Swedbank Pension Fund K3 (Growth Strategy)

October 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.

Risk level

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

1	2	3	4	5	6	7

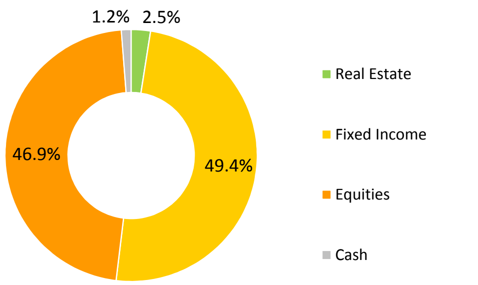
The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

Standard deviation of returns (over the last 3 years) 5.5%

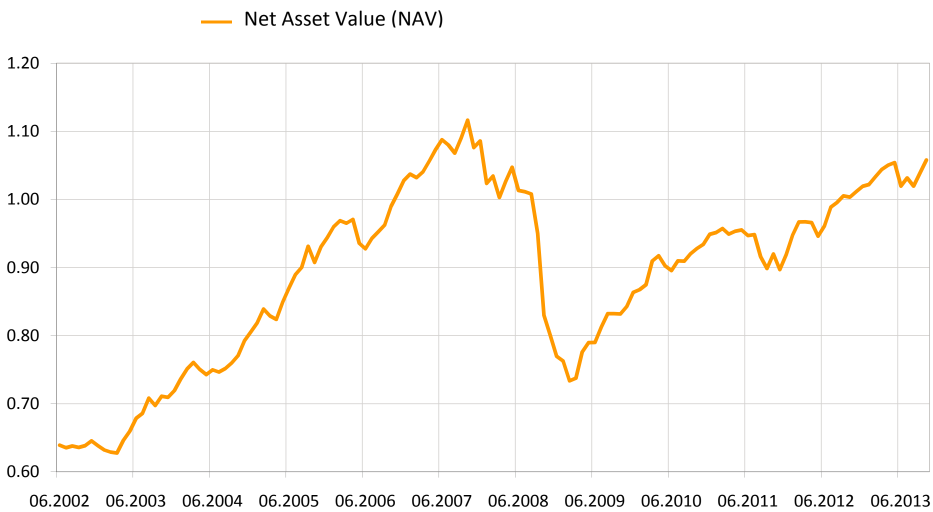
General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Inception	2002
Net Asset Value (NAV)	1.05794 EUR
Net Assets	439 410 531 EUR
Average management fee per annum**	1.34%
Subscription Fee	0.0%
Redemption Fee	1.0%

Portfolio by instruments



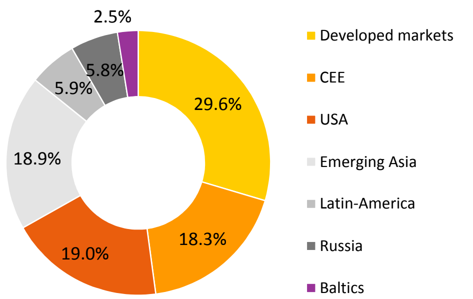
Fund performance*



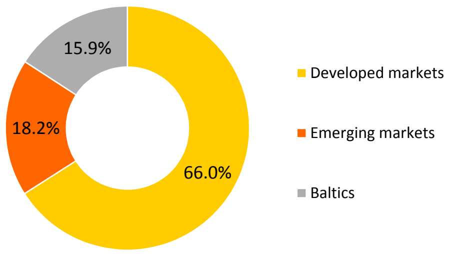
	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	3.8%	1.8%	2.5%	5.4%	15.0%	14.0%	27.4%	65.5%
Annualized				5.4%	7.2%	4.5%	5.0%	4.5%

	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%

Equity portfolio by regions



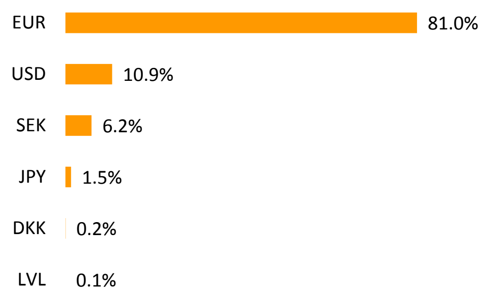
Fixed Income portfolio by regions



Largest investments TOP 10

Equity portfolio	**Weight**
db x-trackers MSCI AC Asia ex Japan Index UCITS ETF	4.6%
Swedbank Robur Indexfond Asien	3.8%
Morgan Stanley Europe Equity Alpha Fund	3.6%
DB x-Trackers MSCI EM Latin Index ETF	2.8%
Swedbank Robur Indexfond Europa	2.4%
Fixed Income portfolio	**Weight**
Bluebay Inv Grade Bond Fund	7.5%
PIMCO Global Inv Grade Credit Fund	6.7%
iShares Markit iBoxx € Corporate Bond Fund	4.2%
iShares Barclays Euro Corporate Bond Interest Rate Hedged	2.1%
Blackrock Global High Yield Bond Fund	2.0%

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.

