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NORDIC HEDGE FUND INDUSTRY REPORT 2025

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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...

Sweden's Hedge Fund Industry: Still a Nordic Powerhouse, But No Longer the Largest?

When strictly looking at the domicile of the management company, Sweden has been seen as home to Europe's second-largest hedge fund hub by assets under management, following the UK. The city of Stockholm, in particular, has historically served as the beating heart of hedge fund activity in the Nordic region, both in terms of AUM and concentration of managers. The city remains a bustling center for the industry, housing firms such as Lynx Asset Management – one of the Nordics' largest hedge fund managers, now celebrating its 25th anniversary – and Brummer & Partners, widely credited with laying the foundation for Sweden's hedge fund scene.

BUT, IS SWEDEN STILL HOME TO THE LARGEST HEDGE FUND INDUSTRY IN THE NORDIC REGION?

In terms of the number of active hedge funds, Sweden continues to lead, although Denmark and Norway are narrowing the gap. However, when it comes to assets under management, the picture is changing. HedgeNordic's data indicates that Denmark has just overtaken Sweden, with Danish hedge funds managing €15.27 billion as of March 2025 – just edging out Sweden's €15.26 billion. This growth has been driven by heavyweights: Nordea Asset Management, which oversees €6.3 billion across its multi-asset alpha and fixed-income hedge funds, Danske Bank Asset Management with €4.5 billion in fixed-income and quant-based strategies, and Asgard Asset Management managing €1.7 billion. As a result, Denmark may now lay claim to having the largest hedge fund industry among the Nordic countries.

Looking at the broader Nordic hedge fund sector, the industry has been growing steadily in terms of assets under management – a key barometer for overall health. Following one of its strongest performance years on record in 2024, the industry has continued to attract capital. As of the end of March 2025, Nordic hedge funds collectively oversee at least €35.4 billion in assets, up from €31.8 billion at the end of 2023. The true figure is likely higher, as this estimate does not fully account for certain firm mandates, missing data from funds, or newly launched hedge funds not yet included in the Nordic Hedge Index.

However, the Nordic hedge fund industry has the potential to manage significantly more capital. Take the Finnish pension insurance sector as an example: just five institutional investors collectively allocate €25.7 billion to hedge funds. Yet almost none of that money is invested in Nordic managers. This is partly due to a preference for more established firms with

large teams, long track records, and multi-strategy platforms. But that may be starting to shift. While some Nordic managers may grow to rival global hedge fund giants, some industry experts argue that Nordic hedge funds should instead focus on niche, specialized strategies to remain competitive. And there is strength in that approach: Svelland Global Trading Fund, for example, has become one of the fastest-growing and best-performing Nordic hedge funds in recent years by focusing exclusively on the commodities space. Rhenman & Partners is another such example that grew to a billion dollar fund focusing on its healthcare niche. And there are others, too.

This year's Nordic Hedge Fund Industry Report puts the spotlight on key developments and important participants in the Nordic hedge fund universe. Fittingly, the report opens with Lynx Asset Management, which is celebrating "A 25-Year Legacy of Innovation." CEO Martin Källström reflects on the strong foundation laid by founder Svante Bergström and his co-founders, while also looking ahead to the firm's future. The Lynx Program continues to be a pillar of the firm's future, but Källström points to new horizons in systematic strategies as the next chapter in Lynx's evolution.

Another prominent legacy in Sweden is the Nobel Foundation, established in 1900 to manage the finances and administration of the Nobel Prizes in accordance outlined by the final will of Alfred Nobel. Ulrika Bergman, CIO of the Nobel Foundation, discusses how the Foundation's hedge fund investments have evolved "Past Fixed Income Replacement" to become a cornerstone of the portfolio. In contrast, Serge Houles, CEO of Tidan Capital, outlines Tidan's ambition to evolve "From One-Strategy Firm to Multi-Strategy Powerhouse," detailing the firm's journey toward building a scalable platform grounded in a shared investment philosophy and institutional-grade infrastructure.

Few have a closer view of developments in the Nordic hedge fund industry than Jonathan Holm and Fredrik Beyer of SEB, who lead the bank's Prime Brokerage Services and Prime Finance Sales & Origination, respectively. In "SEB's Front-Row View on Trends Shaping the Nordic Hedge Fund Market," they emphasize that Nordic hedge fund managers can grow and gain relevance by capitalizing on their natural strengths and focusing on niche strategies. Norwegians, in particular, have long had a deep understanding of commodity markets. It's no surprise, then, that Svelland Capital – a commodity-focused asset manager behind one of the fastest-growing and best-performing Nordic hedge funds in recent years has its roots in Norway. Tor Svelland's approach to commodities is centered on "Mastering Supply and Demand."

Another area of specialized expertise in the Nordics is Danish covered bonds, which has led to the emergence of a group of Danish hedge funds focused on extracting alpha from this historically secure yet complex asset class. Klaus Goth and the team at Petersen & Partners Investment Management offer an in-depth look in "Inside PPIM's Quant-Backed Mortgage Bonds Strategy," highlighting what sets the firm apart from the rest.

Since assuming the role of Chief Investment Officer at Apoteket's Pension Fund in 2017, Gustav Karner has successfully steered the €1.22 billion fund to become one of Sweden's top-performing pension funds. Karner shares "Apoteket Pension Fund's Winning Formula," where hedge funds act as the cornerstone in the portfolio. Across the border in Finland, the earnings-related pension system is undergoing significant reforms. Kari Vatanen, Head of Asset Allocation and Alternatives at Elo, explores the evolving regulatory landscape and addresses "Where Do Hedge Funds Fit?" as Finland's pension system shifts towards a higher allocation to equity risk.

Speaking of equities, tech-focused fund manager Inge Heydorn seeks to uncover compelling opportunities by identifying powerful investment themes within the tech sector in his pursuit of "Riding Tech Trends in Long-Only and Market-Neutral Settings."

While hedge funds receiving capital through the DMA structure are gaining traction in the Nordics, this model has long been a preferred choice for Caisse de Dépôt et Placement du Québec (CDPQ), Canada's second-largest pension fund and a prominent global investor. Mario Therrien, Head of Investment Funds and External Management at CDPQ, shares insights on "The Growing Appeal of Dedicated Managed Accounts," with François Rivard, CEO of Innocap, explaining the advantages of DMAs and the platforms through which CDPQ manages its hedge fund exposure.

The Nordic asset management industry is witnessing an accelerating wave of consolidation, particularly among boutique firms, including those with roots in the hedge fund space. In "Nordic Fund Boutiques Building Strength Through Consolidation," we explore recent deals such as the merger of Industry Capital Partners (ICP) and Norron Asset Management, the combination of Indecap AB and PriorNilsson Fonder, and the acquisition of Borea Asset Management AS by a consortium of independent banks. Fredrik Langenskiöld, Senior Investment Specialist for Alternative Investment Solutions (AIS) at UBP, then shares his insights on "Liquid Alternatives: A New Frontier for Hedge Fund Strategies." The publication concludes with an assessment of the health of the Nordic hedge fund industry, examining trends in fund launches and closures.

Kamran Ghalitschi
PUBLISHER, HEDGENORDIC

Martin Källström, CEO at Lynx Asset Management

Lynx Asset Management: A 25-Year Legacy of Innovation

By Eugeniu Guzun – HedgeNordic

Founded in 1999, Lynx Asset Management has not only navigated but actively attempted to safeguard investor portfolios through every major market crisis in recent memory. Now celebrating 25 years managing client capital, the firm has grown into one of the largest hedge funds in the Nordics and earned its place among the world's leading trend-following managers. With Martin Källström succeeding founder Svante Bergström as CEO, the firm continues to strengthen its edge, refining its core strategy while expanding into new, complementary systematic approaches. Källström credits the firm's longevity to the solid foundation laid by its founders and a culture of continually pursuing innovation.

"I've worked closely with Svante for nearly seven years, and over that time, I've come to know Lynx very well," says Källström, reflecting on his journey with the firm. "I have seen the key factors behind our success, and I have also identified areas where we

> "We never make radical changes to what we do. Instead, we're committed to constant improvement through small, deliberate steps. It's a continuous process of refinement."

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> “The objective has been to generate returns that are ‘trend-following’ at core, while also building complementary return streams, without sacrificing the attractive return pattern our investors seek.”

can continue to improve.” One principle, however, remains central to Lynx’s philosophy: change should be incremental, not radical. “We never make radical changes to what we do. Instead, we’re committed to constant improvement through small, deliberate steps. It’s a continuous process of refinement.”

BUILDING ON A STRONG FOUNDATION

Lynx Asset Management’s ability to grow and innovate is rooted in the strong foundation laid by Svante Bergström and his fellow co-founders. The firm’s continuity, performance, and evolution over 25 years, says Källström, “comes down to leadership – creating an environment where people thrive and innovate together.” Bergström, along with the other two founders, gave the firm and its employees a clear direction and a great starting point. “The culture at Lynx is incredibly strong,” Källström adds. “When people are happy, they stay – and that stability allows us to keep building on the same group of talented individuals over time.”

As the largest hedge fund manager in Sweden, Lynx Asset Management occupies what Källström describes as “a bit of a unique position,” having the ability to attract top talent from a relatively small but highly skilled local talent pool. “Sweden has a strong tradition in engineering and data science education, and that’s been a real advantage for us,” he says. “The Swedish education system has served Lynx well. We’ve often been in the position to pick from the best graduates and have been able to develop that talent internally for years.”

THE EVOLUTION OF THE LYNX PROGRAM

With approximately US $6 billion under management, the Lynx Program is the cornerstone of Lynx Asset Management and a key player in the global trend-following universe. From the outset, the ambition has been clear: to build “the best CTA program in the world.” While traditional trend-following strategies are often seen primarily as tools for portfolio protection during equity market downturns, the Lynx Program aims higher. “Our dual goal is to deliver strong risk-adjusted returns while also providing attractive portfolio protection properties for equity portfolios,” says Källström. This objective is supported by the program’s long-standing “trend-plus” approach, which has been in place since its launch in May 2000.

“The objective has been to generate returns that are ‘trend-following’ at core, while also building complementary return streams, without sacrificing the attractive return pattern our investors seek,” reiterates Källström. Since its launch, the Lynx Program has delivered a cumulative return of 762 percent, or 9.1 percent annualized, compared to 321 percent for the MSCI World and 297 percent for the SG Trend Index. In addition to delivering equity-like returns while maintaining a negative 0.13 correlation with the MSCI World, the program also posted strong performance during major financial crises – 2000-2003, 2008, 2014, and 2022.

This track record can be credited to the ongoing evolution of the Lynx Program. If the firm had continued relying on legacy models, performance would have been almost half of what has been achieved over the past decade. “The shift toward advanced multivariate trend-following models, which began in 2008, has been a critical factor in our success, and one of the main reasons we’ve consistently generated attractive risk-adjusted returns compared to the industry,” explains Källström. “Initially, it was about combining univariate, fairly simplistic trend-following strategies with other models that provided diversification, often with a contrarian approach,” he continues. “Today, many managers run similar strategies, and while they still generate returns, many fall far short of the performance we’re achieving with our current program.”

“If we stop improving, the success we’ve seen will likely come to a halt,” reflects Källström. “Looking back on the past 25 years only strengthens our resolve to continue evolving, focusing on research and operational enhancements. That’s what drives us to keep investing in research.” Källström still sees many opportunities for the Lynx Program to evolve going forward, such as making use of new data sources, incorporating shorter, higher-frequency data, leveraging advanced adaptive models, and expanding its investment universe. “At its core, the Lynx Program is all about trend-following, and we’re continuously refining our approach. From there, we attempt to generate alpha by integrating more sophisticated techniques with short-term strategies, machine learning, alternative data, and macro concepts.”

BEYOND THE LYNX PROGRAM: NEW HORIZONS FOR SYSTEMATIC STRATEGIES

While the Lynx Program remains the cornerstone of Lynx Asset Management, the Stockholm-based team, now with over 110 employees, is pursuing its long-term vision of becoming the world’s leading systematic manager with a handful of differentiated systematic strategies. Lynx Constellation, which leverages machine learning models, some of which are trained on trend filters forecasting the same markets as the Lynx Program, and Lynx Systematic Macro, have both been up-and-running for several years and delivering returns for investors. Another project in the works is the development of systematic equity strategies. “Currently, we’re managing three distinct hedge fund or alpha strategies, with equities representing the final pillar,” says Källström. “Over time, these strategies will offer a differentiated set of options for our investors, enabling us to channel even more resources into research and innovation.”

“All of these initiatives ultimately benefit the Lynx Program, which remains our central focus,” Källström concludes. However, the benefits extend beyond just the Lynx Program. “All of our strategies – whether it’s Lynx Constellation or Lynx Systematic Macro – are powered by the same ongoing research which we apply in different ways. The key is that it’s not separate teams working on each program; it’s one unified team driving everything forward.”

Lynx’s ambition is to expand its scope over time while maintaining a sharp focus on its core strengths. By fostering close collaboration and cultivating strong, long-term relationships with clients, Lynx continues to innovate and offer more tailored solutions and differentiated return streams in a systematic manner. “We’ve learned that building these sophisticated client relationships requires clear communication about our goals as a firm,” says Källström. With Källström at the helm as CEO, Lynx Asset Management’s future vision is clear: to become a world leader in systematic strategies.

Disclaimer: Investing in funds is associated with risk. Past performance is no guarantee of future return. The value of the capital invested in the fund may increase or decrease and investors cannot be certain of recovering all of their invested capital.

Nobel Foundation's Hedge Funds:

Evolving Past Fixed Income Replacement

By Eugeniu Guzun – HedgeNordic

"Hedge funds have delivered stable returns, delivering higher returns than we would expect from fixed income. That's why we kept the hedge fund allocation unchanged."

