



## HealthInvest March 2015 Letters

### MicroCap Fund Value Fund

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Information from the fund company shall not be considered a recommendation to invest in the Funds. Every person considering purchasing units in any of the Funds must make an independent assessment of such an investment and the risks associated therewith. Investments in the Funds should be seen as long-term investments.

Before you invest, you may want to review the Funds' prospectuses and simplified prospectuses, which contain more information about the Funds and their risks. You can find the Funds' prospectuses and other information about the Funds online at [www.healthinvest.se](http://www.healthinvest.se). You can also receive this information at no cost by calling +46 80 440 38 30 or by sending an e-mail request to [info@healthinvest.se](mailto:info@healthinvest.se).

# HealthInvest MicroCap Fund

2015-03-31

## MARKET DEVELOPMENT

The sentiment among small cap investors in healthcare was positive in March as MSCI World Small Cap Health Index rose 1.9% in USD and 5.3% in SEK.

## FUND PERFORMANCE

HealthInvest MicroCap Fund's return was 4.9% in March. Currency effects contributed approximately 1.1 %-points, implying that the equity portfolio in local currency was up around 3.8%.

Positive equity holdings for fund performance included Australian cardiology device manufacturer Atcor Medical (shares up 90%), British infection control company Bioquell (+37%) and US medical device firm Synergetics (+19%). Significant laggards included Swedish biotech firm Medivir (-16%) and British diagnostic instrument company Immunodiagnostic Systems (-9%).

## MANAGEMENT, VALUATION & OUTLOOK

In March, the Fund's position in the British company Bioquell was substantially increased. The company consists of two separate entities with no commonalities, which has been somewhat frustrating for investors. However, it was announced recently that the smaller unit will be sold for GBP45m to a private equity firm, clearly an attractive deal for shareholders given Bioquell's market cap of GBP35m at the time. The remaining larger unit has annual sales of GBP27m and is mainly focused on infection control services involving the eradication of bacteria, virus and fungi at labs, production sites and hospitals. Adjusted for the divestment, the enterprise value of the company is around GBP10m which is attractive in our view.

HealthInvest MicroCap Fund (as an aggregate) is currently trading at 11.2x free cash flow and at a price/sales ratio of 1.0 (on historic rolling 12 month data). The sales growth is around five per cent and free cash flow growth is approximately seven per cent.

Given the low valuation of the portfolio and its healthy growth, we are hopeful that the Fund will continue to appreciate in value in 2015.

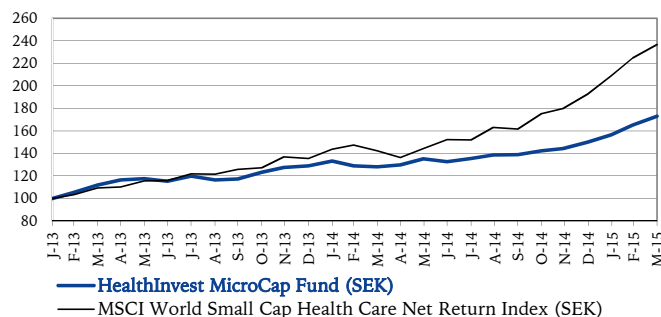
The Fund's net equity exposure was 100% at month end.

## FUND CHARACTERISTICS

HealthInvest MicroCap Fund invests in healthcare companies globally. The main focus is on microcap companies.

The investment approach includes an emphasis on low valuations and due diligence to find potential catalysts to boost shareholder value. We focus on free cash flow rather than on earnings to stay clear of accounting gimmicks. The fund started operations on January 31, 2013.

## PERFORMANCE SINCE START (SEK)



## PERFORMANCE

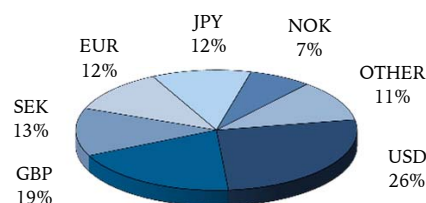
	NAV/Share	Mar*	2015*
HealthInvest MicroCap Fund (SEK)	169.02	4.9%	15.3%
MSCI World Small Cap Health (SEK)	22 462.6	5.3%	22.8%
MSCI World Small Cap Health (USD)	2 601.7	1.9%	10.9%

\*Net of fees

## RISK MEASURES (SINCE START)

Return	73.0%
Sharpe ratio	2.71
Standard deviation	9.3%
Beta vs MSCI World Small Cap Health Care Index	0.34
Downside risk	3.6%
Active risk (tracking error)	11.6%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

HEALTH CARE EQUIPMENT	39%
HEALTH CARE SUPPLIES	14%
HEALTH CARE SERVICES	12%
BIOTECHNOLOGY	10%
PHARMACEUTICALS	9%
HEALTH CARE DISTRIBUTORS	8%
HEALTH CARE TECHNOLOGY	4%
LIFE SCIENCES TOOLS & SERVICES	3%

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Past performance is no guarantee of future results. An investment can rise or fall in value and investors may fail to recover the invested capital. Information from the fund company shall not be considered a recommendation to invest in the Fund. Key investor information document (KIID) and prospectus can be obtained at [www.healthinvest.se](http://www.healthinvest.se). You can also receive this information at no cost by calling +46 80 440 38 30.

