



HealthInvest Oktober 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 October. MSCI World Health Care Index declined 6.6% in USD and 3.5% in SEK. Especially smaller healthcare companies were hurt badly during the month evidenced by the decline of 12.4% in MSCI World Small Health Care Index (USD).

FUND PERFORMANCE

HealthInvest Small & MicroCap Fund decreased 10.1% in October (A-SEK). The main reason for the decline is the lacklustre share performances of small healthcare companies mentioned above.

MANAGEMENT, VALUATION & OUTLOOK

During the month, the Fund built up a significant position in Lotus Pharmaceutical. The company, founded in 1966, is a manufacturer of generic drugs with headquarters in Taipei, Taiwan. Lotus has slightly more than a thousand employees of which 11% is involved in Research & Development. The company has three production sites with a total manufacturing capacity of around 3 bn units of tablets. Lotus has grown at a healthy pace the last three years (6% CAGR) and has a rich pipeline of over 70 new generic drugs under development. We are particularly excited about the generic version of Suboxone Film (a treatment of opioid dependence) which may be launched in the US market within six months. The launch has the potential to instantly more than double Lotus net profits which should trigger a substantial share price appreciation in our view.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 15.6x free cash flow. This compares favorably to the global healthcare sector (19.4x) as well as to MSCI World Index (20.3x).

Valuation of the global healthcare sector is at an historically attractive level (4% 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.

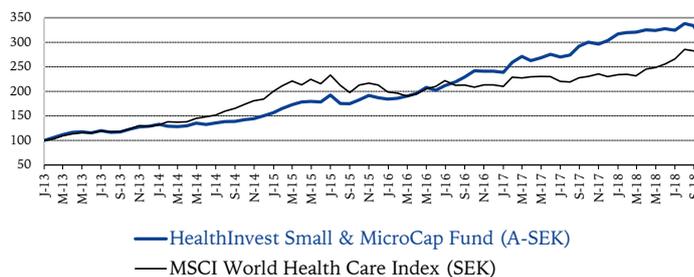
The Fund's net equity exposure was 92% at month end.

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

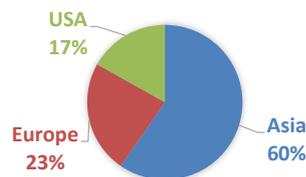
	NAV	Oct*	2018*	Since start*
HealthInvest Small & MicroCap (A-SEK)	276.4	-10.1%	-1.0%	199.7%
HealthInvest Small & MicroCap (B-SEK)	99.4	-10.1%	-1.4%	221.6%
MSCI World Health Care Index (SEK)	2924.7	-3.5%	18.5%	172.7%
MSCI World Health Care Index (USD)	319.0	-6.6%	5.7%	89.0%

*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	24.0%	199.7%
Sharpe ratio	0.97	1.70
Standard deviation	12.6%	11.8%
Beta vs MSCI World Health Care Index	0.63	0.50
Downside risk	7.7%	6.5%
Active risk (tracking error)	11.0%	11.8%

GEOGRAPHICAL DISTRIBUTION (NET EXPOSURE)



SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	23%
HEALTH CARE EQUIPMENT	22%
BIOTECHNOLOGY	16%
HEALTH CARE SERVICES	14%
HEALTH CARE DISTRIBUTORS	10%
LIFE SCIENCES TOOLS & SERVICES	8%
OTHER	8%

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 October. MSCI World Health Care Index declined 6.6% in USD and 3.5% in SEK.

FUND PERFORMANCE

HealthInvest Value Fund decreased 3.7% in October (share class B-SEK).

MANAGEMENT, VALUATION & OUTLOOK

In October, the Fund built up a significant equity position in Lundbeck. The Danish pharmaceutical company, founded in 1915, is laser-focused on CNS (central nervous system) diseases including depression, schizophrenia and Alzheimer's. Lundbeck has over 5000 employees and spends almost DKK3bn in R&D annually (16% of sales). Unfortunately, on 25 October, the company published disappointing phase III results of its most mature and promising new drug, LU AF35700, against treatment-resistant schizophrenia. As a result, Lundbeck shares took a 27% hair cut which we used as an entry point in the stock. Although the study was a failure, Lundbeck still has a rather healthy platform of high performing drugs including:

1) Brintellix (major depressive disorder; current sales growth of 36%),
2) Rexulti (depression/schizophrenia; sales growth of 44%) and 3) Abilify Maintena (schizophrenia/bipolar; sales growth of 16%). These three fast growing drugs will approximate 42% of sales next year and will propel earnings significantly in 2020 and beyond. At the current share price, Lundbeck is trading at 12x free cash flow, a bargain valuation in our view.

HealthInvest Value Fund (as an aggregate) is currently trading at 18.3x free cash flow. This compares favourably to the global healthcare sector (19.4x) as well as to MSCI World Index (20.3x).

Valuation of the global healthcare sector is at an historically attractive level (4% 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 85% at month end.

Please note that the Fund will merge into HealthInvest Small & MicroCap Fund on December 12, 2018. Information about the merger has been sent to the unit holders and has been published on www.healthinvest.se.

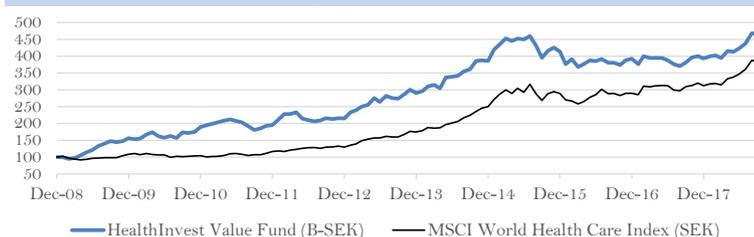
If you wish to obtain additional information on the merger or other information on your fund ownership, you are welcome to contact us.

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

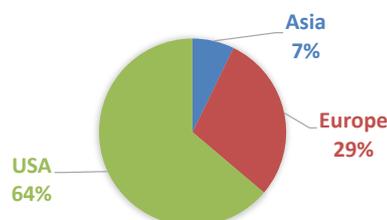
	NAV	Oct*	2018*	Since start*
HealthInvest Value Fund (A-SEK)	431.2	-3.6%	14.9%	375.3%
HealthInvest Value Fund (B-SEK)	156.2	-3.7%	14.4%	348.6%
HealthInvest Value Fund (C-EUR)	13.4	-4.1%	8.2%	358.3%
MSCI World Health Care Index (SEK)	2924.7	-3.5%	18.5%	283.8%
MSCI World Health Care Index (USD)	319.0	-6.6%	5.7%	239.5%

*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	20.5%	348.6%
Sharpe ratio	1.01	1.12
Standard deviation	10.5%	14.4%
Beta vs MSCI World Health Care Index	0.84	0.63
Downside risk	5.0%	7.8%
Active risk (tracking error)	4.4%	13.1%

GEOGRAPHICAL DISTRIBUTION (NET EXPOSURE)



SECTOR DISTRIBUTION (NET EXPOSURE)

PHARMACEUTICALS	54%
HEALTH CARE SERVICES	10%
MANAGED HEALTH CARE	9%
ELECTRONIC EQUIPMENT & INSTRUMENTS	8%
HEALTH CARE DISTRIBUTORS	8%
BIOTECHNOLOGY	7%
LIFE SCIENCES TOOLS & SERVICES	5%

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