As Chief Investment Officer of the Nobel Foundation, Ulrika Bergman is responsible for overseeing the foundation's investment strategy to ensure the long-term financial sustainability of the Nobel Prizes. Throughout much of her tenure at the Nobel Foundation, Bergman navigated a low-interest-rate environment, directing a portion of the portfolio toward hedge funds as an alternative to fixed-income investments. Despite rising interest rates enhancing the appeal of fixed-income investments, Bergman has largely maintained the hedge fund allocation unchanged, driven by its strong performance.

FROM FIXED INCOME REPLACEMENT TO CORE STRATEGIC ALLOCATION

To offset the low yields of traditional fixed-income assets, the Nobel Foundation has maintained a hedge fund allocation that has at times exceeded 30

Ulrika Bergman, CIO at the Nobel Foundation

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percent, more recently stabilizing around 25 percent. "Our 25 percent allocation to alternatives essentially comprises hedge funds, serving as replacements for fixed income with a risk-return profile between fixed income and equity risk," Bergman told HedgeNordic in 2023. The rise in interest rates in recent years has made fixed income more attractive, leading the Nobel Foundation to consider reallocating part of its hedge fund portfolio to fixed income.

"I initially thought we would increase our fixed income allocation, but after conducting a strategic review about a year or two ago, we decided to maintain the hedge fund allocation at 25 percent," Bergman tells HedgeNordic. "The reasoning was that hedge funds have delivered stable returns, delivering higher returns than we would expect from fixed income," she explains. "That's why we kept the hedge fund allocation unchanged."

THE NOBEL FOUNDATION'S LONG-TERM OBJECTIVES

The objective of the Nobel Foundation's investment activities is to generate a sufficient long-term return in a responsible manner, ensuring the financial sustainability of the Nobel Prize and preserving the independence of the Prize Committees in selecting laureates. Specifically, the Foundation aims to deliver an inflation-adjusted return of at least 3 percent annually. The hedge fund allocation has been a key contributor to achieving the dual objective of delivering an inflation-adjusted return of at least 3 percent, while also maintaining a well-balanced approach to overall financial risk management.

Bergman and the foundation's investment committee regard hedge funds as "a stable source of returns, offering valuable diversification properties that can help mitigate risks in a risk-off environment, particularly if equity markets face challenges." She underscores that the Nobel Foundation's investment strategy is inherently long-term – or better said, infinite – and, given the small team overseeing the portfolio, there are limited resources allowing them to respond to the constantly shifting market conditions. As a result, Bergman sees hedge funds as better suited to "make changes and adapt to the current market environment," enabling the foundation to "outsource those very short-term tactical changes" to this segment of the portfolio.

> "We outsource the decision of how to allocate between different hedge fund strategies to the multi-strategy funds. Given their expertise, this approach works very well for us."

THE BENEFITS OF MULTI-STRATEGY FOR SMALLER INVESTORS

With the Nobel Foundation overseeing a relatively smaller portfolio of €544 million, compared to multi-billion-dollar institutional portfolios, Bergman and the investment committee have determined that investing in a select few diversified multi-strategy hedge funds is the most optimal approach. "We don't have many hedge funds in the portfolio, given our smaller asset base, so most of them are multi-strategy," says Bergman. "We are a small team with very limited resources," she notes, explaining the preference for established, large multi-strategy hedge fund platforms. Bergman also notes that when choosing hedge funds, it's important to consider the type of organization and its specific strengths and limitations. "You have to consider what type of organization you are, what advantages and disadvantages you have, and how that shapes your hedge fund strategy," she says.

Bergman explains that while allocating to more niche strategies within hedge funds is not inherently wrong, it would require a much larger team on the Nobel Foundation's side. "I'm not saying it's wrong to allocate to more niche strategies within hedge funds, but doing so would require a much larger team on our end," she emphasizes. "Instead, we outsource the decision of how to allocate between different hedge fund strategies to the multi-strategy funds. Given their expertise, this approach works very well for us." She highlights further advantages of investing in multi-strategy funds, noting, "it's less stressful to invest in multi-strategy funds, since the manager is handling the allocation and risk framework of the underlying strategies. This means that we don't need to spend time on the underlying noise."

Bergman observes that multi-strategy funds are becoming increasingly popular among investors. She also notes a trend of larger firms growing even bigger, driven by a "war for talent" where the biggest players have the capacity and resources to attract top talent, acquire more data, and invest in the best tools. "It seems like this trend will continue," she says. "In some ways, I'm a bit surprised, but with the rise of AI and other advancements, it still feels like people are crucial for trading. AI technology hasn't fully replaced human expertise in this space."

The Nobel Foundation's hedge fund portfolio delivered a 13 percent return in U.S. dollars in 2024, positioning it among the top hedge fund portfolios of institutional investors in the Nordics. According to Bergman, the portfolio has provided "very stable returns over the years, with relatively low volatility." She explains that, especially during periods of stress in equity markets, the hedge fund allocation has generally supported performance, offering valuable diversification. "While it hasn't always helped immediately in a liquidity crunch, it has definitely contributed to diversification, and that's the main benefit," she emphasizes.

UNIQUE ACCESS AND LONG-TERM RELATIONSHIPS

While the Nobel Foundation may be considered a relatively small player in the institutional investment world, its name and mission provide unique opportunities to access hedge funds that might be unavailable to other investors. "I believe it's easier for us to invest in certain hedge funds that could be closed off to others. We definitely benefit from our name," Bergman acknowledges. She adds that many hedge funds also find value in having the Nobel Foundation as an investor, as it can serve as a motivational tool for their personnel, emphasizing that the returns generated support a noble cause. "I've had conversations with several hedge funds where they've mentioned how having us as investors is a point of pride for their teams," she notes.

However, Bergman also believes that long-term institutional investors, even those without the Nobel Foundation's recognition, can gain access to exclusive funds by maintaining a consistent, long-term approach and fostering strong relationships. "If you're a long-term investor, even without the Nobel Foundation's name, showing that you're committed and maintaining good relationships can still help you gain access to some of the more closed-off funds," she concludes.

Tidan's Ambition: From One-Strategy Firm to Multi-Strategy Powerhouse

By Eugeniu Guzun – HedgeNordic

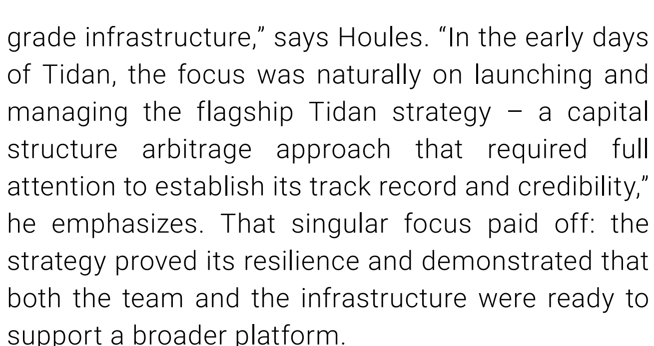
> "Tidan was never intended to be a one-strategy firm. From the outset, the co-founders — alumni of Brummer & Partners — had a clear and ambitious vision: to build a scalable, multi-strategy platform grounded in a shared philosophy and institutional-grade infrastructure."

As Brummer & Partners alumni, Michael Falken and William Wilson assembled a team to launch a capital structure relative value strategy under the umbrella of Tidan Capital. All energy, effort, and resources were poured into building Tidan – a commitment that began to bear significant fruit in 2024, when the strategy delivered a 34 percent return. Yet Tidan was never intended to remain a one-strategy boutique.

Under the helm of Serge Houles as CEO, the boutique has undergone a transformation into a multi-strategy, all-alpha platform. While its structure may resemble global multi-manager models such as Millennium – or Brummer & Partners, a long-standing Nordic player – Tidan's approach is rooted in its own DNA, defined by innovation, investor alignment, and a distinctly Nordic perspective.

"Tidan was never intended to be a one-strategy firm. From the outset, the co-founders — alumni of Brummer & Partners — had a clear and ambitious vision: to build a scalable, multi-strategy platform grounded in a shared philosophy and institutional-grade infrastructure," says Houles. "In the early days of Tidan, the focus was naturally on launching and managing the flagship Tidan strategy – a capital structure arbitrage approach that required full attention to establish its track record and credibility," he emphasizes. That singular focus paid off: the strategy proved its resilience and demonstrated that both the team and the infrastructure were ready to support a broader platform.

Serge Houles, CEO at Tidan Capital



With Houles formally stepping into the CEO role in 2024 – after initially supporting the firm's business development efforts for several months – his mandate was clear: "to take that foundation and scale it – thoughtfully." Tidan Capital has evolved from a one-strategy boutique into a fully-fledged multi-strategy platform. "That meant not just adding new strategies," Houles underscores, "but ensuring that each new strategy brought something distinct and aligned with our core principles: innovation, diversification, and a disciplined, market-neutral approach to alpha generation."

The hedge fund universe is home to a wide range of strategies, many of which could be replicated with enough talent and capital. But Tidan Capital set out to build something different – not just another multi-strategy platform, but one with a clear identity and differentiation. The firm's name itself – drawn from the Tidan river in Sweden, one of the few rivers that flows north when most flow south – speaks to this contrarian mindset. "That contrarian spirit is embedded in how we think about platform building," reflects Houles. "We're not chasing the crowd or scaling for scale's sake – we're building a firm that's nimble, thoughtful, and aligned with long-term investor outcomes," he continues. "The result is a platform that retains the DNA of our original vision, but with broader reach and a more complete offering for our investors."

ONBOARDING TALENT

The Nordic hedge fund industry – particularly the vibrant hub in Stockholm – has long been a breeding ground for investment talent. Leveraging Houles' extensive network, built during his time at one of

the world's largest systematic macro managers, alongside Falken's deep ties within the Brummer & Partners ecosystem, Tidan Capital set out to attract talent from both Stockholm's rich pool and beyond. "At Tidan, we're not just looking for talent in the conventional sense — we're looking for people who bring a distinctive edge and a mindset that fits our collaborative, multi-strategy platform," remarks Houles. "Each strategy is rooted in a process that reflects the portfolio manager's experience and perspective, and we want to preserve that uniqueness."

At the same time, the firm places a premium on openness, looking for individuals who value the exchange of ideas and see the strength in being part of a team where diverse approaches not only coexist but also enhance one another. The real challenge in managing a multi-team, multi-strategy platform, observes Houles, lies in striking the right balance – "giving each strategy room to breathe while keeping the platform cohesive." He underscores that he has been "very intentional about building the right operating model – one that respects the autonomy of each team, while holding everyone to the same high standards of transparency, risk discipline, and alignment with investor outcomes."

PRESERVING THE UNIQUENESS OF EACH STRATEGY

One of the core design principles behind Tidan Capital's platform is preserving the distinct identity of each individual strategy. "Our strategies are inherently different – not just in terms of the markets and instruments they trade, but in the way they're run," observes Houles. Three are discretionary, one is systematic; they span varying time horizons and are grounded in investment processes that each portfolio manager has refined over decades. "That diversity is a strength," he adds, "but managing it requires intention."

As CEO of Tidan Capital, part of Houles' mandate is to strike the delicate balance between maintaining each strategy's distinctiveness and cultivating a collaborative environment where teams can draw on one another's insights. "We've worked hard to build a platform where cross-fertilization happens naturally – where insights from fundamental credit and equity investing help frame questions in the volatility strategy

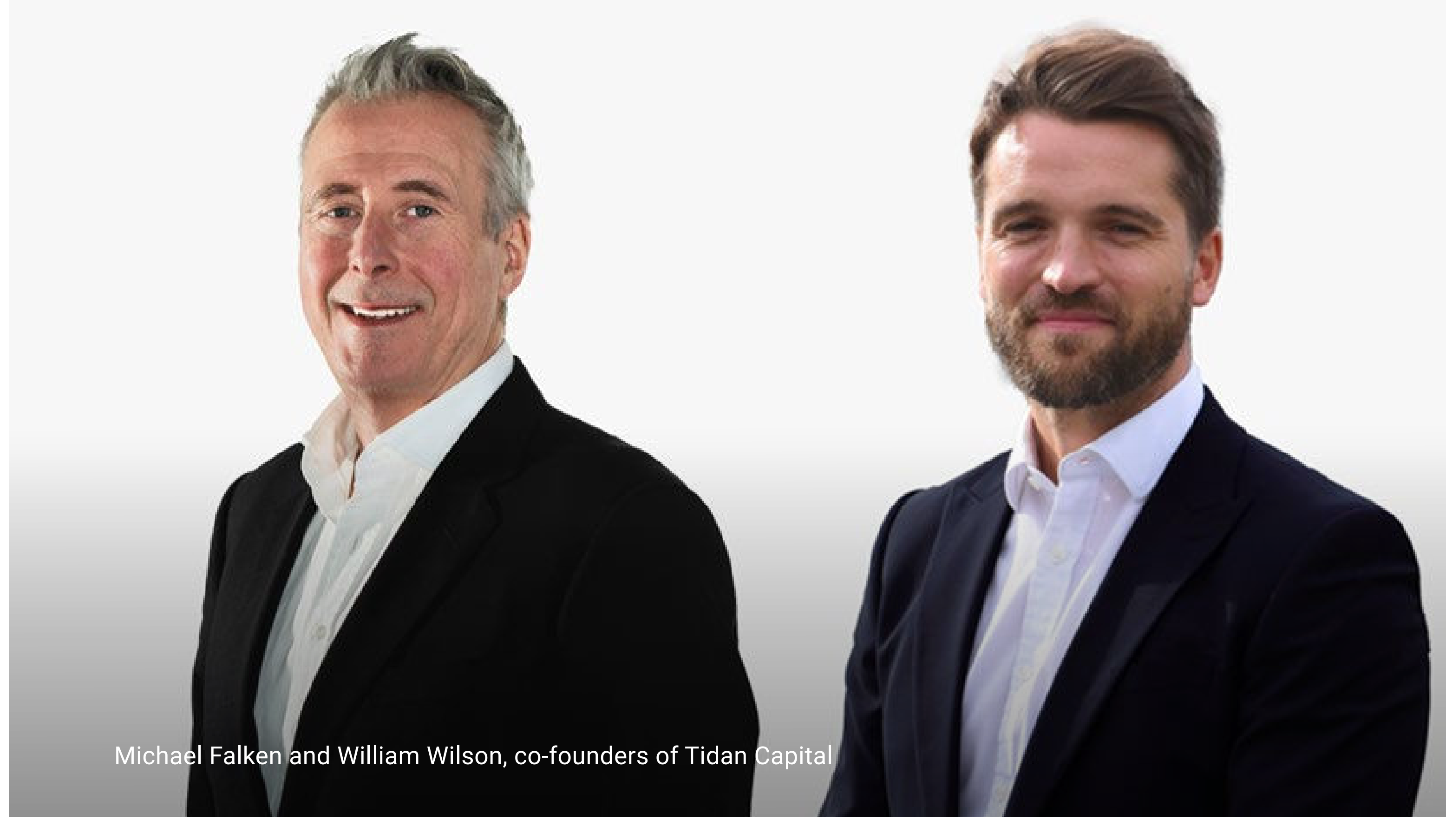
> "We're not chasing the crowd or scaling for scale's sake – we're building a firm that's nimble, thoughtful, and aligned with long-term investor outcomes."

or explaining short term investor behavior that can be modeled by the systematic team," says Houles. "That interaction makes the platform more resilient and more intelligent – it's a 1 + 1 = 3 dynamic."

