ODIN Bærekraft (ODIN Sustainable Equities) 31/12/2025

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

FUND COMMENTARY

Market/Fund performance

During the first half of the year, the fund performed well relative to its benchmark, while a weak second half resulted in underperformance for the year as a whole. The fund's low exposure to artificial intelligence and the technology sector, as well as individual holdings within the healthcare sector, contributed negatively to relative performance. Markets in 2025 were characterised by political shocks, ongoing military conflicts and rapid developments in artificial intelligence. Donald Trump's return to the White House marked a clear shift in US trade policy. "Liberation Day" in April triggered significant declines in equity markets. The administration's policy, characterised by constantly changing tariffs and trade restrictions, created high volatility throughout the year and contributed to global companies seeking to relocate production closer to their home markets in order to reduce geopolitical risk. In practice, this has meant new investments in manufacturing capacity and increased use of local suppliers. Over the long term, this may reduce transport emissions and provide better control over critical components, but at higher costs.

The administration's policies have also included deregulation, tax cuts and an aggressive push for US oil and gas production. This has created a more challenging environment for certain renewable energy projects. The presidential order to once again withdraw the US from the Paris Agreement signalled the beginning of a shift in the US approach to the green transition. With the implementation of "The One Big Beautiful Bill" in July, several incentives from the Inflation Reduction Act were reduced, including tax benefits for future wind and solar power projects and support schemes for household energy efficiency. The new policies have instead favoured technologies that ensure US autonomy, such as nuclear power and carbon capture. These changes contribute to increased and prolonged use of fossil energy sources, but also to the development of domestic value chains for solar panels and batteries.

On the other side of the Atlantic, sentiment has been shaped by geopolitical seriousness. The need for European energy security, reinforced by the war in Ukraine, continues to support the green transition. 2025 marked the year in which the EU began the serious implementation of the Net-Zero Industry Act, with the aim of simplifying permitting processes that have long been a bottleneck. Although high interest rates and cost inflation have dampened parts of the offshore wind sector, we see underlying structural growth in renewable energy investments.

Artificial intelligence continued its explosive growth in 2025, driven by increasingly advanced generative models and growing adoption across industries. Significant investments are being made in AI to automate processes, optimise supply chains and develop new products. The training of large language models and the operation of AI-driven data centres require enormous amounts of electricity – some hyperscale's reported energy consumption equivalent to that of small cities. Energy efficiency therefore becomes a critical factor for future sustainability. Technologies such as liquid cooling, specialised AI chips and the use of renewable energy in data centres have been prioritised. At the same time, we are seeing the emergence of "green AI", where algorithms are designed to reduce computational costs and carbon footprints, enabling innovation to go hand in hand with climate objectives.

Contributors to the fund's performance

Among the strongest contributors in 2025 were Andritz, Nexans and Prysmian.

The Austrian company Andritz, which supplies equipment and plants to the hydropower, pulp and paper industries as well as green industries, began 2025 with strong growth in its order backlog. While investment appetite in the pulp and paper industry remained cautious with respect to new large-scale projects, the company's extensive service business ensured stable cash flows in the first half of the year.

Portfolio Managers:

Alexander Løes Nilsson

Harald Nissen

Why invest in this fund?

ODIN Bærekraft is a fund that is based on sustainable investments. This means that the fund invests in companies that help to achieve selected sustainability goals.

The fund's defined sustainability goals are inspired by the EU's environmental and social goals. We look for robust companies that contribute to the transition to a better climate and environmental footprint and/or better health and quality of life and the fund's goal is to create good risk-adjusted returns by being part **of this transition.**

How is the fund positioned?

ODIN Bærekraft invests in carefully selected companies that contribute to, and benefit from, the transition to a more sustainable society. The fund is invested in companies who's pro-ducts, services and technology directly contribute to our defined sustainability goals, as well as transition companies that are contributing by changing their value chain to make it more sustainable. ODIN Bærekraft has a global investment mandate and invests in well-established companies with a good financial record, in several different industries.

