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A hand is shown holding a complex, multi-faceted geometric wireframe structure. The structure is composed of thin, metallic-looking rods that glow with a vibrant blue and gold light. The background is dark, making the glowing structure stand out prominently.

NORDIC HEDGE FUND  
INDUSTRY REPORT 2026



# NORDIC HEDGE FUND INDUSTRY REPORT 2026

## 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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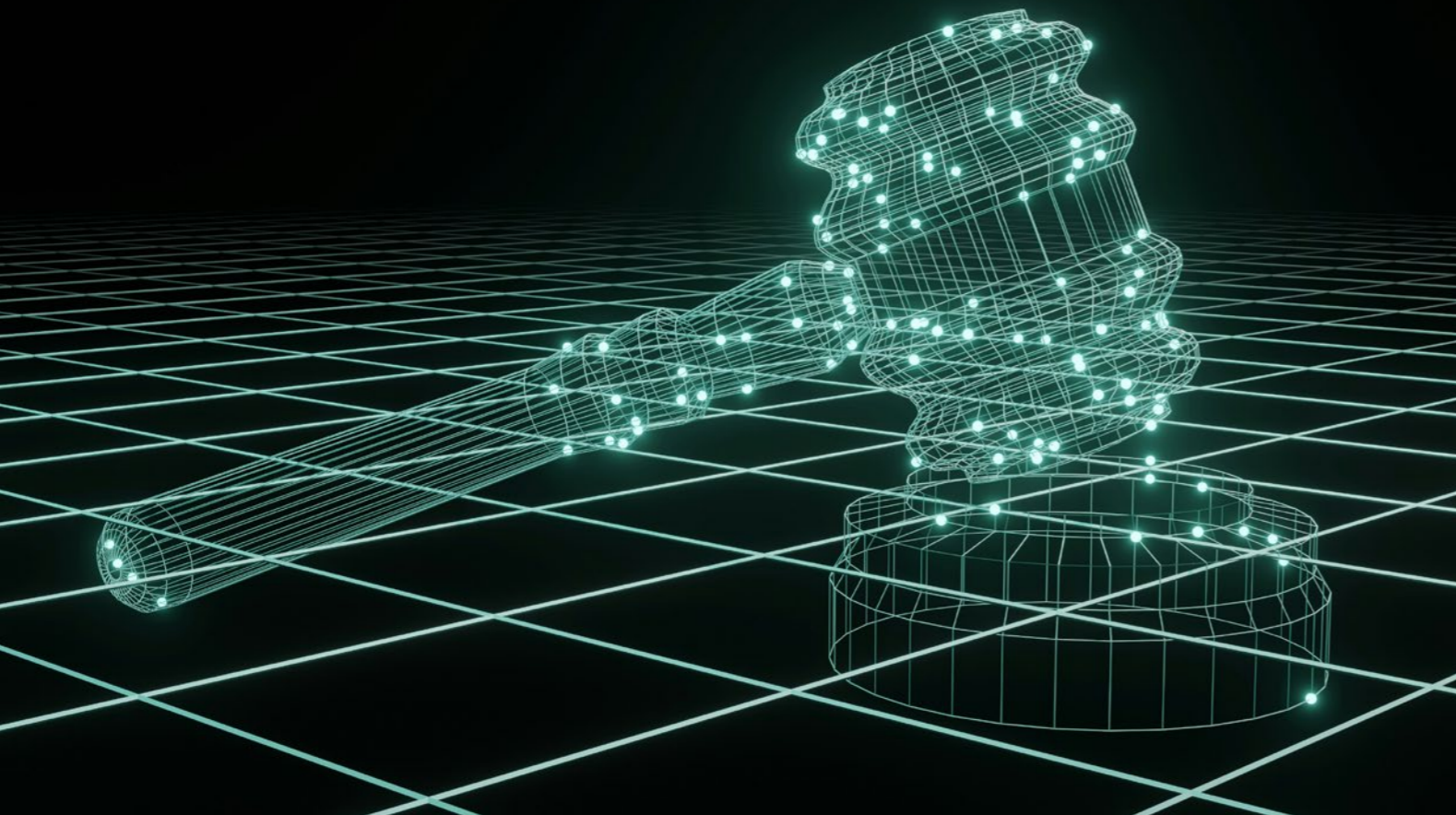
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# Editor's Note ...

## What if the Rules Changed?

The idea back in 2010 to launch a platform that would cover the Nordic hedge fund space came hand in hand with another aspiration. Very early on, it stood out: creating an award to identify and celebrate "the best" funds and managers in the region. But how to go about it?

Looking at existing industry awards helped, but inspiration also came from outside finance. In Formula 1, the winner earns disproportionately more points than the runner-up. In judged sports like ski jumping or figure skating, the highest and lowest scores are discarded to reduce bias. The Oscars rely on peer voting, adding a layer of subjective judgment. Across all of them, there is a structure that people intuitively understand, even if they do not always

agree with the outcome. We even drew some input from Eurovision!

At the same time, there were approaches I found less compelling. Purely objective measures, like the stopwatch, are clean and absolute, but rarely tell the full story. Translating that into our world, simply declaring the highest return as the winner felt equally incomplete.

So we set out to build something that was structured enough to identify "the best," yet nuanced enough to reflect the complexity behind performance.

Performance was the obvious starting point, but as a stand-alone it was quickly dismissed. A simple "best return wins" framework ignores risk and other key metrics entirely. Moving to risk-adjusted measures, such as the Sharpe Ratio, improved things, but only to a point. The more we explored it, the clearer it became that no single metric would capture what makes a fund truly stand out.

The challenge was on! Should higher returns be rewarded more than consistency, or should a smoother return profile carry greater weight? How should drawdowns be treated relative to volatility? What about skewness, or correlation to broader markets? Over what time horizon should any of this be measured? Are they equally important and telling, or do they need weighting? Each parameter seemed reasonable in isolation, but the moment you combined them, you were making choices. And each of those choices implied a bias.

It also became obvious that comparability is not a given. Evaluating funds with very different strategies, volatility targets or objectives against each other can feel like comparing a NASCAR lap time to that of a racehorse, on a different track, under different conditions. Both may be exceptional, but the framework determines how that excellence is measured.

Even the market environment plays a role. In years when beta lifts most strategies, strong performance becomes less informative. But should that be stripped out entirely, or is navigating those conditions part of what defines a good manager?

What became clear was that it was no longer about

finding the perfect metrics, but about constructing a set of rules that could combine and weigh multiple indicators in a consistent and transparent way.

From the outset, I was convinced that whatever we built had to be fair, repeatable and objective. Just as importantly, it had to be credible. As a small, unknown platform at the time, we did not have that credibility ourselves.

We turned to the Stockholm School of Economics and the Swedish House of Finance. What started as rough ideas and analogies gradually evolved, through discussion and academic input, into a structured framework. Students from KTH Royal Institute of Technology under supervision later implemented and coded the model, translating theory into a tool that would run the calculations autonomously.

The result is a rules-based quantitative ranking that evaluates funds across multiple dimensions, including performance, volatility, skewness and risk-adjusted returns, both on a standalone basis and relative to comparable peers and the broader Nordic hedge fund universe. In simple terms, we established a way of measuring the "lap time" of each manager under comparable conditions, and made those rules transparent for everyone to see.

We had the academic, theoretical angle covered. What was still missing, however, was the real world value of this outcome and some human element.

Numbers can tell you what happened, but they rarely capture the full context. Allocators form views through experience, interaction and judgment, often based on factors that are difficult to quantify. To reflect that reality, we introduced a qualitative layer through a jury of experienced asset allocators.

The composition of this group is deliberate. Members come from different institutions, countries and backgrounds, ensuring a diversity of perspectives and reducing the risk of a single dominant view. Their independence is a critical part of the process, not an afterthought, and an important contributor to the credibility of the outcome.

The jury evaluates the highest-ranked funds from the quantitative model at their full discretion. To maintain

balance, scores are normalized, and extreme observations are removed by discarding the highest and lowest inputs for each fund, in line with practices from judged sports designed to limit bias.

This produces a second, qualitative score. The final result is a simple combination: 50 percent quantitative, 50 percent qualitative. Together, they determine the three funds on the podium.

We believe this is a fair and transparent approach, one that runs without interference and produces a clear outcome based on predefined rules.

Those rules are not designed to reward any single metric in isolation, which is why it may happen that a fund with a higher Sharpe Ratio or lower drawdowns, or even “did better across the board” does not end up on the top step. Taken individually, those arguments are often right. Taken together, within the framework, they are not decisive.

The simple fact is, yes, if the rules were different, it may likely change the result.

That is true in sports as well. In football, the winner is determined by who scores more goals by the final whistle. If instead you measured distance covered, passes completed or fouls avoided, or combines these factors in some way, the result might look very different. Even when the rules are the same, outcomes depend on how they are applied, interpreted and weighted (headballs count double). Anyone who has watched a Sunday little league match where the coach of the home team or some random parent also acts as referee will have seen how interpretation if the ball was in or out, offside or not, alone can shape the result within the same framework. Rules need to be objective, and not subject to interpretation.

Having the perfect model may have been the naive ambition, but that ideal model does not exist. The framework for the Nordic Hedge Award is transparent, consistent over time and credible, where the outcome follows logically from the rules that define it. As likely everything in life, change the rules and you will change the result.

**Kamran Ghalitschi**  
PUBLISHER, HEDGENORDIC

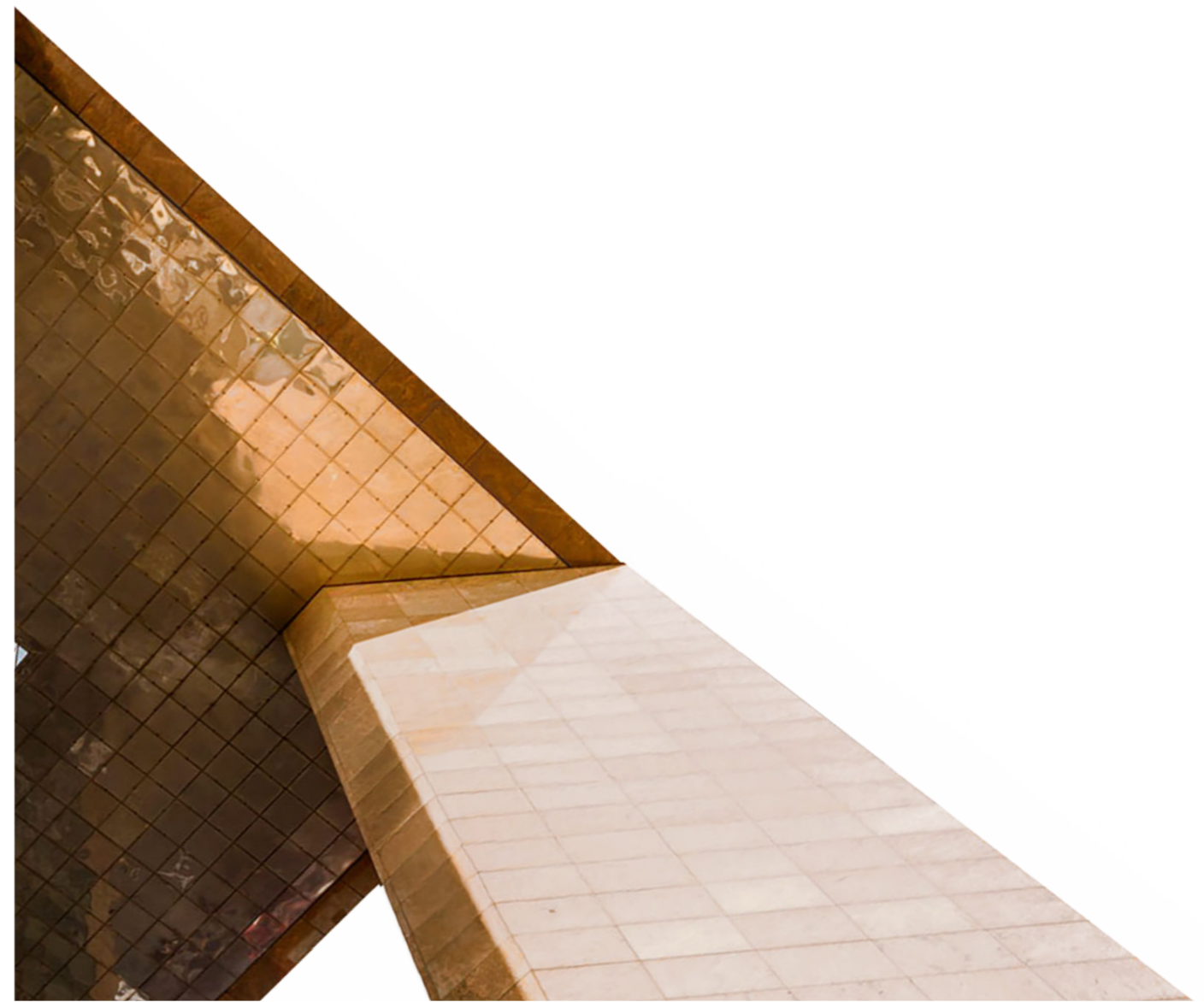
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# Elo's Slow-Moving Hedge Fund Portfolio Built Around Access

By Eugeniu Guzun – HedgeNordic

Soon after Kari Vatanen joined Finnish pension insurer Elo as Head of Asset Allocation and Alternatives, he praised the team behind the firm's hedge fund portfolio and its long-term performance. Mika Jaatinen, who manages the allocation alongside Antti Vartiainen, explains how Elo constructs its hedge fund portfolio, how it continues to evolve, and the role it is expected to play amid structural changes in the Finnish pension system.

