ODIN USA 31/12/2025

The fund has share classes in SEK, NOK and EUR: A, B, C, D, D2, F, G, H, I and J

FUND COMMENTARY

The year in review

As we close the books on 2025, we look back on a year that in many ways has been defined by contrasts and serves as a clear illustration of Benjamin Graham's analogy of Mr. Market. The market entered 2025 with a high level of optimism and expectations of solid earnings growth. January, however, offered an early taste of equity market volatility, as DeepSeek created significant uncertainty and challenged prevailing perceptions of artificial intelligence. Rarely do we see market sentiment swing so sharply between deep pessimism and optimism within a single calendar year. It has been a year marked by elevated uncertainty related to macroeconomic conditions, geopolitics and technological paradigm shifts, while equity markets have continued their march towards new highs.

Although ODIN USA delivered reasonable absolute returns in local currency in 2025, it has been a challenging year for us, and we ended noticeably behind our benchmark. This is, of course, disappointing, and we are not satisfied with the outcome. The portfolio held up well during the first half of the year, a period characterised by significant uncertainty following the introduction of tariffs in the US. The underperformance for the year was largely driven by a pronounced market bifurcation in the second half, where capital flowed predominantly into companies associated with artificial intelligence, while other parts of the market saw weaker development. Sentiment towards quality stocks has been weak for some time, and 2025 proved to be a difficult year for the type of quality companies we own. In line with increased risk appetite, the market rotated out of more stable business models with high returns on capital and low leverage, and into higher-growth companies with more speculative business models.

Optimism surrounding artificial intelligence has therefore been the most important market driver throughout 2025. Throughout his career, George Soros has highlighted the concept of reflexivity. Soros argues that market perceptions influence fundamentals, which in turn feed back into market participants' perceptions, creating a self-reinforcing feedback loop. This mechanism has been less discussed in the context of today's investments in artificial intelligence, but it may be relevant. Companies investing in artificial intelligence have for some time been rewarded with higher share prices and valuation multiples in the equity market. Rising valuations act as a mandate for these companies to continue investing, even though AI-related earnings remain limited for now. Market sentiment, however, is fickle, and reflexivity also works in reverse. Towards the end of last year, we saw greater selectivity in how such investments were received, as illustrated by companies such as Oracle and Meta. It will be interesting to follow this development going forward.

So far, we have chosen to gain exposure to artificial intelligence through companies that own the infrastructure and maintain customer relationships with end users, such as Microsoft, Alphabet, Amazon and Meta; through software that enables the development of computer chips via Synopsys; and through suppliers of cables and interconnect systems to data centres, such as Amphenol. Overall, however, we remain underweight artificial intelligence as a theme. We continuously assess what level of exposure to this theme we consider prudent.

We have experienced a prolonged period characterised by globalisation and global integration. The spring was marked by political uncertainty driven by fears of increasing geopolitical rivalry, greater protectionism and stronger state intervention in the economy. In particular, Trump's introduction of new tariffs on "Liberation Day" triggered a sharp negative reaction in the market. Although much of the noise surrounding tariffs has subsided, it is possible that we will continue to see increased focus on national and strategic interests going forward, and that control over critical value chains will become more important for national authorities.

Managers:

Robin Øvrebø

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Why invest in this fund?

ODIN USA provides good exposure to a dynamic American business community. In the USA, we find many good companies in several different industries.

A large domestic market gives American companies scope to grow big and achieve high profitability. In the US market, we also find companies that are global leaders in their industry.

How is the fund positioned?

ODIN USA is positioned around companies with strong competitive advantages and a good basis to grow bigger over time. The fund invests in companies that have the potential to deliver revenue growth more than the average growth in the market. Profitable growth creates value, and these companies' value creation drives share prices over time. The fund is well diversified and is composed of companies with well-established business models in industries with good long-term growth prospects. The companies are financially strong and are led by managers who can take a long-term view.

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This includes increased protectionism in support of domestic industries and the steering of capital towards strategically important sectors, such as defence, as we have seen in Europe. We are living in interesting times, both in terms of technological innovation and geopolitical change. Financial markets function as a continuous pricing mechanism for these developments, and 2026 will most likely be an interesting year in this respect.

Contributors to the fund's performance
The strongest contributors during the year were, unsurprisingly, all technology companies: **Alphabet, Microsoft** and **Electronic Arts.**

For the third year in a row, Alphabet was the fund's strongest contributor, as the company delivered solid performance and has been one of the fund's largest holdings over a long period of time. Alphabet continues to show strong development in its core areas such as Search, YouTube and Google Cloud. During 2025, it also became clear that the company would avoid a breakup, which had been the largest risk in the lawsuit brought by the Department of Justice. Sentiment towards Alphabet has fluctuated this year, as it did last year. The long-standing narrative around Google has been that the company has lagged behind in the race for artificial intelligence, but it now appears as a fully integrated technology player that is also well positioned within artificial intelligence.

