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Return Report



HP Invest Green Bonds Monthly reporting

Reporting period: 1st of August - 31st of August 2026

August 2026

August was shaped by the following key developments:

- Warsh spoke at Jackson Hole - and said nothing concrete - but the tone was hawkish enough for markets to price in a 60% probability of a September hike. Long-term yields are rising broadly, and questions about credibility are quietly beginning to surface.
- Bessent was photographed with a note reading "Buy Japanese Yen \$5-10 bil" - the coordinated yen intervention reveals that Washington is growing uneasy about rising long-term yields and the risk of forced Japanese selling of US Treasuries.
- Callable mortgage bonds have continued to be supported by low redemptions and limited supply. High-coupon bonds have performed relatively well, and the price gap between 4% and 5% coupon bonds has widened considerably.
- The refinancing auctions came in at slightly wider spreads than expected, particularly on floaters and short-dated flex bonds, while 5-year flex bonds held up better. A materially larger supply of 5-year flex bonds is expected at the January auction.
- The krone came under pressure in August, prompting the National Bank to intervene for DKK 5.6 billion. A standalone Danish rate hike is nonetheless still not considered imminent, as the pressure is largely assessed to be temporary.

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

The table below shows returns for HP Funds during the reported period. Click on the fund name for more information at hpfonds.dk.

LISTED FUNDS

Subfund	MTD	Excess return	YTD	Excess return
HP Invest Short Term Danish Mortgage Bonds	-0.19%	-0.04%	0.59%	0.52%
HP Invest Long Term Danish Bonds Accumulating	-0.54%	-0.05%	-0.33%	-0.16%
HP Invest Long Term Danish Bonds	-0.51%	-0.02%	0.03%	0.20%
HP Invest Green Bonds	-0.71%	-0.23%	-0.36%	0.21%

UNLISTED FUNDS

Subfund	MTD	Excess return	YTD	Excess return
HP Engros Short Term Danish Bonds	-0.18%	-0.04%	0.95%	0.87%
HP Invest Short Term Danish Bonds	-0.13%	0.01%	1.28%	1.21%

Subfund	MTD	Excess return	YTD	Excess return
HP Invest Long Term Danish Mortgage Bonds	-0.59%	-0.10%	-0.34%	-0.17%
HP Hedge Danish Bonds	-0.88%	-	8.31%	-
HP Hedge Fixed Income	-0.25%	-	7.47%	-

Returns are calculated after fees.

Investors are encouraged to seek individual advice regarding their own investment-related matters, and HP Fonds notes that historical returns are not a reliable indicator of future returns. Expected returns are calculated as IRR returns based on the moderate scenario in the specified investment periods, in accordance with the PRIIP documents.

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Macro

Six months after the US and Israel launched their strikes on Iran, there is no end in sight. After a month-long pause in hostilities, the war flared up again in the early hours of Monday 31 August: the US struck Iranian rocket launchers on Larak Island, and Iran responded swiftly with ballistic missiles targeting US bases in Jordan. Trump posted AI-generated videos purportedly showing Kharg Island in flames.