Elo's hedge fund allocation stood at around 10 percent at the end of 2025. According to Jaatinen, hedge funds "play the classic role of diversification away from equity and bond risk." However, diversification alone is not sufficient to justify an allocation. "Returns are extremely important. How can you rationalize investing in hedge funds without returns?" he asks.

While Finnish institutional investors are generally active allocators to hedge funds, Jaatinen

emphasizes that portfolios vary significantly across institutions. Each hedge fund allocation is designed differently and serves a distinct role within the broader portfolio. "Everyone has their own strategy based on their balance sheet," he explains, noting that hedge fund allocations are ultimately designed to deliver something specific, whether enhanced returns, improved diversification, or a particular risk profile. Every investor, he says, "can use the hedge fund allocation to achieve something extra they want to see in the balance sheet."

## BALANCE SHEET-DRIVEN ALLOCATION, NOT A BOND SUBSTITUTE

While some Nordic allocators have used hedge funds as a substitute for low-yielding fixed income during the low-rate environment, Mika Jaatinen and the team at Elo took a different view. They did not consider hedge funds to be well positioned in a low interest

Mika Jaatinen, Portfolio Manager of Hedge Funds – Elo

rate environment. “Some strategies are so cash-heavy that they lost the carry component when rates were low,” notes Jaatinen. As a result, hedge funds were never viewed as a substitute for low-yielding investments, but rather as a distinct allocation with its own return requirements within the portfolio.

Instead, the role of hedge funds within Elo’s broader portfolio is defined by the profile set at the CIO level. “How the portfolio should look and what kind of profile it should have is decided at the CIO level, and that has been the driving force in our case,” explains Jaatinen. Based on that framework, Jaatinen and his colleague determine which strategies and managers are best suited to meet those objectives. The portfolio is subsequently adjusted on a gradual basis, typically over multi-year cycles, to better align its allocation with the CIO’s evolving requirements.

## PENSION REFORM AND CAPITAL EFFICIENCY

This approach is now being tested by structural changes in Finland’s pension system. A reform of the earnings-related pension model allows for increased equity exposure. “The equity weight will increase by five percent and then again a year later,” Jaatinen notes, raising the question of how the remaining 30-35 percent of the portfolio should be structured.

With less room for other asset classes, allocations to hedge funds, real estate, and fixed income are expected to decline somewhat. The next question, he notes, is one of capital efficiency. “How can you allocate capital to a given asset class in the most efficient way, ensuring that all capital is fully utilized and generates the best possible returns?” One of the approaches being considered is the use of separately managed accounts (SMAs) within the hedge fund portfolio, where feasible.

“Obviously, you could establish SMAs with some managers to steer the allocation in a more capital-efficient way and better meet the portfolio’s objectives,” says Jaatinen. The challenge, however, lies in implementation. Many Finnish institutional investors already have long-standing hedge fund portfolios, with significant allocations to some of the world’s most established managers. “Those

managers are not particularly willing to set up SMAs for clients, so it’s not something you can easily push through,” he explains.

One possible way forward could be to build relationships with newer managers that may be more open to such structures. “But it’s difficult to say how much this will develop going forward,” Jaatinen adds. “It’s just one possible direction.”

## A SLOW-MOVING PORTFOLIO BUILT AROUND ACCESS

Most Finnish pension funds, including Elo, already have mature hedge fund portfolios with long-standing manager relationships. “All Finnish pension funds have fairly seasoned portfolios, with manager relationships that in some cases go back more than a decade,” says Jaatinen. “There is already a core portfolio in place that is quite close to the desired profile.” As a result, portfolio construction today is less about broad reallocation and more about incremental improvement.

Rather than positioning the portfolio around a specific market environment or trying to identify the best-performing strategy at a given point in time, Jaatinen describes the process as gradual and iterative. “It’s more like a slow-moving wheel or train, where you are slowly taking some elements out and adding others, with the objective of improving the portfolio over time,” he says.

The overall profile of the hedge fund portfolio is defined at the CIO level, with the portfolio management team then determining the allocation across strategies, sub-strategies, and managers to achieve that profile. Different strategies can therefore serve distinct roles within the portfolio.

“Some strategies, such as macro, can provide strong diversification to the balance sheet, while equity long/short can be used to increase equity exposure,” explains Jaatinen. “If you want a more relative value stance, you might overweight market-neutral equity or multi-strategies,” he adds, outlining how different approaches are used depending on the objective. “We use certain managers for specific purposes to reach that overall profile,” he continues. “When you

**“All Finnish pension funds have fairly seasoned [hedge fund] portfolios, with manager relationships that in some cases go back more than a decade.”**

look at the portfolio as a whole, you are continuously adding or adjusting elements to improve it and match that target profile as closely as possible.”

## DEFINING QUALITY AND SCALING CONSTRAINTS

Regardless of the strategies employed, Mika Jaatinen and his co-portfolio manager place strong emphasis on partnering with high-quality managers. “The name of the game today is really a chase for high-quality managers,” he says. For Jaatinen, quality is defined by a combination of experience, process, and discipline.

“A high-quality manager is someone who has gone through different market cycles and has seen it all,” he explains. Equally important is robust and transparent risk management. “They need to have very strong risk management and be able to clearly explain their processes,” he adds. A clearly defined and repeatable investment process is another key requirement, alongside a highly experienced portfolio manager or team. Ultimately, the defining characteristic is consistency. The stability of both the investment process and the risk management framework is what distinguishes high-quality managers over time.

Another important selection criterion is the size of assets under management. “We have become so large, and our allocations have grown accordingly, which means our minimum ticket sizes have increased as well,” explains Jaatinen. Given Elo’s scale and portfolio construction requirements, engaging with smaller managers is often not feasible. “When you are operating at this level, you tend to partner with managers that are fairly large themselves,” he adds.

Jaatinen acknowledges that “it’s extremely hard to allocate to certain high-quality managers, some of which have been closed to new investments for 10 or 15 years.” This makes it challenging to construct a portfolio with precise allocations across specific strategy buckets. Rather than compromising on quality, he prefers to remain patient. “If we are not able to access the best-in-breed managers, then we just wait or remain underweight in that part of the portfolio,” says Jaatinen, underscoring a clear preference for quality over completeness.

# The New Coda: From Intuition to a Unified Investment Process

By Eugeniu Guzun – HedgeNordic



Harald L. Thorstein, Knut Børsheim and Peter Andersland – Coda Partners

Peter Andersland is best known in the Nordic hedge fund space as the co-founder of Sector Asset Management, where he remains a shareholder. While Sector has evolved into a multi-team platform housing different strategies, Andersland has in recent years focused on building something more unified: an investment platform anchored in a single philosophy and process. That vision is now taking shape at Coda Partners, which he co-founded together with Knut Børsheim and Harald Thorstein.

“At Coda Partners, we want one philosophy and one process,” says Andersland. The foundation of this approach was laid in 2022, when he launched a thematic long/short equity strategy under Pensum Asset Management. Coda’s clearly defined specialization and process are already bearing fruit, with the young asset manager attracting a client base of sophisticated investors in the US and UK. These investors access the strategy through separately managed accounts (SMAs), paying primarily for idiosyncratic alpha. At the same time, the team was keen to broaden access beyond institutional clients.

This led to the acquisition of Andersland’s former fund from Pensum last December, while preserving its core identity: deep fundamental research applied through a thematic lens, combined with a rules-based framework governing position entry, sizing, portfolio management, and exit. “The investment philosophy and process is something you build over many years. You gradually adapt what works and what doesn’t,” Andersland explains. “Some of us are slow learners, so it took me 40 years to get here.”

To illustrate the philosophy, Andersland draws on Børsheim’s background as a professional golfer, where performance is broken down into individual components and improved systematically. Børsheim, who previously worked in Pareto’s New York office, at a hedge fund in London, and later founded an advisory business focused on distressed companies, joined as co-portfolio manager not to change the strategy, but to refine and strengthen it. “It’s not about doing something completely different,” says Andersland. “It’s about doing the same thing, but much better and much more systematically.”

**“We look at around 50 of the most cyclical industries globally and try to understand where profits will be in the future, not where they are today. That creates winners and losers across industries. Our job is to identify those shifts and position accordingly.”**

Peter Andersland

Børsheim echoes this view, emphasizing both Andersland’s experience across multiple market cycles and the complementary perspectives they bring to the partnership. “There are very few people who have managed money through three bear markets. That experience is extremely valuable,” says Børsheim. “At the same time, we come from slightly different perspectives, which strengthens the partnership.”

**FROM COGNIMETRICA TO CODA**

The intellectual roots of the strategy go back to the early 2000s, when Andersland developed a strategy called Sector Cognimetrika. “Cogni” represented human judgment, while “Metrica” reflected quantitative discipline, a combination he describes as “quantamental.” Coda Global Opportunities follows the same core idea: using fundamental expertise to identify attractive profit pools, determine winners and losers within those pools, and implement positioning through a structured, rules-based decision process.

The strategy focuses primarily on cyclical industries, which the team analyzes within a global supply chain framework. “We look at around 50 of the most cyclical industries globally and try to understand where profits will be in the future, not where they are today,” Andersland explains. This forward-looking perspective is particularly relevant in an environment shaped by geopolitical shifts and structural disruptions. “That creates winners and losers across industries. Our job is to identify those shifts and position accordingly.” While the team’s specialization and experience provide a clear edge in cyclicals, Andersland is quick to stress that this alone is not sufficient. “That is only the raw material,” he says. “It is the process that makes it fundable.”

**PROCESS OVER INTUITION**

While the philosophy remains unchanged, the evolution at Coda has been about strengthening execution. With additional resources following Børsheim’s arrival, the team has been able to deepen coverage and refine how decisions are made. “The investment philosophy has stayed the same,” says Børsheim. “What has changed is that we now have more bandwidth and are sharpening the process. We

**“Prices move a lot in cyclical industries. If you don’t have discipline, you can easily be taken for a ride. This framework helps us stay consistent.”**

**Knut Børsheim**

are building a stronger decision-making framework around a shared philosophy.”

This framework is particularly important in cyclical investing, where price movements can be sharp and sentiment-driven. Without discipline, investment decisions can easily become reactive. “Prices move a lot in cyclical industries,” Børsheim explains. “If you don’t have discipline, you can easily be taken for a ride. This framework helps us stay consistent.”

Andersland breaks the process into distinct components: idea generation (what to buy or short), position sizing, timing of entry, execution approach, position management, and exit strategy. “What we want to do is build the organization around improving each of these steps,” he says. “Instead of focusing only on performance attribution, we focus on decision attribution, understanding where value is created in the process.”

Coda is a contributing partner with CenterBook Partners, a \$1 billion-plus multi-manager platform that allocates capital across external portfolio managers. Within this setup, Coda’s research and positions are continuously assessed and selectively funded by CenterBook. “It means that a \$1B+ multi-manager continuously evaluates our research quality, idea freshness, position sizing, and ultimately our ability to generate alpha, while also committing its own capital behind our work,” explains Andersland. “Naturally, this benefits all our investors, as CenterBook provides an independent layer of validation from an investor whose own returns depend directly on the quality of our process.”

**FROM SHORT BIAS TO INVESTOR PRODUCT**

When the strategy was first launched in 2022, it was intentionally structured as a short-biased hedge fund, designed to generate returns with negative market exposure. Over the period through 2024, the strategy exhibited a beta of around minus 0.5 and delivered positive alpha of approximately three percent annually. However, despite these characteristics, Andersland acknowledges that the strategy in its original form was not well-suited as a commercial product. “Very few investors are interested in that type of profile.”

