PROTEAN™

JANUARY 2026 • PARTNER LETTER

Dear Partners,

**Protean Small Cap** declined by -3.6% in January. The benchmark index was down -2.5%. Since launching in June 2023, the fund has gained 61.8%. The Carnegie Nordic Small Cap Index is up 22.6% in the same period. All figures are net of fees.

The hedge fund **Protean Select** returned -2.8% in an unsatisfactory January.

**Protean Aktiesparfond Norden** returned -2.3%. The benchmark increased by 2.7%. Since inception, ten months ago, the fund is up 17%, and in the same period the VINX Nordic Cap index is up 13.7%. It now manages 1.7bn SEK.

This month's letter elaborates on the Award Curse, a decomposition of global equity management, an emerging dislocation in Nordic small caps, how to play the infinite game, why we must imagine Sisyphus happy, and why we have reduced risk but still see opportunities. Plus, as always, commentary on the month's various winners and losers.

Thank you for being an investor!

// Team Protean

# The Award Curse

JANUARY 2026 • WRITTEN BY PONTUS DACKMO

Photo credit: Pax Engström Nyström

Is it a coincidence that our hedge fund recorded a negative month immediately after being named "**Hedge Fund of the Year**" for 2025 by Privata Affärer? We are tempted to reassure all stakeholders that this is entirely unrelated. Unfortunately, both academic literature and lived experience suggest exactly the opposite.

Awards are, by design, backward-looking, and tend to arrive precisely when a strategy has been working a little too well. As skill and luck are hard to untangle in this industry, it raises the question of whether the performance that led to the award was heavily influenced by the latter. And luck is, in its purest form, sadly, not a repeatable process. In that sense, industry recognition is less a validation of high expected future returns and more a mildly embarrassing reminder of mean reversion.

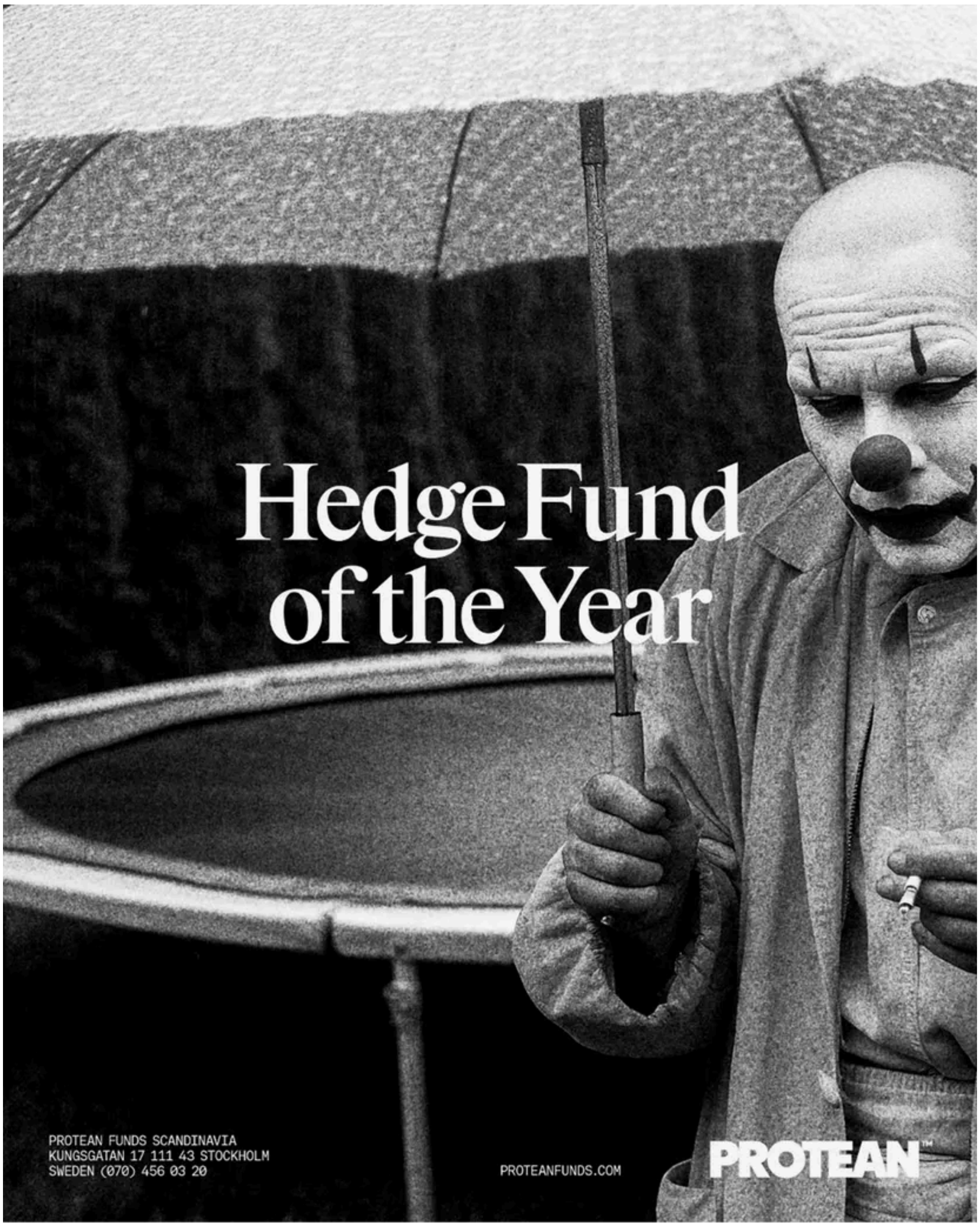
Practically, for Protean, nothing about an award improves our fundamental opportunity set, lowers our entry prices or makes our short positions go down faster. If anything, it increases the risk of behavioural errors such as overconfidence, franchise protection rather than return optimization, and the subtle pressure to manage optics rather than soberly continue as always. Thankfully, we are acutely aware of this dynamic and view the January draw-down not as a contradiction to the award, but a healthy slap across the face.

