

Swedbank Pension Fund K3 (Growth Strategy)

February 28, 2014

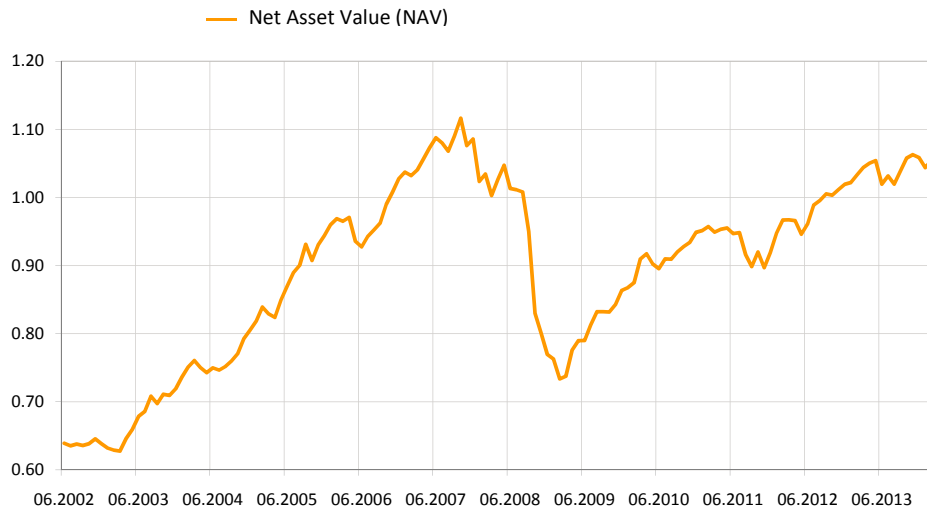
Investment Principles

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)	1.05449 EUR
Net Assets	454 139 947 EUR
Average management fee per annum**	1.32%
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	-0.4%	1.0%	-0.8%	2.1%	9.1%	10.2%	43.8%	65.0%
				2.1%	4.4%	3.3%	7.5%	4.4%
Performance*	2006	2007	2008	2009	2010	2011	2012	2013
	8.9%	5.7%	-29.1%	12.2%	9.9%	-3.2%	10.9%	3.9%

Largest investments TOP 10

Equity portfolio	Weight
db x-trackers MSCI AC Asia excl. Japan Index UCITS ETF	4.6%
Morgan Stanley Europe Equity Alpha Fund	4.0%
Swedbank Robur Indexfond Asien	3.5%
Swedbank Robur Indexfond Europa	2.5%
DB x-Trackers MSCI EM Latin Index ETF	2.0%
Fixed Income portfolio	Weight
Bluebay Inv Grade Bond Fund	7.4%
iShares Markit iBoxx € Corporate Bond Fund	4.4%
PIMCO Global Inv Grade Credit Fund	2.2%
iShares Barclays Euro Corporate Bond Interest Rate Hedged	2.1%
Blackrock Global High Yield Bond Fund	2.0%

Risk level

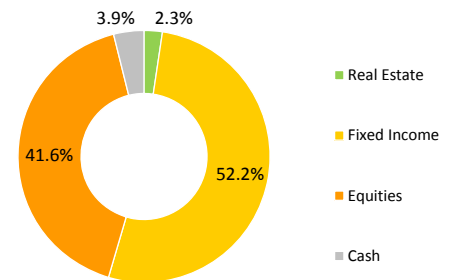
Lower risk Higher risk
Typically lower rewards Typically higher rewards



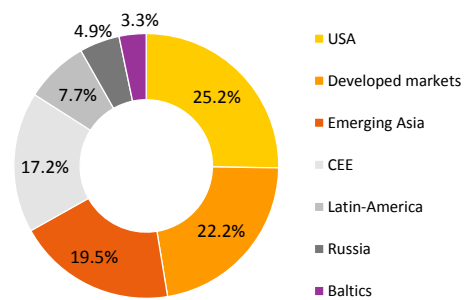
The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

Standard deviation of returns (over the last 3 years) 5.6%

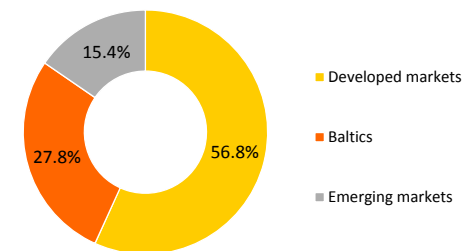
Portfolio by instruments



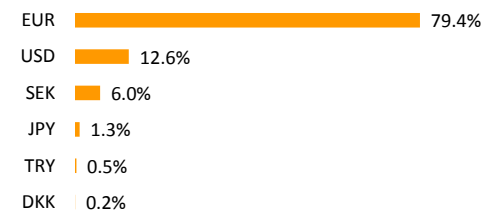
Equity portfolio by regions



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.

