



## HealthInvest February 2017 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

Smallcap healthcare companies had an exceptionally strong February. MSCI World Small Health Care Index increased 5.6% in USD and 8.8% in SEK.

## FUND PERFORMANCE

HealthInvest MicroCap Fund jumped 8.5% in February, slightly below the benchmark index. Currency effects helped performance by 2.5 percentage points, indicating that the portfolio rose 6.0% in local currencies.

## MANAGEMENT, VALUATION & OUTLOOK

The fourth quarter earnings season was relatively benign for the portfolio companies. Approximately 80% of the portfolio holdings have released results showing median earnings per share growth of around 11% and median sales growth of approximately 8% Y/Y.

No new significant investments were made in February, but the Fund made three divestments including Israeli medical device manufacturer Syneron, Australian hospital supply company ITL and UK based veterinary drug company Animalcare.

HealthInvest MicroCap Fund (as an aggregate) is currently trading at 17.3x free cash flow. This is slightly below the healthcare sector (19.1x) as well as MSCI World Index (20.4x).

Valuation of the healthcare sector is at an historically attractive level (6% 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 of sales and earnings.

Given the healthy valuation of the equity portfolio and the positive growth prospects in 2017, we are hopeful that the Fund will continue to appreciate in value.

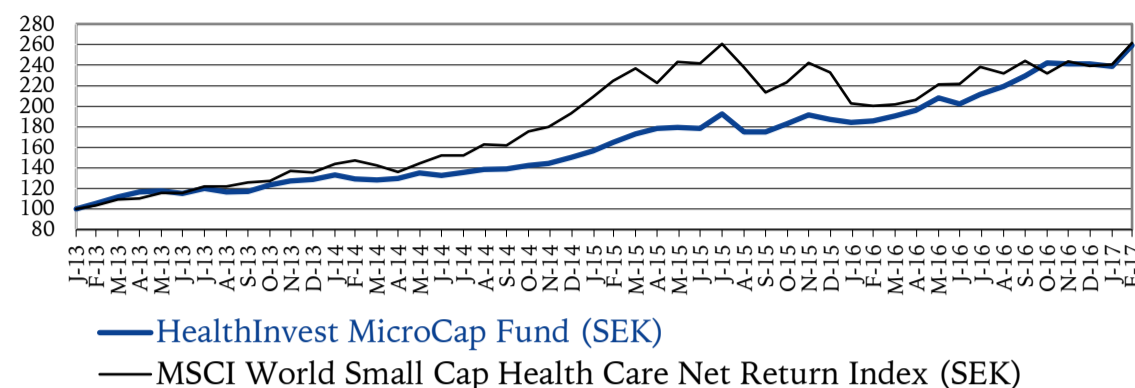
The Fund's net equity exposure was 98% at month end.

## FUND CHARACTERISTICS

HealthInvest MicroCap Fund invests in small healthcare companies globally.

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

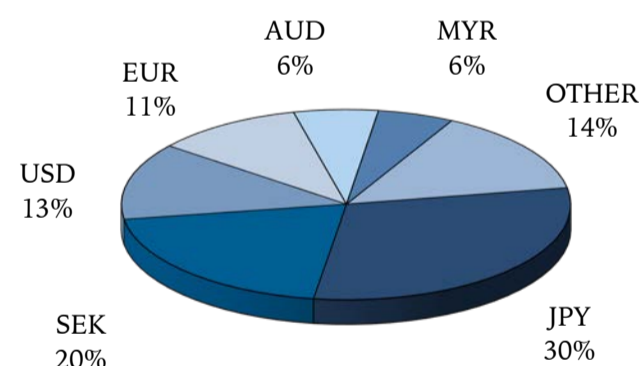
	NAV/Share	Feb*	2017*
HealthInvest MicroCap Fund (SEK)	241.7	8.5%	7.4%
MSCI World Small Cap Health (SEK)	24827.6	8.8%	9.2%
MSCI World Small Cap Health (USD)	2752.5	5.6%	10.0%

\*Net of fees

## RISK MEASURES

	24 months	Since start
Return	56.9%	158.8%
Sharpe ratio	1.77	2.09
Standard deviation	13.6%	11.5%
Beta vs MSCI World Small Cap HC Index	0.36	0.34
Downside risk	6.9%	5.5%
Active risk (tracking error)	17.6%	15.4%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	22%
BIOTECHNOLOGY	21%
HEALTH CARE SERVICES	13%
HEALTH CARE DISTRIBUTORS	10%
HEALTH CARE SUPPLIES	9%
ELECTRONIC EQUIPMENT & INSTRUMENTS	6%
HEALTH CARE EQUIPMENT	6%
OTHER	13%

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## MARKET DEVELOPMENT

Healthcare investor sentiment was on fire in February and MSCI World Health Care Index rose 5.8% in USD and 8.9% in SEK.

