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ALTERNATIVE FIXED INCOME

INTRODUCTION

HedgeNordic is the leading media covering the Nordic alternative investment and hedge fund universe. The website brings daily news, research, analysis and background that is relevant to Nordic hedge fund professionals from the sell and buy side from all tiers.

HedgeNordic publishes monthly, quarterly and annual reports on recent developments in her core market as well as special, in-depth reports on “hot topics”.

HedgeNordic also calculates and publishes the Nordic Hedge Index (NHX) and is host to the Nordic Hedge Award and organizes round tables and seminars.

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Editor's Note ...

Steady Income in an Unsteady World

As 2025 is deep in its final quarter, investors find themselves navigating a world of contradictions. Equity markets, flush with liquidity and investor optimism, continue to hover near record highs. Beneath the surface, tremors of volatility and geopolitical unease remind us how fragile that confidence can be. From shifting trade alliances and resurgent inflation pressures to fiscal imbalances and election-year uncertainty, markets are adjusting to a reality where risk and reward have become increasingly asymmetric.

In this environment, fixed income is once again in focus in this annual publication from HedgeNordic. It is not seen as the safe harbor it once represented, but as an evolving landscape of innovation, resilience,

and selective opportunity. The era of "easy yield" is long gone, replaced by a complex interplay between monetary normalization, credit differentiation, and the re-pricing of duration and liquidity risk.

Institutional investors, particularly in the Nordics, have adapted swiftly. The resurgence of private credit continues to reshape portfolios, offering income stability and diversification away from volatile public markets. From senior secured lending and asset-based finance to NAV lending and capital call facilities, alternative fixed income strategies are bridging the gap between liquidity needs and long-term return ambitions.

At the same time, the contours of the fixed income universe are shifting. Banks' retreat from traditional lending continues to open opportunities for non-bank capital providers. Regulatory recalibration and technological transparency are accelerating the institutionalization of private credit. And within public markets, the search for resilience has led to renewed interest in high-quality credit, mortgage-backed structures, and hybrid instruments capable of withstanding economic crosscurrents.

Across this issue, we explore how leading Nordic allocators and global managers are positioning within this new regime while balancing caution with conviction, and yield with resilience. Whether through the rise of evergreen structures, the broadening role of private asset-backed finance, or the strategic repositioning of pension portfolios, one theme emerges clearly: income remains the anchor of long-term value creation, even amid short-term uncertainty.

As capital markets oscillate between optimism and unease, alternative fixed income stands as both ballast and opportunity and a reminder that stability, when designed thoughtfully, can still be a source of strength.

This publication opens with a conversation with Christoffer Malmström, Co-Founder and Chief Portfolio Manager at Ridge Capital, on "Beyond Plain-Vanilla" investing in the Nordic high-yield bond market. With its Northern Yield strategy approaching its three-year milestone, Malmström reflects on how Ridge Capital "Navigates Three Distinct Market Years" and what its flexible mandate enables the team to achieve.

In "Macro Matters Again and Nordkinn Is Built for It," Bjørn Roger Wilhelmsen and Lars Mouland of Nordkinn Asset Management discuss why macro investing is back in focus and how Nordkinn's fixed-income macro strategy has capitalized on this renewed environment.

Laura Parrott, Senior Managing Director and Head of Private Fixed Income at Nuveen, explores "Private Credit's Evolution," highlighting how private credit has matured into a diverse ecosystem of strategies with distinct risk profiles, borrower characteristics, and regional dynamics. Igor Birkjær Baranovski,

Chief Portfolio Manager for Private Debt at PenSam, then outlines "PenSam's Playbook for Private Credit," built around senior, secured, and cash flow paying debt strategies.

Vincent Kroes, Senior Portfolio Manager at Aegon Asset Management, takes readers "Exploring the Capital Call Corner of Private Credit," sharing Aegon's decade of experience in this specialized segment. Anders Ellegaard, Head of Fixed Income at Industriens Pension, describes the expansion of the pension fund's allocation to private credit, calling it "The Perfect Fit for Its Member Base."

Edwin Wilches and Victoria Dorreboom of PGIM introduce "The Rise of Private ABS," explaining how the strategy "Connects Institutional Capital to Real-Economy Assets." Kenneth Norling, newly appointed CIO of SH Pension, describes why private credit remains "A Key Element of SH Pension's Alternatives Exposure."

In "The Future of European Private Credit and Purposeful Investing," Daniel Sachs, Founder and CEO of P Capital Partners (PCP), part of M&G Investments, discusses how the firm provides tailored private credit solutions to entrepreneurs and family-owned businesses. Petri Lehtola, Senior Portfolio Manager at OP Financial Group, then explains how "OP's Funds-of-Funds Model Brings Efficiency to Private Credit Investing."

The publication concludes with an in-depth feature by the MSCI team on the Danish mortgage market, highlighting its "Flexibility for Borrowers, Complexity for Investors."

Kamran Ghalitschi
PUBLISHER, HEDGENORDIC

Beyond Plain-Vanilla: Ridge Capital Navigates Three Distinct Market Years

By Eugeniu Guzun – HedgeNordic

“We benefited from the spread compression, but took advantage in ways others didn’t. That was really the year that set us apart and put us on the map.”

In a traditional high-yield bond fund, the yield-to-maturity often serves as a rough indicator of expected returns. Ridge Capital, however, operates with a more flexible mandate, allowing for opportunistic trades and the selective use of leverage to capture inefficiencies that are beyond the reach of conventional strategies. As its Northern Yield nears its three-year milestone, a key threshold for many institutional investors, the window to invest is narrowing.

NAVIGATING DISTINCT MARKET YEARS

Each year since the launch of Ridge Capital Northern Yield at the start of 2023 has brought a distinctly different market environment and story. “Since we started, the market has changed completely from one year to the next. Just look at 2023, 2024, and



Christoffer Malmström, co-founder and Chief Portfolio Manager at Ridge Capital

2025, three quite separate markets,” says Christoffer Malmström, co-founder and Chief Portfolio Manager at Ridge Capital. Northern Yield was launched into an environment full of opportunities after interest rates had risen sharply in 2022. “The market was already somewhat beaten down, which, in hindsight, was good timing for us,” he adds.

Launching a fund in a challenging market environment is rarely straightforward. “2023 was tough because we didn’t know whether default risk would rise in an environment of higher rates,” recalls Malmström. “There were a lot of question marks around where we were in the cycle.” Ridge Capital Northern Yield ended 2023 with a return of 12.8 percent in Swedish kronor (SEK), supported by a strong finish.

2024, by contrast, marked a year of recovery for the Nordic high-yield market, driven by a compression of spreads. Even in an environment that lifted most managers, Ridge Capital Northern Yield managed to stand out, delivering a full-year return of 25 percent in SEK. “We benefited from the spread compression, but took advantage in ways others didn’t,” says Malmström. “That was really the year that set us apart and put us on the map.”

2025, however, has been an entirely different story. “Coming from 2024, when everything was recovering, we’ve now entered a market that has become much tighter,” notes Malmström. Spreads in European high-yield hover around 250 basis points, while Nordic high-yield is in the high 400s, near 500. “It’s a different environment, you need to dig deeper and stay open-minded to find the yields we’re looking for, without going too far out on the risk scale,” he adds.

MANAGING RISK IN VOLATILE MARKETS

Malmström and his team were transparent with investors. “We told them that 25 percent in 2024 was great, but unlikely to repeat this year, unless a major market dislocation created new opportunities,” says Malmström. That scenario almost materialized when the “Liberation Day” tariffs in early April stirred volatility. Ridge Capital’s systematic hedging approach helped cushion the impact. “We had bought out-of-the-money puts on the iTraxx, which moved deep into the money already in March. Then, as the turmoil continued into

“Performance always comes first. That’s really top of mind at all times, before any fundraising or growing the fund.”

early April, we kept holding those positions,” recalls Malmström.

The iTraxx widened from 270 to 430 basis points, reflecting a sharp increase in the cost of insuring against defaults. Credit spreads rose as the market perceived higher risk, though they could easily have reached 700, as during the Covid period. “At that point, my focus wasn’t on catching a falling knife,” says Malmström. “We held the positions, and then, once the tariffs were paused for 90 days, spreads fell back very quickly, and we didn’t realize the gains,” he adds. The positive impact in March was roughly half a percentage point, which was largely reversed by the end of April. “Net-net, the effect over two months was basically zero,” says Malmström.

Although the hedges didn’t add profits, they highlight the advantages of Ridge Capital’s alternative fund structure. Northern Yield can use leverage to boost returns, stay fully invested, and move opportunistically when attractive opportunities arise. The structure also protects investors from forced sales in less liquid markets due to monthly redemption terms.

FLEXIBILITY, LEVERAGE, AND THE EDGE OVER PEERS

Northern Yield offers monthly liquidity, but investors must give at least one and a half months’ notice, up to two and a half months. “That structure better matches the liquidity of the underlying portfolio,” notes Malmström. “We opted for the best way to never have to be a forced seller like most Nordic high-yield funds ended up in March 2020. This approach provides a structural advantage.”

Unlike traditional plain-vanilla funds, which are primarily designed to grow assets under management, Ridge Capital prioritizes delivering the best possible returns. While scale is important for maintaining a sustainable business, Northern Yield’s flexible mandate allows the team to focus on performance rather than simply chasing growth.

Northern Yield’s flexibility and ability to employ leverage further set it apart from UCITS-structured peers. “We always have dry powder ready to invest, without needing to hold cash or cash equivalents that earn nothing,” explains Malmström. Capital

can be deployed efficiently, meaning 100 invested effectively becomes 150 of exposure. By contrast, in a plain-vanilla fund, 100 typically translates to only 80 deployed. “That’s one reason why they can’t deliver the type of returns we do.”

OPPORTUNISTIC STRATEGY AND CLOSING TIMELINE

Looking at the current environment, spreads may seem tight at first glance, but they are still within historical ranges. “It’s not extremely tight, but it’s fairly tight,” says Malmström. However, that doesn’t fully capture the opportunities available to Ridge Capital. Financing a typical double-B or single-B rated company in Europe, for example, usually attracts great investor interest, with high demand for those bonds and less attractive spreads. But the team focuses on less conventional opportunities, areas that many investors may not have the time or resources to analyze. “That’s where you can really get well paid.”

While Northern Yield’s portfolio currently shows a 14 percent yield-to-maturity, its split into two distinct components tells a more nuanced story beyond this headline figure. The first pocket currently accounting for 80 percent of the portfolio, is the performing basket, consisting of bonds purchased around par, where returns largely reflect the cash yield. “The other part, accounting for 20 percent at the moment is the opportunistic basket,” Malmström continues. “We buy bonds at a discount – 70 or 80 cents on the dollar – focusing on catalysts that could push prices up. If the catalyst happens, that becomes an exit event.” This allows the team to realize an IRR “much higher than the yield to maturity.”

The team at Ridge Capital has set a goal to close Northern Yield to new investments once it reaches €300 million, or €450 million on a leveraged basis, and they are now over halfway. The strategy is also approaching its three-year anniversary at the turn of 2026, a milestone usually watched closely by institutional investors. Therefore, with its significant pipeline of leads pending from investors across Europe and Nordics, capacity is expected to fill around the summer of 2026. “Performance always comes first,” concludes Malmström. “That’s really top of mind at all times, before any fundraising or growing the assets under management.”

Bjørn Roger Wilhelmsen, Chief Economist and portfolio manager at Nordkinn Asset Management

Lars Mouland, portfolio manager at Nordkinn Asset Management

Macro Matters Again and Nordkinn is Built for It

By Eugeniu Guzun – HedgeNordic

“Macro is back and matters.”

The phrase has become a recurring headline in financial media. Macro is back and so is the ability to deliver strong returns for fixed-income macro managers such as Nordkinn Asset Management. With five portfolio managers based in Oslo and Stockholm, Nordkinn has captured the renewed relevance of macro-driven investing, delivering an annualized return of 9.1 percent over the past three years.