A shift in portfolio construction has since transformed the strategy. “The goal is to maintain zero correlation to the market, not negative beta,” says Andersland. This adjustment played a role in Coda Global Opportunities delivering a return of 39 percent in 2025 and emerging as one of the top performers in the Nordic hedge fund space.

At the same time, the team has redefined its risk focus, placing greater emphasis on drawdowns rather than volatility. “We are targeting around 15 percent returns with similar levels of volatility, but the key constraint is drawdown,” Andersland explains. “For most investors, a drawdown beyond 15 percent is very difficult to tolerate, and recovery needs to happen within roughly 18 months.”

Børsheim reinforces this perspective, noting that while volatility is an important theoretical measure, it is drawdowns that ultimately matter to investors in practice. “It may sound simplistic, but what matters to investors is drawdown,” adds Børsheim. “Volatility matters in theory, but in practice, what keeps you up at night is being down.”

**GETTING THE THEME RIGHT**

Despite improvements in process and portfolio construction, both managers emphasize that thematic positioning remains the dominant driver of returns. “That’s where we spend most of our time,” says Børsheim. “In cyclical industries, if you get the theme wrong, you’re not going to make money. Even if you pick the best stock within the wrong theme, you will still lose.” As a rule of thumb, he estimates that roughly two-thirds of returns come from getting the theme right, with the remaining third driven by stock selection.

As a result, a significant portion of the team’s effort is devoted to continuously reassessing their investment themes. This involves challenging assumptions, monitoring changes in market dynamics, and ensuring that the original thesis remains intact. “We are still stock pickers within those themes, but the theme has to be right first.”

Timing within the cycle is equally critical. Andersland emphasizes the importance of identifying inflection points in industries where returns on capital are set to improve, rather than simply investing based on

valuation. “On the long side, we look for industries where returns on capital are set to improve,” Andersland says. “We are looking for inflection points, not just cheap valuations.”

Given the inherent uncertainty around timing, the team initially positions in higher-quality companies with stronger balance sheets. As visibility improves, exposure shifts toward smaller or more leveraged names. “Even if a theme plays out over two to five years, individual positions are held for shorter periods,” Andersland explains. “Within a single cycle, we can capture multiple opportunities.” As capital flows into a theme and price discovery accelerates, turnover naturally increases. “That allows us to revisit and monetize the same theme multiple times.”

### DECISION-MAKING UNDER UNCERTAINTY

Looking ahead, Andersland’s ambition extends beyond performance metrics. His goal is to build a world-class investment practice centered on decision-making under uncertainty. In financial markets, outcomes are inherently probabilistic, making it difficult to assess skill based solely on results. “Fund managers operate under uncertainty, not certainty,” Andersland concludes. “Outcomes alone are not a reliable measure of skill. What matters is decision quality. If you consistently make good decisions, good outcomes will follow over time.” At the same time, early results and investor reception provide tangible validation. “The response our young firm has received from some of the large, highly sophisticated investors is clearly a sign that we are doing something right,” says Børsheim.

**“In cyclical industries, if you get the theme wrong, you’re not going to make money. Even if you pick the best stock within the wrong theme, you will still lose.”**

**Knut Børsheim**

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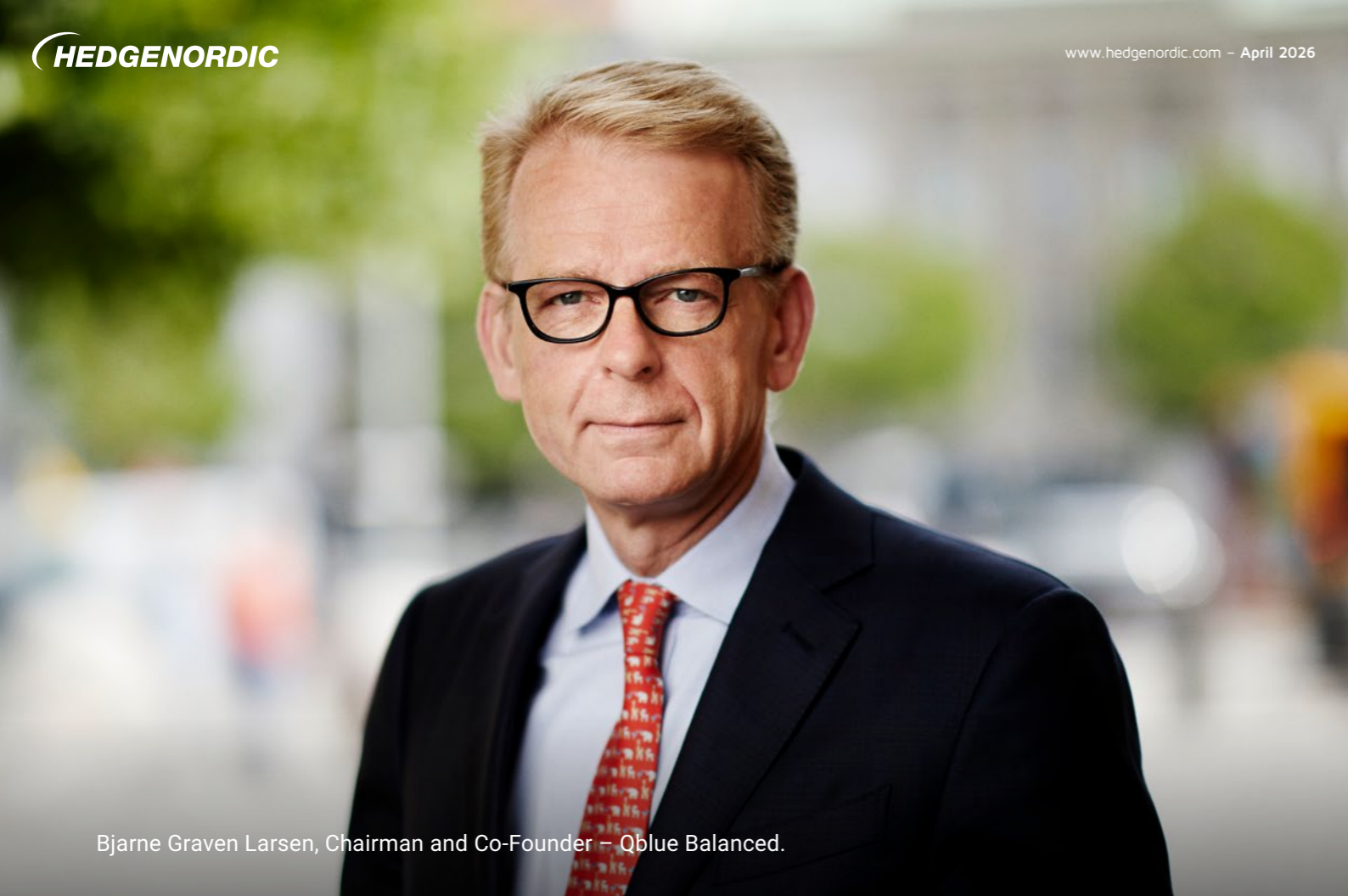


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Bjarne Graven Larsen, Chairman and Co-Founder – Qblue Balanced.

# When Diversification Fails: Qblue’s Case for Alternative Risk Premia

By Eugeniu Guzun – HedgeNordic

**“If you can find a new source of returns that is not correlated with the 60/40 portfolio, you can increase your Sharpe ratio significantly.”**

**Bjarne Graven Larsen**

The notion that a traditional 60/40 portfolio offers meaningful diversification has long been questioned by practitioners. When implementing the Total Portfolio Approach at Danish pension fund ATP in the early 2000s, Bjarne Graven Larsen and his team observed that, despite diversified allocations, much of the underlying risk remained driven by equity exposure. That insight later formed the foundation for Qblue Balanced and its Alternative Risk Premia (ARP) strategy, developed by former ATP colleagues to provide investors with complementary sources of return beyond traditional market risk, especially in risk-off environments.

“If you can find a new source of returns that is not correlated with the 60/40 portfolio, you can increase your Sharpe ratio significantly,” says Graven Larsen. The relevance of this approach became particularly evident in 2022, when traditional portfolios failed to diversify and major asset classes declined in tandem. That environment highlighted how dependent many portfolios remain on a limited set of return drivers, leaving investors exposed when those drivers move in the same direction.

Launched in mid-2019, the Qblue Alternative Risk Premia (ARP) fund employs a multi-strategy systematic approach designed to capture risk premia across equities, fixed income, commodities, and currencies. “The strategy is not a quant black box, but rather is founded in economic relationships driven by behavioral biases and other factors,” explains Lars Hougaard Nielsen, who co-heads the investment function alongside Co-Chief Investment Officer Martin Richter. In terms of return characteristics, the fund is designed to “target returns that are uncorrelated to bonds and equities, especially uncorrelated during stressed markets.”

## “RISK PREMIA,” A CATCH-ALL TERM

The strategy draws on ten in-house developed alternative risk premia across four asset classes, with roughly half of the exposure linked to equities and the remainder to commodities, fixed income, and currencies. While “risk premia” is often used as a catch-all term for systematic return drivers,

its meaning varies significantly depending on implementation and portfolio construction.

“When we say risk premia today, most people think about momentum, value and other premia,” says Graven Larsen. While the Qblue ARP fund incorporates these well-known factors, its approach differs in both implementation and portfolio construction, with a greater emphasis on diversifying return drivers beyond traditional equity-centric premia. “As a practitioner, I find broad labels such as momentum or value somewhat outdated,” says Nielsen. “The return characteristics and what you are trying to capture ultimately depend on how the strategies are implemented.”

While implementation is a key differentiator, continuous evolution and refinement are equally important. Internal research conducted by the team in 2018 showed that static strategies tend to experience return decay over time. “A value algorithm may appear robust in backtests, perhaps delivering a Sharpe ratio of 0.8 on a standalone basis,” recalls Graven Larsen. “But over a 10-year period, that can

decay to below 0.4 if you don't actively evolve the strategy," he explains. In some cases, he adds, "two to three out of ten strategies may see their Sharpe ratios decline to zero over time."

This dynamic underpins Qblue's philosophy of continuous innovation and refinement. Rather than relying on static models, the team focuses on consistently improving and adapting its strategies to maintain their effectiveness.

### DESIGNED FOR STRESS, NOT JUST NORMAL MARKETS

While the design of individual strategies is important, their interaction within a portfolio is equally critical. In particular, correlations between strategies, and how they behave across different market environments, play a central role in determining overall portfolio resilience. Nielsen, who spent six years at ATP developing alternative risk premia strategies, observed that strategies appearing uncorrelated over time often became highly correlated during periods of market stress.

"What we found was that in times of real market stress, particularly during financial crises, strategies that appeared uncorrelated were not uncorrelated after all," recalls Nielsen. "The fact that you're uncorrelated on average doesn't necessarily mean that will hold in stress scenarios, because market dynamics always change," he adds. "It's been deeply rooted in our DNA to build something that is not just uncorrelated on average, but especially uncorrelated when markets are stressed."

As a result, portfolio construction focuses not only on diversification in normal conditions but also on maintaining low correlation in tail events. The Qblue ARP fund allocates a significant portion of its risk, around 50 percent on average, to strategies designed to perform in risk-off environments. "We want to make sure that we have sub-strategies inside the ARP fund that perform well in these risk-off scenarios," emphasizes Graven Larsen. "At the fund level, we don't just aim to optimize each strategy on a standalone basis, but to ensure that the overall portfolio remains uncorrelated, including in tail events."

Over its seven-year history, the Qblue ARP fund has

**“The strategy is not a quant black box, but rather is founded in economic relationships driven by behavioral biases and other factors.”**

### Lars Hougaard Nielsen



Lars Hougaard Nielsen, Co-Chief Investment Officer – Qblue Balanced

demonstrated resilience during periods of market stress, reinforcing its role as a diversifier. During the five most significant equity drawdowns, the fund recorded losses in one instance, was flat in another, and delivered positive returns in three. "Looking at more recent events, such as the market reaction in March following the escalation in the Middle East, we also delivered positive returns."

As a financial engineer by training, Nielsen takes greater pride in the strategy's performance during risk-off environments than in strong returns during benign market conditions. "What I'm most proud of is how we've been able to deliver solid performance during stress scenarios, because that's much more difficult," he says. "It's relatively easy to generate positive returns when markets are rising. What investors are really looking for is something that diversifies when markets are under pressure."

### DYNAMIC ALLOCATION AND RISK MANAGEMENT

The allocation to individual strategies is guided

by long-term return and correlation expectations, combined with continuous monitoring of how these relationships evolve over time. "The backbone of our allocation process is long-term correlation and return expectations," explains Nielsen. "We use those inputs to construct the portfolio through an optimization framework."

