



HealthInvest December 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

SmallCap healthcare companies had a flattish performance in December. MSCI World Small Health Care Index declined 0.2% in USD and 1.7% in SEK.

FUND PERFORMANCE

HealthInvest MicroCap Fund was unchanged in December. Currency effects hurt performance by 2.5 percentage points, indicating that the portfolio increased 2.5% in local currencies.

MANAGEMENT, VALUATION & OUTLOOK

In December, the Fund made a significant investment in Supernus Pharmaceuticals. The US company is focused on the treatment of CNS disorders, particularly epilepsy and ADHD (attention deficit hyperactivity disorder). The company has so far commercialized two epilepsy drugs: Oxtellar and Trokendi. The most promising drug, Trokendi, is an extended release (once a day) version of the former blockbuster epilepsy drug Topamax. Trokendi scripts are growing fast (>20%) but there should be plenty of growth to come as its market share is no higher than 3%. Despite rather high R&D investments, Supernus is already profitable. If the current sales growth trajectory would stay reasonably intact, Supernus shares will trade at 11x free cash flow in 2017, indicating significant potential in our view.

HealthInvest MicroCap Fund (as an aggregate) is currently trading at 17.5x free cash flow. This is in line with the healthcare sector (17.2x) and MSCI World Index (19.0x).

The median sales growth of the portfolio holdings is around four per cent and the median earnings growth is approximately nine per cent.

Given the healthy valuation of the portfolio and its growth prospects, we are hopeful that the Fund will increase in value in 2017.

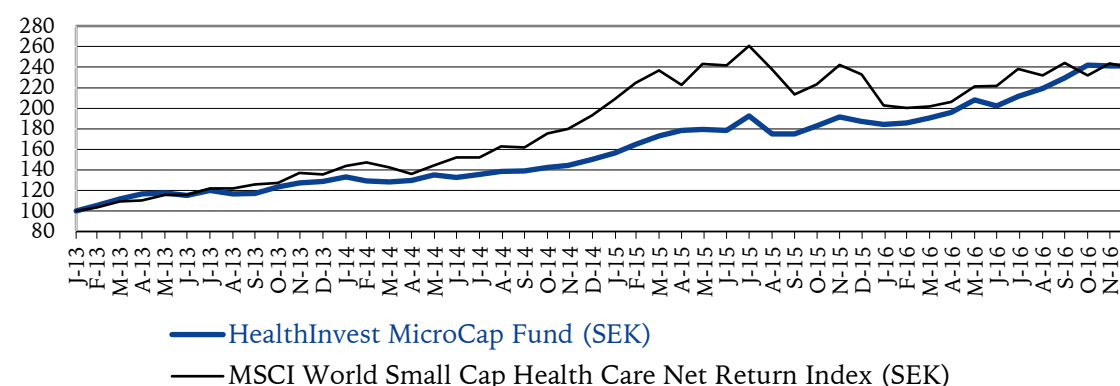
The Fund's net equity exposure was 97% at year end.

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

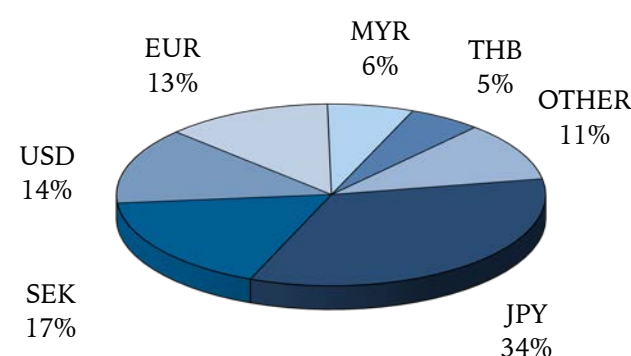
	NAV/Share	Dec*	2016*
HealthInvest MicroCap Fund (SEK)	226.4	0.0%	29.1%
MSCI World Small Cap Health (SEK)	22726.9	-1.7%	2.8%
MSCI World Small Cap Health (USD)	2501.2	-0.2%	-4.3%

*Net of fees

RISK MEASURES

	24 months	Since start
Return	60.6%	140.9%
Sharpe ratio	1.95	2.07
Standard deviation	12.9%	11.2%
Beta vs MSCI World Small Cap HC Index	0.33	0.31
Downside risk	6.9%	5.6%
Active risk (tracking error)	18.0%	15.7%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	18%
BIOTECHNOLOGY	14%
HEALTH CARE SERVICES	14%
HEALTH CARE EQUIPMENT	14%
HEALTH CARE DISTRIBUTORS	13%
HEALTH CARE SUPPLIES	12%
HEALTH CARE TECHNOLOGY	7%
OTHER	7%

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

MARKET DEVELOPMENT

Healthcare investor sentiment was positive in December and MSCI World Health Care Index rose 1.6% in USD and was unchanged in SEK.