Ultimately, this integration is designed to benefit the end-investor, underscores Houles. "They're not just accessing isolated alpha streams," he points out. "They're getting the outcome of a platform that learns, evolves, and creates value across strategies through shared insight and aligned execution." And the results speak for themselves: all four strategies are virtually uncorrelated. "Even when you isolate days when one strategy has negative returns, the other three tend to remain either uncorrelated or only slightly negatively correlated."

TAILORING SOLUTIONS FOR CLIENTS

Houles further emphasizes that a multi-strategy platform like Tidan "allows us to speak in solutions, not just products." In addition to offering access to distinct, standalone strategies, "we can combine them into a multi-strategy solution or structure SMAs tailored to specific client objectives," he explains.



Michael Falken and William Wilson, co-founders of Tidan Capital

Tidan Capital's portable alpha strategy, for instance – which overlays its volatility arbitrage engine on top of MSCI World exposure – was developed in direct response to a client's specific request. "Having multiple capabilities under one roof, all built on a shared philosophy and infrastructure, gives us the flexibility to adapt and innovate in step with our clients," says Houles.

"The ability to tailor exposures is one of the most appreciated aspects of our platform," remarks Houles, particularly among institutional investors seeking greater control over how they allocate risk and capital. "Because our strategies differ in style, asset class, and return profile, we can offer modular building blocks that align with a broad range of investment objectives – whether it's diversifying equity exposure, reducing portfolio volatility, or targeting a specific return stream."

LOOKING TO THE FUTURE

Looking ahead, Tidan Capital remains actively focused on sourcing new talent, fresh ideas, and differentiated return streams for its investors. "We're always exploring new ideas, but we're not in the business of expanding for the sake of it," Houles clarifies. Every new strategy or initiative must align both strategically and culturally. "The bar is high — because we know that the strength of the platform lies in the quality of its parts and the cohesion between them." The team continues to see attractive areas for growth, particularly where structural inefficiencies remain, such as in segments of the credit markets, or additional models or strategies within the quantitative offering, or by expanding the asset class universe in the volatility and options arbitrage program.

"But any expansion will always be selective and anchored in the same core principles: transparency, investor alignment, and a collaborative investment culture," concludes Houles. "We don't just want to be known for strong performance, we want to be recognized for how we operate: with integrity, alignment, and a long-term perspective," he adds. "If we can keep attracting exceptional talent who share that mission, and stay close to clients who value it, we'll be exactly where we want to be."

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Jonathan Holm, Head of Prime Brokerage Services at SEB

Fredrik Beyer, Head of Prime Finance Sales & Origination at SEB

SEB's Front-Row View on Trends Shaping the Nordic Hedge Fund Market

By Eugeniu Guzun – HedgeNordic

Like any other financial ecosystem, the Nordic hedge fund industry comprises a wide range of stakeholders – from fund managers and their investors to service providers. Each of these players may view the current state and trajectory of the industry through a different lens. However, few have a more close-up view of developments than Jonathan Holm and Fredrik Beyer of SEB, who head the bank's Prime Brokerage Services and Prime Finance Sales & Origination, respectively. Interacting with Nordic hedge and international fund managers on a near-daily basis, they are well-positioned to observe emerging trends, structural changes, and the evolving needs of managers and allocators alike.

THE ROOTS

"The core of what we do at SEB dates back to the late '80s or early '90s," says Fredrik Beyer. "Brummer's success with its hedge fund strategies played a pioneering role in developing the hedge fund industry here." Initially, SEB provided basic services such as stock lending, but as the hedge fund ecosystem

> "We're seeing more successful launches coming out of Norway. Norwegian managers often carve out a niche or find a specific angle that makes them more marketable and differentiated."
>
> Jonathan Holm

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matured, so did SEB's capabilities. "We evolved from simple stock loans to more tailored financing transactions, and today we act as the prime broker for most of the Nordic equity-based hedge funds."

While SEB's prime brokerage offering spans multiple asset classes, the core focus remains on equity strategies, particularly long/short equity. On a day-to-day basis, Beyer and his team facilitate short exposure for clients either through traditional stock lending or synthetic structures. "SEB provides leverage to clients through stock loans, cash lending against equity collateral or synthetically through equity swap," he explains

Beyer focuses on pre-trade activities, including pricing and structuring, while Jonathan Holm's team handles post-trade operations. "We're responsible for the delivery of the exposure – whether through stock loans or derivatives like swaps – and activities related to custody, collateral, and financing," explains Holm. "We also provide a whole other set of services that essentially help manager be efficient with their trading." Both Beyer and Holm sit within SEB's equities organization and are in close contact with managers, both across the region, as well as internationally, getting valuable insight into the evolving Nordic hedge fund universe.

THE EVOLUTION OF THE INDUSTRY

Fredrik Beyer credits Brummer & Partners with laying the foundations of the Nordic hedge fund industry. "Brummer's early success helped position the Nordics, particularly Sweden, as a breeding ground for alternative investment managers," says Beyer. "We were punching above our weight in terms of the number and quality of hedge funds emerging from the region," he adds. "There was a wave of startups – some succeeded, others didn't, as is the case in any evolving market – but that initial momentum really set the tone for the development of the industry here."

Over the past two decades, Beyer has observed a marked evolution in the Nordic hedge fund industry, noting its significant maturation and institutionalization. "Twenty years ago, you could launch a hedge fund with SEK 100 million and a Bloomberg terminal," he says. "If you were a skilled trader or analyst, you had a real shot at building a successful franchise." Today, the path to success looks quite different. "The industry has become more institutionalized. What used to be a dynamic, entrepreneurial space now operates more like any other institutional business."

One consequence of this shift has been an increase in the regulatory burden and operational complexity. "Compliance, legal, and risk management requirements have raised the barriers to entry for new entrants," notes Beyer. "That has reduced the number of startups, not just in Sweden, but globally." Beyer points to the growing difficulty of building a successful hedge fund and scaling it into an institutional business. "It has become increasingly challenging worldwide to start and grow a hedge fund," he says. "At the same time, the war for talent is intensifying, with large firms aggressively recruiting top performers – whether they're coming from banks or rival hedge funds – by offering highly competitive terms."

NORWAY STEPS INTO THE SPOTLIGHT

While Sweden has long been the epicenter of the Nordic hedge fund world, Holm sees a growing level of activity and innovation in Norway. "We're seeing more successful launches coming out of Norway," he observes. One potential reason is a tendency toward specialization among Norwegian managers. "It's tough to launch a generalist long/short equity fund and stand out. Norwegian managers often carve out a niche or find a specific angle that makes them more marketable and differentiated," says Holm.

THE RISE OF MANAGED ACCOUNTS

Another trend gaining traction in the Nordics – albeit more slowly than in the U.S. and U.K. – is the use of separately managed accounts (SMAs). "Many institutional investors are increasingly exploring and using managed account structures," says Holm. "It's important for the Nordic hedge fund community to be open to that kind of solution."

> "In the U.S., a new manager might aspire to become the next Citadel. But here, success is more likely to come from carving out a niche."
>
> Fredrik Beyer

Beyer notes that while hedge fund startups in London may still raise capital for their commingled funds, many also receive substantial allocations through managed accounts – sometimes as high as $100 million – from both institutional investors and some of the largest hedge funds in the world. "These firms are constantly looking for ways to deploy capital, and managed accounts are a big part of that."

Historically, managers were reluctant to accept managed accounts due to operational complexity and the difficulty of splitting trades, among other things. "But today, it's not that complicated. Operational hurdles have come down, and most managers can handle the infrastructure," says Beyer. That has lowered the barrier to entry for SMAs and opened up new fundraising avenues. "I also think many institutional investors increasingly see the advantages of investing through managed accounts," notes Beyer.

Holm underscores the importance of adapting to investor demands. "If the issue is attracting capital, then managers need to listen to what investors are asking for and SMAs are one answer," says Holm. "It's likely to become a more prominent model here, and it's key to sustaining a growing hedge fund community in the Nordics."

GOING NICHE: THE NORDIC EDGE

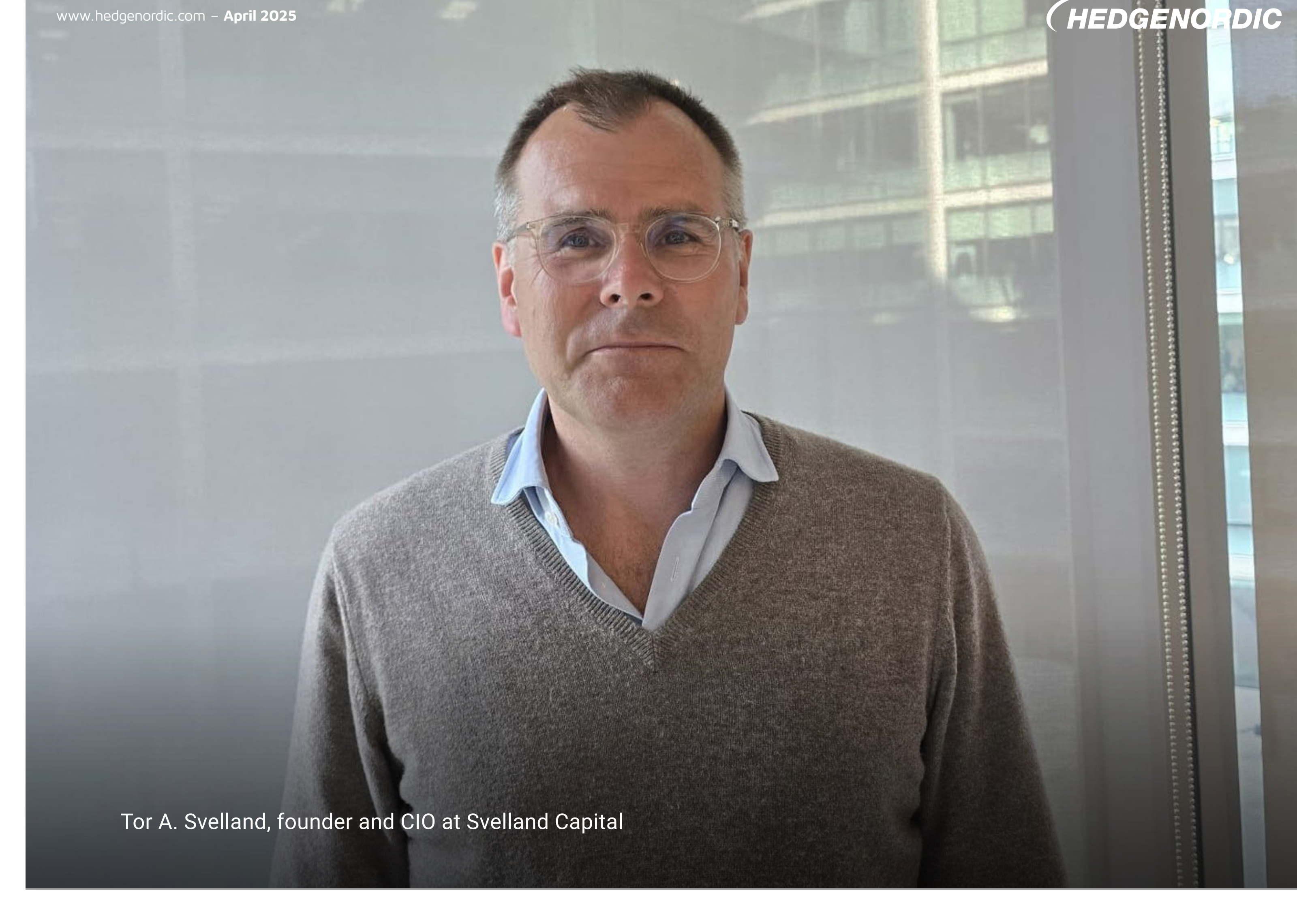
With global hedge fund giants becoming increasingly dominant – with deeper resources, talent pools, and global scale – Nordic managers may need to lean into their natural strengths. "In the U.S., a new manager might aspire to become the next Tier 1 hedge fund. But here, success is more likely to come from carving out a niche," says Beyer. "Whether it's Nordic small- and mid-cap equities, energy, or another specialized area, the managers that have done well here tend to focus narrowly and execute extremely well."

