

How to start a hedge fund (And why)

So, you want to be a full-time money manager? Then there is an important question you first need to ask yourself: why on earth? Investing other people's money is far from the easiest thing one can do, nor is it without risk. The necessary ingredients for success are hard, and take time, to come by. Ask yourself what you want to achieve, and if you really think it's best accomplished in a corporate vehicle? In a Swedish context this is a particularly apt question, since we have a legislative framework so friendly it allows individuals (for all practical purposes) tax-free investing in an ISA-shell with no limits on size, withdrawals, or deposits. If all you want is to invest-full time, here is REALLY no need to start a fund. There are plenty of funds already.

To invest other people's money (OPM) and utilize a corporate shell, is something different entirely from simply picking stocks in your personal account. Investing in a team, with a limited number of known partners, and share the ownership in an investing business, is certainly doable. But as soon as you want to charge a fee for investing someone else's dough, you are not only tippy toeing on the line of what the regulator will have strong opinions on, you are so far beyond said line it's barely visible. And if one thing's for sure, it's that you don't want to be on the wrong side of the regulator.

So here the first advice: when you have the idea to start investing other people's money, immediately consult an expert in financial regulation. We used PWC, expensive and a bit underwhelming, but at they point out what's what amid the layers upon layers of overlapping regulation. Make sure you don't inadvertently fall down the FSA rabbit hole and lose your license to operate before you even had one. Seriously.

Why why matters

Back to why: the age-old reason to start a fund is that it has the potential to be very profitable. No hard assets or capex, 100% fixed cost, ties up very little operating capital. All this means there's tremendous leverage on asset volumes. No surprise the asset management division is often by far most profitable part of a bank (and spending a ton on marketing, to grow assets even further).

I think the why matters. A lot. Without a good enough reason for people to invest with you, or a good enough motivation for yourself, a fund venture is doomed before it even started. You have to consider the prospective investor. The ultimate client of the fund. Who are they? As podcaster and experienced allocator Ted Seides writes: "preferably you want someone who own their capital, pay little attention to short term returns, fully understand the investment strategy and leave you alone to focus on investing." Not too many of those around, to be honest. But, if I look at my

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own investing in funds as an example, I've only ever ventured into fund-land (voluntarily) twice: I invested in my own fund when I worked at Nordea Asset Management and then in a start-up fund of a friend I respect a lot; Wilhelm Gruvberg at Alcur Fonder.

Why did I invest with Wilhelm when he started out? He had no public track record and no experience running a fund. I objectively had no business investing with him. All he had was ambition. I invested simply because I knew and trusted him and the team at Alcur. I knew he had the network, integrity, passion and persistence to be able to generate acceptable performance over a long enough timespan. His ideas and exposures were different than my own, which means I could outsource some of my assets to him and get an uncorrelated return (hedging my own stupidity, basically). I had the privilege of working together with Wilhelm on the Nordea Markets trading floor for several years, so I knew what I was getting into. Further adding to the attraction was that the fund was small at the time - a requirement for good performance when operating with a tilt towards small and mid-cap companies, in my view. I believe Protean ticks many of these boxes as well, and hope there's enough investors out there willing to agree and try us out. Side note: Wilhelm's fund turned out a huge success and is now closed for additional deposits. Thanks for allowing me to invest with you for a few years Wille (& team)!

But, fact remains, for the prospective investor/client, who doesn't happen to know of a freshly minted fund manager, with all the prerequisite features mentioned above, and a small enough fund, these quite personal criteria are hard to utilize when selecting a custodian of capital. Looking through a list of possible funds to invest in (and God knows there are a few) who in their right mind would spend time "getting to know" the individuals behind the fund? And how would you do it? Easier then to just pick a brand name fund (T. Rowe Price Global Technology Equities etc) and move on with your life? I have all the respect for such choices. If the fund manager is employed by a trustworthy institution, at least one can expect to get the market return, plus/minus? Life's too short to try and optimize every supplier of boring services (when did you last change bank, electricity, or insurance company?).

In addition, 99% of academic research suggests active managers on average seriously struggle to outperform index funds due to higher fees, so why bother? Here is, again, where the why comes in. Social media is a short cut to building trust. You can show, in real time, how absurdly obsessed you are with stocks, and if you're honest and a real person, there is every chance your social media presence over time could help bridge the trust-gap a start-up always faces.

