



HealthInvest August 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 August. MSCI World Health Care Index increased 7.2% in USD and 3.0% in SEK.

FUND PERFORMANCE

HealthInvest Small & MicroCap Fund rose 4.2% in August (A-SEK). Currency effects helped performance by 3.6 percentage points, indicating that the Fund increased 0.6% in local currencies.

MANAGEMENT, VALUATION & OUTLOOK

In August, the Fund built up a position in the Korean company Neopharm. Its main product line, Atopalm, is a series of moisturising creams for babies suffering from atopic dermatitis (sensitive skin). The brand is currently number two in terms of market share in Korea and shows healthy growth. To boost sales growth even further, Neopharm uses a two-pronged strategy including: 1) The launch of Atopalm for babies into China and; 2) Developing an adult moisturizing product line (Real Barrier). Neopharm enjoys gross margins over 70% and given the strong sales growth outlook, it is not unlikely that shares will trade at less than 10x free cash flow in 2020, clearly appetising in our view.

Second quarter earnings is now in the books and we conclude that the quarter was healthy for the portfolio companies, delivering a median sales growth of 6.3% and a median earnings per share growth of 10.3%. Surgical Sciences, a Swedish surgery training software company, won the quarterly growth contest, increasing organic sales by an impressive 24%.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 19.6x free cash flow. This compares favorably to the global healthcare sector (20.1x) as well as to MSCI World Index (23.5x).

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.

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

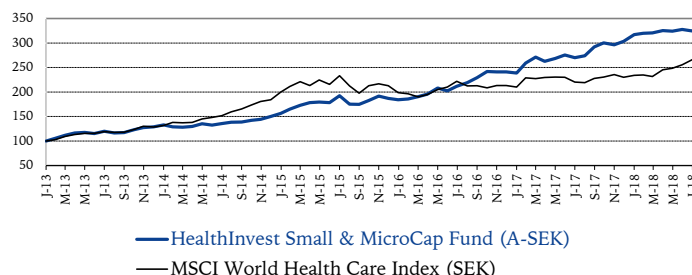
The Fund's net equity exposure was 78% at month end.

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

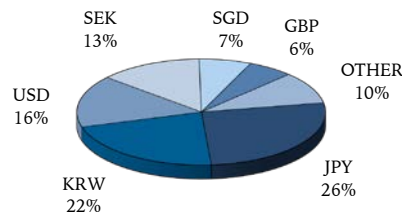
	NAV	Aug*	2018*	Since start*
HealthInvest Small & MicroCap (A-SEK)	311.4	4.2%	11.5%	237.7%
HealthInvest Small & MicroCap (B-SEK)	112.0	4.2%	11.2%	262.6%
MSCI World Health Care Index (SEK)	3062.4	7.2%	24.1%	185.6%
MSCI World Health Care Index (USD)	334.7	3.0%	10.9%	98.3%

*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	54.2%	237.7%
Sharpe ratio	2.30	2.10
Standard deviation	10.0%	10.8%
Beta vs MSCI World Health Care Index	0.33	0.44
Downside risk	2.9%	5.0%
Active risk (tracking error)	11.6%	11.6%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

HEALTH CARE EQUIPMENT	35%
PHARMACEUTICALS	17%
BIOTECHNOLOGY	10%
HEALTH CARE SERVICES	10%
LIFE SCIENCES TOOLS & SERVICES	8%
HEALTH CARE SUPPLIES	8%
HEALTH CARE DISTRIBUTORS	7%
OTHER	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 August. MSCI World Health Care Index increased 7.2% in USD and 3.0% in SEK.

FUND PERFORMANCE

HealthInvest Value Fund rose 6.8% in August (share class B-SEK). Currency effects helped performance by 4.4 percentage points, indicating that the equity portfolio increased 2.4% in local currencies.

MANAGEMENT, VALUATION & OUTLOOK

All the Fund's holdings have now reported second quarter earnings and results have generally been favourable (median sales growth of 8.1% and median earnings per share growth of 15.4%). US research services company Charles River came out on top, posting sales growth of 25%. On the weak side, Danish pharma company Novo Nordisk's sales declined 4%. We are not too worried about Novo however as the decline can be explained by currency headwinds. Excluding these, sales increased 2% in the second quarter.

HealthInvest Value Fund (as an aggregate) is currently trading at 17.1x free cash flow. This compares favourably to the global healthcare sector (20.1x) as well as to MSCI World Index (23.5x).

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 cyclicality of sales and earnings.

The Fund's net equity exposure was 73% at month end.

Please note that the Fund will merge into HealthInvest Small & MicroCap Fund on December 12, 2018. Information about the merger has been sent to the unit holders and has been published on www.healthinvest.se.

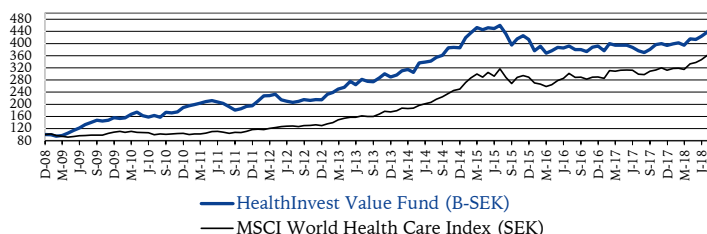
If you wish to obtain additional information on the merger or other information on your fund ownership, you are welcome to contact us.

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

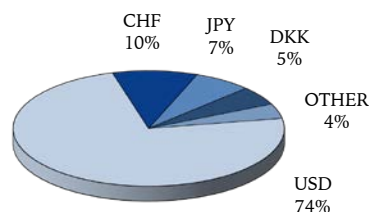
	NAV	Aug*	2018*	Since start*
HealthInvest Value Fund (A-SEK)	447.4	6.8%	19.2%	393.1%
HealthInvest Value Fund (B-SEK)	162.2	6.8%	18.8%	365.9%
HealthInvest Value Fund (C-EUR)	13.5	2.8%	9.2%	362.4%
MSCI World Health Care Index (SEK)	3062.4	7.2%	24.1%	287.6%
MSCI World Health Care Index (USD)	334.7	3.0%	10.9%	232.8%

*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	22.9%	365.9%
Sharpe ratio	1.14	1.16
Standard deviation	10.1%	14.4%
Beta vs MSCI World Health Care Index	0.83	0.62
Downside risk	4.5%	7.7%
Active risk (tracking error)	4.4%	13.2%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	46%
HEALTH CARE SERVICES	12%
ELECTRONIC EQUIPMENT & INSTRUMENTS	9%
BIOTECHNOLOGY	9%
HEALTH CARE DISTRIBUTORS	9%
MANAGED HEALTH CARE	9%
LIFE SCIENCES TOOLS & SERVICES	6%

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