

ODIN Bærekraft (ODIN Sustainable Equities) 30/06/2025

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

FUND COMMENTARY

June was a very strong month for the fund and the global equity market. The strength was driven by somewhat reduced trade tensions and positive developments in sectors such as technology and industry. During the month, we made minor adjustments to the portfolio and invested in Veolia Environnement, a global company specializing in waste management, water treatment, and energy services.

Market Summary

The first half of 2025 has been characterized by increased volatility in equity and bond markets, driven by a combination of geopolitical unrest and political uncertainty—particularly following the U.S. presidential election. Markets reacted most strongly when Donald Trump announced plans to reinstate and increase tariffs against China and the EU, which immediately sparked fears of a new round of trade wars. The escalating conflict between Israel and Iran has contributed to rising oil prices and reignited the debate on energy security.

In the technology sector, interest in AI-exposed companies continues, while ESG themes have faced an unexpected setback, especially in the U.S. market, where some investors and politicians have criticized sustainability strategies for compromising financial returns. In our view, ESG risk is also financial risk, and investments that reduce this risk—even if costly in the short term—help strengthen a company's long-term quality and resilience.

On the regulatory front, there have also been signals with potential consequences for sustainable investments. The European Commission has proposed halting all imports of Russian oil and gas by 2028—a move that could accelerate investments in renewable energy, energy efficiency, and heat-based solutions. At the same time, uncertainty remains regarding the future of the U.S. Inflation Reduction Act, where Senate proposals suggest a faster phase-out of tax incentives for solar, wind, and energy efficiency projects than originally planned. This has caused market unrest in areas such as solar energy, while sectors like nuclear power and battery technology may emerge stronger.

In this challenging and shifting landscape, we have remained committed to our strategy: to invest long-term in quality companies with robust business models, sound capital allocation, and solid balance sheets. We have been particularly focused on maintaining risk discipline and a clear awareness of valuation.

ODIN Sustainable Equity is managed according to ODIN's proven investment philosophy – Performance, Position, and Price.

In a more unpredictable market, it is more important than ever to adhere to this structured approach. It helps us look beyond the noise, make rational decisions, and evaluate companies on fundamental grounds. The strength of ODIN Forvaltning lies in having one unified method and process across all funds.

Performance is a key evaluation criterion in our investment process.

We look for companies with a proven track record of profitable growth and strong cash flow. We also assess management's ability to create value—both in the current company and in previous roles—as well as whether the company has a clear plan for further value creation, preferably one that has already begun to yield results. Position refers to a company's competitive advantage—and how sustainable it is over time.

We assess structural and strategic characteristics that make it difficult for competitors to challenge a company. A good example is Clean Harbors, a U.S. company we added to the portfolio during the market turbulence in April. They have a strong position in hazardous waste management, having built a nationwide network of specialized facilities and expertise in handling complex materials.

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 whose products, 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.

With its strong base of physical infrastructure and know-how, the company also benefits from high regulatory entry barriers and significant local resistance to the establishment of new treatment facilities. In other words, it is a company that is difficult to compete with.

Price is often the final—but crucial—parameter in our investment decisions

At the same time, it is one of the most challenging to manage in practice. When a company's share price falls significantly, that is often the time to consider buying. But it is also the most difficult time—because investors are typically influenced by negative news and increased uncertainty around the company.

A good example of this is Novo Nordisk over the past six months. The news cycle has been dominated by negative coverage, and the share price has declined due to newspaper articles, analyst reports, and increased market skepticism. At the same time, the company's operating profit grew by 22 percent in the first quarter of this year. Of course, there are no guarantees that Novo Nordisk will be a good investment going forward, but in our view, the valuation is significantly more attractive now than it was a year ago—when optimism around the stock was high and there were hardly any critical voices in the market.

On the other hand, we have portfolio companies that are performing well, optimism prevails, and the stock has contributed to solid returns—but the valuation has become increasingly demanding. In such cases, it can be tempting to hold on, especially when everything seems to be going in the right direction. The important question to answer then is: how much of the medium-term potential is already priced into the stock? Ultimately, this is what we try to assess: Are the future prospects accurately reflected in today's share price? Price discipline is about always comparing the investment opportunities available to us. Sweco, Edwards Lifesciences, and Nemetschek are examples of companies we have reduced or excited during the half-year, as valuations have become challenging. This is the essence of the value of active management—to look beyond the noise, understand the underlying realities, and identify situations where the market is not accurately pricing a company's fundamental value.

Key Contributors in Our Core Sustainability Themes: Climate, Environment, and Social Solutions

The fund's three central themes are climate, environment, and social solutions. These areas form the foundation for our selection of companies that contribute to a more sustainable future through innovation, effective solutions, and social responsibility. Below we present some of the fund's most important contributors within these core areas in the first half of 2025.

In the climate segment, Andritz stood out. The company, which supplies equipment and facilities for hydropower, pulp and paper, and green industries, delivered strong first-quarter results with high order intake. Bravida, an installation company that entered the year with negative sentiment and low valuation, has been among the fund's strongest contributors this year. Two negative contributors in the climate area were Enphase Energy and A.O. Smith. Enphase Energy, long affected by a downturn in the solar energy market, faced further headwinds when subsidies for residential solar installations were phased out due to Trump's new tax cuts. A.O. Smith reported flat growth in North America and declining demand in China, particularly for water heaters. However, the replacement of old water heaters cannot be postponed indefinitely, so we consider long-term demand relatively stable.

In the environmental segment, serial acquirer Halma contributed most positively, supported by strong quarterly growth. Halma develops technologies for water leak detection, gas emission measurement, and UV water treatment. On the downside, Smurfit Westrock was impacted by fears of reduced global trade following Trump's announced tariffs. In retrospect, we assess that the position was somewhat large relative to its valuation at the beginning of the year. At the same time, exciting developments are underway: Smurfit Westrock is the result of a merger between two major players and now has a leadership team known for operational execution. We believe they will unlock significant value going forward.

In the social solutions segment, hearing aid company Demant was the top contributor in the first half. The company was added during the market turbulence in April, when the price drop made the valuation particularly attractive. On the downside, Novo Nordisk, as previously discussed, still holds high upside potential. The diagnostics market remains weak post-COVID and amid higher interest rates, as seen in companies like Hologic and Danaher. Their stock performance has been weak, driven by low growth and relatively high valuations. However, both companies have solid cash flows, supported by business models with a high degree of recurring revenue.

Outlook

Although market prospects continue to be shaped by uncertainty and short-term political fluctuations, we believe the fund is well positioned toward long-term structural trends that will drive value creation in our portfolio companies. The transition to a low-emission economy continues to generate demand for solutions in energy efficiency, renewable energy, and thermal and storage technologies. Political uncertainty will persist in the coming period, but we believe that the combination of Odin's proven investment philosophy and the fund's sustainable investment themes will remain resilient in the investment climate ahead.