"That's more in line with the Nordic mindset, we're not out to conquer the world in the same way. Instead, it's about demonstrating real expertise in a specific area," concludes Beyer. "If you can do that successfully, you can become a compelling, complementary component in investors' portfolios."

www.hedgenordic.com – April 2025 HEDGENORDIC

Mastering Supply and Demand: Svelland's Approach to Commodities

By Eugeniu Guzun – HedgeNordic



Tor A. Svelland, founder and CIO at Svelland Capital

"To understand developments in the commodity markets, the freight market, and commodity-related equities, you need to understand the underlying supply and demand dynamics and their direction."

Norwegians have long demonstrated a deep understanding of commodity markets, with national wealth rooted in natural resources such as oil, gas, hydropower, and seafood. This cultivated a keen awareness of global supply and demand dynamics, price cycles, and the geopolitical forces shaping commodity markets. It's no surprise, then, that Svelland Capital – the commodity-focused asset manager behind one of the best-performing and fastest-growing Nordic hedge funds in recent years, the Svelland Global Trading Fund – traces its roots to Norway. The key to the firm's success? A profound understanding of supply and demand dynamics.

"To understand developments in the commodity markets, the freight market, and commodity-related equities, you need to understand the underlying supply and demand dynamics and their direction," explains Norwegian Tor Svelland, founder and CIO of Svelland Capital. The investment process behind Svelland Capital's flagship fund "begins with an understanding of six key commodities," namely natural gas/liquefied natural gas (LNG), crude oil, gold, copper, aluminum, and iron ore. Although the Svelland team's primary focus lies in gaining a granular understanding of physical commodities and shipping market fundamentals, Svelland express their views through investments in single-name stocks, commodities, or a combination of both.

Svelland explains the advantages of using stocks to implement the team's views by offering a contrasting perspective on the widespread recession fears that have gripped markets since the so-called Liberation Week. "Everyone is taking about a recession, and that's why oil, freight, and shipping stocks are all down," says Svelland. While he does not expect a recession triggered by tariffs, Svelland argues that even if one were to occur, it would not justify the extent of the current sell-off. "We're producing 104 million barrels of oil per day, and if demand falls to 103 million, that won't meaningfully impact the global tanker fleet – the change is too small to matter," he explains, questioning the logic behind shorting tanker stocks that are already trading at deep discounts to their net asset value.

CONTRARIAN STANCE

While systematic macro and trend-following funds have been pushing the prices of oil, freight, and shipping stocks lower, Svelland is taking a contrarian stance. "We are positioned against these players because we focus on the fundamentals," he explains. "I believe the oil market is balanced and in good shape. Inventories are extremely low, and they will need to be replenished – especially at these lower price levels." As for shipping, Svelland sees no rationale for being negative. "In backwardated commodities markets, I can't short shipping stocks carrying crude oil, and I can't short freight either – the supply-demand dynamics look fantastic, given the aging fleet and the 'dark fleet' that is literally shrinking day by day."

Being contrarian is often less painful when investing through single-name stocks rather than derivatives, notes Svelland. "I can be wrong because the spot market moves against me, or because macro systematics and CTAs are positioned the other way," he acknowledges. "And that's fine – because as long

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as I'm right about the underlying fundamentals, I'll either collect dividends or see the market eventually turn in our favor." Svelland describes it as a patience game: "Sometimes it's just about waiting. If you're confident in the supply-demand dynamics, and you've built the position at attractive levels, even if it moves against you initially, it's only a matter of time until it pays off."

However, Svelland doesn't always see himself as a contrarian, especially regarding the common belief that increased investment in electricity generation is vital for Europe's energy security. "Europe has been heavily dependent on natural gas from Russia, and that foundation has now been shaken," says Svelland. He acknowledges that Europe has done an impressive job building infrastructure to import LNG but warns that the energy security on the continent remains fragile. "Battery technology will continue to improve and help stabilize the grids, but for now, we need a mix of coal, some natural gas, and renewables," he argues. "With rising electricity demand, particularly from data centers and other sectors, it's very attractive to own assets that can produce steady electricity for many years to come."

BUILDING A RESILIENT PLATFORM BEYOND A SINGLE STRATEGY

Since its launch in 2017, the Svelland Global Trading Fund has emerged as one of the bright spots in the Nordic hedge fund industry, standing out both for its strong performance and steady asset growth, with capital inflows from high-profile institutional investors. Its success is built on making discretionary, high-conviction investments in commodities markets and related equities.

The primary objective for Svelland Global Trading Fund is to achieve an annual return target of 15 percent over time, and Svelland sees no reason to set a higher goal. "If you aim for 20 or 25 percent, you inevitably have to take on much more risk," says Svelland. "Since many commodity hedge funds largely disappeared around 2011 to 2013, it's crucial to build trust and establish ourselves as a reliable, long-term player in the commodity market," he emphasizes. "That's one of my key objectives."

> "Sometimes it's just about waiting. If you're confident in the supply-demand dynamics, and you've built the position at attractive levels, even if it moves against you initially, it's only a matter of time until it pays off."

To establish itself as a reliable, long-term player in the market, Svelland Capital has expanded beyond a single-strategy focus. In addition to its flagship strategy, the firm manages a futures-only strategy Svelland Commodities Futures Plus and co-manages a Certified Origin Gold Exchange Traded Certificate (ETC) in partnership with Edmond de Rothschild. Due to growing investor interest, Svelland Capital is also exploring a new strategy that would provide investors with long-only exposure to commodities, shipping, and energy transition sectors.

The rationale behind launching the futures-only strategy is rooted in addressing the needs of investors seeking to avoid equity risk. "The strategy focuses solely on futures – commodity futures, freight futures, and indexes – eliminating single-stock risks, management issues, and governance concerns," explains Svelland. The strategy reflects the same top-down views on commodity markets as in the flagship fund. "We focus on the day-to-day analysis of supply, demand, and market trends," says Svelland. "When we take a position in the flagship fund, we can reflect the same exposure into the futures-only strategy." While the risk profiles of the two strategies differ, both ultimately express the same market view.

Svelland Capital also co-manages a Certified Origin Gold ETC that provides investors with exposure to physical gold stored in Edmond de Rothschild's (EdR's) Geneva vaults. This ETC is available in various currency denominations on the Amsterdam and Oslo stock exchanges and will expand to others, including Stockholm. The ETC provides liquidity and tangible assets through flexible redemption options, allowing investors to redeem either for cash or physical gold bars delivered to a location of their choice. In addition, the gold is ethically and sustainably sourced, fulfilling over 60 criteria.

Svelland highlights the long-term value of gold, emphasizing that "whatever happens in the world, you can't take the gold away when independently stored." Moreover, he explains that the main driver of higher gold prices for the last two years has been Central Bank buying. While Russia built up gold reserves ahead of its invasion of Ukraine, Turkey, BRICS members China and India, Central and Eastern European countries have been building their reserves more recently. This trend is set to continue, not least as China as an export economy holds much lower reserves compared to Germany. Svelland further notes that gold serves not only as a store of value and a safe haven during turbulent times for individuals and governments but also has tangible industrial uses: "gold is consumed into jewelry, watches, the car industry, and many other sectors. It's used for more than just jewelry."

LONG-TERM VISION FOR GROWTH

Another potential strategy that Svelland Capital could pursue is a long-only approach to commodities. "The strategy could use up to 1.3x leverage when fully invested, and when risk needs to be reduced as opportunities become less attractive, we can scale it down to about 75 percent net exposure," explains Svelland. The strategy would focus on long positions in shipping stocks, oil producers, mining companies, and those involved in electricity production, along with energy and metals.

Looking ahead, Svelland envisions Svelland Capital expanding across multiple strategy pillars to ensure long-term stability as a commodity-focused expert. "The business has evolved; it's not just one fund anymore, which is good for stability and revenue diversification," says Svelland. With Svelland Capital approaching $1 billion in assets under management across all products, the majority in the flagship strategy, the firm has more room for growth.

"I currently envisage closing the flagship fund at $1.2 billion. The futures strategy could easily grow to $2-3 billion, and the gold product should target $3-5 billion," Svelland notes. "The long-only strategy could reach an additional $1-2 billion. Moreover, commodities markets continue to expand and offer new opportunities so we may grow further. If we succeed with these initiatives, we'll have a strong presence within our core range of commodities, with our research already strong and our company well-diversified to grow long term."

Disclaimer

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Inside PPIM's Quant-Backed Mortgage Bonds Strategy

John Arian Larsen, Klaus Goth, and Lars Worsøe Andersen – Petersen & Partners Investment Management

By Eugeniu Guzun – HedgeNordic

Petersen & Partners Investment Management (Petersen & Partners) was founded in 2017 by Niels Erik Petersen with a clear ambition: to offer professional investment products tailored to institutional investors. Based in Denmark, the firm naturally introduced a long-only fixed-income strategy focused on Danish mortgage bonds. However, as interest rates dipped toward zero – and even into negative territory – the team recognized the need for a change. This shift in the interest rate environment led them to pivot, adopting a hedge fund approach to investing in the space.

"When interest rates dropped into negative territory, we realized that maintaining a long-only fixed income product no longer made sense. It lacked diversification and the potential for returns," recalls Klaus Goth, who became partner in the early days of the company. Drawing on his extensive background in portfolio and fixed-income research, including his expertise in building prepayment models for callable Danish mortgage bonds in the early 2000s, the team pivoted to a hedge fund approach. The result was an arbitrage strategy targeting AAA-rated assets across callable Danish mortgage bonds, non-callable Danish bonds, and Swedish bostads. "We may also explore Norwegian opportunities if they arise, but the main criterion is that all bonds are AAA-rated," explains Goth.

Petersen & Partners' investment process is highly quantitative and automated, relying on detailed data analysis. "We gather key data from major contributors in the Danish market – Nordea, SEB, Nykredit – and apply it to our proprietary models," says Goth. "By comparing model outputs, we can identify the most attractive opportunities across our target segments." The team continuously evaluates key factors such as carry roll-down, convexity, and volatility. "We aim to maximize the return on investment relative to the risk taken," Goth emphasizes. "We compare different asset classes and segments on a live basis, constantly adjusting our positions as the market evolves."

"When interest rates dropped into negative territory, we realized that maintaining a long-only fixed income product no longer made sense. It lacked diversification and the potential for returns."

Klaus Goth

LEVERAGING COMPLEXITY FOR ALPHA

This quant screening is especially well-suited to the complexity of the Danish mortgage market, particularly callable bonds with embedded optionality. These features create pricing inefficiencies that skilled investors can exploit. Petersen & Partners' strategy involves hedging interest rate risk and using leverage to enhance returns from AAA-rated investments. A one percent spread, for example, can translate into a ten percent return on equity, assuming stable prices and prepayment behavior.

"We don't make duration bets," emphasizes Goth. "Our returns come from spread and convexity, not outright interest rate moves." The team takes a segmented approach, analyzing each bond type on its own merits. "Callable bonds may outperform in certain market scenarios, while non-callables do better in others," says Goth. "We aim to identify the best relative value across the full spectrum."

While PPIM primarily focuses on callable bonds, the team distinguishes itself by targeting areas of the market that are less saturated with hedge fund activity. "We concentrate on shorter-term, low-coupon callable bonds, where other hedge funds may focus on longer-term, higher-coupon instruments," says Portfolio Manager John Arian Larsen. "By operating in these less liquid segments, we can capture higher returns with less competition," adds Larsen, whose experience as a trader at Danske Bank has helped the team navigate this niche.

A TEST OF DISCIPLINE: LESSONS FROM 2022

After a more challenging 2021, Petersen & Partners Core Fixed Income fund managed to contain losses to just 3.3 percent during the turbulent market of 2022, before rebounding strongly with a 21.0 percent gain in 2023 and a further 16 percent in 2024. Reflecting on 2022, Klaus Goth describes it as "a tough year in many ways." The fund entered the year with what he admits was "too much risk, like you often do before a sudden crisis."

> "We concentrate on shorter-term, low-coupon callable bonds…By operating in these less liquid segments, we can capture higher returns with less competition."
>
> John Arian Larsen

For the Petersen & Partners team, the focus quickly shifted from return generation to capital preservation. "2022 was more a question of risk management than anything else," says Goth. "The worst thing for a manager running a leveraged mortgage strategy is being forced to liquidate positions after breaching risk limits." That experience reinforced the importance of maintaining disciplined risk controls, especially in strategies that rely on leverage in typically stable, but suddenly volatile, markets.

All of the team's efforts in 2022 were focused on "navigating the challenging market and making sure we had enough gunpowder for when the environment bounced back," recalls Goth. That environment taught them that it was not really about making new investments—because, in many cases, markets had effectively shut down. "It was kind of impossible to make major changes," he says. "But we focused on smaller adjustments to stay in the trades without getting stopped out." That discipline paid off. "By not being forced to liquidate, we were able to hold on and eventually regain all the value as the market recovered."

While Petersen & Partners Core Fixed Income entered 2022 with some risk exposure, the fund's leverage was kept below the ten-times level, closer to eight times. "That meant we weren't forced to sell anything," explains Larsen. The team also had room to make tactical adjustments – such as selling non-callable bonds to buy callable ones, where spreads had widened significantly. "We could still do things that allowed us to add to our positions, rather than taking losses," says Larsen. "If we had been highly leveraged – close to our maximum limits – we would've been locked." The dysfunction in how the market was pricing assets created opportunities, and the fund's relatively conservative leverage going into 2022 allowed the team to capitalize on them. "We took advantage of that," says Larsen, "and it was one of the key reasons we saw such a strong rebound."

MANAGING LEVERAGE WITH CAUTION

Petersen & Partners Core Fixed Income fund has a maximum leverage limit of 15 times, but actual leverage levels are managed more conservatively and adjusted depending on portfolio composition – particularly the share of callable bonds. "Leverage is not just a number – it depends on how much callable exposure we have," explains Klaus Goth. "If the market goes haywire, the biggest losses and volatility tend to come from the callable segment, so we need a cushion in case something goes wrong."

