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# Return Report



## HP Engros Korte Danske Obligationer Monthly reporting

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Reporting period: 1. April - 30. April 2026

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## April 2026

- The Strait of Hormuz sent the oil price 20% higher in a single week, forcing the ECB to signal rate hikes in the midst of a weakening European economy.
- US consumer confidence collapsed to its lowest level in 74 years – worse than during the financial crisis and worse than during the 9% inflation of 2022. Yet equities rose 5% in April. The disconnect between Wall Street and Main Street is currently significant.
- Rates up, OAS out: Rising expectations of ECB and National Bank rate hikes pushed the short and medium swap curve higher in April and widened swap OAS on callable OTRs by up to 12bp year-to-date – while low-coupon bonds conversely tightened.
- Jyske Realkredit's "Jyske Frihed" and Danske Bank's "Bolig Fri" are intensifying the battle for the Danish mortgage borrower – and the preliminary CK93 figures already show the effect: RD's 5% series are being drawn approximately 50% more than NYK and NDA at the July coupon date.

If you have any questions, please do not hesitate to contact us at +45 33 15 00 34 or [HP@hpfonds.dk](mailto:HP@hpfonds.dk).

The table below shows returns for HP Funds during the period. Click on the fund name for more information at [hpfonds.dk](http://hpfonds.dk) or press "Click here" to view the individual summary pages.

### LISTED FUNDS

Subfund	MTD	Excess return	YTD	Excess return
<a href="#">HP Invest Short Term Danish Mortgage Bonds</a>	0.28%	0.01%	-0.10%	0.20%
<a href="#">HP Invest Long Term Danish Bonds Accumulating</a>	0.12%	-0.18%	-0.68%	-0.38%
<a href="#">HP Invest Long Term Danish Bonds</a>	0.18%	-0.13%	-0.41%	-0.10%
<a href="#">HP Invest Green Bonds</a>	0.25%	-0.30%	-0.06%	0.03%

### UNLISTED FUNDS

Subfund	MTD	Excess return	YTD	Excess return
<a href="#">HP Engros Short Term Danish Bonds</a>	0.22%	-0.04%	0.20%	0.50%
<a href="#">HP Invest Short Term Danish Bonds</a>	0.29%	0.02%	0.42%	0.72%
<a href="#">HP Invest Long Term Danish Mortgage Bonds</a>	0.19%	-0.11%	-0.75%	-0.44%
<a href="#">HP Hedge Danish Bonds</a>	0.86%	-	0.98%	-
<a href="#">HP Hedge Fixed Income</a>	2.52%	-	2.08%	-

Returns are calculated after fees.

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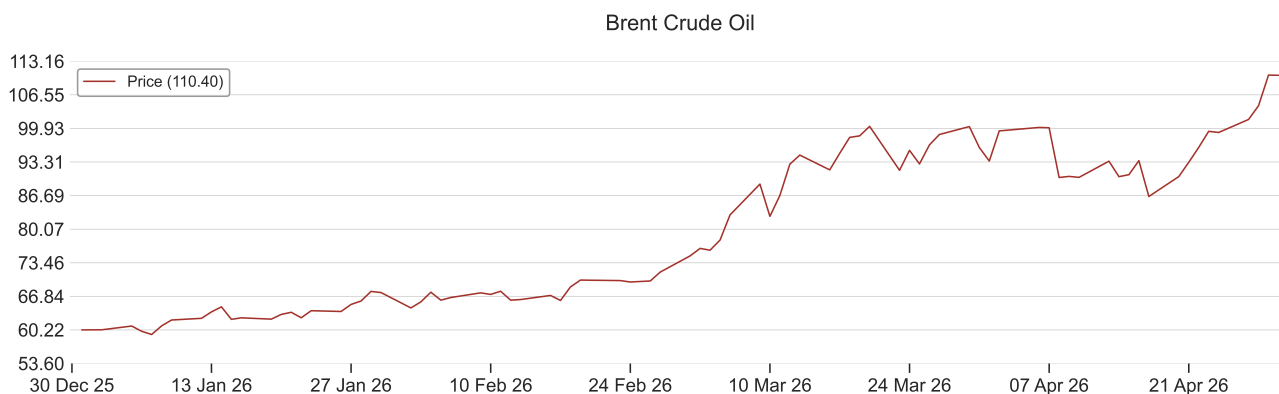
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## Macro

While the world's eyes in March were fixed on the attacks on Iran, April became the month when economic realities began to catch up with economies and consumers in earnest. The focal point is one narrow waterway: the Strait of Hormuz.

