



HealthInvest July 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 July. MSCI World Health Care Index increased 6.1% in USD and 4.2% in SEK.

FUND PERFORMANCE

HealthInvest Small & MicroCap Fund decreased 0.9% in July (A-SEK). Currency effects hurt performance by 1.9 percentage points, indicating that the Fund increased 1.0% in local currencies.

MANAGEMENT, VALUATION & OUTLOOK

In July, the Fund initiated an equity position in Petmed Express, the largest pet pharmacy in the US. Petmed sells pet medications, and other health products for dogs and cats, direct to the consumer. Its product line contains approximately 3 000 products and the lion share of these (84%) are sold online and the remaining are sold by phone or mail. We believe Petmed's online business model will continue to steal market share from retail stores well into the future, giving the company a long lasting tailwind. Also, the veterinary market enjoys healthy growth, giving Petmed an additional boost. The company is attractively valued at around 15x free cash flow, adjusted for its substantial net cash position.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 19.0x free cash flow. This compares favorably to the global healthcare sector (20.1x) as well as to MSCI World Index (23.6x).

Valuation of the global 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 cyclical of sales and earnings.

Given the rather low valuation of the portfolio and its healthy growth, we are hopeful that the Fund will continue to rise in value.

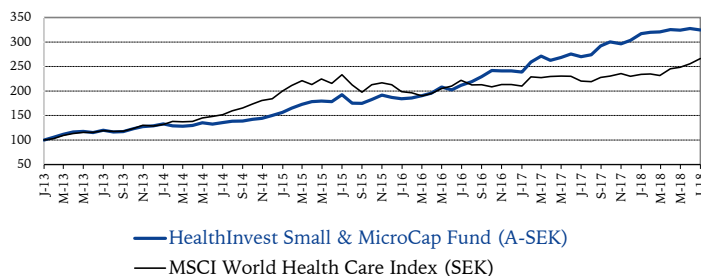
The Fund's net equity exposure was 81% at month end.

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

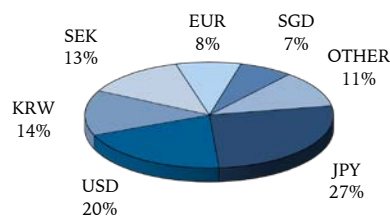
	NAV	July*	2018*	Since start*
HealthInvest Small & MicroCap (A-SEK)	298.9	-0.9%	7.0%	224.1%
HealthInvest Small & MicroCap (B-SEK)	107.5	-0.9%	6.7%	248.1%
MSCI World Health Care Index (SEK)	2856.3	4.2%	15.8%	166.3%
MSCI World Health Care Index (USD)	325.1	6.1%	7.8%	92.6%

*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	53.3%	224.1%
Sharpe ratio	2.29	2.06
Standard deviation	9.9%	10.8%
Beta vs MSCI World Health Care Index	0.24	0.44
Downside risk	2.9%	5.0%
Active risk (tracking error)	12.4%	11.6%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

HEALTH CARE EQUIPMENT	32%
PHARMACEUTICALS	16%
BIOTECHNOLOGY	15%
HEALTH CARE SERVICES	10%
HEALTH CARE SUPPLIES	8%
LIFE SCIENCES TOOLS & SERVICES	8%
HEALTH CARE DISTRIBUTORS	6%
HEALTH CARE TECHNOLOGY	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.

MARKET DEVELOPMENT

Healthcare investor sentiment was positive in July. MSCI World Health Care Index increased 6.1% in USD and 4.2% in SEK.

FUND PERFORMANCE

HealthInvest Value Fund rose 3.4% in July (share class B-SEK). Currency effects hurt performance by 2.1 percentage points, indicating that the equity portfolio increased 5.5% in local currencies.

MANAGEMENT, VALUATION & OUTLOOK

In July, the Fund divested three equity positions. The US biotechnology company Gilead Sciences was sold due to a seemingly never ending decline in the Hepatitis C market. The US health care distributors McKesson and Patterson were sold due to deteriorating cash flows. Although valuations of the three companies above are not too demanding, we are hard pressed to see any significant positive catalysts for the shares in the near term.

HealthInvest Value Fund (as an aggregate) is currently trading at 16.3x free cash flow. This compares favourably to the global healthcare sector (20.1x) as well as to MSCI World Index (23.6x).

Valuation of the global 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 cyclical of sales and earnings.

Given the rather low valuation of the portfolio and its healthy growth, we are hopeful that the Fund will continue to rise in value.

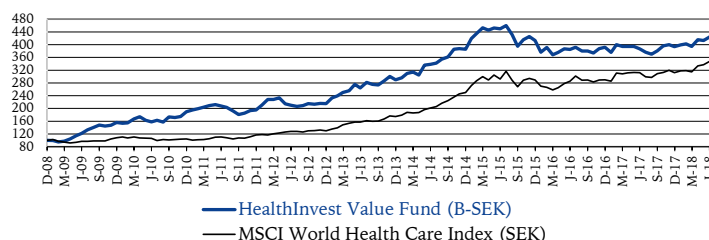
The Fund's net equity exposure was 76% at month end.

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

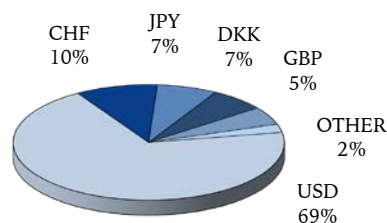
	NAV	July*	2018*	Since start*
HealthInvest Value Fund (A-SEK)	418.9	3.4%	11.6%	361.6%
HealthInvest Value Fund (B-SEK)	151.9	3.4%	11.3%	336.3%
HealthInvest Value Fund (C-EUR)	13.2	5.2%	6.2%	349.6%
MSCI World Health Care Index (SEK)	2856.3	4.2%	15.8%	261.6%
MSCI World Health Care Index (USD)	325.1	6.1%	7.8%	223.2%

*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	11.8%	336.3%
Sharpe ratio	0.70	1.12
Standard deviation	9.5%	14.4%
Beta vs MSCI World Health Care Index	0.79	0.61
Downside risk	4.9%	7.8%
Active risk (tracking error)	4.5%	13.2%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	43%
BIOTECHNOLOGY	14%
HEALTH CARE SERVICES	11%
ELECTRONIC EQUIPMENT & INSTRUMENTS	9%
HEALTH CARE DISTRIBUTORS	9%
MANAGED HEALTH CARE	9%
LIFE SCIENCES TOOLS & SERVICES	6%

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