



HEALTHINVEST FUNDS
2016 ANNUAL REPORT

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

Fund Manager's View

In 2016, HealthInvest MicroCap Fund gained 29.1% while HealthInvest Value Fund fell 5.2% (unit class B-SEK). MicroCap Fund was launched at the beginning of 2013 and, over a period of slightly less than four years, climbed 25.2% annually. Since Value Fund started in 2009, it has had an average annual return of 19.3% but, after seven years of positive returns, the trend unfortunately turned in 2016.

2016 was a relatively poor year for healthcare investors. While the MSCI World Index rose 14%, the MSCI World Health Care Index remained unchanged (in SEK). Insurance companies and medical technology stocks developed strongly while biotechnology, specialty pharma and drug distributors were fighting uphill. Above all, it was the signs of increased difficulties to push through price hikes for drugs that created turbulence.

HEALTHINVEST MICROCAP FUND

HealthInvest MicroCap Fund rose 29.1% and thus outclassed the sector as a whole, including the MSCI World Small Cap Health Care Index which rose 2.8%. At the same time, the fund had a standard deviation of 10% during the year - a risk level which was approximately half as high as that of the benchmark index.

During 2016 there were many attractive investment opportunities within the micro and smallcap segment. For a manufacturer of eye glass lenses such as Thai Optical or a family-run animal health company like Vétoquinol, the debate surrounding drug prices and Obamacare repeal play a minor role. Small companies have the advantage of being able to grow by taking market shares, while many of the larger companies are more dependent on the general market growth in which political realities play a greater role.

HEALTHINVEST VALUE FUND

HealthInvest Value Fund's development in 2016 was weaker than we had hoped. On the positive side, the fund climbed during the latter half of the year, and during that period developed better than its benchmark index.

As value investors, we are drawn to low valuations. Beginning in the middle of 2015, many shares in the healthcare sector fell considerably, not the least among the smaller North American drug companies whose business models with relatively robust price increases were called into

question. During the spring of 2016, it was our view that the valuations were too low and therefore we invested in some of these smaller drug companies. In hindsight, the underlying problems for those companies were greater than expected and those holdings weighed down the year as a whole.

OUTLOOK FOR 2017

The change in Washington in which the Republicans took over the presidency and, furthermore, hold the power in both the Senate and House of Representatives is significant to the healthcare sector. President Trump has stated that Obama's healthcare reform will be done away with, but there is still no indication of what will replace it. Until this is clear, this state of affairs creates a certain degree of uncertainty adversely affecting shares in the sector, even if Obamacare is a relatively small component of the US healthcare system. The debate regarding the drug prices also looks to continue in 2017 following Trump's statements regarding the need for better prices for State purchases of drugs. We continue to be cautious when it comes to the large drug companies and US hospital shares, and the funds underweight these subsectors.

The healthcare sector has during the first two months of 2017 showed signs of revival after having contracted for a period of approximately 18 months. From a valuation perspective, the healthcare sector currently trades at a cash flow multiple of around 19, which is lower than the median of 21 during the last 20 years. The basic forces driving the sector persist, with an ageing population which creates increased demand over time. If the political uncertainties fade, 2017 may be the year in which investors return to healthcare.

In 2017, we will continue to seek out undervalued companies within the healthcare sector and hold firmly onto our investment philosophy even if the stock market remains unsteady. Our goal remains to create additional value for our clients through innovative and value-based fund management. We hope that our investors will stay the course with us.

HealthInvest MicroCap Fund - Fund Facts

FOCUS

HealthInvest MicroCap Fund is an actively managed mutual fund which invests in companies within the healthcare sector. The Fund invests globally in micro and smallcap companies.

SUBSCRIPTION AND FEES

Subscription and redemption of fund units take place on the last banking day of each month. A request to subscribe for shares in the fund must be received by the fund company not later than five banking days prior to the subscription date.

A request to redeem shares in the fund must be made in writing in accordance with the fund company's instructions and received by the fund company not later than one (1) calendar month prior to the redemption date.

A fixed management fee is charged at a rate of 1.5% per year.

A performance-based fee is charged at a rate of 20% on the annual return exceeding the return threshold of 8%. The fee is charged monthly.

The fund uses 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 (lower than 8 per cent per year) from previous periods.

SUPERVISION

Supervisory Authority:
The Swedish Financial Supervisory Authority
(Finansinspektionen)

Custodian:

Skandinaviska Enskilda Banken AB (publ)

Auditor:

PricewaterhouseCoopers AB with Sussanne Sundvall, authorised public accountant, as principal auditor

FUND COMPANY

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HealthInvest MicroCap Fund is a special fund in accordance with the Swedish Alternative Investment Fund Managers Act. Accordingly, HealthInvest MicroCap Fund is not to be regarded as a so-called UCITS fund. Information in this annual report is supplemented by the information available in the prospectus and the fund rules for HealthInvest MicroCap Fund. These may be obtained, free of charge, from HealthInvest Partners AB.

It is the responsibility of each and every person interested in investing in HealthInvest 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. The fund company, 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 the HealthInvest 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 MicroCap Fund may increase as well as decrease in value, and there is no certainty that persons who invest in HealthInvest MicroCap Fund will receive in return the entire capital invested.

HealthInvest MicroCap Fund - Administration Report

HealthInvest MicroCap Fund is an actively managed alternative investment fund focusing on the healthcare industry. The Fund invests globally in micro and smallcap companies. By means of a careful management processes, 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

In 2016, HealthInvest MicroCap Fund rose by 29.1 per cent after deducting the management fee. During the same period, MSCI World Small Cap Health Care Index, which is the Fund's benchmark index, rose 2.8 per cent in SEK (including reinvested dividends).

Successful stock picking was the principal reason for the positive returns in the Fund. The management perspective of the Fund is value-oriented and does not exclude subsectors or geographical markets. Exchange rate changes had a positive effect on the Fund during the year, primarily due to the fact that the Swedish krona weakened against most currencies.

The five holdings contributing most to the Fund's result during 2016 were, in order of precedence, the Swedish biotechnology company Medivir, the Singaporean specialist care company, Health Management International, the Swedish staffing company, Dedicare, the Belgian medical technology company, Agfa-Gevaert, and the Thai lens manufacturer, Thai Optical. The Fund has been negatively affected by the share price trends in the Canadian pharmaceutical company, Merus Labs, and the US medical technology company, Alphatec, and, to a lesser extent, by the developments in the share prices for the Malaysian pharmaceutical company, Y.S.P Southeast Asia Holding, the Japanese medical technology company, DVX, and the Japanese company, EM Systems, which sells software to pharmacies.

Compared with the beginning of 2016, ten holdings have been added to the portfolio and eight positions have been sold off. An additional 11 companies were added to the portfolio during the year, but were sold off prior to year-end. At the end of the year, the portfolio consisted of 25 company holdings.

During the year, the Fund initiated significant positions in the Belgian medical technology

company, Agfa-Gevaert, the Israeli manufacturer of aesthetic laser equipment, Syneron Medical, the Japanese software manufacturer, EM Systems, and the Japanese manufacturer of hearing aids, Rion. In addition, holdings in the Swedish biotechnology company, Medivir, have increased and now comprise the Fund's largest position as per the end of the year.

During the first six months, significant positions were also initiated in the Canadian specialty pharma companies, Merus Labs and Theratechnologies, but were sold off during the latter half of the year. Other major holdings which have been sold off during the year include British Lifeline Scientific, Italian Noemalife and American Symmetry Surgical, all of which were sold in takeovers.