Our process and incentives remain unchanged. And as far as increased attention could lead to capital inflows, we remind you that we have been explicit since day one that both Protean Select and our small-cap strategy will be closed well before capacity becomes a constraint. That commitment predates this award and is unchanged by it. The Select strategy currently manages SEK 1bn ($110m), with a hard cap at SEK 2bn ($220m).

We view asset growth as a risk factor, not a business objective, and have no interest in discovering our true capacity via underperformance.

So, thanks for the award, but not so much for the mean reversion.

Perhaps this is a more fitting picture than the first one.


Hedge Fund
of the Year
PROTEAN FUNDS SCANDINAVIA
KUNGSGATAN 17 111 43 STOCKHOLM
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JANUARY 2026 • PARTNER LETTER

# A rational decomposition of Global Equities

JANUARY 2026 • WRITTEN BY PONTUS DACKMO

Coming back to the idea of a Global Aktiesparfond – a cheap fund that lowers the fees even further as it grows and that can beat the index (as opposed to expensive active funds that don't, and cheap index funds that can't). Thank you for the emails, messages and meetings that were the result of our ask for feedback in the previous letter.

A central recurring theme in the feedback: we get why Protean has a (theoretical) edge in local markets, but what is your edge in Global equities? The question is entirely reasonable – and importantly, we don't think global is symmetric with how one should think about regional or niche strategies.

In regional markets, local knowledge, historical familiarity, and proximity can plausibly play a role, particularly in less efficient segments. In global listed equities, however, the assumptions are different and deserve to be examined rather than carried over by default.

