

MARKET DEVELOPMENT

Healthcare stocks lost ground in October and MSCI World Health Care Index decreased 4.9% in USD and 5.4% in SEK.

FUND PERFORMANCE

In October, HealthInvest Small & MicroCap Fund declined 3.9% in USD and 4.4% in SEK (share class D), which was better than its benchmark index.

MANAGEMENT, VALUATION & OUTLOOK

During the month, HealthInvest Small & MicroCap Fund built up three significant equity positions:

Antares Pharma is a fast growing smallcap US medical device firm. The company designs, manufactures, and sells auto-injectors that are tailored for specific drugs. In the past, the majority of revenues have come from partnered products in the form of development agreements, sales of auto-injectors to the commercial partner, and royalties on net sales. However, Antares seems to be on the verge of a revenue and earnings inflection with the launch of its wholly owned Xyosted. The product is a weekly testosterone auto-injector that is labelled for testosterone replacement therapy in hypogonadal adult males. We view Xyosted as a potential USD250m opportunity in a growing market currently annualizing at approximately 7 million prescriptions in the US. If our thesis on Xyosted proves to be correct, Antares shares trades at around 5x free cash flow in 2024.

Biocryv Pharmaceuticals is a US smallcap biotechnology company which may soon enter commercial phase with its global launch of Orladeyo. The drug is a prophylactic treatment of Hereditary Angioedema (HAE), a rare and potentially life-threatening genetic condition that causes severe swelling under the skin. Orladeyo is in our view a breakthrough therapy being the first oral treatment for HAE offering patients a more convenient treatment solution compared to injectables. We believe it is reasonable to believe that Orladeyo will capture around 20% of the total market within five years, which may give investors a 1000% return on invested capital.

Teva Pharmaceutical Industries was established in 1901 and is today one of the worlds largest generic drug manufacturers. Its portfolio includes around 3,500 drugs and nearly 200 million people in 60 countries benefit from one of Teva's medicines every day. Our interest in the stock is primarily driven by its low valuation of 4x free cash flow. Admittedly, Teva is in a tough spot due to various law suits (opioid misuse and generic drugs price-fixing) which probably will cost the company USD3bn to settle. However, Teva produces around two billion US-dollars annually in free cash flow so the amounts paid out in the various settlements should be manageable. When these settlements are finalised, we believe investors will be greatly rewarded for their patience.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 8.9x free cash flow. This compares favourably to the global healthcare sector (17.1x) as well as to MSCI World Index (18.6x).

At month end, the Fund had 25 equity holdings and 95% of the portfolio companies produce significant positive free cash flow. The net equity exposure was 98%.

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	-4.4%	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	-1.0%	20.6%	-8.9%	24.7%	27.9%	24.2%	15.6%	28.3%
Net return since start	219.1%	222.3%	167.3%	193.4%	135.4%	84.1%	48.3%	28.3%

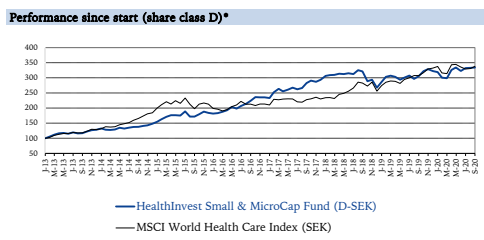
*Net of fees. Share class D started on September 11, 2019. The historical return preceding that date is the return of HealthInvest Small & MicroCap Fund adjusted for the applicable fee structure of share class D.

Risk measures (share class D)*		
	24 months	Since start
Return	10.5%	219.1%
Sharpe ratio	0.43	1.28
Standard deviation	14.6%	12.5%
Beta vs MSCI World Health Care Index	0.81	0.60
Downside risk	9.3%	7.3%
Active risk (tracking error)	7.9%	10.8%

*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.

Top Five Positions			
Company	Country	Sector	Portfolio weight
Almirall Laboratorios	ES	Pharmaceuticals	6.6%
Coherus Biosciences	US	Biotechnology	6.2%
Supernus Pharmaceuticals	US	Pharmaceuticals	6.0%
Haw Par	SP	Pharmaceuticals	4.8%
Ironwood Pharma	US	Biotechnology	4.6%

Sector Distribution	
Sector	Portfolio weight
Pharmaceuticals	35%
Biotechnology	33%
Managed Health Care	8%
Health Care Distributors	8%
Health Care Services	6%
Other subsectors	7%
Cash	2%



*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	Oct*	2020*
HealthInvest Small & MicroCap (C-SEK)	107.2	-4.4%	-0.9%
HealthInvest Small & MicroCap (D-SEK)	105.0	-4.4%	-1.0%
MSCI World Health Care Index (SEK)	3430.9	-5.4%	-3.7%
MSCI World Health Care Index (USD)	385.2	-4.9%	1.1%
MSCI World Index (SEK)	60671.8	-3.6%	-6.1%
MSCI World Index (USD)	6811.8	-3.1%	-1.4%

*Net of fees.

Geographical Distribution		
Region		Portfolio weight
USA		73%
Europe		21%
Asia		5%
Cash		2%

Liquidity Risk*				
% part	No of days to liquidate portfolio			
	0-1	2-3	3-5	5-30
5	36	10	5	6
10	46	8	5	7
15	51	9	5	8
20	54	9	6	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.