The closure of the Strait of Hormuz – the world's most vital artery for oil transport – has sent the oil price on a genuine rollercoaster ride. During the month, Brent crude oscillated between USD 87 and USD 122 per barrel as expectations shifted between a peace agreement and a total blockade of the strait. The past week's rise of approximately 20% primarily reflects a sharp upward revision of the geopolitical risk premium: the market is now effectively pricing in the possibility of prolonged supply disruption beyond any potential peace deal. Lower inventories and a degree of panic positioning have only amplified the move.



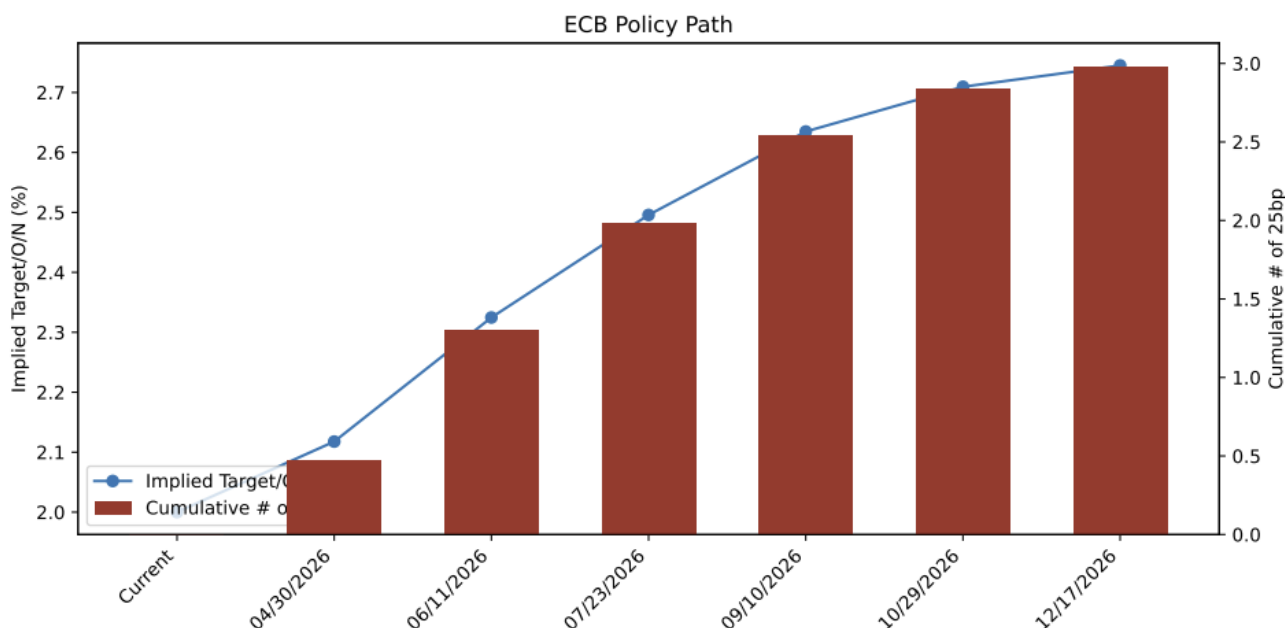
Source: Bloomberg

Rising oil prices have left a clear mark on the European economy, where April's PMI figures – a temperature reading of business conditions – made for grim reading. The European PMI fell from 50.7 in March to 48.6 in April – below the critical 50-level that separates expansion from contraction, for the first time since November 2024. Both Germany and France are dragging the index down: Germany's PMI came in at 48.3, while France fell to 47.6. In France, the services sector is in freefall, while manufacturers are paradoxically rushing to place advance orders out of fear of upcoming bottlenecks – an effect that artificially inflates the industrial PMI and thereby obscures the true picture. Inflationary pressure is meanwhile at its strongest in over three years – a stagflationary scenario the ECB would rather have avoided.

