# ODIN Sustainable Corporate Bond 31/12/2025

The fund has unit classes in SEK, NOK and EUR: A, B, C, D and E

## MANAGER COMMENT

ODIN Sustainable Corporate Bond generated positive returns in December and for 2025 as a whole, approximately in line with its benchmark index. Since its inception on 31 May 2022, the fund has delivered better returns than the benchmark. Two additions were made for the portfolio in December: a green subordinated bond in the Dutch ASN Bank, where the fund was already invested, and a green subordinated bond issued by the Finland domiciled bank Nordea. The latter bond was new to the fund, but the issuer was already represented in the portfolio.

Market Developments Several major central banks cut their key rates in 2025. Inflation has become more under control, although in many places it remains too high compared to central bank targets. The central banks in Sweden and the euro area are now considered to be "done" with rate cuts and are holding rates at 1.75% and 2.0% respectively. Norges Bank cut its rate twice last year, and the policy rate was at 4.0% by the end of 2025. A further 1–2 cuts are signalled for 2026. In the US, the Federal Reserve (Fed) delivered three rate cuts, lowering the rate from 4.5% to 3.75%. A somewhat lower policy rate is expected in the US in the coming year.

As for long-term interest rates, the rate gap between the US and Europe has shrunk. Although rates in the US remain considerably higher than in the eurozone, the past year has seen a rise in European long-term rates, while American rates have fallen. Factors behind the rise in European rates include large investment packages in defence, energy and infrastructure. These investments increase economic activity in the eurozone but also require greater borrowing. Both higher activity and an increased supply of government bonds to finance these investments contribute to higher interest rates. In the US, by contrast, there are signs of weakness in the labour market. As inflation has fallen, the Fed has shifted its focus from inflation to employment, the other half of the Fed's dual mandate. As a result, key rates have been lowered and long-term rate expectations have also declined.

Last year was a strong and active year for the credit market. There has been a large supply of new bonds, both in the Nordic and European markets. Despite the European Central Bank no longer purchasing bonds, the large issuance volumes have been well absorbed. Overall, companies in the credit market have coped well, although there have been a few credit events, primarily in the High Yield segment. Except for a challenging period in March/April, related to President Trump's "Liberation Day" and the introduction of new tariffs, market developments have been favourable. Credit market risk premiums have fallen during the year, resulting in solid returns for credit bonds in 2025.

**ODIN Sustainable Corporate Bond**
ODIN Sustainable Corporate Bond's aim is sustainable investment as well as to deliver strong returns, and it reports in accordance with Article 9 of the EU's Sustainable Finance Disclosure Regulation (SFDR). The fund's mandate means that each investment must contribute to at least one of the fund's seven selected sustainability themes, without causing significant harm to the others. The fund's seven selected sustainability themes are:

*1) Renewable energy and energy efficiency*
*2) Low carbon footprint*
*3) Circular economy*
*4) Sustainable transport and infrastructure*
*5) Water management*
*6) Protection of biodiversity*
*7) Health, quality of life and social inclusion*

**Portfolio Managers:**

Mariann Stoltenberg Lind

Nils Hast

**Why invest in this fund?**
ODIN Sustainable Corporate Bond is an actively managed bond fund which aims to produce good risk-adjusted returns through sustainable investments. The fund invests primarily in bonds issued by Nordic and European companies which make a positive contribution to one or more of seven selected sustainability issues.

The fund invests in medium-term interest-bearing securities, and the duration will be from 0-5 years. The units will fluctuate in value, but expected returns and risk will be less than for combination funds and equity funds. ODIN Sustainable Corporate Bond is a fixed income fund geared to an investment horizon of 1-2 years and up.

**How is the fund positioned?**
The fund invests in fixed income instruments, mainly bonds issued by Nordic and European companies.
The fund can only invest in securities that have a credit quality of at least BBB- (investment grade) or equivalent at the date of investment.

The fund reports in accordance with Article 9 of the SFDR, and companies or bonds that it invests in must meet its sustainability criteria.

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**Investments in Transitioning Companies**
The fund invests in both companies with established sustainable solutions and those undergoing a transition. It is particularly within the area of transition that we see the greatest potential for positive environmental impact and for driving a more sustainable economy.

One example of a company undergoing transition is the Finnish company Neste. The company has transformed from a traditional oil refinery to a leading player in renewable fuels and the circular economy. The proceeds from the company's green bond will finance the expansion of Neste's plant in Rotterdam, where waste is converted into sustainable fuels such as aviation biofuel and renewable diesel. The proceeds from the bond are earmarked and cannot be used to finance activities related to fossil energy. It is in such processes that we see the greatest potential for positive environmental impact. The company's shift to renewable products and a circular economy supports other industries, such as transport and aviation, in their own decarbonisation. Although Neste still produces fossil products, they are in the process of converting their oil refinery into a facility for renewable and circular solutions. The company has set a goal to end crude oil refining in the 2030s, and is a clear example of how traditional industries can be part of the solution to climate challenges.

Another example is the Italian electricity grid company Terna SpA. The company plays a central role in Italy's energy transition, and the bond proceeds are earmarked for projects such as connecting renewable energy sources and modernising the grid to handle an ever-growing share of renewable energy.

