

December 2025 unfolded relatively quietly on the macroeconomic front and was generally characterized by low activity, with attention largely centered on the Christmas holidays and the year-end. Nevertheless, continued focus remained on the month's central bank meetings as well as persistent geopolitical tensions. In the US, the delayed November employment report showed only 64,000 new jobs, which was significantly below expectations. At the same time, unemployment rose to 4.6%, the highest level in four years, while inflation eased to 2.7%. Overall, the data pointed to a gradual slowdown in the labour market without clear signs of recession, partly influenced by the after-effects of earlier shutdowns. At the central bank meetings on the 9th and 10th of December, the FED decided to lower the deposit rate by 25 basis points to a range of 3.50–3.75%, marking the third rate cut in 2025. At the same time, the committee signalled only one additional rate cut in each of 2026 and 2027. At the subsequent press conference, Jerome Powell expressed increased concern about the labour market, while inflation risks were played down. In addition, the Fed announced a restart of its QE programme amounting to USD 40bn. per month, exclusively targeted at short-dated government bonds. The measure is primarily assessed to be of a technical nature, aimed at ensuring sufficient liquidity in the banking system. Equity markets started December on a subdued note due to weak economic data and renewed AI-related concerns, but ended the month strongly. The S&P 500 approached new record levels and finished the year overall around 18% higher, driven by the largest technology companies – including Nvidia – as well as expectations of moderate economic growth. Volatility declined towards Christmas, and a partial “Santa Claus rally” materialized despite thin trading.

On the geopolitical front, the month culminated in intensified diplomacy surrounding Ukraine. On December 28th, Donald Trump and Volodymyr Zelenskyy met at Mar-a-Lago to discuss a revised 20-point peace plan. Both parties expressed cautious optimism regarding progress on security guarantees, but difficult issues such as the Donbas region and the Zaporizhzhia nuclear power plant remained unresolved. At the same time, Russia continued its offensive operations, leaving Europe in a wait-and-see and defensive position.

The European Central Bank kept the deposit rate unchanged for the fourth consecutive meeting on 18 December, at 2.00

Oil prices declined markedly over the year, with Brent crude falling from around USD 72 to USD 60 per barrel, driven by rising global supply and expectations of a surplus market in 2026. This has contributed to further disinflation and supported a stable yield environment.

In Denmark, inflation remained stable at 2.1% in November, and December did not bring any major macroeconomic releases. The economy continued to show moderate growth, supported by exports, while attention was directed towards EU-harmonized indicators and lower energy prices.

Overall, 2025 has been characterized by trade tensions and geopolitical uncertainty, but the global economy has proven more resilient than feared, and the long-anticipated recession has failed to materialize. We now enter a new year with expectations of moderate economic expansion, but also with continued significant uncertainty surrounding growth, inflation, and global politics.

Date	DKK SWAP 2Y	DKK SWAP 5Y	DKK SWAP 10Y	DKK SWAP 30Y	DKK SWAP 10Y-2Y
31-12-2022	3.55	3.38	3.32	2.65	-0.23
31-12-2023	2.94	2.62	2.67	2.51	-0.27
31-12-2024	2.26	2.36	2.49	2.29	0.23
31-03-2025	2.24	2.50	2.76	2.74	0.52
30-06-2025	2.10	2.41	2.76	2.86	0.67
30-09-2025	2.25	2.52	2.81	3.00	0.56
31-12-2025	2.39	2.76	3.12	3.43	0.73

Date	EUR SWAP 2Y	EUR SWAP 5Y	EUR SWAP 10Y	EUR SWAP 30Y	EUR SWAP 10Y-2Y
31-12-2022	3.38	3.21	3.17	2.50	-0.21
31-12-2023	2.82	2.44	2.50	2.34	-0.32
31-12-2024	2.19	2.24	2.36	2.16	0.17
31-03-2025	2.15	2.36	2.62	2.60	0.47
30-06-2025	2.00	2.27	2.60	2.75	0.60
30-09-2025	2.16	2.38	2.68	2.89	0.52
31-12-2025	2.26	2.58	2.93	3.25	0.67

