

MARKET DEVELOPMENT

Healthcare stocks continued to gain ground in December, although the weakening US dollar put pressure on the development in SEK. MSCI World Health Care Index increased 3.1% in USD and declined 0.9% in SEK.

The outcome of the Georgia Senate election on January 5 seems to go the Democrats' way, as Republican David Perdue appears to be defeated by 33-year-old Democrat Jon Ossoff by a narrow margin (49.8% vs. 50.2% at the time of writing). Since Republican candidate Kelly Loeffler also lost to Democrat Raphael Warnock, this means that the Democratic Party will probably regain control of the Senate.

It should be noted, however, that the Democrats' control of the Senate will be fragile, and any legislative proposal will require the support of all the party's senators. This will make it difficult for the Democratic Party to push through radical health care reforms. Another factor that will complicate matters is the effective lobbying of pharmaceutical companies in Washington. In conclusion, it is therefore likely that not much will happen in terms of negative legislation the next couple of years. This conclusion is supported by empirical evidence such as the Democrats' major victory in 2008 that did not negatively affect the healthcare sector. In fact, the Democratic Party implemented the Affordable Care Act (Obamacare) in 2010, which was a net positive for the sector.

We believe that the negative effects of the Georgia election outcome from an equity perspective should be limited as the healthcare sector is already trading well below its normal valuation relative to MSCI World Index. For the past 25 years, the health sector has been traded at around a 20% premium to the stock market but is currently valued at a discount of around 5%. Much of the political uncertainty is thus already discounted at present.

FUND PERFORMANCE

HealthInvest Small & MicroCap Fund had another strong month, delivering a 5.4% return in USD and 1.1% in SEK (share class D). This was significantly better than its benchmark index.

MANAGEMENT, VALUATION & OUTLOOK

In December, the Fund built up a new position in Biodelivery Sciences ("BDSI"), a US specialty pharma company that has developed a proprietary drug delivery technology called BioErodible MucoAdhesive ("BEMA"). The technology uses a small polymer film applied to the inner lining of the cheek for rapid drug administration. BEMA is applied on several of BDSI's products of which Belbuca is the most important (90% of total sales). Belbuca is a medication administered to help manage chronic pain severe enough to require daily, around-the-clock, long-term opioid treatment. The benefit of Belbuca compared to the competition is 1) longer lasting pain relief (12 hours compared to 4-6 hours); 2) less risk of abuse; and 3) lower risk of constipation. In the most recent quarter, BDSI posted record revenues growing 30% year on year. If the sales momentum continues, we expect shares to trade at around 4x free cash flow in 2023, indicating large share price potential.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 9.5x free cash flow. This compares favourably to the global healthcare sector (20.3x) as well as to MSCI World Index (21.6x).

At year end, the Fund had 25 equity holdings and 96% 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	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	12.8%	2.2%	1.7%	-1.3%	-0.3%	4.8%	1.4%	3.4%
December	1.1%	-2.0%	-8.9%	2.3%	0.0%	-2.1%	3.8%	1.0%
Net return per year	12.9%	20.6%	-8.9%	24.7%	27.9%	24.2%	15.6%	28.3%
Net return since start	263.9%	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.

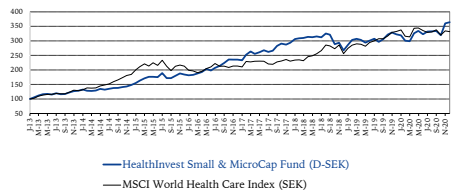
Risk measures (share class D)*		
	24 months	Since start
Return	36.1%	263.9%
Sharpe ratio	1.10	1.34
Standard deviation	15.4%	13.0%
Beta vs MSCI World Health Care Index	0.92	0.62
Downside risk	6.9%	7.2%
Active risk (tracking error)	9.7%	11.1%

*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 Laboratories	ES	Pharmaceuticals	5.9%
Supernus Pharmaceuticals	US	Pharmaceuticals	5.5%
Coherus Biosciences	US	Biotechnology	4.9%
Haw Par	SP	Pharmaceuticals	4.7%
Viatrix	US	Pharmaceuticals	4.6%

Sector Distribution	
Sector	Portfolio weight
Pharmaceuticals	38%
Biotechnology	24%
Health Care Distributors	13%
Health Care Services	11%
Medical Technology	6%
Other	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.

Performance*			
	NAV	Dec*	2020*
HealthInvest Small & MicroCap (C-SEK)	122.3	1.1%	13.1%
HealthInvest Small & MicroCap (D-SEK)	119.8	1.1%	12.9%
MSCI World Health Care Index (SEK)	3555.4	-0.9%	-0.2%
MSCI World Health Care Index (USD)	432.6	3.1%	13.5%
MSCI World Index (SEK)	65812.8	0.1%	1.9%
MSCI World Index (USD)	8008.5	3.5%	15.9%

*Net of fees.

Geographical Distribution		
Region		Portfolio weight
USA		71%
Europe		20%
Asia		5%
Cash		5%

Liquidity Risk*							
% part		No of days to liquidate portfolio					
		0-1	1-2	2-3	3-5	5-30	30+
5	10	36	10	5	5	28	16
10	15	46	7	4	7	23	12
15	20	51	7	5	10	16	11
20		54	8	7	9	13	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.