Microsoft, the largest position in the fund, has also contributed positively to the fund's performance so far this year. We used the market volatility in April and May to increase our exposure to technology companies, and particularly to Microsoft. Over the course of the year, we have seen accelerating growth within its cloud segment. Microsoft is a well-diversified technology company across enterprise software and solutions, cloud services, and software solutions for the consumer market. Through its ownership interest in OpenAI, the company also holds an attractive position in the market for large language models.

We purchased our first shares in **Electronic Arts** in the autumn of 2023 at approximately USD 130 per share. In October 2025, a bid of USD 210 per share was announced in what became the largest private transaction ever. This concluded our investment in the company and made it one of the strongest contributors to the fund.

The weakest contributors to the fund's performance were **UnitedHealth, Copart** and **CDW**.

The healthcare giant **UnitedHealth** has had a challenging year marked by negative events. Higher costs related to Medicare Advantage, combined with investigations by the Department of Justice regarding so-called "upcoding," created uncertainty. The company remains, however, a cornerstone of the US healthcare system with more than 400,000 employees, and we believe that the return of Stephen Hemsley as CEO will help address the company's operational challenges. Like other insurers, UnitedHealth should have the ability to adjust medical costs relative to premium income over time, and we believe the company will be able to do so, given time.

Copart, the market leader in online vehicle auctions, delivered weaker-than-expected performance during the year. While the business model remains robust, cyclical fluctuations in used car prices, higher costs related to expansion, and some loss of market share have weighed on the share price in the short term. Insurance companies are Copart's most important customers, and an increasing share of consumers have cancelled insurance coverage due to higher prices, which has negatively affected growth. We have seen this pattern in previous periods when the consumer has been under pressure. We reduced our holding in Copart during 2023, as the valuation became stretched. We have used the share price weakness through 2025 to increase our position. We believe Copart may continue to face one to two challenging quarters, but we are optimistic that growth will re-accelerate during the second half of 2026.

Another weak contributor has been **CDW**. CDW experienced margin pressure driven by higher administrative costs, as well as continued weak demand due to a challenging macroeconomic environment, including uncertainty related to tariffs and the shutdown of the US government. CDW requires a pickup in demand driven by a new upgrade cycle. The company remains well managed with a strong market position and is now attractively valued, both relative to its own history and to peers.

Portfolio changes
During the year, we purchased shares in **Amphenol, Corpay, Core & Main, Carlisle, Floor & Decor, SiteOne Landscape Supply, Synopsys** and **WM**, and sold shares in **Broadridge, Electronic Arts (EA), Etsy, First American Financial, Henry Schein, MSC Industrial** and **Sherwin-Williams.**

Purchases
During the autumn, we invested in **Amphenol**. The company manufactures essential electronic components used across a wide range of applications, from AI data centres to defence and the automotive industry. Diversification reduces risk, while structural trends such as automation and electrification drive growth. Amphenol delivers specialised, customised designs with high performance and reliability, resulting in high switching costs and strong pricing power. Over the past two years, the company has shown particularly strong growth as a supplier of components to data centres, delivering electronic components

across the entire value chain. A decentralised operating model and successful acquisitions have enabled 18% annual cash flow growth over the past 15 years.

Carlisle is the market leader, with approximately a 30% market share, in roofing systems for commercial buildings in the US. The manufacturing side of the market is consolidated, while the customer base remains fragmented, creating favourable conditions for profitable growth.

The key growth driver going forward is the increasing need for roof replacements, as construction activity prior to the financial crisis has created an installed base of buildings where roofs are now reaching end of life. Since 90% of volumes are driven by urgent needs related to leaks and wear and tear, demand is largely non-discretionary. This provides the company with predictable volume growth ahead, as we have observed similar dynamics in other replacement cycles, such as ventilation systems and water heaters. We appreciate management's disciplined capital allocation. Free cash flow is used for bolt-on acquisitions that strengthen the company's market position, combined with a clear plan for share repurchases. The stock is valued at 15 times free cash flow, which we consider attractive.

We view our exposure to payment solutions holistically. We have long been invested in **Visa** and **Mastercard** and appreciate these business models. **Corpay** complements this exposure by combining attractive long-term growth opportunities with reasonable valuation. Corpay offers efficiency and automation of payment processes, providing customers with improved cost control. Among other things, Corpay is the largest issuer of Mastercard, and the company has also entered into partnerships with Mastercard within its segment for international B2B payments, with Mastercard having acquired a 3% ownership stake in this segment. Corpay has a strong financial track record. Since its IPO in 2010, the stock has delivered 18% annual returns. Over the past decade, the company has achieved average annual growth of nearly 13% in revenues and 14% in free cash flow per share. Given the quality of the business and its growth prospects, we consider the valuation attractive.

