ODIN Norge 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

Fund and market performance
The year 2025 began relatively well on the Oslo Stock Exchange, despite the media landscape already being marked by a fair amount of noise. The inauguration of President Donald Trump in the United States naturally drew significant attention, and discussions around how companies globally had begun preparing for potential political decisions were an important theme.

The quarterly reporting season had only just begun in January, and among our holdings, the focus was on Gjensidige. Like other non-life insurance companies with exposure to Norway, the company had faced headwinds over the past two years. This was partly due to specific events such as major storms and related claims, but also as a result of inflation and elevated claims frequency – particularly within motor insurance.

As a result, there had been a need for premium increases for customers, and this process was now gradually under way. We expected significantly improved profitability in the years ahead and believed this was demonstrated in the reported results, which were followed by a positive share price reaction.

As in previous years, we included a thematic section in each monthly report. In the **January** report, we focused on the maturation of ESG / sustainability.

For us at Odin Forvaltning, ESG and sustainability are not new concepts. Our investment approach has always taken into account factors such as environmental impact, transparency, employee rights and corporate governance.

A few years ago, ESG received considerable attention, particularly with a focus on the "E", meaning climate and environment. More recently, we have seen countervailing forces emerging, pulling in the opposite direction, exemplified by new policies from the newly elected president in the United States and some shifts in focus within the EU as well.

This is not particularly surprising to us. It is natural that a broad field such as sustainability goes through a maturation phase, where what works well is retained, while what does not work is scaled back or removed. We have long believed that this maturation process takes time but will progress significantly over the course of this decade.

As an asset manager, we naturally take all obligations seriously and professionally, and we also have clear expectations of our portfolio companies. These companies incur some additional costs and resource use, for example related to reporting requirements, but they also benefit from opportunities created by the "ESG wave". Our general view is that, for businesses, all activities must be profitable in order to be sustainable. The public sector has a somewhat different role, but even here, cost-benefit considerations are likely to become more explicit over time.

Our quality companies within the fund are adaptable and will be able to manage whatever comes their way.

February was a more sideways month on the Oslo Stock Exchange after a strong start to the year. Among our portfolio companies, AutoStore delivered relatively solid results in terms of both revenues and margins. Kitron also reported results that we viewed positively, even though the underlying market remains somewhat subdued – with the exception of the security and defence segment, where we continue to have high expectations going forward. Orkla delivered somewhat mixed results, but during the month announced the sale of hydropower assets at an attractive valuation, followed by a dividend announcement.

Managers:

Atle Hauge

Vigdis Almestad

Why invest in this fund?
The Norwegian economy is robust and developing well. A free currency and sound government finances mitigate the effects of fluctuations in commodity prices. An investment in ODIN Norge provides exposure to a good domestic market as well as attractive positions in companies targeting the world market.

How is the fund positioned?
ODIN Norge is composed of 25-35 companies that have exposure to different drivers and are well positioned for value growth over time. The fund can be divided into three groups. The first consists of companies with strong market positions directed at domestic consumers. The second consists of global companies targeting attractive commodity markets with good cost positions. The last group consists of companies with unique technological positions aimed at attractive niche markets. The fund is entirely made up of solid companies with attractive positions delivering good returns on capital. We believe they will continue to deliver good returns going forward.

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Overall, however, the month was once again characterised by geopolitical news, particularly actions and statements from the Trump administration in the United States. Equity markets had so far remained relatively calm, but it is well known that markets do not respond well to prolonged uncertainty.

The thematic section of the month focused on ODIN Norge as a contrarian investor. There are many paths to success in investing, just as there are in many other disciplines. At Odin Management, we have chosen a long-term focus on quality. In practice, this means that we do not engage in short-term, speculative trading of shares, nor do we employ momentum strategies based on share price trends. On the contrary, our style is more contrarian in nature — we go against the prevailing sentiment.