The optimization aims to balance expected returns, diversification, and overall risk characteristics. At the same time, the team remains mindful of the instability of correlations. "Correlations are not stable over time, so it's difficult to be overly aggressive in reallocating based on short-term changes," notes Nielsen. "That said, we do monitor shifts closely, and in certain cases, when changes become more pronounced, we adjust the weights accordingly."

### A COMPLEMENT TO TRADITIONAL PORTFOLIOS

Looking ahead, the team continues to focus on evolving the strategy to mitigate alpha decay and improve its forward-looking robustness. "It's a better portfolio from a forward-looking perspective than it

# Apoteket CIO Leans on Hedge Funds for High Sharpe

By Eugeniu Guzun – HedgeNordic



Gustav Karner, Chief Investment Officer – Apoteket's Pension Fund

**“We have benefited significantly from the hedge fund portfolio.”**

**G**ustav Karner, Chief Investment Officer of Apoteket's Pension Fund since 2017, has delivered one of the highest Sharpe ratios among Sweden's largest institutional investors, despite operating with significantly fewer resources than larger peers. A key contributor to this strong risk-adjusted performance has been his substantial allocation to hedge funds, which now account for roughly one-third of the €1.2 billion portfolio.

“Hedge funds have contributed quite a lot to this performance over the years,” says Karner. “We have benefited significantly from the hedge fund portfolio.” Reflecting this conviction, the benchmark allocation to hedge funds was increased from 30 to 35 percent during 2025. Despite this above-average allocation, Karner emphasizes that the hedge fund portfolio contributes relatively little to overall portfolio risk, given his focus on high-quality managers delivering low volatility in returns and strong Sharpe ratios.

## FROM BOND SUBSTITUTE TO STRATEGIC ALLOCATION

Karner has been investing in hedge funds for more than two decades but significantly increased the allocation after joining Apoteket's Pension Fund, using hedge funds as a substitute for low-yielding fixed income in the prevailing low interest rate environment. “The main purpose when I started here at Apoteket nearly nine years ago was to use hedge funds as a substitute for low-yielding fixed income instruments,” Karner explains.

Importantly, Karner has maintained this allocation even as interest rates have risen, having been satisfied with the portfolio's performance across different market environments. “The portfolio has delivered average returns of over 10 percent per year, which have been more attractive than traditional fixed income,” he adds. “That's why I decided to maintain the allocation.”

While the hedge fund portfolio's contribution may be less visible in risk-on environments that favor equities, hedge funds have proven especially valuable during drawdowns. In risk-off episodes such as 2022, the allocation played a stabilizing role. “For example, in 2022 both bonds and equities fell quite sharply, but the hedge fund portfolio held up. We generated over 6 percent currency hedged from hedge funds that year,” recalls Karner.

## BOTTOM-UP MANAGER SELECTION AND PORTFOLIO CONSTRUCTION

Despite his experience operating in a typically top-down role as a chief investment officer across various institutions, Karner constructs the hedge fund portfolio using a distinctly bottom-up approach focused on identifying the highest-quality managers. “We definitely take a bottom-up approach, trying to find the best managers,” he notes.

**“If you make changes over time and are even slightly better than average at selecting hedge funds, you will retain the good ones and replace the weaker ones. That’s how you build a stronger portfolio over time.”**

This philosophy has resulted in a well-diversified portfolio across strategies, including credit, long/short equities, fixed-income arbitrage, and, importantly, multi-strategy funds. Access remains a key constraint, as many of the preferred managers are capacity-constrained. “It’s crucial for us to identify very strong managers, and if they fit the portfolio, we try to invest, although many of them are often closed or soft-closed to new capital,” Karner adds.

Karner prefers to maintain a relatively concentrated hedge fund portfolio of around a dozen managers. “We have 14 managers today, and I think that’s a good balance. You don’t want it to become too complex, but you still need sufficient diversification,” he explains. Given the lean structure of the organization, this level of diversification is considered optimal.

A key screening criterion is a consistently high Sharpe ratio, with a target of above 2 at the fund level. “We place a strong emphasis on risk-adjusted returns,” Karner notes. If expected returns drift toward the mid-single digits, the investment case quickly weakens, particularly when factoring in currency hedging costs. “If it’s a U.S. fund and you need to hedge the dollar, you can end up with returns that are comparable to fixed income,” he notes.

He views active portfolio rotation as essential to maintaining quality over time. By systematically exiting weaker performers and reallocating to stronger managers, the overall portfolio will be gradually improved. “If you make changes over time and are even slightly better than average at selecting hedge funds, you will retain the good ones and replace the weaker ones,” Karner explains. “That’s how you build a stronger portfolio over time.”

**STRATEGY PREFERENCES: LONG/SHORT EQUITY AND QUANT**

Karner sees a more compelling opportunity set for long/short equity strategies in today’s higher interest rate environment, where increased dispersion creates a richer backdrop for stock selection. “I believe long/short equities are more interesting now than before, and we are starting to see this reflected in performance as well,” he says.

Over the longer term, however, he has grown increasingly interested in quantitative strategies. Within this space, Karner occasionally allocates to trend-following CTAs, though these are not a core holding due to their historically lower Sharpe ratios. A tactical allocation at the end of 2021 proved well-timed ahead of the segment’s strong performance in 2022, although dispersion across managers limited the overall impact. “One CTA performed well, but another did not perform as strongly, but the overall contribution from the fund was positive,” he notes.

**PREFERENCE FOR SCALE, STABILITY, AND INSTITUTIONAL QUALITY**

When evaluating managers, Karner places strong emphasis on quality, scale, infrastructure, and track record. Typically, he invests in managers with at least \$1 billion in assets under management. “We want managers with sufficient scale to withstand difficult environments and maintain operational stability,” he explains. Institutional robustness, including strong balance sheets, operational infrastructure, and administrative capabilities, is a prerequisite. “They should have everything in place: stable funding, a strong balance sheet, and a well-functioning operational and administrative setup.”

This naturally leads to competition for access. Karner acknowledges that access to the highest-quality managers is highly competitive, often resulting in less favorable terms for investors, such as longer lock-ups and higher fees. “The best hedge funds know their value, and they know there is strong demand from investors wanting to allocate to them,” he says. As a result, managers are able to dictate terms. “They can extend lock-up periods and adjust fee structures, which is not ideal from an investor’s perspective,” Karner notes. “But ultimately, you still want to be invested with the best managers.”

**THE IMPORTANCE OF RELATIONSHIPS IN ACCESSING TOP MANAGERS**

Securing allocations to top-tier hedge funds is largely relationship-driven. Karner highlights the importance

of long-standing industry connections. “It’s all about relationships. I’ve known several founders for 15 to 20 years, and that makes a difference,” he says. Despite being a relatively small institutional investor, Apoteket’s Pension Fund remains one of the largest allocators to hedge funds in dollars in Sweden. The fund’s profile also works in its favor.

As a Swedish corporate pension foundation, it is viewed as a stable, long-term capital provider. “Managers tend to prefer investors like us over, for example, fund-of-funds structures, because they see the capital as ‘sticky,’” Karner explains. “At the same time, they want to diversify their investor base, and many of them don’t have other Swedish pension funds as clients.”

As a Stockholm-based investor, Karner does screen local hedge funds and occasionally invests in them, but the bar for inclusion is high. For Nordic managers to earn a larger allocation, they must meet the same stringent criteria as global peers. “They need to demonstrate better performance, lower risk, and higher Sharpe ratios overall,” he says.

Scale and organizational stability are also key considerations, with a preference for established teams and long track records. “There are some strong funds in Stockholm and the Nordic region,” Karner notes, “but they are generally not at the same level as the very best globally.”

# Ress Launches Euro Feeder as Life Settlements Enter a Higher-Return Regime

By Eugeniu Guzun – HedgeNordic

“We are now buying policies with IRRs between 15 and 25 percent. The main reason is the increase in U.S. interest rates following Covid and the energy crisis after Russia’s invasion of Ukraine.”

Andreas Julin

In the decade leading up to 2023, Ress Life Investments generated annualized returns in excess of 6 percent in a persistently low interest rate environment by investing in U.S. life insurance policies, also known as life settlements. The strategy effectively served as a fixed-income substitute, offering income with low correlation to traditional asset classes and limited downside risk. The subsequent rise in interest rates has altered the return dynamics, improving the forward-looking opportunity set despite near-term valuation headwinds. In response to growing European demand, Ress Capital, which recently merged with Finserve Nordic, is now launching a euro-denominated feeder structure.

The existing listed fund, Ress Life Investments, acquires life insurance policies from policyholders in the U.S. secondary market at a discount to their expected payout. In doing so, the manager assumes

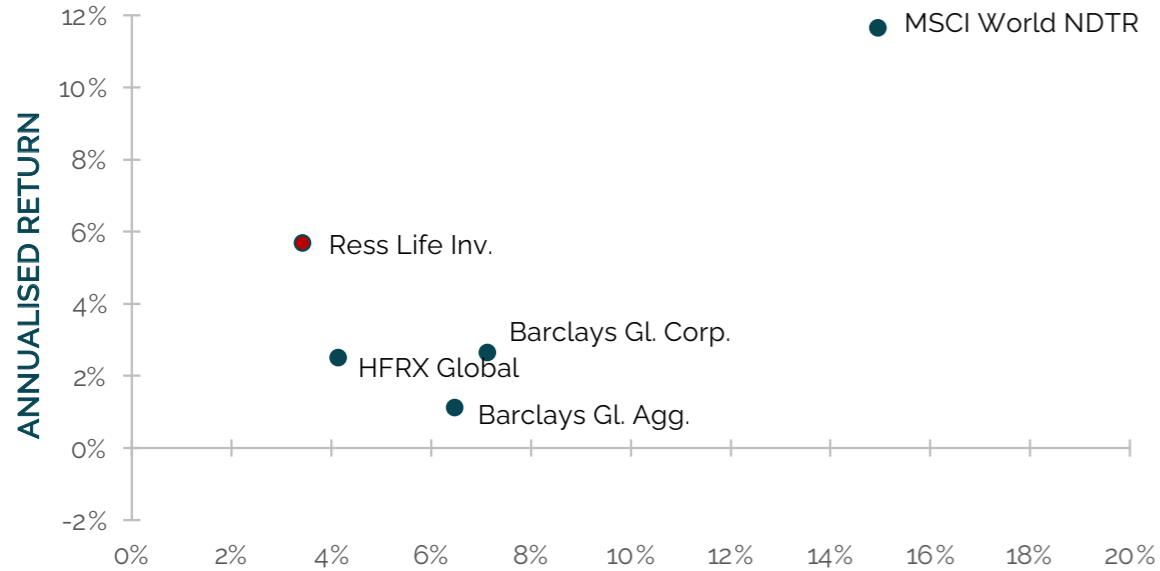


Andreas Julin, Head of Sales and Marketing – Finserve. (Left)  
Jonas Mårtensson, Founder – Resscapital. (Right)

responsibility for ongoing premium payments and receives the full death benefit when the insured event occurs. During the low-rate era, Ress Life Investments typically acquired policies with internal

rates of return between 10 and 12 percent, translating into a stable, uncorrelated return stream of around 6 percent annually after fees and costs.

10 YEAR RISK VS. RETURN



Source: Ress Capital as of 31 July 2025

ANNUALISED STANDARD DEVIATION

Sources: MSCI, Hedge Fund Research, Market Watch and NASDAQ.

The opportunity set improved markedly in the environment of higher interest rates. “We are now buying policies with IRRs between 15 and 25 percent,” says Andreas Julin, Head of Sales and Marketing after the merger between Ress and Finserve. “The main reason is the increase in U.S. interest rates following Covid and the energy crisis after Russia’s invasion of Ukraine.”

DISLOCATION DRIVES A STRONGER OPPORTUNITY SET

Valuing a life settlements portfolio is fundamentally a discounted cash flow exercise under uncertain timing. Life expectancy determines duration, discount rates drive valuation, and policy payoffs define terminal value. While higher rates reduce the present value of future payoffs, they have also reshaped market dynamics in ways that have improved entry points for managers such as Ress Life Investments.

This shift has been driven in part by structural pressures across the market. “Many US-based managers used leverage in this asset class when rates were low. When rates increased, they faced higher financing costs and liquidity pressure,” explains Julin. At the same time, these managers needed liquidity to continue paying premiums. “As a result, many managers stopped buying policies and started selling them, creating a supply-demand imbalance that pushed IRRs higher,” he adds.

