PROTEAN™

JULY 2025 • PARTNER LETTER

Dear Partners,

Protean Small Cap returned 2.4% in July, outperforming its index by 0.9% points. Year to date, the fund's return is 12.4%. Since launching in June 2023, the fund has gained 56.3%, which is 31.9% points ahead of the Carnegie Nordic Small Cap Index.

The hedge fund Protean Select returned 2.6% in July, staying true to its objective of generating reasonable returns and avoiding large drawdowns. Year to date the return is 6.6%. Volatility remains below 6%.

Protean Aktiesparfond Norden, our recently launched fund that combines the low fees of passive funds with the active fund's chance of beating the market, continues to do what we hoped it would do: outperform. Since inception four months ago it is up 11.7%, that is 9% points ahead of the index (VINX Nordic Cap SEK). It now manages >850m SEK.

This month's letter elaborates on our adventures in Novo Nordisk and whether they depend on luck or skill, on the evolution of the asset management industry towards Separately Managed Accounts (and our emerging success in that space), and as always commentary on stock specifics and what went terribly wrong (and right) during the month.

Thank you for being an investor!

// Team Protean

Building in public

JULY 2025 • WRITTEN BY PONTUS DACKMO

The asset management industry has evolved in a dramatic way in the past decade, and we are taking note and adapting. You can roughly split the industry in two: the retail products, that cater for the individual investors, and the institutional products, aimed at large professional allocators (like endowments, pension managers, insurance companies, family offices, multi-strats).

Retail / Mass market

In the retail space, you find the funds from big banks and independent boutiques, available for purchase at either the banks themselves or fund distributors such as online brokerages. As an individual investor, you face the highest possible fee, split between the fund company and the distributor. The products are large and have existed for a really long time. Recently, a shift has occurred toward distributors who, instead of taking half the management fee of the fund for themselves, they charge a flat fee and rebate the kick-back to the investor. This is an excellent way to short-circuit the inherent conflict of interest: the more expensive fund, the more the distributor makes.

Long-term individual investors are increasingly aware of the impact of high fees on the long-term returns. So much so that if I ask a non-finance-professional friend how they pick funds, the fee always – ALWAYS – comes up first. This is also what is triggering the widespread consolidation of the asset manager market: with price pressure comes a need to have larger funds in order to keep making super profits. That it is harder for larger funds to generate returns, is a well-kept public secret in the industry.

I noted a large domestic competitor publicly posting on LinkedIn that they have a “clear target” to grow to >500bn SEK in assets under management. Ambitious, but, to us, that is putting the cart before the horse. The only reasonable target a fund management company can have is to generate competitive returns. What your assets under management are is 100% a residual.

We pride ourselves in the fact that our funds are all available for retail investors on the independent low-cost platforms. It just makes perfect sense. The Aktiesparfond, in particular, is designed to share the scale advantages by lowering the fees as it grows, and to be a competitor with both the expensive “we want to manage 500bn”-funds, and passive and index funds, whilst actually having the possibility beat the index (which, so far, it is – handsomely!).

Professional allocators

In the institutional space, it’s an entirely different world. Every allocator in the world got a jump-scare from the Madoff scandal in 2008, which triggered a need for increased control of the underlying assets. As always in the financial industry, the market facilitators (i.e. banks and brokers) are more than happy to assist, assuming they can make a buck.

Enter the “SMA”, the Separately Managed Account. Unlike a traditional investment fund, where assets are pooled with those of other investors, the SMA allows the allocator to retain direct ownership of the underlying assets. You give your money to a bank, which in turn delegates the management of the money to the asset manager. Not only does this mean the assets are directly owned by the investor, but they can also see transactions by the manager in real time. This stands in contrast to Madoff, who fabricated trades and made up positions. In addition, it is a very capital efficient and customizable structure. It allows the end investor to use leverage to get to the required vol-target, which means there’s less capital employed and more discretion, and it allows for tweaks to the underlying strategy. Think of “yeah we like your strategy but would like to have less liquidity risk than in your fund” or “could you please exclude these sectors, as we have exposure to that elsewhere”, and similar things.

