



HEALTHINVEST SMALL & MICROCAP FUND

SEMI-ANNUAL REPORT 2020

# HealthInvest Small & MicroCap Fund

## FOCUS

HealthInvest Small & MicroCap Fund is an actively managed investment fund within the healthcare sector. The Fund invests globally and the majority of the Fund's investments are concentrated in relatively small companies. The Fund has three unit classes: C, D and E.

## SUBSCRIPTION AND REDEMPTION OF UNITS

Subscription and redemption of fund units normally take place each Swedish banking day.

A fixed management fee is charged at a rate of 1.0% per year in unit class C, 1.2% per year in unit class D and 1.2% per year in unit class E.

A performance-based fee is charged in unit classes C and D at a rate of 20% of that part of the unit price exceeding the return threshold. The return threshold changes over time by the return on the OMRX T-BILL Index plus 4 percentage points, converted to daily returns.

The Fund applies what is commonly referred to as a high watermark. This means that the performance-based fee is payable only when the investor has been compensated for any negative return relative to the index from previous periods.

## SUPERVISION

Supervisory Authority:  
The Swedish Financial Supervisory Authority (Finansinspektionen).

Custodian:  
Skandinaviska Enskilda Banken (publ).

Auditor:  
KPMG, with Dan Beitner, authorized public accountant, as principal auditor.

## FUND COMPANY

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The Fund is an investment fund pursuant to the Swedish Mutual Funds Act (2004:46). It is the responsibility of each and every person interested in investing in HealthInvest Small & MicroCap 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. Funds invested in HealthInvest Small & MicroCap Fund may increase as well as decrease in value, and there is no certainty that persons who invest in HealthInvest Small & MicroCap Fund will receive in return the entire capital invested.

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*This is a translation from the Swedish version of the Semi-Annual Report. In case of any inconsistency between the English and Swedish version, the Swedish version shall prevail.*

## Fund Manager's View

### REFLECTION ON THE MARKETS

Equity markets were turbulent during the first six months of 2020 and experienced a dramatic fall from 20 February to 23 March followed by a strong comeback. The downturn started once it became clear that the spread of the coronavirus would hurt Europe and US and was fueled by reports from heavily burdened intensive care units in Italy and, later, primarily New York. Investors were also taken by surprise by the policy measures to reduce the spread of the virus, which are paralyzing economic activity and impose a threat to the existence of many companies.

In our view, two developments made investors more positive around 23 March. Firstly, the reports of daily deaths in northern Italy stabilized, which inspired hope. Secondly, it became apparent that politicians and central banks were prepared to support the economy with enormous stimuli.

When equity markets turned around, they did so with a vengeance. As a consequence, the Swedish stock market (OMX 30) ended the half year down by only 6% while the US S&P 500 declined 4%.

HealthInvest Small & MicroCap Fund rose 0.1 per cent during the first half of the year. This means that investors who have been invested since the Fund's launch have experienced an average positive return of 18 per cent annually with a market risk (beta value) which is approximately 40% lower than the healthcare sector as a whole. The excess return measured as the Fund's alpha has been approximately six percentage points annually since launch (net of fees).

Swedish equities (using OMX 30 including dividends) has on average returned 8.8% annually since the Fund's launch. In comparison, HealthInvest Small & MicroCap Fund has given investors an annual risk-adjusted excess return of 11.9%.

### MANAGEMENT OF THE FUND

We took a relatively cautious approach to the management of HealthInvest Small & MicroCap at the start of 2020 given that we viewed equity markets as somewhat expensive. Accordingly, the Fund had a 10% cash position as the pandemic hit, which softened the fall somewhat. The Fund reached the low point on 16 March, and then quickly recouped lost ground and, by the end of April, was back in positive territory for the year. May and June developed sideways.

We have not made major changes to the portfolio in direct response to Covid-19 in light of the fact that, in our view, only a small number of the holdings will be significantly affected. However, the sharp fall in equity prices led to new opportunities which have generated activity.

Accordingly, in mid-March, the Fund's cash position was invested in Anthem and Humana, two US health insurance companies which had declined a great deal by that time notwithstanding being extremely stable businesses. The shares were sold a month later with a 50% gain. The Fund also invested in the Spanish pharmaceutical company, Almirall, which is still a holding.

