BankInvest Global Equity Income

December 2025 – Performance review *(all returns are gross of fee in DKK and are not audited).* December 2025 was a good month. The absolute return was positive 0.71%, which was 76bp better than the benchmark. Year-to-date, the absolute return is positive 1.52%, while the relative return is negative 324bp.

At sector level, the highest positive contributions in the month came from Industrials (+33bp), Financials (+27bp) and Consumer Staples (+23bp), while Utilities (-12bp), Consumer Disc. (-9bp) and Energy (-8bp) showed the largest negative sector contributions.

Absolute Performance, December 2025					
Company	**Sector**	**+ Return**	**Company**	**Sector**	**- Return**
TFI International	Industrials	17,1%	Sanofi	Health Care	-3,6%
DSV	Industrials	10,0%	Procter & Gamble	Consumer Staples	-4,4%
Royal Bank of Canada	Financials	8,9%	Coca-Cola	Consumer Staples	-4,9%
Rentokil	Industrials	7,9%	Nextera Energy	Utilities	-8,0%
ING Group	Financials	7,4%	CMS Energy	Utilities	-8,3%
Average, Top-5		**10,3%**	**Average, Bottom-5**		**-5,8%**

Relative Performance, December 2025					
Company	**Sector**	**+ Contribution**	**Company**	**Sector**	**- Contribution**
TFI International	Industrials	0,28%	Comcast (BM)	Communication Services	-0,06%
DSV	Industrials	0,24%	Exxon Mobil (BM)	Energy	-0,08%
Royal Bank of Canada	Financials	0,21%	American Tower	Real Estate	-0,08%
ING Group	Financials	0,17%	Nextera Energy	Utilities	-0,12%
Rentokil	Industrials	0,13%	CMS Energy	Utilities	-0,19%
Sum, Top-5		**1,03%**	**Sum, Bottom-5**		**-0,52%**

BM = Benchmark stock

TFI International (TFII CN) had a good month. We saw some notable improvements in US freight data in December amid a soft freight market, where volumes have been depressed for a prolonged period. However, one should be careful reading too much into December data, as it's naturally a busy month for carriers. We do note that the recent years overcapacity in the freight market has improved, with trucking capacity leaving the market primarily due to freight bankruptcies. Some tightening is also due to the Trump administration's crackdown on commercial driver licenses (CDLs), setting stricter standards for who can obtain a CDL and drive trucks commercially. When volumes eventually recover, larger and better-capitalized carriers like TFII should be well-positioned to benefit.

DSV (DSV DC) had another strong month despite no company-specific news. Several brokers flag DSV as their top pick for 2026, pointing to the idiosyncratic upside from the Schenker integration, with the CMD in May 2026 as the key catalyst.

Royal Bank of Canada (RY CN) delivered strong earnings with EPS above expectations. RY also updated its mid-term targets, raising its ROE objective to 17% from 16%, and noted the potential to reach 18%. All else equal, a higher ROE justifies a higher P/E multiple. Management emphasized its commitment to returning capital to shareholders through both dividends and share buybacks, intending to deploy excess capital above 13.5% CET-1 ratio through accelerated buybacks.

Another bank, contributing positively to the return was ING Group (INGA NA). Generally, European banks had a good month, as ECB reiterated that it sees no reason to cut interest rates.

The largest global pest controller, Rentokil (RTO LN), outperformed in December. Besides a broker upgrading its recommendation on RTO, we saw limited news.

US Utilities had a poor month including NextEra (NEE US) and CMS Energy (CMS US), likely some profit-taking or rotation after good returns in previous months. NEE held its Investor Day, which included a raise and extension of EPS guidance through 2035, targeting +8% growth annually for the next 10 years. NEE is the largest rate-regulated utility and largest developer of energy infrastructure in the US and thus well-positioned to benefit from the strong demand for electricity going forward. It has an industry-leading balance sheet with modest need to issue equity, despite acceleration of capex to support the growth. Some of the funding will come from lowering the dividend growth rate from 10% to 6%. Interestingly, NEE spent a lot of time talking about the opportunity in bring-your-own-generation (BYOG), which is becoming a popular solution by hyperscalers when powering data centers. With BYOG hyperscalers essentially build their own power supply (usually a gas plant), instead of connecting to the grid and waiting for approval to get on the grid (in Texas the grid is sold out with only ~1 GW been approved in the past 12 months). NEE sees itself as an ideal BYOG partner, partly due to its large gas generation pipeline (~20 GW).

