



HealthInvest January 2018 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 positive in January. MSCI World Health Care Index jumped 5.6% in USD and increased 1.7% in SEK.

On the political front, President Trump held a long State of the Union address on January 29th which included an emphasis on bringing down the US prescription drug prices. The president compared the high drug prices charged in the US to those in "other countries". The message was negatively received by investors and especially pharma and biotech stocks were hurt in the process. It should be noted however that HealthInvest Small & MicroCap Fund currently does not own any company which sell prescription drugs in the US market.

FUND PERFORMANCE

HealthInvest Small & MicroCap Fund increased 4.5% in January (A-SEK). Currency effects hurt performance by 0.8 percentage points, indicating that the portfolio rose 5.3% in local currencies.

MANAGEMENT, VALUATION & OUTLOOK

In January, the Fund built up a position in the South Korean fast grower Rayence. The company was spun out from the medical equipment company Vatech in 2011 and specializes in flat panel detectors which convert X-ray images to digital data. The detectors are mainly used in dental, medical and veterinary applications. Rayence put a strong emphasis on innovation and has around 25% of its staff dedicated to R&D. Sales growth has been strong (13.5% CAGR 2014-2017), a trend we believe will continue, driven by a favourable market outlook and the company's high pace of product development. Considering its high growth, the shares are attractively priced at around 20x free cash flow.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 17.8x free cash flow. This compares favourably to both the global healthcare sector (21.0x) as well as MSCI World Index (23.5x).

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

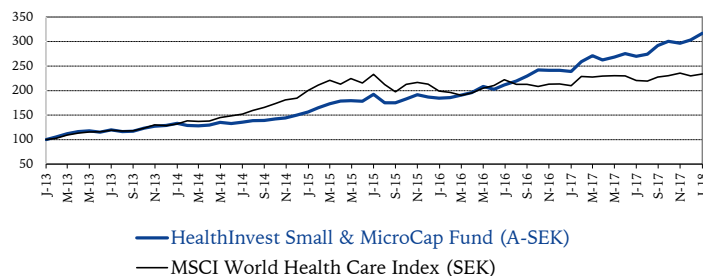
The Fund's net equity exposure was 92% at month end.

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

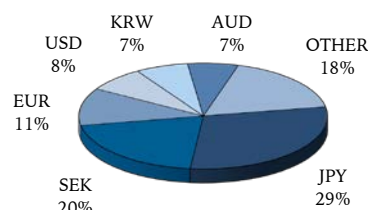
	NAV	Jan*	2018*	Since start*
HealthInvest Small & MicroCap (A-SEK)	291.9	4.5%	4.5%	216.5%
HealthInvest Small & MicroCap (B-SEK)	105.5	4.7%	4.7%	241.5%
MSCI World Health Care Index (SEK)	2510.4	1.7%	1.7%	134.1%
MSCI World Health Care Index (USD)	318.6	5.6%	5.6%	88.7%

*Net of fees. Share class B started on November 1, 2017. The historical return preceding that date is the return of HealthInvest Small & MicroCap Fund adjusted for the fee structure of share class B.

RISK MEASURES (A-SEK)

	24 months	Since start
Return	72.0%	216.5%
Sharpe ratio	2.67	2.13
Standard deviation	10.7%	11.2%
Beta vs MSCI World Health Care Index	0.37	0.47
Downside risk	3.5%	5.3%
Active risk (tracking error)	11.9%	11.6%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

HEALTH CARE EQUIPMENT	23%
PHARMACEUTICALS	15%
HEALTH CARE SERVICES	14%
BIOTECHNOLOGY	14%
HEALTH CARE SUPPLIES	12%
HEALTH CARE DISTRIBUTORS	8%
LIFE SCIENCES TOOLS & SERVICES	5%
HEALTH CARE TECHNOLOGY	4%
LIFE & HEALTH INSURANCE	4%
OTHER	1%

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 positive in January. MSCI World Health Care Index jumped 5.6% in USD and increased 1.7% in SEK.

On the political front, President Trump held a long State of the Union address on January 29th which included an emphasis on bringing down the US prescription drug prices. The president compared the high US drug prices to those in "other countries". The message was negatively received by investors and especially pharma and biotech stocks were hurt. It should be noted that HealthInvest Value Fund has significant holdings in companies dependent on the health of the US prescription drug market. However, as most people probably are aware by now, not all of President Trump's ideas are converted into reality. Furthermore, different measures to lower US drug prices have been topics for discussion the last 20 years (at least), but strong lobbying efforts by the US pharma industry have successfully fended off any such attempts. In our view, Trump's talk to lower US drug prices is probably more bark than bite.

FUND PERFORMANCE

HealthInvest Value Fund increased 1.5% in January (share class B-SEK). Currency effects hurt performance by 2.4 percentage points, indicating that the portfolio increased 3.9% in local currencies.

MANAGEMENT, VALUATION & OUTLOOK

HealthInvest Value Fund (as an aggregate) is currently trading at 17.5x free cash flow. This compares favourably to both the global healthcare sector (21.0x) as well as to MSCI World Index (23.5x).

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

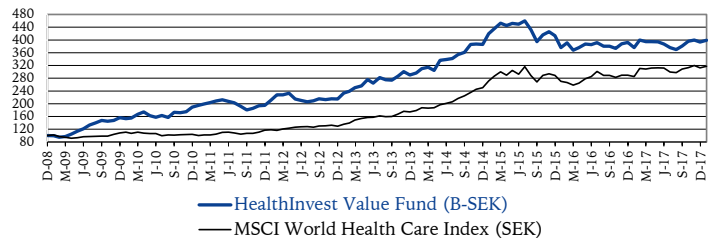
The Fund's net equity exposure was 93% at month end.

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

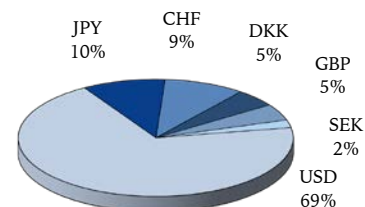
	NAV	Jan*	2018*	Since start*
HealthInvest Value Fund (A-SEK)	380.9	1.5%	1.5%	319.8%
HealthInvest Value Fund (B-SEK)	138.5	1.5%	1.5%	297.8%
HealthInvest Value Fund (C-EUR)	12.6	1.7%	1.7%	330.7%
MSCI World Health Care Index (SEK)	2510.4	1.7%	1.7%	217.8%
MSCI World Health Care Index (USD)	318.6	5.6%	5.6%	216.8%

*Net of fees. Share class B and C started on November 1, 2013. The returns preceding that date are the returns of HealthInvest Value Fund adjusted for the fee structure of share class B and C.

RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	1.5%	297.8%
Sharpe ratio	0.41	1.09
Standard deviation	10.1%	14.6%
Beta vs MSCI World Health Care Index	0.68	0.60
Downside risk	6.3%	8.0%
Active risk (tracking error)	7.1%	13.6%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	34%
BIOTECHNOLOGY	18%
HEALTH CARE SERVICES	15%
MANAGED HEALTH CARE	10%
LIFE SCIENCES TOOLS & SERVICES	10%
HEALTH CARE DISTRIBUTORS	9%
HEALTH CARE EQUIPMENT	5%

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