



## HealthInvest August 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

Healthcare investor sentiment was slightly positive in August and gained momentum towards the end of the month. MSCI World Health Care Index increased 1.0% in USD, but declined 0.5% in SEK due to the strengthening Swedish currency.

## FUND PERFORMANCE

HealthInvest MicroCap Fund increased 1.6% in August (SEK). Currency effects hurt performance by 1.5 percentage points, indicating that the portfolio rose 3.1% in local currencies.

## MANAGEMENT, VALUATION & OUTLOOK

In August, the Fund participated in a favourably priced new share issue in the British medical device company Surgical Innovations Group. The share issue aimed to finance the acquisition of Elemental Healthcare, a UK-based specialist distributor of medical products. The transaction resulted in an immediate return on investment of more than 25% for the Fund and we will obviously keep on looking for similar accretive deals in the future.

Second quarter earnings is now in the books and we conclude that the quarter was healthy for the portfolio companies, delivering a median sales growth of 7.7% and a median earnings per share growth of 8.3%. Sedana Medical, a Swedish medical device company, won the quarterly growth contest, increasing sales by an impressive 34%.

HealthInvest MicroCap Fund (as an aggregate) is currently trading at 17.4x free cash flow. This is below the valuation of the healthcare sector (18.8x) as well as MSCI World Index (21.2x).

Valuation of the healthcare sector is at an historically attractive level (11% 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.

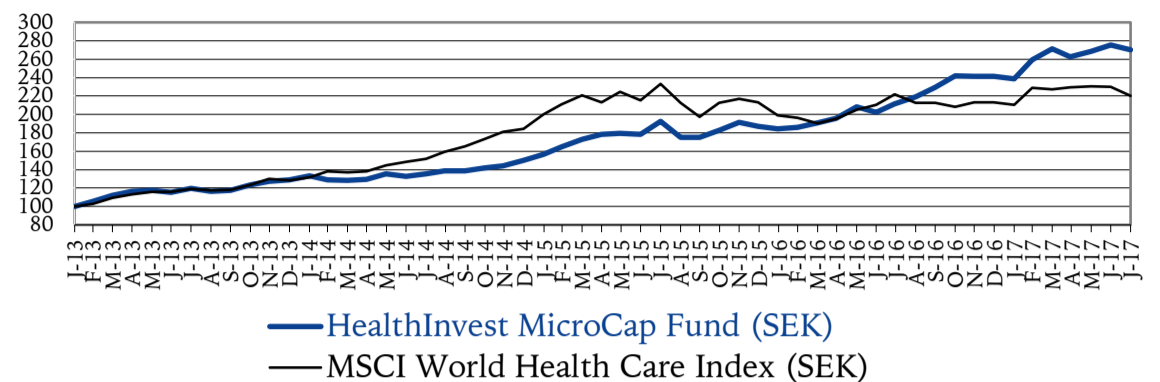
The Fund's net equity exposure was 97% at month end.

## 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

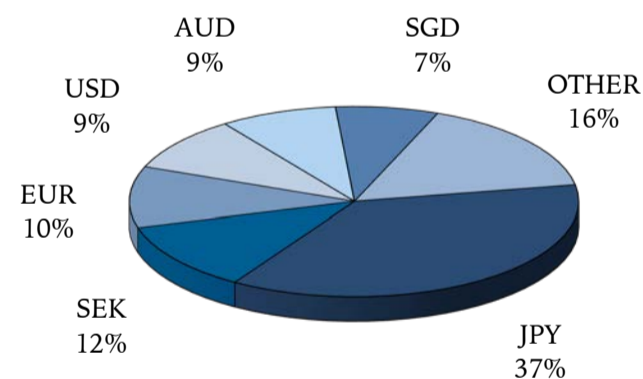
	NAV/Share	Aug*	2017*
HealthInvest MicroCap Fund (SEK)	253.5	1.6%	13.6%
MSCI World Health Care Index (SEK)	2351.1	-0.5%	2.8%
MSCI World Health Care Index (USD)	295.1	1.0%	17.2%

\*Net of fees

## RISK MEASURES

	24 months	Since start
Return	57.1%	173.8%
Sharpe ratio	2.19	2.01
Standard deviation	11.0%	11.3%
Beta vs MSCI World Health Care Index	0.38	0.47
Downside risk	3.8%	5.5%
Active risk (tracking error)	12.6%	11.7%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	24%
HEALTH CARE SUPPLIES	18%
HEALTH CARE EQUIPMENT	17%
HEALTH CARE SERVICES	17%
HEALTH CARE DISTRIBUTORS	7%
ELECTRONIC EQUIPMENT & INSTRUMENTS	6%
LIFE SCIENCES TOOLS & SERVICES	4%
LIFE & HEALTH INSURANCE	4%
OTHER	3%

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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 slightly positive in August and gained momentum towards the end of the month. MSCI World Health Care Index increased 1.0% in USD, but declined 0.5% in SEK due to the strengthening Swedish currency.

