



HealthInvest February 2018 Letters

Small & MicroCap Fund Value Fund

DISCLAIMER

Funds managed by HealthInvest Partners AB ("the Funds") are funds pursuant to the Swedish Mutual Funds Act (2004:46). It is the responsibility of each and every person interested in investing in these Funds to ensure that the investment takes place in accordance with applicable laws and other regulations. Foreign law may entail that an investment cannot be made by an investor from outside Sweden. HealthInvest Partners 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 a fund managed by HealthInvest Partners cannot result in a loss. This applies irrespective of otherwise positive performance on the financial markets. Past performance is no guarantee of future results.

Information from the fund company shall not be considered a recommendation to invest in the Funds. Every person considering purchasing units in any of the Funds must make an independent assessment of such an investment and the risks associated therewith. Investments in the Funds should be seen as long-term investments.

Before you invest, you may want to review the Funds' prospectuses and simplified prospectuses, which contain more information about the Funds and their risks. You can find the Funds' prospectuses and other information about the Funds online at www.healthinvest.se. You can also receive this information at no cost by calling +46 8 440 38 30 or by sending an e-mail request to info@healthinvest.se.

MARKET DEVELOPMENT

Healthcare investor sentiment was negative in February. MSCI World Health Care Index declined 4.5% in USD, but increased 0.3% in SEK due to Swedish currency weakness (thanks to the very loose monetary policy of the Swedish central bank).

FUND PERFORMANCE

HealthInvest Small & MicroCap Fund increased 0.9% in February (A-SEK). Currency effects helped performance by 4.1 percentage points, indicating that the portfolio decreased 3.2% in local currencies.

MANAGEMENT, VALUATION & OUTLOOK

In February, the Fund built up two new significant positions:

AMAG Pharmaceuticals is a specialty pharma company focused on the areas of maternal health and nephrology. The company's key products are Makena for the prevention of preterm birth (~64% of revenue), stem cell storage (~19% of revenue) and Feraheme for iron replacement (~17% of revenue). AMAG underwent a transformation in 2014-2015 with the acquisitions of Lumara Health (including flagship product Makena) and stem cell company CBR. Although there is uncertainty around its key franchise Makena due to patent expiration issues, we believe the valuation is more than reflecting this fact as shares are trading at 7x free cash flow.

Stille is a Swedish medical device manufacturer founded in 1841. The company has two main business areas: Surgery and Positioning. The Surgery business area develops, produces and markets handcrafted, forged surgical instruments for open surgery. The Positioning area develops and manufactures specialized tables mainly for cardiovascular surgery. The company has undergone a major transformation the last couple of years and we are hopeful that the positive development will continue. The Stille shares are attractively valued at around 11x free cash flow.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 17.0x free cash flow. This compares favourably to both the global healthcare sector (19.8x) as well as MSCI World Index (23.1x).

Valuation of the global healthcare sector is at an historically attractive level (14% discount to MSCI World Index). This indicates upside potential as the sector usually trades at a substantial premium (10%-15%) due to its high structural growth and relatively low cyclicity of sales and earnings.

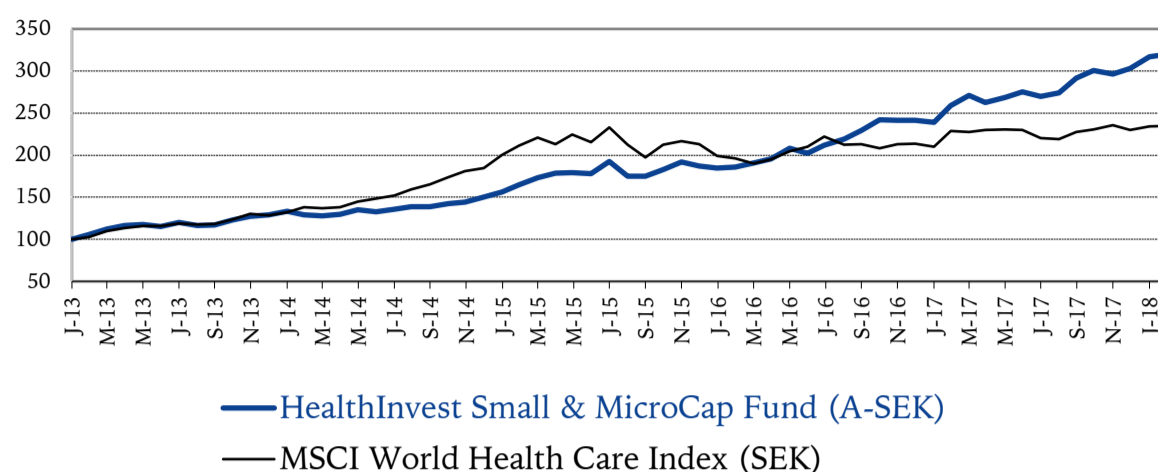
The Fund's net equity exposure was 81% at month end.