THE FUND AS PER THE END OF THE YEAR

As per 31 December 2016, the Fund owned shares equal to 95.0 per cent of the fund assets. The Fund consisted of a total of 25 holdings spread out over 12 countries in North America, Europe and Asia.

From a geographical perspective, Japan represented 32 per cent of the fund assets, followed by Sweden (17 per cent), the US (7 per cent), Belgium (7 per cent), Malaysia (6 per cent), Israel (6 per cent), Thailand (5 per cent), France (5 per cent), Poland (4 per cent), United Kingdom (2 per cent), Singapore (2 per cent) and Australia (1 per cent).

Important Holdings in the Fund

As per the end of the year, the Fund had seven holdings each of which exceeded 5 per cent of the fund assets. Set forth below is a short description of these.

Medivir is a Swedish biotechnology company. In 2016, Medivir divested its commercial division at a price which perhaps even exceeded the company's own expectations. The sale cast light on value that many had previously overlooked. During the year, Medivir streamlined its research and, to a greater extent, has channelled its resources into clinical projects rather than very early research, which makes it possible for the company's financiers to more readily assess the commercial potential of the company's cash use. The changes have been well received by the stock market, and the stock price doubled during the latter half of 2016.

HealthInvest MicroCap Fund - Administration Report

Agfa-Gevaert, with origins dating back to 1867, is a Belgian company with just over 10,000 employees which develops and sells products for digital image management and visual communications to customers in the healthcare and printing industries. The market is in the process of transition from analogue to digital solutions, which has been a painful shift for Agfa. Notwithstanding the challenging times, Agfa has continued to invest 7-8% of sales in research and development, and we believe that this can put the company as a whole on the path of growth in 2017.

Syneron Medical is an Israeli manufacturer of equipment for plastic surgeons and dermatologists. The company grew remarkably fast and profitably during the years leading up to the financial crisis in 2008 but, since that time, has been devoid of a growth engine in the product portfolio and has been subjected to low-price competition. Overall, this has hampered sales and the stock price. We believe that the company is on its way to turning the tide given that many new, relevant products have been launched in the last two years. The enterprise value is 70% of the sales, so there is a large upside if growth and profitability return to normal levels.

EM Systems is a Japanese company in the area of medical IT. Its proprietary software is used by pharmacies for managing prescriptions and payment clearing for health insurance companies. The software is installed at approximately 13,000 Japanese pharmacies, corresponding to a fourth of the market and making EM Systems the market leader. The company has had growth of just under 8% annually over the last three years with an EBITDA margin of approximately 17%. The shares trade at 15 times free cash flow, which we consider attractive.

Thai Optical Group is a Thai manufacturer of eye glass lenses. Notwithstanding its relatively modest market capitalisation, the company is a major player in its niche and has demonstrated a strong growth history over the last five years during which sales and profits grew by approximately 7% and 10% respectively. Growth has been driven both by increases in volumes and value-adding improvements such as coatings and increasingly thinner lenses. We believe that this development will continue to drive sales and, given growth, the

valuation of 15 times normalised free cash flow appears low.

Rion is a Japanese manufacturer of hearing aids and various instruments for measuring sound and vibrations. The company has a strong presence on the Japanese market where it competes primarily with European companies such as William Demant and Sonova. Rion is not a fast grower, but it has gradually increased its EBITDA margin over the last five years from 12% to just under 16%. Excluding net cash, the company is valued at approximately 11 times free cash flow, which appears modest.

Vétoquinol, which was founded as early as 1933, is a well-managed, family controlled French veterinary medicine company. With its 2,000 employees and broad product portfolio, it is amongst the 10 largest companies in the world in the area of animal health. Europe is Vétoquinol's largest market (55% of total sales), but the company also sells globally through its 24 subsidiaries and approximately 140 distributors. On average, animal drug life cycles are longer than that for human drugs, which reduces the business risks. In addition, Vétoquinol invests approximately 7% of sales in research and development, which bodes well for potential development of new, innovative animal drugs and making sustained growth possible. The company is currently valued at approximately 17 times free cash flow, and we believe that the shares deserve a higher valuation.

RISK TAKING BY THE FUND

HealthInvest MicroCap Fund had a standard deviation of 10.0 per cent measured in 2016 and of 12.9¹ during the most recent two years. During the corresponding period of time, the MSCI World Small Cap Health Care Index had a standard deviation of 20.0% and 22.4%. The beta value, calculated using the MSCI World Small Cap Healthcare Index as the market portfolio, was 0.20 during the year and 0.33 during the last two years. All measures of risk are presented under the heading, "Other information".

The primary risk confronting the Fund in the short to medium term is considered to be the market risk associated with general stock market developments and, specifically, in those countries in which the Fund has a large allocation. Since

¹ Measured over a two-year period, the goal is that the standard deviation shall not exceed 25%.

HealthInvest MicroCap Fund - Administration Report

almost 80 per cent of the Fund's holdings are denominated in foreign currencies, the Fund also faces considerable currency risk. Finally, the Fund invests exclusively in companies with relatively small market value, as a consequence of which the liquidity risk in the Fund is higher than normal.

FUND ASSETS

As of 31 December 2016, HealthInvest MicroCap Fund's net asset value amounted to SEK 887.2 million. In 2016, units were issued for SEK 581.5 million, while units were redeemed for SEK 111.7 million. Profit for the year was SEK 132.4 million.

FUND COSTS

During the year, the Fund paid SEK 0.9 million in commissions and transaction-related fees, which is equal to 0.07 per cent of the transaction value. Costs for external research amounted to SEK 0.14 million, equal to 0.03 per cent of the average net fund assets during the year. Fixed management fees and performance-based fees paid to the fund company cost the Fund SEK 7.9 million and SEK 23.9 million respectively. The management fee as a percentage of the average net asset value was 6.06%. The Fund did not charge fees for subscription or redemption of shares during the year.

The Fund's turnover rate during 2016 was 0.76 and ongoing charges¹ was 1.53 per cent.

FUND RULES

No changes were made to the fund rules for HealthInvest MicroCap Fund in 2016. On 10 January 2017, the Swedish Financial Supervisory Authority approved amendments to the fund rules which entailed, among other things, that the Fund may raise loans on up to 20% of the fund assets, as opposed to the former 10%. In addition, the Fund is no longer required to close for subscriptions when the fund assets exceed SEK 1 billion and, instead, the fund company is now entitled to close the Fund for subscriptions when it has achieved a capital limit for optimum management. This capital limit has been established by the board of the fund company at SEK 2 billion. All amendments to the fund rules have been communicated to the unit holders and published on the fund company's website.

RESPONSIBLE INVESTMENTS POLICY

HealthInvest Partners' philosophy regarding responsible investments is that its funds will not make money on shares in companies which act irresponsibly. The company has acceded to the United Nations "Principles for Responsible Investments" (PRI). This means that the fund company supports the six principles addressed by the PRI initiative which are described at www.unpri.org.

For HealthInvest Partners, investing responsibly means not investing in companies which act inappropriately from an environmental, social or corporate governance perspective (ESG perspective). During the investment process, investments in such companies are not made. In addition to the moral aspect, we believe that the Fund's long-term development benefits from avoiding investments in companies which act inappropriately from an ESG perspective. Companies which act appropriately are often headed by responsible management organisations which do not take questionable shortcuts. Conversely, there is uncertainty when investing in companies in which management does not follow basic principles. There is a risk that the corporate management is also not forthright with the shareholders, which could affect the Fund.