From April to June, we built positions in a number of US pharmaceutical companies combining declining share prices with essentially unchanged prospects for the businesses. The number of Asian and European holdings in the Fund has declined resulting in a US exposure of more than 70 per cent for the first time in many years. We think it is promising that we can again find US companies with attractive valuations given that US businesses are the leaders in the healthcare sector.

### FUTURE PROSPECTS

At the time of writing (mid-July), it is unfortunately becoming increasingly clear that the US has not handled Covid-19 in an optimal way. Many states are suffering an extensive and uncontrolled spread of the virus and, in particular, the southern states are reporting worryingly high numbers. Many states may need to close parts of their economies as death rates may well increase in July and August, and such restrictions would harm cyclical companies and put a lid on consumer confidence.

It is also obvious that parts of Europe and Asia have so far managed to escape the virus, and these countries may continue to exercise extreme caution which will likely have a negative impact on their economies.

Accordingly, from our perspective, we do not foresee a rapid economic up-swing from the damage caused by the closures of economies, which casts doubt on whether countries will be able to return to full employment anytime soon.

Yet, the healthcare sector is relatively insensitive to economic cycles. Even if the economic downturn will be prolonged, the healthcare sector

## Fund Manager's View

should continue to do well. 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%. We are accordingly optimistic about the prospects and the Fund will continue to be managed with a focus on profitable companies with relatively low valuations and understandable business models.

As of 30 June 2020, HealthInvest Small & MicroCap has 24 holdings. We are comfortable with the portfolio and hopeful about a strong second half of 2020. The valuation of HealthInvest Small & MicroCap Fund was 11x free cash flow, while the healthcare sector in general is trading at 19x free cash flow. This implies a significant upside if the companies do well and attract investor attention.

In conclusion, we are upbeat about generating healthy returns in the remaining part of 2020. Equipped with patience and discipline, the organisation is wholly focused on creating value in HealthInvest Small & MicroCap Fund. We hope that you will join us on this journey as an investor.

# HealthInvest Small & MicroCap Fund - Management Report

HealthInvest Small & MicroCap Fund is an actively managed investment fund within the healthcare sector. By means of a careful management process, the goal is to invest in undervalued stocks which have a potential to increase in value and thereby generate good, long-term returns subject to a reasonable risk.

## DEVELOPMENT OF THE FUND

HealthInvest Small & MicroCap Fund unit classes C and D rose by 0.1 per cent respectively during the first half of the year (after deduction of management fees). During the same period, MSCI World Health Care TRN Index rose 1.0 per cent, measured in SEK. Unit class E was launched on 17 February 2020 and declined 5.5 per cent by the end of the first half of the year, while the index lost 5.0 per cent during the same period.

The first six months were turbulent. The Fund declined in February and March as the spread of the coronavirus led to a substantial fall in equity prices. The portfolio manager took advantage of this volatility by increasing the Fund's exposure to a set of US equities which are not operationally impacted by the pandemic, but which nevertheless had declined a great deal in value. All in all, the equity portfolio contributed positively to the Fund's performance during the period. Currency rate changes had a negative effect on the Fund.

The five investments which contributed most to the Fund's performance during the half-year were US biotechnology company Halozyme, US health insurance companies Anthem and Humana, Swedish pharmaceutical company Orexo and US distributor Owens & Minor. During the period, the Fund was negatively impacted by US drug companies Ani Pharmaceuticals, Mylan and Collegium Pharmaceuticals, Korean dermatology company Neopharm and Singaporean Haw Par which is the owner of the Tiger balm trademark.

At the beginning of 2020, the portfolio had 23 stocks. Of these, 14 holdings remained in the Fund at the end of the first half of the year. The Fund has made 19 new investments during the period, nine of which have been divested. As per the end of the accounting period, there were thus 24 equity positions in the Fund.

During the first half of 2020, the Fund initiated a significant position in US distributor Owens & Minor, a company which also manufactures personal protective equipment for use in hospitals.

Positions have also been initiated in drug companies Ammirall, Bristol-Myers Squibb, Catalyst Pharmaceuticals, Coherus Biosciences, Collegium Pharmaceuticals and Gilead Sciences. These positions each represent between 4 and 5 per cent of the fund assets per the balance sheet day.

Large holdings which were sold off during the first six months include South Korean Neopharm and American Ani Pharmaceuticals (weak operational development), Garmin (excessive valuation) and Danish pharmaceutical company Lundbeck (doubts regarding the company's growth strategy). Pharma company Allergan exited the portfolio after having been purchased by sector colleague Abbvie. Each of these companies represented between 4 and 5% of the Fund's value at the start of 2020.