FUND CHARACTERISTICS

HealthInvest Small & MicroCap Fund mainly invests in small healthcare companies globally.

The investment approach includes an emphasis on low valuations and potential catalysts to boost shareholder value. The fund started operations on January 31, 2013.

PERFORMANCE SINCE START (SEK)



PERFORMANCE

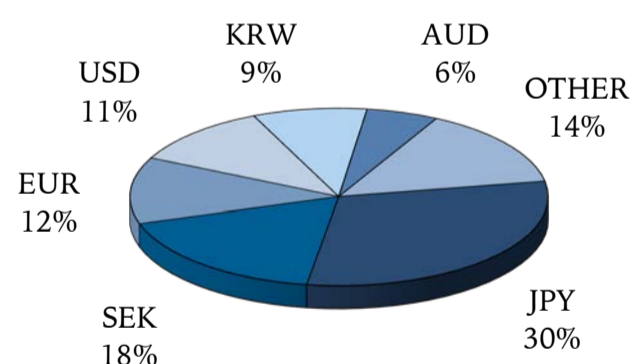
	NAV	Feb*	2018*	Since start*
HealthInvest Small & MicroCap (A-SEK)	294.4	0.9%	5.5%	219.3%
HealthInvest Small & MicroCap (B-SEK)	106.0	0.5%	5.2%	243.1%
MSCI World Health Care Index (SEK)	2516.9	0.3%	2.0%	134.7%
MSCI World Health Care Index (USD)	304.3	-4.5%	0.9%	80.3%

*Net of fees. Share class B started on November 1, 2017. The historical return preceding that date is the return of HealthInvest Small & MicroCap Fund adjusted for the fee structure of share class B.

RISK MEASURES (SHARE CLASS A-SEK)

	24 months	Since start
Return	72.1%	219.3%
Sharpe ratio	2.68	2.13
Standard deviation	10.7%	11.1%
Beta vs MSCI World Health Care Index	0.37	0.47
Downside risk	3.5%	5.2%
Active risk (tracking error)	11.9%	11.5%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

HEALTH CARE EQUIPMENT	32%
BIOTECHNOLOGY	19%
PHARMACEUTICALS	15%
HEALTH CARE SERVICES	13%
HEALTH CARE SUPPLIES	7%
HEALTH CARE TECHNOLOGY	5%
LIFE SCIENCES TOOLS & SERVICES	5%
HEALTH CARE DISTRIBUTORS	5%

DISCLAIMER

Past performance is no guarantee of future results. An investment can rise or fall in value and investors may fail to recover the invested capital. Information from the fund company shall not be considered a recommendation to invest in the Fund. Key investor information document (KIID) and prospectus can be obtained at www.healthinvest.se. You can also receive this information at no cost by calling +46 8 440 38 30.

MARKET DEVELOPMENT

Healthcare investor sentiment was negative in February. MSCI World Health Care Index declined 4.5% in USD but increased 0.3% in SEK, due to Swedish currency weakness (thanks to the very loose monetary policy of the Swedish central bank).

FUND PERFORMANCE

HealthInvest Value Fund increased 0.8% in February (share class B-SEK). Currency effects helped performance by 5.1 percentage points, indicating that the portfolio decreased 4.3% in local currencies.

MANAGEMENT, VALUATION & OUTLOOK

In February, the Fund built up two new significant positions:

Garmin is a US manufacturer of fitness/GPS devices. The company is a market leader in most of its product segments and put a strong emphasis on innovation, spending around 17% of its sales into R&D. We are impressed by its continued product line extensions and believe that Garmin is only in the beginning of a successful journey. The shares are reasonably valued at 14x free cash flow, adjusted for its net cash position and changes in working capital.

Patterson is one of the largest distributors of dental supplies and equipment in North America. In addition, the company has strong positions in the companion pet and production animal markets. Patterson recently lost its exclusive supply agreement with dental equipment manufacturer Sirona, which puts pressure on sales and earnings. This is a negative in the short term, but only a dent in the long term, we believe. Shares are attractively valued at 12x free cash flow, adjusted for its net debt position and changes in working capital.