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Protean's why

To again take ourselves as an example, Protean's why is simply that we know no other way of comfortably managing our own money. The easy (compared to starting your own) approach is to run "a product" at an established asset manager, with all administration and financial risk taken care of. But, it would also mean you don't get to choose the investment style or universe. To be able to design your own process, with the mantra "this is how I would like to manage my own money" is THE reason for starting Protean. In addition, both me and Carl have only ever known the institutional setting to invest, and this is where our network, skill and knowledge can be utilized to its fullest. To get a seat at the institutional table we need co-investors to get scale and cost coverage. Up to a point. Because with too much assets, returns are impeded and it becomes significantly harder to perform.

The balancing act between "charging too high fees" and "we need a profitable business" is to a great extent a result of the expectations of success; if we were comfortable we could raise 150m EUR on day one, we would have started an investment company, not a fund management business. And if we could raise 250m EUR we would be able to charge lower fees and close the fund immediately. But, earth calling, back to reality, to raise 30-40m EUR is hard enough, and since we don't want to do a ton of marketing or assume immediate strong

performance, we need to strike a balance. 1,2% fixed fee, plus 20% of returns above 4% plus the government interest rate is in the low end of what similar structures charge. We believe it's fair since we will close the fund at a limited size, and since we run a shoe-string operation. If we generate strong returns we will be rewarded, if we don't we will hopefully live to fight another year. A balanced risk approach. Our bottom line why we're starting our fund: because we have to.

What's the product

With the why out of the way comes the "How and the What?". What are you providing and how are you doing it? Do you have a thematic approach, offering exposure to a theme or sector or geography that you are particularly suited to provide? Or are you selling a personal skill - market timing, stock-picking, shorting, portfolio composition? Or an algorithm derived from unique data and programming skills? In short: do you offer an exposure or a return?

Most intuitively think of investing as something that offers a return over time. After all, the whole idea of saving is to forego something today, in return for more tomorrow. However, that's not what happens when you invest in an exposure or a themed product.



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The fund manager will surely do his or her best with the hand they've been dealt, but should a theme fall out of favor (or indeed: not play out as intended), the thematic fund will underperform, and your capital will shrink. This has been painfully obvious in the past month or so in both tech and small-cap land, but where you can't fault the fund manager for doing what it says on the tin. It's simply you who decided to invest in small caps, or tech, or whatever, and the fund manager just did your bidding. Investing in specialized funds do offer advantages: you can get a very skilled fund manager focused solely on a sub-segment of the market, potentially amplifying returns via superior selection if the theme plays out. But I argue you (as an investor) need to both diversify and to pay attention to your own allocation between the specialized funds as markets move over time. Thus, as a fund manager, by specializing, you might be playing to your strengths, but you also risk impeded returns for extended periods of time as the market's interest in your subsegment ebbs and flows.

Protean's how is derived from the fact we're managing our own assets: we want acceptable returns but hate losing money. We want to be adaptive. To be aggressive. To be passive. To be balanced. All depending on our judgement of the current opportunities and market climate.

Like Jesse Livermore said: "there's a time to go long, a time to go short, and a time to go fishing". Hence the hedge fund structure, allowing us both the option to hedge, run a high cash

balance and even use leverage if and when we see fit. We know the Scandinavian markets well, and believe that, for someone with a small enough fund, there are ample opportunities for returns both on the long and short side. The gist of our idea is to offer a vehicle for limited co-investment in an adaptive strategy, with attention paid to risk mitigation and size constraints.

And since we don't want to maximize assets (just get to critical mass), we don't have to cater to everyone. We don't do marketing, lip-sync to bland ESG-frameworks, contort ourselves to be available on every distribution platform, or offer daily opinions in the media. We're painfully aware how much time is spent by portfolio managers on marketing and administrative tasks, and we are taking every precautionary measure we can think of to set the structure up such that we can prioritize focus on our task at hand: returns.

This also is the risk we're taking. By being true to the conviction that an adaptive strategy is durable and scalable, we will not be the typical hedge fund, and we won't be investable for everyone. We don't market ourselves as "deeply fundamental investors who want to buy great companies at bargain prices", or "event-driven investors arbitrageing across the capital

structure” or “small cap growth investors”; we’re ready to deploy all those tactics as what we’re looking for is asymmetric opportunity - in whatever shape or form it presents itself. Returns, not themes.

