HP | FONDS

HP Invest Green Bonds
Kronprinsessegade 18, 1.
1306 København K

HP Fondsmæglerselskab A/S
Kronprinsessegade 18, 1.
DK 1306 København K
+45 33 15 00 34
hp@hpfonds.dk
CVR 27 40 31 74

Return Report



HP Invest Green Bonds

Monthly reporting

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

October 2026

October was characterised by the following key developments:

- France set the agenda in Europe - the 2027 budget proposal failed to convince the market, and the French 10-year government bond yield approached 5%, the highest level since 2002. At one point the spread to Germany exceeded 170 bp, the highest since the debt crisis in 2011, and Fitch placed France on negative outlook on the last day of the month.
- The central banks took a step back after September's hikes - the ECB, Danmarks Nationalbank and the Fed all kept rates unchanged, while the European economy is losing some momentum. The market continues to price a December hike from both the ECB and the Fed, but expectations for the Fed's total tightening have been revised down to around two hikes from 3-4 a month ago.
- Oil prices rose almost 11% in October, ending at around USD 115 per barrel - more than 85% higher than at the start of the year. The G7 countries' release of oil reserves provided only brief relief, and European gas prices rose above EUR 100 per MWh as the heating season began.
- A marked decline in rates after September's rise - European swap rates fell 15-25 bp, with the largest declines at the long end, and US yields fell around 30-35 bp. France was the exception, while Germany, the Netherlands and Denmark served as safe havens.
- Danish callable mortgage bonds continued to perform well, supported by very low issuance, while the French turmoil spilled over into short RTLs, which widened 4-7 bp. Borrowers are moving towards short-term fixed rates, and November's refinancing auctions will be an important test.
- The krone traded steadily around 7.4740-7.4750 and remains at the weak end, though somewhat away from the intervention levels, and Danmarks Nationalbank did not intervene in October. The monetary policy spread to the ECB is unchanged at -40 bp. A shortage of euro liquidity has made it attractive for euro investors to buy Danish government bonds with currency hedging, strengthening Denmark's role as a safe haven.

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	0.86%	0.18%	0.71%	0.62%
HP Invest Long Term Danish Bonds Accumulating	1.82%	0.18%	-0.30%	-0.22%
HP Invest Long Term Danish Bonds	1.80%	0.16%	0.04%	0.12%
HP Invest Green Bonds	1.24%	0.28%	-0.99%	0.59%

UNLISTED FUNDS

Subfund	MTD	Excess return	YTD	Excess return
HP Engros Short Term Danish Bonds	0.87%	0.19%	1.19%	1.11%
HP Invest Short Term Danish Bonds	0.90%	0.22%	1.52%	1.43%
HP Invest Long Term Danish Mortgage Bonds	1.98%	0.34%	-0.38%	-0.30%
HP Hedge Danish Bonds	3.69%	-	9.72%	-
HP Hedge Fixed Income	0.40%	-	6.48%	-

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

If September was the month of the central banks, October belonged to France. Oil prices did continue to climb, but it was the budget crisis and the protests in Paris that set the agenda in Europe - while the central banks, after September's hikes, took a step back and adopted a wait-and-see approach.

Brent crude rose almost 11% in October and ended the month at around USD 115 per barrel - more than 85% higher than at the start of the year. A coordinated release of oil reserves by the G7 countries provided only brief relief. Houthi attacks in Saudi Arabia, Russian strikes on Ukrainian energy infrastructure and renewed threats against Iran kept the geopolitical risk premium elevated, and it was only reports that the US would give diplomacy more time that dampened prices towards the end of the month. At the same time, European gas prices rose above EUR 100 per MWh, just as the heating season begins.



Source: Bloomberg

In France, the unrest gathered real momentum when the government presented its budget. The 2027 budget aims to bring the deficit down to 5% of GDP, but debt is nonetheless expected to rise to almost 122% of GDP, and the market was not convinced. The French 10-year government bond yield approached 5%, the highest level since 2002, and the risk premium over Germany reached its highest level since the European debt crisis. In the middle of the month, more than half a million French people demonstrated against the high cost of living, and several cities imposed curfews. Moody's left the credit rating unchanged, but on the last day of the month Fitch placed France on negative outlook. With budget negotiations far from concluded and a presidential election in spring 2027, there is little to suggest that calm will return any time soon.

