

From Zero Rates to Volatility: Excalibur at 25

Around the same time last year, Lynx Asset Management marked the 25-year anniversary of its flagship strategy. This April, it is Excalibur Asset Management's turn to celebrate a similar milestone, as its fixed-income macro strategy, Excalibur Fixed Income, reaches 25 years. As the second-longest-running hedge fund in Sweden, the strategy enters this anniversary period with a markedly improved backdrop, benefiting from the return of higher interest rates and elevated volatility.

"The key to 25 years of success is navigating and managing the unknown as markets transition between different phases," says Thomas Pohjanen, founder and CEO of Excalibur Asset Management. "When we begin to sense where the market is heading, we can build strong positions – we call it timing." The past year offered a clear illustration of this approach in practice. In 2025, Excalibur Fixed Income delivered a return of 11.1 percent, nearly double its long-term target of five to six percent. It marked the fund's strongest annual performance since 2009 and its fourth double-digit year since inception in 2001.

According to Pohjanen, such outcomes are driven by a combination of macro insight and execution. "When we exceed our target by a wide margin, it comes down to getting the major macroeconomic calls right and timing our entries and exits reasonably well," he noted earlier this year. The strong result in 2025 also extended a period of consistent performance, with the fund generating an average return of 7.3 percent over the past six years, a period that coincides with the return of volatility following the Covid shock.

A key differentiator in recent years has been the re-emergence of volatility in fixed-income markets. "Volatility is back," Pohjanen observes. "Around 2017 and 2018, interest rates were at or below zero, and central banks were actively suppressing volatility through large-scale government bond purchases, effectively compressing the entire yield curve." In such an environment, opportunities in high-grade fixed income were limited. "Rates were extremely low, volatility was largely absent, and there simply wasn't much to trade."

That dynamic has shifted materially. As central banks have stepped back and rates have normalized, fixed-income markets have once again begun to exhibit meaningful price fluctuations. "Global fixed-income markets now offer a steady flow of tradable events," says Pohjanen. "If you manage to capture four or five of them with the right timing, you can generate strong performance."