



HealthInvest August 2014 Letters

Asia Fund
MicroCap Fund
Value Fund

Market Development

The sentiment in Asian healthcare equity markets was positive in August and MSCI Asia Health Care Index increased 4.5% in SEK and 3.3% in USD.

Performance of the Fund

HealthInvest Asia Fund increased 0.4% in August. Substantial gainers included Health Management International, a hospital operator based in Singapore (shares up 20%); Chinese drug store chain Jintian Pharmaceutical (+14%); and Thai Optical, an optical lens manufacturer based in Thailand (+10%). Significant laggards included Japanese blood laboratory chain BML (-17%) and Malaysian pharma company Hovid (-16%).

Management, Valuation & Outlook

The Fund added Japanese medical software company CE Holdings to the equity portfolio during August. Although the hospital may be the last bastion in the world to be fully transformed digitally, the revolution has nevertheless started and will provide a healthy tailwind for many years to come. Compared to its US peers which currently trade at enormous valuations, CE Holdings shares appears attractively valued at around nine times free cash flow.

During the month, the Fund has divested all its shares in German medical equipment manufacturer Draegerwerk and Korean drug manufacturer CKD Bio.

HealthInvest Asia Fund is currently trading at 11.7x free cash flow and at a price/sales ratio of 1.06x (on historic rolling 12 month data).

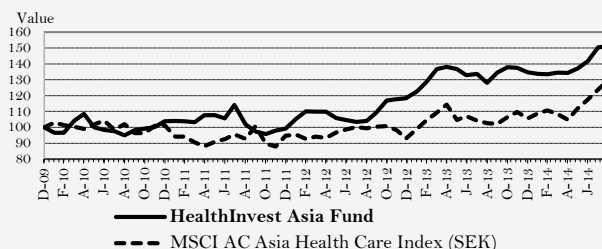
Given the healthy valuation of the portfolio and the good growth prospects, we are hopeful that the Fund will continue to appreciate in value in 2014.

The Fund's net equity exposure was 90% at month end.

Fund Characteristics

HealthInvest Asia Fund invests in healthcare companies with an emphasis on the Asian market. The Fund has direct exposure in Asia through listed holdings in Hong Kong, Japan, Malaysia, Singapore, South Korea and Thailand. In addition, the Fund may own shares in European and US companies, which have significant presence in the region. The investment style is value oriented. The fund was started on December 30, 2009.

Performance since start (SEK)



Performance

	NAV/Share	Aug*	2014*
HealthInvest Asia Fund (SEK)	143.2	0.4%	12.1%
MSCI Asia Health Care Index (SEK)	1314.1	4.5%	22.6%
MSCI Asia Health Care Index (USD)	188.2	3.3%	12.9%

*Net of fees

Risk Measures

	24 months	Since start
Return	44.4%	50.2%
Sharpe ratio	1.73	0.67
Standard deviation	10.5%	12.7%
Beta vs MSCI Asia Health Care Index	0.30	0.08
Downside risk	4.1%	7.8%
Active risk (tracking error)	13.7%	18.2%

Geographical Distribution (Net exposure)

JAPAN	40%
MALAYSIA	28%
CHINA	23%
THAILAND	6%
SINGAPORE	2%
KOREA	1%

Sector Distribution (Net exposure)

PHARMACEUTICALS	28%
INSURANCE	16%
HEALTH CARE SERVICES	13%
HEALTH CARE DISTRIBUTORS	13%
ELECTRONIC EQUIPMENT & INSTRUMENTS	10%
HEALTH CARE SUPPLIES	10%
HOUSEHOLD PRODUCTS	5%
HEALTH CARE TECHNOLOGY	5%
HEALTH CARE EQUIPMENT	1%

Market Development

The sentiment among healthcare investors was positive in August as MSCI World Healthcare Index rose 3.6% in USD and 4.9% in SEK. Smallcaps had an even stronger development with MSCI World Small Cap Health Index increasing 6.0% in USD and 7.3% in SEK.