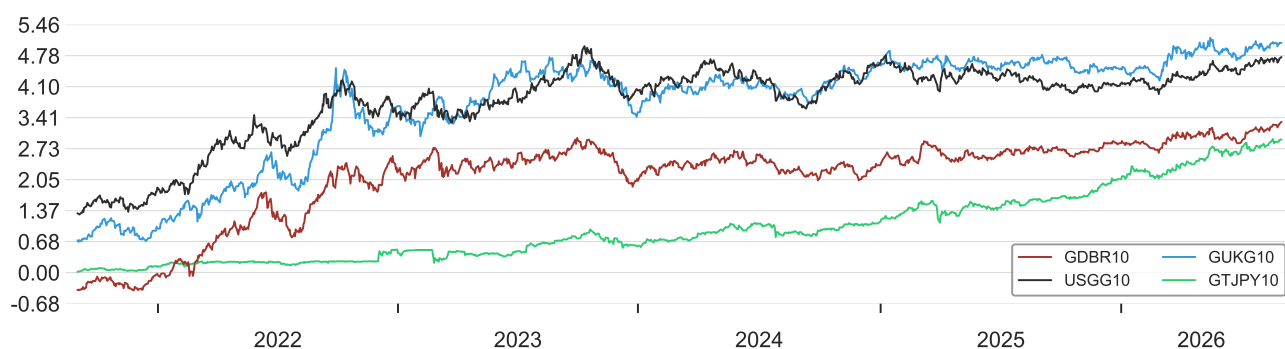
Brent crude traded in a wide range of \$84 to \$92 per barrel during August, pulled in opposite directions. On one hand, oil exports from the Persian Gulf gradually began to recover. Goldman Sachs estimated by month-end that exports had climbed to 15-16 million barrels per day, still well below the pre-war level of 22-24 million barrels, but far above the trough of 5-6 million barrels seen in March. Iran and Oman also reached a revenue-sharing framework for the strait, although Tehran stressed this did not imply an immediate reopening. The renewed escalation in the final hours of the month sent oil prices higher again, reminding markets that any normalisation can be interrupted from one day to the next.

The European economy sent surprisingly positive signals in August. The eurozone composite PMI rose to 52.1, its highest level since November 2025, pointing to solid third-quarter GDP growth. The manufacturing sector is the primary driver, posting its strongest expansion in four and a half years, with services providing a supporting role. For the first time this year, European companies began net hiring. Prices remain elevated, but inflationary pressures eased slightly in August, particularly in the services sector. European consumer confidence edged up marginally to minus 15.5, the fourth consecutive monthly improvement, though it remains well below its long-term average. Consumers continue to save more than usual, and domestic demand remains subdued.

Jackson Hole was August's undisputed central banking highlight. Warsh took the podium on 28 August and delivered precisely what markets have come to expect from him: very little that was concrete, yet laden with meaning. He refrained from offering forward guidance, as anticipated, but his tone was notably more hawkish than in July. He described inflation as "concerning", reaffirmed that 2% PCE is a "firm, fixed target" and stressed that financial conditions are not broadly restrictive – a formulation that differed markedly from his July press conference. Translated into market language: a rate hike in September is firmly on the table. The CME FedWatch probability of a September hike moved up to just under 60% in the wake of the speech.

One of August's more understated but potentially consequential stories was the coordinated yen intervention carried out by the US and Japan at the start of the month. Treasury Secretary Bessent's notepad was photographed at a cabinet meeting at Camp David bearing the words "Buy Japanese Yen \$5-10 bil" in plain sight. The subsequent intervention strengthened the yen to 155 per dollar, its strongest level since May. The official rationale was regional stability. The more candid reading is that Washington is concerned a weak yen could force Japan into selling US Treasuries, adding further pressure to already elevated long-term yields. The 10-year US Treasury yield has risen from 4.1% at the start of the year to 4.75% now, and long-term European yields are approaching levels not seen since 2011. Something is amiss when long-term yields rise broadly across markets while central banks hold rates steady. It may reflect rising inflation expectations, but it may also point to a more fundamental credibility problem: markets beginning to question whether central banks genuinely have inflation under control, and whether fiscal policy in the US and Europe is sustainable over the longer term. This is not yet a conclusion, but it is a question that deserves attention.

10-Year Government Bond Yields: Germany, US, UK and Japan – Past 5 Years



Source: Bloomberg

Risk assets held up reasonably well in August despite the turbulence. Equities ended the month modestly higher, supported by the positive PMI data and relief that oil prices had not escalated sharply – at least until the military exchanges in the final days of the month. Credit spreads remained stable. The bond market remains on edge, pricing in potential central bank tightening before year-end – close to two hikes from the ECB and one from the Fed.