We have numerous examples of this approach, and a relatively recent one is our investment in AutoStore. We initiated our position in the company for the first time in 2024, and it is a stock where there is considerable disagreement among leading investors in Norway. At the time, we believed the company was very well positioned and that earnings were sufficiently strong while waiting for a cyclical upturn in the market. On the other side of the debate are those who fear that the company's market position is under pressure and that margins will disappoint. It remains to be seen how this unfolds, but it is precisely in situations where views on the prospects of a quality company diverge sharply that excess returns can be generated in an equity fund.

In fact, it is only in special situations where disagreement is significant that quality companies become mispriced. In such cases, it is crucial to conduct a thorough and open-minded analysis of the fundamentals to determine whether the attractiveness is sufficient, and to make an investment decision under uncertainty. Often, it takes a long time before the outcome becomes clear, and this approach requires a certain degree of patience. Rarely does it play out exactly as anticipated (we cannot predict the future…), but we always strive to ensure that the odds are at least in our favour.

March was a positive month for the Oslo Stock Exchange, as well as for the fund. The news flow continued to be dominated by geopolitical uncertainty, particularly following the inauguration of a new administration in the United States. Navigating this uncertainty is relatively challenging for companies, but the portfolio companies have demonstrated their ability to adapt.

In connection with company updates, management teams typically provide comments on the outlook, often for the coming year. We perceived the communication as somewhat more cautious than before, particularly with respect to the geopolitical environment. This was likely not surprising for those following the media closely. In particular, corporate investment decisions may be deferred when uncertainty is perceived as too great, which can act as a drag on the economy.

In the thematic section of the March report, we therefore focused on investment appetite: the three components of investment evaluation.

A common method for valuing or assessing the attractiveness of an investment is discounted cash flow. This may sound dry, but it represents a fairly accurate description of what truly matters to an investor—and to a corporate board making investment decisions.

The method suggests that three components are crucial:

- *Cash flow – simply the profit generated by the investment in the future; the larger, the better.*
- *Time – a krone earned today is worth more than a krone earned in ten years. The sooner an investment generates profit, the better. This relates to opportunity cost.*
- *Risk – selecting a specific investment project typically involves a certain level of risk, which must be compensated.*

Even in a calm and "normal" environment, these factors can be difficult to assess. In today's situation, characterised by increased geopolitical noise and change, this becomes even more challenging. What level of profit can truly be expected if the operating environment changes? Is there greater uncertainty regarding the timeline? With higher risk comes a requirement for higher expected returns, which raises the threshold for investment.

All of this must be considered by corporate boards, and in periods of heightened uncertainty, investment decisions are often at least postponed. This can create an investment vacuum that is negative for the economy as a whole. However, as mentioned, one party's hesitation can be another's opportunity. We have confidence that our quality companies will make sound decisions.

April is also a key reporting month, and as usual we looked for any material changes among the quality companies we own. Earnings generally appeared solid, but near-term visibility was somewhat limited due to obvious macroeconomic factors.

Kitron reported slightly weaker margins for the quarter, but order intake and the outlook for 2025 were strong, particularly within the security and defence segment. AutoStore unfortunately delivered weak quarterly figures, and the share price was severely punished by the market.

We believe this primarily reflects cyclical headwinds and have therefore modestly increased our holding since. Yara delivered a strong report, with margins, volumes and cost control all moving in the right direction. Gjensidige also reported higher profits, although claims costs were somewhat higher than expected.

This is expected to be offset by further premium increases for customers going forward, leaving the investment case intact. Finally, Atea also provided a positive update, with analysts subsequently revising their estimates modestly upwards.

In the monthly report, we made some assessments regarding trust as a pillar of value creation.

In March, we discussed three factors that investors or companies must consider when making investment decisions: 1) *Cash flow, 2) Time og 3)Risk*

Even in a "calm, normal" environment, these factors can be difficult to assess, and in today's situation, characterised by increased geopolitical noise and change, this becomes even more challenging.

In interactions between individuals and companies—and particularly between companies—trust is a crucial element. Over time, trust is built, enabling transactions, cooperation and investments to be carried out efficiently. At the societal level, the same applies: when we trust institutions, authorities and regulatory frameworks, we are more willing to invest, start new businesses and trade with one another.

