



HealthInvest January 2016 Letters

MicroCap Fund Value Fund

DISCLAIMER

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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. 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.

MARKET DEVELOPMENT

Healthcare small cap stocks were hard hit in January, led by miserable performance of unprofitable biotechnology stocks. MSCI World Small Cap Health Care Index plummeted 14.2% in USD and dropped 13.0% in SEK.

FUND PERFORMANCE

HealthInvest MicroCap Fund declined 1.4% in January. Currency effects helped performance by approximately 0.2 percentage points, implying that the portfolio declined 1.6% in local currency.

Positive holdings for performance included US renal transplant solution provider Lifeline Scientific (shares up 8%), Thailand based glasses lens manufacturer Thai Optical (+7%) and Australian medical supply company ITL (+7%). Portfolio laggards included US veterinary drug manufacturer Immucell (-22%) and Singapore based Health Management (-14%).

MANAGEMENT, VALUATION & OUTLOOK

In January, the Fund significantly raised the stakes in two holdings:

Lifeline Scientific is a US manufacturer of devices and single-use consumable products for the transportation of renal organs before transplantation. Although a small company, it has already an impressive global reach, serving 193 transplant centers in 25 countries. Revenues have grown at a healthy 14% clip (CAGR) the last five years and the company seems to finally have the sufficient critical mass to generate sustainable positive cash flows. Valuation is attractive in our view as shares are trading at around 10x free cash flow.

Medivir is a Swedish biotechnology firm. We believe the current market cap of SEK1.7bn does not accurately reflect the total value of the company's different assets including its net cash position of around SEK1.1bn, the legacy Biophausia business (estimated value SEK0.7bn), the future royalty streams from the Hep-C product Olysio (estimated value 0.4bn) and its research projects (estimated value SEK1.0bn).

HealthInvest MicroCap Fund (as an aggregate) is currently trading at 13.0x free cash flow and at a price/sales ratio of 0.8 (on historic rolling 12 month data). The sales growth is 6%.

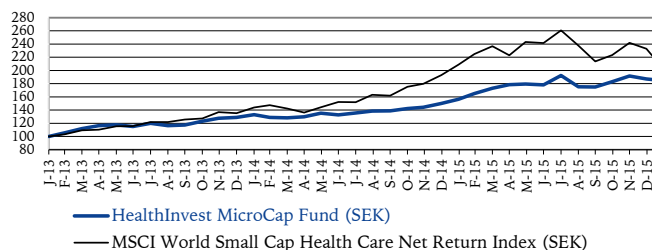
The Fund's net equity exposure was 94% at month end.

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

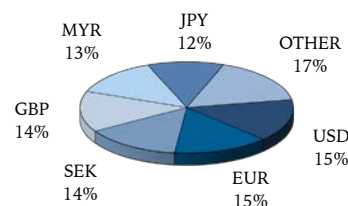
	NAV/Share	2016*
HealthInvest MicroCap Fund (SEK)	176.4	-1.4%
MSCI World Small Cap Health (SEK)	19 225.1	-13.0%
MSCI World Small Cap Health (USD)	2 243.6	-14.2%

*Net of fees

RISK MEASURES

	24 months	Since start
Return	38.3%	84.1%
Sharpe ratio	1.37	1.79
Standard deviation	12.3%	11.6%
Beta vs MSCI World Small Cap HC Index	0.31	0.34
Downside risk	7.1%	6.2%
Active risk (tracking error)	18.3%	15.9%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

HEALTH CARE SUPPLIES	18%
PHARMACEUTICALS	17%
HEALTH CARE SERVICES	16%
HEALTH CARE EQUIPMENT	15%
BIOTECHNOLOGY	9%
HEALTH CARE DISTRIBUTORS	7%
HEALTH CARE TECHNOLOGY	7%
LIFE SCIENCES TOOLS & SERVICES	5%
OTHER	5%

DISCLAIMER

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. You can also receive this information at no cost by calling +46 8 440 38 30.

MARKET DEVELOPMENT

The sentiment among healthcare investors was sharply negative in January. MSCI World Health Care Index dropped 7.9% in USD and 6.6% in SEK.