When the team sees strong value in the market, they may allow for slightly higher leverage, "because then you have less distance to the extremes," says Goth. Conversely, when markets appear stretched, the team pulls back. "If the market looks expensive, we'll naturally lower our leverage." To avoid excessive risk concentration, Petersen & Partners also imposes internal limits – what Goth refers to as "sanity checks." For instance, the team cannot use more than 50 percent of their overall risk limits on callable bonds. "That kind of limitation stops us from taking on uncontrollable risk," he explains.

Investing in Nordic mortgage bond markets – across Danish non-callable, callable, and Swedish bostads – with the use of leverage "is more about risk management than anything else," concludes Klaus Goth. "That's why we base everything on a quantitative approach."

According to Goth, the team builds a strong foundation by systematically modeling and evaluating key risk and return metrics. "You can't calculate everything and arrive at a single, definitive answer, but the models help paint a much clearer picture of where the risks and opportunities lie," he explains. What sets Petersen & Partners apart, he adds, is the way this quantitative foundation is complemented by practical experience. "With the experience John and I have, and the constant discussions we have including discussions with colleagues overseeing other asset classes and our chief strategist, we strike a balance," says Goth. "It's risk management, with skill and judgment on top."

> "You can't calculate everything and arrive at a single, definitive answer, but the models help paint a much clearer picture of where the risks and opportunities lie."
>
> Klaus Goth

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Apoteket Pension Fund's Winning Formula: Hedge Funds as the Cornerstone

Gustav Karner, CEO and CIO at Apoteket's Pension Fund.

By Eugeniu Guzun – HedgeNordic

Since taking the helm as Chief Investment Officer of Apoteket's Pension Fund in 2017, Gustav Karner has guided the €1.22 billion pension foundation to become one of Sweden's top-performing pension funds. Delivering an annualized return of 7.1 percent over the past five years with low volatility, Apoteket's Pension Fund has defied conventional wisdom in asset management. Instead of relying heavily on equities, Karner has strategically integrated hedge funds as a core pillar of the investment strategy.

The pension fund's low equity exposure – targeting 12.5 percent in public equities and 10 percent in private equity – is a deliberate strategic choice driven by its sponsor's preference for stability. "Our sponsor, Apoteket, doesn't like high volatility in the portfolio," explains Karner. Despite this cautious approach, Apoteket's Pension Fund delivered a strong 9.1 percent return in 2024, with all asset classes contributing to performance, including private equity, fixed income, and hedge funds. "Most parts of the portfolio performed well last year, and especially we had great performance from private equity, where we have significant exposure to venture capital," Karner notes. "Our investment-grade fixed-income portfolio also delivered solid results, largely because our manager did a great job and outperformed the benchmark by a wide margin."

Although equities represent a relatively small allocation in Apoteket's Pension Fund, they contribute significantly to the portfolio's overall risk. "That's how it should be, because our private equity portfolio has been the best-performing asset, with equities coming in second," says Karner. Over time, the equity

"We look for managers with very few down months and down years. We want them to have a Sharpe ratio of above two, and we prefer those with a long track record."

> "We aim to find and invest in hedge funds with low equity beta and low beta to the fixed-income market because we want them to function as a separate asset class, delivering solid performance even when other asset classes struggle."

portion – both public and private – typically accounts for around 75 percent of the portfolio's total risk.

HEDGE FUNDS: A CORNERSTONE OF THE PORTFOLIO

The combination of strong returns and low volatility for Apoteket's Pension Fund can partly be attributed to Karner's allocation to hedge funds. "In terms of returns, our hedge fund portfolio isn't far behind, and it makes up a significant part of our allocation," he explains. As of the end of last year, hedge funds accounted for 37.2 percent of Apoteket's Pension Fund's portfolio. "If you look at our entire hedge fund portfolio, it returned 11.8 percent last year, and we now have 28 consecutive months of positive performance."

Karner's approach to building the hedge fund allocation centers on selecting high-quality managers running strategies capable of achieving Sharpe ratios above two. His selection process follows a clear priority: first identifying "really, really good and high-quality managers" before evaluating whether their strategy aligns with the portfolio's objectives. Explaining what defines a top-tier hedge fund manager, Karner emphasizes consistency and resilience: "We look for managers with very few down months and down years. We want them to have a Sharpe ratio of above two, and we prefer those with a long track record."

Karner also favors hedge fund managers and strategies with a substantial amount of assets under management. "It's also very important that they have a well-known auditor and a reputable administrator," he elaborates. "We also want them to work with a well-known custodian bank. As part of our due diligence, we often reach out to the auditor, custodian bank, and administrator to verify that they are indeed clients, ensuring we get a true picture of their operations."

Karner focuses on identifying top-tier managers with strong risk-adjusted returns before considering their strategy fit within the portfolio. "First of all, we focus on finding really good managers, we don't start by looking at strategies," he explains. "Once we identify a high-quality manager, we then see if there's a way to invest, as some of the best managers are closed to new investments."

STRATEGY MIX FAVORING MULTI-STRATS

Apoteket's Pension Fund currently holds 12 hedge funds, with Karner favoring multi-strategy managers. "It really depends on how you define multi-strategy, but about 70 percent of our portfolio consists of multi-strategy managers," he explains. However, he notes that some of these managers exhibit biases toward certain strategy styles, even though they are still categorized as multi-strategy funds. While Karner primarily allocates to multi-strategy funds, he also sees value in standalone strategies, including trend-following CTAs.

Karner appreciates trend-following CTAs for their ability to deliver so-called crisis-alpha but does not view them as a strategic long-term allocation in the portfolio. "We currently have no allocation to CTAs. However, if we observe a challenging environment for equities or foresee a crisis—though it's hard to predict—we may reconsider," Karner explains. "Everything feels expensive right now, and when things are expensive, it increases the risk of investing. We like CTA hedge funds, especially when equities and fixed-income instruments lose value, as they tend to perform well in such environments," he adds. "That said, we don't want them as a long-term part of our allocation because their Sharpe ratios are often too low."

He favors strategies with minimal exposure to equity market risk and low beta to fixed income. "We don't have too much long/short equity, nor do we want too much fixed-income arbitrage and similar strategies," Karner adds. "We aim to find and invest in hedge funds with low equity beta and low beta to the fixed-income market because we want them to function as a separate asset class, delivering solid performance even when other asset classes struggle," he explains. This resilience was particularly evident in 2022, one of the most challenging years for institutional investors in recent memory, when Apoteket's Pension Fund still managed to post a positive return of 1 percent.

While Karner seeks hedge fund managers capable of achieving Sharpe ratios above two, he does not necessarily prioritize those targeting exceptionally high absolute returns. "We don't aim for very high returns. We typically look for hedge funds targeting returns of around 10 percent, ideally between 8 and 12 percent," Karner notes. He avoids funds targeting 25 to 30 percent returns, as they often come with higher risk. "A more stable return profile not only reduces risk but also improves diversification within the portfolio," Karner adds.

BEYOND A FIXED-INCOME REPLACEMENT

When Karner took on his new role at Apoteket's Pension Fund in 2017, following a similar position at the Nobel Foundation, he saw hedge funds as a replacement for fixed-income investments in a low-rate environment. "I viewed hedge funds as a way to maintain a stable portfolio without being overly reliant on the very low yields from fixed income," Karner recalls. "That's why I began building the hedge fund portfolio as a substitute for the fixed-income allocation. Over time, it's proven to be even more effective," he emphasizes. A prime example of this came in 2022, when both equities and bonds experienced losses, yet the hedge fund portfolio delivered a solid return of 6.3 percent.

"So, it has proven to be even better than a substitute for fixed-income instruments," Karner notes. "That's why we've gradually built it up, and it's now a larger part of our portfolio. However, we're quite satisfied with the current allocation." With hedge funds now making up about 37 percent of the portfolio, Karner adds, "We don't feel the need to increase the allocation further." Despite not planning to expand the hedge fund allocation, Karner remains on the lookout for promising funds. "We're always looking for interesting funds, whether by identifying them ourselves or by consulting other investment managers to see where they've found good opportunities."

Kari Vatanen, Head of Asset Allocation and Alternatives at Elo

“It [the hedge fund allocation] has played a key role in asset allocation and provided a well-diversified return stream. I see no reason why this performance wouldn’t continue.”

Finland’s Pension Shift: More Equity, More Risk, Where Do Hedge Funds Fit?

By Eugeniu Guzun – HedgeNordic

When Kari Vatanen stepped into the role of CIO at Finnish pension insurer Veritas in March 2020, he didn’t mince words with hedge fund managers. “I fear they don’t work, but I hope to be proven wrong,” he warned, demanding hard data to justify the pension insurer’s 7 percent hedge fund allocation after a period of underperformance for the broader industry.

Four years later, Vatanen has moved on to a new role as Head of Asset Allocation and Alternatives at Elo, one of Finland’s largest pension funds. There, he found himself impressed by the hedge fund selection overseen by portfolio managers Mika Jaatinen and Antti Vartiainen. Elo’s hedge fund portfolio enjoyed the strongest return – 13.1 percent – in 2024 among the country’s major institutional investors.

“Looking at Elo’s hedge fund portfolio and its performance over the past ten years, it has delivered a strong and stable return stream,” says Vatanen, now several months into his new role at Elo. “We have to thank Mika and his team for their work over the years, the hedge fund allocation has been effective. It has played a key role in asset allocation and provided a well-diversified return stream,” he emphasizes. “I see no reason why this performance wouldn’t continue, especially with the same team, now even stronger.”

A STRONGER CASE FOR LIQUID ALTERNATIVES

Vatanen sees a much more favorable environment for liquid alternatives compared to the 2010s. “Back

> "The key role of hedge funds and other liquid alternatives is to provide bond-like diversification while delivering a higher, more stable return stream. If they can do that, they deserve a strong place in asset allocation."

then, macro volatility was exceptionally low because central banks were actively suppressing it with highly supportive stimulus policies. This dampened volatility across macro variables outside equities, such as interest rates, currencies, and commodities," he explains. The environment has shifted with the return of inflation and significantly higher interest rate volatility compared to the past decade.

"This creates a better environment for active risk-taking and generating active returns," says Vatanen. As a result, he sees a much fertile environment for macro hedge funds, relative value strategies, and systematic funds that are not purely directional to equity or credit markets. "My view is that macro, relative value, and quant hedge funds could deliver significantly better returns than they did in the previous decade."

Beyond performance, hedge funds have played an essential role in diversification within Elo's portfolio, often offering a return profile superior to fixed income. "Hedge funds have historically provided better returns than our fixed income portfolio," Vatanen notes. "The key role of hedge funds and other liquid alternatives is to provide bond-like diversification while delivering a higher, more stable return stream. If they can do that, they deserve a strong place in asset allocation." By the end of 2024, Elo's hedge fund allocation had grown to €3.2 billion, representing 9.7 percent of its €32.4 billion investment portfolio, up from 8.7 percent at the end of 2023.

PEER COMPARISONS AND REGULATORY CONSTRAINTS

Determining the optimal hedge fund allocation is shaped not only by Finland's pension system and its regulations but also by how peer pension insurers allocate their assets. "One of the unique aspects of the Finnish pension system is that we compete against other pension insurance companies. We report asset allocations and returns quarterly, which means we have a clear view of what our peers are doing and can measure our active risks relative to them," says Vatanen. This transparency creates a baseline for asset allocation across the industry. "From there, we decide where we want to be overweight or underweight relative to our competitors," he explains.

While hedge fund investments performed well for Elo, other Finnish pension insurers also saw strong results. "Hedge funds have been a solid asset class and a valuable diversifier," Vatanen acknowledges. "That makes it an area where we might consider maintaining an overweight position relative to our peers, though, of course, there are limitations."

One key limitation comes from recent reforms in Finland's earnings-related pension system, which will significantly impact equity allocations across pension insurers. The changes aim to enhance investment returns by increasing the permissible equity exposure within pension portfolios. "We know that over the next two years, we will be increasing our equity allocation, and that capital has to come from somewhere," Vatanen explains. "Fixed income allocations are already relatively low compared to global peers, so while we can make reductions there, it won't be enough. That creates some constraints on our liquid alternatives allocation going forward."

IMPACT OF PENSION SYSTEM REFORMS

Finland's private pension insurers are set to increase their equity allocations as part of four key changes to the system. One major shift involves raising the equity-linked component of liabilities from 20 percent to 30 percent, which will likely lead pension insurers to increase their equity weightings accordingly. Additionally, the solvency framework – calibrated using a value-at-risk model – will see its confidence level adjusted from 97 percent to 95 percent. "This recalibration will slightly ease risk constraints, creating some additional room for non-equity risk-taking," Vatanen elaborates.

The final parameters are still being determined by a working group tasked with refining the regulatory framework, one in which Vatanen himself is involved. The reforms are expected to increase equity allocations by approximately 10 percentage points, enhancing potential returns but also introducing greater market exposure.

"The increase in equity allocations will reduce overall portfolio diversification, making it even more crucial to identify new sources of diversification and hedging," says Vatanen. "Currently, equity exposure in the private sector pension system stands at just over 50 percent. If the upper limit increases by about 10 percentage points, we could see allocations rise to 60-65 percent," he continues. The exact figure is uncertain, "but a higher equity weighting would mean that other asset classes would account for less than 40 percent of the portfolio," according to Vatanen. This underscores the need for more effective diversification strategies to complement and balance the increased equity exposure.

ADJUSTING TO A NEW REGULATORY LANDSCAPE

For Vatanen, navigating these pension system changes within Finland's regulatory framework presents both a challenge and an opportunity. "It's an interesting exercise to prepare for the new pension strategy under the evolving regulations," he says.