Fund Performance

HealthInvest MicroCap Fund's return was 2.2% in August. Positive drivers for performance included British specialty pharma company Vernalis (shares up 32%); US nursing home chain Skilled Healthcare (+25%); and Australian hospital supply manufacturer ITL (+22%). Laggards included Japanese pharmaceutical distributor Ohki (shares down 13%) and French hearing aid retailer Audika (-10%).

Management, Valuation & Outlook

In August, the Swedish company Elos was added to the Fund. The firm recently divested its business area Metrology which transformed the company into a fully dedicated medical device manufacturer with a very healthy balance sheet. The strong financials will be helpful going forward as the company now has the firepower to expand rapidly in the growing medical technology field. The shares are attractively valued in our view, trading at around 9.3 times free cash flow.

During the month, the Fund has divested all its shares in the Japanese lab test company Falco, the US nursing home chain Skilled Healthcare and the Korean drug manufacturer Yuyu Pharma.

HealthInvest MicroCap Fund (as an aggregate) is currently trading at 13.0x free cash flow and at a price/sales ratio of 1.0 (on historic rolling 12 month data). The sales growth is around six per cent and free cash flow growth is around 35 per cent.

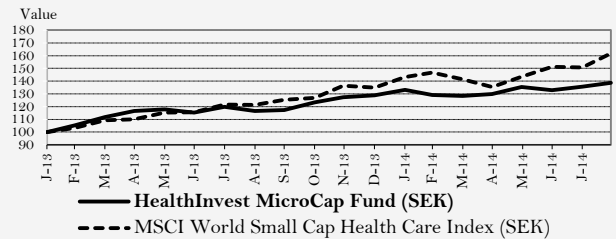
Given the rather low valuation of the portfolio and its high growth, we are hopeful that the Fund will continue to appreciate in value in 2014.

The Fund's net equity exposure was 88% at month end.

Fund Characteristics

HealthInvest MicroCap Fund invests in healthcare companies globally. The main focus is on microcap companies and the investment style is value oriented. The fund started on January 31, 2013.

Performance since start (SEK)



Performance

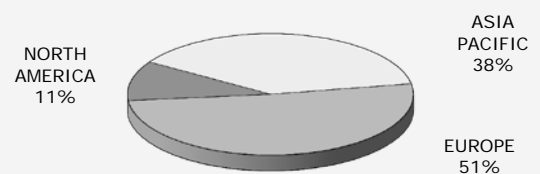
	NAV/Share	Aug*	2014*
HealthInvest MicroCap Fund (SEK)	135.7	2.2%	7.6%
MSCI World Small Cap Health (SEK)	14945.9	7.3%	20.0%
MSCI World Small Cap Health (USD)	2140.6	6.0%	10.5%

*Net of fees

Risk Measures (Since start)

Return	38.6%
Sharpe ratio	2.06
Standard deviation	9.9%
Beta vs MSCI World Small Cap Health Care Index	0.29
Downside risk	4.2%
Active risk (tracking error)	12.6%

Geographical Distribution (Net exposure)



Sector Distribution (Net exposure)

HEALTH CARE EQUIPMENT	34%
HEALTH CARE DISTRIBUTORS	19%
HEALTH CARE SERVICES	17%
BIOTECHNOLOGY	11%
HEALTH CARE SUPPLIES	7%
HEALTH CARE TECHNOLOGY	6%
PHARMACEUTICALS	5%
LIFE SCIENCES TOOLS & SERVICES	2%

Market Development

The sentiment among healthcare investors was positive in August as MSCI World Healthcare Index increased 3.6% in USD and rose 4.9% in SEK.

Fund Performance

HealthInvest Value Fund's return was 3.6% in August (share class B). Significant gainers included Russian pharmaceutical company Pharmstandard (shares up 38%), US nursing home operator Skilled Healthcare (+25%) and US drug manufacturer Gilead Sciences (+17%). Portfolio laggards included US cardiology pump manufacturer Thoratec (-23%) and Swedish specialty pharma company Meda (-15%).