An increasing number of professional allocators are utilizing SMA structures, and the process has become both professional and streamlined. It has of course also become a meaningful source of income for the global banks and prime brokers that enable these types of investments. In fact, there is an entire industry around match-making between allocators and fund companies. It’s called “Cap Intro”, and every big bank has a team of professionals looking to create business by introducing fund companies to investors.

Never a hero at home

Running a hedge fund in Scandinavia is a bit of an uphill battle. The local institutions are NOT particularly keen on hedge funds. They get their Nordic exposure through long-only managers, and prefer to give – what little allocation they have – to the big established players in London and New York. It’s a lot glitzier than giving money to five guys in a cupboard in

Stockholm (well four, and a fifth in a garage on an island on the west coast of Sweden). It is also uphill when facing retail clients, as most tend to focus solely on the return, not the risk that was taken to generate said return. We can argue sharpe, sortino and maximum draw-down all we like, but at the end of the day, it's the P&L on the account that matters.

All that is fine. It IS a niche product. A part of a portfolio of investments. But it also means that most investors in our hedge fund are professional investors. It is only a tiny sliver of assets in the hedge fund that comes from retail investors.

Protean Market Neutral – For institutional investors only

We haven't been particularly public about the fact that since December 2023 we are managing a second, different, version of the Select fund, on behalf of a large US based investor. It is a market neutral, more liquid (i.e. excluding many small- and micro caps), product. Importantly the Protean Market Neutral, as we call it internally, does not infringe much on the flexibility of the Select fund, nor does it have more beneficial terms.

We are pretty satisfied with the type of returns we have created so far in Market Neutral: low volatility, shallow drawdowns that we have recovered quickly, a very diversified portfolio, limited correlation to other similar strategies across the globe, and high idiosyncratic risk.

These features, paired with our now reasonable track record, have led to several progressed dialogues with non-Scandinavian professional allocators over the past year.

When to close, not how much to grow

Should one or more of these discussions lead to investment in the months ahead, we will consider closing our long/short strategies (Select and Market Neutral) for additional deposits. Returns come first, not assets.

No 500bn target around here.

Protean Small Cap

JULY 2025 • WRITTEN BY CARL GUSTAFSSON

Protean Small Cap returned +2.4% in July. That is 0.9% points ahead of the CSXRN (SEK) benchmark index for the month. So far this year, the fund is up 12.4%, which corresponds to 6.2% points ahead of index YTD.

Zooming out, this puts the fund 31.9% points ahead of our index (CSRXN SEK) since inception in July 2023. In total, performance since start is 56.3%. The fund now manages ca. SEK 680m. Thank you for your trust.

July re-cap

Main contributors in July were Acast, Sinch, Bavarian Nordic, Enity and Devyser.

Detractors include ITAB Shop Concept, Boule Diagnostics and MEKO.

Acast gained 23 per cent during July, as its Q2 report underscored the momentum this ad tech company is having in the US. We get the feeling that the new CEO Greg Glenday will increase the focus on monetization, which holds great potential given that podcasts command less ad dollars than they deserve. Revenue per listen increased by 27 per cent in the quarter, which points to the fact that there's considerable scalability in Acast.

As we wrote in our letter for June, we made Sinch one of our top positions ahead of the Q2 report. While the report as such only led to mid-single-digit upgrades to earnings, the share rose 25 per cent on the day of the report. This is likely to be related to a shift in narrative, from Sinch being considered as ex-growth to (more sensibly) being seen as a key player in what remains a growing part of the wider communication industry. A share buyback will be initiated, just as we believed. We reduced our position during the month, but Sinch remains a top ten position in the portfolio.