## THE FUND AS OF 30 JUNE 2020

As per 30 June 2020, the Fund owned shares equal to 95.3 per cent of the fund assets. The Fund consisted of a total of 24 holdings spread out over five countries in Asia, Europe and North America.

From a geographical perspective, the United States represented 72 per cent of the fund assets, followed by Sweden (14 per cent), Singapore (5 per cent), Denmark (4 per cent), Spain (4 per cent), and United Kingdom (0.5 per cent).

## Large holdings in the Fund

Supernus Pharmaceuticals is a US specialty pharma company which markets Oxtellar XR and Trokendi XR for the treatment of epilepsy. The share price has declined due to fears of increasing competition and price pressure, but the company is now entering a period of increasing growth for two main reasons. 1) In late 2020, Supernus may launch SPN-812 for the treatment of ADHD (if approved by FDA). The advantage of this drug is that it does not stimulate the central nervous system but is nonetheless fast-acting, which should make SPN-812 a realistic alternative for schoolchildren who suffer from ADHD. 2) In the spring of 2020, Supernus acquired a portfolio of pharmaceuticals targeting the central nervous system, which will immediately boost sales by close to 40 per cent. Supernus is valued at 5x historic free cash flow, which is low given the growth opportunities.

Orexo is a Swedish specialty pharma company whose principal product, Zubsolv, is a treatment

# HealthInvest Small & MicroCap Fund - Management Report

for opioid dependency. In the US, Zubsolv is protected against direct generic competition until 2032 and provides Orexo with strong cash flow. Orexo's ambition is to build a stronger position in the US by adding products from its own development department or through external opportunities. The company also has a venture in digital therapy for alcohol and opioid dependencies and depression which will generate revenues as early as 2020. Less net cash holdings, Orexo is valued at approximately 10x earnings from Zubsolv, which means that the company's future endeavours have a low valuation.

Owens & Minor is a US company engaged in distribution and logistics for healthcare providers. Just over two years ago, the company acquired Halyard Health which manufactures protective apparel, facemasks, etc., in order to prevent the spread of healthcare-associated infections. As a consequence of Covid-19, the lack of this type of equipment is considerable, which should be advantageous for pricing and, accordingly, Owens' profitability. In addition, the pandemic has revealed the need for significantly larger stockpiles in order to handle future virus threats and, in our view, demand should accordingly continue to be high for an extended period of time. Owens & Minor's share is traded for approximately 10x free cash flow, which is low and offers an upside.

Halozyme Therapeutics is a US drug delivery company which has developed an innovative drug technology, Enhance, which makes it possible to perform a five-minute subcutaneous injection (under the skin) in lieu of an intravenous infusion which may take up to six hours. The company is at the threshold of an exciting inflexion point given that management has chosen to discontinue proprietary development of drugs and to focus exclusively on a royalty model for Enhance. This strategy changes the company radically and means that Halozyme will begin to generate profits as early as the second quarter of 2020. The profit development will be explosive given that the royalty-generating partner products may grow from the current three up to seventeen in 2027. This strong growth means that the share is valued at 12x our estimate for free cash flow in 2023, which is cheap for a fast-growing drug company.

Coherus Biosciences is a US biopharmaceutical company that develops and markets biosimilar versions (copies) of branded biological drugs.

Relative to traditional generics, biosimilars are often more profitable as the number of competitors are fewer, which implies higher prices and market shares. Coherus launched its first biosimilar drug, Udenyca in 2019 and has captured around 22% of the total market from Neulasta, the original drug. Coherus became profitable less than nine months after the Udenyca launch with a 94% gross margin and a 35% operating margin. During the 2021-2025 period, Coherus will potentially launch four new biosimilars (copies of Avastin, Eylea, Humira and Lucentis). The share is valued at 7x free cash flow.

## FUND ASSETS

As of 30 June 2020, HealthInvest Small & MicroCap Fund's assets amounted to SEK 1,578 million. During the first half of 2020, units were issued for SEK 52.3 million, while units were redeemed for SEK 125.7 million. The half-year result was SEK -2.6 million.

