PROTEAN™

DECEMBER 2025 • PARTNER LETTER

Dear Partners,

Protean Small Cap returned 4.7% in December, outperforming its index by 3.2% points for the month. Full year 2025 the fund is up 20.7%, outperforming its benchmark by 13.4%. Since launching in June 2023, the fund has gained 67.9%, which is 42.2% points ahead of the Carnegie Nordic Small Cap Index. All figures net of fees.

The hedge fund **Protean Select** returned 1.8% in December. This means the full year return is 10.8%. Double digit return with volatility below 6% is reasonably respectable.

Protean Aktiesparfond Norden is our recently launched fund that combines the low fees of passive funds with the active fund's chance of beating the market. In December it returned 1.8%. The benchmark increased by 2.8%-points. Since inception nine months ago the fund is up 19.9%, and in the same period the VINX Nordic Cap index is up 10.6%. It now manages 1.6bn SEK.

This month's letter elaborates on how Protean now (brr!) likely should be considered "established", we've proven that you can actually build a fund management business by delivering reasonable returns and not underestimating our investors' intelligence. We also ask whether it could be an idea to expand the Aktiesparfond-concept globally, expand on our concerns for the Nordic pulp and paper industry (and reveal a slow-motion capital destruction short position). Plus, as always, commentary on the months' various winners and losers.

// Team Protean

Another year begins

DECEMBER 2025 • WRITTEN BY PONTUS DACKMO

Since it's both counterproductive and boring to spend pixels writing about cases and corporate events that have already happened, this "year-end" letter will mostly look forward. But there is no hiding that 2025 was a good year for Protean. All four of our products had acceptable returns (some more spectacular than others), all had inflows, and we end the year on a high note with decent returns in December. We have taken exactly two days to celebrate. Because if there is one thing we know, it's that there's no schedule on which performance reliably shows up. We might just as well have three mediocre years ahead of us, across funds. The God of returns is a fickle deity, and we promise nothing else than hard work, alignment, and honesty.

If we're allowed some business reflection as the year draws to a close, we can probably call ourselves "established" by now. We've gone from 40m USD in assets when we launched 3.5 years ago, to 600m USD now, across four funds and institutional mandates. Established, but – importantly – not complacent. Apart from returns that vary between respectable and spectacular, what has contributed to this – I think – is that we are not underestimating our investors. Our bet from day one has been that prospective investors are both intelligent and demanding. A fund product that is created to maximise assets under management, that has a perfect pitch in tune with themes of the day, might attract both attention and assets, but has a hard time delivering consistent returns over time, at a fair price.

Protean's first ethos was simply that we want to manage our own savings in an institutional setting but need a bit of scale for that to be viable. We have evolved with the 2025 launch of Protean Aktiesparfond, a reasonably priced Nordic long-only fund managed by a highly independent contrarian thinker, we take aim at the white space between index funds that can't beat the index, and active funds that don't because of high fees. The innovation in the Aktiesparfond-concept is that, similar to investment companies, it lowers the fee as the assets grow. The

Aktiesparfond concept is a mass market product, that gets better with size – the exact opposite of our first two funds, which are both committed to remaining small and active to preserve performance and adaptability. Having funds with very disparate mandates and models is a communication challenge, but again: we think our investors are smart. You can hold two thoughts at the same time.

The Aktiesparfond came about as we believe the increasing dominance of passive investing is an example of a market failure that has significant potential draw-backs. Price discovery, the allocation mechanism of the equity market, the primary market, governance, the whole innovation eco-system, are all features of a diverse and lively market populated by active entities. Do we really want a system where our corporates are majority owned by passive international funds? How's the cherished Scandinavian system supposed to survive that? While we ponder that, there's ample mis-pricing opportunity created from silly passive flows, allowing a contrarian and active independent fund manager to generate alpha. Or so the theory goes.

Protean Select, the hedge fund, has delivered reasonable returns with reasonable risk. In the 3.5 years since inception the CAGR stands just shy of 10%, with a volatility sub 6%. The fund manages ca 100m USD.

Protean Small Cap, the long-only Nordic small cap fund, on the other hand, has knocked the ball out of the park. Of all the competing funds we benchmark with, our own fund comes out on top when comparing returns after fees since inception in May 2023. The fund manages ca 90m USD.