## FUND PERFORMANCE

HealthInvest Value Fund rose 6.4% in February (share class B-SEK). Currency effects helped performance by 2.7 percentage points, indicating that the portfolio increased 3.7% in local currencies.

## MANAGEMENT, VALUATION & OUTLOOK

The fourth quarter earnings season was relatively benign for the portfolio companies, although sales growth was a bit lacklustre. Approximately 95% of the portfolio holdings have released results indicating median earnings per share growth of around 7% and median sales growth of approximately 1% Y/Y.

HealthInvest Value Fund (as an aggregate) is currently trading at 12.2x free cash flow. This compares favourably to both the healthcare sector (19.1x) as well as to MSCI World Index (20.4x).

Valuation of the healthcare sector is at an historically attractive level (6% 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 of sales and earnings.

Given the low valuation of the equity portfolio and the positive growth prospects in 2017, we are hopeful that the Fund will continue to appreciate in value.

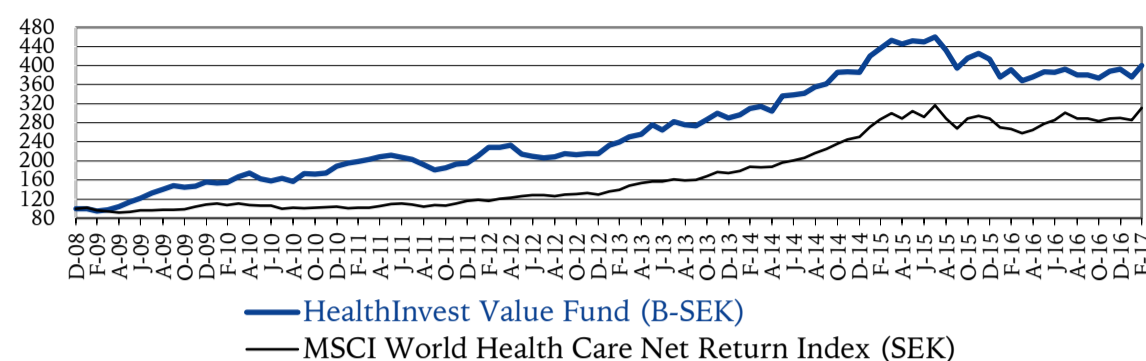
The Fund's net equity exposure was 96% at month end.

## 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

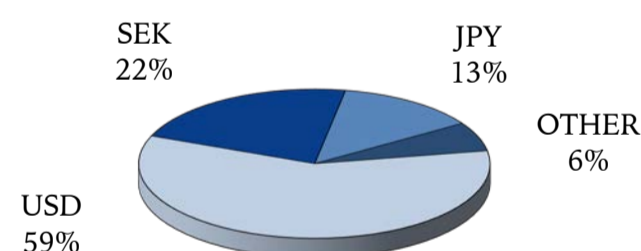
	NAV	Feb*	2017*	Since start*
HealthInvest Value Fund (A-SEK)	379.7	6.4%	2.1%	318.5%
HealthInvest Value Fund (B-SEK)	138.7	6.4%	2.0%	298.3%
HealthInvest Value Fund (C-EUR)	12.9	4.9%	2.0%	340.8%
MSCI World Health Care Index (SEK)	2455.1	8.9%	7.3%	210.8%
MSCI World Health Care Index (USD)	272.2	5.8%	8.1%	170.6%

\*Net of fees

## RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	-8.1%	298.3%
Sharpe ratio	-0.18	1.16
Standard deviation	14.6%	15.2%
Beta vs MSCI World Health Care Index	0.69	0.59
Downside risk	11.4%	8.3%
Active risk (tracking error)	9.1%	14.2%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

BIOTECHNOLOGY	22%
PHARMACEUTICALS	20%
HEALTH CARE DISTRIBUTORS	17%
MANAGED HEALTH CARE	14%
HEALTH CARE SERVICES	12%
LIFE SCIENCES TOOLS & SERVICES	5%
HEALTH CARE EQUIPMENT	5%
HEALTH CARE SUPPLIES	4%
OTHER	2%

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