HP | FONDS

HP Invest Green Bonds
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Return Report

HP Invest Green Bonds

Monthly reporting

Reporting period: 1st of September - 30th of September 2026

September 2026

September was shaped by the following key developments:

- Both the ECB and the Fed raised rates by 25 basis points - the latter for the first time in three years. Markets continue to price in one further hike before year-end from both central banks.
- Oil prices rose more than 14% in September, closing above $103 per barrel - the highest level since May. Brent has now risen more than 67% since the start of the year, and expectations of a rapid supply normalization have been abandoned. Towards month-end, Trump raised the prospect of a ban on US diesel exports.
- The European economy is defying the energy shock - the eurozone composite PMI rose to 53.1, its highest level in more than three years. The flipside is continued inflationary pressure, with EU-harmonised inflation rising from 2.6% to 3.4%.
- The 10-year US Treasury yield exceeded 5.25% - its highest level since 2007. Long-term yields are rising broadly, driven by geopolitics, large fiscal deficits, and central banks withdrawing from bond markets.
- Callable mortgage bonds held up remarkably well despite sharp rate rises, supported by limited supply and low redemptions. The new 5% 2059 series opened and reached more attractive pricing levels towards month-end.
- The krone traded steadily but remained at the weaker end, close to the levels that triggered intervention in June and August. The National Bank chose not to intervene in September. The monetary policy spread to the ECB remains unchanged at -40 basis points.

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	-0.74%	-0.07%	-0.15%	0.44%
HP Invest Long Term Danish Bonds Accumulating	-1.76%	-0.23%	-2.08%	-0.39%
HP Invest Long Term Danish Bonds	-1.76%	-0.24%	-1.73%	-0.04%
HP Invest Green Bonds	-1.85%	0.11%	-2.20%	0.31%

UNLISTED FUNDS

Subfund	MTD	Excess return	YTD	Excess return
HP Engros Short Term Danish Bonds	-0.62%	0.05%	0.32%	0.91%
HP Invest Short Term Danish Bonds	-0.66%	0.01%	0.61%	1.21%

Subfund	MTD	Excess return	YTD	Excess return
HP Invest Long Term Danish Mortgage Bonds	-1.99%	-0.46%	-2.32%	-0.63%
HP Hedge Danish Bonds	-2.31%	-	5.81%	-
HP Hedge Fixed Income	-1.31%	-	6.06%	-

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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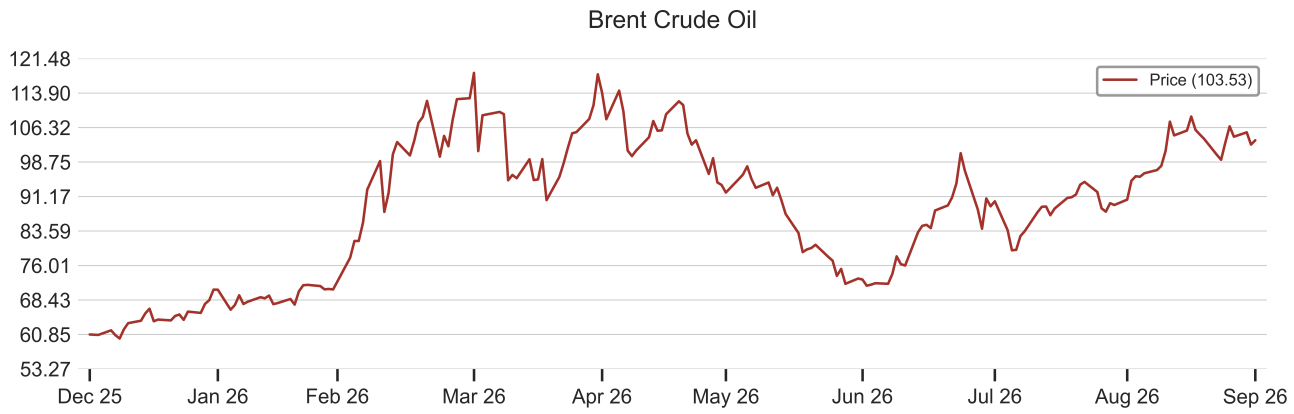
Macro

Seven months into the war in Iran, September brought no signs of de-escalation. Unrest in the region continued and hopes of a gradual normalization of oil exports faded. Instead, September became the month in which central banks moved from words to action. Both the ECB and the Fed raised rates – the latter for the first time in three years.