## FUND PERFORMANCE

HealthInvest Value Fund declined 1.6% in August (share class B-SEK). Currency effects hurt performance by 1.7 percentage points, indicating that the portfolio increased 0.1% in local currencies.

## MANAGEMENT, VALUATION & OUTLOOK

All the Fund's holdings have now reported second quarter earnings and results have generally been favourable (median sales growth of 4.1% and median earnings per share growth of 4.0%). US biotechnology company Ligand Pharmaceuticals came out on top, posting organic sales growth of 43%. On the weak side, US biopharma company Gilead Sciences' sales declined 8%. Gilead is facing tough competition which is pressuring drug prices and to some extent also volumes. However, the shares are trading at a 58% discount to the healthcare sector which is too steep in our view. In addition, Gilead recently made a transformative acquisition of US biotechnology company Kite Pharma, which may trigger a revaluation of the Gilead shares.

HealthInvest Value Fund (as an aggregate) is currently trading at 15.7x free cash flow. This compares favourably to both the healthcare sector (18.8x) as well as to MSCI World Index (21.2x).

Valuation of the healthcare sector is at an historically attractive level (11% 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 cyclicity of sales and earnings.

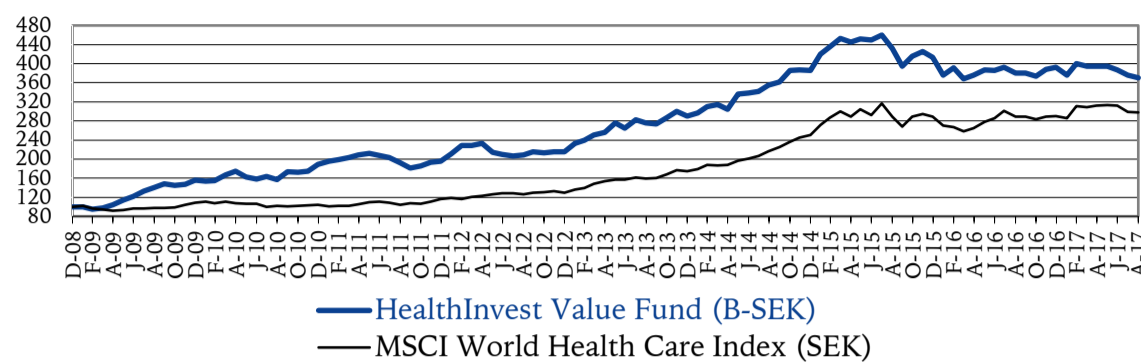
The Fund's net equity exposure was 81% at month end.

## 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

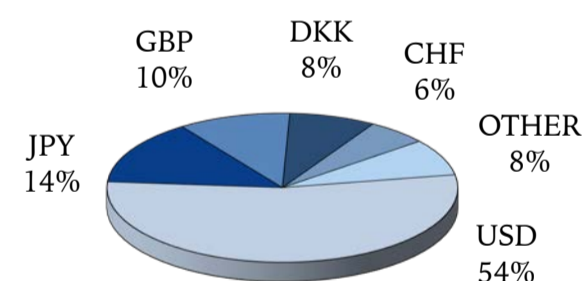
	NAV	Aug*	2017*	Since start*
HealthInvest Value Fund (A-SEK)	352.5	-1.6%	-5.3%	288.3%
HealthInvest Value Fund (B-SEK)	128.4	-1.6%	-5.6%	268.6%
HealthInvest Value Fund (C-EUR)	12.1	-0.8%	-4.5%	312.5%
MSCI World Health Care Index (SEK)	2351.1	-0.5%	2.8%	197.6%
MSCI World Health Care Index (USD)	295.1	1.0%	17.2%	193.4%

\*Net of fees

## RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	-14.3%	268.6%
Sharpe ratio	-0.45	1.06
Standard deviation	13.6%	14.9%
Beta vs MSCI World Health Care Index	0.82	0.60
Downside risk	10.9%	8.1%
Active risk (tracking error)	6.9%	13.8%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	23%
BIOTECHNOLOGY	22%
HEALTH CARE EQUIPMENT	16%
MANAGED HEALTH CARE	14%
HEALTH CARE SERVICES	11%
HEALTH CARE DISTRIBUTORS	8%
LIFE SCIENCES TOOLS & SERVICES	6%

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