In practice, each new investment is analysed from an ESG perspective during the investment process. This is documented in conjunction with the investment. The fund company works with MSCI ESG Research, which specialises in ESG issues and provides management with a database of ESG research. MSCI ESG Research's analysts also review the fund's holdings on a half yearly basis in an independent audit and report to the fund company. The report is conducted by means of a quantitative grading of the companies from an ESG perspective which is backed up with more qualitative research. A grade of 0 out of 10 possible raises a red flag and is immediately disqualified.

If the Fund has invested in a company which acts unacceptably, HealthInvest Partners will first initiate a dialogue with the company. If this does not lead to improvements, the holdings will be sold off within one year.

¹ The cost measure ongoing charges include all costs incurred by the Fund in accordance with Income Statement apart from variable fees, interest costs and transaction-related costs. Costs for external research are included.

HealthInvest MicroCap Fund - Administration Report

During 2016, all of the Fund's holdings were analysed by MSCI ESG Research at mid-year and at the end of the year. MSCI ESG Research has not found anything indicating a "red flag" in its audits and which would have otherwise triggered an action on the part of the fund company.

AMENDED TAX RULES

Due to amendments to tax rules applicable to Swedish funds and the developments within the EU in the area of taxation, there is some uncertainty regarding the withholding tax to be imposed in various countries when Swedish funds receive dividends on foreign shares.

This means that:

- Certain countries will withhold more tax on dividends than previously.
- Other countries might withhold less tax on dividends than previously.
- As regards countries in which the tax is reduced directly when the dividend is paid, this will be reported in the fund when the right to a dividend rises.
- As regards countries in which the fund must apply for repayment of withholding tax (restitution) on dividends, this will be reported when any restitution is received.

The above applied commencing 2014, but it is possible that the tax situation will also be applied retroactively in respect of certain countries. The changes may lead to both increased revenues and increased costs regarding withholding tax for funds with foreign holdings.

COMPENSATION TO EMPLOYEES

The Board of Directors of HealthInvest Partners establishes the fund company's remuneration policy. The Board of Directors also annually examines whether the remuneration paid to employees is compatible with the remuneration policy and has appointed the Chairman of the Board of Directors, Johan Stern, to assume specific responsibility for this review.

All employees receive a fixed salary and occupational pension allocations. In addition, certain employees have the possibility to receive variable compensation in order to reward strong performance and to be able to offer employees competitive overall compensation. Variable remuneration is, to the extent possible, dependent

on measurable results in order to follow up on employee work performance.

The policy of the fund company historically has been to defer not less than 60% of the variable remuneration which is to be allocated to personnel. The deferment period is three years, and the rule has applied in respect of all employees. Deferred variable remuneration is invested in the fund company's own funds until such time as payment is to be made. In the event it is subsequently established that the employee has not fulfilled the established criteria, the fund company has not fulfilled its own result criteria, or the fund company is insolvent, the Board of Directors will resolve to revoke, in whole or in part, the deferred and unpaid variable remuneration.

On 1 December 2016, the Board of Directors adopted changes to the remuneration policy and determined which employees were to be regarded as specially regulated staff. Commencing 2017, only variable remuneration allocated to specially regulated staff will be deferred. Specially regulated staff include employees involved in fund management, control functions and corporate management, while employees involved in, for example, administration, are not deemed to be specially regulated staff.

In the following, all amounts relate to the fund company's total cost for remuneration including taxes payable on such remuneration according to law. Costs associated with occupational pensions are included, where applicable.

In 2016, the total booked remuneration amount paid to employees (not including the Board), amounted to SEK 4,585,000 allocated in the amount of SEK 3,060,000 to employees in executive positions and SEK 1,525,000 to other employees. The remuneration was broken down into SEK 4,272,000 in fixed compensation and SEK 245,000 in variable remuneration. The cost for severance pay was SEK 0. A total of five employees received remuneration. The remuneration amount paid to the Board of Directors was SEK 460,000.

No employee in an executive position or management has received variable remuneration based on the result for the 2016 financial year. Employees involved in fund administration have been

HealthInvest MicroCap Fund - Administration Report

allocated variable remuneration in accordance with a decision by the Board of Directors of 24 January 2017. A total of two employees received variable remuneration.

In 2016, variable remuneration which had been expensed during the previous year was distributed in the amount of SEK 681,000. Of this amount, SEK 265,000 pertains to personnel in management positions, and SEK 416,000 pertains to other staff.

Further information regarding the remuneration policy and remuneration paid to employees can be found in the fund company's annual report and is also published on the website, www.healthinvest.se (only in Swedish). Upon request, the information may be provided in physical form.

MISCELLANEOUS

On 23 January 2015, HealthInvest Partners was authorised by the Swedish Financial Supervisory Authority to conduct fund operations in accordance with the Alternative Investment Fund Managers Act (SFS 2013:561). The fund company is a member of the Swedish Investment Fund Association and complies with the Swedish Code of Conduct for Fund Management Companies.

Units in HealthInvest MicroCap Fund are subscribed and redeemed monthly on the last banking day of each month. All financial instruments are valued at the rates applicable on the last day of the year, which includes 31 December for those markets which are open on that date.

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. Currency risks were not hedged during the year.

The fund rules permit investments in derivative instruments. During the year, no positions in derivative instruments were acquired.

The commitment method is used as the method for risk determination in order to assess the total exposures in the Fund.

Income Statement (SEK '000)

INCOME AND CHANGES IN VALUE	NOTE	2016	2015
Changes in Value in Transferable Securities	1	156 390	51 293
Changes in Value in Fund Units	2	228	567
Interest Income		8	14
Dividends		6 929	2 370
Currency Gains and Losses, Net		1 725	-27
TOTAL INCOME AND CHANGES IN VALUE		165 280	54 217

COSTS	NOTE	2016	2015
Management Costs	3	-31 766	-12 432
Interest Costs		-88	-91
Other Costs	4	-1 026	-565
TOTAL COSTS		-32 879	-13 088
PROFIT FOR THE YEAR		132 401	41 130

NOTE 1 - CHANGES IN VALUE IN TRANSFERABLE SECURITIES	2016	2015
Capital Gains on Transferable Securities	91 102	61 221
Capital Losses on Transferable Securities	-19 429	-12 441
Unrealised Gains/Losses on Transferable Securities	84 717	2 513
TOTAL CHANGES IN VALUE IN TRANSFERABLE SECURITIES	156 390	51 293

NOTE 2 - CHANGES IN VALUE IN FUND UNITS	2016	2015
Capital Gains on Fund Units	236	580
Capital Losses on Fund Units	-8	-13
TOTAL CHANGES IN VALUE IN FUND UNITS	228	567

NOTE 3 - MANAGEMENT COSTS	2016	2015
Fixed Management Fee	-7 862	-2 935
Performance-based Management Fee	-23 904	-9 496
TOTAL MANAGEMENT COSTS	-31 766	-12 432

NOTE 4 - OTHER COSTS	2016	2015
Transaction Costs	-886	-386
External Research	-140	-179
TOTAL OTHER COSTS	-1 026	-565

Balance Sheet (SEK '000)