Date	DKK SWAP 2Y	DKK SWAP 5Y	DKK SWAP 10Y	DKK SWAP 30Y	DKK SWAP 10Y-2Y
31-12-2025	2.39	2.76	3.12	3.43	0.73
31-03-2026	2.95	3.07	3.26	3.30	0.31
30-06-2026	2.81	2.91	3.09	3.25	0.29
31-07-2026	3.10	3.23	3.40	3.49	0.30
31-08-2026	3.24	3.38	3.54	3.61	0.29

Date	EUR SWAP 2Y	EUR SWAP 5Y	EUR SWAP 10Y	EUR SWAP 30Y	EUR SWAP 10Y-2Y
31-12-2025	2.17	2.57	2.93	3.25	0.76
31-03-2026	2.73	2.89	3.08	3.12	0.35
30-06-2026	2.60	2.73	2.91	3.07	0.31
31-07-2026	2.91	3.07	3.22	3.31	0.31
31-08-2026	3.03	3.20	3.35	3.43	0.32

Source: Nordea Analytics

Bond market

August brought renewed geopolitical uncertainty and rising rates. In Europe, both German government yields and EUR swap rates rose broadly in parallel, with the curve shifting around 10 basis points higher across the board during August. In the US, the rate move was more concentrated at the short end, while the long end flattened slightly. Danish swap rates followed the European pattern but actually rose somewhat more than German and EUR-based rates at the short end, which is unsurprising given the krone pressure seen during the month.

	1 year	2 year	3 year	5 year	7 year
DK Mortgage CM		0.41	0.09	0.04	
DK Mortgage Callable CM			0.57	0.24	0.10
DK Mortgage Non-Callable CM	0.94		0.13		
DK Government CM		0.05	-0.27	-0.66	-1.12

Source: Nordea Analytics

In August, the final redemption figures for callable bonds maturing at the October settlement were published. The trend was again one of generally low redemptions, which has supported the high-coupon bonds, although RD once again stood out with higher prepayments than the rest of the market. In isolation, this was positive for high-coupon investors, who have also benefited from the fact that high-coupon bonds have not reacted as sharply as lower-coupon bonds to the rise in rates over the summer. This has led to a considerable widening of the price gap between the 4% and 5% coupon bonds, with the spread between the 4'56 and 5'56 series growing to around 7 price points. OAS on callable bonds remains low, driven by limited supply of callable bonds and continued solid buying interest in the low-coupon segment.

At the same time, a vintage shift has taken place in the callable series. The old 30-year 2056 series are now closed for issuance, and going forward new issuance will instead take place in the new 2059 series, as well as corresponding new vintages across other maturity and coupon segments. Outstanding volume in the new series remains limited relative to the old ones, and with expected daily issuance of DKK 200-400 million – primarily concentrated in the 4'59 – it will take some time before the new series reach a meaningful outstanding amount. The new series are currently trading at a modest premium relative to the old ones, reflecting the low outstanding volume.