## SIGNIFICANT RISKS

Investments in shares are associated with risks. The greatest risk in the Fund is considered to be the market risk related to general trends on the stock market. The market risk is reduced by maintaining focus on companies with relatively low valuations but with stable operations.

Since the Fund maintains a significant portion of its assets outside Sweden, there is an exchange rate risk, i.e. a risk of losses associated with fluctuations in currency rates. As per the balance sheet date, over 80 per cent of the fund assets were held in foreign currencies. The currency risk is reduced by hedging currencies in order to eliminate a significant share of the currency risk.

Liquidity risk is the risk of a loss due to a temporary limitation on the possibility to dispose of holdings at a reasonable price under normal circumstances. Shares in smaller companies are often characterized by low liquidity and, since the Fund invests significantly in companies with relatively small market capitalization, the liquidity risk in the Fund is higher than normal.

The fund company's routines for risk management include continuous monitoring of exposures and risks based on an established plan. On a daily basis the position of the Fund relative to the limitations imposed by the fund rules, applicable laws and other rules and regulations are calculated. The

# HealthInvest Small & MicroCap Fund - Management Report

relevant risk measures are calculated recurrently and stress tests are regularly conducted with respect to the Fund.

## RISK TAKING BY THE FUND

The fund's current unit classes lack a 24-month history, as a consequence of which key ratios relating to risk cannot be reported in accordance with the applicable guidelines. A unit holder who has been invested since the launch of the fund currently holds units in unit class D. Since launch, the risk for such a unit holder, measured as a standard deviation, has been 12.8%, relative to the 13.6% for the MSCI World Health Care TRN Index. Based on the same data series, the beta value of the Fund is 0.61 measured with the MSCI World Health Care TRN Index as the market portfolio.

## FUND RULES

On 2 December 2019, the Swedish Financial Supervisory Authority approved amendments to the fund rules according to which unit class A and unit class B were eliminated. Existing unit holders were transferred to unit class D. The fund rules entered into force on 1 February 2020.

On 21 January 2020, the Swedish Financial Supervisory Authority approved amendments to the fund rules according to which unit class E was launched with a fixed fee of 1.2%. Unit class E is intended exclusively for the Swedish Pensions Agency and, accordingly, is available to all persons with savings in the premium pension system. The amendments entered into force on 17 February 2020 at which time the Pensions Agency's existing holdings were transferred from unit class D to unit class E.

Amendments to the fund rules were communicated to the unit holders and were published on the fund company's website.

## SUSTAINABILITY INFORMATION

The investment process focuses primarily on identifying undervalued shares. Prior to each investment, an examination is conducted from a sustainability perspective based on the assumption that companies which are operated in a sustainable and responsible manner generate better returns in the long run. Sustainability issues are accordingly an integral part of the analysis. HealthInvest Partners has engaged an external specialist for the purpose of reviewing all of the Fund's holdings

from a sustainability perspective and to report the findings to the fund company. The review is performed half-yearly and is made on the basis of a quantitative grading of companies from a sustainability perspective which is supported by research which is more qualitative in nature. A grade of 0 out of 10 possible equates with a red flag. None of the Fund's holdings received a "red flag" during the review of the holdings as of 30 June 2020.

Further information on the fund company's sustainability work can be obtained at [www.healthinvest.se](http://www.healthinvest.se) and is included in the Fund's annual report.

## MISCELLANEOUS

The fund company is a member of the Swedish Investment Fund Association and complies with the Swedish Code of Conduct for Fund Management Companies issued by the Swedish Investment Funds Association.

Fund units may normally be subscribed and redeemed on all Swedish banking days. However, the fund company is entitled to postpone trading in the Fund in the event more than 50 per cent of the holdings are listed on a market which is closed. Current trading days are published on the website of the fund company.

The Fund's liquid assets are principally invested in interest-bearing securities or deposited on accounts at credit institutions. The Fund is valued in Swedish kronor, while most of the Fund's investments are in companies outside Sweden.

The fund rules permit investments in derivative instruments. During the year, no positions were taken in derivative instruments other than positions in currency futures for the purpose of reducing currency risks in the Fund.

The commitment approach is used to calculate the Fund's global exposures. In the management of the Fund during the year, no conflicts of interest have arisen which are related to the fund company and the portfolio holdings.