Raw material sourcing

So, you have the why and the how, next up are the practicalities. The most crucial of which is the fund industry raw material: money. If you already have enough money: STOP, hit reverse, you don’t want to start a fund. If you’re still interested, hopefully you have friends and family willing to stump up some seed capital. You’re going to need, depending on size of team and level of bootstrapping, a start with 40-50m EUR to have an embryo of a viable business, and at least 100m EUR in assets to be close to comfortable. You will inevitably have fixed costs, and you can’t trust performance fees in your budgeting. Every supplier and their mother wants a piece of your business. Preferably a “basis point-based” piece that grows if you’re successful.

Unless you want to charge exorbitant fees from the get-go, you’re going to lose money if you start with a too small asset base. This means you would be relying on early performance figures to get a break-even business (assuming you have a performance fee).

The goddess of performance, however, is a fickle deity. So fickle, I would argue that launching a fund without either ample assets or a big personal purse to finance extended operating losses (say, three years?), is poor risk management. Delusion of grandeur is certainly, to some degree, a prerequisite for believing one can beat the market, but for budgeting and risk

management purposes in a start-up, particularly a fund that argues risk management is a key ingredient, a healthy dose of realism comes sternly recommended. Plus, the Financial Services Authority (Finansinspektionen in Sweden) will have objections if your project is funded poorly already from the get-go.

You are going to need investors. Even before you start the fund. If you want to extend your pond of potential early investors you need to prepare a marketing material and hit the road. Cover the basics of expected return, fee structure, track record (if there is one), personal history, preferably a model portfolio or at least a schematic on how you will position the fund, and generally how you think about the world. At this stage people are still investing in you rather than the fund. You can think about share classes: a class with lower fees for bigger deposits might lure a whale or two. You could even have a “founder’s share class” that closes upon launch, where early investors get a particularly attractive deal. Not all of this is positive, however. It both adds complexity and cost, every share class comes with its own NAV- calculation and settlement etc,

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which means additional fixed fees for your fund company every month, plus that it always (to me) looks a bit odd that people with more money should get things cheaper.

Institutional seeders

If you have a well put-together presentation of a strategy that fits into a fairly standard industry bucket, or if you have a particularly interesting back-story and skill set, you might be able to get the attention of professional early seeders. There are actually a few out there: pools of capital whose sole purpose is to stake “emerging managers”, be it for equity in the fund company or for the early alpha that start-up funds are proven to generate (before they become too big).

Note, however, that the institutionalized and well-known seeders get thousands of pitch-decks sent to them every year, why this is not a strategy to be relied upon for asset raising. Protean has not gone down this route because of the poor odds and our quirky strategy: “what, not maximizing assets, are you morons?”.

Underpromise and overdeliver

Once you get your foot in the door, the interesting exercise of presenting your idea starts: what return are you willing to promise? There is a reflexivity between expectations and outcome, because if you argue your “back-tested strategy has compounded at 20%+ over the past 10

years”, your investors will be disappointed when you come back with 4% returns in a down

market. On the other hand, if you are too cautious, you risk putting off the prospective investor. In the early innings of asset raising your meetings will be very different: some people will like you, others won't. Some will be qualified and ask pointy questions about the hedge fund minutiae, while some will be basing their decisions more on an assessment of your overall trustworthiness. As a seasoned salesperson my advice is to be confident, but make sure to listen closely to what the prospective LP is actually saying. Can you deliver on their expectation? Is your product suited to their needs? And, above all, be honest and humble.

Early in our process I sat down with a previously unknown person that reached out and wanted a meeting because he had “come into some money” but realized he neither had the interest nor capability to invest it for himself. I told him I'd be happy to take care of a portion of his cash, but that he should seek the help of a professional financial planner for the bulk of the cash. Being responsible for 100% of someone's net worth is not the game I want to play.



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Set expectations right. It's far too easy to start compromising your strategy to cater for a wealthy investor who's looking for something slightly different than what you are willing to offer. In the long run that risks capsizing your entire business, if it forces you to veer too far from your true north.

Genesis

In my experience the origin story of most hedge funds is the lead PM has been a nr 2 at another successful shop, running his or her (but let's be honest, 99% his) own book for a few years with significant success. Seeded by clients he already knows he strikes out on his own. The 2nd most common start-up is that of a wealthy individual or family office tapping a PM at a large house to run a portion of their cash independently, in return for equity in a freshly started fund management company (often a disproportionate amount of equity, well above 50% - because money talks). The one with the cash has all the leverage.