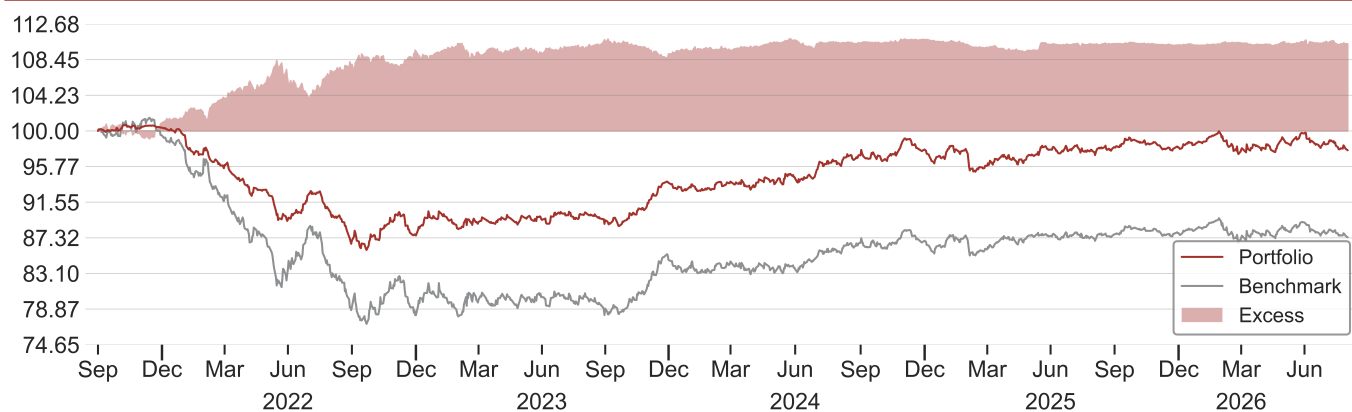
August also brought refinancing auctions for the October settlement, where we saw spread widening on the floater auctions, which were placed at around 7 basis points over flex bonds – somewhat wider than expected. The subsequent flex auctions showed signs of slightly softer pricing at the short end, with the 1- and 3-year flex bonds sold at somewhat weaker levels than anticipated ahead of the auctions, while the 5-year flex bonds performed better and ended close to unchanged. Looking ahead, the January and April auctions will bring a considerably larger supply of 5-year flex bonds – with around DKK 30-35 billion expected for January, notably higher than the approximately DKK 8 billion seen at the October auction.

Alongside the mortgage market's strong summer, Danish government bonds have had another solid year. The government's net financing requirement came in DKK 42 billion below budget in the first half of the year, and the pension sector delivered a half-year return of DKK 324 billion – the second highest on record – pointing to a large PAL tax payment next year.

The krone has demanded serious attention in August. EURDKK repeatedly tested 7.476 during the month, the level that triggered the first, albeit modest, intervention in more than three years back in June (DKK 0.7 billion). In August, the National Bank intervened for DKK 5.6 billion, yet a standalone Danish rate hike is still not considered imminent. Much of the evidence points to the pressure being largely a temporary balance-of-payments effect driven by Novo Nordisk's large dividend payment. The net position has begun to move back towards the forecast, suggesting the pressure is more likely to ease of its own accord rather than reflecting a more sustained shift in demand for Danish kroner.

The monetary policy spread to the ECB remains at -40 basis points, but the picture in the swap market is somewhat different, with DKK swap rates trading at wider spreads further out the curve. This reflects markets increasingly pricing in some probability of a standalone Danish rate hike, though this tendency has been present throughout 2026.

Summary



Benchmark: 100% Bloomberg MSCI Euro Green Bond

Time-weighted return	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Portfolio	0.64%	1.28%	-2.20%	0.25%	1.27%	0.47%	-1.31%	-0.71%
Benchmark	0.77%	1.22%	-2.60%	0.55%	1.07%	0.44%	-1.50%	-0.48%
Excess return	-0.13%	0.05%	0.40%	-0.30%	0.20%	0.03%	0.19%	-0.23%

Return	Portfolio	Benchmark	Excess return
Year-to-date return	-0.36%	-0.57%	0.21%
Quarter-to-date return	-2.01%	-1.97%	-0.04%
Accumulated return	-2.30%	-12.63%	10.33%
Annualised return	-0.47%	-2.71%	2.24%
Rolling 1-year annualised return	0.10%	-0.00%	0.10%
Rolling 3-year annualised return	2.65%	2.67%	-0.02%

Fund information

Yield to maturity	3.96%
NAV	99.17
ISIN	DK0060118610
Exchange Status	Listed
Distribution Policy	Distributing
Inception date	30-09-2021
Tonnes CO ₂ reduction per invested DKKm per year	214.63

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