

AIX Dynamic: Long-Term Megatrends, Dynamic Exposure

Sweden's AP7 Equity Fund, the default option for pension savers who do not make an active fund choice, has proven to be a rewarding approach to long-term investing, combining broad global equity exposure with approximately 1.25x leverage. For Charlie Ejerholm, fund manager at AIX Dynamic, the approach raised a simple question: "Instead of trying to invent a completely new way of investing, why not start with principles that have already worked and try to improve how exposure and risk are managed?" That thinking led to AIX Dynamic, a systematic global equity fund focused on long-term megatrends and dynamically managed net market exposure.

"We found the simplicity of that approach very interesting," says Ejerholm. Rather than building another fund around individual stock selection, AIX Dynamic starts with diversified, index-based exposure to global growth, while adding four elements that Ejerholm believes are missing from a conventional global equity strategy: a focus on structural megatrends, dynamic leverage, systematic risk management and the ability to reduce or reverse exposure as market trends change.

In essence, the strategy is built around two ideas: invest in long-term trends shaping the future, while dynamically adjusting market exposure as conditions change. AIX Dynamic uses index-based instruments to target structural megatrends including AI, technology, energy and healthcare. "That gives us diversified exposure to the areas where we believe much of the world's long-term growth will come from, without trying to pick individual winning stocks," explains Ejerholm.

Letting the market determine exposure

The second part of the strategy is the dynamic management of market exposure. "Instead of remaining fully invested regardless of the market environment, our systematic model dynamically adjusts exposure," Ejerholm says. In strong markets, the fund can increase exposure through leverage. When market conditions deteriorate, the strategy gradually reduces its equity exposure. If a sufficiently strong and sustained downtrend emerges, it can take negative exposure to equities. "The megatrends determine where we invest. The market trend determines how much exposure we take," explains Ejerholm.

That distinction is also reflected in the fund's name. AIX represents the investment universe and the megatrends, while Dynamic refers to how market exposure is managed. "In simple terms: participate more when conditions are favourable, reduce risk when they are not, and remain focused on the long-term trends shaping the future," he elaborates. "Invest in the future. Adapt to the market. That's AIX Dynamic."

The fund currently has significant exposure to AI and technology, through investments in technology-focused ETFs and individual technology companies. "We are looking for structural changes that we believe can drive growth for many years," notes Ejerholm.

Why exposure should not remain constant

Most traditional equity funds are designed to remain long regardless of the market environment. For Ejerholm, that raises a basic question: "Why should the right amount of market risk always be the same? We don't think it should." The objective is not to anticipate every market reversal, but to give the portfolio the flexibility to respond when the evidence changes.

"We are not trying to predict every correction, top or bottom," says Ejerholm. "We simply want the portfolio to have the ability to adapt when the evidence changes. Markets are dynamic. We believe both exposure and risk should be dynamic too."

Derivatives are primarily an implementation tool within that framework. "Derivatives are efficient tools for managing exposure and risk," Ejerholm explains. "They allow us to increase market exposure through leverage, reduce exposure efficiently and establish short exposure when required," he elaborates. "We don't use derivatives to make the strategy more complicated. We use them because they allow us to implement a very simple idea efficiently."

Accepting the limits of a systematic model

Ejerholm acknowledges that no model performs perfectly in every market environment. Rapid reversals and directionless markets can be particularly challenging, potentially creating what the team calls "trend slippage".

"We will not catch every top or every bottom, and we don't need to," he says. "The objective is to participate strongly in sustained positive markets while having a disciplined mechanism for reducing or reversing exposure when the trend changes."

That discipline also forms the foundation of the fund's broader risk-management approach, which combines diversification, predefined rules, position sizing and systematic exposure management. "We don't believe risk can or should be eliminated. Without taking risk, there is no return."

Four components of AIX Dynamic

Ejerholm ultimately describes AIX Dynamic through four components: index-based investing, long-term megatrends, dynamic exposure and leverage, and systematic risk management. "Traditional passive investing gives you broad market exposure, but generally doesn't change that exposure when markets change," he concludes. "The idea is simple: own the long-term trends. Use leverage when conditions justify it. Reduce risk when they don't. And stay disciplined throughout."