We also favour industrial distributors. We have several such holdings in the fund and have invested in this segment over time. During the year, we purchased shares in **Core & Main** and **SiteOne Landscape Supply**, companies we have followed for a long time. Core & Main, together with Ferguson, is a leading distributor of water and wastewater equipment, drainage solutions and fire protection equipment in the US. This creates favourable consolidation opportunities for a player such as Core & Main and supports long-term value creation. We like the company's cash return characteristics, high return on capital, management's ownership of nearly 4% of outstanding shares, and the flexibility demonstrated in capital allocation. We believe this contributes to a company where management is focused on maximising long-term per-share value.

SiteOne is a former holding in the fund and is the largest distributor of landscape supplies in the US. The company is five times larger than its nearest competitor and larger than players ranked two through ten combined. As the only national distributor, SiteOne continues to consolidate the market. We have reinvested in the company after it has worked through a challenging market environment, while the share price has declined. For the first time in three years, pricing growth now appears to be exceeding cost inflation. The company has also taken measures to improve gross margins and reduce operating costs. Taken together, this creates favourable conditions for revenue growth and even stronger earnings leverage. SiteOne is therefore well positioned regardless of end-market developments.

During the first half of the year, we also purchased shares in **Floor & Decor**. Floor & Decor is a category killer and a specialist retailer of various flooring products. The chairman, Tom Taylor, began his career at Home Depot and became the company's youngest store manager. Floor & Decor has delivered very strong performance since he took over. The flooring market is fragmented, and we believe that a specialist player such as Floor & Decor has the potential to continue gaining market share for many years. The company focuses on breadth and depth of product assortment, technical expertise, and a clear strategy to increase its professional customer base. We believe Floor & Decor is well positioned to expand its store footprint over time, gain market share and benefit from a more normalised housing market, which has been imbalanced since the pandemic. We also appreciate the company's conservative financial profile and low leverage, which provides flexibility.

Over time, we have closely followed providers of design software for semiconductor developers. This segment offers strong visibility and structural growth driven by the increasing integration of advanced chips into a growing range of products. The market functions as an efficient oligopoly dominated by Synopsys, Cadence and Mentor Graphics (Siemens). Share price performance across these companies has been weak in recent years. This reflects a bifurcated semiconductor market, where investments tied to data centres and artificial intelligence have been strong, while the broader market exposed to industrial end-markets and cyclical consumption has remained weak since the pandemic. In addition, US export restrictions on EDA software to China have contributed to softer demand. This has provided us with an opportunity to invest in **Synopsys** at attractive levels.

Synopsys benefits from the increasing complexity and cost of developing modern semiconductors, leading to a growing share of customer development budgets being allocated to software. At the same time, a shortage of qualified engineers represents a bottleneck for the industry, increasing demand for more automated solutions and the integration of artificial intelligence into the design process. This provides Synopsys with a clear competitive advantage. The company stands to benefit from increased R&D spending related to AI chips, as well as a future recovery in the broader semiconductor market, which accounts for approximately 45% of revenues. In addition, Synopsys is in the process of integrating Ansys, creating a more comprehensive product portfolio covering chip design, IP and end-product simulation. We previously owned Ansys but sold following the takeover bid. After the subsequent pullback in the Synopsys share price, we now consider the combined company's valuation to be attractive.

We have also purchased shares in **WM** (formerly Waste Management), the market leader in waste management in North America. The company controls more than 30% of landfill capacity in the US. This represents a strategic asset with extremely high barriers to entry. Strict regulation and local opposition to new facilities ("not in my backyard") make it very difficult to establish new landfills, creating significant value for the existing network. The industry has undergone extensive consolidation over the past 20 years and has increasingly focused on profitability rather than volume growth. Strong pricing power across the industry makes the sector highly attractive. This pricing power, combined with the essential role of waste management in society, provides high cash flow visibility and long duration.

WM has several initiatives that can drive strong growth in free cash flow going forward, including the integration of the acquisition of Stericycle (North America's largest provider of medical waste services), sustained long-term pricing growth above cost inflation, returns on investments in renewable natural gas and recycling, as well as further internalisation and automation of operations.

Sales
During the first half of the year, we sold our shares in the US-based e-commerce platform **Etsy**. Etsy has been a disappointing investment for us. The company has not been able to capitalise on the strong position it built during the pandemic. Normalisation of consumer spending, resulting in lower demand for discretionary goods, combined with intensified competition from both Chinese and US competitors, has created a more challenging operating environment for Etsy.

Towards the end of September, a bid was announced for the gaming giant **Electronic Arts** (EA). The offer was USD 210 per share, implying a transaction value of USD 55 billion. EA will therefore be taken private in the largest private acquisition ever. We purchased our first shares in EA in November 2023 at just under USD 130 per share, making this a very successful investment journey for the fund.