# Balance Sheet

(SEK '000)

<b>ASSETS</b>	<b>NOTE</b>	<b>30.06.2020</b>	<b>31.12.2019</b>
Transferable Securities		1,503,459	1,359,450
OTC Derivative Instruments with Positive Market Value		4,976	22,556
<b>TOTAL FINANCIAL INSTRUMENTS WITH POSITIVE MARKET VALUE</b>		<b>1,508,435</b>	<b>1,382,006</b>
<b>TOTAL INVESTMENTS WITH POSITIVE MARKET VALUE</b>		<b>1,508,435</b>	<b>1,382,006</b>
Bank Deposits and Other Liquid Funds		19,162	275,780
Prepaid Costs and Accrued Income	1	52,184	1,810
<b>TOTAL ASSETS</b>		<b>1,579,781</b>	<b>1,659,595</b>
<b>LIABILITIES</b>			
Accrued Costs and Prepaid Income	2	-1,983	-2,668
Other Liabilities	3	-66	-3,135
<b>TOTAL LIABILITIES</b>		<b>-2,049</b>	<b>-5,803</b>
<b>FUND ASSETS</b>		<b>1,577,732</b>	<b>1,653,792</b>
<b>MEMORANDUM ITEMS</b>			
		<b>30.06.2020</b>	<b>31.12.2019</b>
Pledged Assets for OTC Derivative Instruments		4,500	0
<b>NOTE 1 - PREPAID COSTS AND ACCRUED INCOME</b>			
		<b>30.06.2020</b>	<b>31.12.2019</b>
Dividends		1,570	1,810
Unsettled Trades		50,614	0
Accrued Interest		1	0
<b>TOTAL PREPAID COSTS AND ACCRUED INCOME</b>		<b>52,184</b>	<b>1,810</b>
<b>NOTE 2 - ACCRUED COSTS AND PREPAID INCOME</b>			
		<b>30.06.2020</b>	<b>31.12.2019</b>
Management Fee		-1,561	-2,179
Accrued Costs External Research		-422	-488
<b>TOTAL ACCRUED COSTS AND PREPAID INCOME</b>		<b>-1,983</b>	<b>-2,668</b>
<b>NOTE 3 - OTHER LIABILITIES</b>			
		<b>30.06.2020</b>	<b>31.12.2019</b>
Redemption of Units in Progress		-13	-2,073
Subscription of Units in Progress		-52	-1,062
<b>TOTAL OTHER LIABILITIES</b>		<b>-66</b>	<b>-3,135</b>

## Accounting Principles

The Semi-Annual Report has been prepared in accordance with the regulations of the Swedish Financial Supervisory Authority regarding reporting by investment funds, the Swedish Investment Funds Act and the Swedish Investment Funds Association's recommendation regarding reporting key ratios in investment funds and ESMA (European Securities and Market Authorities) guidelines regarding held derivatives.

All financial instruments traded on a market place have been valued in the accounts at the applicable market value. The applicable market value is comprised of the last price paid, local time. Holdings in foreign currencies are valued at the last price paid for the currency at half-year end. Where market prices are unavailable or, in the opinion of the fund company, are misleading, the fund company may establish the value based on the objective criteria of another party. The valuation of non-standardised instruments is based on accepted models such as Black-Scholes and Black 76 (European options) or numerical methods such as binomial trees. In the event accepted methods are not available, the valuation of OTC derivatives is derived from market quotes for similar, standardised instruments. Accordingly, the Fund's holdings of currency futures are valued on the basis of quotations from future currency exchanges for standardised time periods.

As of 30 June 2020, the Fund had no holdings for which a current market value was not available.