ASSETS	NOTE	31.12.2016	31.12.2015
Transferable Securities		842 853	246 956
TOTAL FINANCIAL INSTRUMENTS WITH POSITIVE MARKET VALUE		842 853	246 956
TOTAL INVESTMENTS WITH POSITIVE MARKET VALUE		842 853	246 956
Bank Deposits and Other Liquid Funds		45 811	38 379
Prepaid Costs and Accrued Income	1	709	157
TOTAL ASSETS		889 373	285 492
LIABILITIES			
Accrued Costs and Prepaid Income	2	-1 164	-351
Other Liabilities	3	-1 021	-209
TOTAL LIABILITIES		-2 185	-561
FUND ASSETS		887 189	284 931
NOTE 1 - PREPAID COSTS AND ACCRUED INCOME			
		31.12.2016	31.12.2015
Dividends		703	157
Other Assets		6	0
TOTAL PREPAID COSTS AND ACCRUED INCOME		709	157
NOTE 2 - ACCRUED COSTS AND PREPAID INCOME			
		31.12.2016	31.12.2015
Management Fee		-1 084	-351
Accrued Costs External Research		-73	0
Interest Costs		-7	0
TOTAL ACCRUED COSTS AND PREPAID INCOME		-1 164	-351
NOTE 3 - OTHER LIABILITIES			
		31.12.2016	31.12.2015
Redemption of Units in Progress		-1 021	-209
TOTAL OTHER LIABILITIES		-1 021	-209

Accounting Principles

The annual report has been prepared in accordance with the regulations of the Swedish Financial Supervisory Authority regarding reporting by investment funds, the Swedish Alternative Investment Fund Managers 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 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 per the balance sheet date, 31 December 2016, the Fund had no holdings for which the current market value was not available.

Summary of Holdings per 31 December 2016

Financial Instruments with Positive Market Value (1)	Country (2)	Quantity	Price (3)	Market Value (SEK ' 000)	% of Fund Assets
SHARES WITH POSITIVE MARKET VALUE					
<u>Pharmaceuticals</u>					<u>17.52</u>
Vétoquinol	FR	104 622	45.53	45 598	5.14
Supernus Pharmaceuticals	US	176 708	25.25	40 612	4.58
Torii Pharmaceutical	JP	124 900	2 585.00	25 106	2.83
Apex Healthcare	MY	2 572 500	4.30	22 440	2.53
YSP Southeast Asia Holding	MY	5 601 300	1.91	21 703	2.45
<u>Biotechnology</u>					<u>13.47</u>
Medivir B	SE	1 126 100	98.00	110 358	12.44
Immucell	US	168 323	5.95	9 116	1.03
<u>Healthcare Services</u>					<u>12.98</u>
Dedicare B	SE	554 262	72.50	40 184	4.53
Saint-Care Holdings	JP	294 700	1 695.00	38 842	4.38
Care Twentyone	JP	97 100	2 574.00	19 435	2.19
Health Management International	SP	4 148 800	0.64	16 717	1.88
<u>Healthcare Distributors</u>					<u>12.75</u>
DVX	JP	389 200	1 371.00	41 492	4.68
Farmacol	PL	311 668	51.71	35 056	3.95
Animalcare Group	UK	552 322	300.00	18 603	2.10
Medius Holdings	JP	140 700	1 639.00	17 932	2.02
<u>Healthcare Equipment</u>					<u>12.69</u>
Syneron Medical	IL (US)	706 107	8.40	53 986	6.09
Rion	JP	366 000	1 620.00	46 105	5.20
Alphatec Holdings	US	426 855	3.21	12 471	1.41
<u>Healthcare Supplies</u>					<u>11.78</u>
Thai Optical Group	TH	22 375 700	8.40	47 741	5.38
SEED	JP	256 300	2 000.00	39 860	4.49
ITL *	AU	3 969 568	0.34	8 848	1.00
Kainos Laboratories	JP	168 300	615.00	8 049	0.91
<u>Healthcare Technology</u>					<u>6.92</u>
Agfa-Gevaert	BE	1 745 144	3.67	61 359	6.92
<u>Electronical Equipment & Instruments</u>					<u>5.51</u>
EM Systems	JP	390 200	1 611.00	48 881	5.51
<u>Household Products</u>					<u>1.39</u>
Rubberex Corporation	MY	7 963 900	0.77	12 359	1.39
TOTAL SHARES WITH POSITIVE MARKET VALUE				842 853	95.00
TOTAL FINANCIAL INSTRUMENTS WITH POSITIVE MARKET VALUE				842 853	95.00
TOTAL INVESTMENTS WITH POSITIVE MARKET VALUE				842 853	95.00
Other Assets/Liabilities, Net				44 335	5.00
TOTAL FUND ASSETS				887 189	100.00
Transferable securities which are admitted to trading on a regulated market or similar market outside the EEA					94.00
* Transferable securities which are subject to regular trading on another market which is registered and open to the public					1.00
Other financial instruments					0.00
TOTAL					95.00

(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: AU Australia, BE Belgium, FR France, IL Israel, JP Japan, MY Malaysia, PL Poland, SE Sweden, SP Singapore, TH Thailand, UK United Kingdom, US USA.

(3) Refers to local currency.

Other Information

The first occasion on which to subscribe in HealthInvest MicroCap Fund was 31 January 2013.

FUND FACTS HEALTHINVEST MICROCAP FUND

	HealthInvest MicroCap Fund (SEK)	MSCI World Small Cap Health Care Index (SEK)
Unit Value	226.42	-
Number of Units	3 918 416	-
Fund Assets (SEK '000/EUR '000)	887 189	-
RETURN		
Return Since the Fund's Inception (%)	140.94	139.42
Average Annual Return, Since Start (%)	25.17	24.97
Average Annual Return, 2 years (%)	26.74	11.45
RISK MEASURES (1)		
Beta Value	0.33	-
Standard Deviation (%)	12.94	22.41
Downside Risk (%)	6.85	14.67
Active Risk (%)	17.99	-
Active Share (%)	99.18	-
Sharpe Ratio	1.95	0.61
FEES		
Fixed Management fee (%)	1.50	-
Performance-based Fee (%)	20	-
Annual Return Threshold (%)	8	-
High Watermark	Yes	-
Ongoing Charges (%)	1.53	-
Charged Management Costs 2016 as a % of Average Fund Assets	6.06	-
Management Cost 2016 for a One-off Deposit of SEK 10 000	SEK 634	-

(1) Based on monthly return data from the most recent 24 months for a unit holder who invested in the Fund at the beginning.

CHANGES IN FUND ASSETS

(SEK '000)	Opening Fund Assets	Issuance of Units	Redemptions	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	16 026	-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

RETURN AND CHANGE IN UNIT VALUE

	Unit Value (SEK)	Number of Units	Fund Assets (SEK '000)	Return on HealthInvest MicroCap Fund (%) (1)	Return on MSCI World Small Cap Health Care Index (%) (2)
31.01.2013	100.00	805 359	80 536	-	-
01.02.2013 - 31.12.2013	127.28	1 078 601	137 282	28.88	35.42
2014	146.55	1 002 167	146 863	16.40	42.34
2015	178.81	1 593 522	284 931	24.40	20.77
2016	226.42	3 918 416	887 189	29.12	2.85

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

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

Auditor's report

To the investors in HealthInvest MicroCap Fund, corporate identity number 515602-5982

REPORT ON THE ANNUAL STATEMENT

Opinion

As auditors of HealthInvest Partners AB, corporate identity number 556680-4810, we have executed an audit of the annual statement for HealthInvest MicroCap Fund for 2016.

