



HealthInvest September 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. 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

The Republican party's latest plan to overhaul Obamacare (the Graham-Cassidy bill) was dead even before being voted on in the Senate. After a number of failed efforts by the Trump administration to repeal the legislation, it seems politically impossible to do away with Obamacare as too many patients (read voters) will be hurt in the process.

As healthcare investors have become rather used to Republicans' futile attempts to reduce healthcare for the poor, the positive sentiment continued in September. MSCI World Health Care Index increased 1.3% in USD and 3.9% in SEK.

FUND PERFORMANCE

HealthInvest MicroCap Fund rose 6.4% in September (SEK). Currency effects helped performance by 1.5 percentage points, indicating that the portfolio rose 4.9% in local currencies.

MANAGEMENT, VALUATION & OUTLOOK

In September, the Fund participated in a favourably priced new share issue in the Swedish biotechnology company Corline. The transaction resulted in an immediate return on investment of more than 25% for the Fund. The Fund was also a cornerstone investor in the IPO of the Swedish drug development company Xspray. The introduction was massively oversubscribed and the shares jumped 43% on the first day of trading. For obvious reasons, we will keep on looking for similar accretive deals in the future.

HealthInvest MicroCap Fund (as an aggregate) is currently trading at 17.5x free cash flow. This is below the valuation of the healthcare sector (17.9x) as well as MSCI World Index (21.0x).

Valuation of the healthcare sector is at an historically attractive level (15% discount to MSCI World Index). This indicates upside potential as the sector usually trades at a substantial PREMIUM (10%-15%) due to its high structural growth and relatively low cyclicity of sales and earnings.

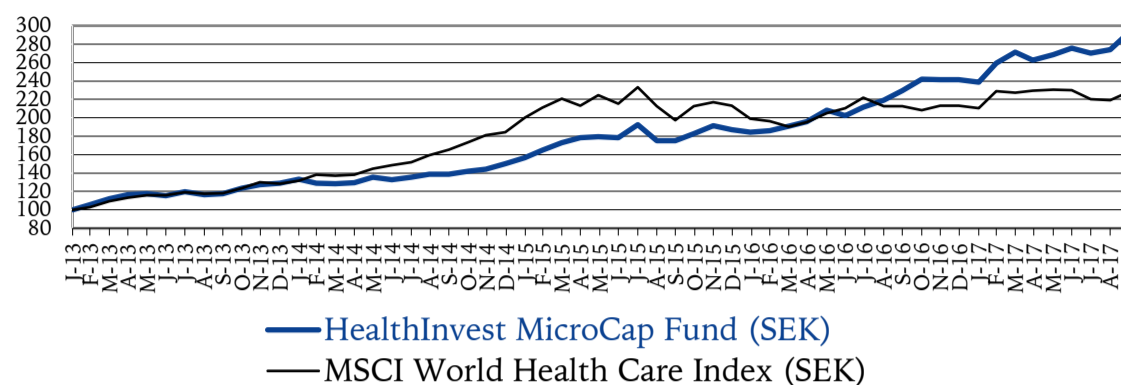
The Fund's net equity exposure was 102% at quarter end.

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

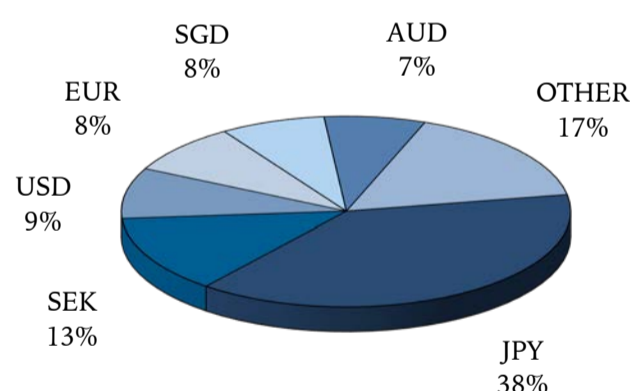
	NAV	Sept*	2017*	Since start*
HealthInvest MicroCap Fund (SEK)	268.8	6.4%	21.0%	191.4%
MSCI World Health Care Index (SEK)	2441.7	3.9%	6.7%	127.7%
MSCI World Health Care Index (USD)	299.0	1.3%	18.8%	77.2%

*Net of fees

RISK MEASURES

	24 months	Since start
Return	67.4%	191.4%
Sharpe ratio	2.41	2.08
Standard deviation	11.3%	11.4%
Beta vs MSCI World Health Care Index	0.43	0.48
Downside risk	3.8%	5.4%
Active risk (tracking error)	12.0%	11.7%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	23%
HEALTH CARE SERVICES	18%
HEALTH CARE SUPPLIES	17%
HEALTH CARE EQUIPMENT	13%
HEALTH CARE DISTRIBUTORS	9%
HEALTH CARE TECHNOLOGY	5%
BIOTECHNOLOGY	5%
LIFE SCIENCES TOOLS & SERVICES	4%
OTHER	5%

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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

The Republican party's latest plan to overhaul Obamacare (the Graham-Cassidy bill) was dead even before being voted on in the Senate. After a number of failed efforts by the Trump administration in 2017 to repeal the legislation, it seems politically impossible to do away with Obamacare as too many patients (read voters) will be hurt in the process.