A common industry belief is that global equity outperformance is driven by geography, organisational scale, or accumulated seniority: being based in the "right" financial centre, employing larger analyst teams, or relying on decades of experience. **If these factors were structurally decisive, they should be clearly visible in historical outcomes. They are not.** There is no robust evidence that older managers outperform younger ones, that larger teams systematically generate superior risk-adjusted returns, or that certain locations enjoy a persistent advantage in managing global listed equities. Instead, the dominant empirical observation is convergence toward index-like returns after fees, regardless of organisational setup.

This is not to say that global equity management is trivial – only that its sources of advantage are often misunderstood. In a market where financial disclosure is standardised, management communication is global, and information is disseminated simultaneously, proximity provides little informational benefit. The relevant question is therefore not where decisions are made, but how they are made.

The factors that do show persistence in the data are decidedly less glamorous: **clarity of investment process, discipline in capital allocation, consistency in portfolio construction, alignment of incentives, and – above all – cost control.** Poor capital allocation looks the same across jurisdictions; durable returns on capital are universally scarce. These realities do not change at national borders.

For this reason, we don't need claims of local insight or informational advantage. It can be built by applying a clearly defined, repeatable framework to a broader opportunity set, while remaining explicit about what the strategy does and does not aim to do. The objective is not to marginally outperform an index through constant activity, but to **create conditions where strong long-term relative returns are possible** through discipline, selectivity, and structural humility.

We believe that global equity outperformance does not require larger teams or physical presence in specific markets. It requires a coherent process, a rational view of uncertainty, and a relentless focus on costs and incentives. That perspective informs how we think about global equities, just as it has informed our decisions elsewhere.

The inevitable conclusion is that the defining characteristics of a successful Global Aktiesparfond are therefore not geographic reach or organisational scale, but structure, judgment and discipline. **The prospective manager should think like a capital allocator rather than a market commentator; evaluate businesses through cash flows, balance sheets and incentives rather than narratives; understand how capital is deployed in practice; and maintain a strong aversion to complexity, leverage and unnecessary costs.** Equally important is the ability to operate within a clearly defined framework, applying consistent criteria across a broad opportunity set while resisting both benchmark gravity and short-term noise.

You can say a lot about the idea to potentially launch a fund like this, with a manager that fits the above bill, but you must agree it's an interesting thing to spend time thinking about.

## An emerging dislocation in Nordic Small Caps?

We use the word dislocation deliberately. By that we mean a situation where prices are no longer primarily set by information about long-term fundamentals, but by flows. Capital moving in one direction for reasons that have little to do with what the underlying assets are likely to earn over time.

We believe such a dislocation might be developing in small cap equities as an asset class. They have underperformed for a long time, so this is not a dramatic claim. Indeed, the press and marketing materials are packed with biased small cap managers claiming “it’s time for a small cap revenge!”. What matters is the mechanism behind the weakness, and what current prices are implicitly assuming about the future.

Small cap equities are structurally exposed when sentiment deteriorates. They sit outside the large indices and therefore benefit less from the steady, price-insensitive inflows tied to passive allocation decisions. When money leaves, there is no automatic buyer. Liquidity is thinner, which turns redemptions into forced selling.

The effect compounds. Weak performance leads to outflows. Outflows depress prices further. Liquidity dries up, IPO markets shut and analyst coverage thins. Fundamentals actually do not need to deteriorate for this process to run.

At the same time, the broader narrative has shifted in a way that is unhelpful for long-duration assets. Recent years have been dominated by themes of fragmentation, security and risk management rather than expansion and opportunity. Expectations for the outer years have become more cautious.

This matters more for small caps than for large ones. As a collective, a greater share of their value depends on growth, reinvestment and optionality further out in time. In this environment, investors gravitate toward size, liquidity and perceived safety.