In our opinion the annual statement has been prepared according to the Swedish Alternative Investment Fund Managers Act and Finansinspektionen's ordinances on alternative investment funds and provides in all material respects a true and fair view of the HealthInvest MicroCap Fund's financial position as per 31 December 2016 and of its financial performance for that year according to the Swedish Alternative Investment Fund managers Act and Finansinspektionen's ordinances on alternative investment funds.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the fund company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Fund Company

The fund company is responsible for the preparation of the annual statement and that it gives a fair presentation in accordance with the Swedish Alternative Investment Fund Managers Act and Finansinspektionen's ordinances on alternative investment funds. The fund company is also responsible for such internal control as they determine is necessary to enable the preparation of an annual statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual statement in its entirety is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when

it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the fund company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of the fund company's accounting estimates and related disclosures.
- evaluate the overall presentation, structure and content of the annual statement, including the disclosures, and whether the annual statement represents the underlying transactions and events in a manner that achieves fair presentation.

We must inform the fund company of, among other matters, the planned scope and timing of the audit. We must also inform of, if any, significant audit findings during our audit, including any significant deficiencies in internal control that we identified

Stockholm, 16 March 2017

PricewaterhouseCoopers

Susanne Sundvall

Authorised Public Accountant

HealthInvest Value Fund - Fund Facts

FOCUS

HealthInvest Value Fund is an actively managed mutual fund which invests in companies within the healthcare sector. The Fund has a global focus and invests in stocks with small as well as large market capitalisation. The investment strategy is value-based and largely focused on profitable companies in which, for some reason, the share is considered to be undervalued. The overall management goal is to create maximum return while limiting risk. The fund has A, B and C unit classes.

SUBSCRIPTION AND FEES

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

A fixed management fee is charged at a rate of 1% per year in unit class A and 1.5% per year in unit classes B and C.

A performance-based fee is charged at a rate of 20% on the annual return exceeding the return threshold of 5% in unit classes A, B and C.

The Fund uses 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 from previous periods.

SUPERVISION

Supervisory authority:

The Swedish Financial Supervisory Authority (Finansinspektionen)

Custodian:

Skandinaviska Enskilda Banken AB (publ)

Auditor:

PricewaterhouseCoopers AB with Susanne Sundvall, authorised public accountant, as principal auditor

FUND COMPANY

HealthInvest Partners AB

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SE-114 35 Stockholm

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E-mail: info@healthinvest.se

Website: www.healthinvest.se

HealthInvest Value Fund is an investment fund in accordance with the Swedish Investment Funds Act and consists of three unit classes: A, B, C. Information in this annual report is supplemented by the information available in the prospectus and the fund rules for HealthInvest Value Fund. These may be obtained, free of charge, from HealthInvest Partners AB.

It is the responsibility of each and every person interested in investing in HealthInvest Value 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. The fund company, 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 the HealthInvest Value 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 Value Fund may increase as well as decrease in value, and there is no certainty that persons who invest in HealthInvest Value Fund will receive in return the entire capital invested.

HealthInvest Value Fund - Administration Report

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 has a global focus and invests in stocks with small as well as large 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

In 2016, HealthInvest Value Fund's unit classes A and B decreased by 4.7 and 5.2 per cent respectively. Unit class C, which is denominated in EUR, decreased 9.2 per cent. During the same period, MSCI World Health Care Index, which is the Fund's comparison index, rose 0.1 per cent in SEK and decreased by 4.0 per cent measured in EUR (including reinvested dividends).

The Fund's shareholdings contributed negatively to the Fund's result for 2016. Exchange rate changes as a whole had a positive effect on the Fund, primarily due to the fact that the Swedish krona weakened against the American dollar.

The first quarter of the year could be described as an uphill battle for the healthcare sector and, accordingly, also for HealthInvest Value Fund. Even if the Fund climbed during the remaining three quarters, a jittery stock market reacted dramatically to disappointing reports. On the positive side, the Fund finished off the year in a relatively strong position and performed better than its comparison index during four of the five last months of 2016.

The five holdings contributing most to the Fund's result during the year were the US specialty drug company, Supernus, the Japanese diagnostics company, BML, the Swedish biotechnology company, Medivir, the US instrument manufacturer, FEI Company, and the US orthopaedic company, Anika Therapeutics. Supernus, BML, Medivir and Anika all remained significant holdings in the Fund at year end. FEI Company was sold during the year in conjunction with a tender offer. The most disappointing contributions came from the Hong Kong-listed, Universal Health International, the Canadian drug companies, Concordia International and Valeant Pharmaceuticals, as well as from the US company, GNC, which sells food supplements.

Compared with the beginning of 2016, nine holdings have been added to the portfolio and 13 positions have been sold off. At the end of the year, the portfolio consisted of 18 holdings.

The Fund has taken positions during the year in the three largest US drug wholesalers, AmerisourceBergen, Cardinal Health and McKesson, which, taken together, creates, substantial exposure to this segment. In addition, the Fund took positions in, among others, the British drug company, Shire, the Japanese hospital beds manufacturer, Paramount Bed Holdings, the Japanese drug company, Kaken Pharmaceutical, and the US drug company, Merck. Finally, the Fund increased its positions in 2016 in the Swedish biotechnology company, Medivir, which now takes the position as the largest holding as per the balance sheet date.

Amongst the holdings which were sold off during the year, particular note may be made of the drug company, AMAG Pharmaceuticals, the hospital chain, LifePoint Health, the health insurance company, Magellan Health, the medical technology company, Varian Medical (all four from the US), and the Hong Kong-listed drug chain, Universal Health International.

THE FUND AS PER THE END OF THE YEAR

As per 31 December 2016, the Fund owned shares equal to 83.7 per cent of the fund assets.

Geographically, the Fund's investments were principally located in the US, which represented 46 per cent of the fund assets at year end. Japan represented 20 per cent, Sweden 10 per cent, Israel 4 per cent and Puerto Rico 4 per cent.

Important Holdings in the Fund

As per the end of the year, the Fund had two holdings each of which exceeded 5 per cent of the fund assets, followed by 14 holdings representing between 4 and 5 per cent of the Fund. Set forth below is a short description of the five largest holdings of the Fund.

Medivir is a Swedish biotechnology company. In 2016, Medivir divested its commercial division at a price which perhaps even exceeded the company's own expectations. The sale cast light on value that many had previously overlooked. During the year, Medivir streamlined its research and, to a greater extent, has channelled its resources into clinical

HealthInvest Value Fund - Administration Report

projects rather than very early research, which currently makes it possible for the company's financiers to more readily assess the commercial potential of the company's cash use. The changes have been well received by the stock market, and the stock price doubled during the latter half of 2016.

BML is a Japanese company which operates diagnostic laboratories. BML holds a significant market share and daily analyses thousands of patient samples. The Japanese market for clinical tests is characterised by recurring, negative price adjustments driven by the state insurance system. BML responds to this with economies of scale, allowing the company to achieve sales growth and increase margins year after year.

Supernus Pharmaceuticals is a US specialty pharma company focusing primarily on epilepsy and ADHD (attention deficit hyperactivity disorder). To date, the company has launched two epilepsy drugs (Oxtellar XR and Trokendi XR), and prescriptions for both grow annually at over 20%. Today, Supernus is profitable notwithstanding the reinvestment of significant amounts in clinical studies in the area of ADHD. If sales growth is maintained, the shares are traded at the time of writing at approximately 11 times free cash flow for 2017, which appears to be quite low.