As healthcare investors have become rather used to Republicans' futile attempts to reduce healthcare for the poor, the positive sentiment continued in September. MSCI World Health Care Index increased 1.3% in USD and 3.9% in SEK.

FUND PERFORMANCE

HealthInvest Value Fund increased 3.0% in September (share class B-SEK). Currency effects helped performance by 2.5 percentage points, indicating that the portfolio increased 0.5% in local currencies.

MANAGEMENT, VALUATION & OUTLOOK

The US company Waters was added to the Fund in September. Waters is a leading player in the life sciences and analytical instrument market. Revenue is derived from instruments (~52% of revenue) and the recurring sources of chemistry and services (~48% of revenue). The company has a rapid pace of product innovation and invests around 6% of sales into R&D each year. Although shares are not a bargain at 22x free cash flow, we believe Waters deserves a premium valuation due to its outstanding fundamentals (market leader, high degree of recurring revenue, superior ROE and high growth rate).

HealthInvest Value Fund (as an aggregate) is currently trading at 16.9x free cash flow. This compares favourably to both the healthcare sector (17.9x) as well as to MSCI World Index (21.0x).

Valuation of the healthcare sector is at an historically attractive level (15% discount to MSCI World Index). This indicates upside potential as the sector usually trades at a substantial PREMIUM (10%-15%) due to its high structural growth and relatively low cyclicity of sales and earnings.

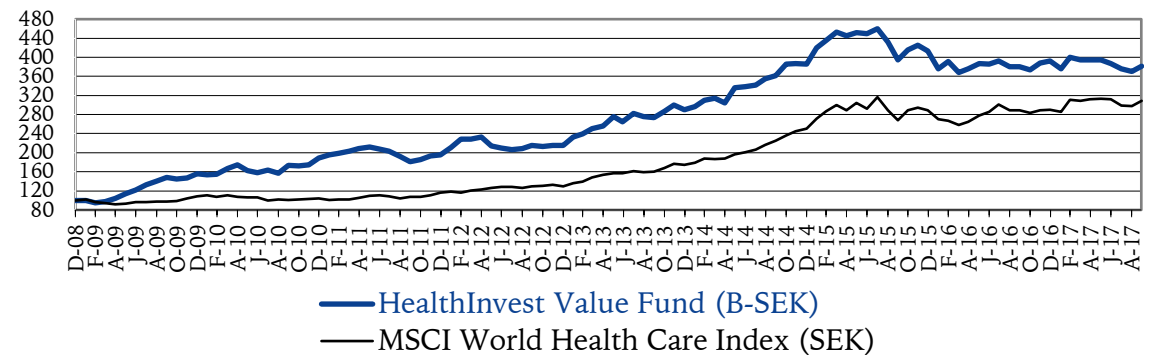
The Fund's net equity exposure was 86% at quarter end.

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

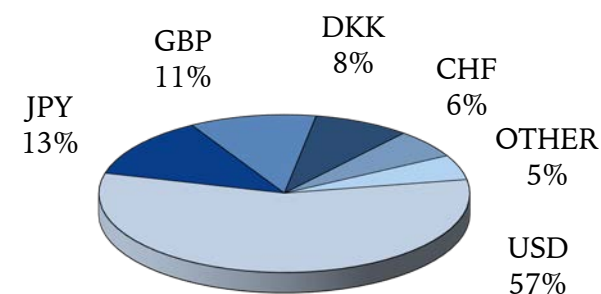
	NAV	Sept*	2017*	Since start*
HealthInvest Value Fund (A-SEK)	362.9	3.0%	-2.4%	299.9%
HealthInvest Value Fund (B-SEK)	132.2	3.0%	-2.8%	279.6%
HealthInvest Value Fund (C-EUR)	12.2	1.0%	-3.6%	316.4%
MSCI World Health Care Index (SEK)	2441.7	3.9%	6.7%	209.1%
MSCI World Health Care Index (USD)	299.0	1.3%	18.8%	197.4%

*Net of fees

RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	-3.5%	279.6%
Sharpe ratio	-0.03	1.08
Standard deviation	12.5%	14.9%
Beta vs MSCI World Health Care Index	0.78	0.60
Downside risk	9.1%	8.1%
Active risk (tracking error)	6.9%	13.8%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	27%
BIOTECHNOLOGY	20%
MANAGED HEALTH CARE	13%
HEALTH CARE EQUIPMENT	10%
LIFE SCIENCES TOOLS & SERVICES	10%
HEALTH CARE SERVICES	10%
HEALTH CARE DISTRIBUTORS	8%

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