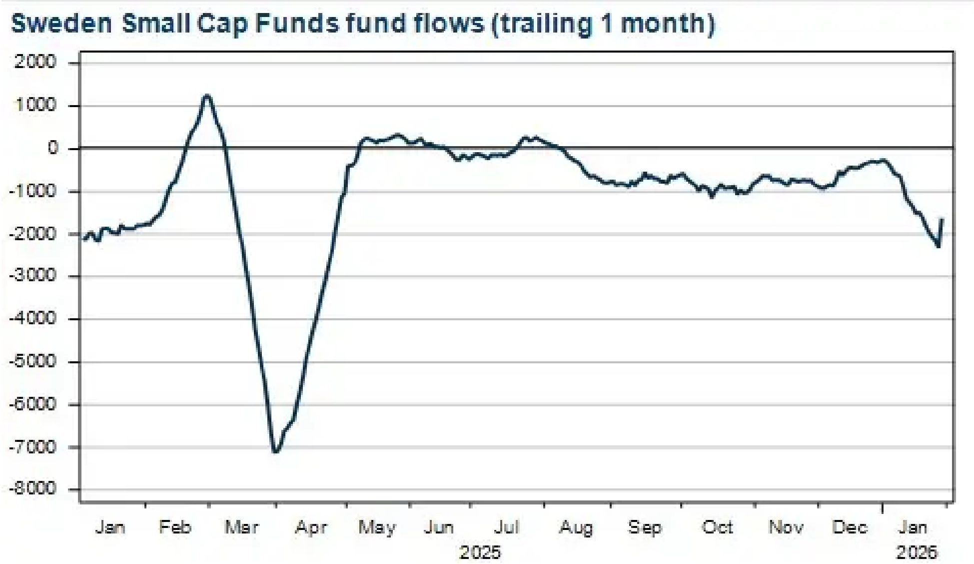

Source: SHB

The result is that small cap equities today are priced at levels that imply a rather bleak future. Across markets they trade at unusual levels relative to large caps on many valuation measures. Profitable, well-capitalised small companies are valued as if long-term growth will be scarce, or non-existent.

This is not how markets usually price a short-lived slowdown. The assumptions embedded in prices point toward something more permanent: constrained growth, higher risk premia and limited payoff from optionality.

Dislocations of this type tend to persist longer than expected and resolve faster. They do not require a clear macro turning point. They tend to end when selling pressure abates and marginal buyers re-emerge. Prices adjust before narratives do.

From current levels, small caps do not need optimistic assumptions to perform. They need expectations to stop deteriorating. Our exposure to small and mid-cap equities reflects this view. It is a strategic allocation, not a tactical position, and it is not without discomfort. Small caps will remain volatile, and they may continue to lag as flows can stay negative for an extended period.




Source: SHB

But current pricing implies a future where progress stalls and growth becomes a unicorn. That is a strong assumption, and we are not convinced it is the right one. Therefore, we are currently trying hard to separate babies from bathwater, looking for opportunities in the market waste basket. All the while keeping an eye on overall portfolio risk.

# Protean Select

JANUARY 2026 • WRITTEN BY PONTUS DACKMO

January summary

In Sweden, which constitutes most of our exposure, the large cap OMX30 index was up roughly 5%. This headline number masks a meaningful dispersion beneath the surface. Index leadership was narrow and dominated by mining and defence stocks, while the Swedish small cap index declined 4.5%. As we are structurally overweight small- and mid-cap stocks, this matters to us.

It is not an accidental bias. Over time, we believe the richest opportunity set – and the most persistent mispricing – is likely to present itself away from the largest and most crowded stocks. The flip side is that periods of sharp rotations, factor shifts, or thematic hoopla tend to be uncomfortable for portfolios like ours (and, in fairness, others too).

During the month we reduced our position sizes and both our gross and net exposure. We ended the month with a mere 106% gross exposure and 15% beta-adjusted net exposure (both metrics also adjusted for cash management positions).

**Long positions suffering**

In addition, several of our larger holdings moved against us for idiosyncratic reasons. A common denominator was fund outflows and positioning rather than deteriorating fundamentals. The market simply did not share the views we were expressing through the portfolio.

Examples of stocks that fared poorly include **Getinge**, which posted a strong underlying margin improvement, yet was penalized by the market and now trades at a substantial discount to peers despite operational progress.

