



HealthInvest December 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. 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

Healthcare investor sentiment was rather neutral in December. MSCI World Health Care Index decreased 0.1% in USD and declined 2.4% in SEK.

On the political front, President Trump finally got a legislative win signing a USD1.5 trillion tax cut bill with US corporations as substantial beneficiaries. Main components included the slashing of the top corporate tax rate to 21 percent and the lowering of the repatriation tax rate to 15.5 percent. HealthInvest Small & MicroCap Fund has rather few holdings that will be substantially impacted by the legislation but Anika Therapeutics (US), Drägerwerk (DE) and Vétuquinol (FR), all have significant presence in the US.

FUND PERFORMANCE

HealthInvest Small & MicroCap Fund increased 2.3% in December (A-SEK). Currency effects hurt performance by 1.4 percentage point, indicating that the portfolio rose 3.7% in local currencies.

MANAGEMENT, VALUATION & OUTLOOK

In December, the Fund built up a position in the South Korean fast grower Hugel. The company was founded in 2001 and mainly engages in the manufacture and sale of botulinum toxin and hyaluronic acid fillers. Hugel's main product 'Botulax' was launched in 2010 and has already achieved a 37% market share domestically. In addition, exports are growing fast and may increase even faster in the future if marketing approvals are granted in the US and Europe. Given the strong sales growth outlook, it is likely that shares will trade at less than 13x free cash flow in 2020, an appetizing valuation in our view.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 18.3x free cash flow. This compares favourably to both the global healthcare sector (19.5x) as well as MSCI World Index (22.6x).

Valuation of the global healthcare sector is at an historically attractive level (14% 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 cyclical of sales and earnings.

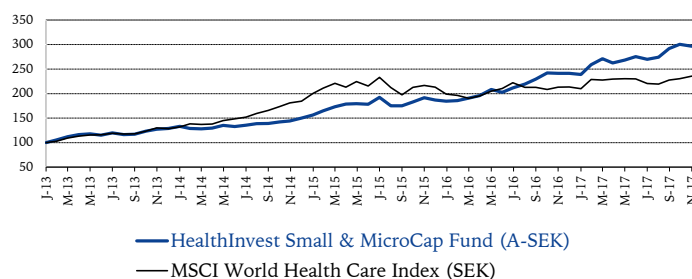
The Fund's net equity exposure was 98% at year end.

FUND CHARACTERISTICS

HealthInvest Small & MicroCap Fund mainly 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

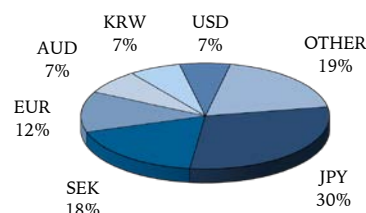
	NAV	Dec*	2017*	Since start*
HealthInvest Small & MicroCap (A-SEK)	279.2	2.3%	25.7%	202.8%
HealthInvest Small & MicroCap (B-SEK)	100.8	2.0%	26.0%	226.1%
MSCI World Health Care Index (SEK)	2467.3	-2.4%	7.8%	130.1%
MSCI World Health Care Index (USD)	301.7	-0.1%	19.8%	78.7%

*Net of fees

RISK MEASURES

	24 months	Since start
Return	62.3%	202.8%
Sharpe ratio	2.36	2.08
Standard deviation	10.9%	11.2%
Beta vs MSCI World Health Care Index	0.38	0.47
Downside risk	3.6%	5.3%
Active risk (tracking error)	12.1%	11.7%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	20%
HEALTH CARE EQUIPMENT	18%
HEALTH CARE SERVICES	15%
BIOTECHNOLOGY	12%
HEALTH CARE SUPPLIES	11%
HEALTH CARE DISTRIBUTORS	8%
LIFE SCIENCES TOOLS & SERVICES	5%
HEALTH CARE TECHNOLOGY	5%
OTHER	6%

DISCLAIMER

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

Healthcare investor sentiment was rather neutral in December. MSCI World Health Care Index decreased 0.1% in USD and declined 2.4% in SEK.

On the political front, President Trump finally got a legislative win signing a USD1.5 trillion tax cut bill with US corporations as the main beneficiaries. Substantial components included the slashing of the top corporate tax rate to 21% and the lowering of the repatriation tax rate to 15.5%. These measures will start benefitting US companies (including HealthInvest Value Fund's holdings) starting on January 1, 2018.

FUND PERFORMANCE

HealthInvest Value Fund decreased 1.6% in December (share class B-SEK). Currency effects hurt performance by 2.2 percentage points, indicating that the portfolio increased 0.6% in local currencies.

MANAGEMENT, VALUATION & OUTLOOK

In expectation of a more favourable tax environment, the Fund increased its US exposure in December. New additions include US pharmaceutical companies Bristol-Myers Squibb and Eli Lilly, US lab test services company Quest Diagnostics and the Swiss pharma company Novartis. All four newcomers have strong prospective earnings growth, increasing EPS annually 9%-14% from 2017 to 2020. Valuations are reasonable, stretching from 15.6x free cash flow (Quest) to 20.8x (Eli Lilly).

HealthInvest Value Fund (as an aggregate) is currently trading at 16.0x free cash flow. This compares favourably to both the global healthcare sector (19.5x) as well as to MSCI World Index (22.6x).

Valuation of the global healthcare sector is at an historically attractive level (14% 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.

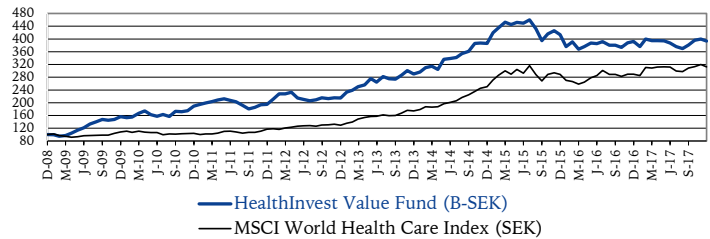
The Fund's net equity exposure was 94% at year end.

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

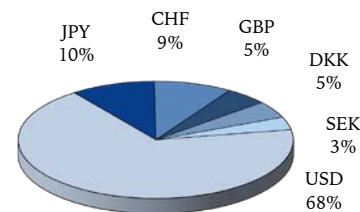
	NAV	Dec*	2017*	Since start*
HealthInvest Value Fund (A-SEK)	375.3	-1.5%	0.9%	313.6%
HealthInvest Value Fund (B-SEK)	136.5	-1.6%	0.4%	292.0%
HealthInvest Value Fund (C-EUR)	12.4	0.1%	-2.0%	323.6%
MSCI World Health Care Index (SEK)	2467.3	-2.4%	7.8%	212.3%
MSCI World Health Care Index (USD)	301.7	-0.1%	19.8%	199.9%

*Net of fees

RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	-4.8%	292.0%
Sharpe ratio	-0.09	1.08
Standard deviation	12.0%	14.7%
Beta vs MSCI World Health Care Index	0.78	0.60
Downside risk	8.9%	8.0%
Active risk (tracking error)	7.2%	13.6%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	33%
BIOTECHNOLOGY	19%
HEALTH CARE SERVICES	15%
LIFE SCIENCES TOOLS & SERVICES	10%
HEALTH CARE DISTRIBUTORS	10%
MANAGED HEALTH CARE	9%
HEALTH CARE EQUIPMENT	5%

DISCLAIMER

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.