

## FUND COMMENTARY

### Weak month for global stock markets – but Europe stands out

March was a weak month for global stock markets. However, European stock markets fared better than the American ones. This is partly because American stocks come from a higher valuation level, but also due to a budding optimism in Europe. The first quarter was the best in 40 years for European stocks relative to American ones, which seems to be driven by European investors reducing their exposure to the US and reallocating capital to the home market. The valuation gap between European and American stocks remains large.

The rise in Europe has so far been driven by banks, the construction and engineering sector, and the defense industry. Geographically, German stocks are leading the development, partly due to expectations of more expansive fiscal policy through military upgrades and increased infrastructure investments. Stocks in lower-quality companies have performed the best – low-valued so-called "value stocks" have outperformed quality companies.

### Stability in the portfolio – defensive stocks dominate

Among the portfolio holdings that have performed the best so far this year are companies with relatively defensive business models, such as American Verisign (internet infrastructure), Swiss Roche (healthcare), American Elevance Health (health insurance), and British Beazley (special insurance).

The weakest contributions to returns come from American Alphabet (technology), Accenture (consulting services), and Danish Novo Nordisk (healthcare). Novo Nordisk is a relatively new position in the fund, and we have used the price decline to build up the holding.

### New holding: Taiwan Semiconductor

In March, we added Taiwan Semiconductor (TSMC) to the fund. The company is the world's largest manufacturer of semiconductors and has a near-monopoly on the most advanced chips – a technology crucial for artificial intelligence. TSMC manufactures for leading design companies such as Nvidia, Apple, and Broadcom.

We believe that TSMC has a lasting competitive advantage thanks to its technological leadership and cost-effective production. Their scale makes it difficult for competitors to gain market share. The company has a long-term focus and has consistently invested in research, development, and new factories through economic cycles – while delivering a return on capital of over 20 percent. The company is debt-free and has mainly financed its growth with its own cash flow.

### Long-term exposure to AI – at an attractive valuation

The investment in TSMC gives us exposure to the long-term growth in semiconductors, driven by AI, data centers, telecommunications, and autonomous vehicles. By investing in TSMC, we avoid the design risk (which exists with companies like Nvidia), but instead, we get some geopolitical risk as most of TSMC's production is based in Taiwan – making the stock sensitive to increased tensions with China.

The semiconductor sector is cyclical and rapidly changing. AI has been the biggest driver in recent years, while markets such as consumer electronics and automotive electronics have been weak. We believe the timing is now good – the stock is trading at 16 times this year's expected earnings, which we see as attractive given TSMC's market position and long-term growth prospects.

### Portfolio Managers:



Harald Nissen



Håvard Opland

### 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.