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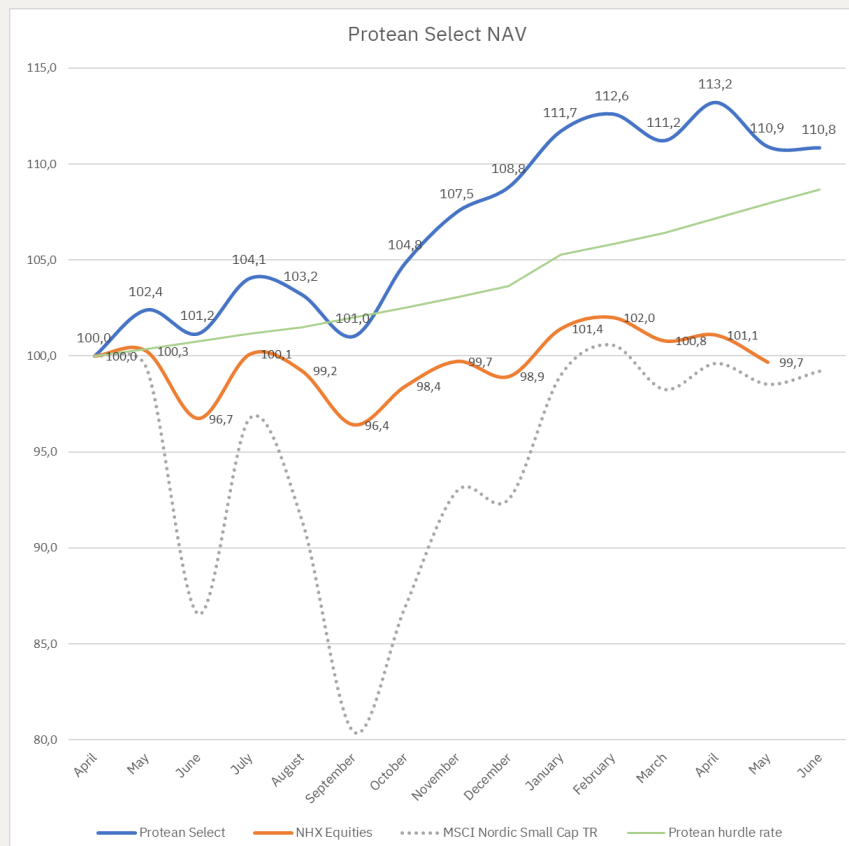
June Partner Letter

Diary of a Fund Manager

Dear partners,

Protean Select was flat in June (-0.05%). The year-to-date return is now +1.85%. Since our start, 14 months ago, the fund has returned +10.84% (with lower risk than the general market).

Protean Small Cap returned +1.19% in its inaugural month. 0.7% ahead of its benchmark. Thank you for being an investor.



**We illustrate our performance by showing a comparison with the NHX Equities index. This is an index constructed from the performance of 54 Nordic hedge funds focusing on equity strategies. We aim to have positive returns regardless of the market. No return is created in a vacuum, and a net-long strategy will correlate. Our hurdle rate is 7.2% annualized (4% + 90-day Swedish T-bills). All performance figures are net of fees.*

TLDR (too long; didn't-read version)

- **Protean Select** returned -0.05% for the month, 1.84% YTD and 10.85% since inception.
- **Protean Small Cap** returned 1.2% in its inaugural month, beating its benchmark by 0.7%.
- **Hexatronic, Nordea, Securitas** and **Alleima** were top contributors.
- **Storskogen, Promimic** and **Husqvarna (short)** were the biggest detractors.
- We start July with **800m SEK in AuM** in Protean Select, and **70m SEK** in Protean Small Cap.
- Our net exposure to equities in Protean Select is currently 40%, our gross exposure 100%.
- The portfolio **remains well diversified**. No long position is bigger than 3.7%, and no single short position is bigger than 1.5%.

The first month of Protean Small Cap (update from Carl Gustafsson)

We're happy with the first month for Protean Small Cap. We are ahead of our benchmark by 0.7% after fees. We haven't had any big blow ups (yet!). Among our winners were **Sinch, Alimak, Hexatronic, SKF** and **Alleima**. As we exit the month, we still own **Alimak** and **Alleima**, but have exited the others. Our biggest loser was **Storskogen** for reasons touched upon later in this letter (in the diary).