Brent crude rose more than 14% in September, closing the month at $103.5 per barrel. That marks a sharp shift from August, when oil traded between $84 and $92. Mid-month, prices briefly reached $109-110, the highest level since May, before pulling back to around $100. Since the start of the year, Brent crude has risen more than 67%. Persistent unrest around the Strait of Hormuz keeps the geopolitical risk premium elevated, and markets have abandoned any expectation of a rapid normalization of supply. The US midterm elections on 3 November are adding pressure on the White House to bring energy prices down. Towards month-end, Trump said that a ban on US diesel exports is being discussed "every day." Such a ban would hit a global diesel market already grappling with multiple simultaneous bottlenecks.



Source: Bloomberg

The European economy is so far defying the energy shock. The eurozone composite PMI rose to 53.1, its highest level in more than three years and well above expectations. The services sector was the primary driver of the upside surprise. Both Germany (53.8) and France (51.2) beat expectations, with France returning to growth for the first time this year. The flipside is that price components continue to rise. Inflation in September came in above expectations across the major eurozone economies – in France, for example, it climbed to 3%, notably above the 2.4% recorded in August. EU-harmonised inflation rose from 2.6% to 3.4%.

The ECB raised rates by 25 basis points as expected, bringing the deposit rate to 2.5%, and the Danish National Bank followed suit with a matching 25 basis point hike to 2.1%. Lagarde called the decision a "no brainer", and the ECB revised its medium-term inflation projections higher. Markets are pricing in one further hike before year-end and just over three within the next twelve months. The ECB nonetheless still faces a difficult balancing act. Higher rates do not resolve the bottlenecks in energy supply, and as long as core inflation fails to accelerate meaningfully, there is a risk of tightening more than necessary.

The Fed also raised rates by 25 basis points, to 3.75-4.00%, marking its first hike in three years. Warsh cited a stronger economy, a deteriorating inflation outlook and geopolitics as the reasons for the move. A clear majority of Fed members

expect at least one further hike this year, and officials have raised their long-run rate projection to 3.25%. Towards month-end, however, the picture softened somewhat. Core PCE fell to 3.0% against an expected 3.3%, though primarily due to a change in measurement methodology, and US consumer confidence declined sharply. Markets are pricing only a limited probability of a further hike at the October meeting but still expect one more in 2026 and three to four over the next twelve months.

The continued unrest is keeping upward pressure on US Treasury yields. The 10-year yield closed the month above 5.25%, its highest level since 2007, while the 30-year reached its highest level since 2002. Warsh attributed the rise to a strong economy, competition for capital – including from the massive investment programmes of AI companies – and geopolitics. At the same time, central banks are withdrawing from bond markets while fiscal deficits remain large, increasing the supply of government debt that must be absorbed by private investors.

Risk assets had a mixed month. Technology stocks led the way on continued AI optimism, with Nasdaq 100 rising more than 3%, while global equities ended the month roughly 1% lower overall. European equities had a harder time, with the DAX falling 4% under pressure from energy prices and political uncertainty.