FUND PERFORMANCE

HealthInvest Value Fund rose 1.1% in December (share class B-SEK), a bit better than the benchmark index. Currency effects hurt performance by 2.2 percentage points, indicating that the portfolio increased 3.3% in local currencies.

MANAGEMENT, VALUATION & OUTLOOK

In December, no new positions were added to HealthInvest Value Fund. The Fund's net equity exposure was 84% at year end.

HealthInvest Value Fund (as an aggregate) is currently trading at 12.9x free cash flow. This compares favourably to both the healthcare sector (17.2x) as well as to MSCI World Index (19.0x).

The healthcare sector has taken a 17-month breather after its strong relative performance from 2011 up until mid-2015. Especially biotech and specialty pharmaceutical stocks have taken a beating due to drug pricing concerns.

We believe fundamentals for the healthcare sector are robust going into 2017. Valuation of healthcare stocks is at an historically attractive level (9% discount to MSCI World Index). This indicates upside potential as the sector usually trades with a substantial premium (10%-15%) due to its high structural growth and relatively low cyclical nature of sales and earnings.

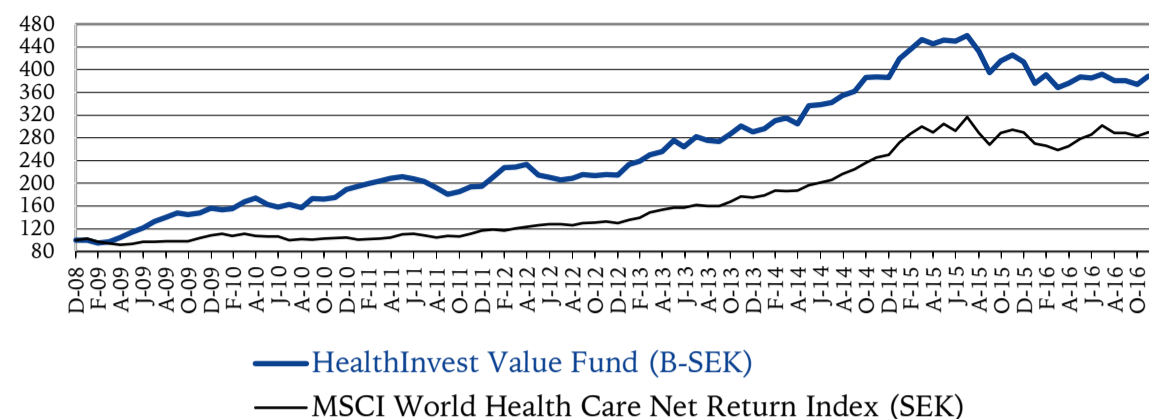
In 2017, we will continue to search for undervalued stocks in the world of healthcare. Our goal, as always, is to increase the wealth of our clients through an innovative and value based investment process. We thank you for the support in 2016 and look forward to working together in 2017.

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

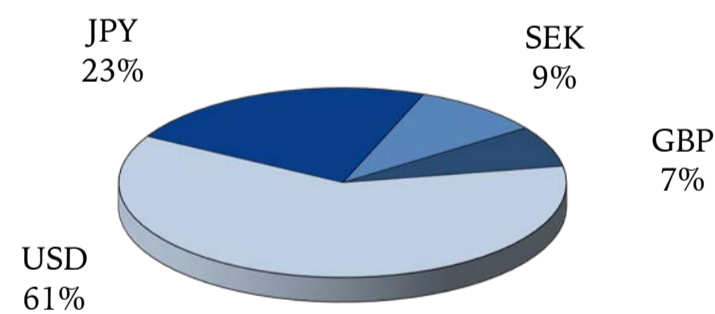
	NAV	Dec*	2016*	Since start*
HealthInvest Value Fund (A-SEK)	372.0	1.1%	-4.7%	309.9%
HealthInvest Value Fund (B-SEK)	136.0	1.1%	-5.2%	290.5%
HealthInvest Value Fund (C-EUR)	12.7	3.2%	-9.2%	332.1%
MSCI World Health Care Index (SEK)	2288.0	0.0%	0.1%	189.6%
MSCI World Health Care Index (USD)	251.8	1.6%	-6.8%	150.4%

*Net of fees

RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	1.6%	290.5%
Sharpe ratio	0.15	1.17
Standard deviation	15.2%	15.1%
Beta vs MSCI World Health Care Index	0.72	0.58
Downside risk	11.1%	8.2%
Active risk (tracking error)	9.0%	14.3%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	32%
HEALTH CARE DISTRIBUTORS	15%
HEALTH CARE SERVICES	13%
BIOTECHNOLOGY	11%
MANAGED HEALTH CARE	10%
HEALTH CARE EQUIPMENT	5%
HEALTH CARE SUPPLIES	5%
LIFE SCIENCES TOOLS & SERVICES	5%
OTHER	3%

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