A weak month for Tower stocks, including the portfolio holding American Tower (AMT US). There is still some noise around whether AMT can collect lease payments from EchoStar (currently in lawsuit). The potential loss of lease payments is, however, more than reflected in AMT's share price. Also, an increase in long US interest rates did not help either the performance of tower stocks and US regulated utilities.

The Energy sector, where ExxonMobil (XOM US) is the largest component, was a modest drag on performance in December.

The benchmark stock Comcast (CMCSA US) had a good month, following significant underperformance in 2025. There was some speculation about activist involvement.

Buying, selling and other matters

December has been a busy month with two sells and three buys.

We sold Novartis (NOVN SW) based on valuation. Novartis is a classic "dividend stock" and has been in the portfolio for more than 10 years. Should risk/reward again become attractive, we would consider buying the stock again. The transaction reduces our overweight position in European pharmaceuticals.

We also sold Essity (ESSITYB SS). There is not much to get excited about in Essity currently with a looming fear of value-destructive M&A due to both a new CEO trying to grow the wound care business and the recent news of key competitor Kimberly Clark (KMB US) buying Kenvue (KVUE US), which is outside of KMB's core business. The competition in the commoditized consumer tissue business is fierce. Thus, we see better risk/reward elsewhere. The sale of Essity lowered our overweight position in European Consumer Staples.

We bought Xylem (XYL US). Xylem is a leader in water and wastewater technologies, offering pumps, treatment equipment, analytics and digital solutions that support efficient water transport, purification, reuse and flood control. We expect strong future growth as water scarcity becomes an increasingly pressing global constraint. In addition, Xylem is well positioned to benefit from stricter EPA regulation of PFAS "forever chemicals" given its advanced filtration and remediation capabilities that help customers meet emerging compliance requirements.

We bought Hubbell (HUBB US). Hubbell manufactures equipment for the transmission and distribution of electricity across the US grid. Over the years, Hubbell has shifted its portfolio away from traditional commercial construction and toward the power grid/utility end market, which now represents more than two-thirds of sales. We believe Hubbell is well positioned to benefit from the modernization of the aging US grid and higher demand for electricity.

Finally, we bought Tractor Supply (TSCO US). Tractor Supply operates rural lifestyle retail stores, selling farm and ranch supplies, livestock and pet products, hardware, tools etc. for homeowners and professionals. The industry is still fragmented, and Tractor Supply have still many years ahead of store growth. Valuation is now attractive again trading at ~21x P/E.

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2025 in review

The year 2025 was a mixed year. The portfolio delivered a positive absolute return of 1.52% but underperformed the benchmark by -324bp. The relative underperformance can be attributed to the second half of 2025, as the portfolio was slightly ahead of benchmark end of June (+30bp). The -369bp of underperformance since then can be attributed to two things. Firstly, we have seen a significant P/E de-rating in perceived "AI losers", where we have six portfolio holdings being labelled as such. We don't agree with the labelling, but nonetheless the six companies have contributed with -276bp to the relative performance in second half of 2025. Secondly, we've seen a large factor rotation, with the low volatility factor materially underperforming after Liberation Day in April 2025. The portfolio has a low volatility factor tilt compared to benchmark. The underperformance for the year was broad based, exemplified by the fact that Bottom-5 "only" underperformed Top-5 by 42bp, leaving 282bp to "broad based underperformance".

In terms of sector contribution for the full year, Consumer Staples stood out as best performing sector (+123bp), followed by Energy (+60bp) and Consumer Disc. (+42bp). On the other hand, Industrials (-276bp), Materials (-152bp) and IT (-98bp) weighed on the relative performance.

