

# New Alternative Fund Enters Nordic Direct Lending Arena

Stockholm (HedgeNordic) – With banks increasingly facing lending constraints, the proliferation of direct lending funds is unavoidable. **Apikal Fastighetspartner** launched its first alternative direct lending fund in early May following several years of providing debt capital for real estate transactions in a non-fund format.

**Apikal Fastighetspartner II** was set up as an alternative investment fund to provide junior debt capital to companies engaged in real estate transactions. The participation loan debentures are listed on the Nordic Growth Market, allowing debenture holders or investors to redeem their investments without Apikal Fastighetspartner II having to liquidate existing positions – two- to five-year loans to borrowers in the Swedish real estate market seeking capital for refinancing, acquisition, rebuilding and other related needs.

Explaining the decision to provide debt capital in a fund format, Martin Fredriksson (*pictured*), the CEO of Apikal Fastighetspartner II, tells HedgeNordic that “the fund format makes the process of raising capital easier, but also allows for more flexibility when lending capital to borrowers.” For instance, “to change covenants in a non-fund format, one has run the process by investors, while the fund structure allows for more flexibility.”

During its first of the four planned issuances for 2019, Apikal Fastighetspartner II raised SEK 120 million – capital provided to three borrowers. Another summer issuance is expected to raise around SEK 50 million, which will be lent out to an additional two borrowers. “These issuances are mostly demand-driven from the borrower side,” explains Fredriksson.

Despite the uncertainty surrounding the Swedish real estate market, Apikal Fastighetspartner II focuses solely on this market because “real estate assets are more liquid and predictable tangible assets” according to Fredriksson. “The existing borrower base constitutes 70 percent commercial real estate and 30 percent residential real estate, and we tend to focus more on commercial real estate,” says Fredriksson.

The yields in this segment are between 7-8 percent, depending on the type of real estate, collateral involved, quality of the borrower and other factors. The fund, therefore, is expected to return between 6-6.5 percent per year net of fees. Whereas Apikal Fastighetspartner II is mostly targeted towards retail and tier-2 investors, Fredriksson and his team “plan to launch new funds targeted towards institutional investors by going into more senior lending.”