ODIN Emerging Markets 31/12/2025

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

FUND COMMENTARY

Fund and Market Performance
The year 2025 has been eventful for equity markets in emerging economies (Emerging Markets). While 2024 was characterized by broad-based gains, 2025 has highlighted a clearer distinction between regions driven by technological innovation and those more reliant on traditional commodities.

Globally, markets have benefited from a “soft landing” in the U.S. economy and falling interest rates—conditions that have historically been supportive for emerging markets. That said, performance across regions has varied significantly. Technology-heavy markets such as Taiwan and South Korea have led the way, driven by the massive build-out of infrastructure related to artificial intelligence (AI) and data centers. Exports of high-tech hardware have reached record levels, and demand for semiconductors shows few signs of slowing as we move into 2026.

China, meanwhile, has continued its transition phase. While government stimulus packages have helped stabilize the property market and provided some support to domestic consumption, the country’s focus on technological self-sufficiency is increasingly shaping the long-term investment landscape.

ODIN Emerging Markets delivered positive returns in 2025, although the results did not fully meet our ambitions for the year. This was primarily due to a market environment that favored lower-quality companies. Many of the year’s top-performing stocks were highly leveraged businesses or companies with weak track records—firms that were struggling for survival not long ago but have been lifted by a surge in investor risk appetite.

Our investment philosophy is “defensive” in the sense that we prioritize financial strength and avoid companies with high leverage and poor corporate governance. As a result, we did not participate in the rally among more speculative companies. This was particularly evident in China and Korea, where we have chosen to remain underweight due to the limited number of quality companies that meet our criteria. As an investment factor, “quality” generally faced headwinds in 2025 and underperformed the broader market. It is nevertheless worth noting that the fund outperformed the MSCI Emerging Markets Quality Index, confirming that our stock selection added value even in a market environment that was not favorable to our investment style.

Despite our conservative approach, we were still able to benefit from the strong growth within the technology sector. The fund’s exposure to the semiconductor industry and suppliers to data centers was an important driver of returns. High-quality companies such as TSMC, Samsung, Chroma, and Aspeed have all benefited from the global investment wave in artificial intelligence (AI) and rank among the fund’s strongest contributors this year. In addition, the fund benefited from broad diversification, with 15 holdings appreciating by more than 20% during the year. These companies included not only technology firms from Korea and Taiwan, but also companies based in the Philippines, South Africa, China, Brazil, Malaysia, and Peru. Positive Contributors

The strongest contributors in 2025 were:

TSMC is the world’s largest semiconductor foundry, producing semiconductors for companies that do not wish—or are unable—to invest in their own manufacturing capacity. Semiconductor production is a highly capital-intensive process with significant barriers to entry, where scale plays a crucial role. TSMC is the clear market leader and has demonstrated an ability to deliver strong growth with high profitability. Massive investments in artificial intelligence—driven in large part by NVIDIA—have led to a substantial increase in demand for TSMC’s manufacturing capacity for semiconductors. This has significantly benefited TSMC, which is by far the largest producer of AI-related chips.

Portfolio Managers:

Dan Erik Glover

Håvard Opland

Why invest in this fund?
ODIN Emerging Markets targets long-term growth drivers in emerging economies, such as increased purchasing power among consumers and technological development. We have a “defensive” fund for those customers who want to participate in the growth and rising prosperity in emerging markets, but do not want too much risk.

How is the fund positioned?
ODIN Emerging Markets currently consists of companies in emerging markets with strong market positions, high returns on capital and what we judge to be good corporate governance. Many of our companies sell their products directly to the consumer and will thus benefit from growth in the middle classes while being largely shielded from political influence. With a focus on stable business models with good growth potential, the fund is well positioned to generate good returns in the years ahead. We want companies that operate in different markets and sell different products to different customers.

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It has also become increasingly evident that competitors are unable to match TSMC's capabilities, underscoring the strength of the company's market position.

While it remains uncertain who will ultimately emerge as the winners in artificial intelligence, TSMC represents the "pick-and-shovel" supplier in this modern-day gold rush. Numerous players around the world are competing to establish leading positions in AI technology, but all of them depend on access to advanced semiconductors. In this context, TSMC is the only true "adult in the room," with the capacity and discipline to dictate how many chips the large U.S. technology companies can actually obtain.