This is perhaps the greatest challenge arising from the geopolitical changes currently taking place. Even if agreements are reached on issues such as defence/security or tariffs, how can one be confident that these arrangements will endure? Trust can be destroyed quickly, but takes a long time to rebuild.

Such a situation is, unfortunately, highly toxic for global economic growth. At the same time, as always, new opportunities emerge, and once again we place our trust in the ability of the quality companies we own to navigate this landscape successfully.

Following the market downturn leading up to early **April**, equity markets rebounded strongly in the subsequent months. DOF Group, one of the largest holdings in the ODIN Norge fund, delivered solid results and clearly strengthened its order backlog through contract awards in Brazil. The company has initiated dividend payments, and we expect substantial distributions in the years ahead.

Being an active fund manager largely involves selecting individual stocks, but portfolio management is also critically important. In the monthly report, we therefore addressed the question: How many stocks should a portfolio contain?

In our discussions with both private and institutional clients, we often talk about portfolio diversification — specifically, how many holdings are needed to avoid excessive concentration and elevated risk.

In a UCITS fund, which is the most common structure for equity funds in Norway, the minimum number of holdings is 16 stocks. In practice, this is not feasible, and most funds therefore hold two to three times that number. In the ODIN Norge fund, we typically hold around 30 stocks.

Renowned investor Warren Buffett has stated that "Diversification is protection against ignorance. It makes little sense if you know what you are doing," implying that diversification across many stocks is most important when the level of knowledge is limited. There are varying views on the appropriate number of holdings, ranging from 20–30 stocks to as few as six.

An equally important consideration, however, is the concentration within the holdings themselves. A commonly cited rule of thumb for Buffett is that even when he has held around 50 positions, the top ten have often accounted for approximately 80% of total value. This represents a high level of concentration and is not feasible for most funds.

Studies also show that private investors typically hold between five and ten stocks. This is considered highly concentrated, but an important point is to assess this in a broader context. What other assets does the investor hold, such as funds, cash or real estate?

There are therefore many valid answers to the initial question, and a range of related aspects must be considered. We observe that participants in the fund industry largely focus on and market stock selection, but perhaps should place greater emphasis on communicating the importance of portfolio management. This is a critically important part of the investment process and has a significant impact on clients' risk-adjusted returns.

Both **June** and **July** contributed positive returns. The reports released in July were generally satisfactory for our holdings.

Throughout 2025, the discussion surrounding artificial intelligence has intensified, as AI-related companies abroad have experienced significant share price movements. In the monthly report, we addressed the question of whether AI represents a "bubble".

Contrary to what appears to be a widespread perception, we believe that the products and services we all use actually change at a relatively slow pace. Media coverage and the constant news flow give the impression of dramatic change, but a simple review of everyday items demonstrates the opposite — for example, a coffee cup, tyres, paper towels, shoes or a table. Only rarely does something emerge that fundamentally changes daily life.

One such development is the microprocessor and its evolution over time. This has laid the foundation for hardware and software innovation and has created several waves of technological progress over the past 50 years—as illustrated in the chart below. The latest wave is, of course, artificial intelligence (AI).

Many investors view this development as a bubble. We are of the opinion that the changes driven by AI will be substantial, including significant productivity gains across society, and that the wave itself is not a bubble, even though certain companies may be priced too expensively. Discussions around this topic are both natural and necessary with our portfolio companies, encompassing both risks and opportunities.

In **August**, the Oslo Stock Exchange moved sideways, but as always there were notable movements beneath the surface. The savings banks continued to deliver strong results, as demonstrated by, among others, SpareBank1 Sør-Norge, SpareBank1 SMN and Sparebanken Norge. Over the past year, the fund significantly increased its position in Nordic Semiconductor, which had become one of the largest holdings.

The company delivered relatively solid results, and its comments on the outlook were also reassuring. AutoStore is another company that has grown to become a substantial position in the fund, and here as well, results were far better than expected, accompanied by a positive share price reaction on the reporting date.

We have also maintained a significant position in Veidekke for some time. The most positively surprising aspect of this investment case over the past two years has been order intake, which we again viewed as strong. It was also encouraging to see increased activity in Sweden, where Veidekke has faced challenges in parts of the market.