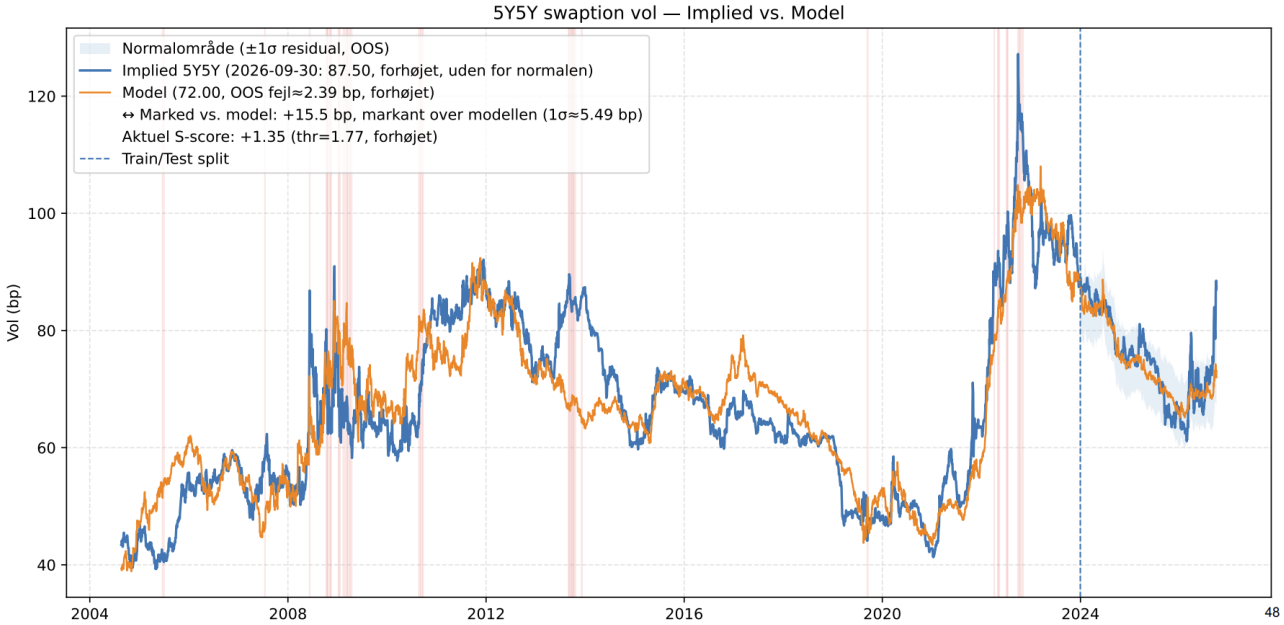
Date	DKK SWAP 2Y	DKK SWAP 5Y	DKK SWAP 10Y	DKK SWAP 30Y	DKK SWAP 10Y-2Y
31-12-2025	2.39	2.76	3.12	3.43	0.73
31-03-2026	2.95	3.07	3.26	3.30	0.31
30-06-2026	2.81	2.91	3.09	3.25	0.29
31-07-2026	3.10	3.23	3.40	3.49	0.30
31-08-2026	3.24	3.38	3.54	3.61	0.29
30-09-2026	3.58	3.74	3.83	3.70	0.25

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
30-09-2026	3.39	3.58	3.66	3.53	0.27

Source: Nordea Analytics

Bond market

September was an unsettled month marked by sharp rises in rates. In Europe, swap rates rose 35-40 basis points in the short and medium part of the curve, while the 30-year rate rose only around 10 basis points, leaving the curve noticeably flatter. Danish swap rates tracked the European pattern closely, while German government yields rose somewhat less than swap rates. In the US, the move was even more pronounced, with yields rising around 55 basis points in the 2- to 10-year segment. Uncertainty has increased in tandem. Rate volatility rose sharply, and credit spreads, which had been remarkably stable, have begun to widen modestly in line with higher oil prices and a more nervous risk environment.



Source: Bloomberg

Against this backdrop, callable mortgage bonds held up remarkably well. The 4'56 lost around 2 price points as rates rose, but on a spread basis traded broadly unchanged over the month, though the spread widened slightly in the final week of September. Low-coupon bonds continued to cheapen. The old 5% series had a harder time – they gained duration as rates rose, and the 5'56 widened around 15 basis points in spread. The primary source of support remains the limited supply. The outstanding volume of callable bonds has been reduced by around DKK 7.5 billion over the past year, and following the closure of the 2056 series, borrowers' ongoing buybacks must now be sourced in the market. At the same time, the reinvestment requirement at the October settlement is the lowest in more than two years, as higher rates have dampened redemptions.

	1 year	2 year	3 year	5 year	7 year
DK Mortgage CM		-0.17	-0.77	-1.18	
DK Mortgage Callable CM			-1.21	-1.58	-1.74
DK Mortgage Non-Callable CM	0.90		-0.67		
DK Government CM		-0.26	-0.83	-1.61	-2.21