TSMC is run in a highly conservative manner and deliberately avoids overinvestment, fully aware that end markets are cyclical. This disciplined capital allocation helps reduce the risk of industry overcapacity over time and enables TSMC to maintain strong pricing power over the long term.

ASPEED Technology is a Taiwanese semiconductor company and the global leader in the design of so-called BMC chips (Baseboard Management Controllers). Simply put, a BMC functions as the "brain" for remote server management, allowing IT administrators to monitor temperature, manage power usage, and troubleshoot systems without being physically present in the data center.

ASPEED's products have delivered solid growth independently of AI investments, but the rapid expansion of AI-related capital spending has further strengthened the company's growth outlook. AI servers require significantly more advanced monitoring capabilities, and ASPEED's technology is a critical component in nearly all such systems. With a dominant market share, ASPEED plays a key role in the AI revolution and enjoys a long runway for continued growth.

Negative Contributors

Garware Technical Fibres is a leading Indian manufacturer of technical textiles. The company produces specialized solutions such as yarns, nets, and ropes, which are critical inputs for global industries including aquaculture, fisheries, shipping, and sports.

The share price has developed weakly this year, mainly due to temporary headwinds in export markets. In addition, the Indian equity market has declined this year amid valuation pressure, which has affected all of our Indian holdings. The company has also experienced a cyclical slowdown in demand from the aquaculture sector, dampening growth in the short term. Despite this, we view Garware as a solid long-term investment. The company is exceptionally well managed, debt-free, and delivers an impressive return on capital. It continues to shift its product mix toward more advanced, higher-margin solutions, and we see current challenges as temporary bumps in the road along an otherwise strong structural growth journey.

Another negative contributor is also Indian. **CRISIL** is India's leading credit rating agency and a subsidiary of global S&P Global. The company provides credit ratings, data analytics, and advisory services that serve as a critical "currency of trust" for the effective functioning of financial markets.

The share price has faced headwinds this year, primarily due to a temporary slowdown in growth within its international analytics business, driven by cyclical weakness among global banks. We view this as short-term noise in what remains a solid long-term growth trajectory.

We retain strong conviction in the company due to its dominant market position ("moat"). CRISIL is uniquely positioned to benefit from India's structural growth, particularly as the country's bond market matures and the demand for infrastructure financing rises sharply. The company combines this growth with very high returns on capital and a debt-free balance sheet, which aligns perfectly with our investment philosophy.

Portfolio Changes

One of our most important investment criteria when evaluating companies is governance. We seek businesses where we have strong confidence in both management and ownership structures. We look for committed owners and a culture of innovation and continuous improvement. Long growth runways — preferably extending beyond domestic markets — are also essential. Companies that have established strong market positions that are difficult for competitors to challenge due to scale, technology, or network effects are businesses we strongly believe in. While no company meets all of our criteria perfectly, we believe that the companies included in the fund have strong potential to create lasting shareholder value over time. Below is a brief overview of the companies we added to and removed from the fund in 2024.

Full Truck Alliance operates the world's largest digital freight platform and is often described as the "Uber for trucks" in China. The company addresses a significant efficiency challenge by connecting cargo owners directly with truck drivers via an app, replacing costly intermediaries and reducing inefficient empty driving.

The company is uniquely positioned for profitable growth in the coming years thanks to powerful network effects. Its scale makes it the natural first choice for both drivers and customers. After a prolonged focus on growth, the company has begun to harvest value by introducing commissions and selling high-margin services such as fuel, insurance, and credit. This creates a highly scalable business model in a Chinese logistics market that remains in the early stages of digitalization.

MercadoLibre is a leading Latin American e-commerce and financial technology company. In many ways, it is a combination of Amazon, Shopify, and banking and credit providers. MercadoLibre operates the largest e-commerce platform and the most extensive logistics network in Latin America, creating strong network effects that it leverages to expand into new business areas such as banking and lending services. The company also has significant potential to increase earnings through advertising, similar to Amazon in the U.S.