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

This document and the information contained herein does not constitute investment recommendation or investment advice. Please read fund's rules and prospectuses available on the web-site www.swedbank.ee/fondid. For further information please contact Swedbank Investment Support on phone at +372 613 1606, Mon-Fry 8.30am - 6pm or visit nearest Swedbank branch.

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Manager Commentary

Swedbank's Pension Fund K3 returned 1.0% in February and -0.4% since the start of the year.

Market overview

February started on the financial markets with a considerable increase in investors' appetite for risk – the equity markets of developed countries recovered particularly rapidly from the sharp decline at the end of January. However, regional equity markets were far from moving hand in hand. Riskier asset classes also became attractive on bond markets – the risk premiums of both investment-grade and lower-quality bonds decreased. The markets recovered despite the relatively weak US economic statistics, as according to surveys the majority of investors blamed the poor weather conditions – one of the coldest winters within the last half-century, accompanied by blizzards – for the weakness of economic activity. At the end of the month, volatility on the financial markets increased due to the political situation in Ukraine becoming more acute and following intervention by Russia.

In February, US economic statistics remained significantly weaker than expected – indicators of private consumption, real estate and the manufacturing sector were disappointing. The Purchasing Managers' Index of the manufacturing sector experienced the biggest fall in the last five years, although it remained at a level above 50 points, indicating an increase. The Purchasing Managers' Index of the Chinese manufacturing sector – the world's second-largest economy – pointed to weakening economic activity. Nevertheless, it is too early to draw fundamental conclusions, because the Chinese New Year holidays could contribute to the weakness in the manufacturing sector. The euro area's economic growth statistics remained relatively stable, although its Member States continued to exhibit large differences: Germany's economic growth continued to recover, while French economic indicators weakened, placing the country on the verge of recession.

Many companies disclosed the results of Q4 2013 in February. The trends seen in the last few quarters continued – companies listed on the Japanese stock exchange stood out in terms of exceeding expectations. US companies also exceeded analysts' forecasts, but not to an extent that had any significant impact on the stock exchange. The economic results of European companies were considerably lower than analysts expected. However, this did not hamper the continuing strong rise in European equities relying largely on expectations with regard to a recovery in earnings. Several reporting companies in the United States have highlighted the increase in investments planned this year as a positive development that is favourable from the perspective of economic growth.

At the end of the month, the anxiety on the markets primarily related to Eastern Europe intensified due to the change in power in Ukraine and events on the Crimean peninsula. In comparison with the first few days of March, the effect on the markets remained moderate in February. The change of government in Italy was rather uneventful – the new Prime Minister is 39-year-old Matteo Renzi, who is the youngest Italian Prime Minister of all time and whose target is to substantially accelerate reforms.

In February, the euro area equities with the largest weight among developed regions in our fund turned out to be the most positive (+4.8%, all returns indicated in euros) of equity markets. The US equity markets were also on the plus side (+2.3%). The euro strengthened by 2.3% against the US dollar. The Japanese equity markets – last year's rising star – fell by 2.7%. Eastern Europe proved to be the best emerging equity market, making up for its fall in January with a rise of 6.0% in February. Unfortunately, the same cannot be said about the equity markets of Russia (-3.5%) or Latin America (-0.4%). The return on Russian equities in euros was also negatively influenced by the rouble, which weakened against the euro by 4.3%. The rouble has been one of the weakest currencies on emerging markets this year. Emerging Asia, which has the larger weight in our fund, managed to remain in the positive with regard to returns of equity markets (+1.2%).

The volatility of the government bonds of the euro area's core countries was relatively low during the month. The interest rate of German two-year government bonds rose by 6 basis points and that of ten-year government bonds fell by 4 basis points. However, investors' interest in the bonds of peripheral countries remained high – the interest rates of both Italian and Spanish government bonds considerably decreased. Since January our fund's high-quality euro-area government bond asset class has only included bonds with a maturity of one to three years. The performance of the asset class was -0.05% in February. The investment grade corporate bonds of the euro area strengthened by 0.3%. In February the best-performing bond asset classes were euro-denominated government bonds of emerging markets (+1.6%) and a position outside of the strategy in bonds with a speculative rating (1.9%).

Short-term outlook

We remain tactically cautious with regard to the equity market outlook and expect that bond markets will perform better in March. Market sentiment indicators have clearly weakened and political risks have increased, primarily in Ukraine, Turkey and Thailand. Among regions, we prefer US equities to European ones due to their stronger financial sector liquidity flows and better market sentiment. We closed the overweight on the Russian equities and underweight on the Latin American equities due to the political risks in the former region, which have grown considerably.

In bond portfolios we slightly extended the average maturity of bonds. We expect that in light of the increased volatility on the financial markets the demand for safe haven government bonds will rise. We continue to maintain our position in bonds with a speculative rating – continuing global economic growth and low interest rates support the financial status 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.

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