



HEALTHINVEST VALUE FUND

2014 SEMI-ANNUAL REPORT

Semi-annual report HealthInvest Value Fund

HealthInvest Value Fund is an actively managed investment fund focusing on the healthcare industry. The fund has three active unit classes of which A and B are denominated in SEK and unit class C is denominated in EUR. The fund invests globally, but the main focus is on North American companies since this region has a strong, global market position. A significant share of the fund assets are invested in companies with relatively small market capitalisation. The objective is, while observing due care, to provide maximum returns on invested capital over time with a well-balanced risk.

DEVELOPMENT OF THE FUND

During the first six months, HealthInvest Value Fund's unit classes A and B rose by 16.5 and 16.3% respectively. Unit class C, which is denominated in EUR, rose 12.9%. During the same period, MSCI World Health Care Index rose by 14.2% in SEK and 10.5% in EUR (approximately 15.6 and 11.9% respectively, including re-invested dividends).

The higher returns in unit classes A and B compared with class C are a result of the weakening of the Swedish krona during the first six months of the year. It is the policy of the fund to hedge a significant share of the currency risk associated with the asset fund in SEK so that the fund is less sensitive to movements in the Swedish krona. Unit class C, which is listed in EUR, however, is subject to movements in the Swedish krona, which was negative during the period. The index has gone up approximately 4.5 percentage points as a consequence of the weakening of the Swedish krona.

Like the sector as a whole, the fund has enjoyed a good first two quarters this year. An important driving force behind the positive development of the shares in the sector has been the increase in M&A activity. In all likelihood this is a result of the access to cheap capital as well as the relative optimism of the market. In addition, drug companies are anticipating to an ever-large extent acquisitions of additional drugs and development projects as a complement to their own research. An additional factor is tax optimisation currently providing primarily American companies with a distinct incentive to acquire companies outside the US.

13 new shares have been added to the portfolio during the first half of the year, while four were sold off entirely. At the expiry of the first six months, the fund had 29 shareholdings. As is customary, the majority of the fund's investments were made in the US which is the largest market for listed companies in the sector. Notwithstanding this, two investments have been made outside the US which contributed most to the fund result during the period, namely the Swedish drug company, Meda, and the Russian drug company, Pharmstandard. Meda's shares benefited from the fact that the company developed well in 2013 and from the takeover bid made by the American company, Mylan, which was rejected by Meda's board of directors. Pharmstandard fell substantially in 2013 following investor irritation regarding the manner in which the majority owners manage the company and the general flight from Russian companies. Ultimately,

the share became very inexpensive and, in hindsight, the investment made by the fund took place at just the right time. The share price has climbed notwithstanding the fact that the company distributed a company to the shareholders during the period.

A number of American companies also contributed significantly to the fund's results and, amongst these companies, the diagnostics company, Myriad Genetics, has contributed the most value. Myriad sells a test to diagnose breast cancer, but has found itself in a new competitive environment following a judgement from the US Supreme Court in 2013. This makes Myriad's future uncertain and, even if a highly positive scenario is possible, it could also paint a gloomy picture of the future. Following the price increase at the beginning of the year, we chose to reap our profit from the share. The emphasis of the fund on the relatively cheap subsector, health insurance, has also proven to be profitable, and Aetna and Wellpoint both belong to the fund's five best investments.

The fund, relative to the index, is very lean in the drugs sector and, in particular, American drug companies. We believe that the shares are expensive at this time given the risk that is associated with the development of new drugs. However, the fund has invested in the American company, Gilead, which has acquired a very strong position in drugs to combat hepatitis C and having a history of being a leading player in HIV drugs.

Amongst the companies which have developed least favourably were the German Draegerwerk and the American companies, Cryolife, Alliance Healthcare Services and Symmetry Medical.

As per 30 June 2014, the fund owned shares equal to 99.4% of the fund assets, which is also the fund's gross exposure.

Geographically, the fund's investments are principally located in the US, which represented 73% of the fund assets as per midyear. Russia represented 6%, Germany 6%, Japan 5%, Sweden 4%, Puerto Rico 3%, and Norway and Great Britain 1% each. Investments in Poland and France comprised less than 1% of the portfolio.

Of the share investments, health care equipment represented the largest sector with 35% of the fund assets, followed by life & health insurance (21%), healthcare services (16%), pharmaceuticals (11%), life science tools & services (6%), health care distributors (4%), biotechnology (4%) and health care supplies (2%).