Being nimble and being alert appears to be an advantage (as it should be). With SEK70m in AuM (up from 59m when we began), we are one of the smaller funds out there. To give an example, we owned **Getinge** in our starting portfolio, building a 2.7% position at SEK 252.7. On the second day of the existence of the fund, Getinge traded almost 5% higher on no news. Happy to sell. A month later, post one of those typical *"oh right, now I remember why Getinge is not a quality company"* type of warnings, that appears to be an annual event, the share trades at 185. Price matters. Luck matters.

We were not only lucky, but also stumbled slightly when we exited the starting blocks, doing so on a day where the markets were strong. We trailed our benchmark with 80 bps as we closed the book for the first day. For no other reason than the market opening stronger. The market giveth and the market taketh away.

The portfolio consists of ca. 45 names. We have grouped them in four buckets:

- **Larger names:** A bit self-explanatory, but typically more liquid names where we can use price fluctuations to generate alpha (**Getinge** an example). In this bucket we have names such as

- Pandora, Securitas and Trelleborg** but turn-over is high. Both of names and in names. This ca 1/3 of AuM. Sizing is typically 3-4% per name. This bucket generated the bulk of performance in June.
- **Mid caps with longer horizons:** Names here include **New Wave, Schouw, Invisio** and **Raysearch**. **Alimak** was the best contributor among these during June. Sizing around 2.5-3.0%. Market cap around SEK5-10bn on average. About ¼ of AuM.
 - **Small caps with larger potential:** A different name for this bucket could have been, “names that doesn’t perform well in a risk-off market with low liquidity in small caps”. About 10% of AuM with names such as **Smartoptics, Maven Wireless** and **RTX** (the Danish company, not Raytheon!). Sizing around 1.5-2.0%.
 - **Tactical:** Like how we think in Protean Select, this is more short-term situations where we might have a case with an upcoming earnings catalyst, or similar. As an example, we have bought **Viaplay** post the big warning, as we believe the company will announce drastic cuts to their content production. There have been indications that the content review process has not been strict enough during the period of easy money, and more discipline in this, as well as leaving a few fringe markets, could do wonders for the share price. Typical sizing is about 1%.

We promise only commitment and volatility. The rest is up to (calculated) chance.

Diary of a Fund Manager

In a break from tradition we (Pontus) have written a diary for June. The purpose is to show what on earth we do. One of the ideas of starting a fund in the first place is it allows external investors to outsource thinking and worrying. We think and worry for you. The June partner letter is an attempt to show how we worry, so you don't have to. We care about the long term as well as the short term. Our interests are aligned, as we keep all our savings in the fund ourselves. Which translates to an incentive to do well, but not at the expense of taking outsized risks with "other people's money" – an occurrence far too common in the asset management industry.

So, instead of writing about what went well, or pear shaped, in June, here's a daily summary.

June 1

Extra early office duty. First day of trading for Protean Small Cap fund. This means implementation – the cash (a bit more than we expected, 60m SEK!) needs to be put to work, to make sure the fund doesn't break any rules on the first day. Rules like "The fund must be 90% invested in Small capitalization stocks" etc. Naturally, the market opens +0.8%. This isn't great if you think about it. It means we start buying the portfolio 0.8%-points behind the index the fund is compared to. To avoid breach, we make sure to get the illiquid names going, while spreading the more liquid names over the day. Obviously, the little rally fades, locking in a soggy start for the fund. We lose almost 80bps to the index on day one. Oh well.

In the hedge fund we keep the hedges intact through the day. Beta adjusted we are in the cautious end of our current range of 20-40% net exposure. We implement a 2200/2100 July put-spread on OMX at an 8bps net cost with 75bps max pay-out should the OMX drop about 7% over the 45 days remaining to expiry.

June 2

Strong open after robust Asian markets and a U.S. debt ceiling deal signed. Talks of Chinese construction subsidy helps raw materials and some of the stocks with Chinese exposure. We note there is more insider buying in **New Wave**. We like it. The controversial **SBB** CEO is replaced and the stock stages a 50% rally (still down 80% on the year). We are not involved. Real estate names are strong, but what's to say it's sustainable? We have a spread on with a basket of real estate

names short, versus **Castellum** long. It's de-risked after a substantial equity issue and a solid quality operator. Covered some futures early in the day but re-shortened in the afternoon.