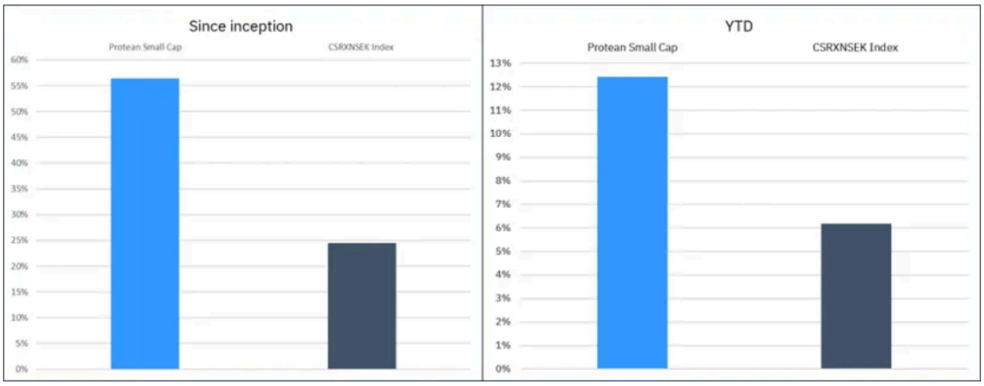
Bavarian Nordics operational momentum during the year has been overshadowed by the fact that this is a vaccine producer. As such, they have indirectly been linked to RFK Jr's focus on this part of the pharma industry. Due to this, we believe that the market hasn't fully priced in the strong performance in travel vaccines, the coming launch of the chikungunya vaccine as well as the income from selling a priority review voucher. This mispricing meant that in late July, Nordic Capital and Permira launched a joint bid for Bavarian, which led to a strong performance during the month. We currently have a 'wait and see' approach to the bid.

Alas, we had a couple of stinkers during the month as well. The biggest of them was ITAB Shop Concept, which managed to top an abysmal Q2 report with the fact that the CEO decided to leave the company amid the integration of the recently acquired HMY. Needless to say, our enthusiasm for this story decreased during the month, and we have slightly reduced our position.

Boule Diagnostics took a nosedive as its Q2 report showed that there's price pressure on its legacy instrument portfolio. As the share had performed decently preceding the numbers during the month, the decline was material on the day of the report. The savings implemented by the new management team means that Boule is in a better position than the general belief. Their increased focus on consumables and OEM production holds great promise, but the realization of it will apparently take longer than expected.

We have taken a mid-sized position in Humana. This Swedish care operator has diversified its revenue base during the last couple of years, making it a more low-risk investment than what the multiple suggests. The operational issues in Finland that have held back earnings so far this year will have less magnitude in H2, and we believe that there will be increased focus on cash flow generation (> 15% FCF yield) and the potential for ongoing buybacks.

We have sold our last shares in the Danish construction company MT Hojgaard. Since our first purchase back in February 2024, the share has gained more than 200 per cent. The company has improved its operations dramatically in the last couple of years, but with valuation now more normalized it holds less potential. The impact that Novo Nordisk investment plans has had on the wider Danish construction industry could also become a concern, as capex plans might be scaled back.



The ten largest positions in Protean Small Cap as we enter August:

Rank	Holding	% of portfolio	Rank	Holding	% of portfolio
1	ACAST	5.0%	6	ITAB	3.0%
2	Getinge	3.4%	7	Sdiptech	3.0%
3	Coor	3.4%	8	Balder	3.0%
4	Arjo	3.2%	9	OssDsign	3.0%
5	Devyser	3.1%	10	Nilfisk	2.9%

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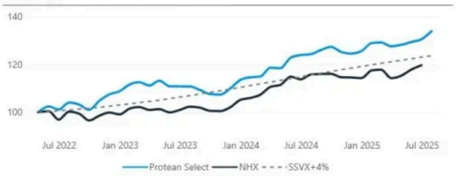
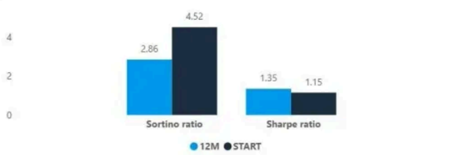
Protean Select

JULY 2025 • WRITTEN BY PONTUS DACKMO

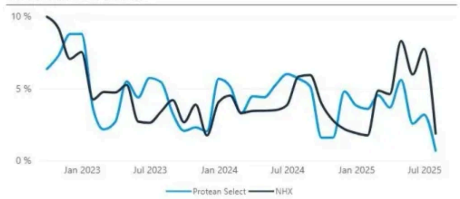
RETURNS



RISK RATIOS



STANDARD DEVIATION



The standard deviation is calculated using 3-month rolling data of returns, scaled to an annual basis.

