ODIN Global 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

Year in Review

2025 was a year marked by sharp contrasts and significant volatility in global financial markets. What began with optimism was quickly challenged by a shifting geopolitical landscape and a new economic reality under President Donald Trump. Throughout the year, markets oscillated between fears of trade wars and enthusiasm for technological progress within artificial intelligence (AI).

Already in February and March, we saw signs that investors were becoming increasingly concerned about President Trump's protectionist agenda. This culminated in April with the announcement of substantial tariff increases, particularly targeted at China and parts of Asia. These announcements triggered significant declines in equity markets and pushed U.S. Treasury yields higher. Although actual tariff levels ultimately proved lower than initially announced – partly due to several countries entering into bilateral trade agreements with the United States – uncertainty surrounding global trade conditions weighed on markets for much of the year.

Technology once again emerged as the primary driver of equity market gains. After a somewhat weak start to the year, renewed optimism around investments in AI infrastructure took hold as we approached the summer, sending AI-related stocks sharply higher. Several large investments in data centers were announced by a broad range of market participants, accompanied by strong quarterly results from key companies across the AI value chain. At the same time, we observed that an increasing share of these investments is being financed through debt and various creative financing structures. Towards year-end, uncertainty surrounding the profitability of some of these investments began to weigh on market sentiment.

Equity markets also received support from the U.S. Federal Reserve. Following an extended period focused on combating inflation, inflation levels moderated in the second half of the year to a degree that allowed for interest rate cuts. Three rate cuts by the Federal Reserve – in September, October and December – provided renewed momentum for equity markets.

An interesting divergence between the United States and Europe emerged over the course of the year. At times, European equity markets outperformed, driven by lower valuations and a rotation towards value stocks, before attention once again shifted back to the large U.S. technology companies. Defence stocks and bank shares were the main contributors to gains in European markets.

The U.S. dollar weakened significantly during the year, which had a negative impact on the fund's returns. The depreciation was driven partly by interest rate cuts from the Federal Reserve, which reduced interest rate differentials versus other currencies, and partly by increased concern over the consequences of rising U.S. fiscal deficits. At the same time, gold prices reached new highs, also reflecting heightened uncertainty related to President Trump's economic and geopolitical agenda.

For ODIN Global, 2025 was a year in which the fund's return failed to keep pace with the rise in the global equity index. This was partly due to our underweight position in AI-related companies. While we maintain exposure to major cloud and AI providers such as Microsoft and Alphabet, chip designers and manufacturers such as Broadcom and TSMC, and equipment suppliers including Applied Materials and Keysight, our overall exposure remains below that of the benchmark index, reflecting a deliberate choice to assume lower risk within this segment.

At the same time, several of our portfolio companies underperformed for different reasons. Some were affected by uncertainty surrounding global trade conditions, while others were impacted by shifts in U.S. budgetary priorities under the Trump administration. Additionally, certain holdings were re-rated lower due to concerns that artificial intelligence could negatively affect their underlying business models.

Portfolio Managers:

Harald Nissen

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Why invest in this fund?

ODIN Global is an index-independent fund with no restrictions on geography, sectors or company size. ODIN Global is managed according to a disciplined and proven investment philosophy. The fund focuses on long-term ownership in quality companies that can grow profitably over time without taking on too much debt. ODIN Global has a concentrated portfolio and deviates widely from the index.

How is the fund positioned?

The size of the fund enables investments in smaller companies. We believe in excess returns in small high-quality companies, so a large proportion of the fund is invested in these. As well as positioning the fund for strong and predictable growth drivers, acquisitions are a key value driver for many of our decentralized business models. We have also invested in a set of large companies with unique global market positions in markets with predictable growth.

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2025 has also been a historically weak year for quality stocks of the type we hold in large parts of our portfolio. In line with increased risk appetite in equity markets, investors have rotated away from more stable business models that over time have delivered high returns on capital with low use of leverage, and towards companies with higher growth and more speculative business models.

Taken together, this caused the fund to lag its benchmark index by a considerable margin. We are not satisfied with the fund’s performance in 2025. However, our assessment is that the quality of the portfolio has not deteriorated. We have made several adjustments throughout the year that we expect will increase the likelihood of stronger returns going forward. The portfolio is now attractively valued, which means that even modest improvements in the underlying performance of the portfolio companies can reasonably be expected to translate into solid share price performance.

Changes to the Fund
We added seven new companies to the fund during the year and exited seven positions. Purchases

In January, we added the U.S.-based company Applied Materials. The company is a global leader in manufacturing equipment for the semiconductor industry. We view this as a sensible way to gain exposure to the long-term growth in the use of semiconductors – driven by artificial intelligence, data centers, autonomous vehicles, automation and more – as the company supplies critical equipment to most of the leading chip manufacturers. The company operates in a consolidated industry with high barriers to entry and has deep, integrated partnerships with key customers such as TSMC and Samsung.

