



## HealthInvest October 2015 Letters

### MicroCap Fund Value Fund

#### DISCLAIMER

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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

Small cap stocks bounced back in October and healthcare was no exception. MSCI World Small Cap Health Care Index increased 3.0% in USD and 4.6% in SEK.

## FUND PERFORMANCE

HealthInvest MicroCap Fund rose 4.5% in October. Currency effects helped performance by 0.9 percentage points, implying that the equity portfolio was up 3.6% in local currency.

Positive drivers for fund performance included Singapore based healthcare service company Health Management (shares up 22%), US medtech company Anika Therapeutics (+21%) and British veterinary drug manufacturer Animalcare (+18%). Portfolio laggards included US imaging provider Alliance Healthcare Services (-13%) and Norwegian cardiology device company Medistim (-9%).

## MANAGEMENT, VALUATION & OUTLOOK

In October, the Fund made a significant investment in the Swedish company Dedicare. The company that was founded in 1996, is providing healthcare staffing services, mainly nurses and doctors, in Sweden and Norway. The track record the last five years is impressive as Dedicare has grown sales by 108% (15.7% CAGR). Although the entry barriers in the staffing services business are relatively low, we believe the growth opportunities will be large enough to compensate for potential margin pressure in the future. In our view, valuation is appetizing at seven times free cash flow adjusted for changes in net working capital.

HealthInvest MicroCap Fund (as an aggregate) is currently trading at 12.4x free cash flow and at a price/sales ratio of 0.7 (on historic rolling 12 month data). The sales growth is 6%.

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.

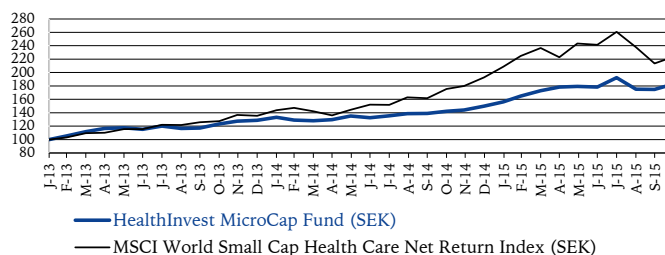
The Fund's net equity exposure was 80% at month end.

## 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. The fund started operations on January 31, 2013.

## PERFORMANCE SINCE START (SEK)



## PERFORMANCE

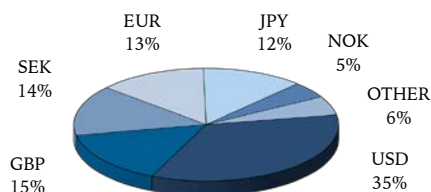
	NAV/Share	Oct*	2015*
HealthInvest MicroCap Fund (SEK)	175.7	4.5%	21.3%
MSCI World Small Cap Health (SEK)	21 205.2	4.6%	15.9%
MSCI World Small Cap Health (USD)	2 490.4	3.0%	6.2%

\*Net of fees

## RISK MEASURES

	24 months	Since start
Return	47.6%	81.9%
Sharpe ratio	1.84	1.91
Standard deviation	11.8%	11.6%
Beta vs MSCI World Small Cap HC Index	0.32	0.36
Downside risk	6.9%	6.3%
Active risk (tracking error)	16.2%	14.7%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

HEALTH CARE SUPPLIES	26%
HEALTH CARE SERVICES	19%
HEALTH CARE EQUIPMENT	18%
BIOTECHNOLOGY	11%
HEALTH CARE DISTRIBUTORS	10%
PHARMACEUTICALS	8%
HEALTH CARE TECHNOLOGY	8%

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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

The bull market made a comeback in October after two lacklustre months of stock performance. The healthcare sector kept up with the general market as MSCI World Health Care Index increased 6.1% in USD and 7.7% in SEK.

## FUND PERFORMANCE

HealthInvest Value Fund's return was 5.3% in October (share class B-SEK). Currency effects helped performance by 0.7 percentage points, implying that the Fund was up 4.6% in local currency.