A third is the incubator-houses that are starting to pop up: they offer all administrative functions (risk, compliance, FSA-permit, office space, back-office, distribution) and allows you to stick to investing. However, they want a majority stake in your business, and won't seed your fund. We took a handful of such meetings early on, but felt it was a raw deal to give away so much equity in return for what is basically some administrative head-aches.

Rarely does a small start-up scale to great success simply by performing well off a low asset-base. Either the PM is already a brand-name or there is enough cash to cover costs from day one. The reasons for this is that a small fund might have great returns, but with a strategy that is hard to replicate as assets grow, or the risks taken in concentration is off the charts,

making professional allocators shy away. To get to the big leagues you need patience. And patience translates to start-up capital or early AUM. Hence your number one focus should be to put in place the ingredients to be able to raise enough cash from the start: formulate a strategy, make it understandable for the investors you would like to attract, get the meetings, and get them to commit to investing before deciding to turn on the fixed cost switch.

Our path to starting a fund came from a number of people approaching us as a private investment vehicle asking whether we would accept additional outside capital. Not exactly a flood, more a trickle, but still. As you might have read in earlier Partner Letters we decided to entertain the thought IF we could find enough investors willing to commit capital up-front, allowing us to start with a (near) break-even business from day one. The other alternative, to remain in the private setting, was otherwise

satisfactory. After canvassing our networks we managed to raise enough to justify starting the process. Our initial investors are a remarkable blend of people: from a seasoned industrialist with a deep value approach, a Partner at one of the largest UK hedge funds, a large family office, to a well-known and successful growth investor. We're humbled and a bit proud of this group of investors. It's a testament that our adaptive strategy appeals to such a wide variety of investors, and that they have faith in us.

In my view we have chosen a de-risked route: we don't rely on the whims of any one wealthy individual, we don't need to fund large operational losses from the start, and we don't rely on immediate outperformance generating a performance fee. We are both well capitalized as a fund company and start with an asset base large enough to cover most costs from fixed fees alone. A good starting position to be in. Of course, there's no blueprint for exactly how to do things, and I'm sure this could be done in a cleverer way, with a different structure and timeline.

Mind the fine print

Researching other funds there is a wide spread of choices, some of which stand out as borderline cynical. Delving into the fine print of fund documentation means you see the choices made by other fund entrepreneurs, and it's several times struck me how some set-ups appear designed to the benefit of the fund manager rather than the investor. For instance, it appears there's a way to launch a fund-like structure where the ownership comes in the form of a debt certificate, granting the investor a share in profits/value appreciation, and the NAV of the "fund" is determined via a listing on a semi-regulated exchange. Sounds alright in theory, I

guess, but the flip side is that all the regulation put in place to protect investors from outsized and unfair fees don't apply. The directors of the company can charge any cost to the fund rather than the operating company, they are not subject to restrictions on fee levels and performance fee structures: re-setting the high water mark every year, applying a generous performance fee with no hurdle whatsoever or charging fees daily, as examples. There will always be opportunists in this space. Beware.

Licence to k... invest

Ok, you have the strategy, you have the money. What now? Start investing and cross your fingers returns are not too far from what you promised, and everyone is happy? No. Not at all. Managing money for others in return for a fee is one of the most regulated activities you can engage in. Throughout history the lure of easy riches has attracted every type of scam artist imaginable. The promise of riskless returns, paired with glitzy

marketing and/or aggressive sales tactics, has - and always will be - a sure fire way to skin cash from the optimistic and naive.

Sometimes, like in the case of Madoff, a manufactured track-record, and an obscure non- replicable strategy, can fool even the most sophisticated endowments and high-net individuals. Since the problem with cynical opportunists in asset management is as old as the heaven and hills, legislation has accumulated throughout history, adding layers upon layers of complexity. Like the saying goes: today's generals are doomed to fighting the last war, so the legislation around fund management is designed to prevent everything that has already happened, but little of what is yet to come.

I'd almost like to re-print the table of content of our application to the FSA to start a fund: it contains no less than 28 chapters. Where each chapter easily could be 4-6 separate multi-page documents. There's a policy for everything. Sometimes two. And it needs to be adapted to your exact situation, and the latest regulation (both on a domestic and EU level, at least) and approved by the board. I'll spare you the re-print, but suffice to say there's some serious documentation that needs to be handed in. Naturally, you will use a law firm to help with the project. Equally naturally they will be expensive, as lawyers tend to be. If you have the same ambition we have - "squeaky clean, no eyebrows raised at the structure, documentation or providers" - you will have to pay up to get things done. Suck it up.