The European economy is losing some momentum. The composite PMI fell from September's three-year high to its lowest level in four months, with France and Italy in particular dragging it down, while Germany and Spain are holding up. Excluding Ireland, the eurozone grew 0.2% in Q3, and France contracted. Inflation rose to 3.8% in September, driven by energy, while core inflation rose only marginally. In the US, growth remains strong at 3.4% annualised in Q3, although the labour market disappointed.

As expected, the ECB kept its policy rate unchanged at 2.50%, and Danmarks Nationalbank held its rate at 2.1%. A hike was discussed, but the French turmoil has already tightened financial conditions - the bond market has, so to speak, taken over part of the ECB's job. At the same time, there are no signs that the energy shock is spilling over into wages and core inflation. The market is pricing one hike in December and one to two in 2027. The Fed also kept rates

unchanged at 3.75-4.00%, but with two dissents in favour of a hike. The message was that inflation is still too high, but that the tightening has begun to work. The market sees a December hike as likely and expects around two in total, down from 3-4 hikes a month ago.

Risk assets had a mixed month. Disappointing tech earnings raised questions about the return on the large AI investments, and the Nasdaq 100 fell just over 3%, while global equities ended broadly unchanged. Credit spreads widened moderately, and the dollar strengthened to its highest level in a year and a half.

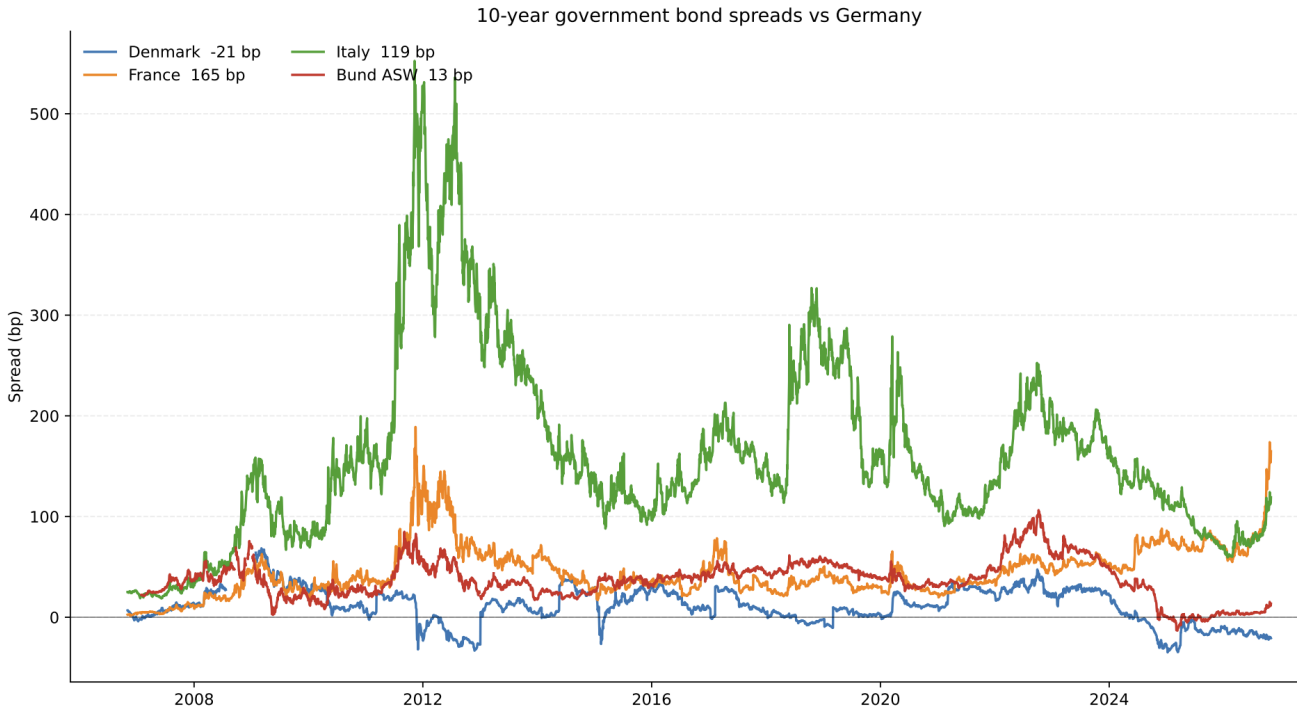
Date	DKK SWAP 2Y	DKK SWAP 5Y	DKK SWAP 10Y	DKK SWAP 30Y	DKK SWAP 10Y-2Y
31-12-2025	2.39	2.76	3.12	3.43	0.73
31-03-2026	2.95	3.07	3.26	3.30	0.31
30-06-2026	2.81	2.91	3.09	3.25	0.29
31-07-2026	3.10	3.23	3.40	3.49	0.30
31-08-2026	3.24	3.38	3.54	3.61	0.29
30-09-2026	3.58	3.74	3.83	3.70	0.25
30-10-2026	3.43	3.55	3.62	3.46	0.19