Private equity investors, previously active in the space, “have also been less active due to capital constraints,” while demographic trends, combined with inflation and rising living costs, have increased policyholders’ willingness to sell, further expanding the supply of policies. “All of this has created attractive opportunities,” summarizes Julin. Against this backdrop, the team behind Ress Life Investments made the strategic decision to exit its legacy portfolio at net asset value and redeploy capital into policies with materially higher implied yields.

Following a return of just under 2 percent in 2025, founder Jonas Mårtenson describes the period as transitional. “Last year was a transition year with moderate returns, but this was done to improve long-term performance.” The expected return over the coming five-year period is now around 10 percent annually. The portfolio rotation is expected to be completed later in 2026, with returns expected to reach the new target from 2027 onwards. “We are still deploying capital and expect to be fully invested by the third quarter,” he adds.

EVOLVING PORTFOLIO CONSTRUCTION

When Ress Life Investments launched in 2011, the strategy focused primarily on acquiring individual policies, with the initially built portfolio taking two to three years before generating payouts and delivering returns to investors. With a significantly larger asset base today, the asset manager has been rotating the portfolio by acquiring both individual policies in the secondary market and existing portfolios, or pools of policies, in the tertiary market.

“We use a combination of individual policies and portfolios of policies,” says Julin. “Individual policies have longer life expectancies, which helps mitigate longevity risk.” Portfolio acquisitions, by contrast, consist of more seasoned policies with shorter durations, typically maturing within five to ten years. “This allows us to balance long-term returns with nearer-term cash flows. Our goal is for performance to be driven by payouts rather than valuation.”

Over its 15-year history, including both ramp-up and transition periods, Ress Life Investments has delivered returns more than four percent, with low correlation and limited downside. Still, in absolute terms, “our main competitor for the strategy is U.S. interest rates,” notes Julin. “Previously when rates were 5.25 percent and our return target was 7 percent, the return differential was limited,” he adds. “Now, if we achieve a 10 percent return and rates are around 3.5 percent, the return differential is approximately 650 basis points, which is very attractive, especially given the uncorrelated nature of the strategy.”

“Our main competitor for the strategy is U.S. interest rates. Now, if we achieve a 10 percent return and rates are around 3.5 percent, the return differential is approximately 650 basis points, which is very attractive, especially given the uncorrelated nature of the strategy.”

Andreas Julin

BROADENING ACCESS THROUGH A EURO FEEDER

The improved return profile, combined with investor demand and increasing caution toward U.S. dollar exposure, has prompted the launch of a euro-hedged feeder, Longevity Strategy Fund. “The simple answer is that many European investors have been quite bearish on the US dollar,” explains Mårtenson. “We have many European investors who like the life insurance strategy because it is uncorrelated and not exposed to geopolitical risks. However, the strategy has so far been in U.S. dollars. That is the main reason for setting up this euro-hedged feeder.”

The new vehicle has been seeded with approximately €25 million from a European multi-family office. While returns will be modestly lower due to the interest rate differential between the euro and the U.S. dollar, the

CORRELATION MATRIX - 10 YEARS

	Ress Life Investments (USD)	MSCI World NDTR (USD)	S&P 500	Bloomberg Gl. Agg. Corp. TRI (Unhdg USD)	HFR Global Hedge Fund Index
Ress Life Investments	1.00	- 0.10	- 0.09	- 0.05	- 0.03
MSCI World NDTR (USD)	- 0.10	1.00	0.98	0.70	0.80
S&P 500	- 0.09	0.98	1.00	0.64	0.77
Bloomberg Gl. Agg. Corp. TRI (Unhdg USD)	- 0.05	0.70	0.64	1.00	0.56
HFR Global Hedge Fund Index	- 0.03	0.80	0.77	0.56	1.00

structure incorporates fee adjustments for initial investors to offset hedging costs. "Euro interest rates are currently around 2 percent, while U.S. policy rates are approximately 3.5 percent, implying a differential of roughly 150 basis points, which effectively represents the hedging cost," explains Julin. "However, the fixed management fee in the Longevity Strategy Fund is slightly lower for initial investors, which compensates for that difference."

From an asset allocation perspective, Ress Capital frames the strategy as a defensive growth component within a broader portfolio. "It offers equity-like returns with no correlation to other asset classes," says Julin. Unlike other uncorrelated strategies such as catastrophe bonds, which carry downside risk, "this strategy offers upside volatility driven by payments," he adds. "This return profile is very, very rare."

Credit risk, meanwhile, is limited. "We invest only in policies issued by investment-grade U.S. life insurance companies, with at least an A-minus rating. These are very solid institutions," explains Mårtenson. As a result, the primary risk factor is longevity risk, which also underpins the strategy's lack of correlation to broader markets.

With the portfolio rotation nearing completion, Ress Capital is set to return to a more normalized return profile while maintaining its long-standing buy-and-hold approach. "The strategy has been buy-and-hold for many years, and we expect to continue with that approach," says Mårtenson. "We may sell policies opportunistically, but generally it will remain buy-and-hold." At the same time, the introduction of the euro-denominated feeder broadens the strategy's accessibility to a wider investor base. "The euro

feeder allows us to reconnect with investors who liked the strategy but did not want exposure to the U.S. dollar," Mårtenson concludes.

**"We invest only in policies issued by investment-grade U.S. life insurance companies, with at least an A-minus rating."**

**Jonas Mårtenson**

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# Building Liquidity Around an Illiquid Core at Aars

By Eugeniu Guzun – HedgeNordic

**M**orten Christensen, Chief Financial Officer of Norwegian family office Aars, has effectively built the structure of the investment management of the family office from the ground up since assuming responsibility in 2016. While the current setup is relatively recent, the underlying capital base has a far longer history, rooted in the Møller family, best known for founding and controlling the second largest Nordic car import and retailing business since the late 1940s.

Before joining Aars, Christensen spent 15 years building and running an investment consulting business advising family offices, pension funds, and endowments, which was later sold to a wealth manager. It was through this work that he came into contact with the Møller family, laying the groundwork for what would become the current structure of the investment management in Aars. The initial phase involved working closely with the family's four active owners to define investment objectives, including return targets, risk tolerance, and overall portfolio

construction. While the investment function was initially fully outsourced, Christensen gradually built out an in-house investment process and team.

Today, approximately 75 percent of the group's net asset values are invested in privately owned companies, reflecting the family's long-standing industrial heritage. Christensen has structured the remaining capital of approximately NOK 6.4 billion into three liquidity-oriented sub-portfolios, including a multi-asset portfolio with exposure to alternatives such as hedge funds and trend-following CTAs.

## A THREE-PILLAR PORTFOLIO STRUCTURE

"Across the group, about 75 percent of our net asset value is invested in directly owned companies, which is inherently illiquid," says Christensen. The remaining 25 percent represents the investment management business, which is structured across three distinct

Morten Christensen, Chief Financial Officer – Aars

sub-portfolios. “One is a treasury portfolio focused on investment-grade assets. Then we have two risk portfolios: a Nordic large-cap equity portfolio that we manage in-house, and a multi-asset, absolute return-oriented portfolio investing across a broad range of asset classes and instruments,” he explains.

This multi-asset portfolio acts as a bridge between the low-risk treasury allocation, “the bank,” as Christensen describes it, and the higher-risk equity portfolio. “It plays the role between the treasury portfolio, which is the safest part, and the pure risk equity portfolio,” he explains. Within this multi-asset portfolio, the team maintains a high degree of flexibility, allocating dynamically across markets and strategies, including hedge funds, to optimize the portfolio’s overall risk-return profile.

Christensen has established a structured investment framework and policy guidelines that, together with return expectations and volatility targets, guide the asset allocation within the multi-asset portfolio. The process starts from the low-risk end of the spectrum, including money market instruments and investment-grade bonds, before extending into high yield, alternatives such as hedge funds and convertibles, more complex credit structures, and ultimately equities. “We cover the full spectrum,” reiterates Christensen. Portfolio construction is further shaped by rigorous stress testing, which plays a central role in determining how risk is deployed. “The way we expose the portfolio is steered by stress testing. We have a kind of floor thinking, what happens if everything goes wrong,” he explains. “The downside focus is very important.”

Credit currently represents the largest allocation within the multi-asset portfolio, a positioning that has been in place for some time. “We are becoming a bit more cautious, but we still have a significant high-yield exposure, primarily in the Nordics, with some allocation outside the region as well,” says Christensen. This is complemented by an allocation to investment-grade credit to help moderate overall portfolio risk, alongside an equity exposure of roughly 10 percent. “Then we have alternatives, including hedge funds and a few other strategies, which account for around 10 to 12 percent at the moment,” he adds. “That allocation can vary somewhat over time.”

**“It [The multi-asset portfolio] plays the role between the treasury portfolio, which is the safest part, and the pure risk equity portfolio.”**

## SYSTEMATIC STRATEGIES AND THE ROLE OF CTAS

Within the hedge fund allocation of the multi-asset portfolio, Christensen and his team currently favor systematic strategies. “That is not to say we haven’t invested in other strategies historically, but at the moment our exposure is exclusively to systematic managers,” he explains. These include both pure trend-following CTAs and more diversified multi-strategy systematic approaches.

One strategy area Christensen has steered away from in recent years is long/short equity. “We don’t favor long/short equities too much, partly because we believe we can manage equity risk ourselves in a more active way,” he explains. “Many long/short equity managers tend to be long equities, short indices and be net long-biased. Hence, you end up paying too much for that exposure.” Instead, Aars prefers to adjust equity risk internally rather than outsource it to external managers. While the current hedge fund allocation is focused exclusively on systematic strategies, the portfolio has previously included exposures to areas such as special situations and credit long/short.

The role of each hedge fund varies depending on its strategy, he explains. “Some are what you could call pure diversifiers, where you expect relatively stable and consistent positive returns,” says Christensen. Trend-following CTAs, however, are valued for their convex return profile and ability to generate so-called “crisis alpha.” CTAs have played a prominent role in the multi-asset portfolio, with Christensen having followed the space for nearly two decades.

While the strategy can face more challenging periods in quieter market environments, particularly during the volatility-suppressed era of low interest rates, its value tends to emerge in more turbulent conditions. “Historically, and we have experienced this ourselves, when strong trends develop, such as in 2008 or in 2022 when interest rates moved sharply higher, they are very useful to have,” he explains. “When markets are under pressure, CTAs have typically been able to deliver strong returns.”

## DISCIPLINED MANAGER SELECTION AND PORTFOLIO OVERSIGHT

Christensen relies on external managers to build the multi-asset portfolio, applying a consistent selection process across asset classes. A key focus for him and his team is the manager’s investment philosophy and, more importantly, the consistency with which it is applied in practice. “You want to see an investment process that clearly reflects the stated philosophy,” he explains. Any deviation from that framework is treated as a warning sign. “If we see breaches or weaknesses in how managers operate relative to their philosophy and the process they have designed, those are clear red flags. That’s something we try to avoid,” Christensen adds.

When evaluating managers, Christensen places particular emphasis on how they have navigated more challenging periods. “We typically drill down into specific months, looking at returns, risk, and, importantly, what actions were taken during those periods,” he explains. “How did you operate when you faced challenges? That’s where you really learn about the process.” The manager selection process, therefore, combines both quantitative and qualitative elements. “It’s obviously quantitative, but also very qualitative,” he adds. “Over time, with experience, we have developed a good sense of how to identify quality managers.”

Christensen emphasizes that Aars takes a patient approach to fund allocations, even during periods when returns deviate from expectations, but “only as long as we understand it.” If the team observes changes in a manager’s philosophy, significant shifts in the team, or alterations in risk management, “we have no problem exiting,” he says. At the same time, he stresses the importance of maintaining close, but not overly close, relationships with managers. “We don’t want to get, in a way, ‘married’ to the management teams,” Christensen explains. “If you get too close, over time it becomes more difficult to redeem and to have honest discussions during challenging periods.”

# Tidan NOVA Profiting from Volatility Skew as Market Participants Seek Protection

By Eugeniu Guzun – HedgeNordic



Magnus Linder, Head of Volatility and Options Arbitrage – Tidan Capital.  
Dennis Karlsson, Senior Portfolio Manager – Tidan Capital.

Tidan Capital's evolution into a multi-strategy platform reflects a broader effort to deliver complementary sources of alpha, with its NOVA strategy serving as a foundational component within its product range. The strategy targets structural inefficiencies in options markets driven by persistent demand for downside protection. As investors consistently pay up for hedging, NOVA seeks to systematically capture this imbalance through a relative-value, market-neutral approach.

Most investors do not approach options as directional instruments but as tools for risk transfer. Options markets are shaped less by return-seeking behavior and more by structural hedging demand. Most equity portfolios require protection, mandates impose constraints, and downside risk must be managed,

often irrespective of cost. "Most investors don't trade options because they want to," says Magnus Linder, Head of Volatility and Options Arbitrage at Tidan Capital. "They trade them because they have to."