FUND PERFORMANCE

HealthInvest Value Fund's return was -9.0% in January (share class B-SEK). Currency effects helped performance by 1.6%-points, implying that the Fund was down 10.6% in local currency.

This brutal month offered few gainers. Portfolio laggards included US hepatitis C drug firm Gilead Sciences (-17%), US specialty pharma company Amag (-25%) and Chinese pharmacy retail chain Universal Health (-67%). Especially Universal Health's performance is extra ordinary and is due to probable insolvency issues of the main shareholder i.e. not a problem at the company level. We believe that once the main holder has sold his shares and cleaned up his finances, the stock will again reflect company fundamentals.

MANAGEMENT, VALUATION & OUTLOOK

In January, one significant investment were added to the Fund:

Taro Pharmaceutical Industries, established in 1950, is an Israeli manufacturer of generic and branded drugs with more than 200 products on the market in over 25 countries. The company operates globally, with its main presence in the United States, Canada, and Israel. Taro's primary areas of focus include creams, liquids, capsules and tablets, mainly for the dermatological, topical, cardiovascular, neuropsychiatric and anti-inflammatory therapeutic categories. Taro invests annually around 8% of sales into R&D, which has enabled US leadership in dermatological products. In addition to its strong position in dermatology, we are impressed by Taro's annual sales growth of 18% (CAGR) the last five years. Given the nice characteristics of the business, the valuation of the shares looks appetizing, trading at around 12x free cash flow, adjusted for Taro's net cash position.

HealthInvest Value Fund (as an aggregate) is currently trading at 10.5x free cash flow and at a price/sales ratio of 1.6 (on historic rolling 12 month data). The sales growth is 11%.

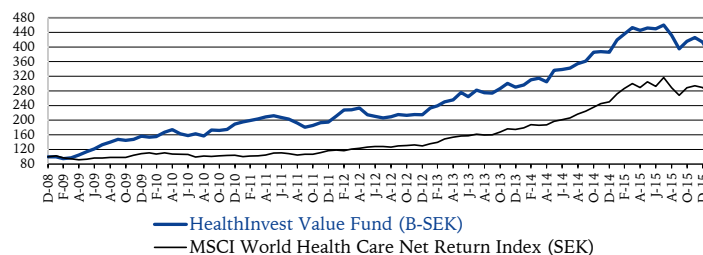
The Fund's net equity exposure was 91% at month end.

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

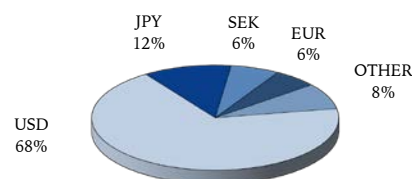
	NAV/Share	2016*	Since start*
HealthInvest Value Fund (A-SEK)	355.3	-9.0%	291.5%
HealthInvest Value Fund (B-SEK)	130.5	-9.0%	274.7%
HealthInvest Value Fund (C-EUR)	12.5	-10.6%	325.4%
HealthInvest Value Fund (D-SEK)	95.4	-9.0%	339.7%
MSCI World Health Care Index (SEK)	2133.0	-6.6%	170.0%
MSCI World Health Care Index (USD)	248.9	-7.9%	147.5%

*Net of fees

RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	26.5%	274.7%
Sharpe ratio	0.79	1.24
Standard deviation	16.6%	15.6%
Beta vs MSCI World Health Care Index	0.80	0.57
Downside risk	10.3%	8.4%
Active risk (tracking error)	9.1%	14.9%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	23%
HEALTH CARE SERVICES	14%
BIOTECHNOLOGY	12%
MANAGED HEALTH CARE	10%
SPECIALTY STORES	9%
ELECTRONIC EQUIPMENT & INSTRUMENTS	9%
HEALTH CARE SUPPLIES	8%
HEALTH CARE DISTRIBUTORS	6%
HEALTH CARE EQUIPMENT	5%
LIFE SCIENCES TOOLS & SERVICES	5%

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