## Summary of Holdings per 30 June 2020

Financial Instruments with Positive Market Value (1)	Country (2)	Quantity	Price (3)	Market Value (SEK '000)	% of Fund Assets
<b>SHARES WITH POSITIVE MARKET VALUE</b>					
<b>Pharmaceuticals</b>					
Supernus Pharmaceuticals	US	531,823	23.75	117,733	7.46
Orexo	SE	1,475,000	74.50	109,888	6.96
Haw Par	SP	1,035,100	9.83	68,046	4.31
Collegium Pharmaceutical	US	405,000	17.50	66,063	4.19
Almirall	ES	535,000	11.73	65,718	4.17
Bristol-Myers Squibb	US	116,000	58.80	63,577	4.03
Mylan	US	416,000	16.08	62,351	3.95
Corline Biomedical*	SE	1,608,274	17.25	27,743	1.76
Hyphens Pharma International	SP	4,455,600	0.30	8,790	0.56
<b>Biotechnology</b>					
Halozyme Therapeutics	US	475,000	26.81	118,702	7.52
Coherus Biosciences	US	425,000	17.86	70,752	4.48
Catalyst Pharmaceuticals	US	1,600,000	4.62	68,902	4.37
Biogen	US	26,000	267.55	64,840	4.11
Gilead Sciences	US	90,000	76.94	64,545	4.09
Abbvie	US	69,000	98.18	63,145	4.00
Spago Nanomedical*	SE	2,553,732	7.32	18,693	1.18
<b>Healthcare Distributors</b>					
Owens & Minor	US	1,670,000	7.62	118,615	7.52
AmerisourceBergen	US	68,000	100.77	63,872	4.05
McKesson	US	44,000	153.42	62,922	3.99
Cardinal Health	US	128,000	52.19	62,268	3.95
<b>Healthcare Services</b>					
Cigna	US	35,500	187.65	62,093	3.94
Dedicare	SE	618,855	36.40	22,526	1.43
<b>Healthcare Equipment</b>					
Stille*	SE	466,895	95.00	44,355	2.81
Surgical Innovations	UK	39,578,576	0.02	7,321	0.46
<b>TOTAL SHARES WITH POSITIVE MARKET VALUE</b>				<b>1,503,459</b>	<b>95.29</b>
<b>OTC Derivative Instruments with Positive Market Value (4)</b>					
Currency Futures USD/SEK 03.09.2020**				4,976	0.32
<b>TOTAL OTC DERIVATIVES WITH POSITIVE MARKET VALUE</b>				<b>4,976</b>	<b>0.32</b>
<b>TOTAL FINANCIAL INSTRUMENTS WITH POSITIVE MARKET VALUE</b>				<b>1,508,435</b>	<b>95.61</b>
<b>TOTAL INVESTMENTS WITH POSITIVE MARKET VALUE</b>				<b>1,508,435</b>	<b>95.61</b>
Other Assets / Liabilities, Net				69,298	4.39
<b>TOTAL FUND ASSETS</b>				<b>1,577,732</b>	<b>100.00</b>
Transferable securities which are admitted to trading on a regulated market or similar market				1,412,668	90.74
* Transferable securities which are subject to regular trading on another market which is registered and open to the public				90,791	4.55
** Other financial instruments				4,976	0.32
<b>TOTAL</b>				<b>1,508,435</b>	<b>95.61</b>

(1) The shares are classified in sub-sectors based on the MSCI Global Industry Classification Standard (GICS).

(2) Refers to the country of residence of the company. If the company is listed in another country, this is stated within parentheses. The following abbreviations have been used: ES Spain, SE Sweden, SP Singapore, UK United Kingdom, US USA.

(3) Refers to local currency.

(4) The total underlying exposure arising by virtue of the futures contracts entered into by the Fund was SEK 932,110,000. All contracts are with Skandinaviska Enskilda Banken as a counterparty and the Fund has not received any collateral.

## Other Information

The first occasion on which to subscribe in HealthInvest Small & MicroCap Fund was 31 January 2013. On 1 November 2017, the Fund was opened for subscription through two unit classes (A and B) and, in conjunction therewith, the Fund's existing shareholders received units in unit class A. On 5 June 2019, unit class C was launched, on 11 September 2019, unit class D was launched and on 17 February 2020, unit class E was launched.

### FUND FACTS HEALTHINVEST SMALL & MICROCAP FUND

Unit Class (1)	C	D	E
Unit Value (SEK)	108.27	106.15	106.66
Number of Units	601,057	12,886,497	1,357,191
Fund Assets (SEK '000)	65,079	1,367,895	144,759
<b>RETURN (2)</b>			
Return Since the Fund's Inception (%)	8.27	6.15	-5.48
MSCI World HC Index Returns Since the Fund's Inception (%)	16.85	10.34	-4.98
<b>FEES</b>			
Fixed Management Fee (%)	1.00	1.20	1.20
Performance-based Management Fee (%)	20	20	-
Annual Hurdle Rate (%) (3)	RXVX +4%	RXVX +4%	-
High watermark	Yes	Yes	-
Ongoing Charges (%)	1.09	1.29	1.29

(1) Some of the key ratios are lacking for unit classes C, D and E since these do not have 24 months history.