As Head of Allocation and Alternatives at Elo, Vatanen will work closely with his colleagues to adapt to the new system. "I've felt really welcomed at Elo, and one positive surprise for me has been the strong technical expertise within the portfolio management team," he remarks. "There's a high level of quantitative skills and many opportunities to model and explore new approaches. I'm eager to see what we can accomplish in the coming years."

The regulatory reform could also open the door for new systematic strategies focused on defensive positioning and hedging. "Beyond hedge funds, we can find diversification in liquid markets through other systematic strategies," says Vatanen. "We are still refining our strategy as the pension reforms take shape, but we will certainly be looking at ways to enhance diversification in this new environment."

Inge Heydorn, Fund Manager, Chelverton

Riding Tech Trends in Long-Only and Market-Neutral Setting

By Eugeniu Guzun – HedgeNordic

One key ingredient for successful stock market investing is choosing the right hunting ground – targeting areas where companies are growing faster than the global economy. The technology sector is a classic example, often outpacing global GDP, even if only by a few percentage points. To uncover even more compelling opportunities, tech-focused fund manager Inge Heydorn goes a step further by identifying powerful investment themes that tap into even larger and more enduring sources of growth.

THEMATIC APPROACH

"The tech industry is growing faster than global GDP, but we're only talking about one or two percent a year – that's not enough. We need to find stronger growth and more compelling opportunities," says Inge Heydorn, who co-manages technology-focused long-only and long/short equity funds alongside Jenny Hardy. "What we're looking for are segments within technology that not only grow faster, but also offer the potential to make money. Even in high-growth areas, profitability can be hard to achieve if there are low barriers to entry, too many players, or intense competition," he explains. "It's not just about growth – it's about finding segments with structure,

> "What we're looking for are segments within technology that not only grow faster, but also offer the potential to make money. Even in high-growth areas, profitability can be hard to achieve if there are low barriers to entry, too many players, or intense competition."

where dominant players are emerging and where the growth can translate into profits and returns."

Thematic investing is particularly well suited to the technology sector, where innovation tends to emerge in waves, driven by transformative trends such as artificial intelligence, digitalization, and cybersecurity. "For us, that's how technology really works," says Heydorn. "There are always areas within tech that are moving and evolving." For example, Heydorn was heavily invested in cloud companies early in the shift from server-based applications to cloud solutions, around the time of the global financial crisis. "Back then, the money was moving away from buying servers for the office toward outsourcing data to the cloud. It was a very powerful trend and it's one that still continues today."

This is just one example of the kinds of long-term trends – and the winners they produce – that asset managers can capitalize on over a five- to ten-year horizon. "To succeed, we need to think long term and stick with a strategy over time," emphasizes Heydorn. "That's the best way to approach tech, because as you've probably seen in recent months, it's always difficult to time the market. You need staying power and a long-term mindset."

SHORT TERM TACTICAL ADJUSTMENTS

Despite maintaining a long-term investment horizon, Heydorn and Jenny Hardy closely monitor short-term developments in company fundamentals, down to the finer details. They carefully assess quarterly results and guidance provided during earnings releases and calls, adjusting portfolio weights accordingly. "If we really dig into the 30 names in our long portfolio, I can promise that we'll find very strong data points and indications for six or seven of them that they're likely to post solid results and offer a positive outlook. That's when we increase our positions," explains Heydorn. Conversely, there are often five or six holdings where the data points suggest weaker performance ahead. "So why not reduce those positions around the event? We're quite active in trading around earnings," he adds.

> "The interesting thing now is that AI has become a layer on top of all of this, AI is driving everything."

These short-term tactical decisions are driven by highly granular data across a wide range of indicators – including detailed import and export figures from Korea and Taiwan, global data center vacancy rates, and available market capacity, among many others. "We don't rotate names in and out of the portfolio frequently, because we want to know everything about the companies we invest in," says Heydorn. "We build our own models and work to understand all aspects of the business and its drivers, both in the short and long term." These insights into quarterly expectations give Heydorn an additional source of potential outperformance, complementing the long-term gains from riding high-conviction structural trends.

AI IS DRIVING EVERYTHING

Nonetheless, the cornerstone of Heydorn's investment strategy remains thematic exposure. Both the long/short Finserve Chelverton Thyra Fund and the long-only Finserve Chelverton Global Tech Fund maintain significant positions in cloud services, artificial intelligence, semiconductor capital equipment, and software efficiency. "The interesting thing now is that AI has become a layer on top of all of this, AI is driving everything," says Heydorn. "We believe the market is underestimating its impact and focusing on the wrong aspects, which is quite fascinating," he adds. "And normally, I'm pretty skeptical about these kinds of things," notes the former Ericsson analyst.

Heydorn remains "super convinced" about the positive long-term prospects for the tech sector, expecting the semiconductor industry, for instance, to double in size by 2030. The strategic importance of the semiconductor industry is just one reason it has been spared from tariffs by the U.S. administration. "Semiconductors weren't included because they're absolutely critical. You don't want to derail your own AI ambitions; you want to lead the future. Even Trump understands that," says Heydorn. And while tariffs may aim to push manufacturing into high-cost countries like the U.S., this shift will require massive investment, particularly in technology and semiconductors. "That's only going to fuel demand even further in those regions."

RUNNING BOTH LONG-ONLY AND MARKET-NEUTRAL PORTFOLIOS

Structural themes not only create winners – they also produce losers, making them well-suited for the market-neutral strategy managed by Inge Heydorn and Jenny Hardy. The long-only Finserve Chelverton Global Tech Fund has delivered an annualized return of 24 percent since its launch at the beginning of 2019 through the end of 2024, although performance was slightly trimmed in the first quarter of 2025. The fund's long book also forms the basis for the long side of the team's market-neutral strategy. In this strategy, Heydorn looks to pair each long position – benefiting from a powerful structural trend – with a short position in a company likely to be negatively affected by that same trend.

With the businesses in the long portfolio expected to grow faster than GDP, there is also a group of companies projected to grow much slower. "The short leg comes quite naturally," says Heydorn, noting that "typically, the market-neutral strategy resembles paired investing." However, he acknowledges that the thematic approach does not always create perfect pair matches. "For example, if you're long Amazon, how do you find the ideal short to pair with it?" Heydorn asks. "It's not always a perfect match, but we try to get as close as possible."

The Finserve Chelverton Thyra Fund maintains a long portfolio of approximately 30 stocks and 30 to 35 short positions, aiming for a net market exposure of between minus five percent and plus fifteen percent. "We're not strict, but we try to keep the risk under control," says Heydorn, adding that the long-term goal is to generate an annualized return of 10 percent with lower volatility than a long-only portfolio. The years from 2019 to 2021 presented challenges for the long/short fund, as its "value-oriented focus." However, after limiting losses to just 4.5 percent in the tough 2022 environment, the fund rebounded with gains of 17.6 percent in 2023 and 19.6 percent in 2024, before seeing some pullback in early 2025. For Heydorn, managing both a long-only tech-focused fund and its market-neutral counterpart offers investors a broader menu to tailor their portfolios according to their preferences.

Mario Therrien, Head of Investment Funds and External Management at CDPQ

The Growing Appeal of Dedicated Managed Accounts: Insights from CDPQ

By Eugeniu Guzun – HedgeNordic

Dedicated Managed Accounts (DMAs) are investment portfolios managed on behalf of a single allocator where the portfolio assets are owned and controlled by the allocator but segregated from its balance sheet as opposed to being pooled with other investors in a commingled fund. In recent months, discussions within the Stockholm finance community have increasingly pointed to local hedge funds receiving more allocations through the DMA structure, which offers allocators greater customization, control, and transparency.

While this approach is gaining traction in the Nordics, it has long been a preferred model for the Caisse de dépôt et placement du Québec (CDPQ), Canada's second largest pension fund and a leading global investor. CDPQ manages its hedge fund exposure through DMAs on the Innocap platform, which has over $85 billion in assets and is the largest dedicated managed account platform globally. CDPQ hasn't always used this structure.

Mario Therrien, Head of Investment Funds and External Management at CDPQ, launched the organization's hedge fund investment program in the late 1990s and early 2000s. "Our first investments back then were in fund of funds," recalls Therrien. "We built our teams around that model, gradually developing the full craft, from manager selection to operational due diligence and every piece in between." Today, CDPQ executes a growing proportion of its hedge fund investments through a Dedicated Managed Account (DMA) structure.

According to Therrien, the DMA model rests on three key pillars: customization, control, and transparency. "DMAs are the engine that allows you to truly promote robust standards, whether it's transparency, governance, or control, which we consider to be the three pillars of strong institutional practices," says Therrien, who has long championed improved industry standards, including through his role as former chairman of the Standards Board for Alternative Investments (SBAI). "For us, DMAs are the mechanism that makes all of this possible."

THE THREE PILLARS DRIVING GROWTH IN THE DMA MODEL

Explaining the DMA structure, François Rivard, CEO of Innocap and a long-time business partner of Therrien and CDPQ, describes it as akin to a single-investor fund managed on the Innocap platform. "We take care of all the infrastructure and operational plumbing," says Rivard. "CDPQ, as the allocator, selects one or more asset managers to invest the assets of the DMAs, which then benefits from customization, control, transparency, and capital efficiency."

Allocators are increasingly turning to DMAs as a superior way to access hedge funds, according to Rivard, largely due to the high degree of customization they offer. "You can tailor your risk, your exposure, your strategy – you can customize the fund to align with your specific objectives," he explains. "Allocators become term makers, not term takers." This customization is done in close collaboration with asset managers. "Maybe you want a market-neutral fund, or a long/short equity fund

> "DMAs are the engine that allows you to truly promote robust standards, whether it's transparency, governance, or control, which we consider to be the three pillars of strong institutional practices."
>
> Mario Therrien

with a directional tilt or you don't want exposure to TMT because you're already heavily allocated there," says Rivard. "Or maybe you want to dial up the risk, exclude certain positions or markets, or comply with specific restrictions like bans on tobacco or investments in certain countries, which are common in pension mandates. That's all possible within a dedicated managed account," he elaborates. "This is the first key aspect of DMAs: customization."

The second key benefit of DMAs is control over the assets. "You have control over these assets, meaning if something goes wrong within the vehicle, you have the ability to act," says Rivard. "You can sweep cash on a regular basis, limit how much is left with counterparties, and manage your exposure to risk more effectively. Because it's your own investment vehicle, designed to your specifications, you maintain full control," he elaborates. This combination of customization and control leads to something critically important for asset allocators using DMAs: transparency.

"Because you have both control and customization, you gain full transparency into what's happening in the portfolio on a daily basis," explains Rivard. "That transparency gives you the ability to respond in real time. If something is happening, you're not in the dark, you have the control to act on it." With full visibility into exposures and positions, allocators can make more precise allocation decisions, whether that means increasing or scaling back positions, or reallocating capital between strategies. "You're not relying on last month's data or quarterly reports. You're working with near real-time information – typically on a T+1 basis – within your dedicated managed account," according to Rivard. "Customization, control, and transparency – those are the three pillars."

A FOURTH PILLAR: CAPITAL EFFICIENCY

In addition to the three pillars, Rivard points to a fourth driver that has been driving much of the recent growth in dedicated managed account (DMA) platforms: capital efficiency. "Capital efficiency has become a major pillar fueling the expansion of dedicated managed account platforms," says Rivard. "There's been a growing recognition among allocators that, by investing through a DMA, they gain the ability to notionally fund their exposure, meaning they don't need to fully fund the account upfront," he explains.

Traditionally, if an investor wanted to allocate $100 million to a hedge fund, they would need to transfer the entire amount to the fund. With notional funding, however, the investor might only need to commit, say, $60 million to the DMA platform to gain exposure to the full $100 million strategy. In addition, multi-manager funds can use both notional funding and cross-margining to achieve enhanced levels of capital efficiency.

This is possible because hedge funds typically do not deploy all the capital they receive. A large portion often remains idle or is held as margin. "As you notionally fund your DMA, you retain capital outside the structure that can be redeployed elsewhere," explains Rivard. "You can reinvest it into another fund, return it to the treasury, or use it to further diversify your portfolio – whatever best serves your objectives," he adds. Innocap helps unlock additional liquidity by not requiring full funding of strategies. "That liquidity can be a source of real alpha – alpha that's generated not just by the underlying investment, but by efficient capital allocation," says Rivard. "By avoiding the trap of leaving excessive amounts of idle cash in structures, allocators can materially enhance the overall performance of their portfolios."

CAPITAL STICKINESS AND EMERGING MANAGERS

As an allocator with years of experience investing through both traditional fund structures and DMAs, Mario emphasizes the importance of fully committing to the DMA model to reap its benefits. "Before transferring investments into a DMA, you really need to understand and commit to the advantages it offers," he says. "When you take a step back and start thinking it through – moving from commingled structures to DMAs – the benefits become clear." While launching a DMA program involves numerous details and moving parts initially, Therrien asserts that once the commitment is made, DMAs are the solution. "DMAs are the answer. They've been the answer for us."

While some managers express concerns that DMAs typically involve less sticky capital – capital that institutional investors can easily call back compared to the more committed capital in fund strategies – Mario Therrien of CDPQ argues that this is not how allocators think. "Investing with a new manager is a significant decision for us. There's a substantial amount of time spent tailoring, co-designing, and building the partnership," Therrien explains. When we're confident in the team, the manager, the return stream, and their skill set, bringing a manager onto the platform often a sign that we're looking at a long-term commitment."

DMAs also enable larger institutional allocators to invest in younger, emerging managers with smaller assets under management. "For us, the only way we could get comfortable taking manager selection risk with emerging managers was by bringing them onto a platform," says Therrien. "We created a framework with guardrails and our investment committee was satisfied knowing that these guardrails were in place." Therrien emphasizes that while young managers are often highly talented, they often encounter operational challenges. "You need to provide them with the right structure and infrastructure so they can thrive and focus solely on generating alpha," he concludes.