We have followed MercadoLibre for a long time, and recently we have seen its market position translate into strong profitability, despite still enormous growth potential. The valuation has for an extended period been well outside our comfort zone, but we took advantage of an opportunity to invest at a more reasonable price in January.

GPS Participações e Empreendimentos S.A., commonly referred to as Grupo GPS, operates an acquisition-driven business model in Brazil across a wide range of service industries. The model is similar to Nordic service-sector consolidators such as Danish ISS or Swedish Securitas. Grupo GPS follows a decentralized approach, where acquisitions are primarily aimed at expanding customer relationships and creating added value through cross-selling of services.

The company is one of Brazil's largest employers and has built a strong brand through its professional and structured approach to workforce management—an essential success factor in the service industry. Despite its size, the company holds only around a 5% market share in a highly fragmented market dominated by small and regional players, leaving significant growth potential within Brazil. Grupo GPS benefits from solid corporate governance and an entrepreneurial culture that is well aligned with the ODIN investment philosophy.

We invested in **Amphenol** during the autumn. The company designs and manufactures a broad range of essential electronic components. Its key strength lies in a highly diversified business model with exposure to resilient end markets such as IT and data centers (including AI infrastructure), defense, commercial aerospace, automotive, and industrial automation. This diversification helps mitigate cyclical risk.

Amphenol is characterized by a decentralized and entrepreneurial culture, where responsibility is delegated to those closest to decision-making. Growth is driven by structural trends such as automation, digitalization, and electrification, which are increasing demand for interconnect systems and sensors across applications ranging from commercial aircraft to data centers.

The company's competitive advantage lies in high switching costs. Amphenol focuses on specialized, customized designs with stringent performance and reliability requirements. Since outages and failures are unacceptable to customers, the cost and risk of switching suppliers is high. This gives Amphenol strong pricing power, as its components are mission-critical while representing only a small share of customers' total system costs.

Over the past two years, the company has seen particularly strong growth in the IT/Datacom segment, driven by massive investments in data centers. Amphenol supplies electronic components across the entire value chain, with a product portfolio that is largely agnostic to which technological architecture ultimately prevails. The company also has a highly successful acquisition strategy, which has contributed to annual earnings per share growth of approximately 18% over the past 15 years.

We believe Amphenol will continue to benefit from increased automation and electrification over the coming decade. With a diversified customer base, a strong corporate culture, and a proven track record of disciplined, counter-cyclical capital allocation, we see significant potential for long-term value creation.

Portfolio Changes

Divestments

Wise iTech is a South Korean company operating within Big Data and business intelligence. The company develops software that helps organizations collect, analyze, and visualize data and has historically held a strong position in its domestic market.

We have chosen to divest our holding due to increasing risks associated with the rapid advancement of artificial intelligence (AI). Generative AI poses a structural threat to Wise iTech's core business. As large language models are now capable of writing code and producing complex analyses within seconds, customers' willingness to pay for traditional, specialized analytics tools is likely to decline. We are concerned that the company's competitive advantages could erode as global technology giants embed AI functionality directly into their platforms. We therefore believe capital is better allocated to companies with a lower risk of disruption.

Vinamilk is the undisputed market leader in dairy products in Vietnam. The company produces a wide range of consumer staples, including fresh milk, yogurt, infant formula, and ice cream, and is one of the country's most well-known brands.

Despite its dominant position, growth has slowed significantly in recent years. The Vietnamese dairy market shows signs of saturation, and Vinamilk faces challenges in identifying new growth drivers in an environment of intensifying competition and shifting consumer preferences. As a result, we have exited the position. In our assessment, the valuation did not sufficiently compensate for the low growth outlook and weaker long-term prospects.

Outlook – Why Emerging Markets Remain an Attractive Investment Universe

We continue to identify a broad range of companies in emerging markets with strong long-term growth prospects. Rising purchasing power and a growing middle class are driving demand for products and services that are often taken for granted in developed markets.

Examples include banking services and internet access. In both Mexico and Vietnam, an estimated 60–70% of the population still lack a bank account, and only around two-thirds have daily internet access. This creates substantial growth opportunities for telecommunications and banking sectors in these countries. While such industries may appear mature or unexciting in developed markets, they offer compelling investment opportunities in emerging economies.

