

# Swedbank Pension Fund V3 (Equity Strategy)

October 31, 2012

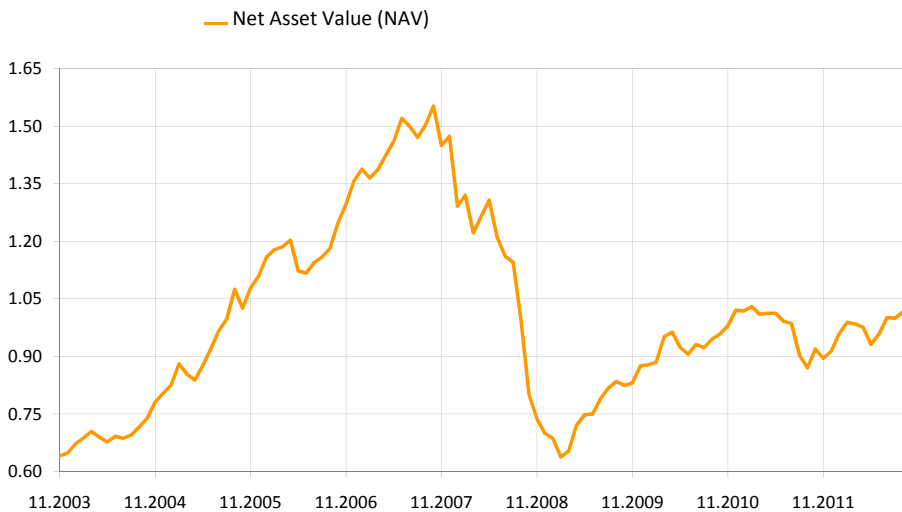
## Investment Principles

Swedbank Pension Fund V3 (Equity Strategy) is a contractual investment fund founded for providing supplementary 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 100% of the assets in equity-risk securities.

## General information

Fund Management Company	Swedbank Investeerimisfondid AS
Fund Manager	Katrin Rahe
Inception	2003
Net Asset Value (NAV)	1.00206 EUR
Net Assets	31 667 816 EUR
Standard deviation (computed over 3 years)	11.1%
Management Fee per annum	1.4%
Subscription Fee	1.0%
Redemption Fee	1.0%

## Fund performance\*



	YTD	1 month	3 months	1 year	2 years	3 years	5 years	Inception
<b>Performance*</b>	9.7%	-1.3%	0.1%	9.0%	4.6%	21.6%	-35.5%	56.8%
<b>Annualized</b>				9.0%	2.3%	6.7%	-8.4%	5.1%
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Performance*</b>	24.0%	38.0%	22.4%	8.6%	-52.5%	25.1%	16.6%	-10.5%

## Largest investments TOP 10

Equity portfolio	Weight
SPDR MSCI Europe ETF	8.7%
GAM Star US All Cap Equity Fund	7.8%
SSGA USA Index Equity Fund	7.5%
Lyxor Eastern Europe Index ETF	7.5%
MSCI Europe Source ETF	7.2%
Fixed Income portfolio	Weight
Lyxor ETF Euro Corporate Bond Fund	0.0%

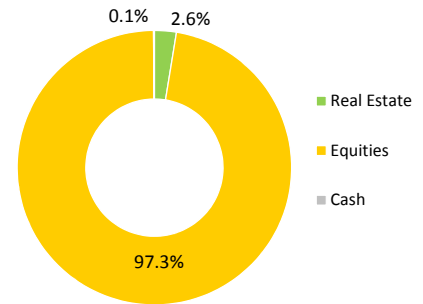
## Risk level

Lower risk Higher risk  
Typically lower rewards Typically higher rewards

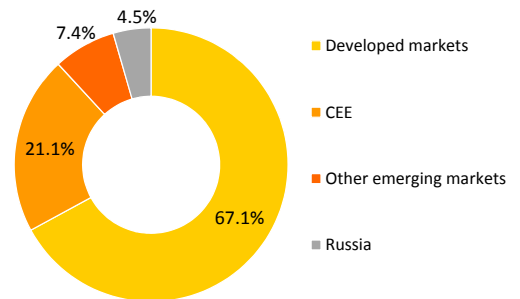


The categories specified in the risk scale are based on the fluctuation of the value of the Fund's assets during the last five years.

