# Joining the Family


Stockholm (HedgeNordic) – Atlant Fonder's first pure fixed-income vehicle, which gets most of its exposure to corporate bond markets via derivatives, has now joined the Nordic Hedge Index. The hedge fund house has been successfully running this fixed-income strategy under the umbrella of other Atlant funds, with the March turmoil in 2020 prompting the team to "carve out the successful pure corporate bond strategy and leave out other equity and derivatives strategies employed in the other funds."

**Atlant Högräntefond** was launched in mid-March this year as an alternative for the investors looking for exposure to Sweden's immature, illiquid, and occasionally dysfunctional corporate bond market. "We get most of the exposure towards corporate bonds, not from owning the bonds directly, but from various credit market derivatives and index-derivatives," Taner Pikdöken of Atlant Fonder explained earlier this year. The derivatives strategies may involve buying investment-grade and high-yield index futures that give diversified exposure to US, European and Nordic corporate bond markets.

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"Instead of buying corporate bonds directly, we will buy the index on a forward or future basis. The advantage of these derivatives is that they are extremely capital-efficient," said Pikdöken, who manages Atlant Högräntefond alongside Nikos Georgelis and Anders Kullberg. "You can get 100 percent synthetic exposure towards corporate bonds by using only a portion of the available capital under management."

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The derivatives-focused strategy enables Atlant Högräntefond to pass on the benefits offered by corporate bonds and, at the same time, protect against the profound – yet occasional – dysfunctionality of the Nordic corporate bond market. According to Taner Pikdöken, the market has long been dysfunctional and disaster-prone, not just when a crisis is breaking out. "Investors only focus on the risks after a volatile period, but the risks are always there," said Pikdöken. "We are very positive towards Nordic corporate bonds as an asset class. We just believe the market is extremely inefficient, occasionally forcing corporate bond fund managers to make irrational decisions of selling at the bottom and buying at the top."

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"These derivatives give us the ability always to have the fund 100 percent exposed or invested, but not by deploying 100 percent of the cash," said Pikdöken. "We will always have cash, and we will always be ready to buy," he continued. "We will hold individual bonds, but we will only buy individual bonds that we believe offer a potential for excessive returns." The Atlant team running the recently-launched fund are on the lookout for bonds "where we believe there is a very strong performance possibility in the near term. That is a more trading-intensive strategy that will add some extra value if we get those calls right."

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The combination of derivatives strategies offering exposure to a diversified pool of corporate bonds and an opportunistic strategy of buying discounted bonds is expected to, at least, match the broader market's performance. "At the very worst, we will perform in line with the corporate bond market since our main exposure will come from index-closed positions," said Pikdöken. "By definition, we will approximately perform like the index," he added. "What gives that quite excessive outperformance comes at the point of turbulence when everyone is a seller and we are a buyer." Atlant Högräntefond has gained 2.2 percent since launching in mid-March, enjoying a four-month string of positive monthly returns.