In the US, consumer confidence was even more dramatic. The University of Michigan's consumer sentiment index collapsed to 49.8 in April – the lowest level in 74 years. Yes, you read that correctly: worse than during the 9% inflation of 2022, and worse than during the 10% unemployment of 2010. This is remarkable given that American household balance sheets are otherwise relatively healthy, and that equity markets – buoyed by AI euphoria – continue to post strong returns. The explanation lies partly at the petrol station: filling up is expensive, and people feel it immediately – regardless of what paper gains in their portfolios might suggest.

The ECB kept rates unchanged at 2.0% as expected – but behind the calm façade there was more drama than anticipated. A rate hike had actually been on the table, and Lagarde left no doubt about the direction: the ECB will tighten in

June – unless the war ends or growth collapses first. The market has already priced in a full 25bp hike for June and close to 75bp in total by year-end. What is notable is that the ECB is now effectively heading towards rate hikes in the midst of a stagflationary scenario – precisely the situation central banks fear most, because the medicine (higher rates) worsens one of the patient's symptoms (weak growth) in order to combat the other (inflation).



Source: Nordea Analytics

The Federal Reserve kept rates unchanged at 3.50-3.75% as expected, but the press conference brought drama. Four FOMC members dissented – the highest number since 1992. One voted for a rate cut (Stephen Miran), while three (Hammack, Kashkari and Logan) voted against the dovish bias in the statement. Powell also announced that he will continue as Federal Reserve Governor after his term as Chair expires on 15 May – a decision that is marginally hawkish, as it prevents Trump from immediately installing a more dovish successor. Kevin Warsh takes over as Chair and will preside over the June meeting – but as April demonstrated, the Fed does not necessarily follow its chair blindly. The market has now priced in approximately a 50% probability of a rate hike in the first half of 2027.

Big Tech remains in full AI investment mode. The major technology companies alone are expected to spend close to USD 700 billion in capital expenditure this year – equivalent to approximately 2% of US GDP. The Q1 earnings season has broadly delivered decent numbers, but the market has punished stocks that fail to beat expectations by a clear margin. Towards the end of the month, several tech stocks fell despite results above consensus – a reminder that in a market driven by perfection, "good enough" is rarely good enough. In addition, a growing number of companies are signalling headcount reductions as AI automates tasks that previously required large teams. Therein lies the irony: the AI boom is generating enormous returns and mass redundancies simultaneously.

Despite the bleak macro backdrop, broad equity indices ended the month approximately 5% higher, supported by strong AI-driven tech earnings and hopes of an imminent resolution to the conflict. The bond market told a more concerning story: 10-year yields ended the month approximately 10bp higher, reaching their highest levels since 2011 in Europe – a signal that the market is pricing in both persistent inflation and ECB tightening. All in all, April was the month in which equities and bonds moved in opposite directions – leaving central banks with a growing dilemma.

On the political front, April brought one of the most surprising political earthquakes in recent European history. In Hungary, the pro-European opposition leader Péter Magyar won with a commanding supermajority – the Tisza party secured 138 of parliament's 199 seats, and after 16 years in power, Viktor Orbán conceded defeat. In Brussels, the result

was met with relief, and there is now hope that the new Hungarian government will swiftly lift the blockade on the long-awaited EU loan to Ukraine.

Back home in Denmark, coalition negotiations are still ongoing. Mette Frederiksen is currently negotiating with the left wing and the Moderates, pointing towards a centre-left coalition – a development that has prompted both the Conservatives and Venstre to point fingers at Lars Løkke Rasmussen for breaking his campaign promises not to form a government dependent on the far left's seats. When Denmark will have a new government remains uncertain.