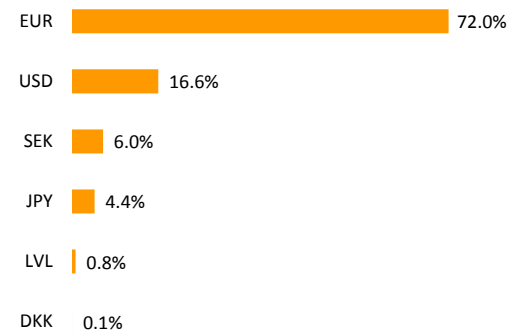
## Portfolio by instruments



## Equity 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.

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 V3 returned -1.3% in October and 9.7% since the start of the year.

October was an interesting month for investors on both sides of the ocean. The markets' opinion of the euro zone's outlook improved after the President of the European Central Bank declared that the bank was ready to buy unlimited amounts of euro zone government bonds, provided that the countries belonging to the euro zone implement the required savings measures and structural reforms. The interest rates of both Italian and Spanish bonds continued to decrease in October. However, the situation with Greece remained unclear – it's not impossible that Greece's creditors may have to write off even more of the loans they gave to the country. The coalition government of Greece is facing another difficult task in the beginning of November – they have to get the parliament to support the unpopular cost-cutting plans.

Although the economic weakness of the euro zone continued – the situation deteriorated in both the industrial and service sectors – the statistical indicators of the economies in many other regions of the world were rather positive. The indicators of China suggested that the slowdown of growth was decelerating. In the United States, consumer confidence strengthened on the back of the improving property market, retail sales exceeded the expectations of analysts, and the confidence index of the service sector pointed at a strong growth. However, the Q3 financial results of companies that were published in October may be seen as rather weak, and the earnings and sales of the members of the US S&P 500 Index members decreased in comparison to the same quarter last year. Companies also became more cautious in their expectations. The continuing lack of clarity in US politics also had an impact on the financial markets – there is a sharp conflict between the Republicans and the Democrats about increasing the US debt ceiling, and the impending elections promise to be very close. Another significant risk is the so-called fiscal cliff – the tax cuts that expire and the savings measures that enter into force at the start of the year. If no agreement can be reached about mitigating the latter in the tense post-election atmosphere, it may result in a serious, albeit temporary, backlash on the economic growth of the United States.

Our preferred region, Europe, stood out with positive results among equity markets – it strengthened by 0.7% over the month. Many investors believe that the risk of the euro zone falling apart has decreased considerably, which has increased interest in European equities that are currently trading at a relatively low price level. The US market fell 2.6% due to the weak performance of companies and the unclear political outlook (all returns are in euros). Japanese equities also fell by 2.6% – the country has recently been generating negative news for the markets and the decision of the Central Bank of Japan about yet another asset purchasing programme did not break the trend either. The equity market of Sweden lost 3.6% over the month. The Baltic equity market also managed to stay in positive territory across the month with 0.8%. We bought shares in Tallinna Kaubamaja, because we believe that the company is well managed and its share offers an attractive dividend yield (~6.5%). The equities of emerging markets mostly went down during the month – Emerging Asia lost 0.6%, Latin America 1.1%, Eastern Europe 1.5% and Russia 3.9% of value.

Looking forward in the short term, we have become somewhat more cautious about the outlook of equity markets, and reduced the equity risk to neutral. Technical indicators have weakened, global liquidity remains low and analysts are bringing down their earnings expectations. However, the price level on equity markets remains attractive, which is why we don't think reducing the proportion of equities below neutral is necessary. We also reduced the overweight of European equities and bought more US equities. The latter are now neutrally positioned in the fund portfolio.

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