HealthInvest Value Fund (as an aggregate) is currently trading at 16.5x free cash flow. This compares favourably to both the global healthcare sector (19.8x) as well as to MSCI World Index (23.1x).

Valuation of the global healthcare sector is at an historically attractive level (14% discount to MSCI World Index). This indicates upside potential as the sector usually trades at a substantial premium (10%-15%) due to its high structural growth and relatively low cyclicality of sales and earnings.

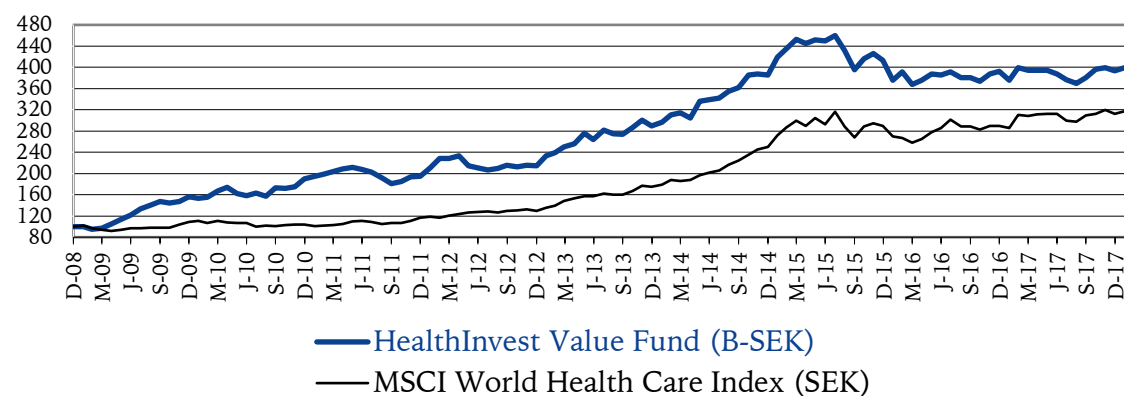
The Fund's net equity exposure was 84% at month end.

FUND CHARACTERISTICS

HealthInvest Value Fund invests in healthcare companies globally with an emphasis on the US market. The focus is on profitable companies with easily understood business models.

The investment approach includes a strong emphasis on low valuations and potential catalysts to boost shareholder value. The fund started operations on December 30, 2008.

PERFORMANCE SINCE START (SEK)



PERFORMANCE

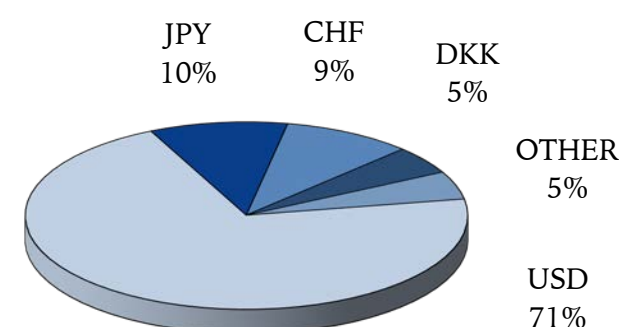
	NAV	Feb*	2018*	Since start*
HealthInvest Value Fund (A-SEK)	383.9	0.8%	2.3%	323.1%
HealthInvest Value Fund (B-SEK)	139.6	0.8%	2.2%	300.8%
HealthInvest Value Fund (C-EUR)	12.3	-2.5%	-0.9%	319.9%
MSCI World Health Care Index (SEK)	2516.9	0.3%	2.0%	218.6%
MSCI World Health Care Index (USD)	304.3	-4.5%	0.9%	202.6%

*Net of fees. Share class B and C started on November 1, 2013. The returns preceding that date are the returns of HealthInvest Value Fund adjusted for the fee structure of share class B and C.

RISK MEASURES (SHARE CLASS B-SEK)

	24 months	Since start
Return	2.9%	300.8%
Sharpe ratio	0.26	1.09
Standard deviation	9.7%	14.6%
Beta vs MSCI World Health Care Index	0.73	0.60
Downside risk	6.3%	7.9%
Active risk (tracking error)	5.8%	13.5%

CURRENCY EXPOSURE



SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	38%
HEALTH CARE DISTRIBUTORS	16%
HEALTH CARE SERVICES	15%
BIOTECHNOLOGY	15%
LIFE SCIENCES TOOLS & SERVICES	6%
MANAGED HEALTH CARE	5%
OTHER	5%

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