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The company has initiated measures to reduce costs and optimize production in order to protect margins in 2026. Andritz is well positioned across several end markets with structural growth in the years ahead and has a strong financial position. Strong operating performance during the year, combined with a valuation moving from attractive to more reasonable levels, supported the share price.

Cable manufacturer Nexans has set a clear ambition to become a pure-play global leader in electrification. The year began with strong order intake and robust growth within the electrification segment, driven by solid demand for both long-distance power transmission cables and local power distribution. The company delivered on its strategy during the year, reported a record operating result and has a very strong balance sheet. New offshore contracts in the North Sea and the US, as well as the acquisition of Canadian-based Electro Cables, contributed to positive sentiment around the company.

Another cable manufacturer that performed well in 2025 is the Italian company Prysmian. Increasing investments in renewable energy, electrification and grid expansion have generated strong demand for high-voltage cables and related infrastructure. As a global leader in the cable segment, Prysmian has been well positioned to meet this demand. The company delivered strong results during the year, and the outlook remains positive. Towards the end of the year, new offshore wind contracts in the UK, Germany and the US, as well as telecom contracts in both Europe and North America, contributed to increased optimism around the company.

Among the weakest contributors in 2025 were **Novo Nordisk, Molina Healthcare** and **Smurfit Westro**ck.

Towards the end of 2024, we initiated a position in **Novo Nordisk**, a global pharmaceutical company with strong market positions in diabetes and obesity treatments. This turned out to be too early. Throughout 2025, the share price was characterized by a persistent downward trend, driven by increased competition in the obesity treatment market, regulatory pressure and a highly skeptical news flow. Novo Nordisk went from being the leading player in new obesity treatments to having to fight for market share against a number of low-cost copy products. Several internal changes were implemented during the year, and we expect these to contribute to a more competitive strategy better aligned with the rapid developments in the obesity market.

Molina Healthcare, a US-based provider of healthcare services within publicly funded programs such as Medicaid, also experienced negative share price performance in 2025. The company has been affected by uncertainty surrounding future Medicaid funding, influenced by US healthcare policy. Higher utilization of healthcare services and more expensive treatments, particularly within mental health, pharmaceuticals and hospital admissions, led to increased medical costs. Rate adjustments did not keep pace with rising costs, resulting in downward revisions of earnings expectations in the second and third quarters. We see significant upside potential in the company if government subsidies for health insurance are appropriately extended into 2026.

Smurfit Westrock's share price performance was strong in 2024, and optimism surrounding the integration of Smurfit Kappa and Westrock was high. The share price fell sharply around Liberation Day, and sentiment gradually weakened throughout the year. There was extensive discussion around tariffs and how these might affect the shipment of goods between countries and continents. Sentiment around weaker demand for packaging and containerboard was further reinforced when the company lowered its earnings expectations for the year in the third quarter. Despite management's focus on synergies, integration costs and a challenging macroeconomic environment have put pressure on margins. Slower volume growth and concerns about overcapacity led investors to adopt a more cautious stance towards the company. The share price recovered somewhat towards the end of the year, driven by expectations that merger synergies will materialize in 2026, that 2025 represents a transition year, and that the shares are currently undervalued.

Material changes to the fund

One new addition this year is the US-based company Ferguson, a leading distributor of plumbing, building and installation products. The company supplies essential products such as pipes, valves and other system components for water supply and wastewater systems and is Core & Main's largest competitor in the US. Ferguson's Waterworks division specialises in products and services related to water supply, wastewater and infrastructure, where the company holds a leading market share in the US. Ferguson is well positioned, with as much as 75% of US sales generated in markets where the company is either the largest or second-largest player. Over the past five years, Ferguson has delivered 13% earnings per share growth and a return on equity exceeding 30%.