François Rivard, CEO of Innocap

> "Capital efficiency has become a major pillar fueling the expansion of dedicated managed account platforms."
>
> François Rivard

Sebastian Uddén, Head of Sales in Sweden at Norron Asset Management

Calix Black Ndiaye, a Director at Borea Asset Management

Marcus Ehrenpreis, Head of Sales and Marketing at PriorNilsson Fonder

Nordic Fund Boutiques Building Strength Through Consolidation

By Scott Roth and Chris Sawyer – Barings

The Nordic asset management industry is experiencing an accelerating wave of consolidation, particularly among boutique firms, including those with roots in the hedge fund space. Faced with increasing regulatory demands, competitive pressures, and the need for broader distribution networks, many smaller asset managers are turning to mergers and strategic alliances to strengthen their market positions. Recent deals, such as the combination of Industry Capital Partners (ICP) and Norron Asset Management, the merger between Indecap and PriorNilsson Fonder, and the acquisition of Borea Asset Management by a consortium of independent banks, underscore this accelerating trend.

"There has been a strong merger trend in the Nordics, which is likely to continue, as smaller players see the importance of becoming part of a larger context," observes Sebastian Uddén, Head of Sales in Sweden at Norron Asset Management. "There are also clear economies of scale in operating a management company, particularly in shared services such as analysis, risk, compliance, sustainability, and sales."

> "From Norron's perspective, we are very pleased with this opportunity as our asset management organization will be strengthened and broadened in terms of competence."
>
> Sebastian Uddén

NORRON-ICP: A PAN-NORDIC EXPANSION

Norron, which manages two hedge funds alongside a broader range of traditional funds, is in the process of merging with Aker's asset management company, ICP. Norwegian industrial giant Aker ASA, the main owner of Norron Asset Management since its founding in 2011, has agreed to acquire the remaining shares and merge Norron with ICP. "We are undertaking this together with Aker ASA, which has been a shareholder in Norron since its inception in 2011 and is also the founder of our sister company Industry Capital Partners (ICP)," explains Uddén. ICP is led by Yngve Slyngstad, former CEO of Norges Bank Investment Management, along with a broader team of ex-NBIM professionals.

"From Norron's perspective, we are very pleased with this opportunity as our asset management organization will be strengthened and broadened in terms of competence," Uddén comments on the merger. "This means we will be able to both expand and deepen our product offering for both existing and new clients." Uddén believes that the combined firm will have greater capacity to reach investors with both existing and new products, with each company complementing the other's customer base. "This means that for our part, our ability to access both international and institutional capital will be expanded," he notes.

"Furthermore, we gain resources and opportunities to work with an international offering," Uddén notes, referring to ICP's platform for investing across the full spectrum of the climate transition. Their owner, Aker ASA, has been active in the energy sector since 1841 and is expanding by investing globally in the vast needs surrounding the transition of energy storage, transportation, production, and consumption. "The combined expertise from Aker's knowledge and the experience of our new colleagues, who have been investing in this field for over 10 years, will enable us to offer a unique investment opportunity both locally and globally," explains Uddén. "While our roots and legacy are in the Nordics, gaining international reach—both in industrial development and capital markets—will be a significant advantage."

PRIORNILSSON-INDECAP: STRENGTHENING THE SWEDISH MARKET POSITION

While the Norron-ICP merger paves the way for a broader pan-Nordic or international expansion, the merger between PriorNilsson Fonder and Indecap is aimed at strengthening their position within the Swedish fund market. "At PriorNilsson, our core focus has always been on delivering strong, actively managed funds with a disciplined investment process. When the opportunity arose to merge with Indecap, we saw it as a natural step to further strengthen our position in the Swedish market," explains Marcus Ehrenpreis, Head of Sales and Marketing at PriorNilsson Fonder.

Founded by PO Nilsson and Torgny Prior in 2002, PriorNilsson Fonder has established itself as a boutique stock-picking firm with a strong focus on the Nordics. With a range of nine funds, including several long-established and successful hedge funds, the firm manages SEK 13 billion in assets. Indecap, owned by the savings banks, manages over SEK 42 billion and boasts a robust distribution network. "A key driver behind this merger is the ability to leverage complementary strengths," says Ehrenpreis. "Indecap has built an impressive distribution network and expertise in savings solutions, while PriorNilsson brings a proven track record in fund management and investment expertise," he elaborates. "By joining forces, we can enhance our market reach, improve operational efficiencies, and build an even stronger platform for long-term success."

Following the completion of the deal, PriorNilsson and Indecap will continue operating and managing their funds under their respective brands and investment strategies. "From our perspective, this merger allows us to scale our business while maintaining the independence and investment philosophy that have been key to our success," notes Ehrenpreis. With Indecap's extensive distribution channels and expertise in pension and savings solutions, PriorNilsson's funds will become more accessible to a broader investor base. "This means that both institutional and retail clients will benefit from greater product availability, improved support, and more diversified investment opportunities," he elaborates. "We are confident that this collaboration

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>
> Marcus Ehrenpreis

will help us attract even more talent and continue to deliver outstanding results for our investors."

The merger also provides PriorNilsson with a platform for long-term growth, both in market presence and product innovation. While the firm's core focus remains on active fund management, Ehrenpreis highlights that the combined strengths of both organizations will open new opportunities for developing customized investment solutions. "Strategically, our priority is to continue delivering strong risk-adjusted returns while exploring ways to broaden our product range to meet evolving investor needs," says Ehrenpreis. "Ultimately, this merger represents an opportunity to grow without compromising our investment integrity. We remain committed to delivering value to our clients, maintaining our investment discipline, and strengthening our position as one of Sweden's leading independent fund managers."

BOREA-FRENDEGRUPPEN: EXPANDING REACH VIA BANKING NETWORKS

Similar to the PriorNilsson-Indecap merger, the acquisition of Norwegian fund boutique Borea Asset Management by a consortium of independent banks aims to capitalize on a broad distribution network. Borea's new majority owner, Norway's second-largest banking partnership with around 800,000 customers, will provide significant expansion opportunities for Borea. "A key factor in our decision was the opportunity for market expansion," says Calix Black Ndiaye, a Director at Borea Asset Management. "Frendegruppen has an extensive distribution network that will significantly enhance our reach, enabling us to serve new regions and customers more effectively," he explains. "This larger footprint provides a unique opportunity for growth, allowing us to leverage their infrastructure while continuing to build on our own strengths."

"The decision to pursue the acquisition by Frendegruppen was driven by a strong alignment of values and a shared vision for growth," Ndiaye further emphasizes. "Both of our companies prioritize innovation, customer-centricity, and operational excellence, which made this partnership a natural

fit." At the time of the acquisition announcement in mid-2024, Borea Asset Management managed over NOK 10 billion (approximately €900 million) across one equity fund and four fixed-income-focused funds. Since then, Borea has launched an additional three funds designed specifically to meet the needs of Frendegruppen's clients.

"This acquisition allows us to introduce three exciting new funds: Borea Nordisk Utbytte, Borea Norge, and Borea Norden," Ndiaye reitereates. "These new products will broaden our offering and provide our customers with more diversified investment opportunities, aligning perfectly with our commitment to innovation and expanding our portfolio," he explains. In addition to offering Borea funds to a significantly larger investor base and broadening its product range, the deal also creates opportunities to attract a highly qualified workforce.

"The expanded scope and resources provided by Frendegruppen will create an environment where top talent is more likely to be drawn to our combined offering, fostering innovation and driving further success," argues Ndiaye. "This was evident by the two experienced portfolio managers Audhild Aasheim Aabø and Jon Hille-Walle deciding to join Borea late last year."

ACCELERATING WAVE OF CONSOLIDATION

The accelerating wave of consolidation in the Nordic asset management industry reflects a broader shift toward scale, efficiency, and enhanced market reach. Boutique firms, traditionally valued for their niche expertise and independent approach, are increasingly seeking strategic partnerships to navigate growing regulatory complexities, expand distribution channels, and strengthen operational infrastructure.

Whether through cross-border alliances, as seen in the Norron-ICP merger, or domestic consolidations like PriorNilsson-Indecap and Borea's acquisition by Frendegruppen, these transactions highlight the evolving competitive landscape. While preserving their investment philosophies, boutique managers are positioning themselves for sustainable growth by leveraging the resources and networks of larger platforms. As Marcus Ehrenpreis of PriorNilsson Fonder puts it, "For our clients, this merger represents stability, continuity, and growth" – a sentiment that increasingly defines the future of boutique asset management in the Nordics.

> "A key factor in our decision was the opportunity for market expansion. Frendegruppen has an extensive distribution network that will significantly enhance our reach, enabling us to serve new regions and customers more effectively."
>
> Calix Black Ndiaye

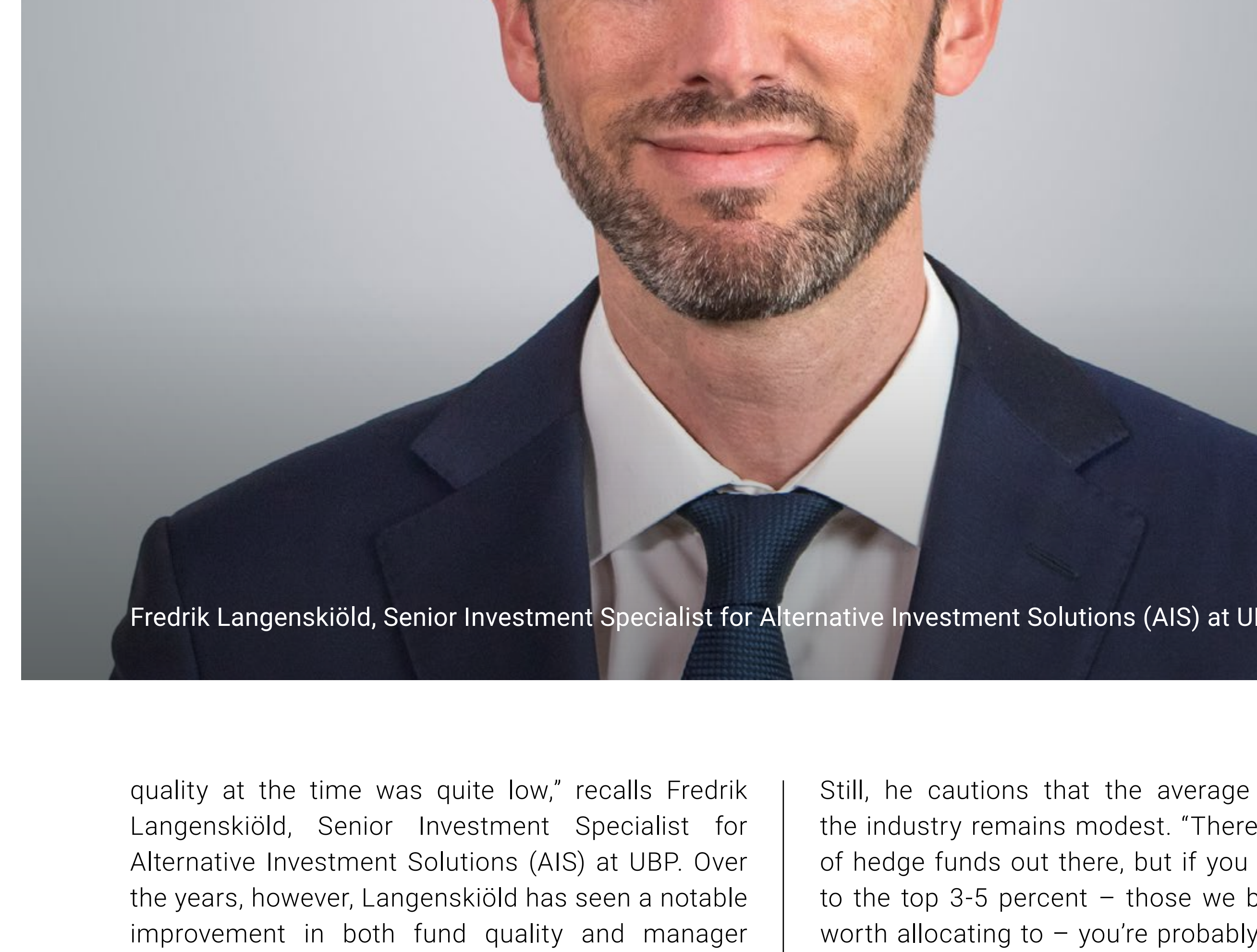
HedgeNordic

"Chance favors the prepared mind."

Louis Pasteur

Liquid Alternatives: A New Frontier for Hedge Fund Strategies

By Eugeniu Guzun – HedgeNordic


Fredrik Langenskiöld, Senior Investment Specialist for Alternative Investment Solutions (AIS) at UBP

"There are thousands of hedge funds out there, but if you narrow it down to the top 3-5 percent – those we believe are truly worth allocating to – you're probably looking at just 100 to 150 funds. The key, as always, is identifying them."

While hedge funds have traditionally catered to institutional and high-net-worth investors, liquid alternatives have emerged as a growing segment that brings hedge fund-like strategies into more accessible vehicles such as UCITS. This relatively new space, which began taking shape in the early 2010s, has seen a notable rise in both quality and investor interest in recent years.

EARLY DAYS OF LIQUID ALTERNATIVES

"The liquid alternatives space really began to take shape in the early 2010s. At the outset, there were only a handful of funds attempting to gain access through the UCITS framework, and the overall quality at the time was quite low," recalls Fredrik Langenskiöld, Senior Investment Specialist for Alternative Investment Solutions (AIS) at UBP. Over the years, however, Langenskiöld has seen a notable improvement in both fund quality and manager sophistication. "Many managers – primarily from the U.S., but also from Europe – came to realize that launching a UCITS vehicle was essential to access the European investor base."