Implemented **TELIA** trade: yield and call-writing. Should generate 10-12% with limited downside and positive optionality over 12 months (bar the stock continuing to crater, obviously). Just minutes after putting the trade on, rumours of **Amazon** launching their own operator as a part of their Prime offering surfaced in the US, causing ALL operators in the world to take a leg lower. Great. Our take is it doesn't make sense, what operator would allow Amazon into their network, and what does it have to do with **Telia**? Took the opportunity to cover a short in **Tele2** on the slump. 12% return on the short over only a matter of weeks. We think it's important to be active on the short side. Very few companies go to zero, why you need to actively trade your shorts to add to returns.

On the back of the Chinese stimulus talks we took profits in a **Boliden** position on the long side. Which would prove serendipitous as **Boliden** profit warned a few weeks later and dropped 20%+ over the coming weeks.

The small cap index we compare Protean Small Cap to is now up 2.4% in just two days, and we thankfully recovered most of the relative underperformance, now only lagging 20bps.

Weekend

Reading. The kids are now so delightfully old that I often get several hours of uninterrupted reading every weekend. Preferably in the outdoor sofa. Inside the house of Money, Just One Thing, the Economist, FT Weekend, Di weekend, WSJ, Affärsvärlden, DN, SvD. Picked up a story on a HSB study on the economies of Swedish co-ops. They are a very special animal. Layman boards expected to make long-term decisions on financing, repairs, and rents. The HSB-study concludes the average co-op needs to raise rents by 50%. On average! This is straight out of disposable income. Layman boards tempted to have low rents have been rolling the co-op debt with shorter and shorter durations and skimmed on allocating enough to repair-funds as prices have risen. Now, who sells a lot to co-ops? Who suffers? Who benefits? This triggered a long discussion in the Protean chat-group over the weekend.

Interesting essay in the FT by Ted Chiang, a sci-fi author, elaborating on how today's AI is simply applied statistics. There is nobody there, there is nothing intelligent. It's filler text production, and it just serves to show how much bullsh*t text we deal with on a daily basis. His main point: nothing written by GPT actually “speaks to you” and you can't trust it.

June 5

Despite not owning a single stock we feel the secondary pain from the **Viaplay** profit warning. With the stock down -60% on the day, it's easy to sympathise with holders who thought they owned the Netflix of the Nordics. It's exactly zero fun to be an owner on occasions like this. We reason around value per subscriber – buying it would be a cheap way to acquire millions of Nordic subs. And there's no dominant shareholder anymore. But who's the buyer with information vacuum, balance sheet issues and the strategy up in the air? We foresee a protracted period of ownership churn, but also intermittent rips that can be traded. We're tempted to buy but wait.

We sold our stake in **Camurus** north of SEK 290 a few weeks ago, after some long-awaited positive news. A clear case of travel-and-arrive, with the stock now back in the 260's, even BELOW where it traded before the Braeburn approval. We might well revisit, as the emerging platform thesis gains traction in light of the good CAM2029 data.

June 6 – Sweden's National Day

Swedish markets closed. Being honest, after the morning routines and news flow scanning, I did only keep half an eye on markets. Hosted 30+ friends and neighbours for strawberry cake and coffee. Yes we sang the national anthem. Yes I held a speech about Swedish history. Felt almost like a Norwegian-style celebration. A couple of hours in the evening preparing for 1-1 meetings at a seminar next day.

June 7

Early morning in the office. Met the CEO of **Pagero** 1-1 at one of the investment banks. A forgotten stock, doubtlessly interesting given the CEO's long and successful history with IFS, and the harsh treatment of the stock since listing. Tricky business, however, given lead times, weird competition, and various structural forces. Worth keeping an eye on but no position. Followed by the SHB small- and mid-cap seminar. 5 1-1 meetings with various management teams. Managed to rule out a potential long candidate as the CEO was incoherent in our meeting. Strategy

appeared very unclear, he dodged some of our questions (answered something else than we asked), and the fact a loss-making small cap flew in three people to the meetings is a red flag (cost!). Spent the evening pouring over the always interesting, updated shareholder statistics (and walking the dog).