(2) The return figures since launch are calculated on the basis of the launch date of the respective unit class. Unit class C was launched on 5 June 2019, unit class D was launched on 11 September 2019 and unit class E was launched on 17 February 2020.

(3) The annual hurdle rate is comprised of OMRX T-Bill Index + 4% (unit classes C and D).

## Other Information

### CHANGE IN FUND ASSETS

(SEK '000)		Opening Fund Assets	Issuance of Units	Redemp- tions	Change in unit classes (1)	Profit for the Year	Closing Fund Assets
31.01.2013		0	80,536	0		0	80,536
01.02.2013 - 31.12.2013		80,536	28,585	-122		28,283	137,282
2014		137,282	16,025	-27,136		20,692	146,863
2015		146,863	114,269	-17,331		41,130	284,931
2016		284,931	581,536	-111,680		132,401	887,189
2017	MicroCap Fund/ Small & MicroCap A	887,189	314,986	-199,579		250,993	1,253,589
	Small & MicroCap B	-	1,006	0		8	1,014
	TOTAL	887,189	315,992	-199,579		251,001	1,254,603
2018	Small & MicroCap A	1,253,589	297,823	-277,656		-115,373	1,158,385
	Small & MicroCap B	1,014	304,033	-4,703		-16,680	283,665
	TOTAL	1,254,603	601,857	-282,358		-132,052	1,442,050
2019	Small & MicroCap A	1,158,385	154,097	-309,906		245,091	1,247,667
	Small & MicroCap B	283,665	60,462	-57,610		61,783	348,300
	Small & MicroCap C	-	101,756	-53,051		7,957	56,662
	Small & MicroCap D	-	1,101	0		61	1,162
	TOTAL	1,442,050	317,416	-420,566		314,892	1,653,792
30.06.2020	Small & MicroCap A	1,247,677	3,668	-14,545	-1,225,281	-11,509	0
	Small & MicroCap B	348,300	5,070	-6,579	-343,491	-3,300	0
	Small & MicroCap C	56,662	9,000	-1,179	0	596	65,079
	Small & MicroCap D	1,162	24,629	-91,004	1,412,554	20,553	1,367,895
	Small & MicroCap E	-	9,917	-12,442	156,219	-8,935	144,759
	TOTAL	1,653,792	52,284	-125,748	0	-2,596	1,577,732

(1) Unit classes A and B ceased on 31 January 2020, and the unit holders instead received units in unit class D. Unit class E, which is open to the Swedish Pensions Agency, was launched on 17 February 2020 and the Pensions Agency's units were transferred from unit class D to unit class E

### RETURN AND CHANGE IN UNIT VALUE

MicroCap Fund/ Small & MicroCap A	Unit Value (SEK)	Number of Units	Fund Assets (SEK '000)	Return on MicroCap Fund/ Small & MicroCap A (%) (1)	Return on MSCI World Health Care Index (%) (2)
31.02.2013	100.00	805,359	80,536	-	-
01.02.2013 - 31.12.2013	127.28	1,078,601	137,282	28.88	28.61
2014	146.55	1,002,167	146,863	16.40	43.35
2015	178.81	1,593,522	284,931	24.40	15.56
2016	226.42	3,918,416	887,189	29.12	0.14
2017	279.23	4,489,385	1,253,589	25.68	7.84
2018	255.81	4,528,229	1,158,385	-8.39	11.28
2019	314.06	3,972,746	1,247,667	22.77	29.78
01.01.2020 - 31.01.2020*	-	-	-	-0.95	1.59

(1) Pertains to a unit holder who invested in the Fund at the beginning.

(2) The return for the benchmark index is in SEK and including reinvested dividends.

\* The stated return pertains to the period of time during which the unit class was active.

