

Swedbank Pension Fund K3 (Growth Strategy)

April 30, 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.

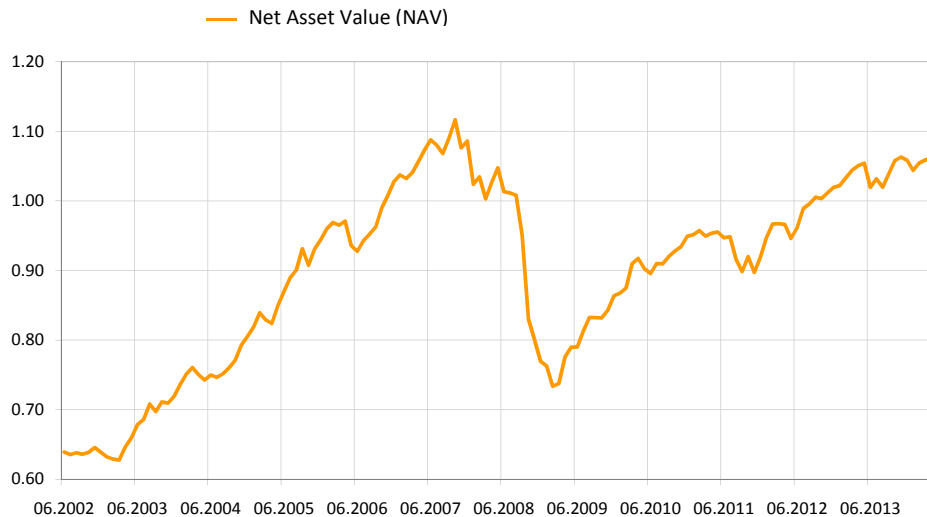
General information

Fund Management Company Swedbank Investeerimisfondid AS
Fund Manager Katrin Rahe
Inception 2002

Net Asset Value (NAV) 1.06302 EUR
Net Assets 471 773 323 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%	0.4%	1.8%	1.2%	10.0%	11.5%	37.0%	66.3%
				1.2%	4.9%	3.7%	6.5%	4.4%
	2006	2007	2008	2009	2010	2011	2012	2013
Performance*	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	5.8%
Morgan Stanley Europe Equity Alpha Fund	4.9%
iShares MSCI Europe ETF	3.7%
Swedbank Robur Indexfond Asien	3.4%
Swedbank Robur Indexfond Europa	2.4%
Fixed Income portfolio	Weight
Bluebay Inv Grade Bond Fund	7.2%
iShares Barclays Euro Corporate Bond Interest Rate Hedged	4.9%
iShares Markit iBoxx € Corporate Bond Fund	4.3%
Blackrock Global High Yield Bond Fund	1.9%
iShares Barclays Euro Corp Bond Fund	1.9%

Risk level

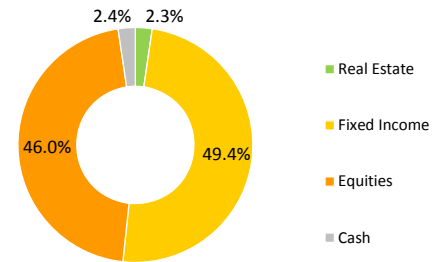
Lower risk Higher risk
Typically lower rewards Typically higher rewards



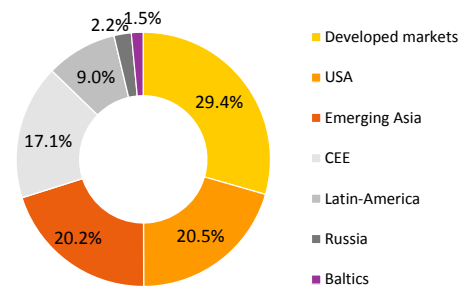
The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

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

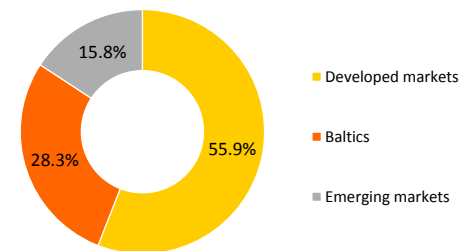
Portfolio by instruments



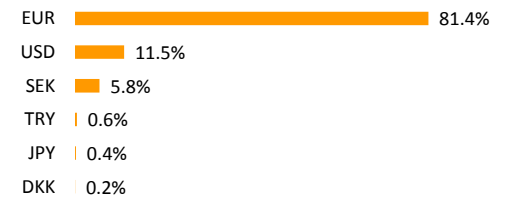
Equity portfolio by regions



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 0.4% in April and 0.4% since the start of the year.