June 8

Second day of the small and mid-cap Seminar. 4 1x1 meetings, 3 plenary sessions. Read a long op-ed article on all the problems with wind/renewables and listened to a wind-developer presenting. Intriguing. The business isn't what it used to be. It's not without challenges. Listened to the CEO of **Hexatronic** again (third time in as many months), this time he had a more nuanced and humble answer to my question on why he thought his stock was so shorted. The answer was actually good enough for us to start a smallish long-position in the name. Sent our requests for data and research on wind development economics. Attended a drinks reception with a global investment bank and potential future prime broker. Got home late.

June 9

Meeting with a cap intro team. Their job is to match institutional investors with funds. Had lunch with an investor. Had a 30-minute call with a wind industry expert. Funnily enough while cycling, so the call was disturbed by... wind... Read several expert network interview transcripts from various parts of the renewable value chain. Consumed three annual reports. End of the day felt like I was getting up to speed on wind farms! (Shorted some **Vestas** to celebrate).

Price action in **Hexatronic** looks very supportive. Added further to the starting position from yesterday. It's not expensive anymore, and we can't shake the feeling the public shorts in the name are trying to retrace their steps. Their case should be mostly done.

June 12

Lunch meeting with investment company **Seafire**, a small annoying holding that so far hasn't worked according to plan. Internal meeting on various administrative and legal items ahead of Ramil Koria joining the team on July 1st. Size seller emerging in **Storskogen** at one of the investment banks. Since it doesn't have many fans, all it takes for it to trend south is one big seller. It immediately started trending south.

June 13

Meeting with a domestic potential distributor/discretionary manager. Always a bit wonky to meet distributors/allocators. Our versatile approach makes it hard to put us in a particular niche. Rest of day spent reading random things: research, quarterly reports, transcripts, pulling various threads. Took a nap. Went for a jog. Prepared for tomorrow's AGM.

June 14

Annual General Meeting for Protean Funds AB. All shareholders, all board members, all administration. We were founded with the help of a handful family offices and wealthy individuals who wanted us to start a fund, in return for locking up their initial investments for 3 years they were offered to invest in the management company. Therefore, we have a few external shareholders, and we appreciate their support. Updated them on progress, market view, that we're building for the future and still need inflows to be sustainably profitable.

Meeting a potential US investor who physically made it to Stockholm. We have now had 3-4 conference calls and two physical meetings with this investor. Next step is for an operational due diligence on our structure and processes. These things take time.

June 15

Listened to a call with an independent expert on the shipping industry. Oh my he painted a bleak picture! Followed up with a call to a seasoned **Maersk** analyst I've known for almost 20 years to gauge his sentiment. Since he is an appreciated counterparty for many big global investors, he can also say something about general positioning. Scoured the internet for data-points on the shipping industry. Initiated a 0.8% short position in **Maersk** with a view to do more work and scale up/down as things develop.

June 16

Quad witching Friday – basically a ton of stuff (options, index re-weightings, futures etc) needs to be cleared today, causing all sorts of technicalities and flows that often have little bearing on fundamentals. No exception today. Things pointing in different directions all over the place.

Storskogen keeps going down...

June 19

Doing the maths on the **IT-consultants** in Scandi. Comparing consensus estimates, speaking to a handful of analysts. It looks to us like estimates are too high if you take a few known things into consideration. Also considering who the clients are, and how many of them are initiating cost cutting measures. A handful of European consultants have already profit warned for Q2, but nobody appears to have told the share prices of the Scandinavian consultants. We're also weary of exposure to the public sector. Municipalities suddenly must budget with an actual interest rate on their borrowings, certainly not a variable when budgets were made over a year ago. Something's got to give, and we fear consultants and other discretionary spending are easy to cut. There are a few dots to connect here. Initiated short positions in three different companies.

Further data-point on the wind farming thesis: in an article in the FT over the weekend **Orsted** warns of cost overruns and needing to raise prices.

June 20

Had lunch with two young and enthusiastic analysts and discussed through all the companies in their coverage. Made me feel old and cynical. There are several emerging issues in **EVO**, and a few that linger from history. The analyst didn't mention any of them, which makes me think it's not in the price should they re-surface. Halved our long position in **EVO**.