As Serge Houles, CEO of Tidan Capital, points out, "Investors are price-insensitive when it comes to protection. They need it, so they pay for it." The result is a structural skew: downside insurance, typically expressed through put options, trades at elevated implied volatility, while calls tend to remain comparatively cheap. This imbalance is not episodic or confined to stressed markets; it is a consistent feature across cycles. "It's more expensive to buy puts and cheaper to sell calls, not just in distressed markets. That's almost always the case," Linder explains.

## FROM MARKET OBSERVATION TO STRATEGY DESIGN

While widely understood, this inefficiency is far more difficult to capture systematically. Doing so requires not only identifying the mispricing, but structuring trades that can monetize it across different market regimes without simply replacing one form of risk with another. This challenge sits at the core of Tidan Capital's NOVA strategy.

Linder's approach is rooted in decades of experience across the derivatives ecosystem. Early in his career, he worked closely with institutional investors, advising pension funds and asset managers on how to use options in portfolio construction. That role provided a clear view into how and why derivatives

**"Investors are price-insensitive when it comes to protection. They need it, so they pay for it."**

Serge Houles

“Most convex strategies lose money when nothing happens, we’ve structured the NOVA program to have both convexity and positive carry.”

Magnus Linder

are used in practice. “You sit across from clients every day and you see the same behavior,” he recalls. “They are long equities, they need protection, and they are willing to pay for it.” He later spent more than twenty years on the sell side as a trader and market maker, where he observed the same imbalance from the opposite side of the market. “You see the flows, how prices are set, how risk is managed, and how that same imbalance shows up again and again.”

At its core, NOVA is a relative-value volatility strategy designed to harvest the structural premium embedded in downside protection. The strategy expresses this through a structured combination of short-term downside risk premia and longer-dated convex exposures, while maintaining tight control of directional risk through active hedging. This structure allows the portfolio to monetize elevated implied volatility in near-term puts, driven by persistent hedging demand, while maintaining convex upside exposure. As Linder describes it, “the essence of the strategy is that puts are more expensive than calls; it’s largely a theta and vega game.”

### ENGINEERED PAYOFF ACROSS MARKET REGIMES

The payoff profile is deliberately engineered to behave differently across market regimes.

**Rising Markets:** In rising markets, the strategy is positioned to participate in the upside, benefiting from both directional moves and convexity. “If the market is going up, we earn on the delta, and the delta is accelerating with the gamma,” explains Magnus Linder. In simple terms, delta reflects how much the position benefits from a move in the underlying, while gamma captures how that sensitivity can increase as markets move higher. As rallies develop, exposure naturally adjusts, allowing the strategy to participate more meaningfully in sustained upward trends.

**Declining Markets:** In declining markets, the payoff profile shifts in a more defensive direction. As markets fall, losses from certain positions are partially offset by dynamic hedging and the broader structure of the portfolio. At the same time, changes in volatility

provide an additional buffer. While drawdowns can occur in a sell-off, the overall construction is designed to contain them and preserve convexity in stressed environments.

**Sideways Markets:** In more stable or range-bound markets, the strategy relies more on carry than direction. The portfolio is structured to benefit from the passage of time, generating steady income even in the absence of significant market movement. “If nothing is happening, we are actually earning money because of positive theta in the total structure,” says Linder. This is a notable departure from traditional convex strategies, which typically incur a cost in such environments. “Everyone wants convexity, but nobody wants to pay for it,” he adds. “Most convex strategies lose money when nothing happens, we’ve structured the NOVA program to have both convexity and positive carry.”

### A FULLY DISCRETIONARY APPROACH TO COMBINING CONVEXITY AND CARRY

This combination of convexity and carry is central to the strategy’s differentiation. Traditional long-volatility or tail-hedging approaches tend to “bleed” in normal conditions, relying on episodic volatility spikes to generate returns. “In general, long-volatility strategies suffer because they bleed all the time,” notes Houles. “The uniqueness of what we do is to have convexity when you need it, while maintaining a substantial positive carry.” While traditional tail hedges often deliver sharp performance spikes during market sell-offs, driven by short-term volatility surges, they tend to give back those gains as volatility normalizes. By contrast, the NOVA strategy is designed to monetize volatility more consistently, capturing dislocations without relying on one-off stress events.

Despite the use of quantitative tools for screening opportunities, implementation remains fundamentally discretionary. Models help identify relative value across markets, but they do not dictate positioning. “It’s really about screening, the rest is 100 percent discretionary,” says Houles. This reflects the path-dependent nature of options markets,

where exposures evolve continuously with changes in spot, volatility, and time. “If you look at the Greeks at different volatility levels, it’s a completely different situation. You have to adapt in real time,” he adds. As a result, key decisions, from strike selection to hedge calibration, are driven by experience rather than rigid models.

### FROM STANDALONE STRATEGY TO PORTABLE ALPHA

Following its launch in late 2024, the NOVA strategy has delivered a strong performance, gaining 13.3 percent in 2025 and a further 8.2 percent in the first quarter of 2026. Building on this strong initial momentum, Tidan Capital introduced Tidan Global Equity Enhanced, a portable alpha strategy designed to combine NOVA’s return profile with traditional equity exposure. “If you’re looking at portable alpha, it’s a very efficient structure. It gives you equity exposure with a built-in hedge component and downside convexity,” says Linder.

The concept emerged both from internal analysis and client demand for maintaining equity exposure while improving risk-adjusted returns. By pairing low-cost equity exposure with NOVA as the alpha engine, the strategy enhances returns in rising markets while introducing a degree of protection in downturns. As Houles notes, “the beauty of NOVA is that it was effectively designed this way from the beginning, it naturally fits into a portable alpha framework.”

Ultimately, how NOVA and its portable alpha extension are deployed depends more on portfolio construction than on investor type. “It’s really a function of size and how the portfolio is structured,” says Houles. For larger institutional allocators, NOVA fits naturally within hedge fund allocations as a relative value or absolute return strategy, offering diversification and convexity. By contrast, the portable alpha version is more relevant for investors seeking to enhance equity portfolios without sacrificing beta exposure. Taken together, the two approaches offer a flexible toolkit: one as a standalone source of convex, carry-driven returns, the other as an overlay designed to improve equity portfolios.



Michael Patton, Global Head of Business Development for Investment Management – S&P Global Market Intelligence

# Data, AI, and the Quest for Edge in Hedge Funds

By Eugeniu Guzun – HedgeNordic

When boarding a plane, most passengers instinctively glance into the cockpit. Even though modern aircraft largely operate on autopilot, the presence of a pilot remains essential, providing oversight, judgment, and control when it matters most. The analogy translates well to today’s data-driven investment landscape.

Data powers automation, analytics, and increasingly AI-led decision-making, but its true value lies not in scale or speed alone, but in accuracy, structure, and trust. This is where providers like S&P Global Market Intelligence position themselves: not merely as data vendors, but as foundational infrastructure enabling investment processes to function reliably and efficiently.

## FOUR PILLARS OF COMPETITIVE ADVANTAGE

According to Michael Patton, Global Head of Business Development for Investment Management at S&P Global Market Intelligence, hedge fund managers consistently pursue four sources of competitive

edge: access to unique data, speed of acquisition, superior interpretation, and behavioral discipline.

“First, it’s about getting data that no one else has,” Patton explains, emphasizing that proprietary or exclusive datasets can offer a clear informational advantage. The second dimension is speed, ensuring data is ingested, processed, and made usable faster than competitors. While ultra-low latency remains the domain of high-frequency players, most managers still require robust infrastructure and data pipelines capable of transforming raw inputs into structured, actionable datasets in near real time.

The third pillar, however, is where many hedge funds differentiate themselves most effectively: interpretation. “A good deal of hedge funds rest their laurels on being able to interpret data better than everyone else,” considers Patton. In an environment where access to data is increasingly commoditized, the ability to extract signal from noise, apply bespoke frameworks, and translate insights into investment decisions remains a scalable source of differentiation across investment processes. The fourth dimension is behavioral, often overlooked but equally critical. It

is about “not succumbing to panic” and maintaining discipline in volatile markets, avoiding the tendency to sell into stress-driven dislocations.

Hedge fund and asset managers are ultimately trying to determine where along these four dimensions they can strengthen their investment process and what combination best aligns with their strategy and investor base. S&P Global’s role, according to Patton, is to support that effort by providing the data, tools, and infrastructure needed to enhance those capabilities. “Our job is to enable clients across these areas through the products and services we offer,” he explains, adding that this principle guides how teams develop solutions and engage with clients. “We think about them across everything we do, from new data products and delivery channels to AI capabilities and partnerships with hyperscalers.”

## FROM DATA INPUT TO CORE INFRASTRUCTURE

Within the broader investment management industry, data has evolved from a supporting input into a core

“We put significant effort into how we source, standardize, and normalize data, and how we deliver it across a global universe.”

component of the investment process, underpinning everything from idea generation and portfolio construction to execution and risk management. Despite this central role, managers continue to face structural challenges, including fragmented data sources, inconsistent quality, and the operational complexity of reconciling multiple identifiers across vendors. S&P Global Market Intelligence, “as a data company at the heart of it,” aims to address these inefficiencies at scale. “We put significant effort into how we source, standardize, and normalize data, and how we deliver it across a global universe,” Patton explains, highlighting that while technologies evolve, the firm’s commitment to data quality and robustness remains constant.

Importantly, automation has enhanced, but not replaced, the need for human oversight. While advances in data collection and processing have improved efficiency, maintaining data integrity still requires rigorous validation and control frameworks. “Automation has augmented our processes, but it hasn’t eliminated the need for people ensuring quality,” says Patton. “We’ve made a conscious decision that it will not replace that layer of control.” This hybrid model reflects a broader industry reality: even as systems become more automated and AI-driven, the reliability of outputs ultimately depends on the integrity of underlying data and the checks surrounding it.

**SOLVING THE FRAGMENTATION PROBLEM**

One of the most persistent challenges in the investment ecosystem is data fragmentation. Managers typically rely on multiple providers, each delivering datasets in different formats, structures, and identifier systems, which complicates integration and limits usability. S&P Global Market Intelligence has addressed this by building Cross Reference Services, a unified data architecture that links datasets across instruments and entities into a common framework.

“We thought, what if we take all these datasets, link them, map them together, and distribute them through a common channel?” Patton explains. By mapping millions of securities and corporate entities through standardized identifiers, the firm enables clients to construct comprehensive global security

**“We thought, what if we take all these datasets, link them, map them together, and distribute them through a common channel? When all this data is linked together, that’s when people are able to make more informed decisions.”**

and entity masters. “When all this data is linked together, that’s when people are able to make more informed decisions.”

**AI ADOPTION ACCELERATES**

Artificial intelligence is further accelerating this transformation. As the volume and complexity of available data continue to expand, the ability to process, analyze, and extract meaningful insights is becoming a key determinant of the investment process. “Everyone is on an AI journey,” says Patton, noting that adoption varies widely across firms. While larger institutions have been early adopters, smaller and mid-sized managers are increasingly engaging with AI, often driven by rising expectations from their own clients. “There’s been a huge spike over the past 12 to 18 months,” he observes, with managers now actively seeking tools that allow them to demonstrate to investors that they are using “the best technology, the best data, and the best tools” to support their investment process.

In response, S&P Global has focused on making its datasets AI-ready, ensuring seamless integration with large language models and modern analytics platforms. “We’ve leaned into this heavily,” says Patton, “making our data sets AI-ready so they can feed easily into these platforms.” This includes not only structuring data for machine consumption but also embedding it within broader cloud ecosystems and partnerships. The objective is not simply to provide data, but to ensure that it can be effectively utilized within increasingly sophisticated analytical workflows.

**EXPANDING THE DATA ECOSYSTEM**

At the same time, S&P Global continues to expand its data ecosystem through both organic development and strategic acquisitions, combining decades of historical datasets with newer capabilities. Its fundamental data offering includes deep financial datasets such as Compustat, alongside Capital IQ financials and estimates data, delivered through APIs, cloud platforms, and traditional feeds.

The acquisition of Visible Alpha further enhanced this ecosystem by aggregating detailed financial

models from a global network of sell-side analysts. “They provide a deep look under the hood of what’s driving revenue,” Patton explains, enabling investors to compare assumptions, identify divergences, and better understand where mispricings or risks may emerge.