“The trains are leaving the stations constantly rather than sporadically as before,” says Chief Economist and portfolio manager Bjørn Roger Wilhelmsen. “Even if we miss one train, there’s always another one coming.” For Nordkinn, those trains represent the constant flow of macro-driven

opportunities that have returned to fixed-income markets after a decade of dormancy.

FROM A DECADE OF SUPPRESSION TO A RETURN OF MACRO

Nordkinn Fixed Income Macro Fund was launched in mid-2013, at the height of an era dominated by central bank intervention. “When we launched the fund, we entered a period that was quite special,” recalls Wilhelmsen. “We had essentially zero interest rates and large-scale quantitative easing to suppress long-term yields.” Central banks became price-insensitive buyers, compressing term premiums and damping volatility across fixed-income markets.

“We had a period where macro by and large didn’t matter,” he continues. “Even if you had positive macro surprises, there was a long time before any rate hikes were on the horizon. The data didn’t move expected rates much.” Those years created a difficult environment for macro investors, one in which economic data had little bearing on asset prices.

A NEW MARKET CYCLE

That has changed completely. “The macro environment is now fundamentally different,” says Wilhelmsen. “Without QE, markets must absorb more duration risk, and bond yields have become much more sensitive to inflation, growth, and fiscal developments.” As central banks stepped back, the link between macro data and market pricing returned, bringing volatility and opportunity back with it. “We now have a higher-volatility environment, and that means opportunities appear more frequently.”

Lars Mouland, an experienced fixed-income professional who joined Nordkinn in the summer after seven years as Chief Rates Strategist at Nordea, more than a decade managing KLP’s fixed-income hedge fund, and an additional ten years at Storebrand, agrees that the zero-interest-rate era was a highly unusual period in hindsight. “That interest rates are higher now than they were before the pandemic helps,” says Mouland. “Higher rates almost always mean more volatility in the rates space.”

He also highlights the return of inflation after four decades of dormancy. “From 2009 to 2020, nobody cared about inflation, it simply wasn’t an issue. Now it’s a different ball game,” says Mouland. “We were likely heading toward higher inflation even without the massive stimulus during COVID, but that fiscal response acted as a powerful kickstarter.” He notes that large-scale government spending has remained a defining feature of the post-pandemic landscape. According to Mouland, the current environment is more a case of moving from a sluggish, drawn-out period to a far more active one, and economies have clearly benefited from that huge fiscal push. “We’re certainly not snapping back to the pre-pandemic market anytime soon.”

BUILDING THE PORTFOLIO AROUND THEMES

Nordkinn structures its portfolio around five to eight investment themes, each representing a macro view expressed through multiple positions. “If, for example, we believe the Swedish central bank will cut rates, that theme may include cross-market spreads, directional positions, and curve steepeners that benefit from a lower policy rate,” explains Wilhelmsen.

The process of theme generation and monitoring is highly structured. “We have weekly top-down meetings focused on the global and Nordic macro environment,” says Wilhelmsen. “All portfolio managers share their assessments of growth, inflation, and monetary policy. Then we have a separate bottom-up meeting where we review every existing theme and every trade in detail, reassessing their relevance in light of new information.” This rhythm ensures that the portfolio remains dynamic and responsive. “The macro backdrop is changing constantly, and our process allows us to adjust in real time.”

DIVERSIFICATION AND RISK MANAGEMENT

Each theme typically contains five to ten positions expressed through a range of instruments, from cash bonds and derivatives to FX and rate exposures. “We aim to keep the positions within a theme fairly correlated, as they all express the same macro

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Bjørn Roger Wilhelmsen

“From 2009 to 2020, nobody cared about inflation, it simply wasn’t an issue. Now it’s a different ball game. We’re certainly not snapping back to the pre-pandemic market anytime soon.”

Lars Mouland

view, but we use different instruments and timing to capture it,” says Mouland.

Correlation is closely monitored both within and across themes to ensure genuine diversification. “It’s no use having two themes that are effectively expressing the same view,” notes Mouland. “You might think you’re diversified, but you’re not. We want each theme to stand on its own and be as uncorrelated as possible with the others.”

That independence between themes is critical for risk management. “For us it is essential that we have a strong risk system where we measure risk dimensions such as correlations constantly, both within and across themes,” explains Wilhelmsen. “Under stress, correlations tend to rise sharply or even change sign, so we measure them over short time spans to capture what happens when volatility spikes.”

CONVICTION, FLEXIBILITY, AND SPEED

Portfolio allocation depends on the team’s level of conviction in each idea. “We have a conviction scoring system for each trade, ranked from one to four, with one being the highest conviction and four the lowest,” explains Wilhelmsen. “To keep the portfolio flexible and ensure we can act quickly, each investment manager is allowed to initiate a low-conviction trade, a level-four position, without seeking prior approval.”

This structure allows Nordkinn to respond swiftly to new opportunities while maintaining discipline through collaboration. “It’s a way to test new ideas in small size,” says Wilhelmsen. “If a trade gains support within the team and conviction grows, we can then scale the position gradually toward a conviction-one trade,” he adds. “It gives us both speed and structure: flexibility when needed, but also a clear process for building confidence and size in our positions.”

True diversification within Nordkinn’s portfolio also stems from its physical presence in both Oslo and Stockholm. While the Nordic region may appear homogeneous from the outside, local economies, markets, and central banks often behave differently and understanding those nuances requires local expertise. “When we established the company in

late 2012, we immediately opened two offices, one in Stockholm and one in Oslo, and being physically located in these two markets is essential for our strategy,” says Wilhelmsen. “Our team consists of fixed-income and FX specialists with backgrounds in asset management, investment banking, and central banking, which gives us a broad and complementary skill set.”

Having teams on both sides of the border enhances perspective and market awareness. “The advantage of being present in both markets is that we can stay close to local developments such as flows and policy decisions,” he adds. “Norway and Sweden are small open economies closely linked to global trends, but their central banks often differ in timing and magnitude of policy moves.”

A TRUE DIVERSIFIER IN INVESTOR PORTFOLIOS

Nordkinn Fixed Income Macro Fund seeks to serve as a genuine diversifier in an investor’s portfolio. Part of this stems from its fully discretionary investment approach. “One of our key advantages is that we are entirely discretionary in our process,” says Mouland. “We don’t follow a predefined strategy that tells us to be long credit or long duration; we adapt to the opportunities the market presents.”

This flexibility allows the fund to consistently generate returns that behave differently from most fixed-income exposures. “Our performance is very uncorrelated with other beta sources, which means we can add genuine diversification to investors’ portfolios,” Mouland explains. That quality distinguishes Nordkinn from many of its peers. “A lot of fixed-income funds tend to focus primarily on credit, which gives them higher beta to credit or equity markets,” he adds. “We’re different; our returns are driven by macro themes rather than credit spreads.”

Private Credit's Evolution

By Laura Parrott – Nuveen



Laura Parrott, Senior Managing Director, Head of Private Fixed Income at Nuveen

“Private credit has matured into a diverse ecosystem encompassing distinct strategies, each with unique risk profiles, borrower attributes and regional dynamics.”

The private credit market has experienced remarkable growth, reaching \$1.7 trillion in assets under management and 13% annual growth since the 2008 financial crisis¹. Rather than signalling a bubble, this expansion represents the evolution of a maturing asset class, offering institutional investors compelling opportunities for those who can navigate its increasing complexity.

COMING OF AGE

Contrary to overheating concerns, institutional investors remain confident. According to Nuveen's 2025 EQUILIBRIUM survey, nearly half (49%) of the 800 global institutional investors surveyed plan to increase their private credit allocations over the next two years, with Nordic investors showing a similar appetite at 45% planning increases². Further, nearly 95% of global institutional investors who hold alternatives now allocate to some form of private credit, up dramatically from just 62% four years ago².

The key question is not whether private credit has become too large, but how investors can discern quality and operate effectively in an increasingly sophisticated landscape. For institutions capable of separating signal from noise, this growth allows investors to focus on segments, structures and the managers most capable of delivering durable outcomes.

SEGMENTED ECOSYSTEMS

Private credit has matured into a diverse ecosystem encompassing distinct strategies, each with unique risk profiles, borrower attributes and regional dynamics¹. This segmentation spans three critical dimensions that institutional investors must understand for optimal portfolio construction.

Geographic diversity reveals differences between markets. Direct lending in the U.S. maintains its standing as the most developed and liquid market, while Europe exhibits greater fragmentation,

requiring pan-European platforms with dedicated regional teams and jurisdiction-specific expertise.

Capital structures in private credit spans the breadth of the debt capital stack, ranging from investment-grade corporate private placements to junior capital and NAV based lending. While investment-grade corporate placements and middle-market direct lending emphasize stability, covenant protections and predictable cash flows — ideal characteristics for liability-driven investors — they focus on different areas of the market and employ different amounts of leverage.

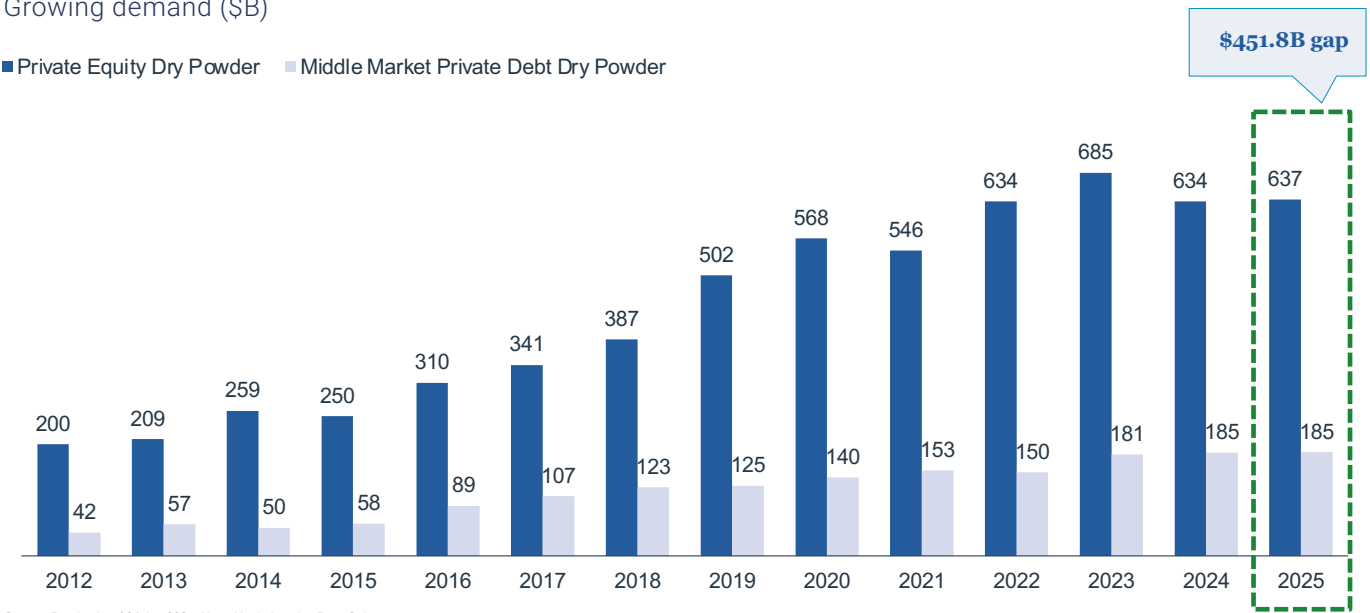
Relationship dynamics remain a cornerstone of direct lending. While sponsor-backed entities represent a small fraction of the market, they tend to be recurring revenue businesses with strong management teams and ambitious growth strategies.