**EQT**, which made a strategically sound and accretive acquisition, plus posted a decent set of numbers, still declined, likely due to flow-related issues. The P&C insurance companies **Tryg** and **Sampo** both took a tumble, as US motor insurance company Lemonade announced they will slash prices by 50% for drivers using Tesla's full autonomous driving, arguing it causes fewer claims and therefore can be priced significantly cheaper. I have several issues with this reaction in the Nordic P&C companies. One being that it is unlikely a significant proportion of the Scandinavian car fleet will be autonomous in the foreseeable future. Not just because pure mathematics tell you that even if 100% of all cars sold from now are autonomous, it would take >25 years to replace the existing fleet, but also because the current iteration of FSD is unable to handle our climate: it performs terribly in sleet and snow-covered roads, is unable to handle our seasons with leaves and whatnot on the road. In a permanently sunny California, sure, in Stockholm, not so much. If the multiple contraction caused by the reaction reflects a fear that new entrants could disrupt the model, I think the risk is exaggerated. The Scandinavian P&C market is heavily consolidated, and – dissimilar to other big markets – the insurance brokers play a very small role. This means that even if prices could be slashed for autonomous driving, the odds are higher a new entrant would capture market share, as opposed to the strong incumbents simply adjusting. In a few months, I venture to guess we have forgotten all about it and instead go back to focusing on 15% TSR at sub 15x capital-adjusted PE-multiples. They remain too cheap for both their business and market position.

When this happens, there are essentially two paths available. You can add risk, or you can reduce it. Which one you choose is less a tactical question than a philosophical one. It is also more important for the longevity of a hedge fund than you think.

The four companies mentioned above, together accounted for almost 2% of the negative contribution during January. None of them make us nervous and we anticipate normalisation in the months ahead.

Yet, our overall positioning was reduced during January. Simply because we want to remove the left tail of being completely wrong from the equation. We think this is an infinite game, not about short term maximization.

### Imagine Sisyphus Happy

Albert Camus ends The Myth of Sisyphus with the line: "One must imagine Sisyphus happy." Sisyphus is condemned to push a boulder up a hill, only to watch it roll back down again, forever. He is not happy because the boulder eventually stays at the top – it never does. He is happy because he accepts the nature of the task. The pushing is the job. The repetition is not a bug; it is the main feature.

Investing, managed properly, shares some uncomfortable similarities. There is no finish line. No permanent state of being "right". Every position decays. Every thesis is challenged. Every market regiment eventually morphs into its own mirror opposite. Markets have a habit of undoing good work, often for reasons that have little to do with fundamentals, and usually at precisely the wrong moment.

If you approach this as a finite game (with an actual end state) short term losses demand immediate repair. Drawdowns therefore create urgency. Urgency invites leverage. Leverage occasionally works. But it also ends careers. The graveyard of finance is full of very smart people who were right, but too early, too large, or too levered. We do not want to end up there.

We think of investing as an infinite game. The objective is not to win this month, but to remain in the game long enough for process, discipline, and compounding to do their work. In an infinite game, survival is not a constraint – it is the explicit strategy. The true failure is not underperforming in a given period; it is taking decisions that materially increase the probability of not being around tomorrow.

This perspective has direct portfolio implications. When positions go against us, our instinct is not to swing harder to prove a point. It is to reassess risk. To reduce exposure where the margin of safety has narrowed. To make sure the cost of being wrong remains manageable. Occasionally, this means accepting short-term pain in exchange for long-term robustness. Like this month.

There will be periods when this approach looks overly cautious. There will be months where adding risk would have paid off handsomely in hindsight. We accept that. The cost of playing the infinite game is occasionally watching others win finite ones.

We would rather keep infinitely pushing the boulder. But the real trick is not being crushed to pulp when it inevitably rolls back down the mountain.