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
30-10-2026	3.26	3.39	3.45	3.30	0.19

Source: Nordea Analytics

Bond market

After September's sharp rise in yields, October brought a marked decline in rates, but the month was far from calm. In Europe, swap rates have fallen 15-25 bp, with the largest declines at the long end, flattening the curve further. German government bond yields and Danish swap rates have followed the same pattern. In the US, the decline has once again been sharper at around 30-35 bp across the curve, driven by weaker data and growing unease about the AI and technology sector, which has sent investors towards safe government bonds. The exception is France, where the 10-year yield has risen slightly over the month and the spread to Germany has widened by around 28 bp. At one point the spread exceeded 170 bp, the highest level since the debt crisis in 2011. Moody's unchanged rating provided temporary relief, but Fitch's negative outlook at month-end underlines that the matter is far from settled. Contagion to the rest of Europe has been limited, however, with Italy only partly following, while Germany, the Netherlands and Denmark have served as safe havens. At the same time, rate volatility has eased back from September's elevated levels, whereas credit spreads have continued the widening that began in September, particularly in high yield.



Source: Bloomberg

The French turmoil has spilled over into the short bullets in Danish mortgage bonds, where 5-year RTLs have widened by around 7 bp and 3-year RTLs by just over 4 bp. Callable bonds, by contrast, have performed considerably better, with the 4% 2056 trading only 1-2 bp wider over the month, while the 3.5% bonds and low-coupon bonds have widened somewhat more. Low supply remains the key support for callable bonds. The new 5% 2059 series were quickly closed again as prices rose above 100, reaching total issuance of just under DKK 6bn. With the 4% 2059 trading at a price of around 93-95, issuance in callable bonds is once again very low. At the same time, amortisation is modest, and borrowers' buybacks have exceeded issuance on several days. 2026 is thus shaping up to be another year of a shrinking market for fixed-rate callable bonds. The Finance Bill also contains a still vague proposal to convert mortgage debt into

government financing. Over time, this could lead to buybacks in the old low-coupon series, but the scope is too unclear for the market to have reacted noticeably.

