



HealthInvest October 2014 Letters

Asia Fund
MicroCap Fund
Value Fund

Market Development

The sentiment in Asian healthcare equity markets was slightly positive in October and MSCI Asia Health Care Index increased 0.3% in USD and 2.7% in SEK.

Performance of the Fund

HealthInvest Asia Fund increased 1.4% in October. Substantial gainers included Japanese conglomerate Fujifilm (shares up 11%), Japanese drug firm Rohto Pharmaceutical (+9%) and Chinese insurance company Ping An (+8%). Significant laggards included Japanese healthcare software developer CE Holdings (-9%), Chinese safety systems company Anxin-China (-9%) and Japanese equipment leasing company Medius Holding (-8%).

Management, Valuation & Outlook

No major buying or selling took place in October.

HealthInvest Asia Fund is currently trading at 12.3x free cash flow and at a price/sales ratio of 1.00x (on historic rolling 12 month data). The sales growth is around seven per cent and free cash flow growth is approximately 17 per cent.

We remain bullish on the long-term potential in the Asian healthcare market. Strong economic growth, aging populations and a desire to create more equitable societies, all points to an increasing demand for healthcare in the region.

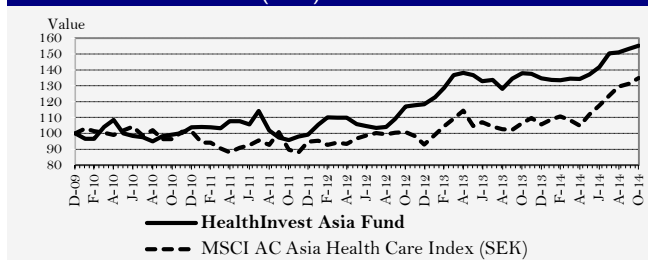
Given the healthy valuation of the portfolio and the good growth prospects, we are hopeful that the Fund will continue to appreciate in value in 2014.

The Fund's net equity exposure was 84% 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 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	Oct*	2014*
HealthInvest Asia Fund (SEK)	147.3	1.4%	15.3%
MSCI Asia Health Care Index (SEK)	1369.8	2.7%	27.8%
MSCI Asia Health Care Index (USD)	185.5	0.3%	11.2%

*Net of fees

Risk Measures

	24 months	Since start
Return	32.1%	54.6%
Sharpe ratio	1.46	0.71
Standard deviation	9.3%	12.5%
Beta vs MSCI Asia Health Care Index	0.34	0.08
Downside risk	4.1%	7.7%
Active risk (tracking error)	12.1%	17.9%

Geographical Distribution (Net exposure)

JAPAN	38%
MALAYSIA	28%
CHINA	27%
THAILAND	7%

Sector Distribution (Net exposure)

PHARMACEUTICALS	28%
INSURANCE	18%
HEALTH CARE DISTRIBUTORS	14%
ELECTRONIC EQUIPMENT & INSTRUMENTS	12%
HEALTH CARE SUPPLIES	12%
HEALTH CARE SERVICES	8%
HOUSEHOLD PRODUCTS	5%
HEALTH CARE TECHNOLOGY	5%

Market Development

The sentiment among small cap investors in healthcare was positive in October as MSCI World Small Cap Health Index rose 5.9% in USD and 8.4% in SEK.

Fund Performance

HealthInvest MicroCap Fund's return was 2.3% in October. Positive share price drivers for performance included British biocleaning company Bioquell (shares up 25%), Norwegian cardiology device manufacturer Medistim (+19%) and Australian drug wholesaler Australian Pharma (+18%). Laggards included British diagnostic equipment manufacturer Immunodiagnostic Systems (-14%) and Japanese equipment leasing company Medius (-10%).

Management, Valuation & Outlook

In October, the Fund's position in the Norwegian medical device manufacturer Medistim was significantly increased. The company develops equipment and catheters being used to measure the blood flow in the heart after bypass surgery. The diagnostic method is rather unique but has already been established as the gold standard in countries such as Japan and Germany. In the US, the largest market, the share is only around 15%, so there is still plenty of room to grow. The company increased sales by 17% and operating earnings by 54% in the third quarter. In addition to the strong growth, MiraQ Cardiac, the first product from MediStim's new system platform, was launched at EACTS in Milan two weeks ago and is now commercially available in Europe and some Asian countries. In our view, the launch of the MiraQ platform bodes well for growth in 2015. The valuation is reasonably cheap at 12x estimated free cash flow for 2015.

During the month, the Fund has divested all its shares in the Danish vaccine producer Bavarian Nordic and the Japanese companies Care Service, Kawanishi and Ohki.

HealthInvest MicroCap Fund (as an aggregate) is currently trading at 12.5x 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 27 per cent.

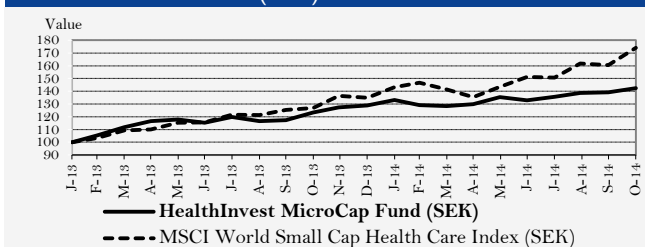
Given the rather low valuation of the portfolio and its high growth, we are hopeful that the Fund will continue to appreciate in value in 2014.