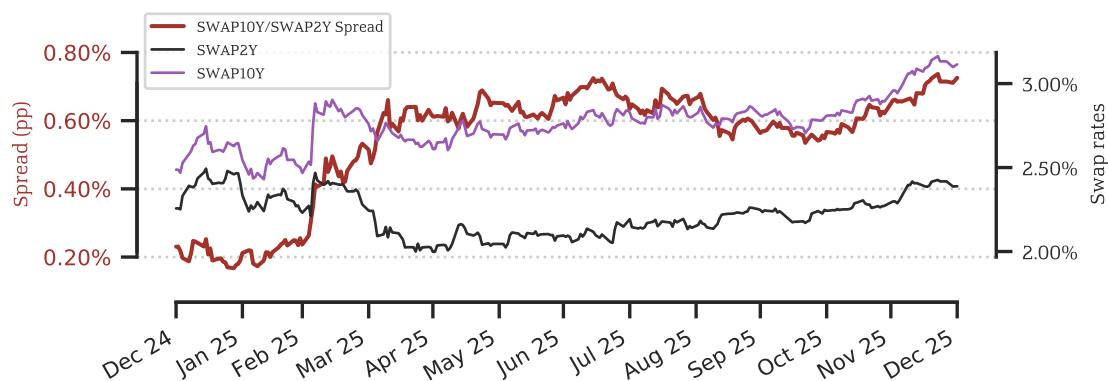
Source: Nordea Analytics

The Bond Market

December was characterized by rising yields and increased volatility — an unfavorable combination for callable mortgage bonds. As a result, the segment underperformed both swap yields and government bonds, which among other things led to the reopening of the 4% 2056 series, both with and without optional amortization. Adjustable-rate mortgage (ARM) bonds were also under pressure in December, primarily due to a more wait-and-see investor behavior ahead of the traditionally large year-end selling associated with quarter-end portfolio adjustments.

The yield development in Europe in 2025 has generally been characterized by a pronounced steepening of the yield curve. Two-year yields have remained largely unchanged, while 10-year yields have risen by just under 50 bp. and 30-year yields by almost 90 bp. This development should be seen, among other things, in light of the ECB's rate cuts totaling 100 bp., the announcement of a comprehensive German growth package in February, "Liberation Day" on the 9th of April, continued increases in public budget deficits in most European countries (though not Denmark), as well as the Dutch pension reform, which implies a transition from guaranteed returns to market based investment returns with effect from the beginning of 2026.

Yield spread between 10-year and 2-year Danish swap rates



Looking at 2025, the development stands in sharp contrast to the month of December. Both ARM and callable bonds have delivered markedly positive OAS-performance relative to both swap yields and government bonds. For ARM bonds, the pronounced curve steepening, the Danish central bank's cumulative rate cuts of 100 bp., and an increase in the net position to around DKK 100bn. have been the key drivers. Callable bonds have likewise had a strong year, supported by gradually declining volatility in the period from May to November as well as a total reduction in the outstanding volume of callable bonds of around DKK 50bn. The decline in supply should also be seen in light of the fact that short-term financing has become significantly more attractive as a result of the steepening, while renewed appetite has emerged among banks to offer borrowers priority loans.

As shown in the table below, there have also been large differences in returns across the various segments of the Danish mortgage market, with the 5% segment as the best-performing segment of the year and long term government bonds as the absolute worst performer.

