which rose because of banks' liquidity problems.

The economic conjuncture of developed industrialised countries largely showed signs of improvement over the month and a large portion of published business statistics either exceeded or met analysts' expectations. According to the US labour market report published at the beginning of the month, 175 000 new jobs were created outside the agricultural sector in May. At the same time, the US Q1 GDP indicator was significantly revised downwards and instead of the initial 2.4% the estimate was brought down to a mere 1.8%. The monthly survey carried out among the purchasing managers of the industrial and service sector of the euro area (PMI) also seemed to indicate a certain recovery in the economic climate of euro area countries. Based on a survey carried out among purchasing managers in the Chinese industrial sector published at the beginning of July, the slowdown in the Chinese economy continued in June.

Equity markets ended the month on the negative side in most major regions. Thereby, developed markets did generally better. Japan (+1.5% – all rates of return are in euros) and the Baltics (+2.0%) were the only ones to end the month on the positive side. The Silvano Fashion Group reported dividends during the month. This ought to reduce the uncertainties involving the company and positively support stock. The US equity market fell by 1.6% in June, while European equities weakened by 5.1%.

In June, the biggest decrease was suffered by Eastern European equities (-10.8%). The unrest in Turkey played a role in this. At the same time, with its relatively high current account deficit and dependency on foreign financing, Turkey is also a region that is more dependent on liquidity, which has been more than ample to date. Led by the fear of a tighter monetary policy of the Federal Reserve, investors reduced their positions in such regions. For similar reasons, the biggest losers during the month were Latin American equities (-9.2%). Equity markets in emerging Asia fell by 6.0%. Tensions in the Chinese intra-bank money market played a role in the negative sentiment towards the region, although they somewhat decreased in the second half of the month due to interference by the central bank. Russian equities ended the month 4.8% lower.

The euro appreciated against the US dollar until the middle of June, but ended the month at an unchanged level. News from the Federal Reserve saw financial markets expect US interest rates to become relatively more attractive, and therefore the dollar appreciated in the second half of the month.

A sales wave rolled across bond markets: the interest rates of risk-free bonds and the risk premiums of riskier investments rose. Thus the prices of riskier and less liquid bond asset classes fell the most. As for maturities, the bonds with the longest term suffered the most: the German two-year government bond rate rose by 12 bp and that of ten-year bonds by approx. 22 bp. The unit of BlackRock, a fund investing in speculative-grade bonds, lost 3.6% of its value in euros over the month. At the same time the negative return of the fund was alleviated by the relatively cautious positioning towards a rise in interest rates. Euro area AAA- to A-rated government bonds lost 1.4% over the month, the investment rate bonds of euro area companies lost 1.8% and the euro-denominated bonds of emerging markets lost 2.4% over the month. We decided to exit emerging market bonds, because the environment could remain unfavourable for the asset class for quite a while.

The comments of the Governor of the European Central Bank made at the meeting of the Monetary Policy Committee at the beginning of July included a bond market-supporting promise that key rates would remain at the current or lower level for an extended period of time.

### Near-term outlook

In July we will maintain a neutral position on equity markets, as in our estimate the positive and negative factors will balance each other out. The relative price level of equities will remain favourable in comparison with bonds, but be less favourable due to a rise in bond rates. The economic conjuncture outlook will remain moderately positive for equity markets and liquidity will remain supportive of markets owing to bond purchases by the Federal Reserve and the Japanese central bank. Various other technical indicators point to the possibility of a further fall in markets.

In regional terms we still prefer the Russian equity market over Latin America owing to the price level and stabilised oil prices. At the end of June we decided to increase the share of Japanese equities in our portfolios, simultaneously reducing the share of European equities. The Japanese market is supported by high liquidity, which in turn is supported by the bond purchases of the Japanese central bank and the increasingly positive expectations of equity analysts. However, in Europe the expectations of analysts are more subdued and the liquidity flows of the banking sector remain weak.

In spite of a certain increase in interest rates in recent weeks, their level remains very low and does not offer protection against risks relating to a pick-up in long-term inflation. Therefore we are tactically cautiously positioned towards a further rise in interest rates and keep the average term of bonds to the maturity date shorter than neutral. Tactically, we have continued to invest in the speculative-grade global bond asset class. The interest level here has become more attractive and the solvency issues of companies will remain at a relatively low level for quite a while.

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