The investment-grade corporate private placement market exemplifies this diversity, featuring utilities,

A widening \$452B funding gap creates opportunity for lenders

Growing demand (\$B)

■ Private Equity Dry Powder ■ Middle Market Private Debt Dry Powder



Source: Preqin; As of 01 Apr 2025. Note: North America Data Only.

energy companies, infrastructure projects and even sports leagues. These borrowers often could access public bond markets but choose private placements for confidentiality, flexibility and long-term fixed-rate financing that traditional markets cannot provide.

SUPPLY AND DEMAND FUELS OPPORTUNITIES

The private credit opportunity is underpinned by compelling supply-demand dynamics. In the U.S., a \$452 billion gap exists between private equity dry powder (\$685B) and middle market private debt dry powder (\$185B)⁴. This imbalance creates sustained deal flow opportunities for well-positioned lenders, particularly as middle market companies represent one-third of all U.S. private sector GDP⁵.

Despite strong capital inflows, the core U.S. middle market appears less crowded than pre-Covid. As larger managers moved upmarket toward larger transactions and smaller players moved downmarket, the number of scaled competitors in the traditional sponsor-backed segment has contracted. The

most successful lenders maintain long-standing relationships with private equity sponsors and capacity to fund complete deals, securing proprietary opportunities without unfavorable pricing or structural concessions.

European dynamics mirror this concentration trend. European direct lending is primarily driven from the top-five managers, who provide 48% of funds, up from 35% three years ago⁶. Meanwhile, European private equity maintains 4.7 times the dry powder of private debt⁶, reinforcing opportunities for established platforms with scale, local knowledge and structuring expertise.

PORTFOLIO MANAGEMENT ADVANTAGE

Success in mature private credit markets increasingly depends on post-investment value creation through continuous monitoring and proactive intervention. The best managers implement regular dialogue with borrowers and sponsors, evaluating financial performance relative to covenant thresholds to

identify issues early and collaborate on solutions before problems escalate.

In today’s higher-rate environment with greater economic uncertainty, effective managers can intervene proactively through conversations or re-underwriting before more drastic measures become necessary. This active approach proves especially valuable across different segments, from maintaining stable ratings in investment-grade corporate lending to engaging with sponsors on sector trends in middle market transactions.

STRATEGIC POSITIONING FOR THE NEXT PHASE

Private credit has entered a new era characterised by greater visibility, heightened complexity and a rapidly expanding investor base. Rather than overheating, the asset class is evolving in ways that reward institutional investors who can partner with managers possessing scale, relationships and structuring expertise to originate proprietary deals and secure strong terms.

The sustained overhang of private equity dry powder in both U.S. and European markets continues underpinning long-term deal flow, highlighting opportunities for investors who can access and execute on these opportunities. For institutions seeking reliable cash flows with structural protections in an increasingly unpredictable world, private credit offers compelling risk-adjusted returns when approached with appropriate manager selection and portfolio construction discipline.

Success requires partnering with experienced managers who have mastered sourcing through relationship-driven pipelines, structuring through bespoke covenant packages and terms, and stewardship through proactive portfolio management. For those capable of discerning quality in this maturing landscape, private credit’s next phase promises both durability and expansion.

Learn more in our latest research [Private credit’s next phase: finding opportunity in a maturing market](#).

“Success in mature private credit markets increasingly depends on post-investment value creation through continuous monitoring and proactive intervention.”

Sources:

¹ Preqin; As of 30 Sep 2024

² Nuveen’s 2025 EQUilibrium survey

³ The Alts Institute, Brookfield Oaktree, Understanding Private Credit: Sponsored VS. Non-Sponsored Financing. Data as of 31 Jan 2025

⁴ Preqin; As of 01 Apr 2025. Note: North America data only

⁵ World Bank Open Data Database as of 31 Dec 2024; Middle Market assumption based on the definition by National Center for the Middle Market as of 31 Dec 2024

⁶ Preqin, November 2024 and December 2024

⁷ Thomson Reuters and Bank of America Securities. Data as of 31 Dec 2024

⁸ TIAA General Account as of 30 June 2025

Important information on risk

Investors should be aware that alternative investments including private equity and private debt are speculative, subject to substantial risks including the risks associated with limited liquidity, the potential use of leverage, potential short sales and concentrated investments and may involve complex tax structures and investment strategies. Alternative investments may be illiquid, there may be no liquid secondary market or ready purchasers for such securities, they may not be required to provide periodic pricing or valuation information to investors, there may be delays in distributing tax information to investors, they are not subject to the same regulatory requirements as other types of pooled investment vehicles, and they may be subject to high fees and expenses, which will reduce profits. Real estate investments are subject to various risks associated with ownership of real estate-related assets, including fluctuations in property values, higher expenses or lower income than expected, potential environmental problems and liability, and risks related to leasing of properties. Investments in middle market loans are subject to certain risks such as: credit, limited liquidity, interest rate, currency, prepayment and extension, inflation, and risk of capital loss. Private equity and private debt investments, like alternative investments are not suitable for all investors given they are speculative, subject to substantial risks including the risks associated with limited liquidity, the potential use of leverage, potential short sales, concentrated investments and may involve complex tax structures and investment strategies. Nuveen, LLC provides investment solutions through its investment specialists. This information does not constitute investment research as defined under MiFID.

Senior, Secured, Cash Flow-Paying: PenSam's Playbook for Private Credit



Igor Birkjær Baranovski, Chief Portfolio Manager for Private Debt at PenSam

By Eugeniu Guzun – HedgeNordic

Institutional investors today allocate across virtually every corner of public and private markets, and private credit has emerged as a market in its own right. For Danish pension fund PenSam, which manages around DKK 200 billion, private credit is more than an alternative to traditional fixed income; it is a strategic allocation offering stable income, diversification, and attractive risk-adjusted returns.

PenSam allocates significant portion of its investment portfolio to alternatives, including a 15 percent allocation to private credit alone. A key reason for this high exposure is simply that alternatives form a significant part of the investment universe. "We invest in alternatives because that's part of the investment universe," says Igor Birkjær Baranovski, Chief Portfolio Manager for Private Debt at PenSam. "You can't limit yourself to listed and liquid markets; there is a vast subset of investments outside the public markets."

He emphasizes that private credit is not merely a niche add-on, but a strategic allocation in its own

right. For PenSam, private credit represents a market of its own, "even though it's more opaque, it doesn't have a benchmark, and it's not in the public eye or widely covered," according to Baranovski. The PenSam team defines private – or alternative – credit as any investment that is not publicly traded and has little or no liquidity.

BALANCING RISK: FROM SENIOR LENDING TO OPPORTUNISTIC CREDIT

The PenSam team divides the alternative credit space into low-risk and high-risk segments. As Baranovski explains, "Low risk for us is an investment-grade substitute, high risk is everything else." The pension fund holds no investment-grade corporate bonds, substituting this allocation with commercial real estate debt, fund financing, NAV finance, and senior infrastructure financings. "Everything has to be senior with some form of hard or financial collateral."

"We invest in alternatives because that's part of the investment universe. You can't limit yourself to listed and liquid markets; there is a vast subset of investments outside the public markets."

In the high-risk bucket, investments are also primarily senior, but typically unsecured, focusing more on EBITDA-based lending than on hard-asset lending, Baranovski explains. PenSam also maintains some exposure to riskier strategies, including “your traditional distressed debt funds, or capital solutions, opportunistic strategies that could do anything, go anywhere,” though this high-risk segment is only a portion of the allocation. “The biggest part of the private credit mandate is senior, secured, cash flow-paying.”

For PenSam, the low-risk segment of the alternative credit allocation “plays a more income-producing, stabilizing effect in the portfolio,” according to Baranovski. Allocation decisions, whether to low-risk strategies or to higher-risk, more opportunistic strategies, are still guided by the standard risk-reward analysis for each bucket and its sub-strategies. However, Baranovski stresses that “there is an opportune time to invest more in the low-risk mandates.”

Over the years, PenSam has allocated heavily to senior secured direct lending, focusing on the traditional European mid-market, according to Baranovski. He notes that spreads in direct lending have compressed, as they have across fixed-income credit more broadly. “Those markets are not immune to spreads going in and out,” he explains, adding, “even though we still think there is alpha in that space, the absolute returns and margins have come in.”

Despite this compression, Baranovski sees attractive niches within the private credit market. In the low-risk segment, he highlights commercial real estate debt and, increasingly, structured credit opportunities, fund financing and NAV lending. “Those kinds of strategies, we see a good risk-return proposition there,” he notes, emphasizing the areas where the team continues to identify compelling opportunities.

INDUSTRY EVOLUTION AND THE “INSTITUTIONALIZATION”

Looking at the evolution of the private credit industry over the past several years, Baranovski notes that it has faced multiple external shocks, including the Covid-19 pandemic, the return of inflation, a higher interest rate environment, Russia’s war in Ukraine,

“The industry is now going through a shakeout, not only among investors but also among GPs, who need to be very clear about how they formulate a credit strategy, a credit policy, and how they differentiate themselves.”

and tariff uncertainty. “It’s not been a benign credit environment or macro environment,” he says. “There have been more shocks over the last five years than in the previous ten.”

The private credit industry has also undergone what Baranovski describes as an “institutionalization” process. “The industry is now going through a shakeout, not only among investors but also among GPs, who need to be very clear about how they formulate a credit strategy, a credit policy, and how they differentiate themselves,” he explains. “They can’t just raise the kind of funds they did three or four years ago. Investors have become more professional and more familiar with the asset class.” Because there are clear economies of scale in private credit, Baranovski encourages greater differentiation among managers, including the largest ones, and stresses the importance of articulating a distinct value proposition for investors.

WHAT DIFFERENTIATES THE BEST MANAGERS

Although PenSam ranks among the largest institutional investors in the Nordics, it remains relatively small on a global scale. This perspective shapes its approach to manager selection. “We are not invested with the biggest GPs raising mega, multi-billion funds, because we’re too small of an LP compared to some of the others,” explains Baranovski. “We try to find managers where our capital is meaningful for them, and they are equally meaningful for us.”

While PenSam does not necessarily seek out the largest players in private credit, the team still aims to partner with established, high-quality managers. “We see value in that strategic or partnership mentality, where we’re not just a transactional investor or LP number 100-something,” says Baranovski.

Baranovski and his team value managers who communicate openly, share data transparently, and invest in building robust data platforms of their own. “Structuring and analyzing data internally is important,” he explains, “but equally important is sharing it with investors, not just in polished LPAC sessions or presentations, but by providing access to raw portfolio data so that we can form our own

opinions,” he adds. “That really differentiates managers in this opaque asset class.”

For PenSam, private credit managers must also demonstrate the skill and experience to navigate default situations and restructurings effectively. “We’ve seen, especially on the corporate direct lending side, more and more companies coming into trouble,” observes Baranovski. “The GPs need to show both the willingness and skill to handle these challenges, leading companies through restructurings or, even short of default, working with the company and sponsor to find solutions.”