In March, we added Taiwan Semiconductor Manufacturing Company (TSMC). The company is the world’s dominant manufacturer of advanced semiconductors and effectively has a monopoly on the production of chips that power artificial intelligence. By owning TSMC, we gain exposure to growth in AI without taking the risk associated with which chip designers (such as Nvidia or AMD) ultimately gain market share. We consider the valuation attractive given the company’s unique position, while remaining mindful of the geopolitical risks related to China.

In May, we invested in the U.S.-based company Corpay. Originally started as a fuel card provider, the company has evolved into a broad supplier of digital payment solutions for businesses (B2B) – a market that, particularly in the U.S., is still characterized by inefficient manual processes such as cheque payments. Despite strong underlying growth, the share is very attractively valued, and the investment complements our position in Visa by increasing our exposure to the digitalization of business payments.

In June, we purchased shares in U.S.-based Copart. Copart handles total-loss vehicles for insurance companies, which are sold through online auctions. Due to high volumes, Copart benefits from strong network effects: buyers are drawn to platforms with the largest inventory. A large number of buyers leads to higher auction prices, which in turn makes Copart more attractive to insurance companies. In the U.S., Copart operates in a duopoly with its competitor IAA.

In August, we made three new investments: S&P Global, Apple and Broadcom.

S&P Global is one of the world’s leading providers of financial data and analytics, perhaps best known for owning key indices such as the S&P 500 and for its dominant position in credit ratings. The investment thesis is based on the company’s unique datasets and brands, which have become industry standards and create substantial competitive advantages. We also see that the company has been early in integrating artificial intelligence to improve operational efficiency and enhance the value of its products.

Our investment in Apple is based on the thesis that artificial intelligence will increasingly move from large data centers to end-user devices (“edge AI”). With an installed base of more than 1.5 billion devices and an ecosystem characterized by exceptional customer loyalty, we believe Apple is uniquely positioned to capitalize on this trend – without having to bear the enormous infrastructure costs associated with developing proprietary AI models. We took advantage of weakness in the share price when we added the company to the fund in August.

Broadcom is a leading supplier of networking solutions, with particularly strong growth in AI data centers. In addition, the company designs ASICs (application-specific integrated circuits), which represent an alternative to Nvidia’s GPUs. Broadcom therefore offers attractive exposure to the strong investment cycle in AI data center infrastructure.

Sales
We exited the Irish company DCC in January following a reassessment of the company’s strategic direction. Having previously been a disciplined acquirer of attractively priced businesses across multiple sectors, the company chose to narrow its focus to energy, and in particular renewable energy. This led to acquisitions at higher valuations in sectors with weaker competitive advantages, which in our view significantly increased the risk profile of the business model.

In February, we sold our position in the U.S. e-commerce platform Etsy. Etsy has been a disappointing investment for us. The company has not managed to capitalize on the strong position it built during Covid. Intense competition from both Chinese and U.S. rivals, a weak strategy for social commerce, and a more cautious U.S. consumer have weighed on the share price. We also sold our shares in Swedish Lifco. Lifco has been a very successful long-term investment for us. We exited the position after a careful assessment of the company’s future prospects relative to its valuation. Lifco has been exceptionally skilled at acquiring high-quality businesses at attractive prices and has created significant value. However, the current valuation implies future performance above historical levels – something we consider unlikely – which led us to sell.

The French software company Dassault Systèmes left the portfolio in April. At the time of sale, we believed the share was trading at an excessive valuation, given both underlying structural challenges and cyclical headwinds from the automotive industry, an important customer segment. We are also concerned that management has, over time, promised more than it has delivered.

In July, we sold our position in U.S.-based software company Roper. This decision was driven by what we considered an increasingly stretched valuation. Since the sale, the share price has come under significant pressure due to uncertainty surrounding how artificial intelligence will affect software companies. In that sense, we benefited from some good timing.

In August, we exited Accenture after nine years as shareholders. While the company is well run, we see increasing uncertainty around how artificial intelligence will affect the consulting industry in the long term. Accenture has historically relied on selling consulting hours. As artificial intelligence has the potential to replace consultants, this requires a transformation of the business model. As long as there is uncertainty around this transition, we believe Accenture’s share price will remain under pressure.

Finally, we sold our remaining shares in the U.S. health insurer Elevance in October. Elevance is facing headwinds on several fronts, particularly within government-sponsored insurance programs such as Medicare and Medicaid. Premiums in these programs have been set too low, which is putting pressure on profitability. We believe it will take some time before profitability returns to normal levels and have therefore chosen to remain on the sidelines before potentially re-entering the health insurance sector.

