



## HealthInvest August 2015 Letters

### MicroCap Fund Value Fund

#### DISCLAIMER

Funds managed by HealthInvest Partners AB ("the Funds") are funds pursuant to the Swedish Mutual Funds Act (2004:46). It is the responsibility of each and every person interested in investing in these Funds to ensure that the investment takes place in accordance with applicable laws and other regulations. Foreign law may entail that an investment cannot be made by an investor from outside Sweden. HealthInvest Partners has no responsibility whatsoever to verify whether an investment made from outside Sweden takes place in accordance with the laws of the relevant country.

Disputes or claims concerning the fund shall be resolved according to Swedish law and exclusively by Swedish courts of law. There is no guarantee that an investment in a fund managed by HealthInvest Partners cannot result in a loss. This applies irrespective of otherwise positive performance on the financial markets. Past performance is no guarantee of future results.

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 8 440 38 30 or by sending an e-mail request to [info@healthinvest.se](mailto:info@healthinvest.se).



## MARKET DEVELOPMENT

Stock markets were severely battered in August due to the China turmoil, although some of the losses were recouped in latter part of the month. MSCI World Small Cap Health Care Index decreased 7.3% in USD and 8.8% in SEK.

## FUND PERFORMANCE

HealthInvest MicroCap Fund declined 9.0% in August. Currency effects hurt performance by 0.8 percentage points, implying that the equity portfolio was down 8.2% in local currency.

Positive drivers for fund performance included US medical device firm Symmetry Surgical (shares up 8%), British diagnostic instrument manufacturer Immunodiagnostic Systems (+5%) and Italian healthcare IT company Noemalife (+5%). Portfolio laggards included Singapore based hospital chain Health Management (-21%), Australian medical supply manufacturer ITL (-24%) and US veterinary drug firm Immucell (-34%).

## MANAGEMENT, VALUATION & OUTLOOK

In August, the Fund made two significant investments in the US medical technology space: Anika Therapeutics and Orasure.

Anika Therapeutics has a range of injection products based on hyaluronic acid. Its most important brands, Orthovisc and Monovisc, are used to treat pain caused by osteoarthritis in the knee. These products are growing strongly due to share gains in the US market but also due to a broadening of the geographic coverage, especially in Asia. Anika is dedicated to innovation, evidenced by the annual investment of almost 10% of sales into R&D. The shares look attractive to us, trading at around 16x free cash flow, adjusted for its net cash position and changes in working capital.

Orasure develops, manufactures and markets diagnostic test kits. The company's high sales growth is propelled by the strong uptake of its breast cancer and hepatitis C tests. Orasure spends around 12% of sales to develop new products, which will support a sustainable growth trajectory in our view. Although the shares are not cheap at 20x free cash flow, we believe the valuation is justified given its impressive growth and rather heavy R&D expenditures.

HealthInvest MicroCap Fund (as an aggregate) is currently trading at 14.8x free cash flow and at a price/sales ratio of 1.4 (on historic rolling 12 month data). The sales growth is around 6% and free cash flow growth is approximately 20%.

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.

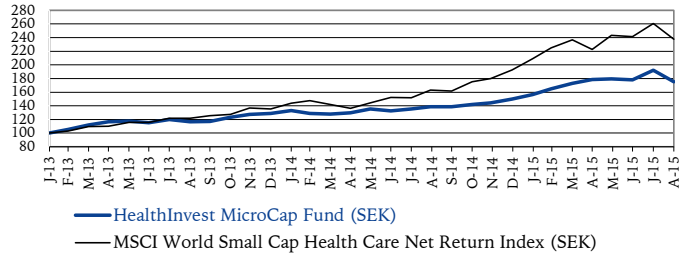
The Fund's net equity exposure was 108% at month end.

## 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 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

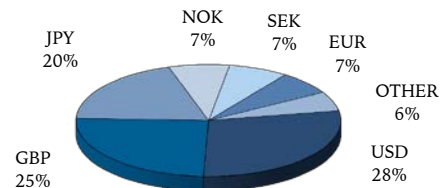
	NAV/Share	Aug*	2015*
HealthInvest MicroCap Fund (SEK)	169.6	-9.0%	16.2%
MSCI World Small Cap Health (SEK)	22 572.5	-8.8%	23.4%
MSCI World Small Cap Health (USD)	2 666.2	-7.3%	13.7%

\*Net of fees

## RISK MEASURES

	24 months	Since start
Return	49.6%	74.3%
Sharpe ratio	1.53	1.85
Standard deviation	12.0%	11.8%
Beta vs MSCI World Small Cap HC Index	0.38	0.41
Downside risk	7.2%	6.5%
Active risk (tracking error)	14.3%	13.5%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

HEALTH CARE EQUIPMENT	31%
HEALTH CARE SUPPLIES	19%
HEALTH CARE SERVICES	18%
BIOTECHNOLOGY	10%
HEALTH CARE DISTRIBUTORS	10%
PHARMACEUTICALS	7%
HEALTH CARE TECHNOLOGY	5%

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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 8 440 38 30.