RISK METRICS & RATIOS

RATIOS	START	12M
Sharpe ratio	1.15	1.35
Sortino ratio	4.52	2.86

Ratios are calculated using monthly returns and are scaled to annual ratios.

RISK METRICS	12M	START
Average above hurdle return	0.07 %	0.22 %
Downside deviation	0.67 %	0.42 %
Standard deviation	1.42 %	1.66 %

Risk metrics are calculated using monthly averages.

*We illustrate our performance by showing a comparison with the NHX Equities index. This is an index constructed from the performance of 45 Nordic hedge funds focusing on equity strategies. NHX is published after our Partner Letter, so updates with one-month lag in the chart above. We aim to have positive returns regardless of the market, but no return is created in a vacuum, and a net-long strategy will correlate. Our hurdle rate is 6.0315% annualized (4% + 90-day Swedish T-bill). All figures are net of fees and ratios in the above charts are calculated using monthly returns.

Protean Select returned 2.6% in July, leaving the fund up 6.6% year to date. Volatility remains well below 6%. The fund now manages 800m SEK.

Biggest contributors to returns were Acast, Sinch and Senzime. Detractors include ITAB, Truecaller and Mekonomen, short OMX index futures, and Essity.

Average net exposure for July was 31%, gross exposure 129% (adjusted for cash management positions).

Novo – Luck or skill?

The headline stealer of the month was Novo Nordisk. Again. A profit warning that was a stark reminder that no trees grow to heaven. Regardless of how strong, beautiful or well cared for.

We held a long position of 2% during the month, carefully watching the positive scripts trend for the obesity products finally unfold in the US, but decided to close the trade when the stock traded up strongly in the morning of the 28th. The decision was partly driven by being satisfied with the profit and partly by not having a strong view ahead of the upcoming results on August 6. Little did we know midday on the 29th they would issue a profit warning. Dodged a bullet.

Given how much FX is impacting a company like Novo (which sells in a ton of different currencies – predominantly USD – but reports in DKK) it was important to spend time digesting the details the release, instead of just knee-jerk shorting the stock on headlines. During the five minutes it took us to conclude “yeah this isn’t very good at all, actually” the stock promptly dropped from 445 DKK to 400.

So, -10% in five minutes, but already -50% last 12 months. Is there anything left to do?

Experience schmexperience

I’ve spent an unreasonable amount of time studying Novo Nordisk in my career. It was a really great stock for a really long time. Hence everyone was always interested and increasingly invested. Working at Nordea Asset Management as a PM and Healthcare analyst in 2017, I spent nearly three months straight entirely focused on Novo. I still have the 80-page slide deck I produced lying around somewhere (I rated it BUY, because so did everyone else). Back then, the discussion was around growth in GLP1 for diabetes. Certainly not obesity. My analysis then, after speaking to several independent experts, was that reimbursement for obesity drugs (Novo had the meek Saxenda product at the time) would be a political no-go. The attitude among US constituents was simply that obesity was a self-inflicted state, and the willingness to pay for someone else’s sloth was nil. Regardless of how much socioeconomic sense it made.

But things change. Mostly they changed because the obesity drugs became an insane amount better. Nearly side-effect free 20%+ weight loss? Yikes, that’s better and cheaper than even bariatric surgery. Popular demand made Ozempic a household name, and Novo Nordisk a staple in more portfolios than you can count. And it worked. Oh boy did it work. Both as a drug and a stock.

Analysts have been falling over each other estimating how big the market for obesity drugs could ultimately end up being. The problem with calculations of the type “there’s 1bn obese people in the world, multiply that by the drug price!” is you end up with untenable numbers. Numbers that dwarf even the most generous of health care budget. When an end market is forecasted to be triple digit billion USD by 2030, and still growing, you can count on competition heating up to a boil in a jiffy. And on regulators/payers to be up in arms about pricing.

