

MARKET DEVELOPMENT

Healthcare stocks lost some ground in September and MSCI World Health Care Index decreased 1.4% in USD. Due to the weakening Swedish currency, the index rose 2.3% in SEK.

FUND PERFORMANCE

In September, HealthInvest Small & MicroCap Fund lost 3.1% in USD and increased 0.4% in SEK (share class D), slightly below its benchmark index.

MANAGEMENT, VALUATION & OUTLOOK

In September, HealthInvest Small & MicroCap Fund built up two significant equity positions:

Anthem is one of the largest healthcare insurance companies in the US. The insurance giant is primarily focused on the commercial market and provides private health insurance to companies and their employees. Anthem is growing in pace with the underlying market and has good cost controls and pricing power to adjust insurance premiums in order to maintain profit margins. We are also optimistic on Anthem's launch of its own PBM (known as IngenioRx), cutting ties with Express Scripts in the process. The transition of volumes to IngenioRX may result in gross annual savings of more than USD4bn, with at least 20 percent going to shareholders. Anthem stock is trading at approximately 10 times free cash flow, which we regard as attractive.

Ironwood Pharmaceuticals is a US smallcap company involved in the development of drugs for the treatment of gastrointestinal disorders (GI). Its main product Linzess launched in December 2012 and is currently marketed as a 50/50 joint venture with Abbvie producing gross sales of around USD800m. In 2019, Ironwood made a shareholder friendly move by spinning out its non-GI assets into newly formed Cyclerion, which resulted in annual savings of around USD100m. On 29 September 2020, Ironwood reported that its important Phase III IW-3718-302 trial missed its primary endpoint. As a consequence of the trial failure, the company is planning to cut the current workforce by 35%. With this reduction, Ironwood estimates to save at least USD45m annually and an additional USD50m by discontinuing the IW-3718 programme. In summary, Ironwood's free cash flow may amount to USD200m in 2021 resulting in a rather cheap stock valuation of around 7x.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 9.9x free cash flow. This compares favorably to the global healthcare sector (18.3x) as well as to MSCI World Index (18.8x).

At month end, the Fund had 23 equity holdings and 95% of the portfolio companies produce significant positive free cash flow. The net equity exposure was 96%.

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	2.5%	-3.2%	-0.4%	2.3%	5.6%	0.1%	4.3%	1.0%
June	-3.5%	2.3%	0.8%	2.5%	-2.8%	-0.6%	-1.9%	-2.1%
July	3.0%	2.2%	-0.9%	-2.0%	4.5%	7.7%	2.2%	4.0%
August	0.2%	-3.6%	4.2%	1.6%	3.5%	-9.0%	1.9%	-2.9%
September	0.4%	3.1%	-1.3%	6.1%	4.6%	-0.1%	0.2%	0.7%
October		5.3%	-10.1%	2.9%	5.4%	4.5%	2.1%	5.0%
November		2.2%	1.7%	-1.3%	-0.3%	4.8%	1.4%	3.4%
December		-2.0%	-8.9%	2.3%	0.0%	-2.1%	3.8%	1.0%
Net return per year	3.6%	20.6%	-8.9%	24.7%	27.9%	24.2%	15.6%	28.3%
Net return since start	233.8%	222.3%	167.3%	193.4%	135.4%	84.1%	48.3%	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%	233.8%
Sharpe ratio	0.22	1.35
Standard deviation	16.1%	12.4%
Beta vs MSCI World Health Care Index	0.88	0.59
Downside risk	11.3%	7.2%
Active risk (tracking error)	9.0%	10.9%

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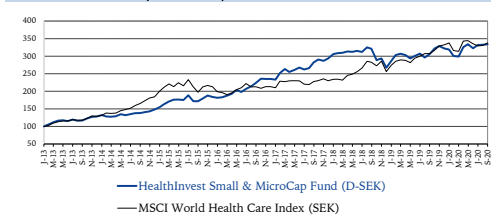
Top Five Positions

Company	Country	Sector	Portfolio weight
Almirall Laboratories	ES	Pharmaceuticals	7.6%
Coherus Biosciences	US	Biotechnology	7.1%
Supernus Pharmaceuticals	US	Pharmaceuticals	7.1%
Collegium Pharmaceutical	US	Pharmaceuticals	4.9%
Pharming Group	NL	Biotechnology	4.6%

Sector Distribution

Sector	Portfolio weight
Biotechnology	35%
Pharmaceuticals	34%
Health Care Services	11%
Health Care Distributors	8%
Managed Health Care	4%
Health Care Equipment	3%
Cash	4%

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.

Performance*

	NAV	Sept*	2020*
HealthInvest Small & MicroCap (C-SEK)	112.2	0.4%	3.7%
HealthInvest Small & MicroCap (D-SEK)	109.9	0.4%	3.6%
MSCI World Health Care Index (SEK)	3625.2	2.3%	1.7%
MSCI World Health Care Index (USD)	405.0	-1.4%	6.3%
MSCI World Index (SEK)	62908.8	0.1%	-2.6%
MSCI World Index (USD)	7027.3	-3.4%	1.7%

*Net of fees.

Geographical Distribution

Region	Portfolio weight
USA	69%
Europe	22%
Asia	5%
Cash	4%

Liquidity Risk*

% part	No of days to liquidate portfolio					
	0-1	1-2	2-3	3-5	5-30	30+
5	41	7	3	5	31	14
10	48	5	5	6	23	12
15	51	7	6	10	17	11
20	54	8	8	11	12	9

* % 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.