



## HealthInvest January 2017 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](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

Smallcap healthcare companies had a rather healthy share performance in January. MSCI World Small Health Care Index increased 0.4% in SEK and 4.2% in USD.

## FUND PERFORMANCE

HealthInvest MicroCap Fund declined 1.0% in January, slightly below the benchmark index. Currency effects hurt performance by 0.6 percentage points, indicating that the portfolio decreased 0.4% in local currencies.

## MANAGEMENT, VALUATION & OUTLOOK

In January, the Fund made three new significant investments:

EPS Holdings is one of Japan's largest CROs (Clinical Research Organizations), providing clinical trial services to drug companies. The company has a strong growth track record, with sales increasing 12% and net profit surging 33% the last three fiscal years (CAGR). Valuation of the shares is appetizing in our view, trading at 11x free cash flow.

Haw Par is a conglomerate based in Singapore. The company owns the well-known Tiger Balm brand, which has grown nicely the last five years due to new product introductions including gels, plasters, sprays, and mosquito repellents. We are amazed that the market value of Haw Par's available-for-sale investments and net cash exceed the current market cap. Hence, you get the operating businesses (including the brands Tiger Balm and Kwan Loong) for free when buying Haw Par.

Australian company Sirtex Medical manufactures a radiation therapy device called SIR-Spheres being used in the treatment of liver cancer. Sirtex growth has been phenomenal the last three years with sales doubled and net profit tripled. Although growth has slowed recently, we believe the current valuation of 16x free cash flow to be attractive.

In January, the positions in Japanese drug company Torii Pharma, Japanese clinical reagent manufacturer Kainos Laboratories and Singapore based hospital company Health Management were divested.

HealthInvest MicroCap Fund (as an aggregate) is currently trading at 17.0x free cash flow. This is slightly below the healthcare sector (17.9x) as well as MSCI World Index (19.4x).

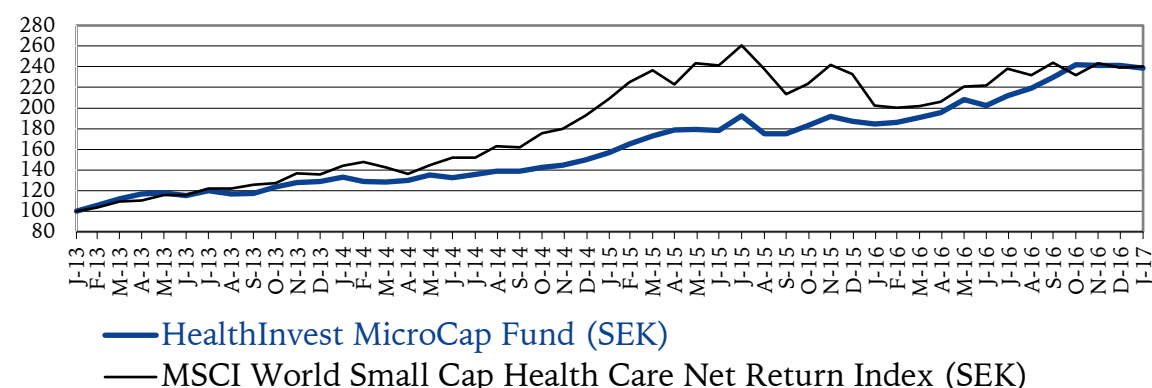
The Fund's net equity exposure was 105% at month end.

## 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

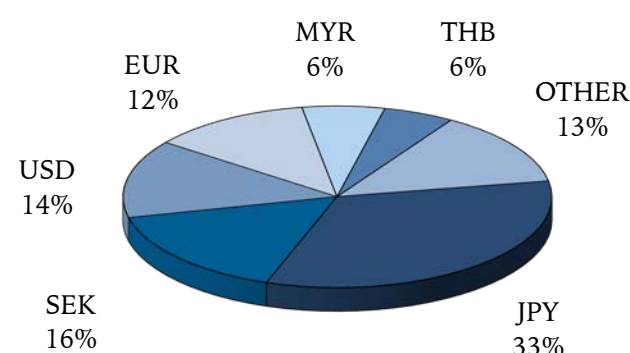
	NAV/Share	Jan*
HealthInvest MicroCap Fund (SEK)	224.2	-1.0%
MSCI World Small Cap Health (SEK)	22828.2	0.4%
MSCI World Small Cap Health (USD)	2605.9	4.2%

\*Net of fees

## RISK MEASURES

	24 months	Since start
Return	52.5%	138.6%
Sharpe ratio	1.74	2.01
Standard deviation	13.0%	11.1%
Beta vs MSCI World Small Cap HC Index	0.33	0.32
Downside risk	6.9%	5.5%
Active risk (tracking error)	17.7%	15.5%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	22%
BIOTECHNOLOGY	15%
HEALTH CARE EQUIPMENT	12%
HEALTH CARE DISTRIBUTORS	12%
HEALTH CARE SERVICES	11%
HEALTH CARE SUPPLIES	10%
HEALTH CARE TECHNOLOGY	7%
OTHER	11%

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## MARKET DEVELOPMENT

Healthcare investor sentiment was slightly positive in January. MSCI World Health Care Index rose 2.2% in USD, but declined 1.5% in SEK due to the appreciating Swedish currency.