Significant gainers included Chinese pharmacy chain Universal Health (shares up 20%), US epilepsy drug maker Supernus Pharma (+18%) and Puerto Rican health insurance company Triple-S Management (+16%). Portfolio laggards included US imaging provider Alliance Healthcare Services (-13%) and Norwegian cardiology device company Medistim (-9%).

## MANAGEMENT, VALUATION & OUTLOOK

In October, the Fund substantially added to the positions in Gilead Sciences and Lifepoint Health.

Gilead Sciences has been a core holding since April last year. The company has in a short period successfully launched two blockbuster drugs against Hepatitis C which annualised over USD19bn of sales in the last quarter. We believe sales and profits will continue to grow at a fast clip, boosted by FDA's recent announcement that patients may experience serious liver damages when using a competitor drug (Viekira Pak). Valuation of Gilead's shares is still very healthy at nine times free cash flow.

Lifepoint Health has been a core holding even longer than Gilead, dating back to January 2012. The US hospital chain has a rather unique strategy focussing on the non-urban market. These hospital locations means much reduced competition as Lifepoint often has a local monopoly in these communities. The company has grown revenues by 14% the last three years (CAGR), both organically by adding services to its existing hospital network as well as by making select acquisition in new markets. Shares are rather inexpensive at eight times free cash flow in our view.

HealthInvest Value Fund (as an aggregate) is currently trading at 13.0x free cash flow and at a price/sales ratio of 1.1 (on historic rolling 12 month data). The sales growth is 9%.

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.

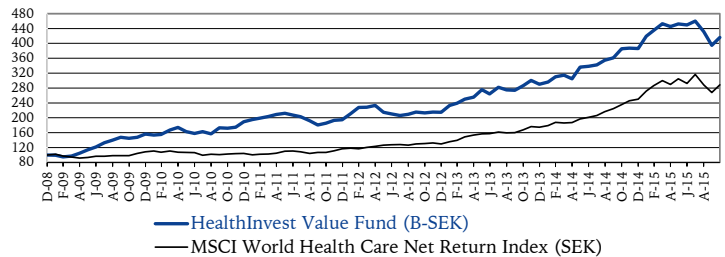
The Fund's net equity exposure was 85% at month end.

## FUND CHARACTERISTICS

HealthInvest Value Fund invests in healthcare companies globally with an emphasis on the US market. The focus is on profitable companies with easily understood business models.

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

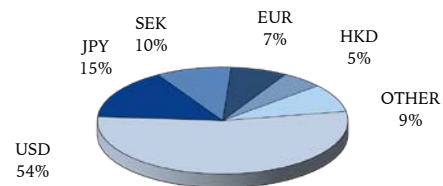
	NAV/Share	Oct*	2015*	Since start*
HealthInvest Value Fund (A-SEK)	392.2	5.3%	8.1%	332.2%
HealthInvest Value Fund (B-SEK)	144.2	5.3%	7.7%	314.2%
HealthInvest Value Fund (C-EUR)	13.7	5.5%	8.0%	367.1%
HealthInvest Value Fund (D-SEK)	105.3	4.8%	11.3%	383.9%
MSCI World Health Care Index (SEK)	2281.4	7.7%	15.4%	188.8%
MSCI World Health Care Index (USD)	267.9	6.1%	5.7%	166.4%

\*Net of fees

## RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	44.6%	314.2%
Sharpe ratio	1.29	1.40
Standard deviation	15.1%	15.2%
Beta vs MSCI World Health Care Index	0.76	0.51
Downside risk	8.2%	7.7%
Active risk (tracking error)	9.1%	15.1%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

HEALTH CARE SERVICES	21%
PHARMACEUTICALS	19%
MANAGED HEALTH CARE	16%
BIOTECHNOLOGY	15%
HEALTH CARE DISTRIBUTORS	14%
LIFE SCIENCES TOOLS & SERVICES	8%
HEALTH CARE EQUIPMENT	7%

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