

MARKET DEVELOPMENT

Healthcare stocks gained ground in July and MSCI World Health Care Index increased 4.1% in USD, but declined 1.9% in SEK.

As feared, the coronavirus has surged in many US states due to the reopening of the economies. The same tendencies are observed in major European countries including England, France, Germany and Spain, which have triggered some countries to once again restrict economic activity. The previous lockdowns coupled with additional future restrictions may severely damage the global economy in the short- and medium term.

However, on a positive note, the healthcare sector is relatively insensitive to economic cycles. For example, in the year of the great recession of 2009 when companies on average lost 30% of their profits, healthcare companies actually grew profits by 5%.

An initial sign that HealthInvest Small & MicroCap Fund may perform relatively well even in this harsh environment is the favourable results posted for the first quarter (average sales growth of 3% and earnings per share growth of 14%). As a comparison, the companies included in MSCI World Index reported a sales decline of 5% and an earnings decline of 31%. Quite a difference and clearly shows the resilience of our portfolio companies to the exogenous shock caused by the lockdowns. In the second quarter, the difference in performance will be even greater in our view.

FUND PERFORMANCE

In July, HealthInvest Small & MicroCap Fund jumped 9.3% in USD and increased 3.0% in SEK (share class D), which was significantly above its benchmark index. The main reason for the positive development was strong quarterly results from Owens & Minor, one of the largest holdings of the Fund. As a reminder, Owens is a provider of medical supplies for the prevention of healthcare-associated infections, products which for natural reasons have been in great demand in 2020.

MANAGEMENT, VALUATION & OUTLOOK

In July, HealthInvest Small & MicroCap Fund built up a significant equity position in the Dutch specialty pharma company Pharming. Its lead drug Ruconest received FDA approval in 2014 and sales will top USD200m in 2020. Ruconest treats hereditary angioedema (HAE), a potentially life-threatening genetic condition that causes severe swelling under the skin. HAE is a rare disease that affects approximately 1 in 50,000 people and the condition is typically first noticed in childhood. In addition to Ruconest, Pharming licensed late-phase rare genetic disease treatment Leniolisib from Novartis in 2019. If approved by FDA, the immunomodulator could come to the US market in 2022. Leniolisib has a good strategic fit as immunologists which may prescribe the drug also treats hereditary angioedema patients with Ruconest. In our view, the Pharming share is attractively valued at 11x free cash flow.

HealthInvest Small & MicroCap Fund (as an aggregate) is currently trading at 9.3x free cash flow. This compares favorably to the global healthcare sector (19.2x) as well as to MSCI World Index (19.5x).

At month end, the Fund had 24 equity holdings and 95% of the portfolio companies produce significant positive free cash flow. The net equity exposure was 98%.

Monthly returns (share class D)*

	2020	2019	2018	2017	2016	2015	2014	2013
January	-1.0%	7.2%	4.3%	-1.0%	-1.4%	4.4%	3.3%	n.m.
February	-5.8%	5.9%	0.9%	8.2%	0.8%	5.4%	-3.1%	5.3%
March	-0.5%	1.2%	0.3%	4.6%	2.6%	4.8%	-0.7%	6.1%
April	9.1%	-1.2%	1.2%	-3.2%	2.7%	3.1%	1.3%	4.1%
May	2.5%	-3.2%	-0.4%	2.3%	5.6%	0.1%	4.3%	1.0%
June	-3.5%	2.3%	0.8%	2.5%	-2.8%	-0.6%	-1.9%	-2.1%
July	3.0%	2.2%	-0.9%	-2.0%	4.5%	7.7%	2.2%	4.0%
August		-3.6%	4.2%	1.6%	3.5%	-9.0%	1.9%	2.9%
September		3.1%	-1.3%	6.1%	4.6%	-0.1%	0.2%	0.7%
October		5.3%	-10.1%	2.9%	5.4%	4.5%	2.1%	5.0%
November		2.2%	1.7%	-1.3%	-0.3%	4.8%	1.4%	3.4%
December		-2.0%	-8.9%	2.3%	0.0%	-2.1%	3.8%	1.0%
Net return per year	3.0%	20.6%	-8.9%	24.7%	27.9%	24.2%	15.6%	28.3%
Net return since start	232.0%	222.3%	167.3%	193.4%	135.4%	84.1%	48.3%	28.3%

*Net of fees. Share class D started on September 11, 2019. The historical return preceding that date is the return of HealthInvest Small & MicroCap Fund adjusted for the applicable fee structure of share class D.

