



## HealthInvest February 2014 Letters

Asia Fund  
MicroCap Fund  
Value Fund



**Market Development**

The sentiment among healthcare investors was positive in February. MSCI World Healthcare Index rose 4.4% in SEK and increased 6.6% in USD. MSCI World Small Cap Health Index showed a bit weaker development, rising 2.6% in SEK and increasing 4.7% in USD.

**Fund Performance**

HealthInvest MicroCap Fund's return was -3.1% in February, clearly a setback compared to the performance of its benchmark index. Weakest contributors to the portfolio were A&D, a Japanese manufacturer of testing equipment (shares down 20%), Biomerica, a US diagnostic test manufacturer (-19%) and Lifeline Scientific, a US producer of kidney transportation devices (-12%).

**Management, Valuation & Outlook**

We added the Swedish radiation therapy equipment company Scandidos to the portfolio in February. Its products are used to validate advanced radiation therapy and thereby ensure correct treatment delivery to the patient. The company shows impressive sales growth and has recently been ranked among the 50 fastest growing technology companies in Sweden by the auditing firm Deloitte. The radiation therapy market is growing rapidly due to increased presence of cancer worldwide and the future looks bright as the company stand to benefit from three major product launches in 2014-2015 which we believe will unlock additional shareholder value.

From a valuation perspective of the total equity portfolio, we remain confident. The Fund is currently trading at 10.4x free cash flow and at a price/sales ratio of 1.1 (on historic rolling 12 month data).

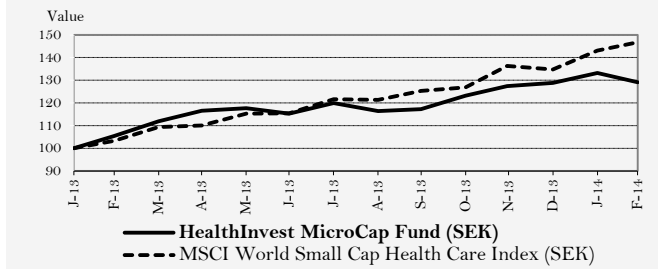
The sales growth is around six per cent and free cash flow growth is around 20 per cent. Given the low valuation of the portfolio and the healthy growth, we are hopeful that the Fund will appreciate in value in 2014.

The Fund's net equity exposure was 94% 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**

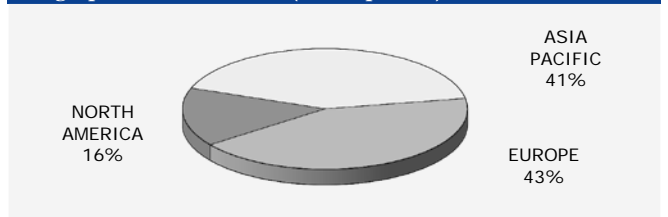
	NAV/Share	Feb*	2014*
HealthInvest MicroCap Fund (SEK)	127.4	-3.1%	0.1%
MSCI World Small Cap Health (SEK)	13557.2	2.6%	8.9%
MSCI World Small Cap Health (USD)	2115.2	4.7%	9.2%

\*Net of fees

**Risk Measures (Since start)**

Return	29.0%
Sharpe ratio	2.12
Standard deviation	11.0%
Beta vs MSCI World Small Cap Health Care Index	0.51
Downside risk	4.7%
Active risk (tracking error)	10.6%

**Geographical Distribution (Net exposure)**



**Sector Distribution (Net exposure)**

HEALTH CARE EQUIPMENT	36%
HEALTH CARE SERVICES	21%
HEALTH CARE DISTRIBUTORS	16%
BIOTECHNOLOGY	8%
PHARMACEUTICALS	8%
HEALTH CARE SUPPLIES	7%
ELECTRONIC EQUIPMENT & INSTRUMENTS	3%
HEALTH CARE TECHNOLOGY	1%

# HealthInvest Value Fund

2014-02-28

## Market Development

The sentiment among healthcare investors was positive in February as MSCI World Healthcare Index rose 4.4% in SEK and increased 6.6% in USD.

## Fund Performance

HealthInvest Value Fund's return was 4.7% in February, in line with its benchmark index. Myriad Genetics continued to support performance (shares up 31%) together with the Swedish specialty pharma company Meda (+21%). Significant laggards included Cryolife (down 8% on weak Q4 earnings) and Medi-Stim (-7%).

## Management, Valuation & Outlook

We have been quite active in February as five new holdings were included in the Fund:

Aetna and Magellan Health Services are two health insurance companies in the US. The valuations are attractive at 14.7x and 9.0x free cash flow respectively.

Cardinal Health is a US pharmaceutical distributor. We believe distributors stand to benefit from the increase in US drug patent expirations (+115% during 2013-2015) and the affordable care act (Obamacare). Valuation is rather low at 12x free cash flow.

Pharmstandard is one of the leading pharmaceutical companies in Russia. It is well diversified and manufactures more than 250 pharmaceutical products in a variety of therapeutic areas. The valuation is appetizing at around 9x free cash flow.

Symmetry Medical is a US sub-supplier to the orthopaedic implant industry. Industry growth is picking up steam which will benefit the company in 2014. In addition, Symmetry will optimise its manufacturing footprint which will drive margins. Valuation is appealing at around 11x free cash flow.

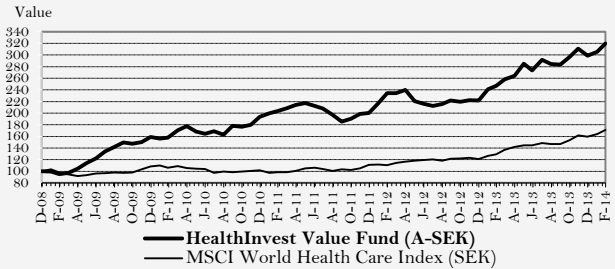
HealthInvest Value Fund (as an aggregate) is currently trading at 11x free cash flow and at a price/sales ratio of 0.8 (on historic rolling 12 month data). The sales growth is around 4 per cent and free cash flow growth is around 18 per cent.

The Fund's net equity exposure was 95% 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

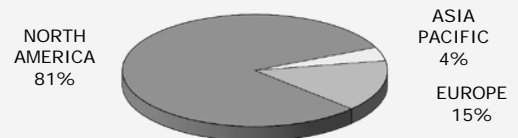
	NAV/Share	Feb*	2014*
HealthInvest Value Fund (A-SEK)	291.5	4.7%	6.9%
HealthInvest Value Fund (B-SEK)	108.0	4.7%	6.9%
HealthInvest Value Fund (C-EUR)	10.8	4.4%	6.7%
MSCI World Health Care Index (SEK)	1181.8	4.4%	7.0%
MSCI World Health Care Index (USD)	184.4	6.6%	7.3%

\*Net of fees

## Risk Measures (share class A-SEK)

	24 months	Since start
Return	37.1%	221.3%
Sharpe ratio	1.14	1.53
Standard deviation	13.7%	14.9%
Beta vs MSCI World Health Care Index	1.01	0.31
Downside risk	7.4%	7.1%
Active risk (tracking error)	10.9%	16.0%

## Geographical Distribution (Net exposure)



## Sector Distribution (Net exposure)

HEALTH CARE EQUIPMENT	38%
HEALTH CARE SERVICES	18%
MANAGED HEALTH CARE	16%
HEALTH CARE DISTRIBUTORS	8%
PHARMACEUTICALS	8%
LIFE SCIENCES TOOLS & SERVICES	6%
BIOTECHNOLOGY	5%
HEALTH CARE SUPPLIES	1%

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