Shire is a global pharmaceutical company capable of aggressively building strong, sustainable positions within niche indications, such as ADHD and certain relatively rare blood diseases. There is high growth, and estimates indicate that the company will increase sales by over 50% and free cash flow by over 70% by 2020. Shire reinvests 14% of sales in research and development and currently has 14 drugs in phase 3, indicating that growth will continue even after 2020. The share price has been flat during the last two years, but we believe that the years to come may be significantly better for the company's shareholders.

Paramount Bed Holdings is a Japanese manufacturer of beds for hospitals and nursing homes. The company enjoys a dominant position on its home market, which is growing by approximately 2%. The largest driving force propelling market growth is the rapid increase in

the number of elderly persons in Japan - the number of persons over 80 years of age increases 5% annually. The goal of the company is to double the operating profit by 2020 by exploiting its strong domestic position and increasing sales outside Japan. We believe that this is a realistic goal which makes it possible for the share to develop well in coming years.

RISK TAKING BY THE FUND

HealthInvest Value Fund (unit class A) had a standard deviation of 13.8 per cent measured in 2016 and 15.2¹ during the most recent two years. The beta value, calculated using the MSCI World Healthcare Index as the market portfolio, was 0.76 during the year and 0.72 during the last two years. All measures of risk are presented under the heading, "Other information".

The primary risk confronting the Fund in the short to medium term is considered to be the market risk associated with general stock market developments and, specifically, shares within the healthcare sector. A large portion of the Fund is invested in the US, as a consequence of which the Fund is exposed to a relatively high degree to the American economy and stock exchange trends. Furthermore, the majority of the Fund's holdings are foreign, as a result of which the development of the Fund is dependent on the general development of the Swedish krona and particularly in relation to the American dollar. Finally, part of the holdings of the Fund is in relatively small companies, which means that the liquidity risk in the Fund is not negligible.

Unit class C is denominated in EUR, while the asset Fund is denominated in SEK. Returns on class C units relative to classes A and B units therefore depend on changes in the SEK/EUR exchange rate.

FUND ASSETS

As of 31 December 2016, HealthInvest Value Fund's fund assets amounted to SEK 1,749 million. In 2016, units were issued for SEK 179.4 million, while units were redeemed for SEK 1,087 million. In addition, the result for the year was SEK -154.9 million. The allocation of the fund assets in the three unit classes is set forth in the table, "Changes in fund assets".

¹ Measured over a two-year period, the goal is that the standard deviation shall not exceed 25%.

HealthInvest Value Fund - Administration Report

FUND COSTS

During the year, the Fund paid SEK 3.5 million in commissions and transaction-related fees, which is equal to 0.05 per cent of the transaction value. The Fund has not been charged with research costs. Fixed management fees paid to the fund company cost the Fund SEK 25.1 million, while no performance-based fees have been charged to the Fund. Note 1 in the Income Statement provides the breakdown of fees in the various unit classes. The Fund did not charge fees for subscription or redemption of fund unites during the year.

The Fund's turnover rate was 1.36, and ongoing charges¹ was 1.00 per cent for Value A and 1.50 per cent for Value B and Value C.

FUND RULES

In November 2016, the Swedish Financial Supervisory Authority approved changes to the fund rules pertaining to unit class D. As a consequence, unit class D was closed on 1 December 2016.

RESPONSIBLE INVESTMENTS POLICY

HealthInvest Partners' philosophy regarding responsible investments is that its funds will not make money on shares in companies which act irresponsibly. The company has acceded to the United Nations "Principles for Responsible Investments" (PRI). This means that the fund company supports the six principles addressed by the PRI initiative which are described at www.unpri.org.

For HealthInvest Partners, investing responsibly means not investing in companies which act inappropriately from an environmental, social or corporate governance perspective (ESG perspective). During the investment process, investments in such companies are not made. In addition to the moral aspect, we believe that the Fund's long-term development benefits from avoiding investments in companies which act inappropriately from an ESG perspective. Companies which act appropriately are often headed by responsible management organisations which do not take questionable shortcuts.

Conversely, there is uncertainty when investing in companies in which management does not follow basic principles. There is a risk that the corporate management is also not forthright with the shareholders, which could affect the Fund.

In practice, each new investment is analysed from an ESG perspective during the investment process. This is documented in conjunction with the investment. The fund company works with MSCI ESG Research, which specialises in ESG issues and provides management with a database of ESG research. MSCI ESG Research's analysts also review the Fund's holdings on a half yearly basis in an independent audit and report to the fund company. The report is conducted by means of a quantitative grading of the companies from an ESG perspective which is backed up with more qualitative research. A grade of 0 out of 10 possible raises a red flag and is immediately disqualified.

If the Fund has invested in a company which acts unacceptably, HealthInvest Partners will first initiate a dialogue with the company. If this does not lead to improvements, the holdings will be sold off within one year.

During 2016, all of the Fund's holdings were analysed by MSCI ESG Research at mid-year and at the end of the year. MSCI ESG Research has not found anything indicating a "red flag" in its audits and which would have otherwise triggered an action on the part of the fund company.

AMENDED TAX RULES

Due to amendments to tax rules applicable to Swedish funds and the developments within the EU in the area of taxation, there is some uncertainty regarding the withholding tax to be imposed in various countries when Swedish funds receive dividends on foreign shares.

This means that:

- Certain countries will withhold more tax on dividends than previously.
- Other countries might withhold less tax on dividends than previously.

¹The cost measure ongoing charges include all costs incurred by the Fund in accordance with Income Statement apart from variable fees, interest costs and transaction-related costs. Costs for external research are included.

HealthInvest Value Fund - Administration Report

- As regards countries in which the tax is reduced directly when the dividend is paid, this will be reported in the fund when the right to a dividend rises.
- As regards countries in which the fund must apply for repayment of withholding tax (restitution) on dividends, this will be reported when any restitution is received.

The above applies commencing 2014, but it is possible that the tax situation will also be applied retroactively in respect of certain countries. The changes may lead to both increased revenues and increased costs regarding withholding tax for funds with foreign holdings.

COMPENSATION TO EMPLOYEES

The Board of Directors of HealthInvest Partners establishes the fund company's remuneration policy. The Board of Directors also annually examines whether the remuneration paid to employees is compatible with the remuneration policy and has appointed the Chairman of the Board of Directors, Johan Stern, to assume specific responsibility for this review.

All employees receive a fixed salary and occupational pension allocations. In addition, certain employees have the possibility to receive variable compensation in order to reward strong performance and to be able to offer employees competitive overall compensation. Variable remuneration is, to the extent possible, dependent on measurable results in order to follow up on employee work performance.

The policy of the fund company historically has been to defer not less than 60% of the variable remuneration which is to be allocated to personnel. The deferment period is three years, and the rule has applied in respect of all employees. Deferred variable remuneration is invested in the fund company's own funds until such time as payment is to be made. In the event it is subsequently established that the employee has not fulfilled the established criteria, the fund company has not fulfilled its own result criteria, or the fund company is insolvent, the Board of Directors will resolve to revoke, in whole or in part, the deferred and unpaid variable remuneration.

On 1 December 2016, the Board of Directors adopted changes to the remuneration policy and

determined which employees were to be regarded as specially regulated staff. Commencing 2017, only variable remuneration allocated to specially regulated staff will be deferred. Specially regulated staff include employees involved in fund management, control functions and corporate management, while employees involved in, for example, administration, are not deemed to be specially regulated staff.