Market overview

April turned out to be a rather volatile month on financial markets, although no trends became clear in asset classes. As a continuation of March, the first half of April was more positive for the equities of emerging markets, but their advantageous position evaporated by the end of the month. Russian equity markets were underperforming considerably, but the geopolitical impact arising from the region has so far remained very clearly delimited. April proved to be stable and positive for bonds. The belief spreading among investors that the deflation of the euro area poses a greater risk at the moment than inflation has, at least on a short-term basis, produced a certain ceiling on bond interest rates.

One of the focal themes on financial markets was the results of companies in Q1, which considerably exceeded the expectations of analysts in comparison with the average over the last two years. However, prior to the period of publication of results equity analysts had significantly lowered their expectations. The US economy shows signs of acceleration in economic growth following the harsh weather conditions of the winter months. The Purchasing Managers' Index of the manufacturing sector rose by half a point to 53.7 (a level above 50 indicating growth in the sector). Investors continue to worry about China, as the potential slowdown of China's economic growth does not make the region very attractive for investments. The Purchasing Managers' Index of the Chinese manufacturing sector published in April strengthened a little (up to 48.3), but again remained below the level of 50 points, which indicates growth. According to official statistics, China's economy grew by 7.4% in Q1 year-on-year, but the reliability of the official statistics of China is questionable in the eyes of many investors.

The events in Ukraine added volatility and uncertainty to financial markets. Standard & Poor's rating agency cut Russia's credit rating to BBB- – the lowest investment grade rating. The US government also informed of new sanctions. At the same time, the Russian equity market responded to the sanctions with a short-term rise, as investors had expected considerably stricter measures, e.g. sanctions on some large national banks in Russia.

The European Central Bank did not change its monetary policy in April. However, the rhetoric of the central bank is clearly targeted at directing the expectations of investors towards a further easing of monetary policy. On the one hand, the slowly strengthening exchange rate of the euro (+0.7% against the US dollar in April) is forcing the European Central Bank to act more quickly, while on the other hand it indicates that investors' belief in the materialisation of practical steps of policy changes is not very strong.

In terms of regions, April was multifaceted for equity markets. While Latin America turned out to be the most positive (+2.0; all returns indicated in euros) among emerging regions and Europe (+1.9%) among developed countries, the most negative results were posted by the Japanese (-3.2%) and Russian (-6.5%) equity markets. The equity index of Eastern Europe rose by 0.7%. Turkey was clearly the strongest among countries included in the index, as the easing of political tension has contributed a little to the recovery of equity markets from the lows of last year. The level of equity markets of emerging Asia remained virtually unchanged (+0.0%) and Baltic equities dropped by 1.1%. The US equity markets ended the month at almost the same level as they started (-0.1%).

In April, risk-free interest rates continued in the euro area on the same wavelength as in March, decreasing in expectation of a more stimulating monetary policy from the European Central Bank. This applied especially to bonds with longer maturities. The interest rate of German two-year government bonds fell by 2 basis points and that of ten-year government bonds by 10 basis points. The risk premiums of both investment-grade and lower-quality bonds decreased slightly. Therefore, the returns of all asset classes in the bond portfolio of our fund remained on the positive side in March. Euro-denominated emerging market government bonds performed best (+1.0%). The investment-grade corporate bonds of the euro area strengthened by 0.7%. The index of high-quality government bonds of the euro area with short maturities almost ended where it started (+0.1%). Our position outside of the strategy in speculative-grade bonds produced a yield of 0.6% in April.

Short-term outlook

At the end of April we increased the share of equities in the fund portfolio to close to the maximum permissible level. The indicators of growth in profits of companies have become much more supportive of equity markets and analysts have also started to revise profit expectations upwards in light of positive quarterly results. The relative price level of equity market continues to be attractive in comparison with low-risk government bonds.

We increased the proportion of Japanese equities in the portfolio, as Japanese equities are supported by the notable increase in the profit expectations of analysts and relatively favourable price level. We reduced the position in Russian equities even more, because we believe that continuing weak return is probable because of Russia's slow economic growth and its more acute geopolitical situation. At the same time, we increased the share of equities of Latin America and emerging Asia.

We continue to be positive in terms of speculative-grade bonds – the level of their interest rates is attractive in comparison with other bond assets classes. The need to refinance companies included in the asset class will be low in the coming years and global economic growth – which is likely to accelerate – will support the solvency 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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