Date	DKK SWAP 2Y	DKK SWAP 5Y	DKK SWAP 10Y	DKK SWAP 30Y	DKK SWAP 10Y-2Y
30-06-2025	2.10	2.41	2.76	2.90	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
30-01-2026	2.33	2.68	3.04	3.33	0.71
27-02-2026	2.29	2.55	2.89	3.18	0.60
31-03-2026	2.95	3.07	3.26	3.30	0.31
30-04-2026	2.96	3.07	3.27	3.34	0.30

Date	EUR SWAP 2Y	EUR SWAP 5Y	EUR SWAP 10Y	EUR SWAP 30Y	EUR SWAP 10Y-2Y
30-06-2025	1.91	2.27	2.60	2.75	0.69
30-09-2025	2.08	2.38	2.68	2.89	0.60
31-12-2025	2.17	2.57	2.93	3.25	0.76
30-01-2026	2.13	2.51	2.87	3.17	0.74
27-02-2026	2.07	2.36	2.69	2.99	0.62
31-03-2026	2.73	2.89	3.08	3.12	0.35
30-04-2026	2.75	2.89	3.08	3.16	0.33

Source: Nordea Analytics

## Bond market

April has seen rising rates in the short and medium part of the swap curve, driven primarily by increased market expectations of rate hikes from the ECB and the Danish National Bank over the coming year. The 1-year swap rate has risen markedly more than the long end, contributing to a flatter curve structure at the long end – the 20Y/30Y segment is now trading at a spread of approximately -7bp versus 0bp at the start of the year, while the curve has steepened in the 1-5Y segment.

For callable bonds, this – combined with rising implied volatility – has made for a challenging start to the year. Swap OAS on the 4'56 and 3.5'56 series have widened by 12bp and 8bp year-to-date respectively, while low-coupon bonds have conversely performed remarkably well, with swap OAS tightening 1-5bp across series.

On top of the rate picture, April has brought an unusually high level of media attention to the Danish mortgage market. The debate around priority loans versus traditional mortgage bonds has escalated, with Nykredit and Danske Bank in direct conflict over the merits and drawbacks of their respective products. Jyske Realkredits recently launched "Jyske Frihed" – a variable rate mortgage with quarterly rate resets based on 3M CIBOR and redemption at par – adds yet another competing product to a market already under pressure from Danske Bank's "Bolig Fri". For the bond investor, however, the central question is not who wins market share in new lending, but what the product competition does to the incentive to redeem existing callable loans.

That picture is already beginning to take shape. RD has been cutting contribution margins since February – but only for new loans. Existing borrowers with 80% LTV from 2022-2023 can today save up to 40-43bp on the total contribution margin by refinancing. Rising house prices further strengthen the incentive – in the Capital Region, LTV on a typical apartment has fallen from 80% to approximately 57% since 2022, which alone contributes 24bp in contribution savings.

The CK93 figures for the July coupon date confirm that this is beginning to materialise in actual redemptions. RD's 5% series show markedly higher preliminary draw percentages than at the same point in previous notice periods – and approximately 50% higher than the NYK and NDA average, despite a less attractive refinancing alternative in the rate terms.

Extraordinary Prepayment Rates as of the 1st of July 2026 term				
Coupon	NYK	RD	JYK	NOR
5 '53	8,4	14,9		7,2
5 IO10 '53	9,4	14,8		9,0
5 IO30 '53	5,4			4,5
5 '56	7,8	13,0	8,4	7,9
5 IO10 '56	9,2	14,8	10,2	11,0
5 IO30 '56	3,5	5,1	6,6	4,4

Source: Sydbank

The spread between RD and NYK in the 5% series does not yet fully reflect this – historically, colour differences tend to materialise only once conversions actually hit. Recent trades in RD's 5% 2053 IO10 at 102.92 do not look attractive in this light.