Protean Aktiesparfond Norden, launched in March 2025, is close to 10% ahead of its index and has hit a nerve with its active low-fee approach, raising no less than 170m USD in its first nine months.

Protean Market Neutral, our liquid and well-hedged institutional product, has produced competitive returns with low volatility. From November 2025 it is closed for further investment in order not to dilute performance. The strategy manages ca 240m USD for international institutional investors.

Not resting on imaginary laurels – time to go global?

Here's a novel thought: since our Nordic Aktiesparfond – available for everyone at 0.5% fixed fee – has found its people, aren't the same prerequisites in place also for a global fund? Again: I think investors are smarter than most fund management companies seem to assume. A global Aktiesparfond, with a low fee that is reduced further as it grows, and addresses the same space between expensive active funds that don't beat the index, and cheap passive funds that by definition cannot beat the

market, should also have an audience?
I put most of the Nordic fund's initial success down to Mr Richard Bråse, the inimitable portfolio manager of the product (with the remainder being down to the design of the fund: cheap, diversified, sector agnostic and without style-limitations).

Is there a global Bråse out there, or do we have to make one?

This logically means a potential global fund needs a manager that shares several features with Mr Bråse: a dedication bordering on obsessiveness, buckets of curiosity, a professional grade bullsh*t filter, well developed instincts on value creation and capital allocation. We have spent some time trying to figure out if there is anyone out there that fits this bill, preferably in Sweden. We have a few ideas but welcome your suggestions. We firmly believe attitude and temperament beats detailed knowledge.

So, to put it bluntly, would a cheap global active fund, with few limitations and a similar focus to our Nordic Aktiesparfond, be interesting at all? If not, why? Happy to hear any inputs here. Feel free to email info@proteanfunds.com or reach out via our socials.

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DECEMBER 2025 • PARTNER LETTER

Protean Select

DECEMBER 2025 • WRITTEN BY PONTUS DACKMO

December summary

The hedge fund **Protean Select** returned 1.8% in December. This means the full year return ended at 10.8%. Double digit return with volatility below 6% is reasonably respectable and in line with our long-term ambition of reasonable return, with reasonable risk, for an unreasonably long time.

Biggest contributors to returns were **Rusta**, **Greater Than**, **EQT** all longs, and **Clas Ohlson** short. Detractors were **Lindex**, **Asmodee** long and **Maersk** short. As a reminder, we operate with a diversified portfolio. This means our biggest gainers and detractors in any given month are still relatively modest. Rusta, our biggest contributor, added 0.5% to returns, Lindex, the biggest detractor, cost us 0.25%. We rely more on a good batting average, and avoiding silly things, than hitting massive homeruns on a handful of big positions.

Average beta adjusted net exposure was 30% in December. Gross exposure adjusted for cash management fixed income positions, was 130%.

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Paper Profits, Pulp Fiction

DECEMBER 2025 • WRITTEN BY PONTUS DACKMO

There is something unsettling unfolding in the Nordic forests, both at a fundamental level and in relative terms.

For decades, the dense, deep forests of Sweden and Finland have functioned as a quasi gold mine for high quality virgin long fibre. The region combines mature infrastructure, a tradition of professional long horizon forest management, and well capitalised downstream industries capable of extracting value well beyond basic wood commodities. Prices, unsurprisingly, have trended upward.

That appreciation has been driven by a confluence of factors: capital preservation strategies among the ultra-wealthy (yes, looking at you Mr Akelius), structurally lower discount rates, and more recently the promise of carbon sequestration as an investable narrative.

However, a series of question marks is beginning to emerge at the margins, quietly edging toward centre stage. In just the past week, Storm Johannes has caused windthrow of a significant, though as yet unquantified, magnitude. Both the storm's intensity and the scale of the resulting salvage fellings are cause for concern, particularly when viewed against the backdrop of tectonically slow, but persistent, shifts in forest product markets and forest biology alike.

Eucalyptus pulp taking accelerating market share

A fundamental feature of our forests is they consist of spruce and pine. Typically, from planting to harvest, these trees take up to 60 years. This means you tie up capital for a long time. Your capital velocity as a forest owner is not great. A eucalyptus tree from South America takes 8-10 years to go through the same life cycle. This is one of those things that you simply cannot change. It's a fact. For generations, our long-fibre pulp has been superior in many applications, particularly in packaging. This is changing. Product development and refinement of the eucalyptus pulp have seen it taking market share from long-fibre at a steady rate for decades. In recent years the market share increase has accelerated (some have it at double the historical rate in the past five years).