Absolute Performance, FY 2025					
Company	**Sector**	**+ Return**	**Company**	**Sector**	**- Return**
ING Group	Financials	68,6%	Paychex	Industrials	-27,5%
CVS Health	Health Care	62,0%	TFI International	Industrials	-31,6%
Thermo Fisher Scientific	Health Care	36,4%	Lyondellbasell	Materials	-35,6%
Allianz	Financials	35,6%	Unitedhealth Group	Health Care	-41,8%
Roche	Health Care	32,5%	Wolters Kluwer	Industrials	-44,9%
Average, Top-5		**47,0%**	**Average, Bottom-5**		**-36,3%**

Relative Performance, FY 2025					
Company	**Sector**	**+ Contribution**	**Company**	**Sector**	**- Contribution**
ING Group	Financials	1,17%	Lyondellbasell	Materials	-0,55%
Home Depot (BM)	Consumer Discretionary	0,66%	London Stock Exchange Group	Financials	-0,64%
Royal Bank of Canada	Financials	0,55%	TFI International	Industrials	-0,80%
Merck (BM)*	Health Care	0,54%	Unitedhealth Group	Health Care	-0,85%
Bridgestone Corp.	Consumer Discretionary	0,50%	Wolters Kluwer	Industrials	-1,00%
Sum, Top-5		**3,42%**	**Sum, Bottom-5**		**-3,84%**

*BM = Benchmark stock. *Merck was added to the portfolio 11/09/2025*

European banks, incl. ING Group (INGA NA), outperformed the broader market in 2025. This was largely attributable to stable interest rates, and the fact that ECB held the deposit rate at 2%, while tempering talk of further rate cuts. ING was also cheap entering the year trading at 7.5x P/E with a 7% dividend yield coupled with large buybacks. End of the year ING has re-rated to 10.6x P/E (not seen since 2021), leaving less room for error. However, ING's net interest income has likely bottomed out due to its replicating portfolio (ING hedges its deposit book with short and long dated interest rate swaps). Combined with loan growth and stable interest rates, the risk/reward is still attractive in our view.

Home improvement retailers Home Depot (HD US) and Lowe's (LOW US) underperformed in 2025. Lowe's is a portfolio holding, and because it outperformed the large benchmark stock, Home Depot, the net contribution from the two stocks was +28bp for the year. Both stocks re-rated early in the year on hopes of a rebound in home improvement spending, but that recovery failed to materialize, as consensus 2025 same-store-sales estimates were cut from 3.3% at the start of the year to roughly 0% by year-end. Demand was hit by still elevated mortgage rates, historic low housing turnover and macro uncertainty. That backdrop led consumers to postpone larger renovation projects, weighing on big-ticket categories. Despite the soft demand, LOW is clearly making progress across multiple self-help fronts and taking market share.

Royal Bank of Canada (RY CN) delivered beat-and-raises through 2025. Strong revenue growth, good credit quality, stable capital ratios and a raise of mid-term ROE expectations. RY has been in the portfolio since 2011 and even in a worst-case modelling scenario, we struggle to see the company reporting a loss. This puts RY up there with JP Morgan (JPM US) in terms of resilience in adverse scenarios.

Early in 2025, Merck (MRK US) struggled as its guidance fell below expectations due to weak Gardasil demand in China and the removal of its 2030 revenue target. This period of weakness was compounded by investor concerns regarding a looming 2028 patent cliff for its blockbuster drug, Keytruda. We took advantage of the share price weakness and bought Merck to the portfolio in September while selling Pfizer (PFE US). We saw Merck as a "higher quality company" with a valuation that already reflected these patent risks (~8.8x P/E). Merck has recovered since then now trading at ~12x P/E.

Bridgestone (5108 JP) outperformed in 2025, driven by a so-far successful strategic restructuring and a premium product shift that helped offset volume headwinds and currency pressures. We exited the position in September and instead bought the closely related tiremaker Michelin (ML FP).