Risk measures (share class D)*

	24 months	Since start
Return	6.3%	232.0%
Sharpe ratio	0.29	1.37
Standard deviation	16.4%	12.5%
Beta vs MSCI World Health Care Index	0.59	0.59
Downside risk	11.3%	7.2%
Active risk (tracking error)	9.2%	11.0%

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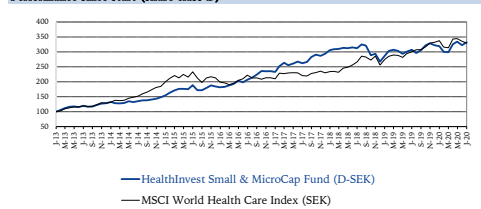
Top Five Positions

Company	Country	Sector	Portfolio weight
Supernus Pharmaceuticals	USA	Pharmaceuticals	7.8%
Almirall Laboratorios	SPA	Pharmaceuticals	7.0%
Halozyme Therapeutics	USA	Biotechnology	6.0%
Owens & Minor	USA	Health Care Distributors	5.7%
Catalyst Pharmaceuticals	USA	Biotechnology	4.5%

Sector Distribution

Sector	Portfolio weight
Biotechnology	35%
Pharmaceuticals	34%
Health Care Distributors	19%
Health Care Services	6%
Health Care Equipment	4%
Cash	2%

Performance since start (share class D)*



*Net of fees. Share class D started on September 11, 2019. The historical return preceding that date is the return of HealthInvest Small & MicroCap Fund adjusted for the applicable fee structure of share class D.

Performance*

	NAV	July*	2020*
HealthInvest Small & MicroCap (C-SEK)	111.5	3.0%	3.1%
HealthInvest Small & MicroCap (D-SEK)	109.3	3.0%	3.0%
MSCI World Health Care Index (SEK)	3530.2	-1.9%	-0.9%
MSCI World Health Care Index (USD)	402.3	4.1%	5.6%
MSCI World Index (SEK)	59862.9	-1.2%	-7.3%
MSCI World Index (USD)	6822.6	4.8%	-1.3%

*Net of fees.

Geographical Distribution

Region	Portfolio weight
USA	72%
Europe	21%
Asia	4%
Cash	2%

Liquidity Risk*

% part	No of days to liquidate portfolio					
	0-1	1-2	2-3	3-5	5-30	30+
5	42	9	5	6	24	13
10	52	8	6	7	16	12
15	56	9	5	8	11	11
20	60	9	6	8	9	9

* % of portfolio that can be transformed into cash with different constraints on daily turnover.

DISCLAIMER

HealthInvest Small & MicroCap Fund ("the Fund") is managed by HealthInvest Partners AB. The Fund is pursuant to the Swedish Mutual Funds Act (2004:46). It is the responsibility of each and every person interested in investing in the Fund to ensure that the investment takes place in accordance with applicable laws and other regulations. Foreign law may entail that an investment cannot be made by an investor from outside Sweden. HealthInvest Partners AB has no responsibility whatsoever to verify whether an investment made from outside Sweden takes place in accordance with the laws of the relevant country.

Disputes or claims concerning the Fund shall be resolved according to Swedish law and exclusively by Swedish courts of law. There is no guarantee that an investment in HealthInvest Small & MicroCap Fund cannot result in a loss. This applies irrespective of whether positive performance on the financial markets. Past performance is no guarantee of future results.

Information from HealthInvest Partners AB shall not be considered a recommendation to invest in the Fund. Every person considering purchasing units in the Fund must make an independent assessment of such an investment and the risks associated therewith. An investment in the Fund should be seen as a long-term investment.

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