As prices for Nordic wood have skyrocketed, the competitive advantage for cheap eucalyptus raw material has been amplified. In fact, **Stora Enso's Fors** mill in Sweden is now importing 100% of the pulp from South America, and brag that this saves them 7m EUR per year, crucially "without causing any material changes to process or end product". **UPM** have 60% of their pulp capacity in Uruguay already. **Holmen** is the only hold-out.

To compound the problem, there is significant Asian eucalyptus-based capacity coming on stream in the next few years. The market is moving away from expensive Nordic long fibre. Fast.

Climate problems mounting

At first glance, climate change could theoretically be a net positive for the growth rates of the Nordic forests. Warmer climate further up north should enable faster growth. While true, it's not that easy. With changing climate comes new bugs and pests that our ecosystem is not prepared for. Warmer winters, without deep frozen ground, is a mounting problem. Not only because it – according to a recent study – lowers ground stability, which causes forests to be more sensitive to windthrow events during storms, but also because the way we harvest our forests: with heavy machinery, far from regular roads. Doing this when the ground is not frozen causes significant cuts, undermines stability even further, increasing risk for mud slides. As late as last week we read a newspaper article in the industry periodical "ATL" about a sawmill suffering from a shortage of wood, since forest owners were unable to harvest due to the ground being too soft. This problem is underreported and unlikely to go away.

The only blacksmith in town

This saying has always struck me as odd. It means that if you manage to stay alive in a dying industry, you will eventually be the only one providing the service, and your profitability should improve. Look around. Are there many wealthy and thriving actual blacksmiths around?

Holmen is doubling down on paper production, investing in its paper machines and taking a bigger share of a structurally declining market. They frame it as an active strategic choice but given the integrated nature of both the Braviken and Iggesund mills, shutting production would mean stranded industrial assets. They are attempting to be the only blacksmith in a secularly declining market.

But it captures CO2 right?

This is less straightforward than one might think. For every tonne of oil-based plastic a fibre-based solution replaces, the idea of net positive CO2 impact rings true. However, it is a one-time effect. And how do you account for it? Incrementally? In a big fell swoop? Continuously? The life cycle of wood-based fibres in general, is a lot shorter than many company calculations suggest. I venture that a majority of harvested forest goes into products with a lifecycle of less than two years. Prove me wrong. So how is that net carbon positive over time as consumption increases? Every forest company has different ways of arguing their net positive carbon impact. And the regulations are far from clear.

How do we value carbon sequestration (of a few years) vs biodiversity? What are the impacts on the CO2 calculations depending on what type of forests, and what type of harvesting (is the processing and replacement emissions included in the CO2 calculation?!), and what type of replacement forest is put in place (managed plantations sequester 30-

50% less CO2)? Everyone uses the method that is most beneficial to their own calculation. Have a look at the annual reports of all the Nordic forestry companies and you will see there is no consensus on how to calculate this. The claims of 100-year product lifetimes is a pipe dream.

Add the EU discussion on top of local regulators, and you have a recipe for uncertainty (read: “disaster in waiting”). Yet the equities trade with an ESG-halo. As regulators tighten rules and voluntary carbon markets collapse, forest companies will be revealed as carbon-neutral at best, carbon-positive (bad) more likely, destroying the ESG narrative that supports valuations. There certainly is an argument that the green premium is built on very hollow arguments, although parts of it undoubtedly have merit.

Currency concerns

Another structural headwind for Nordic forest names – Holmen included – is the interplay of currencies, most notably the weakening of the U.S. dollar. A softer dollar versus the euro and Swedish krona directly undermines export competitiveness for firms that sell large volumes of product into the global market. Nordic timber and forest product exporters typically incur costs in local currencies (SEK, EUR) but receive a significant share of revenue in U.S. dollars; when the dollar slides, those dollar receipts translate into fewer kronor or euros on the margin, tightening profitability even absent operational deterioration. This isn’t abstract: as the dollar has weakened relative to the krona and euro, exporters across Sweden and Finland have reported currency-driven margin pressure that compounds other stressors such as elevated raw material costs and volatile end-markets. The practical consequence is that, for companies like Holmen – where wood product demand has already been soft and pricing dynamics uncertain – FX effects act as another headwind, reducing realized returns on exported output and squeezing the levers management has to absorb downturns.