During the autumn, we fully exited our position in **Henry Schein**, a distributor of dental and healthcare products. The company has been part of the fund since its inception in 2016. The sale was driven by fundamental changes in the industry that point to weaker growth and profitability prospects. Competition has intensified, particularly from online players, resulting in higher price transparency, easier procurement and pressure on margins. At the same time, the customer base has become more consolidated, increasing customers' bargaining power. In addition, we assess the company's approach to capital allocation as suboptimal, as management has prioritised expensive acquisitions over share buybacks at attractive valuations. While we continue to believe in distribution business models, we have chosen to reallocate capital to other companies and sectors with stronger structural growth and more attractive industry conditions.

Another long-standing holding we have exited is **Sherwin-Williams**. We continue to like the company, which over time has consistently increased prices at a faster rate than raw material costs. Since the 1980s, the company has delivered improving gross margins. The challenge today is that the valuation has become stretched, and we see more attractive alternatives with exposure to similar underlying trends.

Another distributor we have chosen to sell is **MSC Industrial Direct**. The company holds an interesting niche position within metalworking and offers a broad inventory, particularly in cutting tools for the metal industry. The company has struggled to grow, largely reflecting weak industrial production growth. While we still appreciate the business, we believe that the other industrial distributors we hold are better positioned going forward.

We sold our shares in **Broadridge**. The company provides critical solutions to the financial services industry, including services related to mandatory communications from listed companies, as well as software and data solutions for trading, settlement, compliance and operations. Broadridge has been a strong investment for us. We value such financial technology companies, but chose to exit due to strong share price performance, elevated valuation relative to long-term growth prospects, and our view that we can find equally attractive or better opportunities elsewhere within financials, such as S&P Global, Corpay, Visa and Mastercard.

We have also sold our shares in **First American Financial**, which provides title insurance services that protect buyers against claims on property ownership during real estate transactions. In Norway, this role is fulfilled by public registries through Kartverket, whereas in the US the absence of a similar public system necessitates the purchase of title insurance. Transaction volumes in the US housing market have declined alongside rising interest rates and are currently operating at low levels, resulting in weak volume growth. While First American holds a strong position in a consolidated market, we prefer other alternatives that stand to benefit more directly from a recovery in transaction activity.

Outlook

In the article "*How Inflation Swindles the Equity Investor*", Buffett compares equities to bonds. In aggregate, equities can be viewed as a perpetual bond with no maturity date. The coupon consists of dividends, plus the growth in corporate earnings. Over time, this equity "coupon" has proven to be stable. The fact that US equities have delivered approximately 10% annual returns is the result of the combination of earnings growth and dividends. US equities have largely been an attractive investment over the past 125 years because they have often been reasonably priced relative to earnings and dividends. Throughout these annual letters, our recurring message has been the need to distinguish between fundamental returns (earnings plus dividends) and emotional returns (changes in valuation multiples).

It is difficult to ignore that today's market is willing to pay more for the underlying value creation of US equities, whether measured against trend earnings, price-to-earnings ratios or the Shiller P/E (cyclically adjusted earnings). Valuations are elevated relative to historical averages, driven by strong earnings growth delivered by companies. However, some sectors are more expensive than others. In such periods, it is prudent to remain long-term oriented, invest in robust companies with long earnings duration, and at the same time maintain price discipline by not overpaying for companies. This may help mitigate the effects of a potential multiple contraction.

It has been a challenging year for quality stocks, and over the past eighteen months there has been a clear bifurcation of the market. We observe that many typical quality companies that we own and favour have become cheaper over the year relative to the long-term value they have created. Where valuation multiples were elevated in the aftermath of 2021, they now appear more reasonable. We believe this represents fertile ground for investment and see that many of these companies are now attractively valued.

ODIN USA has a clear style and profile. We follow a quality-oriented investment philosophy. This means that the companies we own should exhibit solid profitability, strong balance sheets and stable, predictable earnings. We are also disciplined when it comes to valuation and do not want to overpay for this earnings stream. The fund is now valued broadly in line with the index, which has been rare historically, while offering higher growth, stronger cash generation, lower leverage, higher margins and superior returns on capital. On a free cash flow yield basis, the fund is approximately 12% cheaper than the index. Over time, portfolio companies have delivered earnings growth of 13%, compared with 9% for the index.

We also see this reflected in several quality holdings in the portfolio that are now attractively valued relative to both alternatives and their historical value creation. Examples include **Thermo Fisher, S&P Global, Copart, Roper, Visa/Mastercard, Core & Main, Otis, Booking, Grainger** and **Eagle Materials**—companies that have been strong long-term value creators and that are now reasonably priced relative to their long-term earnings power. We cannot predict the future, nor do we know when sentiment will turn, but relative to the available alternatives, quality equities appear more attractive today than they have been for a long time.