A plethora of problems

And this is pretty much what has played out in the past year. Prices are under pressure, and the hyperbole about TAM has come to an end (the latest consensus is around 80bn USD in 2030, but the more sensible analysts I speak to are closer to 50bn USD now, after cutting both volume and price assumptions in recent months. In addition, the heralded manufacturing moat (“you know, it’s a complex biological molecule, hard to produce at scale, and Novo’s been doing it for 100 years!”) turns out not to be so moat-y when US based “compounders” can crank out fully functioning copies in such volumes that Novo blames them for the majority of headwinds this year. This problem is particularly acute in several big markets where Novo’s first patents for the key API Semaglutide is set to expire very shortly… And when Eli Lilly’s competing products show marginally better data on weight loss, the race for market share is on.

These issues have caused question marks to multiply around Novo’s strategy. So much that CEO Lars Fruergaard Jorgensen was unceremoniously sacked, citing the share price development. Minutes after the profit warning, the internal candidate Mike Doustdar was announced as new CEO. This added to the disappointment, considering he’s been part of the team responsible for the current situation and has no US experience.

So what to do with the stock

Now, all this history goes into accounts as background when the stock is down 10% in five minutes. As does the fact that a not insignificant portion of active managers are on holiday, and/or not in front of the screen at lunchtime on a Tuesday in late July. I could humbly say “lucky we were”, but that’s not true; timing the long sale was luck, being in front of screens, ready to act, at the peak of holiday season, is commitment.

Novo’s shareholder roster is filled to the brim with global quality investors who have held on through the current draw-down. This is the second profit warning in a short period of time. It will trigger another round of double-digit negative earnings revisions. I’m thinking: if I was a long only manager at a global blue-chip institution, what is the argument for me to start building a position? To add to a position? That the stock cheap? With an end market size estimate that is shriveling and competition heating up? That a new CEO quickly will get things right? No. I don't see it. And the short base in the stock is a measly <1% of free float. I anticipate that it will grow.

So we shorted some. And listened to the conference call and shorted some more. Anticipating a re-set and continued churn of shareholders, from growthy quality investors to more value-tilted managers. But these things take time. And if the direction of travel on estimates and market size remains downwards, it's hard to identify the triggers that could stem the bleed. We will see a 2-handle before we see a 4-handle.

Upside risks

That said, there's always something. If the pivotal EVOKE Alzheimer study read-out is impressive, there's a new huge market where Novo would have first-mover advantage to dream about. Or if a competitor stumbles in research. When the shorts are placed, and the selling abates, the stock will be sensitive to headlines on the upside.

You could make the argument Novo, on a normalized CAPEX-level, is starting to approach attractive FCF-yields. You could argue Novo has an unrivalled global presence in several chronic diseases. You could argue they have promising candidates in the pipeline to bridge the Semaglutide patent cliff. You could argue it's trading on the lowest forward multiples in history.

There are arguments in both directions. As always. But right now, it's hard to see buyers taking the upper hand. We remain cautious.