## MARKET DEVELOPMENT

Stock markets were severely battered in August due to the turmoil in China, although some of the losses were recouped in the latter part of the month. The healthcare sector was no exception as MSCI World Health Care Index decreased 7.3% in USD and 8.9% in SEK.

## FUND PERFORMANCE

HealthInvest Value Fund's return was -6.1% in August (share class B-SEK). Currency effects hurt performance by 0.3 percentage points, implying that the equity portfolio was down 5.8% in local currency.

Significant gainers included Japanese drug firm Mochida Pharmaceutical (shares up 14%) and Polish pharmaceutical distributor Farmacol (+13%). Portfolio laggards included Chinese pharmacy chain Universal Health (-18%) and Swedish biotechnology company Medivir (-17%).

## MANAGEMENT, VALUATION & OUTLOOK

In August, the Fund made a significant investment in Varian Medical Systems, a US company that primarily manufactures and sells radiation equipment used to kill cancer tumours. The company has an impressive market share in the US of around 70% and is also well represented outside its home market. Varian is dedicated to innovation, evidenced by reinvesting almost 8% of sales into R&D annually. Proton therapy is a novel treatment modality that could become an important growth area for Varian in the next few years. Geographically, Asia presents opportunities for further growth as Varian over the last few years has increased its focus on sales in emerging markets. Given the high quality of the company, we believe the valuation of around 15x free cash flow, adjusted for changes in working capital and its net cash position, is attractive.

HealthInvest Value Fund (as an aggregate) is currently trading at 11.9x free cash flow and at a price/sales ratio of 1.0 (on historic rolling 12 month data). The sales growth is around 6% and free cash flow growth is approximately 15%.

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.

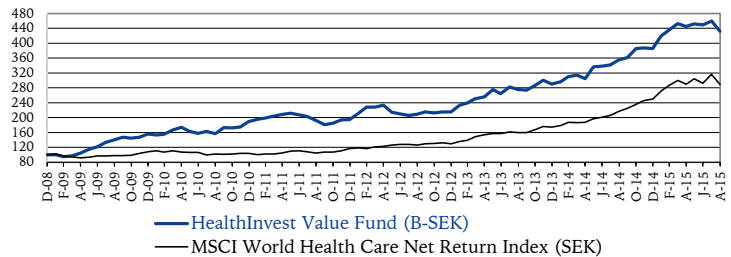
The Fund's net equity exposure was 92% at month end.

## FUND CHARACTERISTICS

HealthInvest Value Fund invests in healthcare companies globally with an emphasis on the US market. The focus is on profitable micro, small and mid cap companies.

The investment approach includes a strong emphasis on low valuations and potential catalysts to boost shareholder value. The fund was started on December 30, 2008.

## PERFORMANCE SINCE START (SEK)



## PERFORMANCE

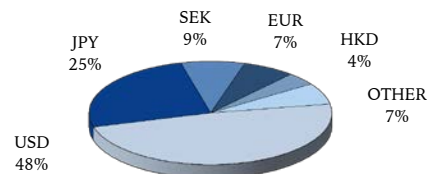
	NAV/Share	Aug*	2015*	Since start*
HealthInvest Value Fund (A-SEK)	407.1	-6.1%	12.2%	348.6%
HealthInvest Value Fund (B-SEK)	149.8	-6.1%	11.9%	330.2%
HealthInvest Value Fund (C-EUR)	14.0	-6.8%	10.6%	378.4%
MSCI World Health Care Index (SEK)	2279.0	-8.9%	15.3%	188.5%
MSCI World Health Care Index (USD)	269.2	-7.3%	6.2%	167.7%

\*Net of fees

## RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	56.3%	330.2%
Sharpe ratio	1.76	1.51
Standard deviation	13.1%	14.8%
Beta vs MSCI World Health Care Index	0.70	0.45
Downside risk	5.6%	7.1%
Active risk (tracking error)	9.0%	15.2%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	20%
HEALTH CARE SERVICES	18%
MANAGED HEALTH CARE	14%
HEALTH CARE DISTRIBUTORS	12%
BIOTECHNOLOGY	11%
ELECTRONIC EQUIPMENT & INSTRUMENTS	9%
LIFE SCIENCES TOOLS & SERVICES	7%
HEALTH CARE EQUIPMENT	6%
OTHER	3%

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