Wolters Kluwer (WKL NA) faced a turbulent 2025, starting with the resignation of its long-standing CEO and a slight miss in organic growth. The stock rebounded in April, as its recurring revenue profile attracted investors seeking a "flight to safety". However, much of the latter half of the year involved a significant de-rating due to investor fears that AI competitors like OpenEvidence might take significant market shares from WKL's "UpToDate" clinical decision tool. Management attempted to counter this narrative by reiterating guidance, accelerating share buybacks, and highlighting the accuracy and liability risks associated with using pure large language models for medical decisions. Despite these efforts, the stock struggled. Adding to the pressure, Microsoft later partnered with OpenEvidence to integrate competing AI tools into its clinician-focused Dragon Copilot, reinforcing the market's disruption narrative. With Wolters trading at ~15x P/E (from ~30x beginning of the year), the risk from OpenEvidence is more than discounted in the share price.

UnitedHealth (UNH US) experienced a highly volatile year. In February, the Department of Justice (DOJ) initiated an investigation into UNH's coding practices. In April, UNH surprised the market with a downgrade of its full-year guidance due to accelerating medical utilization and cost pressures across Medicare, which far exceeded the premium growth. In May, UNH withdrew its guidance when the CEO was replaced by the chairman and former CEO, citing still higher-than-expected medical costs. In July, guidance was reintroduced, guiding for "at least USD 16 in EPS", which was close to 50% below the initial guidance provided starting of the year. Management cited structurally lower earnings in its Optum Health segment due to the implementation of v28, which means UNH will receive reimbursement for fewer codes (code = disease, injury, medical condition, etc.). In August, the negative sentiment was helped by Berkshire Hathaway announcing an investment in UNH, which the market viewed as a stamp of approval. In November, UNH delivered encouraging Q3 results with a small guidance raise. While UNH's premiums will be repriced every year to account for higher costs, the Optum Health division faces structural challenges with the implementation of the v28 risk model.

2025 was a difficult year for the Canadian transportation company TFI International (TFII CN). The freight recession from previous year continued into 2025 with still too much freight capacity compared to number of packages delivered across North America. With a relatively high fixed cost base, TFI earnings deteriorated. The only good thing is capacity has come down due to bankruptcies among smaller carriers. TFI stands to benefit when we eventually get an upturn in freight activity.

London Stock Exchange (LSEG LN) had a difficult time after being added to the portfolio in March instead of Deutsche Böerse (DB1 GY). LSEG's key metric, Annual Subscription Value (ASV), disappointed and raised doubts about the momentum in its data and analytics business. This was not helped by broader fears of AI disruption fueled by Claude's launch of Financial Services and weak results from key competitor FactSet. We believe management is doing a good job navigating the "AI loser" narrative by emphasizing that large language models (LLMs) actually increase demand for LSEG's proprietary datasets. LSEG has more than 33 petabytes of data, which it now can sell to AI-agents on a usage-based pricing model. LSEG's desktop exposure is modest, its solutions are deeply embedded in bank workflows, and professionals are less likely to switch to solutions where data/security is questionable.

LyondellBasell (LYB US) remained under pressure in 2025 as global overcapacity in polyethylene and polypropylene persisted alongside weak demand for plastics. The expected Chinese capacity closures were delayed, weakening the recovery thesis, so we exited the position in September.

Valuation of the asset class

According to MSCI, dividend stocks are cheaper (P/E fwd) than the broader world index (MSCI World). Dividend stocks naturally also provide a higher dividend yield, but also lower risk as measured by beta. Data is for November 2025, as data for December 2025 is yet to be released.

	Dividend Yield (%)	P/E	P/E Fwd	Beta
MSCI World HDY	3.3%	17.1x	15.2x	0.86
MSCI World	1.6%	24.2x	20.3x	1.00

Note: Valuation differences may stem from different sector composition of the HDY Index vs. the MSCI World Index. Source: MSCI.

Kindly,

Michael Clemens
Phone: +45 7730 9091

Kresten Johnsen
Phone: +45 7730 9102

Aleksander Thor Edemann
Phone: +45 7730 9030