The Fund's net equity exposure was 83% 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

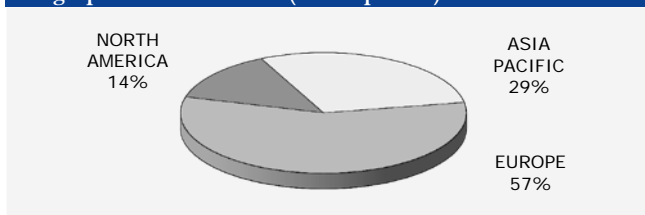
	NAV/Share	Oct*	2014*
HealthInvest MicroCap Fund (SEK)	138.89	2.3%	10.3%
MSCI World Small Cap Health (SEK)	16067.0	8.4%	29.0%
MSCI World Small Cap Health (USD)	2175.6	5.9%	12.3%

*Net of fees

Risk Measures (Since start)

Return	42.2%
Sharpe ratio	2.10
Standard deviation	9.5%
Beta vs MSCI World Small Cap Health Care Index	0.27
Downside risk	4.0%
Active risk (tracking error)	12.7%

Geographical Distribution (Net exposure)



Sector Distribution (Net exposure)

HEALTH CARE EQUIPMENT	35%
HEALTH CARE DISTRIBUTORS	15%
HEALTH CARE SERVICES	13%
HEALTH CARE TECHNOLOGY	12%
BIOTECHNOLOGY	8%
HEALTH CARE SUPPLIES	8%
PHARMACEUTICALS	5%
LIFE SCIENCES TOOLS & SERVICES	4%

Market Development

After a shaky start, the sentiment among healthcare investors ended on the positive side in October as MSCI World Healthcare Index increased 2.4% in USD and 4.8% in SEK.

Fund Performance

HealthInvest Value Fund's return was 6.8% in October (share class B). Significant gainers included British eye diagnostic equipment manufacturer Optos (shares up 20%), Norwegian cardiology device company Medistim (+19%) and Spanish pharmaceutical firm Almirall (+14%). Portfolio laggards included Swedish specialty pharma company Meda (-5%) and Polish healthcare distributor Farmacol (-5%).

Management, Valuation & Outlook

In October, the Fund added two significant holdings to the equity portfolio:

Almirall is a Spanish pharmaceutical company focusing on medicines for the treatment of autoimmune and dermatological diseases. Almirall recently sold its respiratory division (around 15% of total sales) to AstraZeneca at a price tag of up to USD2.1bn plus potential royalties. As a comparison, the total market cap of Almirall is currently USD2.8bn, leaving little value to the remaining 85% of the business still with the Spanish company after the divestiture.

Pfizer is one of the world's largest pharmaceutical companies. The company is currently suffering a bit from patent expirations but is in surprisingly good shape in this respect compared to many of its peers. The valuation of the shares is attractive in our view, trading at around 11 times free cash flow.

HealthInvest Value Fund (as an aggregate) is currently trading at 12.7x free cash flow and at a price/sales ratio of 0.89 (on historic rolling 12 month data). The sales growth and free cash flow growth are both around 3 per cent.

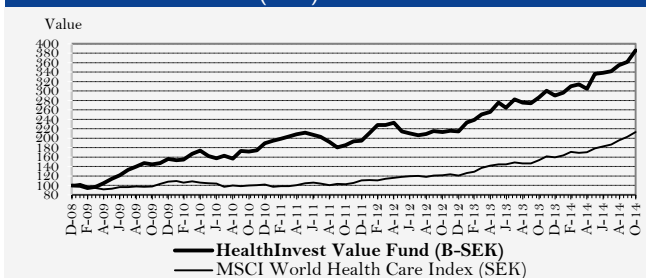
Given the healthy valuation of the equity portfolio and the good growth prospects in 2015 due to the implementation of the Patient Protection and Affordable Care Act (Obamacare), we are hopeful that the Fund will continue to appreciate in value in 2014.

The Fund's net equity exposure was 93% 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

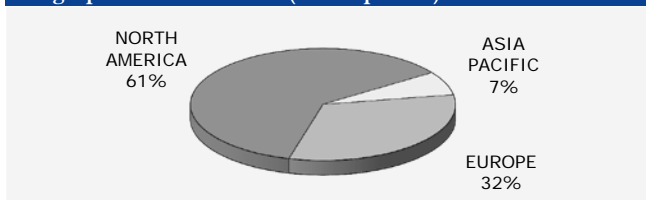
	NAV/Share	Oct*	2014*
HealthInvest Value Fund (A-SEK)	362.3	6.8%	32.9%
HealthInvest Value Fund (B-SEK)	133.9	6.8%	32.5%
HealthInvest Value Fund (C-EUR)	12.9	5.2%	27.6%
MSCI World Health Care Index (SEK)	1470.7	4.8%	33.2%
MSCI World Health Care Index (USD)	199.2	2.4%	15.9%

*Net of fees

Risk Measures (share class B-SEK)

	24 months	Since start
Return	80.4%	284.4%
Sharpe ratio	2.23	1.56
Standard deviation	13.4%	15.0%
Beta vs MSCI World Health Care Index	1.15	0.39
Downside risk	4.8%	7.1%
Active risk (tracking error)	9.1%	15.7%

Geographical Distribution (Net exposure)



Sector Distribution (Net exposure)

PHARMACEUTICALS	22%
MANAGED HEALTH CARE	22%
HEALTH CARE EQUIPMENT	21%
HEALTH CARE SERVICES	14%
ELECTRONIC EQUIPMENT & INSTRUMENTS	7%
LIFE SCIENCES TOOLS & SERVICES	5%
BIOTECHNOLOGY	5%
HEALTH CARE SUPPLIES	3%
HEALTH CARE DISTRIBUTORS	1%