		From:	28-11-2025	30-09-2025	30-12-2024	Avg.
		To:	30-12-2025	30-12-2025	30-12-2025	Duration
Govt	DK Govt		-1,24%	-1,25%	-2,57%	8,40
Govt2Y	DK Govt CM 2Y		-0,06%	0,26%	1,78%	2,00
Govt3Y	DK Govt CM 3Y		-0,24%	0,09%	1,42%	3,00
Govt5Y	DK Govt CM 5Y		-0,65%	-0,42%	0,20%	5,00
Govt6Y	DK Govt CM 6Y		-0,84%	-0,68%	-0,48%	6,00
Govt7Y	DK Govt CM 7Y		-1,01%	-0,94%	-1,28%	7,00
Flex	DK Non-callbl mtg		-0,01%	0,32%	2,21%	1,93
Flex1Y	DK Non-callbl mtg CM 1Y		0,14%	0,46%	2,18%	1,00
Flex3Y	DK Non-callbl mtg CM 3Y		-0,15%	0,22%	2,21%	3,00
Call	DK Mtg Callable		-0,87%	-0,06%	2,10%	6,88
Call3Y	DK Mtg Callable CM 3Y		-0,30%	0,36%	4,21%	2,98
Call5Y	DK Mtg Callable CM 5Y		-0,60%	0,14%	3,03%	4,98
Call7Y	DK Mtg Callable CM 7Y		-0,89%	-0,09%	1,79%	6,99
Govt	0.5% DGB 2027		-0,05%	0,30%	1,73%	2,15
Govt	0% DGB 2031		-0,79%	-0,31%	-0,32%	6,08
Govt	2.25% DGB 2035		-1,45%	-1,24%	-2,65%	8,72
Govt	0.25% DGB 2052		-3,68%	-5,14%	-16,63%	25,12
Float	2.19% NYK SDO 2026		0,18%	0,56%	2,41%	0,21
Float	2.1292% NYK SDO 2027		0,20%	0,62%	2,61%	0,21
CF	1.5% NYK SDO 2030 DA		0,17%	0,42%	2,32%	4,10
CF	3.2107% NYK SDO 2034		0,24%	0,73%	3,68%	0,87
Flex	1% NYK SDO 2026		0,17%	0,49%	2,23%	0,81
Flex	1% NYK SDO 2027		0,15%	0,47%	2,33%	1,30
Flex	1% NYK SDO 2028		0,01%	0,39%	2,40%	2,26
Flex	1% NYK SDO 2029		-0,12%	0,25%	2,30%	3,21
Flex	1% NYK SDO 2030		-0,31%	0,09%	2,04%	4,14
Flex	1% NYK SDO 2035		-0,95%	-0,57%	0,08%	8,61
Callable	5% NYK SDO 2056 A		0,18%	0,40%	5,28%	0,05
Callable	4% NYK SDO 2056 A		-0,59%	0,61%	3,79%	5,20
Callable	3.5% NYK SDO 2056 A		-1,31%	-0,37%	2,38%	7,53
Callable	1% NYK SDO 2053 A		-1,34%	-0,98%	-0,87%	10,54

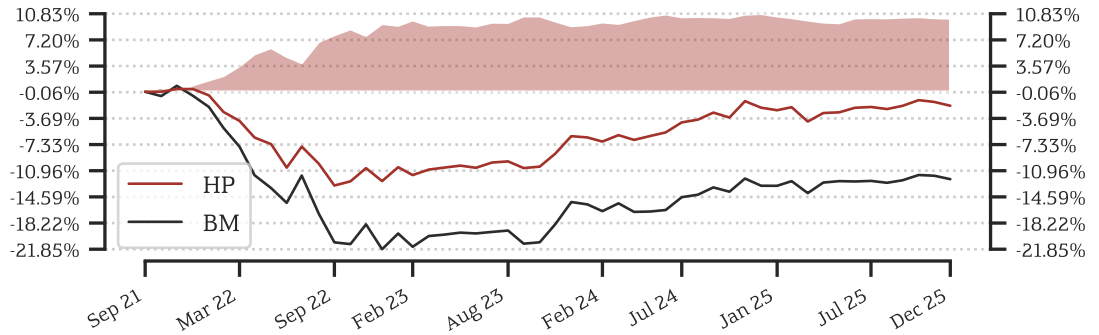
Source: Nordea Analytics

Thus, once again this year, bond selection has been the most important parameter for returns, with numerous pitfalls along the way.

