

Companies Thirst for Capital

Stockholm (HedgeNordic) – **Formue Nord Fokus**, a niche hedge fund focused on offering financing solutions to small- and mid-cap companies, now becomes available to new investors for the first time since launching in September 2018. The fund gained 19.6 percent in the first seven months of 2020, reflecting “a culmination of many factors all playing out in our favour,” according to investment manager Mikkel Hagel.

Formue Nord Fokus is the sister fund of multiple-award-winning **Formue Nord Markedsneutral**. Managed by a team of five out of Aalborg in Denmark, both funds focus on financing small-and mid-cap companies and maintain market beta-neutral portfolios by using equity index futures and other derivatives. The main difference between the two vehicles is the time horizon of the financing solutions offered. Whereas Formue Nord Fokus generally offers financing solutions with a maturity of at least one year, Formue Nord Markedsneutral engages in transactions with shorter maturities.

Because the investments made by Formue Nord Fokus lock up capital for a longer period, the fund requires a 24-month notice of intention to redeem capital, with biannual redemption of 25 percent of the invested capital. Almost two years after launching the fund, the team welcomes new capital as companies face an increasing need for capital due to the COVID-19 pandemic. “After launching the fund in late 2018, we have spent almost two years working on fully deploying the fund’s capital,” Hagel tells HedgeNordic. “We have now completed that task, and see more attractive opportunities in the market,” he continues. “For this reason, and for the sake of creating further diversification, we are seeking to increase the fund’s assets under management.”

COVID-19-Induced Opportunities

The slowdown of economic activity caused by the COVID-19 pandemic and the related emergency measures implemented in response to the pandemic have led to an increased need for capital by many companies. “The pandemic had a large impact on our investment niche,” Hagel tells HedgeNordic. “First of all, we saw a tendency among some companies to postpone already-planned equity offerings and seek temporary debt financing instead,” says Hagel. Second, “the total need for capital increased due to unexpected losses or postponements of income across many sectors,” he continues. “Third, we believe that many investors became more hesitant to provide capital.”

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The five-member team led by CEO Thøger Dam Johansen and CIO Rasmus Viggers “chose to be a constant financier in the market that companies and financial advisors could count on,” says Hagel. “We believe that this has helped in the short run, but probably will be to our advantage in the long run.”

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Currently managing about €75 million across both funds, the team sees “exciting opportunities ahead.” According to a press release by Formue Nord, “with the expected activity in the market over the autumn, which has historically been the peak season for our investment strategies, now is the time to take in new capital” for Formue Nord Fokus, which oversees €6.6 million in assets. The subscription period lasts until the end of August.

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Formue Nord Fokus was up 19.6 percent in the first seven months of 2020, currently ranking among the top ten best-performing hedge funds in the Nordics in 2020. According to Hagel, “the fund’s 2020 performance is at a very satisfactory level so far, which mainly reflects two things: increasing demand for our tailor-made finance solutions and our ability to stay in the market and enter into new deals during the challenging months affected by Covid-19.” Hagel goes on to say that Formue Nord “want to be a long-term financing partner for interesting growth companies, and that also means being available when markets are tough.”