RISK TAKING BY THE FUND

HealthInvest Value Fund / Value A's risk measured as the fund's standard deviation has been 13.5% during the most recent 24 months. The beta value, calculated using the MSCI World Health Care Index as the market portfolio, has been 1.14 during the same period, and the fund's Sharpe quota was 1.79.

The comparable risk measure for unit classes B and C are set forth in the table, "Fund facts".

FUND ASSETS

As of 30 June 2014, HealthInvest Value Fund's fund assets amounted to SEK 1,544 million. During the first six months of 2014, share issuance amounted to SEK 961.2 million,¹ while shares were redeemed for SEK 131.6 million. In addition, profit for the year was SEK 140.2 million. The allocation of the fund assets in the three unit classes is set forth in the table, "Change in fund assets".

FUND RULES

In October 2013, the Swedish Financial Supervisory Authority approved the merger of HealthInvest Value Fund with HealthInvest Access Fund by absorption. The merger took place based upon the valuation of the two funds on 14 February 2014, and the unit holders in Access Fund were allotted units in Value Fund unit class B.

No changes were made to the fund rules for HealthInvest Value Fund during the first six months of 2014.

(1) Of subscriptions for the year, SEK 448.8 million constitute units issued to unit holders in HealthInvest Access Fund in conjunction with the merger of the fund with the HealthInvest Value Fund.

Balance sheet per 30 June 2014 (SEK'000)

Assets	Note	2014-06-30	2013-12-31
Transferrable securities		1,534,420	462,000
OTC derivative instruments with positive market value		0	4,784
Fund units		0	18,346
Total financial instruments with positive market value		1,534,420	485,129
Total investments with positive market value		1,534,420	485,129
Bank deposits and other liquid funds		22,420	58,472
Prepaid costs and accrued income	1	222	207
Other assets	2	6	0
Total assets		1,557,068	543,808
Liabilities			
OTC derivative instruments with negative market value		-2,338	0
Total financial instruments with negative market value		-2,338	0
Accrued costs and prepaid income	3	-6,405	-460
Other liabilities	4	-4,357	-1,079
Total liabilities		-13,100	-1,538
FUND ASSETS		1,543,968	542,270
Memorandum items			
Pledged assets for OTC derivative instruments		9,439	17,952
Other pledged assets		5,606	0

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Notes

Note 1 - Prepaid costs and accrued income	2014-06-30	2013-12-31
Dividends for which payment is expected	217	177
Other	5	30
Total Prepaid costs and accrued income	222	207
Note 2 - Other assets		
	2014-06-30	2013-12-31
Subscription of units in progress	6	0
Total Other assets	6	0
Note 3 - Accrued costs and prepaid income		
	2014-06-30	2013-12-31
Management fee	-6,405	-460
Total Accrued costs and prepaid income	-6,405	-460
Note 4 - Other liabilities		
	2014-06-30	2013-12-31
Tax liabilities	-1,469	0
Unsettled transactions	-1,125	0
Redemption of units in progress	-1,763	-1,079
Total Other liabilities	-4,357	-1,079

