

Atlant Fonder Eyes €1 Billion as Fund Distribution Landscape Shifts

In the Nordic hedge fund industry, funds managing more than €1 billion have typically built their scale with strong institutional backing. Atlant Fonder's flagship Atlant Opportunity, now approaching that milestone with around €700 million in assets, has followed a different path, relying primarily on independent financial advisers and fund distributors. That model has supported substantial asset growth, but consolidation in Sweden's fund distribution market is changing how Atlant Fonder can reach investors.

CEO Peter Beckman makes no secret of Atlant Fonder's ambition to grow Atlant Opportunity beyond €1 billion in assets under management. "Atlant Fonder has the ambition to grow Atlant Opportunity above €1 billion in AUM. The current investment strategy is very scalable," he confirms.

Atlant Opportunity is a market-neutral absolute-return fund that combines Nordic corporate bonds with equity and index derivatives, seeking to generate low-volatility returns with limited dependence on broad equity market movements. The strategy's investment universe provides considerable capacity, according to Beckman. "Since the investment universe largely consists of Nordic corporate bonds and index derivatives, the possibilities to invest in financial instruments with good liquidity are numerous," he explains. "If needed, the investment universe can be expanded to European corporate bonds in order to increase the possibilities to handle more capital."

There are, however, trade-offs as the fund grows. Some of Atlant Opportunity's smaller opportunistic investments may become more difficult to execute at a scale where they can materially affect overall returns. "A larger fund may mean more limited possibilities for us to place our 'opportunistic' positions such as underwritings and unlisted holdings, and these kinds of investments will have less impact on the overall performance," Beckman says.

At the same time, greater scale could open doors elsewhere. As a larger participant in the financial markets, Atlant Fonder could gain access to broader deal flow and investment opportunities that are less accessible today. Atlant Opportunity has already demonstrated an ability to adapt its investment approach as assets have increased, growing from less than €100 million before 2020 to more than €300 million in 2021, above €500 million in 2024 and around €700 million today.

"As the fund has grown historically, this has also given us opportunities to invest in new instruments, giving us exposure to the same assets as earlier but in another way," Beckman says. "This often means a more efficient and controlled way to invest, which is positive for shareholders in our fund."

How much capacity does the strategy have?

The experience of managing a rapidly growing fund has also given Atlant Fonder greater confidence in its capacity. Beckman says he would not be particularly concerned about growth to around €2 billion, more than twice the fund's current size.

The strategy's capacity is therefore not simply a question of how much capital can technically be invested. Rather, the relevant limit is the point at which the fund can no longer deliver the level of performance and flexibility that Atlant Fonder targets. "Given these factors, the investment strategy has an upper limit regarding AUM to deliver the performance we aim for," Beckman says.

Distribution is becoming more central to the growth equation

Atlant Opportunity's asset growth has been supported by a long track record and a distribution model focused heavily on independent financial advisers. That model is now facing structural change as consolidation reshapes Sweden's fund distribution market.

"Atlant Fonder has historically distributed our funds through independent financial advisers, but regulatory and economic developments have forced many of these to give up their independence and join larger organizations," Beckman says. "Currently, we see a lot of consolidation on the fund distribution markets."

The change is also affecting how Atlant Fonder's sales team approaches potential investors. As decision-making becomes more centralized, individual advisers increasingly have less influence over fund selection. "This often means more centralized investment fund portfolio management, and our sales team cannot market our funds to the individual financial adviser but rather has to try to get the central managers of model portfolios or fund-of-funds to invest in our products," Beckman explains.

Model portfolios and fund-of-funds remain important channels because the characteristics of Atlant Opportunity fit naturally into these structures. "For us, the way of model portfolios and fund-of-funds has so far been the most successful and profitable way to grow AUM," Beckman notes. "We think this is because our funds have traits that fit these models well."

Institutional capital offers scale, but at a cost

Institutional investors could provide another avenue for growth as Atlant Fonder builds on its existing asset base and track record. Yet Beckman sees important differences between institutional fundraising and the distribution channels that have driven the fund's growth to date. "Institutional investors may be another interesting target group, but the possibilities for AUM growth via this category often depend on long processes involving RFPs and tenders that in the end are rewarded with perhaps large amounts of capital in the fund but with very small margins," he says.

"If we see more rapid growth in AUM from institutional clients, we think it is possible to create products based on the same investment strategy adapted to this category, but with adapted liquidity, which would make it easier for us to manage more capital," he says. Institutional investors may not require the same liquidity terms as retail-oriented distribution channels, potentially creating additional flexibility. "Daily liquidity is a must-have requirement for the retail market, but perhaps not for institutional clients who often have a longer-term investment horizon," Beckman notes.

Performance remains the primary growth driver

Despite the changing distribution landscape, Beckman argues that the most important factor behind Atlant Opportunity's asset growth is not distribution but performance. Launched in early 2016, the fund has generated an annualized return of 4.6 percent over more than ten years, with annualized volatility of 3.7 percent and a Sharpe ratio above one. Its only significant negative calendar year was 2022, when it returned -4.9 percent. "For Atlant Opportunity, the goal is to be the best fund within risk class 2," Beckman says.

"Given who evaluates and invests in our funds, risk-adjusted return as a result of a proven investment strategy has been the most important factor for Atlant Fonder's AUM growth," considers Beckman. "For an alternative fund aiming for market-neutral, absolute return, performance during periods when other markets are struggling is the most important factor."

Other considerations still have to be addressed during the due diligence process, including the investment team, regulatory requirements, operational systems and sustainability. But Beckman says the experience of Atlant Fonder has been that consistency matters more than occasional spikes in performance. "In short, our experience has been that consistent and predictable performance rather than single periods of exceptional performance from Atlant Fonder have been the biggest contributors to successful outcomes with fund evaluators."