



## HealthInvest November 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 continued to perform strongly in November and healthcare was no exception. MSCI World Small Cap Health Care Index increased 5.6% in USD and 8.3% in SEK.

## FUND PERFORMANCE

HealthInvest MicroCap Fund rose 4.8% in November. Currency effects helped performance by 1.0 percentage point, implying that the equity portfolio was up 3.8% in local currency.

Positive holdings for performance included US diagnostic test company Orasure (shares up 20%), Japanese nursing home chain Charm Care (+15%) and Norwegian cardiology device manufacturer Medistim (+14%). Portfolio laggards included Swedish biotechnology firm Medivir (-13%) and British medical device company Lifeline Scientific (-6%).

## MANAGEMENT, VALUATION & OUTLOOK

In November, the Fund made three significant investments in Asia:

Apex Healthcare is a Malaysian pharmacy chain, with a rather modest valuation of around 11 times free cash flow. The company employs staff of around 2,600 and has the main bulk of its pharmacies in Malaysia, but is also represented in China, Indonesia and Singapore. As a retailer of drugs in these emerging nations, we believe it is on a sustainable growth track.

Rubberex is a leading global player in natural rubber, synthetic rubber and vinyl gloves for household, industrial, medical and food handling applications. Sales execution has been choppy the last years, but given the attractive valuation of nine times free cash flow, we think this is a buying opportunity.

Thai Optical is one of the world's largest manufacturers of optical lenses. Sales growth is growing at a healthy 12% clip and operations are producing strong cash flows. Valuation is rather attractive as the shares are trading at 14 times free cash flow.

HealthInvest MicroCap Fund (as an aggregate) is currently trading at 11.6x free cash flow and at a price/sales ratio of 0.8 (on historic rolling 12 month data). The sales growth is 8%.

Given the low valuation of the portfolio and its healthy growth, we are hopeful that the Fund's NAV will continue to rise.

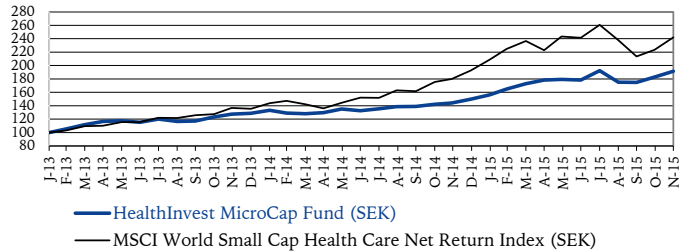
The Fund's net equity exposure was 91% at month end.

## 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

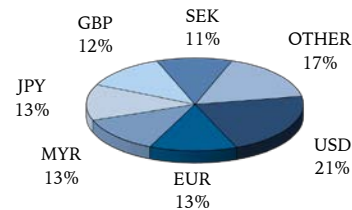
	NAV/Share	Nov*	2015*
HealthInvest MicroCap Fund (SEK)	182.6	4.8%	27.0%
MSCI World Small Cap Health (SEK)	22 964.1	8.3%	25.5%
MSCI World Small Cap Health (USD)	2 630.2	5.6%	12.1%

\*Net of fees

## RISK MEASURES

	24 months	Since start
Return	49.5%	90.6%
Sharpe ratio	1.97	2.01
Standard deviation	11.7%	11.6%
Beta vs MSCI World Small Cap HC Index	0.33	0.36
Downside risk	6.9%	6.2%
Active risk (tracking error)	16.0%	14.5%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

HEALTH CARE SUPPLIES	22%
HEALTH CARE EQUIPMENT	18%
HEALTH CARE SERVICES	17%
PHARMACEUTICALS	16%
HEALTH CARE DISTRIBUTORS	9%
HEALTH CARE TECHNOLOGY	7%
BIOTECHNOLOGY	7%
OTHER	4%

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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 sentiment among healthcare investors was rather neutral in November as MSCI World Health Care Index decreased 0.7% in USD and rose 1.9% in SEK.

## FUND PERFORMANCE

HealthInvest Value Fund's return was 2.4% in November (share class B-SEK). Currency effects helped performance by 1.8 %-points, implying that the Fund was up 0.6% in local currency.

Significant gainers included Puerto Rican health insurance company Triple-S Management (shares up 28%), US clinical research firm Charles River Laboratories (+17%) and Norwegian cardiology device manufacturer Medistim (+14%). Portfolio laggards included Polish drug distributor Farmacol (-13%) and Swedish biotechnology company Medivir (-13%).

## MANAGEMENT, VALUATION & OUTLOOK

In November, two significant investments were added to the Fund:

AMAG Pharmaceuticals is a specialty pharma company focused on the areas of maternal health and nephrology. The company's key products are Makena for the prevention of preterm birth (~65% of revenue), stem cell storage (~20% of revenue) and Feraheme for iron replacement (~15% of revenue). AMAG underwent a transformation in 2014-2015 with the acquisitions of Lumara Health (including flagship product Makena) and stem cell company CBR. Although there are uncertainty around these two acquired entities, we believe the valuation is more than reflecting this fact as shares are trading below five times free cash flow.

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.

HealthInvest Value Fund (as an aggregate) is currently trading at 11.1x free cash flow and at a price/sales ratio of 1.3 (on historic rolling 12 month data). The sales growth is 11%.

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

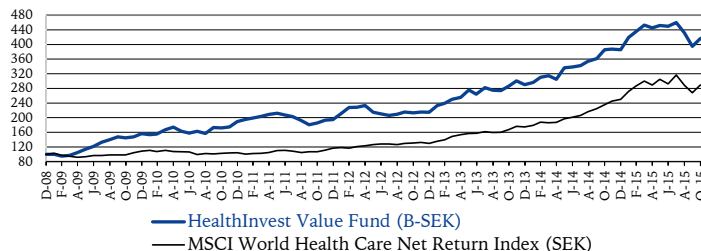
The Fund's net equity exposure was 80% at month end.

## 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

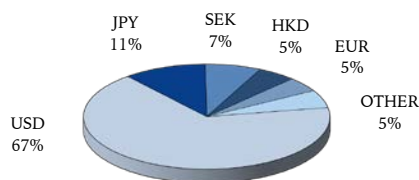
	NAV/Share	Nov*	2015*	Since start*
HealthInvest Value Fund (A-SEK)	401.7	2.4%	10.8%	342.7%
HealthInvest Value Fund (B-SEK)	147.7	2.4%	10.3%	324.1%
HealthInvest Value Fund (C-EUR)	14.3	4.5%	12.8%	388.0%
HealthInvest Value Fund (D-SEK)	107.9	2.4%	14.0%	395.6%
MSCI World Health Care Index (SEK)	2323.8	1.9%	17.5%	194.2%
MSCI World Health Care Index (USD)	266.2	-0.7%	5.0%	164.7%

\*Net of fees

## RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	41.1%	324.1%
Sharpe ratio	1.23	1.42
Standard deviation	14.9%	15.1%
Beta vs MSCI World Health Care Index	0.75	0.51
Downside risk	8.2%	7.7%
Active risk (tracking error)	9.1%	15.0%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

MANAGED HEALTH CARE	17%
HEALTH CARE SERVICES	17%
PHARMACEUTICALS	17%
BIOTECHNOLOGY	14%
HEALTH CARE DISTRIBUTORS	10%
LIFE SCIENCES TOOLS & SERVICES	10%
HEALTH CARE SUPPLIES	8%
HEALTH CARE EQUIPMENT	7%

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