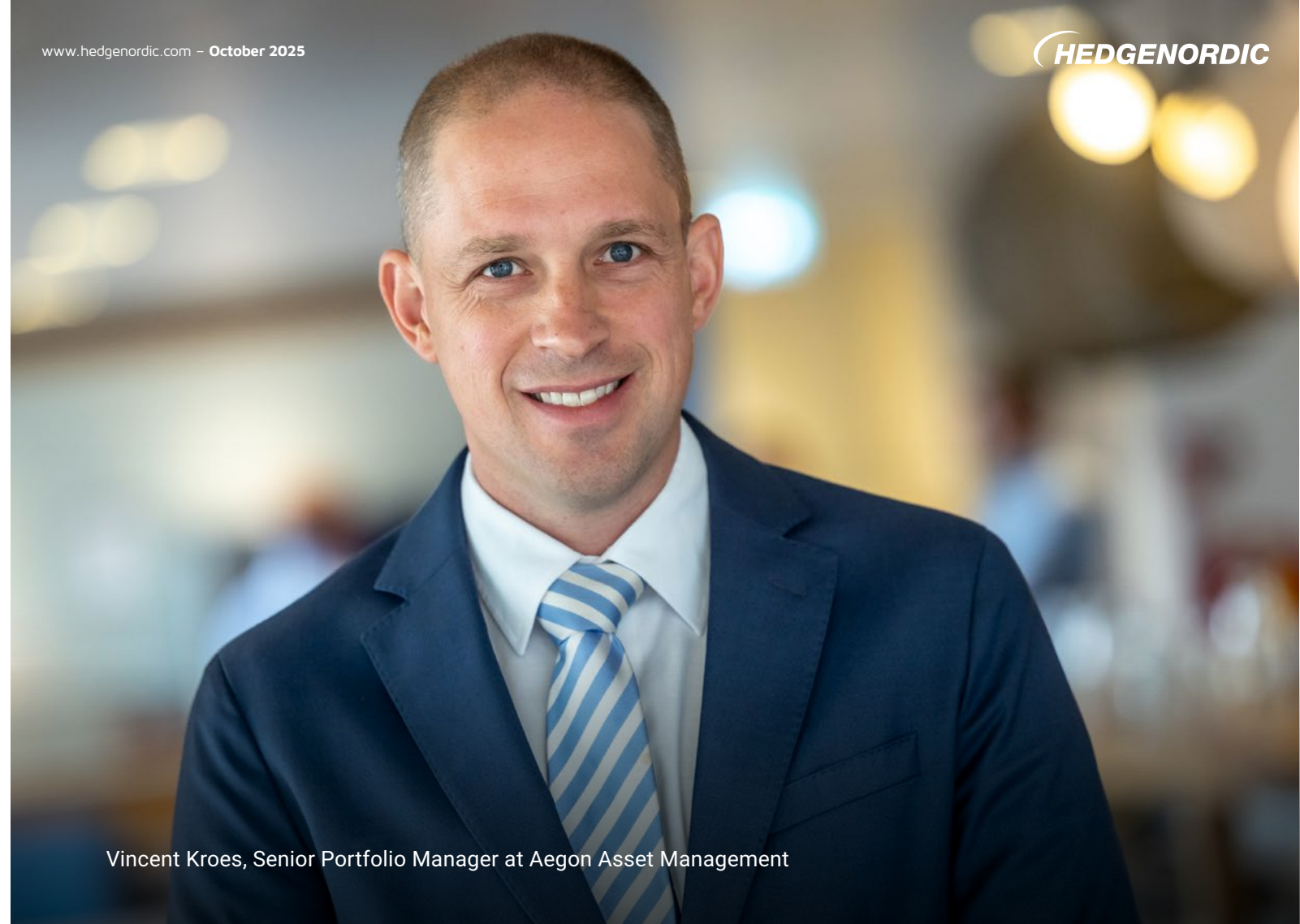
THE NEXT CHAPTER: FROM SCALE TO SPECIALIZATION

Having been active in private credit for many years, Baranovski notes that the institutionalization of the asset class has turned direct lending into a far more standardized product than it was a decade ago. This evolution has brought with it more conventional fee structures, as alpha opportunities have compressed. While Baranovski still finds the risk-reward profile of corporate direct lending attractive, he sees greater value in structured financing, NAV lending, and strategies focused on providing financing solutions to GPs. “We see potential in somewhat riskier commercial real estate transactions that are value-add or ground-up developments, but still backed by hard assets,” he explains. “We also see opportunities in infrastructure debt, particularly junior financing of either existing assets or new project developments.”

“We’ve seen that, as a result of consolidation, managers are getting larger and those economies of scale are also benefiting LPs,” concludes Baranovski. “At the same time, we expect to see more niche strategies coming to market.” He points out that as the structural trends in banking and financial regulation show no signs of reversing, more capital and financing needs are being pushed into the alternative space rather than the public markets. As Baranovski suggests, private credit is evolving beyond its mainstream direct lending roots into a broader ecosystem of specialized strategies, each catering to different needs.

Exploring the Capital Call Corner of Private Credit: Aegon's Decade of Experience

By Eugeniu Guzun – HedgeNordic



Vincent Kroes, Senior Portfolio Manager at Aegon Asset Management

“Capital call finance acts as a working capital facility for private market funds. Instead of calling the capital directly from the limited partners, the manager can draw under a capital call facility to finance the purchase of a new asset...”

The fixed-income universe, spanning both public and private markets, offers a broad spectrum of instruments across different durations, risk levels, and liquidity profiles. Among the growing areas within private credit, capital call finance has emerged as a low-risk, short-duration segment offering attractive, stable yields with minimal default risk.

“Capital call facilities are simply loans that allow private market funds to finance a new investment before calling capital from its limited partners,” explains Vincent Kroes, Senior Portfolio Manager at Aegon Asset Management. “Capital call finance acts as a working capital facility for private market funds. Instead of calling the capital directly from the limited partners, the manager can draw under a capital call facility to finance the purchase of a new asset, and the loan is eventually repaid once the fund makes the capital call to the LPs,” he elaborates. “The lenders providing these loans have recourse to the uncalled commitments of the LPs.”

“Capital call facilities typically provide a spread pick up of 100-150 basis points above public markets.”

BENEFITS ACROSS THE CHAIN

Capital call finance benefits all parties involved: general partners, limited partners, and end-investors in capital call finance strategies. For managers, these facilities offer flexibility and speed. “They allow funds to operate more efficiently, functioning as a working capital line that provides flexibility to deploy capital,” reiterates Kroes. Although still considered a niche strategy by many investors, capital call finance has existed for over 25 years. “Almost all private market funds have a capital call facility in place, typically ranging from 25 to 40 percent of LP commitments,” he notes.

Limited partners also benefit from these structures. “For LPs, it’s much easier because they don’t have to make capital calls on short notice,” explains Kroes. “It creates a much more stable capital deployment pattern, allowing them to plan liquidity needs more effectively.”

For investors in capital call finance strategies – the ones providing the loans – the segment offers short duration,

high credit quality, and attractive yields. “Capital call facilities typically provide a spread pick up of 100-150 basis points above public markets,” says Kroes. “It also offers diversification benefits by exposing them to different risk drivers compared to traditional public market exposures.”

Aegon’s newly launched Aegon Capital Call Finance Fund targets an average spread of 175-200 basis points, significantly higher than the 50-75 basis points available in comparable public market instruments with a similar duration and risk profile. “It’s a very attractive spread pickup,” Kroes emphasizes, “and it allows investors to tap into different risk factors while diversifying their fixed income or private credit allocations.”

UNDERSTANDING THE RISK

A typical capital call loan has a maximum tenor of 12 months. Within the European market, the legal documentation between the fund and its investors normally includes provisions to limit the period the borrowings can be outstanding, “although in the U.S. market, we see more room for longer tenors,” says Kroes. Although capital call facilities are used by private equity, private debt, infrastructure and other private market funds, Aegon’s main focus has been on providing financing to private equity buyout funds, as this has historically been the largest segment of the market and offers the best returns.

Each capital call facility has recourse to a well-diversified, high-quality investor base, which is central to the strategy’s risk management. “The investors in these funds typically comprise a portfolio of 50 to 150 limited partners, with the largest LPs usually accounting for no more than 10 percent,” says Kroes. The LP mix spans insurance companies, banks, endowments, pension funds, and sovereign wealth funds. “We look for diversification not only in investor type but also geographically,” he adds. This broad distribution across regions and institutional types helps ensure low concentration risk.

The key risk in capital call finance lies in the creditworthiness of limited partners, the ultimate source of repayment. “Because the primary recourse under a capital call facility is the LPs’ uncalled commitments, their credit quality is a critical factor,”

“Credibility is crucial. To operate successfully in this market, you need history, a proven track record, and a strong network of counterparties that trust you to deliver.”

explains Kroes. “But the analysis goes beyond ability to pay, it also involves assessing willingness and economic incentives to pay.”

When Aegon first entered the space in 2018, as one of the first institutional investors active in capital call finance, the focus was mainly on LP credit quality. “Over time, we developed a more holistic underwriting framework,” notes Kroes. “Next to the LPs’ credit quality, we now also analyze economic incentives and willingness to pay.”

Kroes illustrates the importance of assessing willingness to pay with a hypothetical example: if a large sovereign wealth investor were asked to honor a capital call after a fund’s assets had become worthless, they might choose not to comply. This underscores why evaluating both the ability and willingness to pay is essential. This assessment, Kroes explains, involves analyzing several layers beyond pure credit metrics. “We focus on factors such as the volatility of the collateral assets, how their value might fluctuate over time, how much of the fund’s capital has already been deployed, and what the economic incentive is for the LPs to honor the capital call,” he notes. “These are all crucial elements to consider.”

In a worst-case scenario, if a limited partner refuses to honor a capital call, lenders like Aegon have mechanisms to protect their position. “If an LP doesn’t pay, we can take over the stake it holds in the investment fund and sell it at a discount in the secondary market,” says Kroes. “That’s why we continuously monitor what types of assets the fund holds and how its NAV is performing to ensure the LP remains motivated to meet its commitments.”

THE AEGON CAPITAL CALL FINANCE FUND

Building on a decade of experience, Aegon launched the Aegon Capital Call Finance Fund earlier this year, providing institutional investors access to this niche, short-duration lending strategy. Unlike many peers, Aegon’s fund focuses only on fully drawn term facilities. “A large part of the market consists of revolving credit facilities with both drawn and undrawn portions,” Kroes explains. “The undrawn portions generate only a small commitment fee, which can create cash drag. Our fund avoids that by

focusing exclusively on fully drawn term facilities, mainly in euro-denominated assets.”

The team also prefers mid-sized managers, typically with €10-25 billion in assets under management, where spreads can be more attractive. “We also aim to cap the weighted average life of the fund at 12 months,” says Kroes. “That allows us to maintain a semi-liquid structure, quite different from the U.S. market, where maturity profiles on drawn portions of the capital call facilities can extend to five or seven years.”

EVOLVING MARKET DYNAMICS AND AEGON’S POSITION

The capital call finance market has evolved in tandem with broader private asset markets. “If you look at the current environment, M&A and IPO activity have been somewhat subdued, and fundraising has become more challenging,” notes Kroes. “At this point in the cycle, there are fewer new investment funds coming to market, which naturally affects the demand for capital call facilities. Right now, there’s actually more supply than demand in this segment.”

However, sentiment is beginning to turn. “We’re starting to see fundraising activity picking up again, along with renewed momentum in M&A and IPO markets,” says Kroes. “As those trends continue, we expect the demand for capital call facilities to increase and with more competition for financing, terms are likely to become slightly more favorable for investors like us.”

Having been active in the space since 2018, Aegon Asset Management has established itself as a trusted and experienced partner in the capital call finance market. “Our team has been transacting in this segment for around ten years, completing roughly €4 billion in transactions across a broad range of banks,” Kroes says. “We’ve built credibility and long-standing relationships with our sourcing partners by being transparent, responsive, and efficient.”

That combination of experience, credibility, and speed of execution is key in private markets, where reputation and reliability matter as much as pricing. “Credibility is crucial,” Kroes concludes. “To operate successfully in this market, you need history, a proven track record, and a strong network of counterparties that trust you to deliver.”



Anders Ellegaard, Head of Fixed Income at Industriens Pension

Private Credit at Industriens Pension: The Right Fit for Its Member Base

By Eugeniu Guzun – HedgeNordic

Anders Ellegaard has served as Head of Fixed Income at Industriens Pension for nearly six years, overseeing the pension fund's fixed-income portfolio spanning traditional sovereign and mortgage bonds to high-yield and emerging market debt. Yet, it is the growing private debt allocation that now occupies most of Ellegaard's focus. Since joining Industriens Pension in 2017 to develop its private debt program, he has overseen its expansion from 1-2 percent of total assets to around eight percent today.

"Private debt is the last major area within fixed income, and it's where I spend most of my time," says Ellegaard. Over the years, he has steadily shifted more of the fixed-income allocation toward private credit. "The build-up of private credit has come from a reduction in liquid credit holdings, essentially reallocating capital to areas where we see better

value compared to liquid high yield and investment-grade markets."