Another example is Business Relationship Analytics, which maps economic relationships between companies, including customer-supplier dependencies. While some of this information is disclosed, much of it is incomplete. By applying advanced modeling techniques, S&P Global estimates the economic significance of these relationships even when not explicitly reported. “We created a model to estimate those relationships,” Patton explains, giving investors a more comprehensive view of corporate ecosystems and hidden exposures.

As financial markets become more competitive and efficient, the source of investment edge is increasingly shifting toward those who can best harness data, combining high-quality inputs with robust infrastructure and advanced analytical capabilities. In this context, data providers are evolving beyond their traditional role as suppliers, becoming integral partners in the investment process. Much like the pilot in the cockpit, their role is not to replace automation, but to ensure that the systems guiding investment decisions operate with precision, reliability, and control.



Mikael Andersson, Philip Bogdanffy, Filip Heikkilä, Anton Reimbart and Sverker Hanfelt – ORCA Hedge

# Extracting Alpha from the Factor Zoo Through Systematic Investing

By Eugeniu Guzun – HedgeNordic

There are multiple ways to approach equity investing and, ultimately, the pursuit of alpha. While many strategies rely on market direction or discretionary stock selection, a different approach centers on systematically capturing the underlying drivers of returns embedded within equity markets. At Gothenburg-based ORCA Hedge, a six-person team has built a strategy around this premise, seeking to capture factor premia that have historically delivered excess returns across different market cycles, while acknowledging that these premia are neither stable nor persistent.

“We, like everyone else, have no magic way to see into the future,” acknowledges Mikael Andersson, co-founder of ORCA Hedge. “That means the core is about getting rewarded for risk that is already priced in, but we do it at scale by targeting hundreds of risk factors simultaneously.” Crucially, the performance of individual factors is highly regime dependent. Factors such as value, momentum, or quality can experience prolonged periods of both outperformance and underperformance, often driven by macroeconomic conditions and shifts in market structure. Rather than maintaining static exposure to such premia, ORCA Hedge combines a large number of factors within a risk-controlled framework that dynamically adjusts to changing environments.

## DELIVERING EQUITY-LIKE RETURNS THROUGH DYNAMIC FACTOR EXPOSURE

At its core, the strategy is a long/short equity approach driven by systematic factor exposures, with overall net market exposure kept low or close to market neutral. However, the ambition is not to deliver market-neutral returns in the traditional sense. Instead, the objective is to generate equity market-like returns over time, but with significantly lower volatility and reduced downside risk.

Although officially launched at the start of 2025, the strategy is the result of several years of development, testing, and refinement. “It took our team almost four years from idea to validated strategy and completed fund setup,” says Andersson. This extended incubation period highlights both the complexity of building a robust systematic framework and the

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Mikael Andersson

uncertainty involved in developing a strategy reliant on multiple interacting signals.

Over time, the team has also strengthened its capabilities beyond its technical core, adding financial and commercial expertise, while benefiting from the support of its partner FinServe Nordic. “In hindsight, it was a huge risk to put this many years into a project with an uncertain outcome, but at the end of the day we’re happy with the result,” notes Andersson. “So far, we have a strategy behaviour that is aligned with our internal simulations and trading.”

## FROM FACTOR SELECTION TO PORTFOLIO CONSTRUCTION

The investment process begins with constructing long/short portfolios across a broad equity universe, where stocks are evaluated based on their exposure to a wide range of factors. “Stocks with strong characteristics within a given factor are ranked against those with weaker characteristics,” explains Andersson. However, rather than treating all factors equally, ORCA applies a proprietary screening process to identify which return drivers are currently most effective in the prevailing market environment. This filtering step is critical, as it transforms the approach from static factor investing into a dynamic allocation process that adapts to regime changes.

Once selected, the relevant factors are grouped into broader themes using machine learning techniques, allowing the team to manage risk at a higher level of abstraction. These themes represent distinct sources of risk premia, enabling more efficient diversification and portfolio construction. The team’s technical background, largely rooted in IT and data science, plays a central role in this process. “Machine learning adds most value in allowing us to manage a large set of risk factors, e.g. bringing order to the ‘factor zoo’ and in risk management,” Andersson explains.

Portfolio construction is implemented through a systematic bottom-up process, where each stock is assigned a weight based on its contribution to the overall factor exposure. Importantly, this approach deliberately avoids traditional company-level views. “The most important thing to understand is that the long and short books are not constructed based on

**“The goal is not to simply harvest traditional risk premia. Instead, the strategy applies a proprietary scoring and filtering process to select the factors that are currently most effective.”**

**Mikael Andersson**

individual company views, but rather as a way to create the strategy’s desired risk factor exposure,” Andersson emphasizes. In this framework, stocks function purely as building blocks, vehicles through which the strategy expresses its exposure to selected factors.

The resulting portfolio is both highly diversified and dynamic, typically consisting of around 250 long and 250 short positions, and is rebalanced on a monthly basis. “At each rebalance, the portfolio construction process reassesses the entire stock universe,” explains Andersson. Whether a stock remains in the portfolio or is replaced depends entirely on its relative ranking within the factor framework. “If a stock continues to rank high relative to the rest of the universe, it will remain in the portfolio across multiple rebalances. If it gets a lower score, it may be replaced by another stock that better contributes to the desired strategy exposure.” As such, the concept of a traditional holding period becomes less relevant, as positions are maintained only for as long as they serve the broader portfolio construction objectives.

## A SCALABLE FRAMEWORK AND A DIVERSIFYING PORTFOLIO COMPONENT

The strategy’s return drivers stem from the aggregation of systematic alpha signals derived from this extensive universe of risk factors. However, ORCA does not position itself as a pure factor-premia harvesting strategy. “The goal is not to simply harvest traditional risk premia,” Andersson emphasizes. “Instead, the strategy applies a proprietary scoring and filtering process to select the factors that are currently most effective.” This dynamic selection process introduces an additional layer of alpha generation, as performance depends not only on factor exposures themselves but also on the ability to identify which factors are likely to perform in a given environment. “Our secret sauce is that we’re able to extract more alpha the more risk factors we take into account,” he adds.

ORCA, an acronym for Optimal Risk and Capital Allocation, is designed as a broader framework capable of supporting the development of additional strategies over time. “ORCA is a framework where

we are able to quickly iterate and create additional strategies with quality-assured and live-tested components,” Andersson explains. This modular approach reflects a clear awareness of alpha decay, a common challenge in systematic investing as strategies become more crowded. “Our long-term plan for the fund is to carefully diversify among multiple strategies and by that avoid potential alpha decay,” he adds. “We believe that our strength lies within building technically challenging strategies, where the implementation itself is a first barrier. By overcoming that barrier we enter a space where competition for alpha is less intense.”

The use of derivatives to implement the strategy introduces an additional layer of capital efficiency, leaving excess cash within the portfolio. This capital is currently allocated to short-term bonds, providing an incremental return that complements the core strategy. However, this component is not central to the investment thesis. “Basically we currently treat returns from this part of the strategy as ‘cherry on top’ and we do not depend on it to deliver a product above baseline,” explains Andersson.

From an allocator’s perspective, ORCA Hedge is best understood as a diversifying component within a broader portfolio. Its low correlation to traditional asset classes, including equities and alternatives, enhances its role in improving overall portfolio efficiency. “The strategy aims for equity-like returns over time but with lower risk and dependence on overall market direction,” Andersson concludes. “The strategy has a low correlation to all major asset classes including alternatives, making it a true portfolio component.”

# How NBIM is Quietly Shaping the Norwegian Hedge Fund Landscape

By Jørgen Jordfald – HedgeNordic

Norges Bank Investment Management (NBIM), the manager of Norway's Government Pension Fund Global, better known as the oil fund, is widely recognised for overseeing one of the world's largest sovereign wealth funds. Less recognised, however, is its role in shaping investment talent through exposure to leading financial institutions and experience in the risk management and process discipline of a large institutional investor.

In recent years, a number of former NBIM employees have established their own hedge funds. Their emergence points to a broader development, that experience gained within the sovereign wealth fund can serve as a foundation for launching new hedge funds and in turn, contribute to the expansion of Norway's hedge fund industry. Together, these trends



**Impega, launched by Petter Kvamme Jensen, one of NBIM's earliest hires, is built on the idea that the fund can act as a small but agile version of NBIM.**

point to NBIM contributing to the emergence of a new generation of Norwegian hedge fund managers.

Impega, launched by Petter Kvamme Jensen, one of NBIM's earliest hires, is built on the idea that the fund can act as a small but agile version of NBIM. With double-digit returns in every year since inception, including 2026, the fund has delivered a consistently strong performance. Much of Impega's approach, according to Kvamme Jensen, is rooted in the discipline developed during his time at the fund, particularly in areas such as risk management, portfolio construction and dealing with uncertainty in the markets.

That discipline is also reflected in how Impega thinks about market structure and liquidity. As Kvamme Jensen notes, "Liquidity is not constant, it is conditional. Markets look liquid until everyone wants out."

NBIM's emphasis on transparency is another aspect that has shaped Impega and its communication with investors. As Kvamme Jensen explains, "Transparency builds trust. Trust keeps investors through volatility."

Kvamme Jensen says the "NBIM signature" among alumni-led hedge funds is reflected in strong process discipline, respect for risk, system thinking and calm decision making. "NBIM teaches you to think portfolio first, not stock first," notes Kvamme Jensen.

CARN Latitude and Tind Discovery have also showcased strong results, with both funds having early involvement from asset managers with NBIM backgrounds. The funds have delivered double-digit annualised returns along with recognition at the Nordic Hedge Awards, with Tind Discovery winning the "Rookie of the Year" award in 2024 and CARN Latitude placing second in 2020 and third in 2025 in "Best Nordic Equity Hedge Fund" category. Together with Impega, these hedge funds remain relatively few, but their presence reflects a broader pattern among the former employees of the sovereign wealth fund.

This trend has also been noted within NBIM itself. Nicolai Tangen, CEO of NBIM, recently commented on the performance of Tind Discovery in a LinkedIn post, stating he was "Thrilled that ex-colleagues from NBIM have such success with their own fund

Tind Asset Management." This reflects a growing awareness within the fund of the presence of alumni-led hedge funds.

In a domestic hedge fund landscape that remains relatively small, the rise of several funds with roots in NBIM is notable. Experience from within a large institutional investor, both through direct investing and the oversight of external asset managers, may provide exposure to investment strategies, portfolio structure at scale and interaction with external asset managers that are otherwise difficult to replicate in a smaller domestic hedge fund industry.

Not all aspects from NBIM, however, translate seamlessly into a hedge fund setting. As the sole manager of Norway's sovereign wealth, NBIM does not compete for capital, meaning its employees gain limited experience in fundraising and investor marketing. The scale of the fund also entails deep specialization within specific and clearly defined mandates. "While NBIM alumni often have strong domain expertise, it comes at the expense of broader responsibilities typically found at private asset managers, including fundraising, investor marketing and managing a wider range of asset classes," says an industry participant.

The solid performance of hedge funds with roots in NBIM may also reflect growing momentum in the Norwegian hedge fund space. Between year-end 2019 and year-end 2024, assets under management for Norwegian hedge funds doubled from NOK 32.1 billion to NOK 72.1 billion, according to data from the Norwegian financial regulator. This suggests that strong performance and rising investor interest may be reinforcing each other, which in turn could fuel further growth for the industry.

NBIM's influence extends beyond the management of the oil fund itself. The emergence of hedge funds founded by former employees of the sovereign wealth fund indicates that the fund also contributes to the gradual development of Norway's hedge fund industry through the talent it has shaped, even if some elements of the industry fall outside its scope. Whether this evolves into a more sustained trend remains to be seen, but early signs point to a growing presence of NBIM alumni in the Norwegian hedge fund landscape.

**CARN Latitude and Tind Discovery have also showcased strong results, with both funds having early involvement from asset managers with NBIM backgrounds.**

was in the past,” argues Graven Larsen. “When we try to change things or when we see new things we try to implement, we think of how to build it to be better positioned for the future,” he explains. “It’s not so much about trying to improve the back-testing result, it’s not a data mining game.”

By design, the Qblue ARP fund aims to diversify traditional equity and bond allocations. While the strategy may not keep pace during extended, “exuberant” equity bull markets, it is positioned to perform when markets correct or reprice risk. “When there’s a reality check in equity markets, that’s typically when we tend to do really well,” says Graven Larsen. “In normal markets, we do well, and in negative markets, we tend to do even better.”

Investor demand for such strategies appears to be increasing. Based on ongoing discussions with clients, Graven Larsen sees a growing appetite for solutions that can diversify equity exposure, particularly in an environment of elevated valuations. With Qblue expanding its presence, including the opening of an office in Singapore, the firm is positioning itself to meet that demand. “The lessons from 2022 showed that correlations between traditional asset classes do not always provide the diversification investors expect, in some cases, they can work against you,” Graven Larsen concludes. “So the key question becomes: what can you do differently?”

