Swedbank Pension Fund K4 (Equity Strategy)

March 31, 2014

Investment Principles

Swedbank Pension Fund K4 (Equity 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 equity-risk securities and alltogether up to 75% in equity funds, equity 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

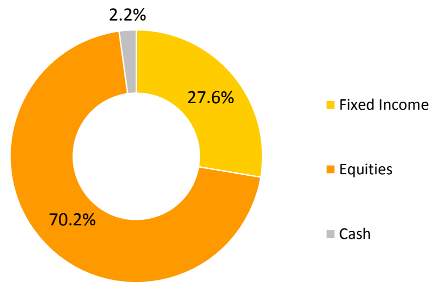
The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

Standard deviation of returns (over the last 3 years) 8.8%

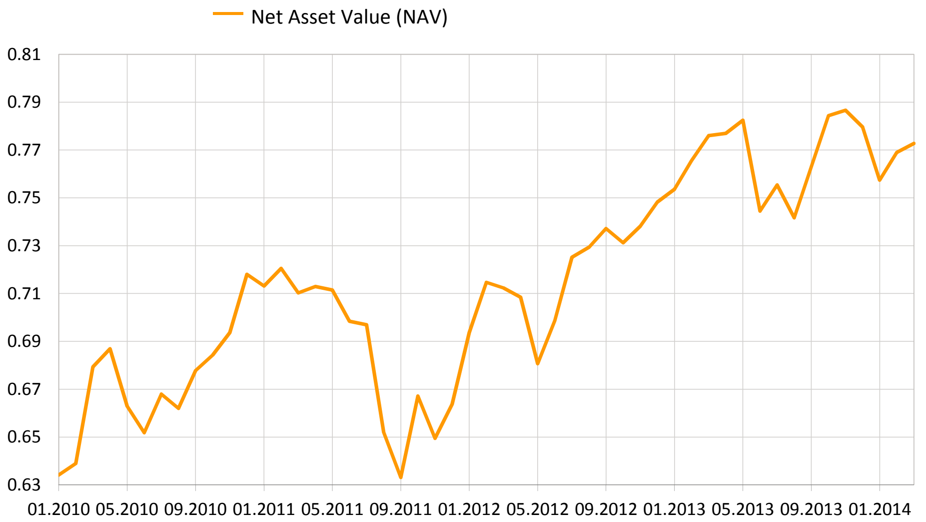
General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Inception	2010
Net Asset Value (NAV)	0.77271 EUR
Net Assets	56 352 262 EUR
Management Fee per annum	1.59%
Subscription Fee	0.0%
Redemption Fee	1.0%

Portfolio by instruments



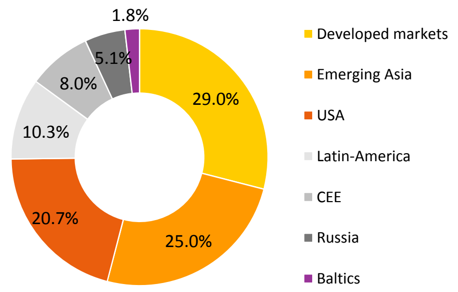
Fund performance*



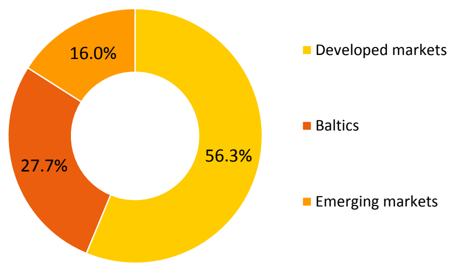
	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
Performance*	-0.9%	0.5%	-0.9%	-0.4%	8.5%	8.8%		20.9%
Annualized				-0.4%	4.2%	2.8%		4.6%

	2010	2011	2012	2013	2014	2015	2016	2017
Performance*	12.3%	-7.6%	12.7%	4.2%				

Equity portfolio by regions



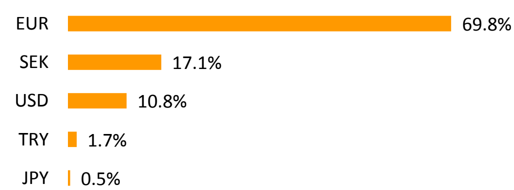
Fixed Income portfolio by regions



Largest investments TOP 10

Equity portfolio	**Weight**
iShares MSCI Europe ETF	8.5%
db x-trackers MSCI AC Asia excl. Japan Index UCITS ETF	7.7%
Swedbank Robur Indexfond Asien	6.7%
Swedbank Robur Indexfond USA	6.2%
SPDR S&P 500 ETF (USD)	5.4%
Fixed Income portfolio	**Weight**
iShares Markit iBoxx € Corporate Bond Fund	3.5%
iShares Barclays Euro Corp Bond Fund	2.6%
iShares Barclays Euro Corporate Bond Interest Rate Hedged	2.5%
Bluebay Inv Grade Bond Fund	2.3%
Blackrock Global High Yield Bond Fund	1.8%

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.