Industriens Pension splits its private credit exposure into low- and higher-risk segments, mirroring the pension fund's two underlying portfolios: "offensive" and "defensive." Member allocations depend on age: members under 51 have all their savings in the higher-risk offensive portfolio, which gradually shifts toward the defensive one as they approach retirement.

"The split between low- and higher-risk private credit fits well with our member base," says Ellegaard. "When you're younger, you can tolerate more risk and therefore have a higher allocation to the higher-risk bucket. As you get closer to retirement, you slowly rotate more of that exposure into the low-risk segment."

"The build-up of private credit has come from a reduction in liquid credit holdings, essentially reallocating capital to areas where we see better value compared to liquid high yield and investment-grade markets."

“We’re looking for managers who genuinely understand credit, know their position in the financial system, and have a strong focus on downside protection, knowing exactly what to do if something goes wrong.”

DEFINING RISK AND BUILDING BLOCKS

Explaining how sub-strategies are assigned, Ellegaard notes that “the higher-risk segment has grown out of high-yield bonds, and the low-risk from investment grade.” At Industriens Pension, the distinction between higher- and low-risk private credit primarily revolves around the risk of loss. “If we believe there’s a risk of actually losing money, we place it in the higher risk-risk bucket,” he says. “In the low-risk segment, we require a diversified exposure to floating-rate assets issued around par, where you’d need an extreme situation before there’s any risk of loss.”

The higher-risk exposure is predominantly built around performing direct lending, special situation lending, and traditional distressed strategies. Special situations typically involve providing new financing to companies undergoing a transition or facing temporary liquidity needs, but where solvency remains sound. “If things don’t pan out as expected, the managers we work with should have a clear plan for potential downside scenarios,” says Ellegaard. “If necessary, they can take control of the company, become the owner with a significantly lower debt level by converting part or all of the debt to equity, stabilize operations, and run it as a private equity investment until exit, in that way preventing any loss of capital.”

The final major building block is traditional distressed investing. “That involves buying stressed or distressed assets in the market, either to be pay back at par in a restructuring or sold at with a profit after a stress or with the intention of taking them over,” says Ellegaard. Around this core, Industriens Pension also invests in “various add-ons and smaller strategies that, at different points in time, offer attractive risk-return dynamics or benefit from favorable supply-demand conditions for capital,” he adds. As the private debt program has matured – now encompassing around 45 funds – the allocation has naturally diversified, though the core focus remains on performing debt.

On the low-risk side, Industriens Pension primarily invests in senior, real estate-backed loans, broadly diversified corporate credit exposures with significantly lower risk than those in the higher-risk

segment, and various fund financing structures. Given the development in the savings in Industriens Pension’s member base, roughly 75-80 percent of the private credit portfolio currently sits in higher risk, with the remainder in low risk. “Ten years from now, we should have a higher allocation to the low-risk bucket as more members with higher pension savings move closer to retirement.”

Ellegaard sees particularly attractive opportunities in the asset-backed space. “Asset-backed is also an extremely broad term,” he notes. “But where banks are pulling back, and you can find a manager with deep experience and a long-standing understanding of the market, where there aren’t too many intermediaries trying to make money in between. That space is interesting.”

He also highlights GP financing and NAV financing as compelling areas. “NAV financing and GP financing are especially interesting right now, partly because of the challenges private equity firms face in raising capital,” points out Ellegaard. These areas are appealing since banks are no longer meaningfully involved, “they simply can’t scale these businesses.”

MANAGER SELECTION: SIZE, STRUCTURE, AND SUBSTANCE

As with many Nordic peers, Industriens Pension avoids the very largest global private credit managers while favoring those with institutional scale. “We stay away from the mega-managers with their own balance sheets and multiple overlapping strategies where assets can be shifted between funds,” explains Ellegaard. “But we do like managers that are part of large organizations, since that gives them influence with sponsors and better access to competitive deals, this could be managers with a strong private equity fund-of-fund programs. Very small managers often don’t have that.”

Still, smaller niche managers can be attractive if they bring something unique to the table. “If a small manager has a clear track record and a real reason to exist, maybe they’re specialized in an off-market credit segment, we can get comfortable with that,” he says.

The selection process is hands-on. “We meet every manager that comes through Copenhagen, and when we’re in London or New York, we meet the interesting managers again in their home turf,” says Ellegaard. “It’s usually pretty quick to tell if a manager really understands credit and their reason to exist,” he says. When Industriens Pension identifies a promising manager, the team follows them over time, taking several meetings and building a relationship before initiating formal due diligence.

“We’re looking for managers who genuinely understand credit, know their position in the financial system, and have a strong focus on downside protection, knowing exactly what to do if something goes wrong.” Another crucial factor is alignment of interest. “We want to see that carry is distributed throughout the organization, not just kept at the senior level,” says Ellegaard. “That’s how you attract and retain the best investment talent.”

LOOKING AHEAD

Ellegaard sees two major trends shaping the private credit market: continued structural growth and the rise of evergreen fund formats, either with other institutional investors or as fund of ones. “We expect the private credit market to keep growing as institutional investors continue to understand and allocate to the asset class,” he says. “At the same time, more and more evergreen structures are being introduced, especially in performing direct lending, where there’s a steady deployment of new capital.”

While such structures aren’t suitable for all sub-strategies, as “distressed credit, for instance, is very timing-dependent,” Ellegaard believes evergreen funds make sense for performing direct lending. “If structured properly, they allow investors to remain fully invested without the ramp-up and run-off periods you get with closed-end funds,” he explains.

“The important thing is that liquidity and redemptions are handled in the right way,” he emphasizes. “We don’t want to be forced sellers at any point. But if the structure allows an orderly run-off, it benefits both managers and investors. It’s simply a smarter, more flexible way to manage private credit exposure over time.”



Edwin Wilches, Co-Head of PGIM's Securitized Products Team

The Rise of Private ABF: Connecting Institutional Capital to Real-Economy Assets

By Eugeniu Guzun – HedgeNordic

The asset-backed finance (ABF) universe underpins much of the real economy, spanning everything from consumer lending – such as car loans, credit cards, and mortgages – to business financing, aircraft leases and digital infrastructure. Public securitized credit has taken portions of asset-based lending out of banks' balance sheets, and now private credit is stepping in to capture opportunities where banks continue to pull back. The scale of the market is enormous: U.S. consumer credit alone stands at around \$5 trillion, while the total ABF market is manyfold larger. For asset managers like PGIM, this creates an opportunity to connect real-economy lending with institutional capital, unlocking diversified cash flows and attractive risk-adjusted returns.

"Asset-based lending is really as old as time," says Edwin Wilches, Co-Head of PGIM's Securitized Products team, noting that banks and public securitization markets have both long been engaged in this type of financing. Public securitization takes pools of loans, bundles them into tradeable securities, and sells them to investors. Increasingly, however, investors are accessing these strategies not through

public markets but by gaining direct exposure to originators through the private credit space.

YIELD, DIVERSIFICATION, AND NATURAL LIQUIDITY

Investor interest in the asset class, especially in the Nordics, has been increasing significantly for a number of reasons, according to Victoria Dorreboom, Client Advisor for the Nordic region. ABF offers a diversified stream of yield compared to corporate credit, shorter duration, and a natural source of liquidity stemming from the underlying loans' amortizing structures. According to Wilches, ABF differs from corporate credit in that "you have different risks, but also true diversification benefits. These assets are generally self-amortizing and shorter in duration, typically two to four years, compared to six or seven years for a typical corporate bond. You're receiving principal and interest every month or quarter, so there's this natural liquidity coming back to you."

For investors, the appeal lies in both diversification and enhanced yield. "On the investment-grade side,

you can pick up anywhere between 150 and 200 basis points over comparable corporate bonds," says Wilches. On the below-investment-grade side, somewhere between 200 and 300 basis points. "Depending on where you invest, you're picking up anywhere from 150 to 300 basis points in additional yield." This combination of shorter duration, amortizing structures, and incremental yield makes ABF particularly compelling. "From an investor's perspective," adds Victoria Dorreboom, "these assets are seen as both diversifying and yield-enhancing." In addition, she adds that ABF offers interesting investment opportunities from an ESG perspective too. Because you invest in the real economy, as the real economy transitions to greener energy, there are an increasing number of funding opportunities to invest in the energy transition. Given that ABF deals are done privately, you also get access to more information than in public transactions.

PUBLIC VERSUS PRIVATE ABF

While asset-based lending has traditionally been the domain of banks and the public securitized markets –

often referred to as public ABF – regulatory changes and balance sheet constraints are steadily reshaping this ecosystem. In the years following the global financial crisis, loans backed by high-quality assets continued to receive favorable capital treatment, enabling banks to stay active in many areas of secured lending. Yet as capital requirements have tightened and balance sheets have become more constrained, banks have increasingly stepped back from certain transactions. Although public securitized markets have absorbed part of this activity, this has also opened the gap for private credit managers to develop dedicated private ABF strategies.

"If we're talking about a consumer loan, for instance, whether that loan sits in a public securitization or a private ABF deal is often a matter of circumstance rather than intention," notes Wilches. In the public securitized market, asset-based finance transactions are typically dealer-led: a bank or arranger aggregates a pool of loans, works with a rating agency to obtain credit ratings, structures the deal, and sets the covenants before offering a standardized product to investors. In contrast, private asset-based finance involves no intermediary dealer. Transactions are

usually bilateral, with investors working directly with the originator or borrower to negotiate terms, structure, and covenants. This approach allows for greater customization and control but comes with lower liquidity and the absence of public ratings, typically offering higher returns to compensate for the additional complexity.

“Private ABF is definitely a growing asset class for the market, for investors, and for us,” says Wilches. “At PGIM, we’re active in both public securitization markets and private asset-based lending. It’s all one integrated team. We think combining public and private credit gives investors meaningful synergies in terms of asset origination, quality, and risk assessment, and results in better risk-adjusted returns for all investors.”

DRIVERS OF PRIVATE ABF GROWTH

Wilches points to several catalysts behind the increasing participation of private credit managers in asset-based lending. One key driver has been the evolving regulatory environment and its influence on bank balance sheets. “Banks that have traditionally focused on lending into the real economy have changed the focus of their balance sheets,” he explains. “Regulators are encouraging banks to provide loans secured by assets that others own, instead of owning the assets themselves.” In practice, this means that assets once financed directly by banks are now being financed through private credit vehicles or securitizations. Banks, in turn, are often content to provide leverage or funding capacity to these private lenders rather than hold the loans on their own books. “In essence, we’re moving toward an environment where banks lend on loans, rather than originate and hold them,” says Wilches. “That’s a meaningful shift, and it’s become a growing theme globally.”

The underlying drivers, however, differ across regions. In the United States, the push toward private capital in asset-based lending was accelerated by the fallout from the Silicon Valley Bank collapse, which forced regional banks to hold more capital and retrench from parts of the market. “This took a lot of financing out of the market,” says Wilches, “but the economy continues to grow, and credit formation is still needed.” In Europe, the dynamic is distinct.

“Combining public and private credit gives investors meaningful synergies in terms of asset origination, quality, and risk assessment - resulting in better risk-adjusted returns for all investors.”

Edwin Wilches



Victoria Dorreboom, PGIM Institutional Client Group, Benelux and Nordics

Economies remain far more dependent on bank financing, and the rise of private ABF is being driven by the need to unlock growth through new sources of funding. “In Europe, the need is really for renewed growth,” says Wilches. “Mario Draghi has been very vocal about the importance of capital markets, specifically securitization to help fund defense spending, infrastructure, energy transition and other much-needed GDP growth initiatives.”