In the following, all amounts relate to the fund company's total cost for remuneration including taxes payable on such remuneration according to law. Costs associated with occupational pensions are included, where applicable.

In 2016, the total booked remuneration amount paid to employees (not including the Board), amounted to SEK 4,585,000 allocated in the amount of SEK 3,060,000 to employees in executive positions and SEK 1,525,000 to other employees. The remuneration was broken down into SEK 4,272,000 in fixed compensation and SEK 245,000 in variable remuneration. The cost for severance pay was SEK 0. A total of five employees received remuneration. The remuneration amount paid to the Board of Directors was SEK 460,000.

No employee in an executive position or management has received variable remuneration based on the result for the 2016 financial year. Employees involved in fund administration have been allocated variable remuneration in accordance with a decision by the Board of Directors of 24 January 2017. A total of two employees received variable remuneration.

In 2016, variable remuneration which had been expensed during the previous year was distributed in the amount of SEK 681,000. Of this amount, SEK 265,000 pertains to personnel in management positions, and SEK 416,000 pertains to other staff.

Further information regarding the remuneration policy and remuneration paid to employees can be found in the fund company's annual report and is also published on the website, www.healthinvest.se (only in Swedish). Upon request, the information may be provided in physical form.

HealthInvest Value Fund - Administration Report

MISCELLANEOUS

The fund company is a member of the Swedish Investment Fund Association and complies with the Swedish legal regime governing fund companies.

Units in HealthInvest Value Fund's unit classes are subscribed and redeemed each banking day in Sweden with the exception of days on which exchanges in the US are closed. Subscription takes place via deposit on the account of the respective unit class, and redemption takes place by written notice to the fund company.

All financial instruments are valued at the rates applicable on the last day of the year, which includes 31 December for those markets which are open on that date.

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 in derivative instruments were acquired.

The commitment method is used as the method for risk determination in order to assess the total exposures in the Fund.

Income Statement (SEK '000)

INCOME AND CHANGES IN VALUE	NOTE	2016	2015
Changes in Value in Transferable Securities		-173 563	199 102
Changes in Value in Fund Units		19 622	186
Interest Income		55	36
Dividends		17 504	29 798
Currency Gains and Losses, Net		10 162	-19 700
Other Income	1	858	0
TOTAL INCOME AND CHANGES IN VALUE		-125 362	209 422

COSTS	NOTE	2016	2015
Management Costs	2	-25 975	-131 552
Interest Costs		-40	-1
Other Costs	3	-3 475	-7 869
TOTAL COSTS		-29 490	-139 421

PROFIT FOR THE YEAR -154 852 70 001

NOTE 1 - OTHER INCOME	2016	2015
Reimbursed Fund Fee	858	0
TOTAL OTHER INCOME	858	0

NOTE 2 - MANAGEMENT COSTS*	2016	2015
Fixed Management Fee	-25 975	-32 642
of which Value A	-16 432	-17 199
of which Value B	-9 459	-15 313
of which Value C	-83	-130
Performance-based Management Fee	0	-98 909
of which Value A	0	-53 852
of which Value B	0	-44 670
of which Value C	0	-387
TOTAL MANAGEMENT COSTS	-25 975	-131 552

* The management fee in Value D was 105,95 SEK in total during 2016.

NOTE 3 - OTHER COSTS	2016	2015
Transaction Costs	-3 475	-4 930
External Research	0	-2 939
TOTAL OTHER COSTS	-3 475	-7 869

Balance Sheet (SEK '000)

ASSETS	NOTE	31.12.2016	31.12.2015
Transferable Securities		1 463 993	2 454 599
TOTAL FINANCIAL INSTRUMENTS WITH POSITIVE MARKET VALUE		1 463 993	2 454 599
TOTAL INVESTMENTS WITH POSITIVE MARKET VALUE		1 463 993	2 454 599
Bank Deposits and Other Liquid Funds		286 394	359 929
Prepaid Costs and Accrued Income	1	1 044	0
TOTAL ASSETS		1 751 432	2 814 528
LIABILITIES			
Accrued Costs and Prepaid Income	2	-2 740	-2 770
Other Liabilities	3	-138	-376
TOTAL LIABILITIES		-2 878	-3 147
FUND ASSETS		1 748 554	2 811 381
NOTE 1 - PREPAID COSTS AND ACCRUED INCOME			
		31.12.2016	31.12.2015
Dividends		1 034	0
Other Assets		10	0
TOTAL PREPAID COSTS AND ACCRUED INCOME		1 044	0
NOTE 2 - ACCRUED COSTS AND PREPAID INCOME			
		31.12.2016	31.12.2015
Management Fee		-1 712	-2 770
Accrued Costs External Research		-1 029	0
TOTAL ACCRUED COSTS AND PREPAID INCOME		-2 740	-2 770
NOTE 3 - OTHER LIABILITIES			
		31.12.2016	31.12.2015
Redemption of Units in Progress		-138	-376
TOTAL OTHER LIABILITIES		-138	-376

Accounting Principles

The 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 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 per the balance sheet date, 31 December 2016, the Fund had no holdings for which the current market value was not available.

Summary of Holdings per 31 December 2016

Financial Instruments with Positive Market Value (1)	Country (2)	Quantity	Price (3)	Market Value (SEK ' 000)	% of Fund Assets
SHARES WITH POSITIVE MARKET VALUE					
<u>Biotechnology</u>					<u>18.35</u>
Medivir B	SE	1 706 838	98.00	167 270	9.57
Shire	US (UK)	152 000	4 684.00	79 935	4.57
Gilead Sciences	US	113 000	71.61	73 652	4.21
<u>Pharmaceuticals</u>					<u>17.66</u>
Supernus Pharmaceuticals	US	361 533	25.25	83 089	4.75
Kaken Pharmaceutical	JP	160 000	6 200.00	77 138	4.41
Taro Pharmaceutical Industries	IL (US)	78 905	105.27	75 603	4.32
Merck	US	136 100	58.87	72 926	4.17
<u>Healthcare Distributors</u>					<u>12.94</u>
AmerisourceBergen	US	107 000	78.19	76 149	4.35
Cardinal Health	US	117 800	71.97	77 167	4.41
McKesson	US	57 000	140.45	72 867	4.17
<u>Healthcare Services</u>					<u>10.83</u>
BML	JP	521 300	2 786.00	112 934	6.46
Miraca Holdings	JP	187 300	5 250.00	76 463	4.37
<u>Managed Healthcare</u>					<u>8.14</u>
Anthem	US	56 300	143.77	73 673	4.21
Triple-S Management	PR (US)	364 156	20.70	68 610	3.92
<u>Healthcare Equipment</u>					<u>4.49</u>
Paramount Bed Holdings	JP	216 300	4 670.00	78 547	4.49
<u>Healthcare Supplies</u>					<u>4.48</u>
Anika Therapeutics	US	175 967	48.96	78 416	4.48
<u>Life Sciences, Tools and Services</u>					<u>4.41</u>
Charles River Laboratories	US	111 112	76.19	77 053	4.41
<u>Specialty Retail</u>					<u>2.43</u>
GNC Holdings	US	422 955	11.04	42 501	2.43
TOTAL SHARES WITH POSITIVE MARKET VALUE				1 463 993	83.73
TOTAL FINANCIAL INSTRUMENTS WITH POSITIVE MARKET				1 463 993	83.73
TOTAL INVESTMENTS WITH POSITIVE MARKET VALUE				1 463 993	83.73
Other Assets/Liabilities, Net				284 561	16.27
TOTAL FUND ASSETS				1 748 554	100.00
Transferable securities which are admitted to trading on a regulated market or similar market outside the EEA					83.73
Transferable securities which are subject to regular trading on another market which is registered and open to the public					0.00
Other financial instruments					0.00
TOTAL					83.73

(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: IL Israel, JP Japan, PR Puerto Rico, SE Sweden, UK United Kingdom, US USA.