In addition to traditional industries with attractive growth potential, emerging markets are home to many leading technology companies. Firms from Taiwan, China, and South Korea are central to global technological development in areas such as computing power, artificial intelligence, and renewable energy. Without TSMC—the world's largest semiconductor manufacturer—technology giants such as Apple, Nvidia, Microsoft, and Google would look very different today. Investing in emerging markets therefore also provides exposure to global technological progress.

Suppliers to artificial intelligence infrastructure in particular have delivered strong performance, a trend we expect to continue into 2026. To illustrate how complex this ecosystem truly is, we often use a biological metaphor: the data center as a human body. The processors—CPUs and GPUs—represent the brain. Memory chips function as short-term and long-term memory. Networking components form the nervous system. Power supply systems are the heart and blood vessels. Cooling systems correspond to the skin and sweat glands.

When all these components are so tightly interconnected, it becomes clear why bottlenecks have become increasingly pronounced. Most of these "organs" are manufactured in China, South Korea, and Taiwan, where much of the world's most critical expertise also resides. The combination of explosive demand and limited capacity has created a tight market, resulting in strong pricing power.

The key point is that nearly all of these vital components are produced in China, Taiwan, and South Korea. The enormous need for infrastructure is creating bottlenecks among suppliers. Many companies remain reluctant to build new capacity too quickly, mindful of historical boom-and-bust cycles. This has resulted in supply shortages and strong pricing power for the companies we own. We expect this imbalance between supply and demand to persist—or even intensify—through 2026.

At the same time, the market's strong focus on AI has led to many other sectors and companies being overlooked, particularly in Asian markets such as Indonesia, Vietnam, the Philippines, and Malaysia. We have several investments in these markets where we continue to see strong fundamental development, while share prices have lagged behind fundamentals. We therefore believe these represent attractive long-term investments for the fund.

Equity valuations in emerging markets have increased somewhat, but remain significantly lower compared with Western markets, particularly the United States. As a result, we expect less headwind from overvaluation in emerging markets than we have seen in certain developed markets.

Emerging markets are also structurally underinvested. Their allocation in traditional active and passive portfolios typically ranges from 0% to 12%, despite representing approximately 25% of global market capitalization. This is noteworthy given that emerging markets account for the majority of global economic growth.

Furthermore, emerging markets offer a more diversified investment universe than even a global equity index. The underlying growth drivers in countries such as India, Brazil, and China differ significantly from one another, whereas the U.S. and Europe share more common macroeconomic drivers. Correlations between emerging and developed markets are also lower, meaning that including emerging markets in a portfolio can provide meaningful diversification benefits and, according to classical portfolio theory, often reduce overall volatility.

That said, investing in emerging markets also involves a number of challenges and potential pitfalls. Many companies suffer from weak corporate governance, high leverage, low profitability, or inadequate environmental practices, to name just a few. We therefore firmly believe that an active and highly selective investment approach is essential.

ODIN Emerging Markets is an actively managed fund that invests in emerging economies. The fund applies ODIN's investment philosophy, focusing on companies that have demonstrated an ability to create value, possess strong market positions, and are attractively valued relative to their long-term earnings potential.

The fund distinguishes itself from many peers through broader diversification across company size and geography. Approximately half of the fund’s capital is invested in small and mid-sized companies. These are often niche operators led by entrepreneurs or family owners with a long-term perspective. Examples of such niche markets include paint producers in Indonesia, amusement parks in India, human resource software providers in Thailand, and a convenience food retail chain in Poland.

ODIN Emerging Markets also differs significantly from many peers by looking beyond the largest emerging markets such as China, India, and South Korea. The fund has greater exposure to countries that are often overlooked, including Indonesia, Malaysia, the Philippines, South Africa, and Vietnam. These markets are generally less negatively affected by rising geopolitical tensions and contribute to broader diversification of the fund.

In short, ODIN Emerging Markets provides broad exposure to major global megatrends, such as rising living standards and purchasing power in emerging economies, as well as global technology trends including green technology, artificial intelligence, digitalization, and automation. The fund is managed with a disciplined and responsible approach, focusing on quality and robust risk diversification.