## Other Information

### RETURN AND CHANGE IN UNIT VALUE

	Unit Value (SEK)	Number of Units	Fund Assets (SEK '000)	Return MicroCap Fund/ Small & MicroCap B (%)	Return MSCI World Health Care Index (%) (1)
<b>Small &amp; MicroCap B</b>					
31.10.2017	100.00	10,003	1,000	-	-
01.11.2017 - 31.12.2017	100.74	10,064	1,014	0.74	-0.18
2018	91.92	3,085,938	283,665	-8.75	11.28
2019	112.52	3,095,483	348,300	22.41	29.78
01.01.2020 - 31.01.2020 *	-	-	-	-0.97	1.59

	Unit Value (SEK)	Number of Units	Fund Assets (SEK '000)	Return MicroCap Fund/ Small & MicroCap C (%)	Return MSCI World Health Care Index (%) (1)
<b>Small &amp; MicroCap C</b>					
2019-06-05	100.00	40,632	4,063	-	-
06.06.2019 - 31.12.2019	108.14	523,963	56,662	8.14	15.75
01.01.2020 - 30.06.2020	108.27	601,075	65,079	0.12	0.96

	Unit Value (SEK)	Number of Units	Fund Assets (SEK '000)	Return MicroCap Fund/ Small & MicroCap D (%)	Return MSCI World Health Care Index (%) (1)
<b>Small &amp; MicroCap D</b>					
11.09.2019	100.00	10,000	1,000	-	-
12.09.2019 - 31.12.2019	106.08	10,956	1,162	6.08	9.29
01.01.2020 - 30.06.2020	106.15	12,886,497	1,367,895	0.07	0.96

	Unit Value (SEK)	Number of Units	Fund Assets (SEK '000)	Return MicroCap Fund/ Small & MicroCap E (%)	Return MSCI World Health Care Index (%) (1)
<b>Small &amp; MicroCap E</b>					
17.02.2020 - 30.06.2020 *	106.66	1,357,191	144,759	-5.48	-4.98

(1) The return for the benchmark index is in SEK and including reinvested dividends.

\* The stated return pertains to the period of time during which the unit class was active.

# HealthInvest Partners AB

HealthInvest Partners is an independent Swedish fund management company which has been under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen) since 6 September 2006. HealthInvest Partners offers active management in the healthcare sector to institutions and private investors.

## BOARD OF DIRECTORS

The Board of Directors of the fund company has extensive experience in corporate management, fund management, equity research and financial instruments trading and has scientific expertise within the healthcare area. The directors have invested in HealthInvest Small & MicroCap Fund.

Johan Stern, Chairman of the Board of Directors, born 1951, is also active as a member on other boards. Stern was employed and a partner of the US fund company, FMG Fund Managers Ltd, from 1999 to 2002. Prior to that, Stern worked at Skandinaviska Enskilda Banken ("SEB"), and was responsible for SEB's operations in the US from 1996 to 1998. Stern holds a degree in economics from the University of Stockholm.

Ingemar Kihlström, Member of the Board of Directors, born 1952, works as a consultant in the healthcare sector at Ingemar Kihlström AB and is active as a member on several boards. Previously, Kihlström was employed as senior healthcare analyst at ABG Sundal Collier from 2000 to 2003, and as senior healthcare analyst at Aros Securities from 1997 to 2000. Kihlström was awarded his Ph.D. in Physiology at Uppsala University in 1982 and became associate professor in physiology at Uppsala University in 1986.

Anders Hallberg, Member of the Board of Directors, born 1973, is the deputy CEO of the fund company and is the portfolio manager of HealthInvest Small & MicroCap Fund. Hallberg is presented below under Management Organisation.

## MANAGEMENT ORGANISATION

Anders Hallberg, born 1973, is the deputy CEO and portfolio manager of HealthInvest Small & MicroCap Fund. Hallberg has a background as a healthcare analyst and portfolio manager at Carnegie Investment Bank. During the period January 2003 - February 2006, Hallberg managed Carnegie Global Healthcare Fund which, at this time, was the best performing healthcare fund in the world. In 2000, Hallberg was ranked by the

publication, *Finansstidningen*, as the number one healthcare analyst in Sweden and, in 2006, Hallberg was named Star Portfolio Manager (DI/Morningstar) in the healthcare funds segment. Hallberg holds a M.Sc. in Economics and a B.Sc. in Business Administration.

Markus Wistrand, born 1976, is the CEO of the fund company and financial analyst. He was previously employed in the Swedish medical technology company Q-Med. Wistrand holds an M.Sc. in Biotechnology from Uppsala University and an M.Sc. in Business Administration from Stockholm University. Wistrand also holds a Ph.D. in Computational Biology from Karolinska Institutet.

## EXTERNAL COLLABORATIONS

HealthInvest Partners collaborate with external partners in the following areas:

- ESG Research and sustainable investments expertise.
- Bespoke Primary Research to access a network of experts in order to conduct interviews with professional specialists.



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