3) Refers to local currency.

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.

FUND FACTS HEALTHINVEST VALUE FUND

Unit Class (1)	A	B	C
Unit Value	371.96 SEK	135.98 SEK	12.66 EUR
Number of Units	3 368 832	3 612 604	35 067
Fund Assets (SEK '000/EUR '000)	1 253 057	491 249	444
RETURN			
Return Since the Fund's Inception (%)	309.93	35.98	26.57
MSCI World HC Index Returns Since the Fund's Inception (%)	193.33	70.93	57.32
Average Annual Return for the Fund, Since Start (%)	19.29	10.19	7.73
Average Annual Return for MSCI World HC Index, Since Start (%)	14.40	18.45	15.38
Average Annual Return for the Fund, 5 years (%)	15.39	-	-
Average Annual Return for MSCI World HC Index, 5 years (%)	19.93	-	-
Average Annual Return for the Fund, 2 years (%)	1.27	0.77	-0.04
Average Annual Return for MSCI World HC Index, 2 years (%)	7.57	7.57	6.75
RISK MEASURES (2)			
Beta Value	0.72	0.72	0.77
Standard Deviation (%)	15.20	15.20	16.42
Standard Deviation MSCI World HC Index (%)	17.44	17.44	17.44
Downside Risk (%)	11.02	11.09	11.74
Active Risk (%)	8.96	8.96	9.07
Active Share (%)	89.69	89.69	89.69
Downside Risk MSCI World HC Index (%)	10.82	10.82	11.19
Sharpe Ratio	0.18	0.15	0.09
Sharpe Ratio MSCI World HC Index	0.53	0.53	0.47
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
Ongoing Charges (%)	1.00	1.50	1.50
Charged Management Costs 2016 as a % of Average Fund Assets	1.00	1.50	1.50
Management Cost 2016 for a One-off Deposit of SEK 10 000	SEK 93	SEK 140	SEK 137
2016 Management Fee for Monthly Savings of SEK 100 (3)	-	SEK 10	-

(1) The unit classes B and C were introduced 1 November 2013. The return figures for the benchmark index is reported in SEK (EUR for Value C) and with dividends reinvested.

(2) The risk measures are based upon monthly data from the last 24 months.

(3) In unit class A and C it is not possible to save SEK 100 monthly.

Other Information

CHANGES IN FUND ASSETS (SEK '000)

		Opening Fund Assets	Issuance of Units	Redemptions	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
2013	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	Value A	539 514	380 484	-230 180		899 440
	Value B	1 040	931 234	-246 979		854 147
	Value C	1 716	6 651	-2 361		7 194
	TOTAL	542 270	1 318 369	-479 521	379 663	1 760 782
2015	Value A	899 440	1 216 549	-183 517		1 935 466
	Value B	854 147	440 363	-493 189		867 920
	Value C	7 194	4 379	-3 996		7 985
	Value D	-	10	-		10
	TOTAL	1 760 782	1 661 301	-680 702	70 001	2 811 381
2016	Value A	1 935 466	130 640	-709 849		1 253 057
	Value B	867 920	48 578	-374 113		491 249
	Value C	7 985	175	-3 397		4 249
	Value D	10	-	-10		0
	TOTAL	2 811 381	179 392	-1 087 368	-154 852	1 748 554

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	9.69
2010	190.81	1 553 945	296 508	21.75	-3.77
2011	194.87	1 655 871	322 674	3.43	12.01
2012	209.17	2 119 240	443 281	10.66	11.09
2013	272.64	1 978 853	539 514	35.50	34.63
2014	362.71	2 479 765	899 440	33.04	43.35
2015	390.32	4 958 712	1 935 466	7.61	15.56
2016	371.96	3 368 832	1 253 057	-4.70	0.14

(1) Pertains to unit holders who invested in Value Fund at the beginning, 30 December 2008. The unit holders received units in Value Fund A on 1 November 2013.

(2) MSCI World Health Care Index is a global index consisting of the companies in healthcare which have the largest market values. The return figures are reported with dividends reinvested.

Other Information

RETURN AND CHANGE IN UNIT VALUE

Value B	Unit Value (SEK)	Number of Units	Fund Assets (SEK '000)	Return on HealthInvest Value Fund B (%) (1)	Return on MSCI World HC Index (SEK, %) (2)
01.11.2013	100.00	-	-	-	-
01.11.2013 - 31.12.2013	101.02	10 296	1 040	1.02	2.83
2014	133.90	6 378 843	854 147	32.55	43.35
2015	143.42	6 051 801	867 920	7.10	15.56
2016	135.98	3 612 604	491 249	-5.18	0.14

Value C	Unit Value (EUR)	Number of Units	Fund Assets (EUR '000)	Return on HealthInvest Value Fund C (%) (1)	Return on MSCI World HC Index (EUR, %) (2)
01.11.2013	10.00	-	-	-	-
01.11.2013 - 31.12.2013	10.08	19 241	1 716/194	0.80	2.36
2014	12.67	60 136	7 194/762	25.67	34.58
2015	13.94	62 483	7 985/871	10.03	18.71
2016	12.66	35 067	4 249/444	-9.19	-3.99

(1) Pertains to unit holders who invested in Value Fund at the beginning, 30 December 2008. The unit holders received units in Value Fund A on 1 November 2013.

(2) MSCI World Health Care Index is a global index consisting of the companies in healthcare which have the largest market values. The return figures are reported with dividends reinvested.

Auditor's report

To the investors in the HealthInvest Value Fund, corporate identity number 515602-3045

REPORT ON THE ANNUAL STATEMENT

Opinion

As auditors of HealthInvest Partners AB, corporate identity number 556680-4810, we have executed an audit of the annual statement for the HealthInvest Value Fund for 2016.

In our opinion the annual statement has been prepared according to the Securities Funds Act and Finansinspektionen's ordinances on securities funds and provides in all material respects a true and fair view of the HealthInvest Value Fund's financial position as per 31 December 2016 and of its financial performance for that year according to the Securities Funds Act and Finansinspektionen's ordinances on securities funds.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the fund company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Fund Company

The fund company is responsible for the preparation of the annual statement and that it gives a fair presentation in accordance with the Securities Funds Act and Finansinspektionen's ordinances on securities funds. The fund company is also responsible for such internal control as they determine is necessary to enable the preparation of an annual statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual statement in its entirety is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of

users taken on the basis of the annual statement

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the fund company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of the fund company's accounting estimates and related disclosures.
- evaluate the overall presentation, structure and content of the annual statement, including the disclosures, and whether the annual statement represents the underlying transactions and events in a manner that achieves fair presentation.

We must inform the fund company of, among other matters, the planned scope and timing of the audit. We must also inform of, if any, significant audit findings during our audit, including any significant deficiencies in internal control that we identifies.

Stockholm, 16 March 2017

PricewaterhouseCoopers

Susanne Sundvall

Authorised Public Accountant



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