The monthly theme focused on capital allocation in growth companies.

One of the most important discussions we have as asset managers with company management and boards concerns capital allocation. While the term may sound abstract, it simply refers to how a company's cash should be allocated—for example, towards investments, acquisitions or dividends.

Since investments in growth and acquisitions involve a significant degree of uncertainty, given that outcomes lie in the future, such discussions are more challenging in industries with high expected growth and a wide range of possible outcomes than in more mature, established industries.

Furthermore, it can be difficult for an external investor to assess whether cost levels in growth companies are "appropriate" and whether management's assumptions are reasonable. Nonetheless, these discussions are important, and we often find that our focus on return on capital contributes constructively to greater discipline at both board and management level. In the rare cases where we believe this focus is insufficient, we will use our influence as shareholders to drive change.

September was a relatively quiet month as the reporting season had ended, and the market once again moved sideways. We noted in the report that over the past two to three years, the Oslo Stock Exchange has reached increasingly higher levels, which has typically supported a favourable environment for capital raising by companies, as well as larger transactions in listed equities. Combined with very high dividend payouts from listed companies, which replenish the cash reserves of both institutional and private investors, one could have expected very high activity levels.

Although there has of course been some activity, we are nevertheless surprised that the level has not been higher. During the month, activity appeared to pick up somewhat, and the ODIN Norge fund itself participated in several transactions, including Nordic Semiconductor, Link Mobility Group and Envipco.

In **October**, equity markets came under significantly greater pressure, as a number of the very largest companies reported results that were insufficient to lift their share prices. Given that a single quarter should be regarded as little more than a brief progress update, we noted that the share price reactions were unusually large. This presented opportunities for us as active investors.

Equinor delivered results that were somewhat below expectations and did not present a plan for cost or investment reductions that some investors had hoped for.

DNB's share price fell markedly due to slightly weaker net interest income than expected. Telenor's share price also declined significantly following its report, and earnings estimates are expected to be revised downwards. The fund had no or only limited exposure to these companies, but one of our holdings also faced headwinds. Gjensidige reported a somewhat weaker combined ratio, a key measure of cost and claims levels.

However, Kongsberg Gruppen had the largest negative impact on overall market performance during the month. The company delivered weaker-than-expected quarterly results and also announced a corporate split. The latter brought attention to the implied valuation of the maritime division, which weighed heavily on the share price. Large share price swings around earnings releases have increasingly become the norm, and we addressed this topic in the thematic section of the fund report – Companies change more slowly than share prices.

Share prices can fluctuate sharply on the days when companies release their quarterly results. Markets react immediately not only to reported figures, but also to management commentary, signals about future prospects and deviations from expectations. Such reactions can result in significant price movements — both upward and downward — even when the fundamental changes in a company's value creation are limited. Underlying businesses generally evolve gradually over time, with market positions, growth opportunities and strategy changing relatively slowly.

A key responsibility for any portfolio manager is therefore to distinguish between noise and substance. At the same time, we seek to exploit short-term volatility to our advantage by increasing positions in high-quality companies when share prices fall disproportionately, and by reducing exposure where prices have temporarily risen beyond what fundamentals justify.

Short-term market movements often reflect emotion and market psychology rather than genuine value creation, and it is precisely in such periods that attractive opportunities arise for patient, long-term investors.

November was also a moderate month in terms of returns. Overall, the reporting season served as a satisfactory interim update for most of our portfolio companies, and we have used the significant share price volatility to both add to and reduce positions. During 2025, the fund built a position in Link Mobility Group, which also delivered a strong report in terms of both organic growth and profitability. Subsequent to the end of the quarter, the completion of an important acquisition was confirmed, which in our view further supports strong earnings growth in 2026.

In the thematic section of the monthly report, we wrote about what we consider to be the major AI winner on the Oslo Stock Exchange.

In our view, there is no doubt that the AI revolution necessitates thorough analysis of both new and established companies. Generally, we believe that major technological shifts tend to create a small number of large winners, while producing many more losers. In addition, there is naturally a broad group of companies between these extremes, where the use of technology improves efficiency, but without creating particularly unique advantages for individual firms.