With the ability to replicate – and in some cases even improve upon – traditional hedge fund strategies within a UCITS framework, the quality of fund managers entering the liquid alternatives space has steadily increased. "We've seen a rise in higher-quality managers in this segment," says Langenskiöld. "And that's translated into better performance as well."

Still, he cautions that the average quality across the industry remains modest. "There are thousands of hedge funds out there, but if you narrow it down to the top 3-5 percent – those we believe are truly worth allocating to – you're probably looking at just 100 to 150 funds," he notes. "The key, as always, is identifying them. And in the liquid alternatives space, it's the same story."

Looking across the broader universe of liquid alternatives, performance has notably improved in part due to a shifting market environment. "The market landscape has changed significantly since the post-Covid period," explains Langenskiöld. "We're seeing higher interest rates, increased volatility, greater dispersion across asset classes and securities, and diverging central bank policies, all of which impact

currency, fixed income and other markets." According to him, this environment tends to favour hedge fund strategies. "Strategies such as fixed income relative value, commodities, macro, systematic, and multi-strategies have all seen improved performance as a result."

INVESTOR INTEREST IN LIQUID ALTERNATIVES: A GLOBAL TREND

After attending a recent conference of institutional investors in Stockholm, Langenskiöld observed that while private markets have long attracted investor interest, hedge funds are once again gaining attention. "Liquid alternatives – including hedge funds and alternative UCITS – have become more of a trend in just the past two to three years," he notes. "And that's not unique to the Nordics; it's a development we're seeing across the board."

As a pure-play wealth and asset manager headquartered in Geneva, Union Bancaire Privée (UBP) has a strong grasp of investor behavior, particularly within the wealth management segment. "The Nordics have always been an important region for hedge funds on the wealth management side," says Langenskiöld. He notes that investors in the region are increasingly looking to formalize their approach and build strategic allocations to hedge funds. "Some are focused on selecting individual funds, while others are aiming for broader exposure and larger portfolio allocations. There's definitely growing interest in understanding what hedge fund strategies can add to a traditional portfolio and which types of strategies are most relevant to include."

KEY ROLES: ALTERNATIVES TO FIXED INCOME, DIVERSIFIERS, AND EQUITY EXPOSURE

UBP categorizes hedge fund strategies into three key roles: as alternatives to fixed income, as diversifiers, and as asymmetric equity exposures. "The first category, alternatives to fixed income, is aimed at generating returns comparable to fixed income," explains Langenskiöld. "These strategies may offer slightly higher or lower returns depending on the segment you're comparing them to, but with relatively low volatility and return sources that are not necessarily correlated with traditional fixed-income markets," he elaborates. This represents the more conservative end of the hedge fund spectrum, with a strong focus on diversification.

> "The Nordics have always been an important region for hedge funds on the wealth management side."

The second category is diversifiers. "Diversifiers are strategies with no correlation to equities or fixed income," explains Langenskiöld. "This group includes systematic or macro-oriented strategies that typically aim for slightly higher returns and can even show negative correlation to both equities and bonds, particularly during market downturns."

The third group comprises asymmetric equity strategies, usually in the form of long/short equity. "Some of these strategies have a degree of equity sensitivity, while others have less," says Langenskiöld. "As a group, they carry some market beta. This isn't the most sought-after category at the moment, as investors tend to prefer getting equity exposure through long-only allocations." However, he notes a shift in dynamics. "We're now seeing greater dispersion within equities, which improves the risk-reward profile of these strategies. While demand hasn't picked up just yet, that could change going forward."

MAKING HEDGE FUND STRATEGIES UNDERSTANDABLE

Categorizing hedge fund strategies into distinct role-based groups can help simplify the investment process for allocators and investors, especially given the inherent complexity of many hedge fund strategies. "The challenge is that we're dealing with fund selectors – whether on the wealth management distribution side or the institutional side – who often need to explain these strategies to clients or to investment boards," says Langenskiöld. "Some of the strategies can seem more abstract or less tangible than, say, buying a building," he admits. "While they offer clear diversification benefits, clients are sometimes hesitant because they want to be able to clearly articulate what they're investing in."

That's where the responsibility of fund promoters comes in, he adds. "Our role is to provide clear, transparent explanations so clients understand both what they're invested in and the reasons behind a fund's performance, whether positive or negative. Communication and transparency are key."

With decades of experience in hedge fund selection and Langenskiöld having spent 20 years at UBP, the firm has made it a priority to streamline the investment process for its clients. UBP leverages an in-house developed tool that generates detailed reports on the role a specific hedge fund, or a portfolio of hedge funds, can play within a larger investment portfolio. "If clients are comfortable sharing their holdings or providing a list of the funds they currently have, we can input this data into our system," explains Langenskiöld. "This allows us to produce a report that offers valuable insights into the underlying characteristics of the portfolio and how the strategies fit together."

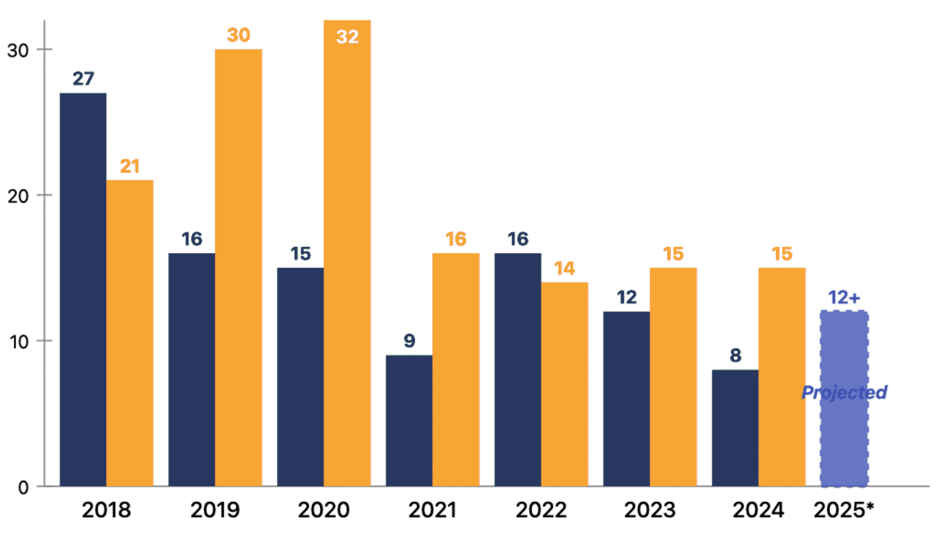
Langenskiöld explains that sometimes investors believe they're diversified simply because they have a variety of line items in their portfolio. "However, when you dig deeper and examine the underlying factor risks, you may find that you're far more concentrated than you initially thought," he notes. "The purpose of this tool is to identify sensitivities to different asset classes, to reveal how concentrated these risks are at a granular level, and to assess the correlations between investments in stress scenarios," he elaborates. "It's during these times of market stress that true diversification becomes crucial." Liquid alternatives, he notes, can play an important role in achieving that diversification.

Launches and Closures: On the Health of the Nordic Hedge Fund Industry

By Eugeniu Guzun – HedgeNordic

The number of fund launches and closures can be seen as a key indicator of the health of the Nordic hedge fund industry. The industry has experienced more closures than new launches over the past five years, with three funds shutting down for every two that started. While the launch-to-closure ratio improved in 2022 and 2023, 2024 saw twice as many closures as launches. This alone though does not provide a complete picture. The outlook for 2025 appears more promising, with a stronger pipeline of new funds than in previous years, as around a dozen hedge funds already registered and preparing to enter the market.

NORDIC HEDGE FUND INDUSTRY ACTIVITY (2018-2024) WITH 2025 PROJECTION



Year	2018	2019	2020	2021	2022	2023	2024	2025*
Launches	27	16	15	9	16	12	8	**12+**
Closures	21	30	32	16	14	15	15	-
Net Change	+6	-14	-17	-7	+2	-3	-7	-

* 2025 data shows projected launches based on hedge funds already registered with regulatory authorities

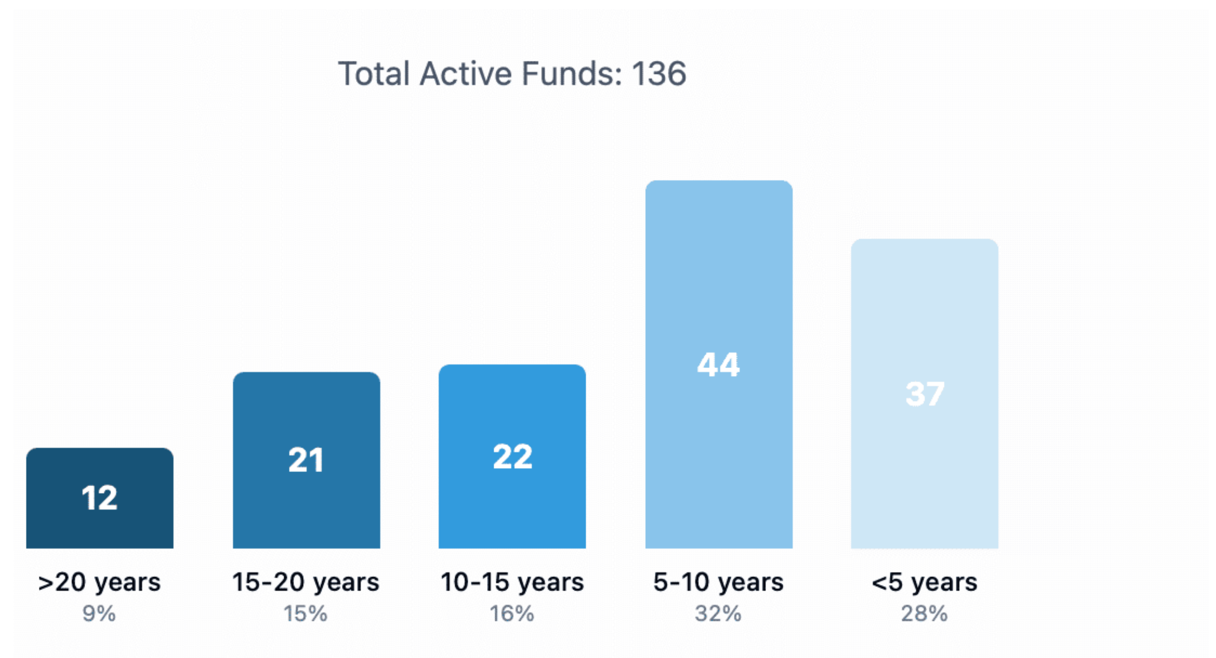
The Nordic hedge fund industry has seen a decline in the number of active funds, dropping from a peak of over 185 at the end of 2018 to around 140 by the end of 2024, with an average annual net decrease of around 8 funds. Despite this overall reduction, the industry has undergone a dynamic evolution beneath the surface in recent years. In 2018, the region experienced a strong year for fund launches, with 27 new funds coming to market. However, this momentum has fluctuated over time, with launches falling to 16 in 2019, 15 in 2020, and 9 in 2021. The pace picked up again in 2022 with 16 new launches, before easing to 12 in 2023 and reaching a low of just 8 in 2024.

Although the number of new launches in 2024 is one of the lowest HedgeNordic has recorded going back to 2015, there is a positive outlook ahead. A strong pipeline of new launches is expected to materialize in 2025, with over 10 hedge funds already registered with regulatory authorities but yet to launch. Some of these funds have already launched at the start of this year, making 2025 look promising for the industry's growth in terms of new fund introductions.

At the same time, the number of fund closures has fluctuated, rising from 21 in 2018 to 30 in 2019, peaking at 32 in 2020, before declining to 16 in 2021, 14 in 2022, and stabilizing around 15 in both 2023 and 2024. These figures highlight the region's entrepreneurial spirit as well as the challenges of a competitive market landscape. Ultimately, the "survival of the fittest" dynamic strengthens the Nordic hedge fund industry, benefiting end investors.

The Nordic hedge fund industry demonstrates significant dynamism in terms of launches and closures, with 60 new fund launches and 90 closures over the past five years. At the same time, there is a growing cohort of hedge funds with long operating histories. For instance, the industry boasts 55 hedge funds with a track record of over 10 years, 33 funds with more than 15 years of history, and 12 funds with a track record exceeding 20 years. Additionally, there are 44 funds with track records ranging from five to ten years.

NORDIC HEDGE FUND AGE DISTRIBUTION



Although recent years have seen more closures than launches, the expected wave of new funds in 2025 suggests renewed industry momentum. Coupled with a stable group of long-established hedge funds, the Nordic hedge fund industry remains resilient after enjoying one of its best ever years of performance in 2024.

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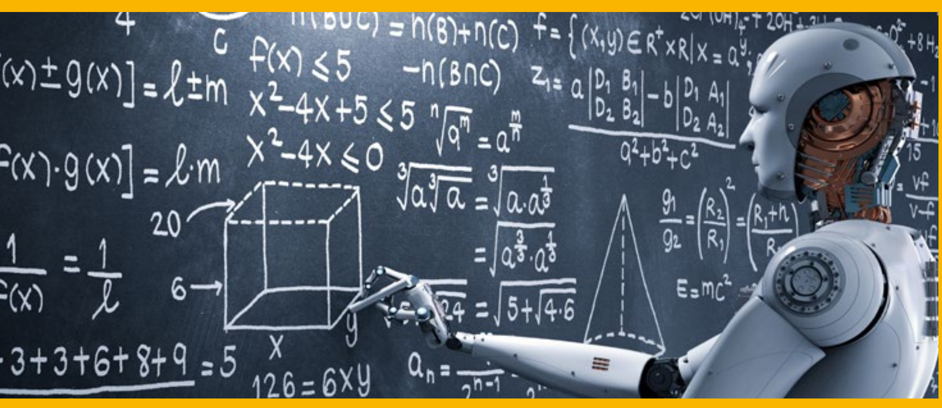

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