One crucial thing you need to start thinking about as soon as it looks like you have a business brewing is a Board of Directors. This is not as easy as it sounds. Your BoD need to be deemed

"competent" in the eyes of the regulator. All directors need to pass a test. A check of all the registers you can think of (criminal, economic, academic and what not). They need to have relevant experience. But first and foremost, they must be willing so serve on your board. And have something to contribute with. Your Board of Directors can be an indispensable asset if curated just right. Networks, competences, experience, free consultancy, strategic thinking.

They also share personal risk in the venture, despite being removed from the operations. How many people do you know that pass this test AND would be willing to spend the time and effort to serve as board members AND have something to add to your firm? Not as easy as one first might think.

At Protean we made a wish list of the competences we would love to have. Someone with experience in financial regulation, preferably a lawyer. Someone with administrative skills and experience from both

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building a start-up and other more qualified boards. Someone well versed in Financial Economics to bounce things off. We canvassed our network, asked for advice and referrals, and we're today very pleased with our Board. But it took a good few months and a number of meetings. Everything takes time.

In-house or outsource

Assuming you are two guys that love investing and want to focus on finding great investments, you are going to need to either hire several highly specialized employees immediately (expensive) or outsource several functions (also expensive, but slightly less so). You are going to need a compliance function - someone to make sure you follow the rules of the game, that you can ask for advice, that monitor your processes and help structure the business so that you paint within the lines from a regulatory standpoint. You don't want to compromise on this as the risk you are running is existential. One serious breach and you could be out of business.

Make sure you outsource to a serious firm with serious people.

You need a Risk function. Risk monitors your exposures, your business relationships, any weaknesses in internal processes, back-ups and recovery plans and generally makes sure you are aware of both the business and operative risks you're taking on depending on strategy and overall set-up. Same thing applies as for compliance: don't compromise.

You're going to need an internal auditor, basically the tool of the board to monitor that the company is run in the way the board has mandated. Are policies being followed? Are you evaluating your counterparties along the outsourcing and business policies the board has agreed upon? Are you logging and handling conflicts of interests in a satisfactory manner as they crop up?

External auditor, can't live without it, entirely independent of both the company executives and the board, to sign off on the accounts and the overall practices of the business.

Back-office: what happens with the plumbing of a transaction? How does it settle? How do you borrow stock? How do you price an OTC-swap basket into a NAV every month (or day)? Valuation, settlement, NAV-calculation, performance metrics and evaluation, corporate actions, stock lending and stock borrow, regulatory reporting of all transactions, flagging-rules. There's a ton of stuff here that literally cannot be allowed to go wrong.

As a fully-fledged fund management business, with all functions in-house, I suspect you need to employ at least 8-10 people. Just do the

quick math: 1,2% fixed fee, 0,1% immediately disappears to the custodian. 1,1% left. If you use a distributor (bank, insurance company, online broker, fund platform) to get investors on board, you can safely assume you are giving away half of the fixed fee to them. 0,55% left. Assume you have 50m EUR in assets: your revenue with which to fund all the functions, and infrastructure is 275k per annum. As you can see, this is not an easy equation to grapple with as a budding fund manager. But you don't need 10 people, you need the help of some of the specialized service companies that offer these functions on a shared basis. Thank heavens for scale advantages shared. None of the functions mentioned above will need to spend 100% of their time on your little business, which means any one person employed as a risk manager, likely could serve several funds as a shared resource, and the same goes for compliance and back-office. After all, not even the big banks have one compliance manager for every fund they run (yet...).

This is the route Protean has taken, we have met and evaluated most providers of outsourced services in Sweden and picked those we believe are the most credible and professional. We have chosen to not go with the cheapest options throughout, simply as a means of risk-mitigation. Some services really are reassuringly expensive for a reason. I struggle to think that anyone in their right mind (unless they have an unlimited amount of cash - in which case: why start a fund anyway) would start a fully staffed operation from day one.

Eventually, and hopefully, if and when we reach a comfortable asset base, we will be able to add a few more bums on seats both on the administrative and analyst side of things.

