

## MARKET DEVELOPMENT

Healthcare investor sentiment turned sour in December. MSCI World Health Care Index plummeted 10.4% in SEK and 8.1% in SEK.

## FUND PERFORMANCE

HealthInvest Small & MicroCap Fund decreased 9.0% in December, roughly in line with the benchmark index.

## MANAGEMENT, VALUATION & OUTLOOK

The merger with HealthInvest Value Fund was completed on 12 December and the fund management team is now entirely focused on HealthInvest Small & MicroCap Fund. We hope to see tangible evidence of this increased focus in 2019.

In connection with the merger, HealthInvest Small & MicroCap Fund inherited 14 new positions, of which 9 have been divested. However, five positions were kept due to attractive valuations and compelling growth prospects. These positions include Astellas Pharma (Japan - Pharma), Biogen (USA - Pharma), Charles River (USA - Research services), Garmin (Switzerland - Consumer electronics with health focus) and Lundbeck (Denmark - Pharma).

In addition to the inclusions above, the Fund built up two significant positions:

ANI Pharmaceuticals is an acquisition driven US company that sells 31 generic and 11 branded prescription drugs. Historic sales growth has been impressive at 46% (CAGR 2013-2018). In addition to the strong track record, we are excited by ANIPs Corticotropin Gel development project. The Corticotropin drug will compete with H.P. Acthar Gel that has annual sales of USD1.3bn (manufactured by Mallinckrodt). The company expects to file with FDA in early 2020 and if the project is successful, we believe ANIPs cash flow will increase significantly. The shares are trading at around 14x free cash flow, a rather modest valuation in our view considering its promising growth outlook.

Fresenius is a German company with strong market positions in dialysis (both in products and renal care). Its unit Fresenius Kabi holds important positions in infusion, transfusion and clinical nutrition. In addition, Fresenius is one of the major private hospital operators in Germany and Spain. Fresenius shares have been severely punished due to several profit warnings in 2018, which is unfortunate. However, we believe enough is enough as Fresenius still is a growing company with strong positions in markets characterized by high barriers to entry. Hence, at a valuation of around 12x free cash flow, we are buyers of the shares.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 13.98x free cash flow. This compares favorably to the global healthcare sector (19.3x) as well as to MSCI World Index (18.2x).

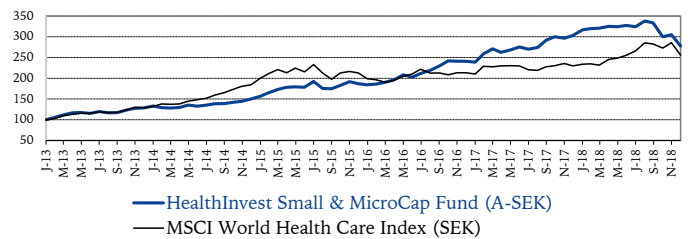
The Fund's net equity exposure was 96% at year end.

## 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

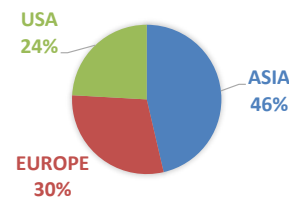
	NAV	Dec*	2018*	Since start*
HealthInvest Small & MicroCap (A-SEK)	255.8	-9.0%	-8.4%	177.4%
HealthInvest Small & MicroCap (B-SEK)	91.9	-9.0%	-8.8%	197.6%
MSCI World Health Care Index (SEK)	2745.7	-10.4%	11.3%	156.0%
MSCI World Health Care Index (USD)	309.2	-8.1%	2.5%	83.2%

\*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	15.1%	177.4%
Sharpe ratio	0.61	1.47
Standard deviation	14.4%	12.4%
Beta vs MSCI World Health Care Index	0.69	0.54
Downside risk	10.0%	7.4%
Active risk (tracking error)	11.1%	11.7%

## GEOGRAPHICAL DISTRIBUTION (NET EXPOSURE)



## SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	28%
HEALTH CARE EQUIPMENT	18%
BIOTECHNOLOGY	16%
HEALTH CARE SERVICES	11%
HEALTH CARE DISTRIBUTORS	7%
HEALTH CARE SUPPLIES	6%
PERSONAL PRODUCTS	4%
ELECTRONIC EQUIPMENT & INSTRUMENTS	3%
LIFE SCIENCES TOOLS & SERVICES	3%
MANAGED HEALTH CARE	3%

## DISCLAIMER

HealthInvest Small & MicroCap Fund ("the Fund") is managed by HealthInvest Partners AB. The Fund is pursuant to the Swedish Mutual Funds Act (2004:46). It is the responsibility of each and every person interested in investing in the Fund 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 AB 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 HealthInvest Small & MicroCap Fund 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 HealthInvest Partners AB shall not be considered a recommendation to invest in the Fund. Every person considering purchasing units in the Fund must make an independent assessment of such an investment and the risks associated therewith. An investment in the Fund should be seen as a long-term investment.

Before you invest, you may want to review the Fund's prospectus and simplified prospectus, which contain more information about the Fund and its risks. You can find the Fund's prospectus and other information about the Fund online at [www.healthinvest.se](http://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](mailto:info@healthinvest.se).