**Active Management**
As an active manager, we set high standards for our investments. From a sustainability perspective, we thoroughly assess both companies and specific bonds to ensure that our investments genuinely contribute to sustainable development.

We regularly choose to abstain from investments where we judge the projects not to be sufficiently environmentally friendly, or where the company does not meet our standards for sustainability and responsibility. As an active investor, we place great emphasis on dialogue with issuers. We provide feedback on why we choose not to invest in a bond and what we believe can be improved in their green framework. By being an active investor, the fund can not only help finance transitions but also encourage companies to improve their sustainability profile.

**The Fund's Investments**
At the end of 2025, ODIN Sustainable Corporate Bond was invested in 97 bonds, spread across 80 companies.

The fund's largest sector exposure is to the banking sector, which accounted for 37.3% of the portfolio at year-end. Banks play a crucial role in sustainable development through their financing activities, for example by allocating capital to projects such as energy-efficient buildings and renewable energy. By implementing sustainable lending criteria, banks can limit financing for polluting projects and instead promote environmentally driven transition by requiring sustainable solutions from borrowers. The fund is invested in 33 bank bonds issued by Nordic and European banks, such as NatWest Group, Credit Agricole and Nordea. The bank bonds are mainly used to finance energy-efficient buildings and renewable energy, but also other projects such as electric vehicles and circular solutions.

The fund's second largest sector exposure is to utility companies, which make up 16.5% of the portfolio. Utility companies that produce renewable energy and develop electricity grid infrastructure are vital to the transition to a low-carbon economy. By generating energy from wind, sun and water, greenhouse gas emissions and society's dependence on fossil fuels are reduced. Expansion and modernisation of the grid help meet rising energy demand and enables the integration of a larger share of renewable energy. The fund is invested in 17 bonds issued by Nordic and European utility companies, such as A2A, EON and Statkraft. These bonds are mainly used to finance the development of the grid and the production of renewable energy in the form of solar, wind and hydropower.

Types of Bonds in the Fund At the end of the year, 72.2% of the fund was invested in green bonds – a type of bond where the borrowed amount is earmarked for specific sustainable projects or assets. Green bonds have become a significant part of the bond market in recent years, and it is a positive development that more companies are channelling capital towards a more sustainable society.

ODIN Sustainable Corporate Bond is invested in green bonds that finance a range of different projects. The largest categories are renewable energy and energy-efficient buildings, but the fund also invests in other projects, such as infrastructure for electric vehicles, the expansion of railways and electrification of public transport, circular solutions, and sustainable forestry and agricultural practices.

At year-end, 5.2% of the fund was invested in social bonds – a type of bond that finances projects with social objectives. Social bonds are more common in the European bond market and less so in the Nordic market, partly due to the strong position of welfare states in the Nordics, reducing the need for external social financing. ODIN Sustainable Corporate Bond is invested in four social bonds; two issued by the British bank NatWest Group, one by Germany's Hamburger Sparkasse, and one by

Belgium's KBC Group. These investments finance projects that promote access to affordable housing, as well as health and educational facilities, and strengthen female entrepreneurship.

Furthermore, 4.7% of the fund was invested in sustainability-linked bonds (SLBs) at year-end. The proceeds from an SLB are not restricted to financing specific projects or assets, as with green or social bonds, but may be used for general purposes. The sustainability angle comes from the definition and measured achievement of selected sustainability KPIs. SLBs are a favourable type of bond for companies that do not have a large proportion of financeable sustainable projects to allocate the bond's proceeds towards, but which still have a plan for sustainable transition. ODIN Sustainable Corporate Bond is invested in six SLBs – including those issued by the Spanish industrial company Ferrovial and the Swedish cash handling company Loomis. These bonds are linked to the companies' emission reduction targets, where we have judged the KPIs to be relevant and material, and that the bond maturities are long enough to measure meaningful progress.

The fund is also invested in conventional bonds issued by companies we consider having a responsible business profile and contribute to the fund's selected sustainability themes. At year-end, 10.9% of the fund was invested in conventional bonds, for example investments in the French industrial company Schneider Electric and the Danish pharmaceutical company Novo Nordisk.

**Impact Report**

In September, we launched the fund's second Impact Report. The report provides insight into how we integrate sustainability into our investment decisions and demonstrates concrete results from our investments. One can also gain more insight into some of the green, social, and sustainability-linked bonds the fund is invested in, and their concrete, measurable impact.

**Outlook for 2026**

We enter the new year amid great geopolitical uncertainty, and we see the contours of a more fragmented world. There is reason to believe that trade barriers and tariffs will lead to deglobalisation and dampen international growth. The main scenario is that 2026 will be a year of relatively weak but positive economic growth. We will see rapid development in artificial intelligence, initially leading to large investment needs, but will also have more unpredictable societal consequences in the longer term, including for the labour market. In the US, market developments could be affected by whoever President Trump appoints as the new central bank chief after Jerome Powell, as this will impact the Fed and hence "the world's most important interest rate". A few more rate cuts are likely to remain in the US and Norway, but there are no expectations of a return to the zero-interest rate regime we saw previously. Both interest rates and real rates are expected to remain at a level where there are good opportunities for returns in the fixed income market going forward.

We would like to thank our investors who have shown us trust in the management of ODIN Sustainable Corporate Bond. We look forward to a new year with new opportunities for sustainable returns.