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

Swedbank Pension Fund K3 (Growth Strategy)

October 31, 2013

Manager Commentary

Swedbank's Pension Fund K3 returned 1.8% in October and 3.8% since the start of the year.

Market overview

Even though the political struggle for the debt ceiling and budget in the United States at the beginning of October made the financial markets quite nervous, the month ultimately proved to be a very good one for most asset classes.

In early October investors focused their attention on America, where political negotiations on raising the national debt ceiling and public sector budget reached a dead end. This affected numerous US government sector services in the first half of the month and staff were forced to take a leave of absence. Among other things, the publication of economic statistics was affected: for instance, the labour market indicators for September, which are important to investors, were published several weeks later than usual. The partial halt in the government sector also had an adverse impact on US economic growth in the fourth quarter. However, a positive impact of similar magnitude can be expected in the first quarter of next year. In the middle of the month an agreement was reached, preventing the technical insolvency of the country and allowing the government to finance itself for a few months. At the beginning of next year this political spectacle and the resulting volatility on the financial markets may well repeat themselves.

In the second half of the month the financial markets again focused on ordinary issues: corporate earnings and economic statistics. The USD profit season is quite close to historic averages: earnings exceeded analysts' expectations by 4% on average, and sales were 0.6% higher than expected by the time 80% of US companies had disclosed their earnings figures to the stock exchange. The earnings of European companies were somewhat weaker: with two-thirds of companies having disclosed their results, sales and earnings figures were approx. 1% lower than expected.

The US labour market figures were worse than expected and convinced investors that the Federal Reserve would not start tapering before March next year. This supported risky asset classes – among others, emerging market equities and riskier bonds. Economic statistics largely indicated stabilisation in global growth.

One of the most important pieces of news in Europe during the month was the notably slower rate of inflation in the euro area (with prices rising year-on-year by a mere 0.7% in October). This fuelled expectation that the European Central Bank might make monetary policy even more stimulating by, for instance, lowering the deposit rate into the negative territory. It should be noted that on 7 November the ECB cut the base rate by 0.25 percentage points. Most investors did not expect such a rapid reaction. The euro strengthened at the beginning of October, but started falling in the second half of the month and eventually ended the month a mere 0.4% higher.

In terms of equity markets, the best regional market in the pension fund portfolio in October was Eastern Europe (+5.8%; all rates of return are given in euros). It is believed that Eastern European equities reflect the pick-up in the economic growth expected in the euro area. Latin American equity markets rose by 4.3%, US equity markets by 3.9%, European equity markets by 3.8% and Russian equities by 3.3%. Baltic equities rose only marginally – by 0.4%.

Japan proved to be the weakest equity market (-0.5%). Investors' attitudes towards Japan were negatively impacted by its plan to raise value added tax and the poor quarterly results of some companies (e.g. Canon).

Various pieces of news eventually gave a boost to bond markets. The interest rate of German two-year government bonds fell by 5.2 bp and that of 10-year government bonds by 10.5 bp. The risk premia of investment-grade bonds as well as bonds of lower quality fell. The index of the government bonds of the highest quality in the fund portfolio (AAA-A) rose by 0.9% over the month, the index of euro area investment-grade corporate bonds rose by 1.1% and that of euro-denominated government bonds of emerging economies rose by 1.7%. The month was also good for bonds of lower quality: the price of the unit of a fund investing in speculative-grade bonds contained in the portfolio rose by 1.8%.

Near-term outlook

In November we will keep the equity risk at a neutral level. In our estimate, the chances of a rise or fall in equities are even. The relative price level regarding bonds continues to support equity markets, but in our view the stabilising global economic growth rate will remain supportive of equity markets.

We remain positive about Japanese equity markets as compared to European equities. The improvement in the earnings of exporting companies owing to the weakness of the yen has not yet been fully included in analysts' earnings expectations and therefore positive earnings surprises and upward correction of analysts' expectations can be expected in Japan. However, in Europe, earnings expectations are likely to continue falling.

We will keep a higher-than-neutral position on Russian equity markets and a lower-than-neutral position in Latin America. One of the reasons for this is the more favourable price level of our Eastern neighbour, but its macroeconomic indicators are also stronger. The expected tightening of the monetary policy of the Federal Reserve may make international funds sell the equities of Latin American states with a current account deficit.

In bond portfolios we will keep the average maturity of bonds at a lower-than-neutral level, i.e. we will be protectively positioned against a possible rise in interest rates, especially in the medium term. We are positive about speculative-grade bonds – global economic growth is stable and we do not expect a significant rise in the insolvency of companies.

*The commentary is an unofficial English translation of the original Estonian version. In case of any discrepancies, the text of the Estonian version shall prevail.