If Europe wants higher GDP growth, Wilches argues, it needs to be funded by both equity and debt. “Debt can’t continue to come just from banks,” he notes. “They already make up a very large portion of the system, and making them even bigger could risk greater financial fragility. The increase in ABF we’re seeing here in Europe is really coming from areas where banks are not as actively lending or are near their risk limits. Private markets are filling that gap.”

As economic activity expands, the opportunity for private capital to finance real-economy assets grows. Asset managers are increasingly going straight to the source, bypassing intermediaries and acquiring assets directly from originators. Wilches acknowledges that “if you’re doing something bilaterally, the level of liquidity is going to be different than in a public security, but you’re getting paid for that

liquidity.” However, “the difference isn’t necessarily about risk, it’s about removing the middlemen. You’re not paying Wall Street for structuring or balance-sheet services, and that alone can easily add 100 to 200 basis points in return.”

THE IMPORTANCE OF SOURCING AND ORIGINATION

For private credit managers, sourcing and origination are paramount. “How you originate is how you differentiate,” emphasizes Wilches. Partnerships between banks and private credit managers have become a defining feature of the ABF landscape. Banks can de-risk and free up balance sheet capacity, while managers gain access to high-quality deal flow. “We’re looking to partner with banks when they reach their risk limits and need a partner,” he says.

The challenge, according to Wilches, is not the availability of origination itself, but the diversity and quality of sources. “Origination is a critical part of the value proposition,” he concludes. “We want to see as much as we can, so we can be as selective as possible and find the best opportunities. Over time, the managers with the broadest, most diversified origination networks will be the ones who win.”

Private Credit a Key Element of SH Pension's Alternatives Exposure

By Eugeniu Guzun – HedgeNordic

SH Pension, a Swedish occupational pension company owned by its customers, was established in 1946 and specializes in providing pension solutions for business owners and their employees. SH Pension has drawn increased attention this summer after posting strong returns driven by its substantial allocation to alternatives. Spanning private equity, private credit, and infrastructure, these assets now account for 40 percent of the traditional pension insurance portfolio. With newly appointed CIO Kenneth Norling leading investment activities, alternatives remain a core focus, though the exposure is expected to gradually ease toward the strategic allocation target of 30 percent as distributions from private equity materialize.

"We have quite a meaningful allocation to alternatives, namely private equity, private credit, and infrastructure – roughly 40 percent of the portfolio at the moment," confirms Norling. "Compared to competitors and other market participants, it's a strong allocation, and we want it to continue being

a cornerstone of the portfolio," he emphasizes. The allocation will gradually decline over time, primarily as private equity distributions are realized, settling around what Norling calls "our strategic long-term allocation to alternatives" of roughly 30 percent.

SH Pension has been investing in alternative assets for several years, with a notable increase in focus since 2022. "We have steadily ramped up this allocation over the last couple of years, and we want it to be meaningful," notes Norling. The strategy has already borne fruit, with alternatives posting a 4.3 percent return in the first half of 2025, serving as the primary return driver in the portfolio. "It is gratifying to see that our emphasis on alternative investments is paying off."

BALANCING DIVERSIFICATION AND RETURNS

While each individual asset class has its own role

Kenneth Norling, Chief Investment Officer at SH Pension

“We have quite a meaningful allocation to alternatives...it’s a strong allocation, and we want it to continue being a cornerstone of the portfolio.”

in a portfolio, SH Pension’s alternatives allocation serves both diversification and return-enhancement purposes. “It’s an illiquid asset class that is naturally less correlated with liquid markets, but also a return-enhancement compared to public exposures,” says Norling. “All play a different role within the portfolio: private equity is a bit more aggressive on the risk-return scale, while private credit is more on the lower end of the risk scale, and so is our core infrastructure exposure.”

Private credit, in particular, makes up about 15 percent of SH Pension’s portfolio. “If you compare investment-grade bonds with private credit, the return target is obviously higher on the private credit side,” Norling explains. As a long-term investor, SH Pension aims to capture the illiquidity premium in the market. “That’s why we focus on the alternative space, including private credit,” he adds.

STRUCTURING PRIVATE CREDIT EXPOSURE

About two-thirds of SH Pension’s private credit exposure is invested in senior private debt, primarily senior loan structures, while the remaining third is allocated to more opportunistic strategies. “Roughly 65 to 70 percent of the portfolio is in senior debt, which is relatively low risk. Then we have some return enhancement through the more opportunistic side of private credit,” says Norling. This latter segment includes specialty finance and other credit opportunities.

SH Pension seeks to maintain this split at a strategic level, rarely making tactical reallocations. “We will not move across that spectrum. We want private credit, namely senior direct lending, to remain a core part of the portfolio. We aim for both yield pickup and diversification, but we don’t want to use it as leverage on credit exposures,” explains Norling. “We may pursue some opportunistic credit strategies where we see clear benefits, but it should not be speculative.”

With SH Pension being a lean organization and limited in-house resources for due diligence, the pension company partners with Mercer to support manager selection. “We work with them as our partner. We

use their scale, knowledge, and capabilities to screen the market,” says Norling. “With our organization, it’s difficult to build a diversified private markets program on our own, so we leverage their expertise to help us construct it.”

Describing the type of managers SH Pension invests in, Norling says the pension company focuses on the middle-market segment for senior private debt. “There are a lot of mega funds being raised right now, and that’s not the space we want to be in,” he explains. “For specialty finance and other credit opportunities, we can work with niche managers who bring expertise different from core private markets managers,” he adds. “We use both. But for the core portion, where we aim to stay in the middle market, that’s where all our managers focus.”

SH Pension also seeks to maintain a well-diversified exposure within private credit, even though direct lending forms the core of its allocation. “A significant portion goes into direct lending and senior debt, which is where we want our core allocation to be,” reiterates Norling. “But we aim to diversify across vintages and managers to reduce systematic risk through that process,” he adds. The pension company also spreads its exposure geographically, currently maintaining an even split between Europe and the United States.

MARKET TRENDS AND STRATEGIC OUTLOOK

Norling points to a key trend in private credit: the rapid inflow of capital, which he believes will inevitably attract regulatory scrutiny. “The amount of money being poured into private credit right now is substantial. Growth was strong in the U.S., but on a relative basis, Europe is growing even faster. We’re not at the same level yet, but in terms of growth, it’s quicker in Europe than in the U.S.,” he notes. “With this growth comes responsibility; regulators are going to be on this.”

He welcomes the increased oversight. “From our point of view, given how we leverage Mercer and rigorously scrutinize every manager, we actually welcome regulation. It’s good for the market that things are regulated and transparent,” Norling says.

Another trend he observes is the sheer volume of capital being raised in private credit that puts downward pressure on yield spreads. “You already see it in some pockets of the market. Yields are coming down, especially within the senior space,” says Norling. The concern, he adds, is that an oversupply of capital could weaken covenants and increase credit risk. “You can talk about credit quality. Will loans be given to just anyone?”

Even so, Norling emphasizes that private credit will continue to play a critical role in financial intermediation. “Private credit is very important for funding companies that may not be large enough for the public markets or have the capacity to go to banks.”

Looking ahead, SH Pension plans to maintain a meaningful allocation to alternatives, including private credit. “That’s something we want to have as a competitive factor against our peers,” concludes Norling. “We will continue to rely on this strategy going forward, and we believe it will remain a competitive advantage. Right now, it’s about continuing the work we’ve done over the last three or four years and leveraging it going forward, to provide our customers with robust risk-adjusted returns.”

“Roughly 65 to 70 percent of the portfolio is in senior debt, which is relatively low risk. Then we have some return enhancement through the more opportunistic side of private credit.”

The Future of European Private Credit and Purposeful Investing

Daniel Sachs has been at the helm of P Capital Partners for over two decades. Sharing his views and insights, in this candid conversation, Daniel discusses why he believes non-sponsored private credit is poised to power Europe's competitiveness in the years ahead.

Daniel Sachs is an established figure within the Swedish investment community. For the last 20 years, Daniel has led P Capital Partners (PCP), a provider of private credit solutions to entrepreneurs and family-owned businesses. With M&G Investments recently acquiring a majority stake in this business, Daniel spoke with Simon Sharp about his business career and why he thinks the opportunities within non-sponsored private credit are only set to accelerate.

PCP is based in Stockholm. Has that proven to be either an advantage or disadvantage?

When PCP was founded over 23 years ago, the primary focus was certainly on the Nordic market. Since then, our business has rapidly expanded across Europe with Germany now our largest market after Sweden. Whilst the quality of local talent is exceptionally high, we have always had an international team. In fact, with over 50 employees, we have 14 different nationalities. It is also worth mentioning that PCP work with ambassadors and partners across Europe.

PCP has a particular niche targeting entrepreneurs and family-owned businesses. Is this a particular characteristic of the Nordic market?

It's certainly not unique to the Nordics, in fact Germany, PCP's second largest market, has an

Daniel Sachs is the founder and CEO of P Capital Partners (PCP), part of M&G Investments

extremely large SME sector which underpins a large part of the wider German economy. There is also a lot of cultural similarity between the Nordic region, Germany and the Benelux.

The European private credit market has grown rapidly. Do you think this is likely to continue?

Yes, it has to. Not least because of the very large competitive and productivity gap which continues to exist between Europe and the US. European companies need to substantially increase their investment in entrepreneurship, digitisation, sustainability and energy security.

Funding these investments into European competitiveness requires primary capital, the initial funds invested in a company, so demand will remain high. In terms of supply, the greatest supply of private capital is secondary capital, or buy-out capital, funding transactions from a buyer to a seller – none of that capital goes into the business to fund its development (as opposed to primary capital).

For example, private credit in Europe is 90% sponsored credit with a focus on funding buyouts¹. There is therefore a very real gap between the supply and demand for primary capital in the private credit market and this is a very real issue for Europe. Over 90% of what PCP does is use private credit to provide primary capital solutions across our strategies. PCP is by far the largest provider of non-sponsored private credit in Europe – this is a niche which remains nascent and therefore provides plenty of growth opportunities.

PCP's ethos is 'investing with purpose'. The focus on ESG/impact/sustainability seems to be weakening, particularly in the US. Do you think this is transitory?

From the start there has always been a dichotomy between those investors who claim they embrace integrating sustainability in their investing versus

“This [non-sponsored private credit] is a niche that remains nascent and therefore provides plenty of growth opportunities.”

those who actually do. The pendulum does seem to be swinging, particularly in the US, against these values. However, I firmly believe that in order to build consistently profitable businesses you need to factor in the sustainability transition. ESG and sustainability do not come with a performance cost – quite the opposite, as they often help mitigate business risks and therefore enhance financial performance.

PCP is a credit provider. Why is ESG/sustainability important as there is no equity upside for PCP?

A core focus for any lender is risk i.e. the avoidance of loss. The principal has to be repaid at the end of the loan, so clearly we have an interest in ensuring the borrower is successful. Added to this is the reputation of PCP – we want to be known in the market as a firm that backs and partners with successful businesses.

M&G has recently become majority shareholders in PCP. Why did you decide now was the time to become part of a larger group?

The main catalyst was a realisation that there was a very interesting opportunity to grow our business because of the large needs of primary capital for European competitiveness. In order to do that we felt we needed greater institutional capabilities, particularly in terms of capital formation and fundraising, as well as systems and operational support. Existing PCP management remain substantial minority shareholders, which is important.

You don't come from a financial family. What was the catalyst for you to enter the investment world?

Both my parents were academics and encouraged discussion of politics and social issues around the dinner table. But my great grandfather - Josef Sachs - founded NK, which is Sweden's leading department store, in 1902, so the family did have a business background. I was always very curious

about business, and over time I also realised that business was a great tool to make an impact in many different ways, for example allocating capital to parts of the economy important for social development. I have never believed there is any conflict between delivering financial performance and meeting these wider desirable goals - quite the opposite.

In terms of your clients, do they tend to be one-time-only borrowers or do you maintain long-term relationships with them?

The large majority of our deals are one-time transactions, but they are not short-term relationships. Most of our loans have a duration of five to seven years. We tend to provide capital for concrete growth initiatives in a company's development, but over time typically they will transition towards using traditional bank financing or bond markets.

