

## MARKET DEVELOPMENT

Healthcare investors upbeat sentiment continued in March. MSCI World Health Care Index rose 1.5% in SEK and 0.9% in USD.

## FUND PERFORMANCE

HealthInvest Small & MicroCap Fund increased 1.2% in March, in line with its benchmark index.

## MANAGEMENT, VALUATION & OUTLOOK

In March, the Fund substantially increased its holding in US biotech company Biogen after it halted two Phase 3 clinical trials of aducanumab, a drug that was designed to slow the worsening of Alzheimer's disease. Due to the the negative announcement, Biogen stock plummeted around 30%, which is surprising as drug candidates for Alzheimer's have an almost 100 percent failure rate in clinical trials (based on historical data). The stock is now trading at less than 10x free cash flow, a bargain in our view as Biogen is one of the world's leading biotech companies. The company markets some of the top selling multiple sclerosis drugs including Avonex/Plegridy, Tecfidera, and Tysabri. In addition, Biogen has an extensive neurology pipeline including programs in Alzheimer's, ALS and Parkinson's. In 2018, Biogen had sales of USD13.5bn, invested USD2.6bn into R&D and produced free cash flow of USD5.4bn.

In order to finance the above-mentioned purchase of Biogen shares, we sold the entire position in the Japanese pharma company Astellas. Although Astellas is not too expensive, we believe the company has limited organic growth potential the next couple of years.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 14.9x free cash flow. This compares favorably to the global healthcare sector (19.7x) as well as to MSCI World Index (18.7x).

At month end, HealthInvest Small & MicroCap Fund had 32 equity holdings and 96% of the portfolio companies produce significant positive free cash flow. The Fund's net equity exposure was 91%.

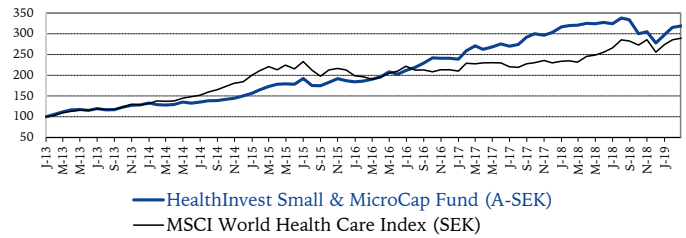
In summary, we are very comfortable with the Fund's equity positions. The median valuation of the holdings is 14.9x free cash flow, which is 24% lower than the healthcare sector median. Hence, the Fund's holdings can rise by 32%, yet still only trade in line with the sector.

## 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

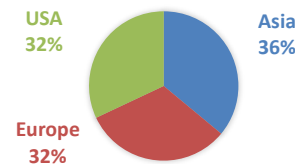
|                                       | NAV    | March* | 2019* | Since start* |
|---------------------------------------|--------|--------|-------|--------------|
| HealthInvest Small & MicroCap (A-SEK) | 293.7  | 1.2%   | 14.8% | 218.5%       |
| HealthInvest Small & MicroCap (B-SEK) | 105.5  | 1.2%   | 14.7% | 241.5%       |
| MSCI World Health Care Index (SEK)    | 3105.0 | 1.5%   | 13.1% | 189.5%       |
| MSCI World Health Care Index (USD)    | 334.4  | 0.9%   | 8.1%  | 98.1%        |

\*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                               | 17.6%     | 218.5%      |
| Sharpe ratio                         | 0.69      | 1.59        |
| Standard deviation                   | 14.2%     | 12.5%       |
| Beta vs MSCI World Health Care Index | 0.72      | 0.56        |
| Downside risk                        | 9.9%      | 7.2%        |
| Active risk (tracking error)         | 10.4%     | 11.5%       |

## GEOGRAPHICAL DISTRIBUTION (NET EXPOSURE)



## SECTOR DISTRIBUTION (NET EXPOSURE)

|                          |     |
|--------------------------|-----|
| Pharmaceuticals          | 30% |
| Biotechnology            | 15% |
| Health Care Services     | 15% |
| Health Care Equipment    | 11% |
| Health Care Distributors | 9%  |
| Other                    | 20% |

## 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).