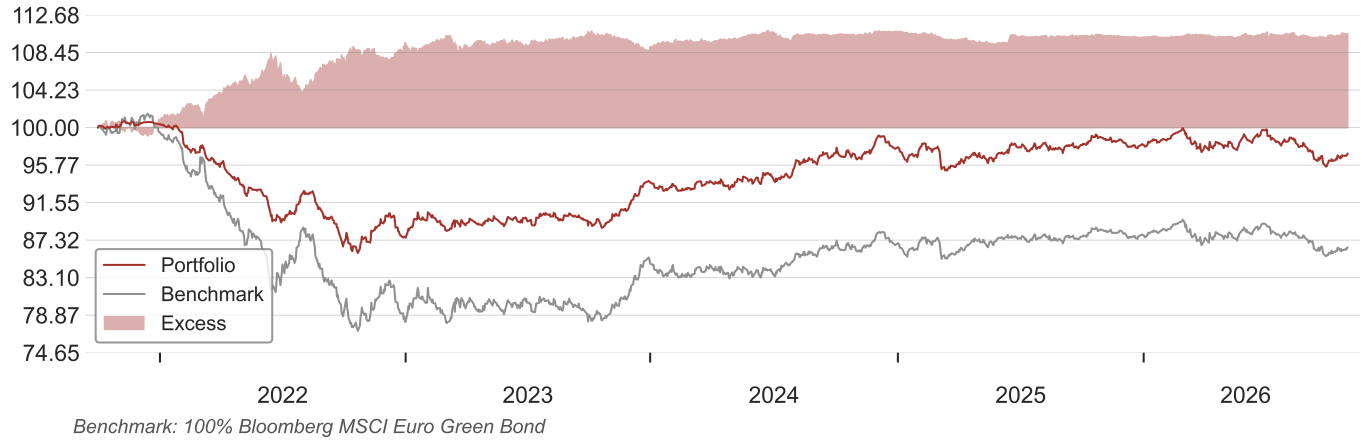
	1 year	2 year	3 year	5 year	7 year
DK Mortgage CM		0.33	-0.05	-0.06	
DK Mortgage Callable CM			0.74	0.26	0.04
DK Mortgage Non-Callable CM	1.24		-0.05		
DK Government CM		0.33	-0.01	-0.31	-0.45

Source: Nordea Analytics

Higher rates have pushed borrowers decisively towards short-term fixed rates. Floaters now make up the majority of ongoing issuance, and gross issuance is approaching the 2022 peak, which has pushed the floater/flex spread wider. November's refinancing auctions will therefore be an important test, with RTL5 borrowers in particular facing a significant rate jump, from around 1% at the last refinancing to around 3.5% now. Part of the supply is therefore expected to move down the curve and into floaters.

The krone has traded steadily around 7.4740-7.4750 and remains at the weak end, though somewhat away from the levels that triggered interventions in June and August. Danmarks Nationalbank did not intervene in October. The monetary policy spread to the ECB is unchanged at -40 bp, as both the ECB and Danmarks Nationalbank held rates steady. The swap market continues to price a Danish rate hike of 10 bp in around six months. More notable is the development in FX forwards. The implied interest rate spread in EURDKK forwards out to 3 months is the most negative in more than 3½ years, reflecting a shortage of euro liquidity. This gives euro investors a significant pick-up from buying Danish government bonds and hedging the currency risk back to euro. It has contributed to solid Danish government bond auctions and strengthened Denmark's role as a safe haven.

Summary



Benchmark: 100% Bloomberg MSCI Euro Green Bond

Time-weighted return	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Portfolio	0.64%	1.28%	-2.20%	0.25%	1.27%	0.47%	-1.31%	-0.71%	-1.85%	1.24%
Benchmark	0.77%	1.22%	-2.60%	0.55%	1.07%	0.44%	-1.50%	-0.48%	-1.95%	0.96%
Excess return	-0.13%	0.05%	0.40%	-0.30%	0.20%	0.03%	0.19%	-0.23%	0.11%	0.28%

Return	Portfolio	Benchmark	Excess return
Year-to-date return	-0.99%	-1.58%	0.59%
Quarter-to-date return	1.24%	0.96%	0.28%
Accumulated return	-2.91%	-13.51%	10.60%
Annualised return	-0.58%	-2.82%	2.24%
Rolling 1-year annualised return	-0.91%	-1.30%	0.39%
Rolling 3-year annualised return	2.71%	3.01%	-0.30%
Rolling 5-year annualised return	-0.58%	-2.82%	2.24%

Fund information	
12-month holding period return	4.68%
NAV	98.54
ISIN	DK0060118610
Exchange Status	Listed
Distribution Policy	Distributing
Inception date	30-09-2021
Tonnes CO_2 reduction per invested DKKm per year	215.96

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