HEALTHINVEST PARTNERS AB

## MARKET DEVELOPMENT

The sentiment among healthcare investors was positive in March and MSCI World Health Care Index increased 1.3% in USD and 4.7% in SEK.

## FUND PERFORMANCE

HealthInvest Value Fund's return was 4.1% in March (share class B). Currency effects contributed approximately 2.8 percentage points, implying that the equity portfolio in local currency was up around 1.3%.

Significant gainers included German medical equipment company Draegerwerk (shares up 19%), Malaysian pharmaceutical manufacturer CCM Duopharma (+17%) and Japanese drug company Rohto Pharmaceutical (+15%). Portfolio laggards included Russian pharmaceutical company Pharmstandard (shares down 45%), Russian OTC drug manufacturer OTCPharm (-12%) and US imaging services provider Alliance Healthcare Services (-8%).

## MANAGEMENT, VALUATION & OUTLOOK

The Fund has divested the equity holding in British diagnostic equipment manufacturer Optos in March (takeover bid from Japanese company Nikon).

HealthInvest Value Fund (as an aggregate) is currently trading at 12.2x free cash flow and at a price/sales ratio of 1.0 (on historic rolling 12 month data). The sales growth is around nine per cent and free cash flow growth is approximately eleven per cent.

It is worth noting that despite HealthInvest Value Fund's increase of 111 percent since 2012, the valuation of the equity portfolio is actually lower today at 12.2x free cash flow than at year end 2012 (13.3x). This is due to our investment process that constantly brings in new, lowly valued healthcare companies (and throws out equity holdings that have reached their full valuation).

Given the healthy valuation of the equity portfolio and the positive growth prospects in 2015, we are hopeful that the Fund will continue to appreciate in value.

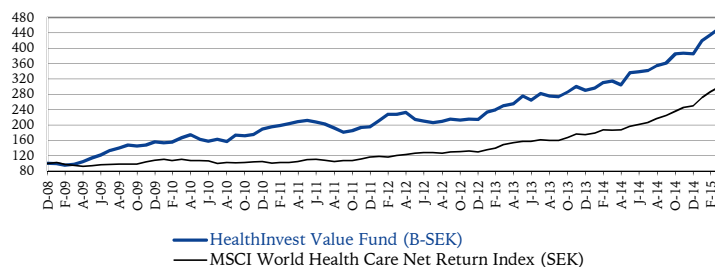
The Fund's net equity exposure was 98% at month end.

## 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 approach includes a strong emphasis on low valuations and due diligence to find potential catalysts to boost shareholder value. We focus on free cash flow rather than on earnings to stay clear of accounting gimmicks. The fund was started on December 30, 2008.

## PERFORMANCE SINCE START (SEK)



## PERFORMANCE

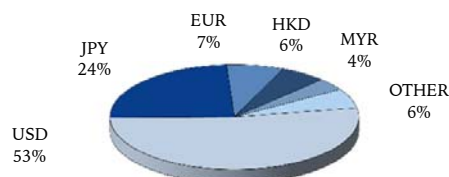
	NAV/Share	March*	2015*	Since start*
HealthInvest Value Fund (A-SEK)	426.1	4.1%	17.5%	369.5%
HealthInvest Value Fund (B-SEK)	157.1	4.1%	17.4%	351.2%
HealthInvest Value Fund (C-EUR)	15.1	4.6%	18.9%	414.3%
MSCI World Health Care Index (SEK)	2370.0	4.7%	19.9%	200.0%
MSCI World Health Care Index (USD)	274.5	1.3%	8.3%	172.9%

\*Net of fees

## RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	80.4%	351.2%
Sharpe ratio	2.23	1.65
Standard deviation	13.5%	14.8%
Beta vs MSCI World Health Care Index	1.15	0.42
Downside risk	4.8%	6.9%
Active risk (tracking error)	9.0%	15.3%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

MANAGED HEALTH CARE	28%
PHARMACEUTICALS	23%
HEALTH CARE SERVICES	14%
HEALTH CARE EQUIPMENT	11%
ELECTRONIC EQUIPMENT & INSTRUMENTS	6%
HEALTH CARE SUPPLIES	5%
BIOTECHNOLOGY	4%
LIFE SCIENCES TOOLS & SERVICES	4%
HEALTH CARE DISTRIBUTORS	4%
OTHER	1%

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