Listened to the live webcast capital markets day of **Neste**. For historic reasons I know Neste well. Better than most generalists at least. Noticed how the stock started sliding at the time the presentations started... -1%... -2%... Something's going on. Asked a few questions on IB-chats. Got word from one of the more obscure niche global research houses that one slide in the presentation was "problematic" as it illustrated how there will be a rather substantial oversupply of renewable diesel in the coming five years. As the crux of **Neste** is what margin they can achieve on their diesel, the company openly admitting to seeing an oversupply, at the same time as they must re-allocate volumes from Sweden (which is/has been a major market for them) to other markets, this isn't good. Immediately shorted a relatively sizeable chunk (1%, since it's liquid and it was destined to drop by 5%+). Kept listening to the presentations. When they eventually were asked about the slide, and about margins in the oversupply context, they avoided answering the question altogether. Naturally, this is the wrong way to go about it. It basically equated to an implicit profit warning. Added another 0.5% to the short. The stock closed -9% and it took a good

hour for local analysts to catch on to the problem with the slide deck. The benefit of being able to act quickly and having a wide network.

June 21

Spent more time on **Neste**. The historically beneficial policy landscape in the US appears to become less favourable under the Biden administration. Keeping the short.

Raysearch. We own a bit since mid-2022. We are being offered a big block of shares at a discount. A bit odd. After looking up that a) it was likely not the CEO selling, as he would have to convert A-shares to B-shares before selling, and that automatically triggers a public announcement (we thought) and b) why would the CEO sell at these depressed levels (when the company appears to be doing well and be on the right track?) we bought a chunk of the block at SEK 66. A 3.5% discount. Apparently, we were wrong. It was the CEO selling. Again. The conversion was done on the same day of the sale according to files at Bolagsverket, and not press released to the market, because stocks on the main list only need to announce conversions by month end. The CEO has now sold stock worth SEK 280m since the company listed 20 years ago (according to stats on Holdings.se). We think there is significant potential in **Raysearch**, but it requires the company to keep costs in check as the growth continues, and the CEO to pay a bit more attention to other shareholders.

Ericsson took a sudden afternoon tumble. Down a couple of percent on no news with decent volumes but no advertised seller. Weird. It's the kind of move that most likely is random but could also be because "somebody knows something". Cue soul searching: can't find any incremental news anywhere and nobody's heard anything. It's a decent sized position for us (again) and it hurts the portfolio. The hedge fund remains in negative territory for the month, -0.6%.

June 22

Climate change: Reading up on **salmon farming**. Salmon does NOT like hot water temperatures. The ideal temperature is around 13 degrees. This is why the fjords of the Norwegian coast are close-to-ideal locations: stable and cold temperatures. Are the risks of disruptions to water temperature really reflected in salmon farmer stocks? This year, there is a fear of a strong El Nino, which could trigger above average water temperatures (basically blowing hot surface water into the fjords). This not only risks hampering growth but increases risk for disease. This could hurt

both volumes and cost, particularly for the anchovy catch, an important ingredient for fish feed. It might trigger higher salmon prices, but that's of little comfort if you cannot produce salmon. Is there too little attention paid to the potential consequences of climate change to the salmon industry? It's a relatively slow-moving problem, far from the quarterly focus of the stock market. To catch big trends, one thing that helps is to watch what the industry is doing rather than what they're saying. It is highly notable in that context to see the significant amounts of investments that has gone into trying to get onshore fish farming to work (so far less than successfully). Worth keeping in mind. If everything is hunky dory offshore, why bother with the terribly difficult operation of farming fish onshore?

Swedish banks down between 3-4% on SHB introducing (a tiny, and capped) 25bps interest on transactional accounts. It's abundantly clear on days like this that it's not the local analysts and investors that set the price in Swedish banking stocks. To a man they are very positive for valuation reasons. The international analysts are far more nuanced: they see the loan loss risks from CRE, the risks to deposit margins, and the risk of a fading NII-momentum.