The conclusion?

Holmen in particular is fighting an uphill battle. It faces a fundamental contradiction, that maximizing the forest values (which require high wood prices) comes at the expense of destroying the industrial margins.

Is Holmen a melting ice-cube disguised by temporary energy super-profits, forest mark-to-market gains and a questionable ESG-aura? The chance is non-zero.

The way we see it they have 5 structural challenges.

Challenge 1: The energy super profits over the past years are likely transient. The arbitrage Holmen has enjoyed is at risk of disappearing over time and should not be extrapolated indefinitely.

Challenge 2: Holmen has 100% of its production capacity locked in the Nordics. Wood costs were up 500m SEK in 2024 alone. Other Nordics companies are adapting, sourcing cheaper eucalyptus and closing/restructuring paper and packaging assets. Holmen has no such escape valve as several mills are integrated.

Challenge 3: Eucalyptus is moving upmarket into “safe” premium segments. As an example, Suzano’s Eucastrong claims to deliver properties “approaching softwood”. The share of eucalyptus in carton board is 65% and rising, historically by 0.6%-points per year, but more recently by 1.3%-points. Holmen admits in transcripts “price pressure for marginal volumes” as the eucalyptus quality cap closes.

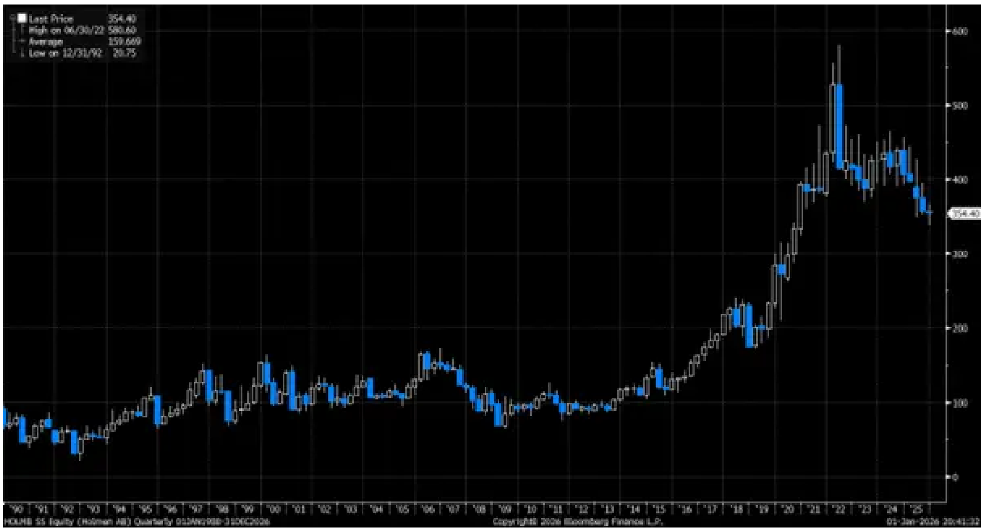
Challenge 4: Committed to paper. While Stora and UPM exit paper, Holmen proudly states “we never closed down capacity, not even when cash flow was 0”. This is a secular declining market. And the integration means when closing paper, you end up with stranded sawmill chip capacity. The “pivot” of new PM52 just as significant eucalyptus capacity comes online can be questioned: wrong timing, cost disadvantage, lack of scale.

Challenge 5: Holmen is long and short wood prices at the same time, but asymmetrically. If wood prices stay high the forest values may be defended, but industrial margins are crushed and the eucalyptus advantage widens further. If wood prices fall, forest values could take a hit, and margins improve in the industrial business, but the net effect is significant value destruction despite “better earnings”.

Management have revealed their preference of letting the industrial business wither to defend forest values. But this requires ongoing industrial demand at high prices, which makes this an unsustainable equilibrium.

How is the market pricing this?

Well, you might look at a 5y chart and say, “oh it’s come down a lot”. Or you might look at a 30-year chart (remember: this is a slow-moving industry) and say, “yikes it really broke out of its around 100-kr 20-year price range when interest rates drove a re-pricing of forestland”.



