



## HealthInvest November 2017 Letters

### Small & MicroCap Fund Value Fund

#### DISCLAIMER

Funds managed by HealthInvest Partners AB ("the Funds") are funds pursuant to the Swedish Mutual Funds Act (2004:46). It is the responsibility of each and every person interested in investing in these Funds to ensure that the investment takes place in accordance with applicable laws and other regulations. Foreign law may entail that an investment cannot be made by an investor from outside Sweden. HealthInvest Partners has no responsibility whatsoever to verify whether an investment made from outside Sweden takes place in accordance with the laws of the relevant country.

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 positive in November. MSCI World Health Care Index increased 2.3% in USD and 2.2% in SEK.

## FUND PERFORMANCE

HealthInvest Small & MicroCap Fund declined 1.3% in November (A-SEK). Currency effects helped performance by 1.0 percentage point, indicating that the portfolio decreased 2.3% in local currencies.

## MANAGEMENT, VALUATION & OUTLOOK

All of the Fund's holdings have now reported third quarter earnings and results have generally been favourable (median sales growth of 10.3% and median earnings per share growth of 7.0%). The Swedish surgical diagnostic test company Surgical Science came out on top, posting sales growth of 104%. On the weak side, Japanese hearing aid company Rion posted sales growth of 2%. In its defence, Rion did deliver earnings per share growth of 31%, which more than offset the mediocre sales growth in our view.

In November, the Fund built up a position in the German medical equipment company Drägerwerk. The company is a market leader in its main product segments (anesthesia machines, ventilators and patient monitoring) and has high ambitions to innovate (spends around 9% of sales into R&D). Drägerwerk has recently announced plans to speed up its organic growth, including additional investments in R&D, IT and Sales & Marketing. These measures will gain traction already next year, which we hope will give a boost to the shares. The valuation of the company is attractive as its shares trades at around 10x free cash flow.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 17.6x free cash flow. This compares favourably to both the healthcare sector (19.3x) as well as MSCI World Index (22.1x).

Valuation of the healthcare sector is at an historically attractive level (13% 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 cyclicality of sales and earnings.

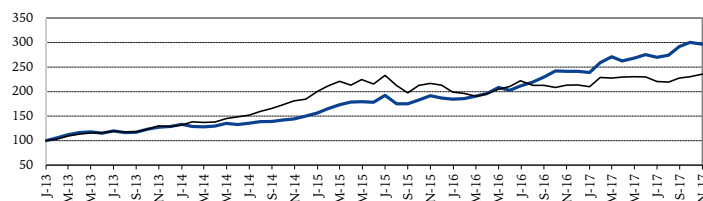
The Fund's net equity exposure was 96% at month end.

## FUND CHARACTERISTICS

HealthInvest Small & 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)



— HealthInvest Small & MicroCap Fund (SEK)  
— MSCI World Health Care Index (SEK)

## PERFORMANCE

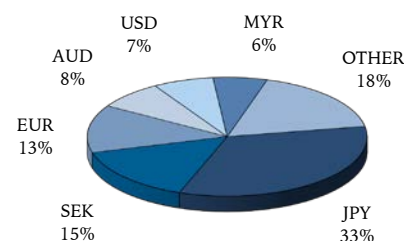
	NAV	Nov*	2017*	Since start*
HealthInvest Small & MicroCap (A-SEK)	273.1	-1.3%	22.9%	196.1%
HealthInvest Small & MicroCap (B-SEK)	98.8	-1.2%	23.5%	219.7%
MSCI World Health Care Index (SEK)	2527.0	2.2%	10.4%	135.6%
MSCI World Health Care Index (USD)	301.9	2.3%	19.9%	78.8%

\*Net of fees

## RISK MEASURES

	24 months	Since start
Return	55.4%	196.1%
Sharpe ratio	2.08	2.06
Standard deviation	11.3%	11.3%
Beta vs MSCI World Health Care Index	0.42	0.47
Downside risk	3.9%	5.3%
Active risk (tracking error)	12.0%	11.6%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	22%
HEALTH CARE EQUIPMENT	18%
HEALTH CARE SERVICES	17%
HEALTH CARE SUPPLIES	11%
HEALTH CARE DISTRIBUTORS	9%
HEALTH CARE TECHNOLOGY	5%
LIFE SCIENCES TOOLS & SERVICES	5%
LIFE & HEALTH INSURANCE	4%
OTHER	8%

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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.