### What worked

On the positive side was our **short basket of small caps**, which was the biggest contributor for the month, in addition to our **EURSEK hedge** (that offset similar FX losses on our non-SEK holdings). Our long positions in **ABB**, **FLS** and **Epiroc** contributed nicely, as did our short positions in **Holmen** and **Addtech**.

### Summarizing

Looking back at January in isolation, I'm unsure if I've ever been wrong this much in a single month – if by "being wrong" I look at what share prices are saying. Several of the companies I view as having structural challenges and bloated valuations outperformed. Many of the companies I view as improving and attractively valued underperformed.

**What lies ahead**

All in all, we head into February with a light positioning, and lots of dry powder to try and capitalise on what is increasingly starting to look like the dislocation we discussed earlier in this letter. The mayhem in materials and defence stocks (it is very very hard to square valuations, but the madness of crowds is equally hard to call an end to) might well have peaked during January.

From a macro perspective there are green shoots in PMIs, data points that suggest improving fundamentals in consumer spending – in sharp contrast to sentiment indicators like consumer confidence. People might claim to be pessimistic, but actual behaviour appears slightly different. It will be an interesting year. As always.

# Protean Small Cap

JANUARY 2026 • WRITTEN BY CARL GUSTAFSSON

**Protean Small Cap returned -3.6% in January**. Our benchmark CSRXN (SEK) declined 2.5% during the month. Hence, the fund underperformed by 1.1%. Since launch in June 2023, the fund has outperformed the index by 39.2%. Total performance since inception is 61.8% net of fees.

The fund now manages ca. SEK 890m.

### January recap

The month was characterized by a poor environment for small caps, which suffered from a combination of selling pressure from mutual funds as well as estimate downgrades related to the strong SEK. While painful in the near term, this also creates opportunities for an agile, stock-picking-oriented fund (such as ours).

Top contributors for the month were **Arctic Falls, Xano, Midsona, Camurus** and **ITAB**. Apart from Midsona, which reported a strong Q4 report, there was no tangible news of importance in these stocks.

We were a cornerstone investor in the IPO of Arctic Falls in December, and it performed well also in January, and it has become our largest position.

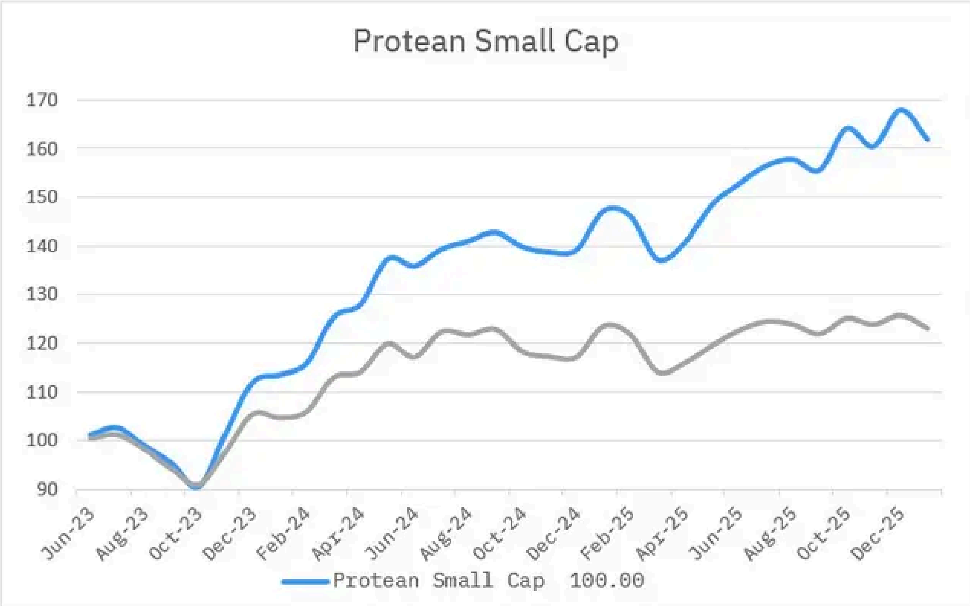
**Midsona** is a Swedish supplier of consumer products, focusing on what it calls health and wellbeing. Its products are often organic, and its portfolio includes a number of brands that are well known domestically, such as Friggs and Kung Markatta. The share has been a holding of ours since early 2025, and we have gradually increased the position, as liquidity has been a limitation. Midsona pursued a strategy of becoming a pan-European player but overextended itself and has since endured a period of balance-sheet strengthening (including a rights issue) as well as improved operational control. The latter has been a key focus for CEO Henrik Hjalmarsson, who joined the company in mid-2025. As control has improved, attention has gradually shifted to the low valuation (it trades at 8x EBITA on 2026 numbers) and the meaningful improvement in cost levels (margins grew from 3.7% to 5.0% in Q4). We doubt that Hjalmarsson, who has a background as CEO of Inwido during a successful period, will settle for margin improvement alone and believe that Midsona, over the longer term, could return to a more growth-oriented strategy.