Protean Aktiesparfond Norden

JULY 2025 • WRITTEN BY RICHARD BRÅSE

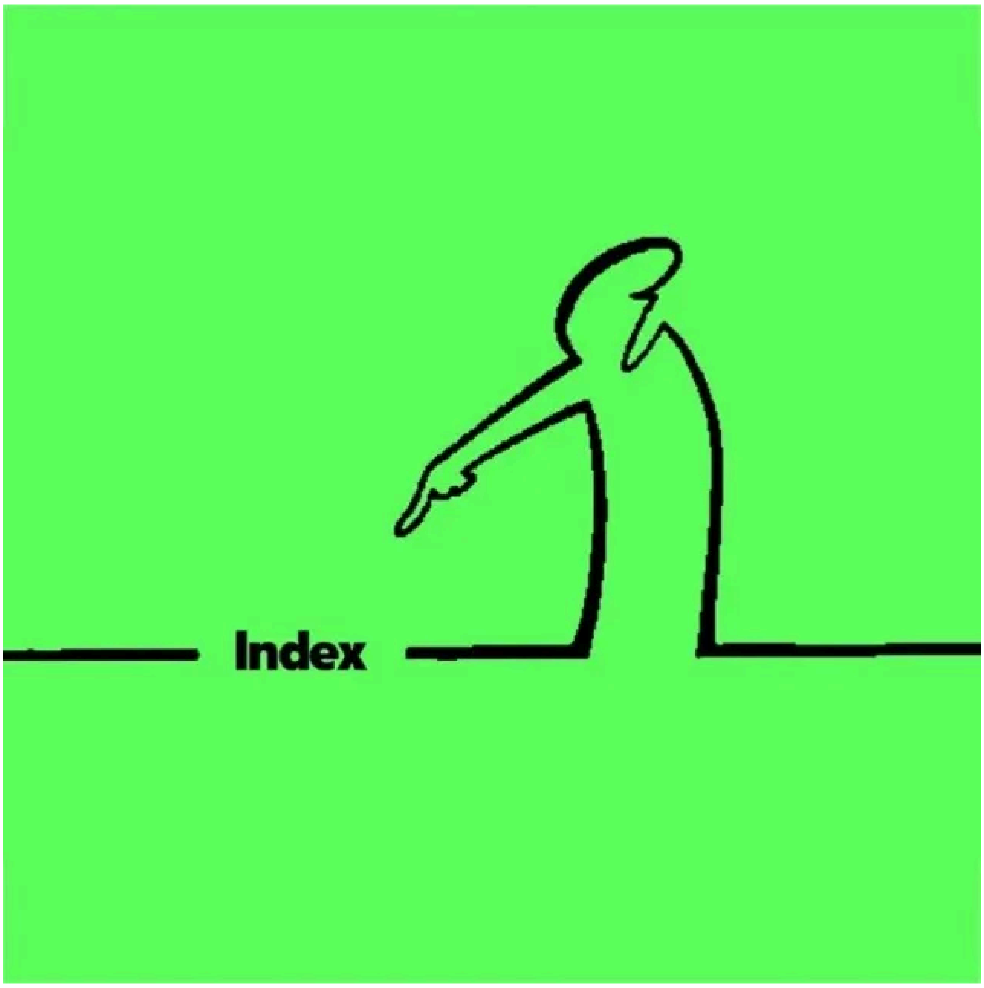
Aktiesparfonden is a Nordic long-only fund aiming to generate above-market returns over the long term by active investing in value-creating companies and charging a low fee. A fee that is reduced further as the fund grows, sharing the scale advantages with investors.

Aktiesparfonden, which is daily traded, has per the last day of July returned 11.7% since inception. This is ahead of the benchmark, VINX Nordic Cap (SEK), by 9% points.

Our communication for Aktiesparfonden is currently only in Swedish and updates can be found at www.aktiesparfonden.se by clicking the headline "Anslagstavla".

The fund now manages >850m SEK.

Thank you for your long-term perspective and trust in our process.



The monthly reminder

We optimize for performance, not for convenience, size, or marketing.
You can withdraw money only quarterly (monthly in Small Cap).
We tell you very little about our holdings.
Our strategy is tricky to describe as we aim to be versatile.
A hedge fund can lose money even if markets are up.
We charge a performance fee if we do well.
You do not get a discount if you have a larger sum to invest.
We do not have a long track record.

Aktiesparfonden's reminder

We aim to generate above index returns over 3-5 years, but there are no guarantees.
The fund is daily traded, but that doesn't mean you should.
To beat the index, you need to deviate from the index. This means taking uncomfortable positions.

Be aware that the fund can underperform the index during periods. Sometimes, long periods.
We lower the fee as the fund grows. The first 10 basis point cut comes at 10bn SEK in AuM.

Thank you for being an investor.

Pontus Dackmo
CEO & Investment Manager
Protean Funds Scandinavia AB