Contributors

As noted at the outset, the fund’s negative return is driven by a combination of an underweight position in artificial intelligence (AI) and a historically weak year for quality stocks. At the company level, we have seen weak performance among holdings where the market fears that business models may be under pressure from AI, including Constellation Software, Accenture and Wolters Kluwer. Beyond this, there are few common characteristics among the weakest contributors: Judges Scientific was negatively affected by cuts in funding for government research institutions and pressure on university funding in the U.S., while Bunzl disappointed due to weaker growth in the U.S. market. The two weakest contributors during the period were IMCD and Novo Nordisk.

The Dutch distributor of specialty chemicals and ingredients, IMCD, was weighed down by a weaker industrial cycle, inventory destocking among customers and uncertainty related to tariffs. This resulted in pressure on volume growth. Despite these headwinds, the company has maintained its strong market position and robust business model. We view the challenges as cyclical rather than structural and see potential for a re-rating when demand in end markets normalizes. We have added to the position at historically low valuation multiples.

Novo Nordisk has also experienced an unusually weak year. The primary reason for the share price decline is that the market had priced in a growth rate that the company was unable to sustain amid aggressive competition, particularly from Eli Lilly in the U.S. market. Throughout the year, we have seen repeated downward revisions to guidance, driven by price pressure and slower sales growth for the flagship product Wegovy than investors had expected. At the same time, uncertainty related to patent rights and disappointing data from certain new studies have added to market uncertainty. The company remains highly profitable, but valuation multiples (P/E) have declined from elevated to low levels due to significantly reduced growth expectations. We purchased the stock in autumn 2024, which in hindsight proved to be too early, even though the share price was already down 30 per cent from its peak. We have used the past year to increase our holding. We believe expectations have now been fully reset, and that the stock is priced at a level that provides an attractive starting point for strong future returns.

The winners in the portfolio in 2025 were largely driven by the investment wave in artificial intelligence. The rally spread across the entire value chain, from semiconductor manufacturers, through data centers and infrastructure, to application providers serving end markets. Returns were driven by strong earnings growth that was revised upwards during the year, amplified by significant multiple expansion within the sector.

Alphabet was the fund’s strongest contributor in 2025, driven by the success of its AI model, Gemini. Fears that AI would undermine internet search proved to be exaggerated; on the contrary, Gemini has strengthened both the user experience and advertising revenues. Growth in Alphabet’s cloud division is accelerating, and the company’s investment in proprietary TPU chips reduces dependence on Nvidia and provides unique cost advantages. We have reduced the position somewhat following a significant re-rating of the share.

TSMC also delivered strong returns in 2025 by effectively serving as the sole manufacturer of the most advanced semiconductors for the global technology sector. As an indispensable production partner for companies such as Nvidia and Apple, the company has benefited from near-insatiable demand for advanced microchips. Its technological lead provides strong pricing power and has resulted in record-high margins. This makes TSMC one of the most robust ways to capitalize on the growing global need for computing power. We continue to see upside potential in margins and significant growth opportunities, while remaining mindful of the cyclical nature of the industry.

Outlook
We enter 2026 with cautious optimism. After a 2025 characterized by large movements within the technology sector, we believe the coming year will be more about breadth.

We expect capital to rotate towards quality companies with strong balance sheets and proven earnings power, particularly within sectors such as industrials and healthcare, which lagged in 2025.

At the same time, the risk landscape remains complex. Although inflation has come down, geopolitical tensions and trade conflicts could create uncertainty and volatility in supply chains. Another key risk is valuation in parts of the technology sector; in 2026, the market will likely demand tangible proof that the massive investments in AI are generating returns. Should these results fail to materialize, growth stocks could face a re-rating.

In this environment, selectivity will be crucial. We remain committed to our strategy of owning companies with low leverage, strong competitive positions and pricing power that can withstand periods of market turbulence.

On the one hand, global equity markets are now highly valued, which historically has been associated with weaker future return potential. On the other hand, many individual stocks are trading at levels not seen in many years.

Quality stocks – companies with stable earnings, high returns on capital and low debt – have just experienced their weakest relative year versus the broader market in a long time. We believe that the euphoria and one-sided pursuit of momentum (stocks that have risen sharply in recent periods) will fade, and that the market will once again reward stability and fundamentals. We are already seeing signs of a shift back towards company-specific factors, which historically has favored quality stocks.

The fund’s key metrics have rarely looked more attractive than they do today. The portfolio exhibits higher returns on capital, superior margins and stronger historical growth than the benchmark index, while also maintaining a lower level of leverage than the average index constituent.

Under normal circumstances, this would suggest that the fund should trade at a premium to the market, yet this is not the case today. With a P/E of 19 and a free cash flow yield of 4.5 per cent, the fund is currently priced at an unusually large discount relative to the broader market.

We are by no means satisfied with the past year’s performance. Nevertheless, we believe that conditions are now in place for solid, attractive risk-adjusted returns over the long term.