Summary of holdings HealthInvest Value Fund per 30 June 2014

Financial instruments with positive market value	Country (1)	Quantity	Price (2)	Market Value (SEK'000)	% of fund assets
Shares with positive market value					
Health care equipment					34.71
Thoratec	US	440,366	34.86	102,598	6.65
FujiFilm Holdings	JP	375,900	4.52	70,043	4.54
Medtronic	US	159,900	63.76	68,139	4.41
Hill-Rom Holdings	US	239,200	41.51	66,361	4.30
Carefusion	US	219,600	44.35	65,091	4.22
Hologic	US	321,920	25.35	54,541	3.53
Draegerwerk PFD	DE	75,165	78.47	53,972	3.50
Cryolife	US	413,364	8.95	24,726	1.60
Medi-Stim	NO	665,196	23.50	17,037	1.10
Optos	UK	636,171	183.50	13,345	0.86
Life & health insurance					20.68
WellPoint	US	145,800	107.61	104,859	6.79
Magellan Health Services	US	242,192	62.24	100,746	6.53
Aetna	US	131,400	81.08	71,204	4.61
Triple-S Management	PR (US)	354,675	17.93	42,502	2.75
Health care services					15.84
Alliance Healthcare Services	US	465,449	27.00	83,991	5.44
LifePoint Hospitals	US	166,100	62.10	68,938	4.47
Express Scripts	US	107,500	69.33	49,811	3.23
Skilled Healthcare Group	US	949,666	6.29	39,923	2.59
Le Noble Age	FR	12,247	16.50	1,849	0.12
Pharmaceuticals					10.65
Pharmstandard	RU (UK)	1,066,904	9.20	65,601	4.25
Meda A	SE	466,278	116.10	54,135	3.51
OTCPharm*	RU	952,109	239.00	44,737	2.90
Life science tools & services					6.44
Charles River Laboratories	US	278,013	53.52	99,444	6.44
Health care distributors					4.43
Cardinal Health	US	135,700	68.56	62,180	4.03
Pelion	PO	16,235	76.89	2,747	0.18
Famacol	PO	21,052	53.50	2,479	0.16
Protek	RU	115,500	40.68	924	0.06
Biotechnology					4.25
Gilead Sciences	US	118,500	82.91	65,663	4.25
Health care supplies					2.39
Paul Hartman	DE	13,928	289.00	36,833	2.39
TOTAL Shares with positive market value				1,534,420	99.38
TOTAL Financial instruments with positive market value				1,534,420	99.38
TOTAL Investments with positive market value				1,534,420	99.38
Financial instruments with negative market value					
OTC derivative instruments with negative market value (3)					
Currency futures EUR/SEK 10 December 2014*	SE	-18 400 000		-1,940	-0.13
Currency futures USD/SEK 10 December 2014*	SE	-46 500 000		-397	-0.03
TOTAL OTC derivative instruments with negative market value				-2,338	-0.15
TOTAL Financial instruments with negative market value				-2,338	-0.15
TOTAL Investments with negative market value				-2,338	-0.15
Other assets/liabilities, net				11,880	0.77
TOTAL FUND ASSETS				1,543,962	100.00
Traded securities which are admitted to trading on a regulated market or similar market outside the EEA					95.88
Traded securities which are subject to regular trading on another market which is registered and open to the public					0.00
* Other financial instruments					3.35
Total					99.23

1) 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: DE Germany, FR France, JP Japan, KR South Korea, NO Norway, PO Poland, PR Puerto Rico, RU Russia SE Sweden and UK Great Britain.

2) Refers to local currency.

3) The total underlying exposure arising by virtue of the futures contracts entered into by the fund was SEK 479,149,140. All contracts are with Skandinaviska Enskilda Banken as the counterparty, and the fund has not received any security.

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, the Swedish Investment Funds Association's recommendation regarding reporting key ratios in investment funds and ESMA (European Securities and Market Authorities) guidelines regarding reporting of derivatives.

All financial instruments traded on a marketplace have been valued in the annual accounts at the last transaction price as of 30 June 2014 or, in the absence of such a price, at the last bid price. Holdings in foreign currencies are valued at the last price paid for the currency. The fund's holdings of currency futures are valued on the basis of quotations from future currency exchanges for standardised time periods.

The fund owns shares in OTCPharm, which is not regularly traded on the market. The holding constitutes 2.9% of the fund assets and has been valued in accordance with the fund company's routines for valuation of unlisted holdings. These entail, firstly, valuing the holding on the basis of known transactions involving the company's shares and, secondly, based on external analyses and by comparison with similar companies whose shares are listed. The fund company is of the opinion that the uncertainty pertaining to the valuation of the fund as a whole is minor.

Other information

The first occasion on which to subscribe in HealthInvest Value Fund was 30 December 2008. On 1 November 2013, the fund was open for subscription through three unit classes (A, B and C) and, in conjunction therewith, the fund's existing shareholders received units in unit class A. Unit class A is in all essential respects a continuation of HealthInvest Value Fund and has been regarded as such in conjunction with the calculation of the return and risk measure. Unit classes B and C are subject to new terms and conditions. In the table below, the data regarding Value Fund prior to 1 November 2013 has been recalculated based upon the terms and conditions for B and C.