**“It’s been deeply rooted in our DNA to build something that is not just uncorrelated on average, but especially uncorrelated when markets are stressed.”**

Lars Hougaard Nielsen



**“Chance favors the prepared mind.”**

Louis Pasteur

# The Illusion of Longevity: Why Averages Mislead in Hedge Fund Survival

By Eugeniu Guzun – HedgeNordic

Longevity is not a defining feature of the hedge fund industry. Wide performance dispersion, impatient capital, and a high fixed-cost base create a fragile equilibrium in which even short periods of underperformance or weak inflows can force closures.

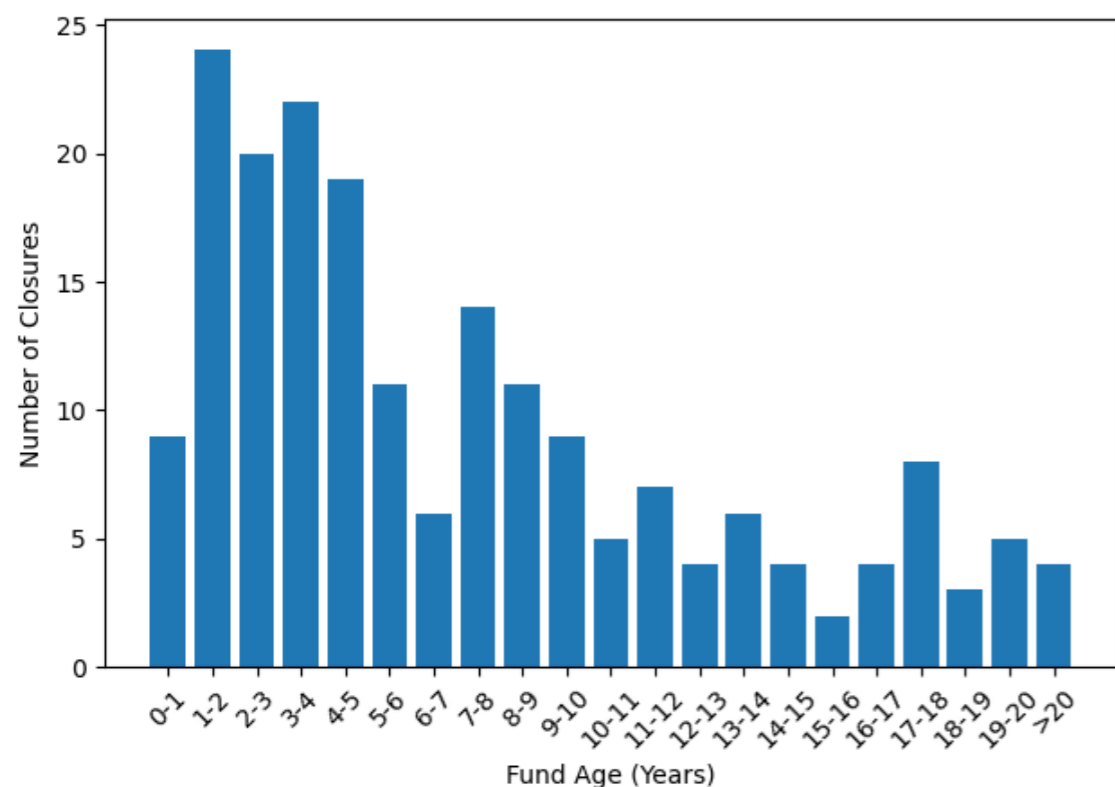
At first glance, the Nordic hedge fund industry appears relatively stable. Nordic hedge funds that shut down have exhibited an average lifespan of approximately 7.3 years, suggesting a reasonably durable ecosystem. Yet this headline figure is misleading.

The distribution of fund lifespans is markedly skewed. The median survival time is closer to 5.3 years, indicating that the typical fund fails well before reaching the “average.” A relatively small group of long-lived managers pulls the mean higher, masking the underlying fragility of the broader universe.

The lifecycle dynamics of Nordic hedge funds are not evenly distributed over time. Closures are heavily concentrated in the early years, pointing to a distinctly front-loaded risk profile. The majority of funds fail within the first five years, making early-stage viability, both in terms of performance and asset gathering, the single most critical hurdle.



DISTRIBUTION OF FUND CLOSURES BY AGE (YEARS)



However, passing this initial threshold does not eliminate risk. A meaningful number of funds continue to close between years five and ten, highlighting that structural challenges persist well beyond the startup phase. Even in the 10-20-year range, closures remain visible, underscoring that hedge funds are not “set-and-forget” businesses. Strategy relevance, team stability, and investor alignment must be continuously maintained, as even established managers remain exposed to eventual decline.

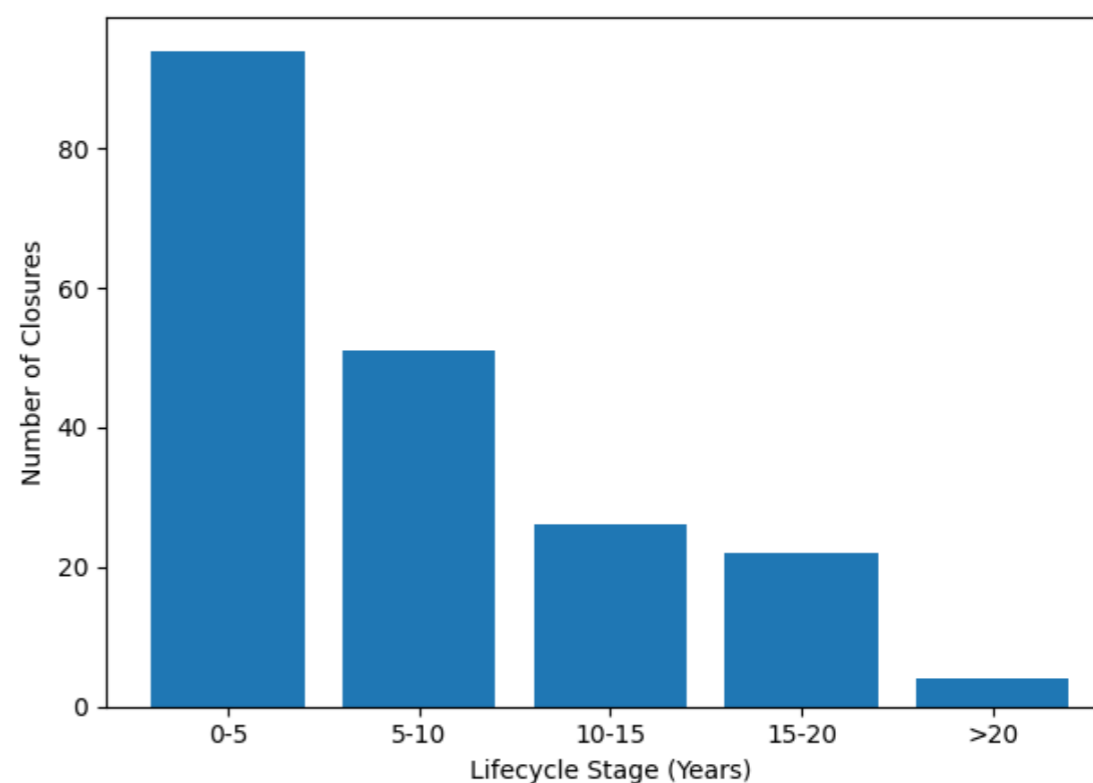
A complementary perspective comes from cohort analysis. Of the 169 hedge funds active at the start of 2015, only 55 remain in operation today, implying a survival rate of roughly 33 percent over the subsequent decade. This is particularly revealing because these funds had already navigated their early years. Yet two-thirds still exited the market, reinforcing the idea that attrition is not confined to younger vintages but continues across the lifecycle.

A further layer of insight comes from examining the balance between fund launches and closures over time. Between 2015 and 2026, the Nordic hedge fund industry recorded an average of around 15

new launches per year, alongside approximately 17.8 closures. While this points to a degree of turnover and a modest net contraction in fund numbers, it also highlights the industry’s ability to continuously renew itself. New entrants steadily bring fresh ideas, strategies, and talent into the ecosystem, helping to sustain its relevance despite ongoing attrition. What may appear as stability at the surface level is, in reality, supported by an active cycle of entry and exit, where innovation and competition play a central role. In this context, the industry’s persistence reflects not just survival, but an ongoing process of adaptation and evolution.

Against this backdrop of high turnover, a distinct cohort of long-standing managers provides an important counterbalance, anchoring the industry with continuity and experience. Several Nordic hedge funds have built track records extending well beyond two decades, demonstrating an ability to navigate multiple market cycles and structural shifts. Systematic strategies run by Estlander & Partners now exceed 30 years, while Lynx Asset Management and Excalibur Asset Management has operated for more than 25 years. Other funds such as Brummer

CLOSURES BY LIFECYCLE STAGE (YEARS)



Multi-Strategy, Atlant Edge, Oceanic Hedge Fund, PriorNilsson Yield, Asgard Fixed Income Fund, among others, similarly exhibit longevity exceeding two decades.

This durability is not confined to a handful of outliers. A broader layer of managers further illustrates that long-term persistence, while uncommon, is achievable across a diverse set of strategies. Taken together, this cohort plays a disproportionate role in shaping industry perceptions, underpinning average lifespan metrics while providing a degree of stability within an otherwise dynamic and competitive landscape.

Importantly, these long track records should not be interpreted as representative of the typical fund experience. They are the outcome of a selection process rather than a baseline expectation. Only the most adaptable strategies, capable of navigating multiple market regimes, maintaining investor confidence, and scaling operations sustainably, persist over time. In that sense, longevity becomes a signal of resilience and adaptability, rather than simply a measure of time in the market.

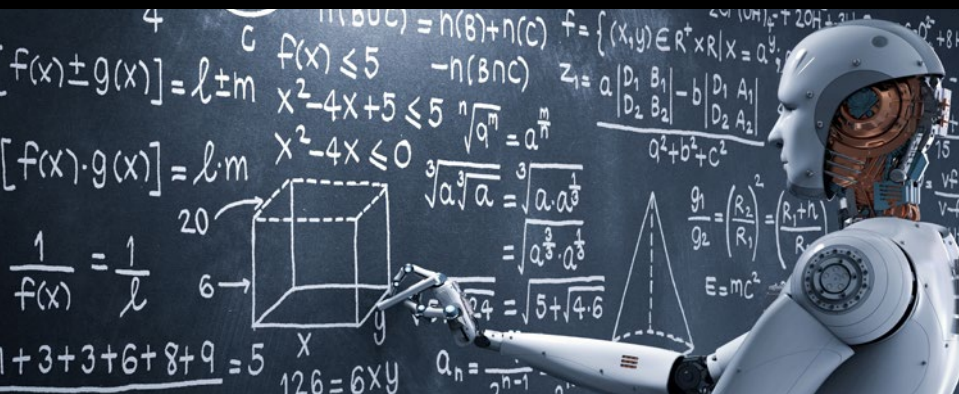
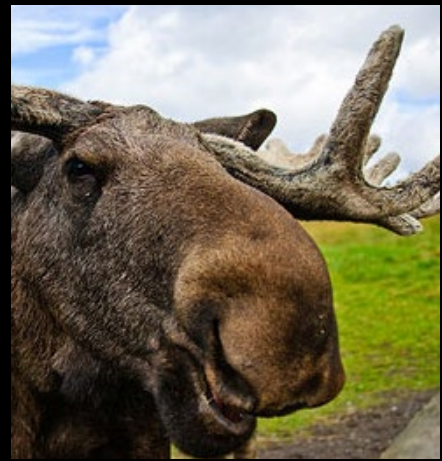
Taken together, the data points to a barbell-shaped industry structure. At one end, a large number of funds fail early, often within the first few years. At the other, a relatively concentrated group of managers achieves significant longevity, operating for decades and shaping industry averages. The space between these two extremes is comparatively thin, reinforcing the idea that the industry is defined by both high turnover and a stable core.

The implication is that the Nordic hedge fund industry operates less like a static ecosystem of enduring firms and more like a continuous selection process. Early attrition is high, mid-life risk remains meaningful, and true long-term survival is rare. Average lifespan figures obscure this reality, reflecting not the typical experience but the disproportionate influence of a small group of enduring managers.

For investors, the conclusion is straightforward. Longevity should not be viewed as a default expectation but as a differentiating signal, indicating an ability to adapt, endure, and remain relevant in a structurally competitive environment.



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