For 2026, we expect both the ECB and the Danish central bank to keep rates unchanged. Growth in the euro area is assessed to be moderately positive at around 1.5%, while inflation is expected to remain close to the ECB's target of 2%. Rising public budget deficits and the Dutch pension reform may, however, periodically put pressure on long-term yields and thereby lead to further steepening. At the same time, several countries have announced a shift in issuance towards shorter maturities, which may both alleviate pressure on long-term yields and reduce overall interest expenses.

The outlook for callable bonds in 2026 is still assessed as reasonable, supported by a low — and potentially again negative — net supply, continued low short-term yields, and generally good liquidity in the Danish market.

In the US, another rate cut was implemented in December, bringing total rate cuts in 2025 to 75 bp. For 2026, further 1-2 rate cuts of 25 bp. are expected, which would imply a continued narrowing of the yield spread between the US and Europe.



*Benchmark: 100% GBEUTREU

	HP	BM	Excess
YTD	0.27	1.05	-0.78
1 year annualized return	0.27	1.05	-0.78
3 year annualized return	3.84	3.98	-0.14
Since Start	-1.94	-12.13	10.19
Avg.	-0.46	-2.99	2.53

Key figures	EOM
NAV	99.73
Duration	6.69
HPR	3.80 %

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Return	-0.36	0.43	-2.04	1.23	0.11	0.65	0.11	-0.30	0.46	0.80	-0.25	-0.54
Benchmark	-0.02	0.74	-1.89	1.70	0.23	-0.06	0.10	-0.30	0.40	0.83	-0.12	-0.54
Excess	-0.34	-0.31	-0.15	-0.47	-0.12	0.71	0.01	-0.00	0.06	-0.03	-0.13	0.00

Top holdings	Name	Weight
DE000BU3Z005	2.3% DE 2033	9.38 %
AT0000A2Y8G4	RAGB 1.85 05/23/49	6.84 %
DE0001030724	0% DE 2050 Z	6.58 %
FR0013234333	1.75% FR 2039	5.30 %
DK0030540638	SPNODC 4,125 10/01/30	4.46 %

In December, the subfund delivered a negative return of -0.54%, which was in line with the benchmark of -0.54%. For the year 2025, the subfund delivered a return of 0.27% while the benchmark delivered a return of 1.05%. Thus, the subfund has underperformed relative to the benchmark by -0.78%.

Both the monthly and particularly the annual disappointing returns were due to our long-standing view on yield spreads, which we perceive as being too narrow — we believe that the payment for the additional risk is not being compensated. However, we have not seen the expected spread widenings materialize, and the developments in particularly long-term yields have been unfavorable.

In December, we sold corporate bonds from the portfolio that performed well in 2025, but which we do not see great value in carrying into 2026. The proceeds have been placed in German government bonds, and we await opportunities in the primary market. We remain cautious with buying credit bonds, given the very low yield spreads currently prevailing.

With the current conservative portfolio, the 12-month holding period return, under unchanged conditions, is estimated at around 3.80%.

The subfund's sustainable investment goal is to contribute to the reduction of greenhouse gas emissions through investments in green bonds, which, for example, finance the expansion of renewable energy or initiatives for energy efficiency as well as to contribute to selected global goals. Based on available data from individual issuers, the current reduction in greenhouse gas emissions is calculated to be 58.43 tons of CO₂ per invested million kroner per year.

Further information about the subfund's green profile can be found in our 2024 sustainability report. The report is available on the subfund's website under News.

The subfund was listed on the stock exchange on March 5th, 2024.

Visit the subfund's website www.hpinvest.dk.