

MARKET DEVELOPMENT

The global spread of the coronavirus slowed down significantly in April which had a calming effect on stock markets. Healthcare stocks had a nice rebound as MSCI World Health Care Index increased 11.6% in USD and 9.4% in SEK.

As you know, Italy is severely hit by COVID-19 and was also the first country to become a true epicentre of the disease. We find it encouraging that all relevant COVID-19 parameters in Italy have declined significantly in April including the number of daily deaths, the influx of patients into intensive care and newly detected COVID-19 patients.

We believe it is evident that the peak of COVID19 infections materialized in April which is a major positive for stock markets. However, the draconian measures implemented by politicians including the lockdowns of many countries may have severely damaged the global economy. Hence, the general economic outlook is rather uncertain. On a positive note, the healthcare sector is relatively insensitive to economic cycles. For example, in the year of the great recession of 2009 when companies on average lost 30% of their profits, healthcare companies actually grew profits by 5%. This gives us confidence that HealthInvest Small & MicroCap Fund should perform relatively well even in this harsh environment.

FUND PERFORMANCE

HealthInvest Small & MicroCap Fund rose 9.1% in April (share class D-SEK), which was broadly in line with its benchmark index.

MANAGEMENT, VALUATION & OUTLOOK

In April, HealthInvest Small & MicroCap Fund sold its shares in US health insurance companies Anthem and Humana. The shares were bought a month ago and had rallied around 50% since the acquisition date. The Fund kept its position in health insurance company Cigna as the valuation still is rather attractive at 10x free cash flow.

The Fund significantly increased its position in US pharmaceutical company Gilead Sciences. Gilead is primarily developing and marketing anti-infective drugs, with leadership positions in the treatment of HIV/AIDS and hepatitis C (HCV). The stock has suffered greatly since 2015 (down around 50%) as Gilead has reported declining sales the last three years. This lacklustre development can mainly be explained by a shrinking pool of HCV patients and price pressure. However, the company may now turn the tide as:

- 1) Gilead has launched two fast growing new generation HIV drugs which are getting substantial traction. This is important as Gilead's HIV business accounts for around 75% of total sales. In 2020, these two new generation HIV drugs Bictary and Descovy will probably add another USD2.6 bn to sales (Gilead's total revenue was around USD22.3bn in 2019).
- 2) On 19 December 2019, Gilead submitted the drug Filgotinib to FDA for the treatment of rheumatoid arthritis (RA). In addition to RA, the drug is also in clinical trials for the treatment of ulcerative colitis, Crohn's disease and psoriatic arthritis. We believe Filgotinib will have block buster potential and may add over USD2bn in sales to Gilead the next couple of years.
- 3) On 2 May 2020, US regulators allowed the emergency use of Gilead's experimental drug remdesivir, which appears to help coronavirus patients recover faster. The FDA acted after preliminary results from a government-sponsored study showed that remdesivir shortened the time to recovery by 31%, or about four days on average, for hospitalized Covid-19 patients. The drug also might be reducing deaths, although that's not clear from the partial results revealed so far.

Gilead shares are a bargain in our view, trading at 12x free cash flow.

HealthInvest Small & MicroCap Fund also significantly increased its holding in Owens & Minor. The company operates one of the largest medical and surgical supply distribution businesses in the United States. We believe Owens & Minor will benefit greatly from increased demand due to COVID-19. Its Halyard division, purchased in 2017 for USD710m, is a provider of medical supplies and solutions for the prevention of healthcare-associated infections. Its surgical and infection prevention offerings range from sterilization wraps, surgical drapes and gowns, facial protection and protective apparel to medical exam gloves. The shares of Owens & Minor are attractively valued at 4x free cash flow.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 11.1x free cash flow. This compares favorably to the global healthcare sector (19.3x) as well as to MSCI World Index (18.2x).

At month end, the Fund had 26 equity holdings and 91% of the portfolio companies produce significant positive free cash flow. The net equity exposure was 95%.

Monthly returns (share class D)*								
	2020	2019	2018	2017	2016	2015	2014	2013
January	-1.0%	7.2%	4.3%	-1.0%	-1.4%	4.4%	3.3%	n.m.
February	-5.8%	5.9%	0.9%	8.2%	0.8%	5.4%	-3.1%	5.3%
March	-0.6%	1.2%	0.3%	4.6%	2.6%	4.8%	-0.7%	6.1%
April	9.1%	-1.2%	1.2%	-3.2%	2.7%	3.1%	1.3%	4.1%
May	-3.2%	-0.4%	2.3%	5.6%	0.1%	4.3%	1.0%	1.0%
June	2.3%	0.8%	2.5%	-2.8%	-0.6%	-1.9%	-2.1%	-2.1%
July	2.2%	-0.9%	-2.0%	4.5%	7.7%	2.2%	4.0%	4.0%
August	-3.6%	4.2%	1.6%	3.5%	-9.0%	1.9%	-2.9%	-2.9%
September	3.1%	-1.3%	6.1%	4.6%	-0.1%	0.2%	0.7%	0.7%
October	5.3%	-10.1%	2.9%	5.4%	4.5%	2.1%	5.0%	5.0%
November	2.2%	1.7%	-1.3%	-0.3%	4.8%	1.4%	3.4%	3.4%
December	-2.0%	-8.9%	2.3%	0.0%	-2.1%	3.8%	1.0%	1.0%
Net return per year	1.2%	20.6%	-8.9%	24.7%	27.9%	24.2%	15.6%	28.3%
Net return since start	226.0%	222.3%	167.3%	193.4%	135.4%	84.1%	46.3%	28.3%

*Net of fees. Share class D started on September 11, 2019. The historical return preceding that date is the return of HealthInvest Small & MicroCap Fund adjusted for the applicable fee structure of share class D.

Risk measures (share class D)*

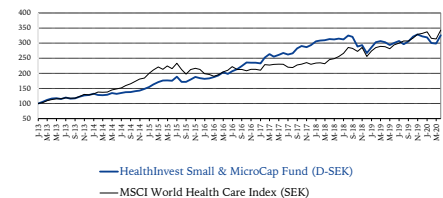
	24 months	Since start
Return	4.0%	226.0%
Sharpe ratio	0.23	1.38
Standard deviation	16.0%	12.6%
Beta vs MSCI World Health Care Index	0.87	0.59
Downside risk	11.1%	7.3%
Active risk (tracking error)	8.5%	11.0%

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Sector distribution

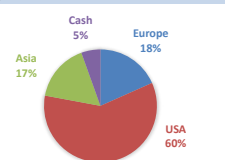
PHARMACEUTICALS	36%
BIOTECHNOLOGY	22%
HEALTH CARE DISTRIBUTORS	19%
HEALTH CARE SERVICES	6%
PERSONAL PRODUCTS	4%
HEALTH INSURANCE	4%
HEALTH CARE EQUIPMENT	3%
CASH	5%

Performance since start (share class D)*



*Net of fees. Share class D started on September 11, 2019. The historical return preceding that date is the return of HealthInvest Small & MicroCap Fund adjusted for the applicable fee structure of share class D.

Geographical distribution



Liquidity Risk*

% part	No of days to liquidate portfolio					
	0-1	1-2	2-3	3-5	5-30	30+
5	45	4	3	6	22	19
10	49	7	5	6	19	14
15	52	8	5	6	16	13
20	56	9	4	8	12	11

* % of portfolio that can be transformed into cash with different constraints on daily turnover.

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. 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.