¹ Private Debt Investor: 'Regional guide: Europe's managers optimistic despite 'macro challenges', 30 May 2025.

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Petri Lehtola, Senior Portfolio Manager at OP Financial Group

OP's Funds-of-Funds Model Brings Efficiency to Private Credit Investing

By Eugeniu Guzun – HedgeNordic

OP Financial Group is one of Finland's largest financial institutions, combining banking, insurance, and asset management under one umbrella. While OP has a long tradition of investing in private credit through its insurance-related balance sheets, the group has created dedicated funds-of-funds structures to allocate capital more efficiently to external private credit managers.

"We have been investing in private credit since the beginning of 2000s, and three years ago we started our annual vintage funds program, which is our main investment vehicle today," explains Petri Lehtola, lead portfolio manager for private credit at OP. The funds-of-funds were designed to reduce the administrative complexity of allocating capital from OP's insurance and other internal balance sheets. "At the peak, we would have needed to make up to ten separate commitments into each external target fund. By

aggregating these investments through our fund-of-funds, we can streamline the process and make a single commitment to each external manager."

The bulk of capital in OP's three private credit-focused funds-of-funds comes from the group's own balance sheets, while the funds also attract capital from external professional investors who co-invest alongside OP. The current allocation across vintage funds stands at about 70 percent internal and 30 percent external capital.

THE ROLE OF PRIVATE CREDIT IN INVESTOR PORTFOLIOS

With Lehtola and his team allocating capital to private credit for both OP and external investors, he emphasizes that the role of private credit depends on

each investor's portfolio and objectives. "There are a couple of different approaches," Lehtola explains. "You can think of private credit as an extension of your public market book." In this context, investors aim to capture liquidity or complexity premiums available in private markets. "You also get slightly different industry diversification, and often higher-quality loan documentation and stronger controls than in the public markets. That's really the main advantage of private credit versus public credit."

Other investors, however, view private credit as part of a broader alternatives allocation. "You might have your private equity portfolio, and then complement it with infrastructure, real estate, and private credit," Lehtola explains. "The idea of investing in private credit is to generate more stable cash flows, rather than the capital appreciation you typically see with private equity."

"We don't really do much in asset-backed lending or structured credit. For us, it's really all about corporate lending."

“It’s important to see that they have the capability to navigate situations when things don’t go right. That ability to manage challenges effectively is quite crucial.”

FOCUS ON CORPORATE CREDIT AND MANAGER SELECTION

While the private credit universe has expanded into areas such as NAV financing, asset-backed lending, structured credit, and distressed debt, OP remains focused exclusively on corporate credit. “We don’t really do much in asset-backed lending or structured credit,” Lehtola confirms. “For us, it’s really all about corporate lending.”

One reason for this focus is OP’s strong historical experience and the transparency corporate lending provides. “We’ve had positive results from the past, and being able to see position-level risks and other details is really only possible with corporate lending,” says Lehtola. Broader asset-backed lending, by contrast, does not fit OP’s approach. “It feels like a hot marketing theme at the moment,” he adds. “We’re not interested in financing consumer lending portfolios, auto loans, or student loans. Those simply aren’t areas we want to play in.”

When selecting the managers, OP tends to avoid the largest private credit funds but also prefers to avoid start-up funds. “We’re not particularly drawn to the mega-cap managers in the space, i.e. the \$10 billion-plus funds. We’re seeing more value in the mid-cap space,” notes Lehtola. Given their size, he also worries about whether these mega-cap managers can deploy capital effectively in every market environment. “On the other hand, we don’t want to take start-up risk by investing in very new or very small managers,” he emphasizes. “We try to find the sweet spot somewhere in between.”

In this middle ground, OP favours global platforms that are large enough to offer flexibility but not so large that they lose discipline. “We like these managers because they tend to be quite flexible in both strategy and platform, which allows them to navigate different markets and opportunity sets,” he explains. “That flexibility makes it possible to deploy capital effectively in any market environment.” OP may then complement these exposures with smaller managers who have well-established positions in their areas of expertise.

The OP team focuses on identifying strategies and teams with strong market positions, where competition isn’t solely based on price. “Then it’s about understanding the team, the quality of their leadership, their experience, track record, and how incentives are aligned,” explains Lehtola. He stresses the importance of seeing managers invest their own capital alongside investors to ensure alignment.

Lehtola pays close attention not only to a team’s experience but also to how they have handled investments that didn’t go as planned. “It’s important to see that they have the capability to navigate situations when things don’t go right,” he explains. “That ability to manage challenges effectively is quite crucial.”

Managing private equity-focused funds-of-funds also gives OP an additional perspective on the investment opportunities in sponsor-backed private credit funds. “When we meet with private equity sponsors, we try to find out which credit managers they are using to finance their portfolio companies,” Lehtola explains. “By looking at both sides, we gain valuable insight that helps strengthen our investment conviction.”

MARKET DYNAMICS AND THE RISE OF EVERGREEN MODELS

Looking at the environment in which private credit managers operate, Lehtola notes that conditions have become more challenging in the higher interest rate environment. “M&A volumes have been down, which has made capital deployment more difficult,” he explains. This is where a manager’s flexibility becomes crucial. “That’s why we look for mandates that are as flexible as possible,” he adds.

Strong returns in private credit have continued to attract capital, compressing spreads relative to public markets, particularly in the large-cap segment. “That’s a natural development as the asset class grows and takes market share from banks and public markets,” he explains. “From our perspective, however, this makes the large end of the sponsor-backed market less appealing, as there’s not as much spread premium left to capture.”

Lehtola also highlights the growing adoption of evergreen structures, which he views as a positive evolution. “The evergreen model is clearly taking market share,” he says. “The institutional evergreen structure, where liquidity is typically only available through maturities, often provides quick access to an already diversified portfolio.” While semi-liquid evergreen formats can be more questionable in certain cases, he sees potential if expectations are managed properly. “That model is emerging too, and it’s here to stay. If the sales process is handled properly and liquidity isn’t overpromised, I think it can work effectively as well.”

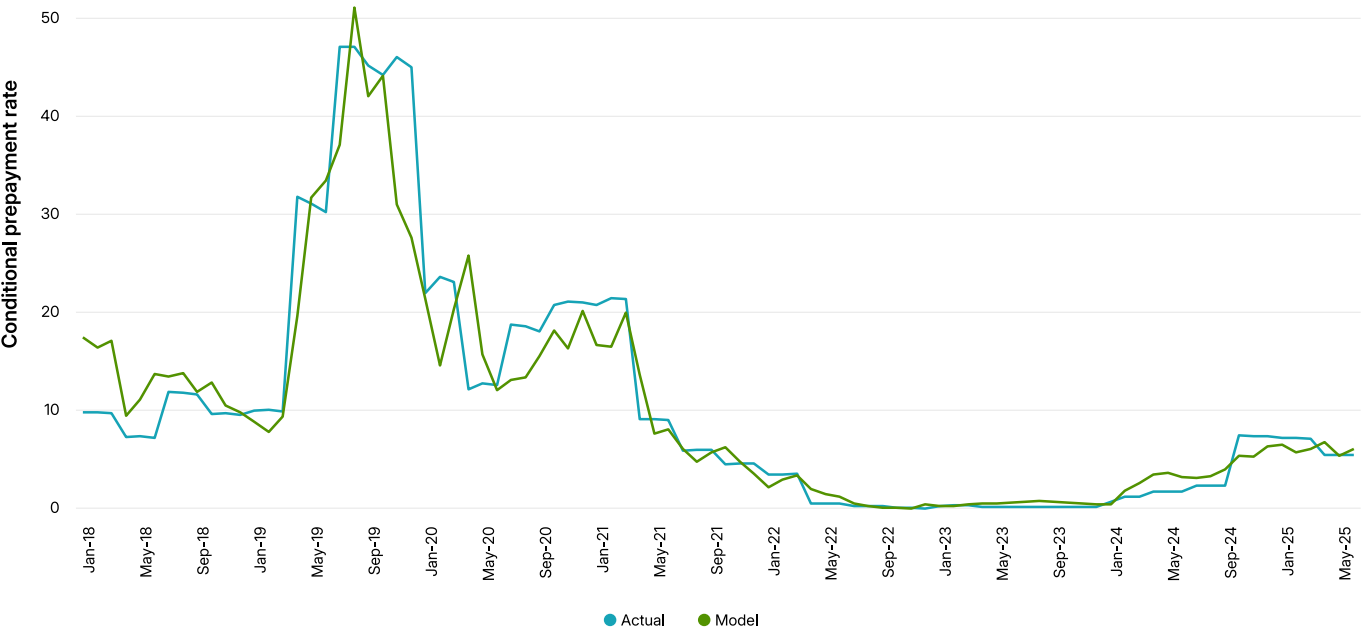


Danish Mortgage Market: Flexibility for Borrowers, Complexity for Investors

The global interest-rate rise since 2022 has suppressed mortgage-prepayment speeds across markets globally. Consequently, mortgage bonds' durations have extended drastically – what is commonly known as lock-in effect. The unique delivery option in Danish mortgages benefits borrowers and may add even more lock-in effect for investors, compared to U.S. mortgages. This creates unique duration-extension risk for Danish bonds, requiring extra attention for modeling and managing rate risk.

By Anant Bhatnagar, Yalin Zhang,
Yihai Yu, Yao Zhang – MSCI

DANISH MORTGAGE BONDS’ PREPAYMENT DROPPED TO NEAR 0 AMID RISING RATES, BUT IS HIGHER AGAIN



Fixed-rate callable bonds with times-to-maturity of more than 12 years. Source: Nasdaq, MSCI

One unique feature of the Danish mortgage market is the delivery option, which allows borrowers to buy back the bond from the market to cancel their mortgage. Under the scenario of a rates sell-off, homeowners may still want to sell their home for various reasons. This delivery option can conveniently enable borrowers to buy back their loans at the market price, instead of the traditional prepayment option at par. (A rates sell-off means these bonds will be traded at a discount.) Then, this financial benefit can be used to offset the higher borrowing cost for the mortgage of the new home.

In the U.S. housing market, many borrowers face a significant lock-in effect, which discourages them from selling their current homes and purchasing new ones, as doing so would require taking on a new mortgage at a much higher prevailing interest rate. This lock-in effect restricts housing mobility and slows broader economic activity. As U.S. policymakers and market participants work on solutions like making mortgages portable, Danish borrowers have long benefited from the flexibility of the delivery option, experiencing minimal lock-in effects.

