

ODIN Norge 31/05/2025

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

FUND COMMENTARY

Returns on the Oslo Stock Exchange were strong in May, contributing to what has been a very solid performance so far this year. Given the weak oil price and significant geopolitical uncertainty, this is somewhat surprising—but it also highlights the resilience of the Norwegian market.

As in previous months, many companies provided updates through their quarterly reports. DOF Group, one of the largest holdings in ODIN Norge, delivered solid results and is significantly expanding its order backlog through new contract awards in Brazil. The company has initiated dividend payments, and we expect substantial distributions in the years ahead.

One of the fund's new holdings in 2025, Envipco Holding, reported revenues below expectations but demonstrated strong cost control. The share price has since risen, and we believe this is partly due to confidence that new markets are opening roughly as expected, despite geopolitical uncertainty.

A smaller holding, Elektroimportøren, reported growth in its markets. The company operates stores across Norway selling electrical products to both private and professional customers, and is seeing a rebound in sales after a few weaker years.

Portfolio Changes

Over the past two months, we have received significant dividend payments from portfolio companies and made some sales, resulting in a relatively higher cash position than usual.

How Many Stocks Should You Hold in a Portfolio?

In our meetings with both private and institutional clients, we often discuss portfolio diversification—specifically, how many stocks one should hold to avoid excessive concentration and elevated risk.

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

The well-known investor Warren Buffett once said, *“Diversification is protection against ignorance. It makes little sense if you know what you are doing.”* Views on the ideal number of holdings vary, ranging from 20–30 stocks to as few as six.

An equally important consideration is the concentration within the portfolio. A general rule of thumb for Buffett has been that even when he held 50 positions, the top 10 often made up 80% of the portfolio's total value. This represents a high level of concentration, which is not feasible for most funds.

Studies show that private investors typically hold 5–10 stocks. This is also considered highly concentrated, but it's crucial to assess this in a broader context. What else does the investor own—such as funds, cash, real estate, etc.?

There is no single answer to the question of how many stocks to hold, and many related factors must be considered. We find that the asset management industry often focuses on stock picking in its communication and marketing but arguably should place greater emphasis on portfolio construction. This is a critical part of the investment process and has a significant impact on clients' risk-adjusted returns.

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.