Holmen has explicitly stated they cannot expand pulpwood consumption ("no more pulpwood available") and are returning SEK 3-6 billion annually because they have no good reinvestment opportunities. This is effectively management admitting their operations are structurally constrained, have no credible re-investment opportunities and that they are harvesting the assets, not building a business. This modus operandi is not dissimilar to several other companies that share the same main owner.

It is a conundrum the market is willing to price Holmen at a meagre 3.5% dividend yield. Sure there is some insignificant buybacks thrown in here and there, but nothing that moves the needle.

Instead, there are multiple paths to additional downside in the coming years: energy normalisation, wood price risk from a Ukraine peace accord scenario, eucalyptus continues to take share at an accelerated rate. All these items taken together could certainly call the dividend sustainability into question within 18-24 months.

Don’t get us wrong – we think Holmen’s management is of high quality (although some capital allocation decisions could be questioned, but that’s always the case in any company), as is its assets. But the fundamental hand they have been dealt is frankly terrible and this looks like capital destruction in slow motion.

We are short Holmen for the above reasons. Some upside risks are mitigated by longs in other sector names.

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DECEMBER 2025 • PARTNER LETTER

Protean Small Cap

DECEMBER 2025 • WRITTEN BY CARL GUSTAFSSON

Protean Small Cap returned +4.7% in December. Our benchmark CSRXN (SEK) gained 1.5% during the month. Hence, the fund outperformed by 3.2%. Summing up 2025, the fund is up 20.7%, which is **13.4% points ahead of index.** What a year! We're not (only...) stating this in a self-congratulatory manner but also to put emphasis on the fact that not all years will be like this, even though we have started to build a strong track record since inception. Since launch in June 2023, the fund has outperformed the index by 42.2%. Total performance since inception is 67.9%, net of fees.

The fund now manages ca. SEK 850m as we enter 2026. Thank you for your trust, and for the trust you placed in us during 2025. On to the next one.

December recap

Protean Small Cap was a cornerstone investor in the IPO of **Arctic Falls**, a Swedish provider of facilities for vehicle and tire testing as well as services needed by those using the facilities. This was our first cornerstone commitment. We were attracted by the strong historical track record, an owner-operator mindset from the management team (The CEO owns more than 10% of the company) as well as an attractive valuation. The share has gained 30% from the offering price, making it our top contributor during December as well as our largest position in the portfolio.

We also had two bids in the portfolio during the month, which is highly unusual for the portfolio. The fact that they came the day after each other made the event even more remarkable. **Addvise** and **Nilfisk** have both been mid-sized positions in the fund.

The Swedish medtech company Addvise is a relatively recent entrant as we started buying shares this summer. The bid comes from Amplex, controlled by the biggest shareholder in Addvise Kenneth Lindquist. Since the initial bid in early December, the offer level has been upped from 1.65 to 1.72 and the bid has received pre-commitments of slightly more than

50%. We see the raised bid as fair and intend to tender our shares when the acceptance period begins.

The Danish industrial **Nilfisk** received a bid from the German company Freudenberg. The bid represented a 36 per cent premium compared to the close the day prior. We have owned Nilfisk for quite some time, and to be honest, it's been a mixed journey. Nilfisk became a too centralized, too bureaucratic company under prior management, and a new management team is set on correcting this, which has attracted us. However, the bid is backed by the board, offers immediate gratification and we sold our shares promptly after the announcement as the share traded close to the bid level.

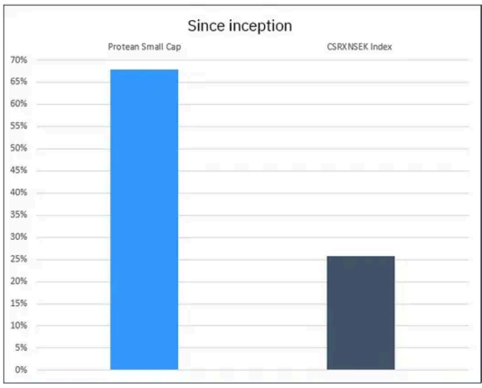
Pexip and **Rusta** were also top 5 contributors. Pexip increased its ARR guidance for the full-year as performance in the fourth quarter was better than expected. The share gained 30 per cent during December and has also become a top three contributor for the full-year 2025. Rusta published a strong report, and the share gained 24 per cent. We wrote about this Swedish hard discount retailer recently, and the thesis is playing out as intended (so far).