Following strong share price performance, we sold our positions in the software companies Trimble and Autodesk and replaced them with the Swedish technology company Hexagon. Hexagon is a leading provider of sensors, software and technologies that help customers optimize resource use, improve operational efficiency and reduce environmental impact. The company primarily operates in markets such as industrial manufacturing, construction, energy and geospatial solutions. Hexagon's construction solutions enable more efficient building processes, reducing both material waste and resource consumption. In agriculture, its solutions help optimise the use of water, fertilisers and other resources through precise measurements and data analysis, reducing environmental impact while increasing customer profitability.

We have also invested in the Swedish company Beijer Ref, one of the world's largest wholesalers of refrigeration technology and HVAC products. The company operates under a decentralized model, empowering local management teams. Beijer Ref has strong partnerships with leading suppliers such as Toshiba, Carrier and Mitsubishi Heavy Industries.

Acquisitions are an important part of its growth strategy, and the recent acquisition of HVAC distributor Heritage has strengthened the company's foothold in the US market. Stricter regulation driving the transition to natural refrigerants (away from harmful F-gases) is supporting growth going forward.

Increased focus on energy efficiency in buildings and industry also contributes to growth. Beijer Ref supports sustainable development by delivering energy-efficient refrigeration systems based on environmentally friendly natural refrigerants and new HVAC products, reducing both greenhouse gas emissions and energy consumption in buildings and industrial facilities.

In March, we initiated a position in Instalco, which provides technical installation and service solutions for buildings and industrial facilities in the Nordic region. With more than 150 local subsidiaries supported by a small central organisation, the company combines local expertise with economies of scale. This strengthens its growth potential, which is also driven by increasing demand for energy-efficient solutions and digitalisation. Instalco delivers installations within electrical systems, plumbing, ventilation and cooling that optimize energy consumption in buildings, supporting customers' efforts to reduce carbon footprints.

During the market turbulence in April, we initiated positions in Demant and Clean Harbors. Demant develops and sells hearing aids, hearing technology and audiological equipment, and is among the three largest global players in this market. A large, growing and ageing customer base provides secular demand growth, while a strong pace of innovation and an increasing share of digital and wireless solutions strengthen the company's position. The US-based company Clean Harbors holds a strong position in hazardous waste management, having built a nationwide network of specialised facilities and expertise for handling complex materials. The company also benefits from high regulatory barriers to entry and significant local opposition to the establishment of new treatment facilities.

We also invested in the French company Veolia Environnement, which operates across three segments – water, waste and energy – providing services to both municipalities and industrial customers. Strategic focus areas going forward include water quality, hazardous waste management and waste-to-energy solutions, driven by stricter regulation and increased focus on the circular economy.

Outlook

We expect geopolitical uncertainty to extend into 2026, with a continued trend towards increased protectionism. Where possible, countries seek greater control over value chains, secure access to raw materials, improve energy security and strengthen defence capabilities. A desire for energy security will be supportive for developers and producers within renewable energy and energy efficiency. At the same time, increased focus on controlling value chains may drive demand for critical raw materials, benefiting companies involved in resource efficiency and the circular economy.

Although quality stocks (MSCI World Quality) delivered weaker returns than MSCI World in 2025, we remain confident that quality companies exposed to sustainable megatrends will perform well over time. Time is the quality company's greatest ally. The portfolio companies have delivered strong long-term performance, hold solid competitive positions and have favourable long-term prospects. We believe many quality companies are entering 2026 with attractive valuations, and we are convinced that returns will follow the underlying fundamental development of the companies over time. In a world still characterized by transition and uncertainty, we seek companies with robust balance sheets and the ability to grow over time. ODIN Sustainable Equities offers global exposure to quality companies that create value by addressing future sustainability challenges across sectors.

From the first quarter of 2026, the fund will be strengthened by two new resources. Marte Storaker and Eivor Oellingrath from Odin's sustainability team will assume the roles of responsible portfolio managers. Together with Alexander, we look forward to an exciting year ahead, with sustainability and quality in focus.