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Manager Commentary

Swedbank's Pension Fund K4 returned 0.5% in March and -0.9% since the start of the year.

Market overview

March brought entirely new sentiments to the financial markets – equities of emerging markets preferred by more risk-averse investors began to recover from the long-term recession. On the other hand, the prices of high-quality government bonds with longer maturities also rose in the euro area. This should not be interpreted as a sign of a reduction in appetite for risk, however – rather as a reflection of the fact that the monetary policy of the European Central Bank continues to stimulate.

As the geopolitical risk factor sharpened in the first half of the month, the focus remained on the conflict between Russia and Ukraine and its predictable and unpredictable consequences for financial instruments. The initial negative impact remained very clearly within the limits of the region, and after the economic sanctions against Russia proved to be more modest than expected the situation settled and the price levels also recovered directly on the Russian equity market. Nevertheless, the events on the Crimean peninsula had a significant impact on the Russian economic climate – in the second and third quarter of the year economic growth in Russia will probably be negative. At the same time, the price level of Russian equities is extremely low from the historical perspective and, thus, there are investors who are opportunistically trying to buy Russian equities regardless of the geopolitical risks.

In addition to Russia, China and its further economic outlook continued to be in the focus of financial markets. The HSBC Purchasing Managers' Index of the manufacturing sector was again disappointing, weakening to 48.1 points. Somewhat paradoxically the markets construed the weakened economic statistics as positive, because this increased the probability of the state's stimulating monetary policy and new investments in infrastructure, as the corresponding programme was disclosed at the beginning of April.

The possible improvement in the economic growth outlook of the euro area was confirmed by the rise in the Purchasing Managers' confidence index to 53.3 points (the level above 50 indicates growth in the service and manufacturing sector). The Purchasing Managers Index in the manufacturing sector of the United States increased to 53.2 points and the number of jobs grew by 175,000 in February. The improved economic statistics published in March indicate that the weakness shown by the US economy in the early months of the year can be put down to the poor weather conditions to a significant extent. In addition, Janet Yellen, the new Chair of the US Federal Reserve, surprised markets a little by suggesting that the central bank could increase the reference interest rate as soon as in 2015.

The European Central Bank did not change its monetary policy in March (or April), but several senior officials from the European Central Bank referred in their statements to the possibility that the central bank could make its monetary policy even more stimulating, considering the very low inflation in the euro area and continuing weak economic growth.

Irrespective of the geopolitical risks that had arisen, emerging regions turned out to be the most positive among equity markets in March, which was triggered by expectations regarding economic stimulus in China. Latin America, which had fallen relatively more to date, posted the highest rise (+9.1%; all returns indicated in euros). The Eastern European equity market rose by 5.2% over the month, mostly due to the relief rally of Turkish equities following elections. After a sharp decline at the beginning of the month, Russian equities started to rise in the second part of the month and ended the remarkably difficult month with a fall of just 3.9%. The equity markets of emerging Asia increased by 1.3%.

Due to the events in Crimea, March was quite negative on the Baltic equity markets (-3.0%). Companies with a major part of their target market in Russia, Ukraine and other CIS countries (such as the Silvano Fashion Group and the Latvian pharmaceuticals company Olainfarm) came under the strongest sales pressure. In addition, the latter announced the enlargement of its investment programme and suspension of dividend payments related thereto. Tallink stocks, the flagship of Baltic stock exchanges, also joined the general sell-off, although Tallink does not directly operate on the Russian market.

Among larger equity markets of developed regions, only the US remained on the plus side in March (+0.9% in euros). Both European (-0.8%) and Japanese (-1.0%) equities fell.

Risk-free interest rates mostly decreased in the euro area 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 rose by 3 basis points and that of ten-year government bonds fell by 6 basis points. The returns of all asset classes in the bond portfolio of our fund remained on the positive side in March. Investment-grade corporate bonds of the euro area performed best (+0.3%). The index of high-quality government bonds of the euro area with short maturities ended where it started (+0.0%). Euro-denominated emerging market government bonds strengthened by 0.2%. Our position outside of the strategy in speculative-grade bonds also produced a yield of 0.2% in March.

Short-term outlook

We increased the share of equities in the portfolios to a neutral level, as the liquidity flows of the banking sector and central banks have become more supportive of financial markets. Several technical indicators have also improved. Among regions, we decreased the share of US equities to close to neutral and exited the underweight of European equities. We continue to be negative with respect to the outlook of Russian equities, although we slightly reduced the underweight position over the month as a response to the stabilised situation and sanctions against Russia being more modest than expected.

We continue to be positive about global speculative-grade corporate bonds on bond markets. We believe that this asset class is supported by accelerating global economic growth and the low financing needs of companies in the coming years. We are keeping the sensitivity of the bond portfolio to the interest rate risk at a slightly lower level than neutral, because the level of interest rates of bonds with longer maturities is already extremely low. At the same time, it is not impossible that the European Central Bank will be forced to take steps to boost economic growth and accelerate the rate of inflation, which is still hampering the possibility of a rise in interest rates in the future.

*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.