Overall, we therefore spend more time avoiding the 100 losers than trying to identify the two winners. Simply put, this approach is more productive in terms of long-term return potential.

That said, we believe we have nevertheless identified a potential winner among Norwegian companies: AutoStore.

Many consumers will soon become accustomed to using AI tools (such as ChatGPT) to purchase goods. An AI agent may assist with searching for the right product based on personal preferences, identifying where the product can be purchased, and arranging both payment and delivery. We believe that a significantly simplified purchasing experience could materially increase the share of online retail, in a manner similar to the sharp increase observed during the Covid-19 pandemic.

If so, this would in itself drive further investment in logistics and automated warehouse solutions to support e-commerce. In addition, we believe advanced warehouse solutions will become increasingly important for other reasons as well, including the need for high data quality, error-free picking and rapid delivery. This is precisely what AutoStore provides—and the company is, in fact, an undisputed market leader.

The final month of the year was very strong on the Oslo Stock Exchange and contributed to an unusually good year for investors in the market. Several sectors played a role, but once again the financial sector, including banks and insurance companies, was a key contributor. We believe return opportunities in this segment are now more limited and have therefore reduced our exposure somewhat. Among the largest holdings in the fund today are technology companies. It is important to emphasise that while technology stocks globally, and particularly in the US, have performed very strongly in recent years, this has relatively little relevance for the Norwegian niche companies in which we are invested.

Portfolio changes

As in previous years, it is important to note that the ODIN Norge fund maintains a relatively low turnover due to our long-term investment approach focused on sustainable quality companies. Nevertheless, we continuously evaluate all investment cases, looking for both opportunities and areas where our assumptions may be wrong. As previously discussed, share prices tend to fluctuate far more than underlying company fundamentals, and when individual stocks experience significant volatility, we seek to take advantage of this. We believe we have done so in 2025, which explains the increase in portfolio turnover.

The most significant portfolio changes therefore relate to position sizing within individual holdings. Among the companies we either fully exited or initiated positions in, a few examples can be highlighted. We fully exited our position in the oil company Vår Energi after a very strong performance since 2022. We also exited Telenor, as we believed the valuation had become too high. In addition, we exited Norsk Hydro after a solid investment period and due to what we consider to be unsustainable product pricing. On the other hand, we have significantly increased our exposure to Envipco, which represents a play on the deposit-return machine market in Europe, as well as to Link Mobility and Nordic Semiconductor, both of which are technology companies.

Contributors
On an absolute basis, the largest positive contributors to the fund's performance in 2025 were **Kitron, Gjensidige** and **AutoStore**. Relative to the fund's benchmark (OSEFX), the most important positive contributors were **Kitron, AutoStore** and **DOF**.

On the negative side, the largest detractors on an absolute basis were **Vend Marketplaces, Bakkafrost** and **TGS.** Relative to the benchmark (OSEFX), the negative contributions came primarily from underweights in **DNB, Storebrand** and **Norsk Hydro**.

Outlook and macro
As mentioned on previous occasions, the author of this commentary will not make specific forecasts—they rarely prove accurate. However, we can identify the trends and factors that currently have the greatest influence on the economy and financial markets and thereby consider some possible scenarios for the future.

At present, global economic growth appears likely to be reasonable, and inflation seems to be under control. Geopolitics will continue to play a significant role in the year ahead, and there is little reason to believe that political leadership in the United States will become any less active on the foreign policy front.

Valuations in several markets are in line with their own historical averages, while the US market is valued at higher levels. There may be valid reasons for this—particularly if growth remains strong going forward—but this also implies some downside risk. Should the US market correct materially, it would likely weigh on the rest of the global equity markets.

Artificial intelligence will remain a major focus, and we believe the discussion will increasingly shift from the companies that build infrastructure and solutions to those that successfully monetise AI through concrete applications. The winners will be those that achieve a meaningful impact on the revenue side. While cost savings also create value, they are generally less unique at the individual company level.