Main detractors were **Ossdsign**, **Acast**, **Getinge**, **BTS**, and **Hexpol**. There are always ebbs and flows in nanocaps such as Ossdsign, and this Swedish supplier of orthobiologics is currently suffering from a material drawdown, which we have used to increase our position.gest position in the portfolio.

We have sold our shares in **Addvise** (tendered in the bid), **Camurus** and **Enity**. We have cautiously started to add shares in a few beaten-down software stocks, where valuations have become very appealing.

The portfolio holds 49 positions at the moment. The largest holdings are shown in the table below.

| Rank | Holding | % of portfolio | Rank | Holding | % of portfolio |
|---|---|---|---|---|---|
| 1 | Arctic Falls | 4.5% | 6 | Storskogen | 3.3% |
| 2 | Storytel | 3.7% | 7 | Devyser | 3.2% |
| 3 | ITAB | 3.7% | 8 | Rejlers | 3.0% |
| 4 | Getinge | 3.4% | 9 | NIBE | 2.9% |
| 5 | Acast | 3.3% | 10 | OssDsign | 2.9% |


Protean Small Cap
170
160
150
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130
120
110
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Jun-23
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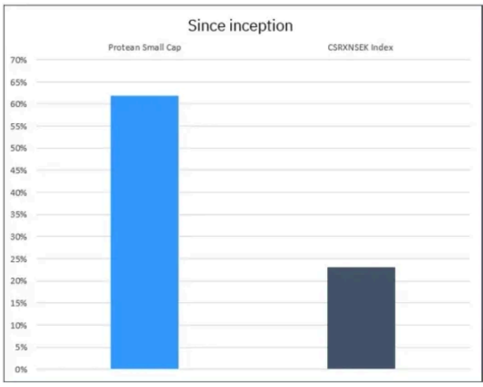
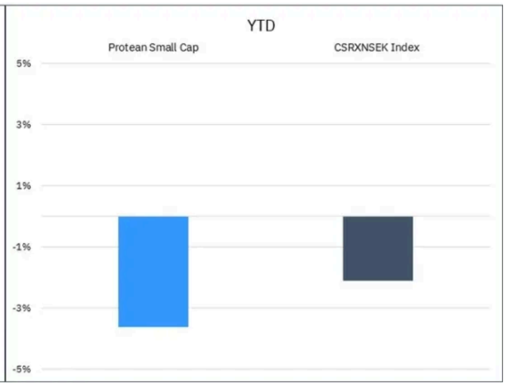

Since inception
Protean Small Cap
CSRXNSEK Index
70%
65%
60%
55%
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%


YTD
Protean Small Cap
CSRXNSEK Index
5%
3%
1%
-1%
-3%
-5%

# Protean Aktiesparfond Norden

JANUARY 2026 • 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 ten months ago, delivered a **17%** return, in the same period the **VINX Nordic Cap index is up 13.7%.** The fund now manages 1.7bn SEK.

Our communication for Aktiesparfonden is currently only in Swedish, andupdates 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**