# HealthInvest Value Fund

2017-11-30

## MARKET DEVELOPMENT

Healthcare investor sentiment was positive in November. MSCI World Health Care Index increased 2.3% in USD and 2.2% in SEK.

## FUND PERFORMANCE

HealthInvest Value Fund increased 0.9% in November (share class B-SEK). Currency effects helped performance by 0.5 percentage points, indicating that the portfolio increased 0.4% in local currencies.

## MANAGEMENT, VALUATION & OUTLOOK

In November, the Fund built up a position in the US large cap healthcare distributor Cardinal Health. The company is an industry giant, with a drug distribution system consisting of 25,000 pharmacies in the US. In addition, Cardinal supplies more than 70% of US hospitals and manufactures or sources 2.8 billion individual consumer healthcare, home medical equipment, and over-the-counter products each year. The company has an impressive earnings track record, posting 11% annual EPS growth the last five years (CAGR). The valuation of Cardinal's shares are attractive in our view, trading at around 10x free cash flow.

HealthInvest Value Fund (as an aggregate) is currently trading at 16.1x free cash flow. This compares favourably to both the healthcare sector (19.3x) as well as to MSCI World Index (22.1x).

Valuation of the healthcare sector is at an historically attractive level (13% 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.

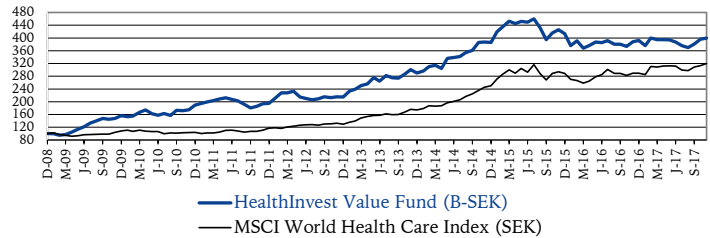
The Fund's net equity exposure was 76% at month end.

## 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 started operations on December 30, 2008.

## PERFORMANCE SINCE START (SEK)



## PERFORMANCE

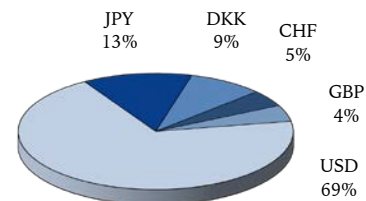
	NAV	Nov*	2017*	Since start*
HealthInvest Value Fund (A-SEK)	381.1	1.0%	2.5%	320.0%
HealthInvest Value Fund (B-SEK)	138.7	0.9%	2.0%	298.3%
HealthInvest Value Fund (C-EUR)	12.4	-1.3%	-2.1%	323.1%
MSCI World Health Care Index (SEK)	2527.0	2.2%	10.4%	219.9%
MSCI World Health Care Index (USD)	301.9	2.3%	19.9%	200.1%

\*Net of fees

## RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	-6.1%	298.3%
Sharpe ratio	-0.15	1.10
Standard deviation	12.1%	14.8%
Beta vs MSCI World Health Care Index	0.80	0.60
Downside risk	9.1%	8.1%
Active risk (tracking error)	7.2%	13.7%

## CURRENCY EXPOSURE



## SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	30%
BIOTECHNOLOGY	20%
MANAGED HEALTH CARE	15%
HEALTH CARE SERVICES	11%
LIFE SCIENCES TOOLS & SERVICES	10%
HEALTH CARE DISTRIBUTORS	10%
HEALTH CARE EQUIPMENT	5%

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HEALTHINVEST PARTNERS AB