Importantly, the delivery option doesn't directly reduce investor returns, unlike traditional prepayments. Instead, it introduces bond-repurchase demand, which

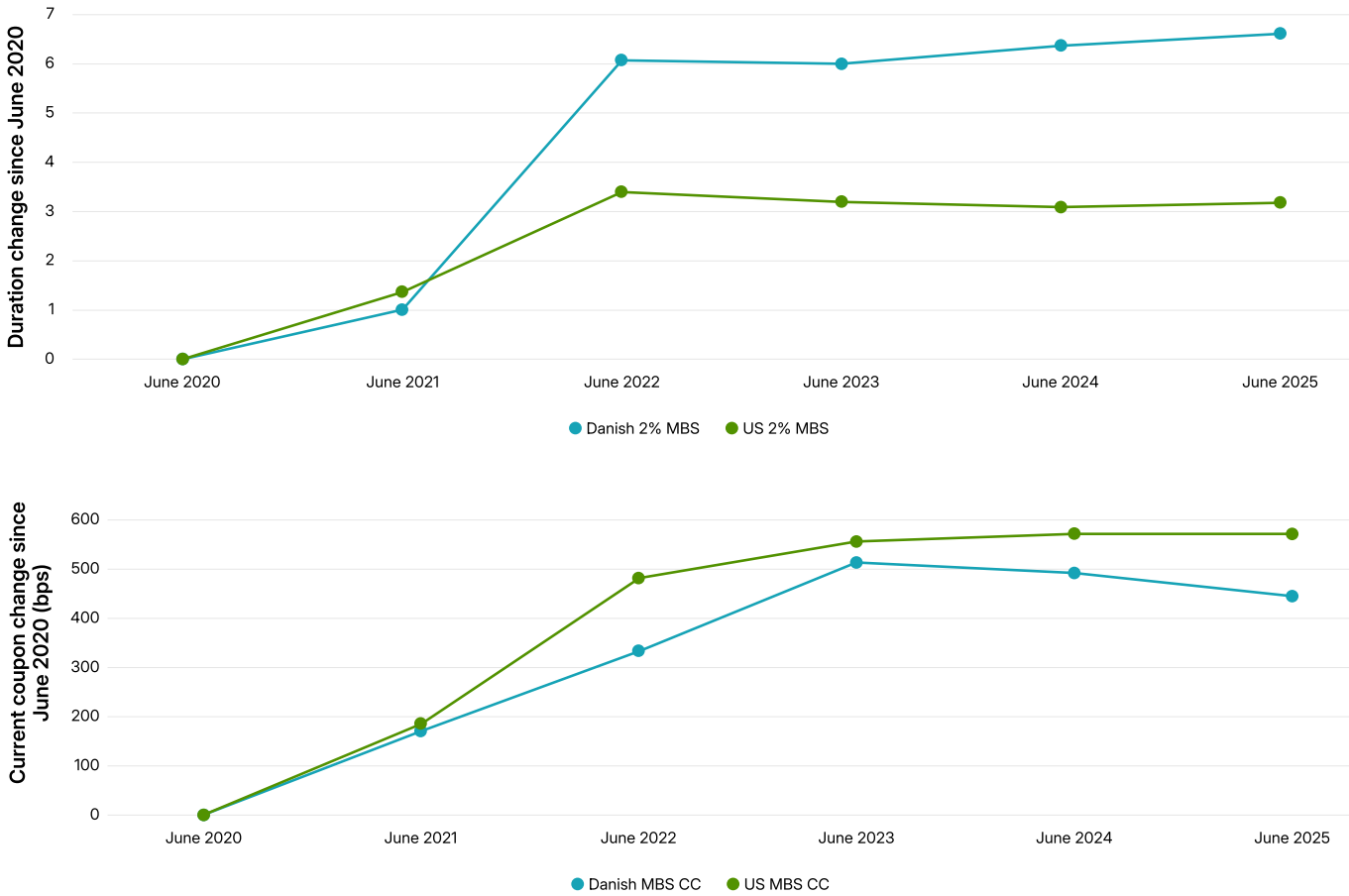
helps support the pricing of lower-coupon bonds.

As some Danish borrowers exercise the delivery option and move, those who remain in the bond pool tend to be longer-tenured homeowners. This self-selection dynamic resembles the refinance-burnout effect, where remaining borrowers are less likely to prepay. As a result, the effective duration of the bond can significantly extend.

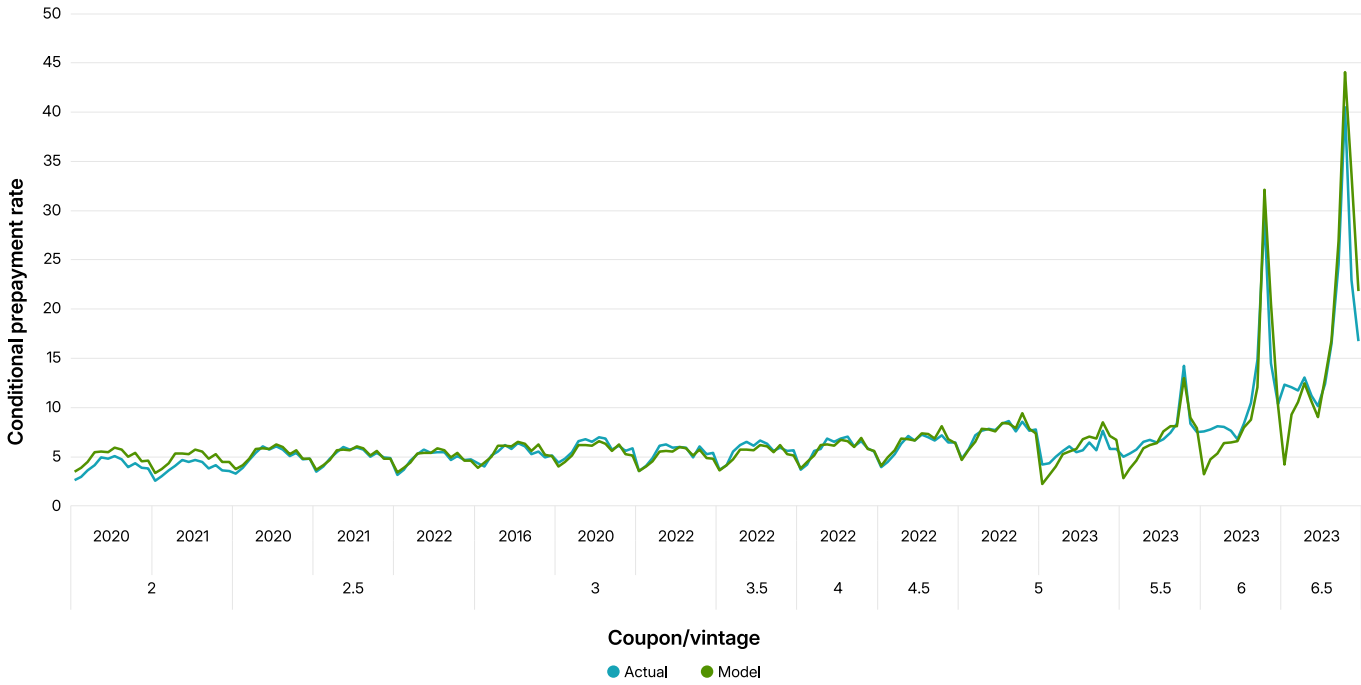
Historically, Danish mortgage bonds have exhibited greater duration extension compared to U.S. agency mortgage-backed securities (MBS). This observation aligns with actual prepayment behavior across the two markets. As illustrated in the chart below, U.S. mortgages continue to prepay at an average rate of approximately 4% conditional prepayment rate (CPR), even for deeply out-of-the-money coupons, whereas discount Danish mortgage bonds currently prepay at rates close to 0% CPR.

This stark contrast is further amplified by the more efficient refinancing mechanisms in the Danish system. Together, these factors contribute to a significantly more pronounced duration extension in Danish mortgage bonds, particularly during periods of rising interest rates.

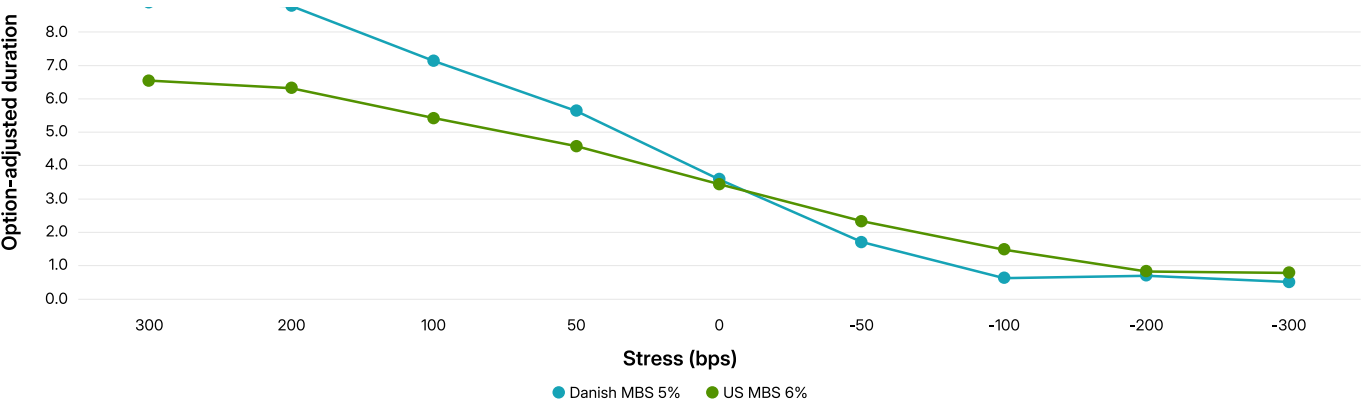
DANISH MORTGAGE BONDS’ DURATION EXTENDED MORE THAN THAT OF US MORTGAGE-BACKED SECURITIES, DUE TO DELIVERY OPTION



FANNIE MAE 30-YEAR SHOWS A PREPAYMENT FLOOR EVEN FOR DEEPLY OUT-OF-THE-MONEY COUPONS



DANISH MORTGAGE BONDS SHOW STEEPER DURATION PROFILE THAN US MORTGAGES



While nominal prepayment speeds for discount Danish mortgages are currently near 0, the delivery option continues to play a key role in sustaining the issuance of new Danish mortgage bonds at prevailing market rates. In addition, many borrowers have taken advantage of low bond prices by repurchasing their mortgages on the open market at deep discounts – effectively using this opportunity to build equity. For instance, a typical discount mortgage with a 2% coupon is now trading around DKK 85, meaning that exercising the delivery option immediately reduces the borrower's outstanding balance by approximately 15%.

These current-coupon Danish mortgage bonds are exposed to both extension and contraction risks. Using the MSCI suite of models for analyzing U.S. agency MBS and Danish mortgage bonds, we compare their

duration profiles. In line with historical prepayment trends, Danish bonds demonstrate the potential to extend significantly more than their U.S. counterparts during rising-rate environments, while also contracting more rapidly when rates decline. Portfolio managers therefore need to take a more active role in monitoring hedging effectiveness.

In summary, the Danish mortgage-finance system – characterized by its unique structure and high refinancing efficiency – has enabled homeowners to largely avoid the lock-in effect that constrains borrowers in other markets. These same features also present challenges for investors, however, particularly in managing portfolio duration risk and implementing effective hedging strategies.

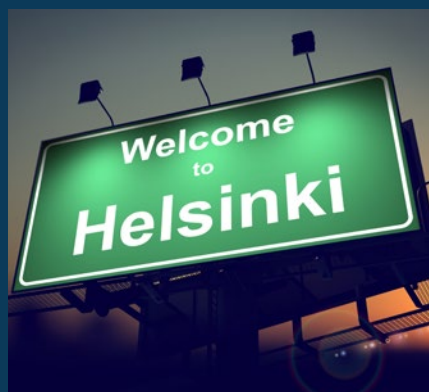
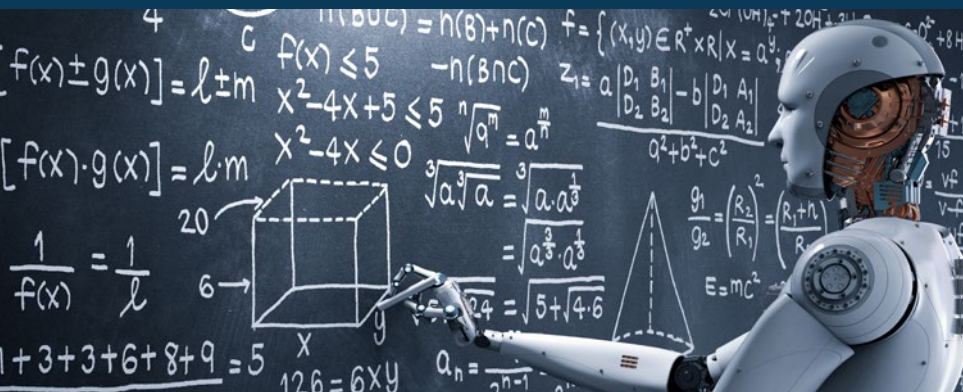


“Chance favors the prepared mind.”

Louis Pasteur



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