

## MARKET DEVELOPMENT

Healthcare stocks had a negative July as MSCI World Health Care Index decreased 1.1% in USD. However, due to the Swedish central bank's loose monetary policy, benchmark index actually rose 2.0% measured in SEK.

## FUND PERFORMANCE

HealthInvest Small & MicroCap Fund increased 2.2% in July (share class A-SEK), which was in line with benchmark index.

## MANAGEMENT, VALUATION & OUTLOOK

No new investments were made in July. The funds three largest holdings at month end were Haw Par (portfolio weight 5.2%), Petmed Express (portfolio weight 5.0%) and ANI Pharma (portfolio weight 4.8%).

Haw Par, with head office in Singapore, is the owner of the Tiger Balm trademark. The product is the core of Haw Par's health care segment, and has sales in over 100 countries. By adding products under the Tiger Balm trademark, Haw Par has succeeded in doubling sales within the health care segment during the period between 2014 and 2018 with strong profitability. At the same time, the company has a portfolio with investments in cash, shares and real estate which, in their own right, justify the company's market value. An investor in Haw Par hence gets the profitable and growing health care segment for free, something we find attractive.

Petmed Express is 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 (over 80%) are sold online. We believe the veterinary market enjoys healthy growth, giving Petmed a nice tailwind. The company is attractively valued at around 9x free cash flow, adjusted for its substantial net cash position.

ANI Pharmaceuticals is an acquisition driven US company that sells generic and 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 Acthar Gel that has annual sales of USD1.3bn (manufactured by Mallinckrodt). The company expects to file with FDA in 2020 and if the project is successful, we believe ANIPs cash flow will increase significantly. The shares are trading at around 19x free cash flow, a rather modest valuation in our view considering its promising growth outlook.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 12.3x free cash flow. This compares favourably to the global healthcare sector (19.8x) as well as to MSCI World Index (21.2x).

At month end, HealthInvest Small & MicroCap Fund had 28 equity holdings and 97% of the portfolio companies produce significant positive free cash flow. The Fund's net equity exposure was 89%.

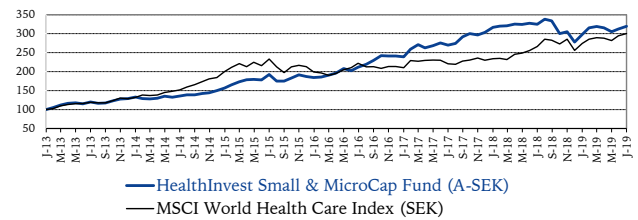
In summary, we are very comfortable with the Fund's equity positions. The median valuation of the holdings is 12.3x free cash flow, which is 38% lower than the healthcare sector average. Hence, the Fund's holdings could rise by 61%, yet still only trade in line with the sector.

## 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

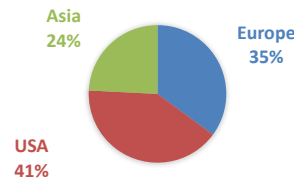
	NAV	July*	2019*	Since start*
HealthInvest Small & MicroCap (A-SEK)	294.0	2.2%	14.9%	218.8%
HealthInvest Small & MicroCap (B-SEK)	105.4	2.2%	14.7%	241.4%
HealthInvest Small & MicroCap (B-SEK)	102.7	2.0%	2.7%	2.7%
MSCI World Health Care Index (SEK)	3220.4	2.0%	17.3%	200.3%
MSCI World Health Care Index (USD)	335.7	-1.1%	8.5%	98.8%

\*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. Share class C started on June 5, 2019.

## RISK MEASURES (SHARE CLASS A-SEK)

	24 months	Since start
Return	14.9%	218.8%
Sharpe ratio	0.71	1.53
Standard deviation	14.1%	12.4%
Beta vs MSCI World Health Care Index	0.77	0.57
Downside risk	9.9%	7.1%
Active risk (tracking error)	9.6%	11.2%

## GEOGRAPHICAL DISTRIBUTION (NET EXPOSURE)



## SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	33%
HEALTH CARE SERVICES	17%
HEALTH CARE DISTRIBUTORS	15%
BIOTECHNOLOGY	13%
OTHER	22%

## 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).