HealthInvest Value Fund facts

Unit class (1)	A	B	C
Unit value	317.66 SEK	117.50 SEK	11.38 EUR
Number of units	2,452,526	6,473,479	40,878
Fund assets (SEK'000/EUR'000)	779,067	760,645	465
Return (2)			
Returns since start (%)	250.09	237.43	288.37
Average annual return for the fund, 5 years (%)	23.45	22.65	25.90
Average annual return for MSCI World HC Index, 5 years (%)	13.60	13.60	17.46
Average annual return for the fund, 2 years (%)	27.16	26.68	24.04
Average annual return for MSCI World HC Index, 2 years (%)	23.35	23.35	20.66
Measure of risk (2)			
Beta value	1.14	1.14	1.07
Standard deviation (%)	13.52	13.54	13.86
Standard deviation MSCI World HC Index (%)	8.37	8.37	8.75
Downside risk (%)	5.03	5.09	6.03
Downside risk MSCI World HC Index (%)	2.52	2.52	2.70
Sharpe quota	1.79	1.76	1.61
Sharpe quota MSCI World HC Index	2.45	2.45	2.14
Fees			
Fixed management fee (%)	1.00	1.50	1.50
Performance-based fee (%)	20	20	20
Annual return threshold (%)	5	5	5
High watermark	Ja	Ja	Ja
Annual fee (%) (3)	1.00	1.50	1.50

(1) Unit classes A, B and C were launched on 1 November 2013. Unit class A is a direct continuation of HealthInvest Value Fund and subject to unaltered terms and conditions. Unit classes B and C are subject to new terms and conditions.

(2) Data for unit class A is based on monthly return data for a customer who invested in Value Fund from the beginning and who received units in unit class A on 1 November 2013. As regards unit classes B and C, data for Value Fund for the period prior to 1 November is recalculated in accordance with the terms and conditions for unit classes B and C. All risk measurements are calculated based on data from the last 24 months.

(3) The annual fee for unit classes B and C is calculated on the basis of the period, 1 November 2013 to 31 December 2013, and has been annualised. As regards unit class A, that figure is from 2013.

Other information

Change in fund assets

(SEK'000)		Opening fund assets	Issuance of units	Redemption	Profit for the year	Closing fund assets
2008		-	59,050	-	-	59,050
2009		59,050	102,430	-8,487	61,060	214,053
2010		214,053	107,305	-74,561	49,711	296,508
2011		296,508	34,950	-17,376	8,591	322,674
2012		322,674	108,177	-20,760	33,190	443,281
	Value Fund/Value A	443,281	123,215	-167,251		539,514
	Value B	-	1,220	-167		1,040
	Value C	-	1,734	-		1,716
	TOTAL	443,281	126,170	-167,418	140,238	542,270
2014-06-30	Value A	539,514	222,723	-83,032		779,067
	Value B	1,040	734,706	-46,911		760,645
	Value C	1,716	3,801	-1,701		4,255
	TOTAL	542,270	961,230	-131,644	172,112	1,543,968

Return and change in unit value

Value Fund/Value A	Unit value (SEK)	Number of units	Fund assets (SEK'000)	Return on HealthInvest Value Fund A (%) (1)	Return on MSCI World HC Index (SEK, %) (2)
2008	100.00	590,500	59,050	-	-
2009	158.98	1,346,450	214,053	59.13	8.10
2010	190.81	1,553,945	296,508	21.75	-5.89
2011	194.87	1,655,871	322,674	3.43	9.08
2012	209.17	2,119,240	443,281	10.66	8.88
2013	272.64	1,978,853	539,514	35.50	32.27
2014-06-30	317.66	2,452,526	779,067	16.51	14.19

Value B	Unit value (SEK)	Number of units	Fund assets (SEK'000)	Return on HealthInvest Value Fund B (%)	Return on MSCI World HC Index (SEK, %) (2)
2013-11-01	100.00	-	-	-	-
2013-11-01 - 2013-12-31	101.02	10,296	1,040	1.02	2.83
2014-06-30	117.50	6,473,479	760,645	16.31	14.19

Value C	Unit value (EUR)	Number of units	Fund assets (SEK'000/EUR'000)	Return on HealthInvest Value Fund C (%)	Return on MSCI World HC Index (EUR, %) (2)
2013-11-01	10.00	-	-	-	-
2013-11-01 - 2013-142-31	10.08	19,241	1,716/194	0.80	2.36
2014-06-30	11.38	40,878	4,255/465	12.85	10.49

(1) Pertains to unit holders who invested in Value Fund at the beginning.

(2) MSCI World Health Care Index is a global index consisting of the companies in healthcare which have the largest market value.

HealthInvest
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