



## HealthInvest August 2016 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

Healthcare investor sentiment was downbeat in August. MSCI World Small Health Care Index declined 2.6% in SEK and decreased 2.5% in USD.

## FUND PERFORMANCE

HealthInvest MicroCap Fund rose 3.6% in August. Currency effects hurt performance by 0.2 percentage points, indicating that the portfolio increased 3.8% in local currencies.

Substantial gainers in the month of August included Singapore based Health Management International (shares up a whopping 45%), Australian hospital supply company ITL (+28%) and Swedish staffing agency Dedicare (+20%). Portfolio laggards included Belgian imaging company Agfa-Gevaert (-12%) and Japanese drug manufacturer Torii Pharmaceuticals (-9%).

## MANAGEMENT, VALUATION & OUTLOOK

In August, we continued to build the Fund's position in Agfa-Gevaert. As mentioned previously, the Belgium based imaging company is currently in the midst of a turnaround as demand is switching from analogue to digital applications. Although certainly not a given, we believe the shares could double or even triple in value if Agfa-Gevaert returns to a sustainable growth path. In our view, the company pulls the right levers to reach this goal, including aggressive investments in Research & Development and a strong focus on software applications.

HealthInvest MicroCap Fund (as an aggregate) is currently trading at 15.0x free cash flow. This compares favorably to both the healthcare sector in general (19.6x) as well as to MSCI World Index (17.7x).

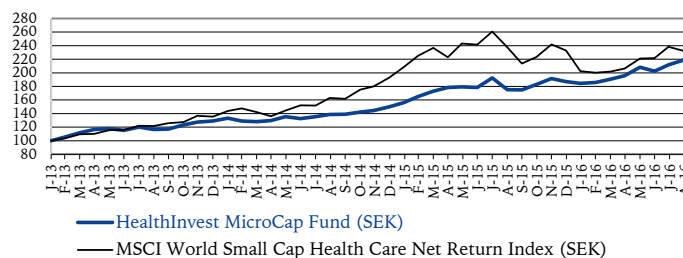
The Fund's net equity exposure was 94% at month end.

## 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

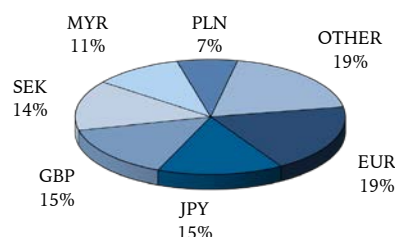
	NAV/Share	Aug*	2016*
HealthInvest MicroCap Fund (SEK)	205.8	3.6%	17.4%
MSCI World Small Cap Health (SEK)	22 018.4	-2.6%	-0.4%
MSCI World Small Cap Health (USD)	2 572.3	-2.5%	-1.6%

\*Net of fees

## RISK MEASURES

	24 months	Since start
Return	58.0%	119.0%
Sharpe ratio	1.93	1.99
Standard deviation	12.5%	11.3%
Beta vs MSCI World Small Cap HC Index	0.36	0.35
Downside risk	6.9%	5.8%
Active risk (tracking error)	16.9%	15.1%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	21%
HEALTH CARE SUPPLIES	18%
HEALTH CARE SERVICES	17%
HEALTH CARE DISTRIBUTORS	14%
HEALTH CARE TECHNOLOGY	13%
BIOTECHNOLOGY	9%
OTHER	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

Healthcare investor sentiment was downbeat in August and MSCI World Health Care Index declined 4.2% in SEK as well as in USD.

## FUND PERFORMANCE

HealthInvest Value Fund's return was -2.9% in August (share class B-SEK). Currency effects did not significantly impact performance.

Substantial gainers in the month of August included Swedish biotechnology firm Medivir (shares up 13%) and US pharmaceutical giant Merck (+7%). Portfolio laggards included Puerto Rican health insurer Triple-S Management (-12%) and US generic drug manufacturer Taro Pharmaceuticals (-10%).

## MANAGEMENT, VALUATION & OUTLOOK

In August, we added the Japanese hospital bed manufacturer Paramount Bed Holdings to the equity portfolio. Paramount, founded in 1947, is Japan's number one hospital bed manufacturer and serves all healthcare segments including acute care hospitals and nursing homes. The domestic market represents the lion part of its business (91% of sales), which may be characterized as a mature market with annual growth of around 2%. Favorable demographics supports sales volumes, but is to some extent mitigated by measures by the Japanese government to keep healthcare spending contained. Paramount posts impressive growth in the rest of Asia (>20% annual growth over the last three years). Given the high quality of the company's assets and strong market shares, we believe the valuation is compelling with the stock trading at 11x free cash flow, a more than 40% discount to the healthcare sector.

HealthInvest Value Fund (as an aggregate) is currently trading at 13.5x free cash flow. This compares favourably to both the healthcare sector in general (19.6x) as well as to MSCI World Index (17.7x).

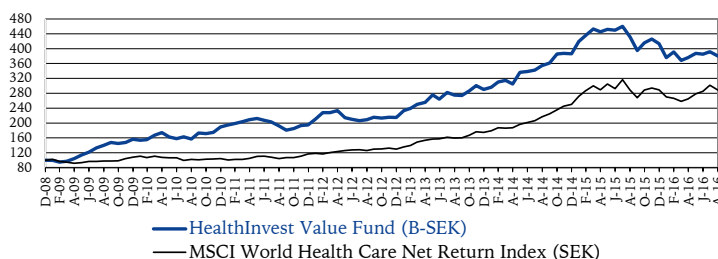
The Fund's net equity exposure was 80% at month end.

## 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

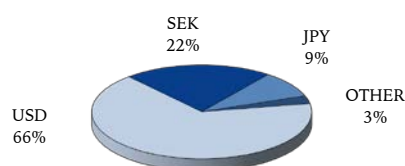
	NAV/Share	Aug*	2016*	Since start*
HealthInvest Value Fund (A-SEK)	360.4	-2.9%	-7.7%	297.2%
HealthInvest Value Fund (B-SEK)	132.0	-2.9%	-8.0%	279.0%
HealthInvest Value Fund (C-EUR)	12.3	-2.8%	-11.5%	321.0%
HealthInvest Value Fund (D-SEK)	96.7	-2.9%	-7.8%	345.6%
MSCI World Health Care Index (SEK)	2280.4	-4.2%	-0.2%	188.7%
MSCI World Health Care Index (USD)	266.4	-4.2%	-1.4%	164.9%

\*Net of fees

## RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	7.3%	279.0%
Sharpe ratio	0.32	1.18
Standard deviation	15.7%	15.4%
Beta vs MSCI World Health Care Index	0.72	0.57
Downside risk	11.0%	8.4%
Active risk (tracking error)	9.2%	14.6%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	23%
HEALTH CARE DISTRIBUTORS	17%
MANAGED HEALTH CARE	14%
LIFE SCIENCES TOOLS & SERVICES	11%
BIOTECHNOLOGY	11%
ELECTRONIC EQUIPMENT & INSTRUMENTS	6%
HEALTH CARE EQUIPMENT	6%
HEALTH CARE SUPPLIES	6%
HEALTH CARE SERVICES	6%
OTHER	1%

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