Booking some profits in **Hexatronic**, decent performer over a few days and not one we're comfortable owning for the duration. It's just not a quality business. Low IP and boom-bust dynamics. **Ericsson** keeps going down. As does **Storskogen**. Boo! The fund remains in negative territory. The small cap fund is doing alright helped by stock selection and beta.

June 23

Midsummer. Swedish market closed (again). Huge warning from **Siemens Gamesa**. Stock down 30%+. The wind turbine business is not doing great. Warranty costs for faulty parts. Imagine the wear and tear. Like the FT Lex wrote: with stretched supply chains, risks are quality takes a hit. Denmark and Norway open, Vestas down 6% in sympathy.

Weekend

Russian noise. Is it a coup? A false flag operation? Who knows. Will markets drop on increased uncertainty, or pop on higher likelihood of Ukraine victory?

Monday 26

Neither a pop nor a drop. Sideways. Small caps down 7 days straight now, almost 6% on index level. Remarkable. Very little self-confidence out there with earnings season approaching and the only companies communicating are those that are profit warning. Small and mid-cap book in Protean Select really suffering from poor liquidity and performance. Nothing's changed in either data or our convictions, so we keep looking at falling share prices.

Gut feeling is a bottoming process is starting. We progress to cut some larger cap shorts that have done well and added to a handful of smaller names that have done particularly poorly.

Tuesday 27

Met the CEO of **Raysearch** in their swanky offices. From our view this is a business that really should have 40%+ margins. The company appears to have gotten its top-line mojo back after the Covid hiatus, growing orders and share of recurring revenues again. 2bn market cap, 1bn of sales. There is a thesis emerging here somewhere. More work required. Stay tuned.

That bottoming process might be continuing. Market feeling slightly more perky. Reduced our short index-futures position somewhat and raised the net exposure level a few percentages.

Wednesday 28

The monster **Storskogen** seller finally cleared (we think we figured out who it is – a big institution, desperate to rid themselves of the name ahead of the half-year report and ownership stats?) when a 4m share block was crossed by Carnegie. The stock has now round-tripped the entire positive performance post the Q2 report, despite extending funding and peers continuing to rally. It's by far our biggest loser for the month (-0.5% impact on the fund) and we have added to the position to keep its 2% weight. Uncomfortable? Yes. But it's the kind of situation where everyone is a seller at 9 SEK, but there will be lots of buyers at 18 SEK... We're herding animals. The stock is back to 70%+ discount to the sector. It's too much.

Swedish energy minister today suggesting the Government will not pay for under water cables to offshore wind farms as "if your project can't survive without getting hard earned tax-money from the Swedish people, perhaps you don't have a project". One of the big utilities (paradoxically the state owned one) warns that a late-stage project might now not be feasible.

Added more length to the book. Now in the high end of our net exposure range since inception.

Thursday 29

Did the morning routine in the home office and jogged to work before lunch. Shipping: noticed rates on one of the key routes up more than anticipated in the past week. Will it stick? Covered half the **Maersk** short, conviction fading somewhat, flat on the trade since inception. The sense is markets keep perking up. Very active trading day, plenty of opportunities, added further length to the book. Jogged home. Great way to get 18km on the clock.

Friday 30

Late in the afternoon **Addnode** profit warns. A few weeks ago, we spent some time trying to understand how the changes implemented at **Autodesk** (Addnode is a big re-seller of their software) would impact, and noted how Autodesk on their call mentioned an ambition to get closer to the end clients (i.e. perhaps not beneficial for resellers). We covered our short -30% on the day. It added 20bps to the fund's performance in June. Addnode is a real company that makes real money. It won't go to zero and we foresee upgrades and the fan club waking up on Monday. The reaction was perhaps amplified by the late-Friday timing in the middle of a heavy vacation week in the local market. **Ericsson** is back above where it was before the determined seller fell asleep on the SELL-button. Weird blip.

We are having the best day of the month in the Select fund, partly helped by beta as we've added length via incrementally higher net in the past week (great, considering we've been in negative territory for a few weeks), and the Small Cap fund is now well ahead of its benchmark.

Closing the month flat in Protean Select and +1.2% in Protean Small Cap (0.7% ahead of our Nordic Small Cap benchmark). A decent month overall, but, as always, it's the poor trades and performers that are easiest to recall. It's a frustrating business, but we love it.

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 do not have a long track record.

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