Management, Valuation & Outlook

In August, no new additions were made to the portfolio. The Fund has divested all its shares in US pharmaceutical benefit manager Express Scripts, US hospital bed manufacturer Hill-Rom and US imaging/lab test company Hologic. All three divested companies had reached a full valuation in our view and were no longer adding value to the Fund.

We are now through the second quarter earnings season and all portfolio companies have reported results for the period. Earnings have generally been healthy (around 8% better than expected). Puerto Rican health insurance company Triple-S Management, US hospital chain Lifepoint and US medical device company Cryolife had particularly strong results, exceeding Wall Street earnings estimates by 71%, 53% and 51% respectively. On the negative side, US health insurance company Magellan and Swedish pharma company Meda posted around 30% and 13% weaker earnings than expected.

HealthInvest Value Fund (as an aggregate) is currently trading at 12.6x free cash flow and at a price/sales ratio of 0.78 (on historic rolling 12 month data). The sales growth and free cash flow growth are both around 5 per cent.

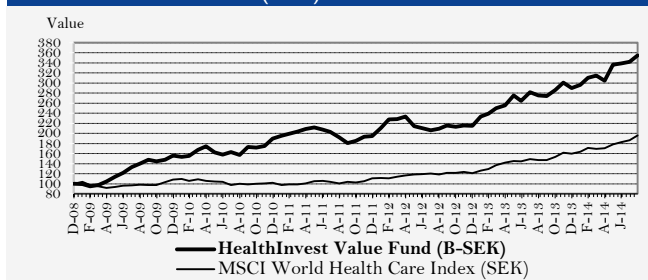
Given the healthy valuation of the equity portfolio and the good growth prospects in 2014-2015 due to the implementation of the Patient Protection and Affordable Care Act (Obamacare), we are hopeful that the Fund will continue to appreciate in value in 2014.

The Fund's net equity exposure was 94% at month end.

Fund Characteristics

HealthInvest Value Fund invests in healthcare companies globally with an emphasis on the US market. The focus is on micro, small and mid cap companies. The investment style is value oriented. The fund was started on December 30, 2008.

Performance since start (SEK)



Performance

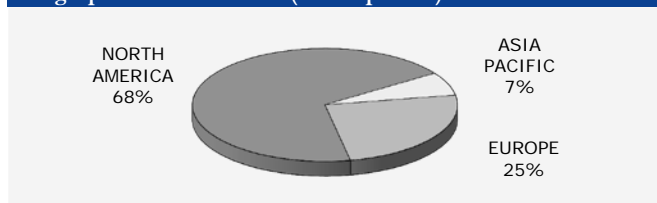
	NAV/Share	Aug*	2014*
HealthInvest Value Fund (A-SEK)	332.7	3.6%	22.0%
HealthInvest Value Fund (B-SEK)	123.0	3.6%	21.7%
HealthInvest Value Fund (C-EUR)	11.9	4.2%	18.3%
MSCI World Health Care Index (SEK)	1353.3	4.9%	22.5%
MSCI World Health Care Index (USD)	193.8	3.6%	12.8%

*Net of fees

Risk Measures (share class B-SEK)

	24 months	Since start
Return	68.8%	253.2%
Sharpe ratio	1.99	1.50
Standard deviation	13.3%	15.1%
Beta vs MSCI World Health Care Index	1.17	0.37
Downside risk	4.9%	7.2%
Active risk (tracking error)	9.0%	15.9%

Geographical Distribution (Net exposure)



Sector Distribution (Net exposure)

HEALTH CARE EQUIPMENT	25%
MANAGED HEALTH CARE	22%
HEALTH CARE SERVICES	15%
PHARMACEUTICALS	14%
ELECTRONIC EQUIPMENT & INSTRUMENTS	7%
HEALTH CARE DISTRIBUTORS	5%
BIOTECHNOLOGY	5%
LIFE SCIENCES TOOLS & SERVICES	5%
HEALTH CARE SUPPLIES	3%