Source: Nordea Analytics

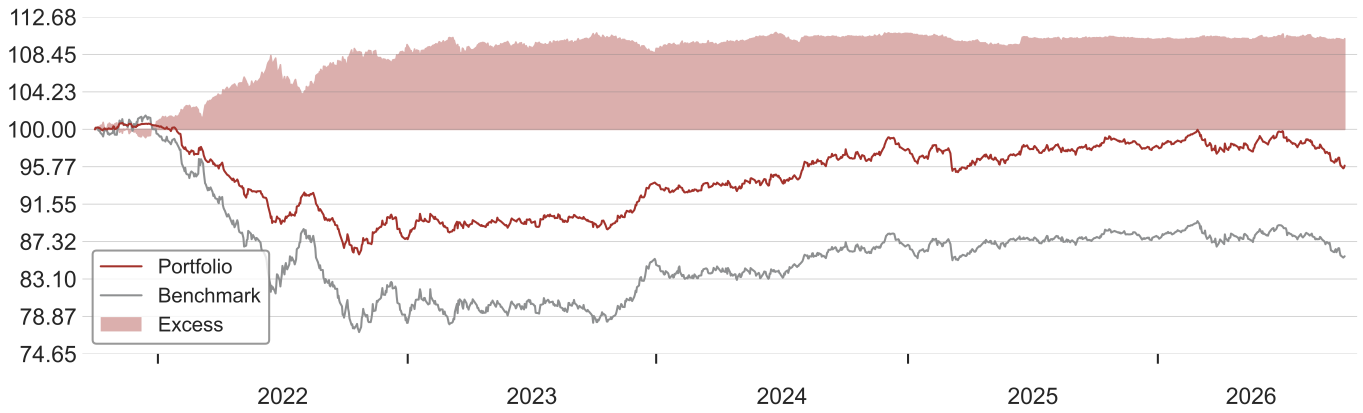
The month's major development was the opening of the new 30-year 5% 2059 series alongside a range of new 20-year series. The first attempt mid-month was short-lived, as prices quickly rose above par and the series closed again after only a few hundred million in new loans. Following further rate rises towards month-end, the series reopened broadly, with just under DKK 2 billion raised over two trading days – a substantial amount relative to the typical monthly issuance of DKK 7-8 billion in callable bonds. The new 5% series do, however, start from a different position than earlier generations. The price gap to the 4% bonds is wider than when the 5'53 and 5'56 reached par, which translates into higher duration from the outset. This makes the new series more exposed if rates continue to rise, and they benefit less from a rate decline. Pricing of the new series shifted considerably over the course of the month – the first trades were done at relatively tight levels, while the larger supply and rising volatility towards month-end brought the series to market at more attractive levels.

Higher rates have also pushed more borrowers towards variable-rate funding, with issuance of RTLs and in particular floaters picking up in the second half of the month. Competition for mortgage customers continues. Jyske Frihed has shifted a significant portion of Jyske's short-dated flex issuance into floaters, and Nykredit has launched DitRåderum, combining a mortgage loan with an attached deposit account as a counterweight to the banks' priority loan products. Month-end sales at the quarter turn came in broadly in line with expectations, with both flex and floaters placed cheaply against swaps. RTL spreads nonetheless remain low, with 3- and 5-year RTLs trading at broadly unchanged spreads over the month.

The krone traded steadily around 7.4757, remaining at the weaker end of the range, close to the levels that triggered intervention in June and August. In contrast to the preceding months, the National Bank chose not to intervene in September, despite EURDKK trading in the lower part of the levels that have previously prompted a response during the second half of the month. The monetary policy spread to the ECB remains unchanged at -40 basis points, and while the swap market continues to price in some probability of a standalone Danish rate hike, that probability did not increase in September.

Overall, limited supply once again provided a floor under callable mortgage bonds in a rate and volatility environment that would normally be challenging for them. That said, a continued rise in volatility, further geopolitical escalation, or a broader widening of credit spreads could quickly change the picture.

Summary



Benchmark: 100% Bloomberg MSCI Euro Green Bond

Time-weighted return	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Portfolio	0.64%	1.28%	-2.20%	0.25%	1.27%	0.47%	-1.31%	-0.71%	-1.85%
Benchmark	0.77%	1.22%	-2.60%	0.55%	1.07%	0.44%	-1.50%	-0.48%	-1.95%
Excess return	-0.13%	0.05%	0.40%	-0.30%	0.20%	0.03%	0.19%	-0.23%	0.11%

Return	Portfolio	Benchmark	Excess return
Year-to-date return	-2.20%	-2.51%	0.31%
Quarter-to-date return	-3.82%	-3.88%	0.06%
Accumulated return	-4.10%	-14.33%	10.23%
Annualised return	-0.83%	-3.05%	2.21%
Rolling 1-year annualised return	-2.20%	-2.35%	0.15%
Rolling 3-year annualised return	2.36%	2.77%	-0.40%

Fund information	
12-month holding period return	4.93%
NAV	97.34
ISIN	DK0060118610
Exchange Status	Listed
Distribution Policy	Distributing
Inception date	30-09-2021
Tonnes CO_2 reduction per invested DKKm per year	216.50

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