



HealthInvest May 2018 Letters

Small & 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

Healthcare investor sentiment was rather neutral in May. MSCI World Health Care Index increased 0.5% in USD and 1.3% in SEK.

On May 11, US President Trump held a long feared speech about drug prices in the country. As a reminder, shortly after being elected, President Trump made very harsh remarks including that pharma companies 'are getting away with murder'. However, after a rather lame and industry friendly speech, it is now evident that President Trump and the Republican party will not hurt the healthcare industry with any substantial policy measures. This is a significant relief and should justify higher valuations of healthcare companies in our view.

FUND PERFORMANCE

HealthInvest Small & MicroCap Fund decreased 0.3% in May (A-SEK). Currency effects did not materially impact the monthly performance.

MANAGEMENT, VALUATION & OUTLOOK

In May, the Fund eliminated four equity positions. Dutch biopharma company Pharming and optical lens manufacturer Thai Optical were sold due to relatively weak first quarter results; Japanese hearing aid manufacturer Rion and Swedish sedation device company Sedana Medical were divested as they both had reached their respective valuation targets.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 18.1x free cash flow. This is in line with the global healthcare sector (18.3x) and significantly below MSCI World Index (23.0x).

Valuation of the global healthcare sector is at an historically attractive level (20% 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.

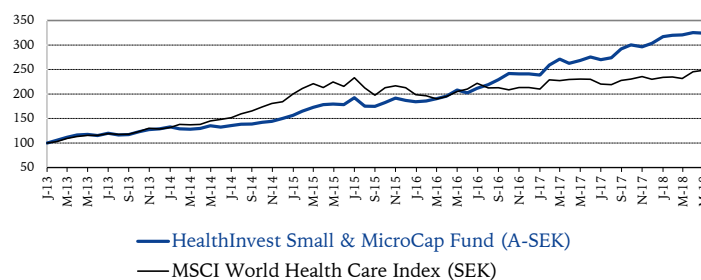
The Fund's net equity exposure was 69% at month end. The main reason for the low equity exposure is that the Fund will soon be approved for trading in Taiwan, a country with many promising and lowly valued healthcare companies in our view.

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

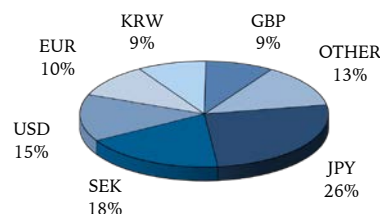
	NAV	May*	2018*	Since start*
HealthInvest Small & MicroCap (A-SEK)	298.7	-0.3%	7.0%	223.9%
HealthInvest Small & MicroCap (B-SEK)	107.2	-0.3%	6.4%	247.0%
MSCI World Health Care Index (SEK)	2665.8	1.3%	8.0%	148.6%
MSCI World Health Care Index (USD)	302.2	0.5%	0.2%	79.0%

*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 (SHARE CLASS A-SEK)

	24 months	Since start
Return	55.8%	223.9%
Sharpe ratio	2.25	2.10
Standard deviation	10.5%	10.9%
Beta vs MSCI World Health Care Index	0.30	0.46
Downside risk	3.5%	5.1%
Active risk (tracking error)	12.4%	11.5%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

HEALTH CARE EQUIPMENT	28%
BIOTECHNOLOGY	23%
PHARMACEUTICALS	18%
HEALTH CARE SERVICES	13%
LIFE SCIENCES TOOLS & SERVICES	7%
HEALTH CARE TECHNOLOGY	6%
HEALTH CARE DISTRIBUTORS	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 May. MSCI World Health Care Index increased 0.5% in USD and 1.3% in SEK.

On May 11, US President Trump held a long feared speech about drug prices in the country. As a reminder, shortly after being elected, Trump made very harsh remarks including that pharma companies 'are getting away with murder'. However, after a rather lame and industry friendly speech, it is now evident that Trump and the Republican party will not hurt the healthcare industry with any substantial policy measures. This is a significant relief and should justify higher valuations of healthcare companies in our view.

FUND PERFORMANCE

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

MANAGEMENT, VALUATION & OUTLOOK

In May, the Fund added the US pharmaceutical company Bristol-Myers Squibb (BMY) as a significant holding. BMY has two block busters which are driving significant growth over the next five years: Eliquis - a blood thinning agent indicated for atrial fibrillation. The drug is estimated to grow from USD5bn in 2017 to USD9bn in 2022; and Opdivo - a drug indicated for various variations of cancer including metastatic melanoma, renal cell cancer and liver cancer. The drug is estimated to grow in similar magnitude as Eliquis. The valuation of BMY shares is attractive in our view, trading at 19x free cash flow.

HealthInvest Value Fund (as an aggregate) is currently trading at 14.4x free cash flow. This compares favourably to the global healthcare sector (18.3x) as well as to MSCI World Index (23.0x).

Valuation of the global healthcare sector is at an historically attractive level (20% 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.

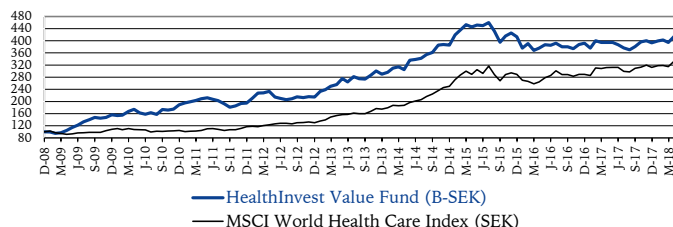
The Fund's net equity exposure was 90% at month end.

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

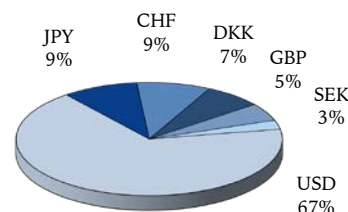
	NAV	May*	2018*	Since start*
HealthInvest Value Fund (A-SEK)	394.8	-0.5%	5.2%	335.1%
HealthInvest Value Fund (B-SEK)	143.3	-0.5%	5.0%	311.6%
HealthInvest Value Fund (C-EUR)	12.4	2.0%	-0.1%	323.0%
MSCI World Health Care Index (SEK)	2665.8	1.3%	8.0%	237.4%
MSCI World Health Care Index (USD)	302.2	0.5%	0.2%	200.5%

*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	6.7%	311.6%
Sharpe ratio	0.47	1.09
Standard deviation	9.2%	14.5%
Beta vs MSCI World Health Care Index	0.71	0.61
Downside risk	4.9%	7.8%
Active risk (tracking error)	5.5%	13.3%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	39%
BIOTECHNOLOGY	17%
HEALTH CARE DISTRIBUTORS	17%
HEALTH CARE SERVICES	10%
MANAGED HEALTH CARE	7%
LIFE SCIENCES TOOLS & SERVICES	5%
OTHER	5%

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