Check yourself before you wreck yourself

One thing not mentioned so far is the psychological effects of launching your own venture. Like Graham Duncan writes in his blog: "how will you protect the climate within your skull?". The only real product we're selling is our ability to make decisions. The key for us, then, is to design an ecosystem that generates enough good ideas, and a structure that allows the fund to profit from them. Both me and Carl are acutely aware of the potential mental pitfalls of draw-downs and periods of poor performance. It is particularly painful to lose other people's money, but we will try to constantly remind ourselves to make the right decisions for the portfolio, not the decisions our investors think we should make!

If you are a part of a bigger fund-complex, or indeed a bank, your single strategy underperforming is simply par for the course: running 20 strategies under one roof will inevitably see at least a handful struggling at any given moment. If you are two individuals in a shoe-box office giving it your all to try and create alpha, and you also tie up a lot of both personal

capital and brand equity, the risk is you fall prey to any number of biases and risky behaviors. This is a conundrum not easily resolved, as I've observed it time and time again in markets over the years: fund managers tying themselves to the mast on an idea they have super- strong conviction on, only to see it underperform massively and cost the fund (and its investors) a disproportionate amount of money. Markets are cruel - they will turn only when the last bull or bear have given up. Example: recently a HF manager in Sweden lost an absolute bundle on a high-profile short case. I think literally the day he closed up shop the short started to work.

There's no easy way to insure this doesn't also happen at Protean, but we're acutely aware of the asymmetry of the short side, why we are implementing a hard-cut policy to exit shorts that go >15% against the market (we halve and re-assess the position at >10%). This is as much insurance as we can give our investors: we will not blow the fund on stubborn shorts, because we're well aware we are not the smartest guys in the room. No one idea is worth risking the entire portfolio, and ultimately: business.

We have also taken the decision not to detail our positions publicly or do media to talk about our holdings and cases. We don't want to be associated with any single name or married to a position because we have extolled its virtues in the press - I believe it creates unnecessary mental gunk that complicates keeping a rational opinion. This policy is a luxury not offered to portfolio managers at AUM-maximizing institutions, and it will be interesting to see whether we will be able to grow our assets to the point we would like (2bn SEK-ish) without being all over the financial press.

The distribution conundrum

Finally, when you have all your ducks in a neat row, you need to think about how on earth does one distribute a fund? That list of funds you see when you log into your online bank, only contains a fraction of the world's tens of thousands of funds. How did the select few end up there? You will have the option to only accept "direct deposits", where investors deposit cash with your fund administrator directly. This is attractive for the fund company since it cuts out the middle-man distributor who often pockets half the fixed fee (!) for the service of providing the access to investors. You will have meetings with reluctant distributors thinking "how will this fund add to our offering - if at all, will there really be demand for it, is it worth the administrative cost and hassle for us to add this minnow hedge fund".

This also impacts the budgeting process, as the mix of direct/distributor investors gives you very different dollars. At Protean we landed in wanting



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to lower the bar for friends and family to be able to invest in the fund. We decided it would be acceptable for our economics to be available on an online retail platform, despite the cost, since it would allow us to potentially reach a bit of scale sooner, and therefore de-risk the business case. We are very pleased with the collaboration with the online bank we're going with, as they have been very friendly and supportive of our project from day one. Let's just say the other large banks and fund platforms have shown less excitement - their business case also relies on substantial AUM, which explicitly is not an objective for us, as you know by now.

Delusion and aspiration

So, to summarize, to start a hedge fund you first need to be just about delusional enough to think you can beat the market. You need an idea and to make others believe in that idea enough so they're willing to part with some of their savings. You need to position expectations to cushion against disappointment, basically build stamina through inducing patience in your investors, but at the same time be willing to promise an attractive return. It helps if you have a credible and spot-free background. It helps if you have the financial capacity to take a big up-front investment, invest in the fund yourself and weather a couple of years of no salary. It helps if you have friends both willing to back you publicly and be first-day investors.

Protean Funds Scandinavia AB formally came into existence last week. Tomorrow we have the board meeting where we decide to hand in the application to the Swedish FSA to "manage other people's money". We have crossed the Ts and dotted the Is, and believe we have the right team, the right idea, and a simple, credible structure. If all goes well the hedge fund "Protean Select" will open its doors during April-May 2022. Based on the feedback received from the previous Partner Letter - and thank you to all that took the time to respond - we will be opening a tranche for retail investors with a minimum first deposit of 100,000 SEK, and quarterly liquidity. We'd be delighted if some of you would like to participate from day one.

Now all that remains is to pray for good luck and find out whether we deserve this opportunity. Onwards and upwards!