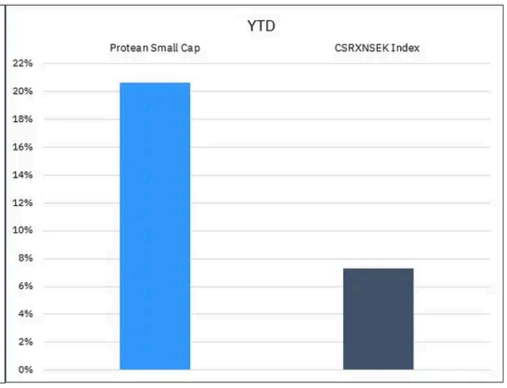
Detractors were **Lindex**, **Boule Diagnostics, Rejlers, Asmodee** and **ITAB Shop Concept.** Lindex announced that they have decided to 'separate' their struggling warehouse business, Stockmann. The problem was that the anticipation was that they would announce the actual divestment of it, not just the decision. The share lost 11 per cent during December. Boule's CEO will leave the business after 2 years at the helm, which obviously is a setback. The actions implemented should still help this Swedish medtech company in 2026.

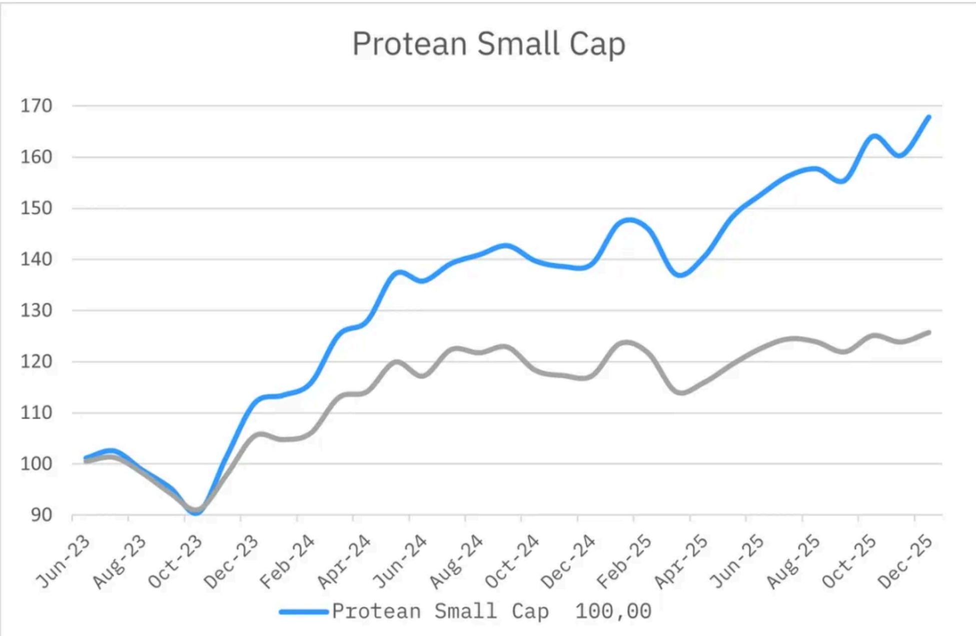
We have sold our shares in Nilfisk, **Sinch** and **Netel.** We have added **Afry** and Arctic Falls.

The portfolio holds 47 positions at the moment. The largest holdings are shown in the table below.

Rank	Holding	% of portfolio	Rank	Holding	% of portfolio
1	Arctic Falls	3.9%	6	Storytel	3.4%
2	Acast	3.8%	7	Devyser	3.4%
3	Getinge	3.7%	8	Rejlers	3.1%
4	Storskogen	3.6%	9	NIBE	3.1%
5	ITAB	3.5%	10	Enity	3.0%







Protean Aktiesparfond Norden

DECEMBER 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 has, since inception nine months ago, delivered a **19.9%** return, in the same period the **VINX Nordic Cap index is up 10.6%.** The fund now manages >1.5bn SEK.

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

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

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The monthly reminder

We optimize for performance, not for convenience, size, or marketing.
You can withdraw money only quarterly (monthly in Small Cap).
We will 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 only have a medium-sized 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