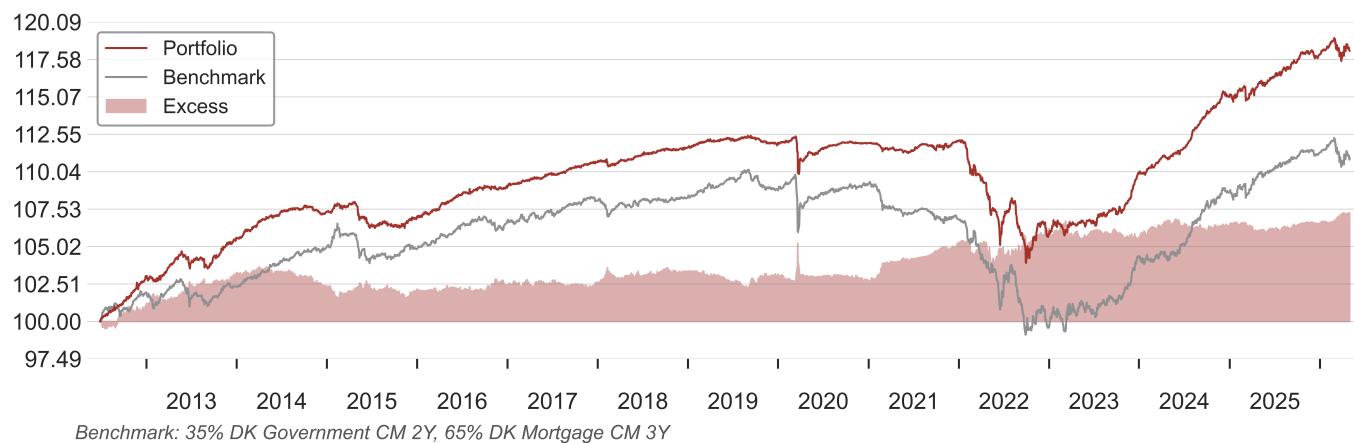
Rate rises since March have reduced the immediate conversion risk somewhat, but the structural improvement in borrowers' refinancing alternative has not disappeared with rising rates.

Overall, the callable market finds itself in a situation where three forces are pulling in the same direction: rising rates have extended duration in the OTR segment, low-coupon bonds continue to be priced at a relative premium, and the structural propensity to convert – driven by contribution margin savings rather than rate movements – remains at elevated levels.

	1 year	2 year	3 year	5 year	7 year
DK Mortgage CM		-0.25	-0.33	-0.26	
DK Mortgage Callable CM			-0.56	-0.42	-0.28
DK Mortgage Non-Callable CM	0.30		-0.10		
DK Government CM		-0.25	-0.35	-0.36	-0.37

Source: Nordea Analytics

## Summary



Time-weighted return	January	February	March	April
Portfolio	0.46%	0.47%	-0.95%	0.22%
Benchmark	0.43%	0.45%	-1.44%	0.27%
Excess return	0.03%	0.02%	0.49%	-0.04%

Return	Portfolio	Benchmark	Excess return
Year-to-date return	0.20%	-0.30%	0.50%
Quarter-to-date return	0.22%	0.27%	-0.04%
Accumulated return	18.15%	10.99%	7.16%
Annualised return	1.21%	0.76%	0.46%
Rolling 1-year annualised return	1.82%	0.91%	0.91%
Rolling 3-year annualised return	3.48%	3.23%	0.25%
Rolling 5-year annualised return	1.17%	0.65%	0.52%

### Fund information

12-month holding period return	3.05%
NAV	1,181.51
ISIN	DK0061553245
Exchange Status	Unlisted
Distribution Policy	Accumulating
Inception date	26-06-2012

Investors are encouraged to seek individual advice regarding their own investment-related matters, and HP Fonds wishes to note that past performance is not a guarantee of future returns. The expected returns are based on the moderate return scenario for the indicated investment periods, as set out in the PRIIP documents.