## FUND PERFORMANCE

HealthInvest Value Fund declined 4.1% in January (share class B-SEK). Currency effects hurt performance by 1.8 percentage points, indicating that the portfolio decreased 2.3% in local currencies.

## MANAGEMENT, VALUATION & OUTLOOK

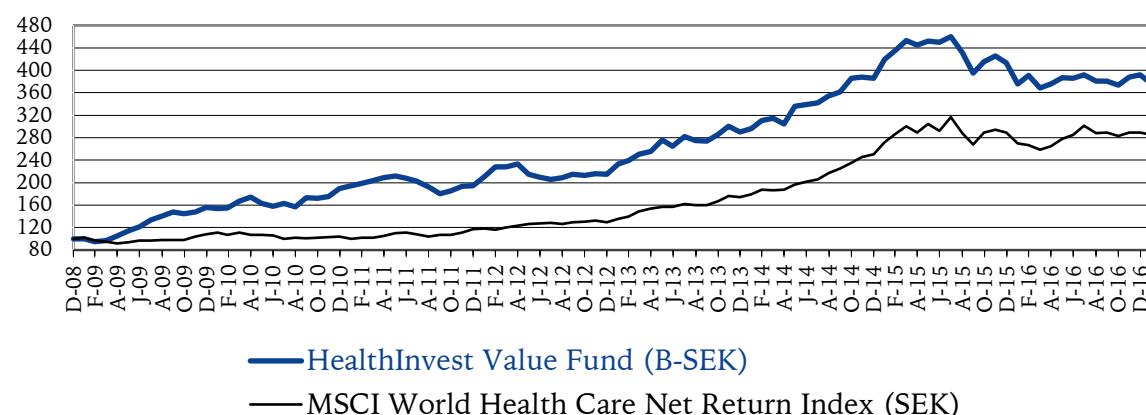
In January, managed healthcare behemoth Aetna was added to HealthInvest Value Fund. Aetna is one of the largest health insurers in the United States, with 23 million medical lives covered. In addition, Aetna markets ancillary products, including life, disability, and long-term care insurance to both its current customers and as standalone offerings. The shares valuation of 12x free cash flow reflects the uncertainty regarding Aetna's potential acquisition of its competitor Humana. When this deal is out of the way, we believe a rerating of Aetna's shares should be imminent.

HealthInvest Value Fund (as an aggregate) is currently trading at 12.9x free cash flow. This compares favourably to both the healthcare sector (17.9x) as well as to MSCI World Index (19.4x).

Valuation of the healthcare sector is at an historically attractive level (8% 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 cyclicality of sales and earnings.

The Fund's net equity exposure was 87% at month end.

## PERFORMANCE SINCE START (SEK)



## PERFORMANCE

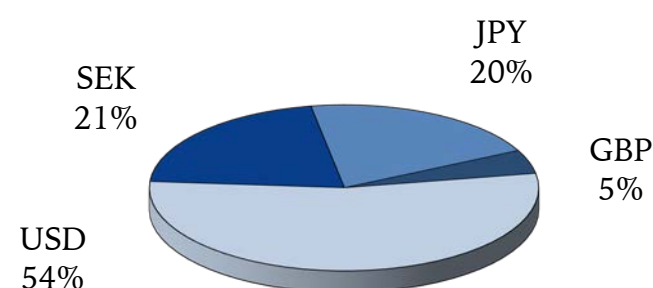
	NAV	Jan*	Since start*
HealthInvest Value Fund (A-SEK)	356.9	-4.0%	293.4%
HealthInvest Value Fund (B-SEK)	130.4	-4.1%	274.6%
HealthInvest Value Fund (C-EUR)	12.3	-2.8%	320.1%
MSCI World Health Care Index (SEK)	2254.0	-1.5%	185.3%
MSCI World Health Care Index (USD)	257.3	2.2%	155.8%

\*Net of fees

## RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	-10.4%	274.6%
Sharpe ratio	-0.29	1.13
Standard deviation	14.1%	15.2%
Beta vs MSCI World Health Care Index	0.68	0.59
Downside risk	11.4%	8.3%
Active risk (tracking error)	9.1%	14.3%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	20%
BIOTECHNOLOGY	20%
MANAGED HEALTH CARE	15%
HEALTH CARE DISTRIBUTORS	14%
HEALTH CARE SERVICES	13%
HEALTH CARE EQUIPMENT	5%
HEALTH CARE SUPPLIES	5%
LIFE SCIENCES TOOLS & SERVICES	5%
OTHER	2%

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