

MARKET DEVELOPMENT

SmallCap healthcare stocks continued to lose ground in October. So far in 2021, MSCI World Small Health Care Index has only increased 4.8% in SEK which may be compared to 21.1% for the larger cap index MSCI World Health Care. This short-term negative phenomenon has been unfavorable for HealthInvest Alpha Fund, as 95% of its holdings is allocated to smaller companies. It should be emphasized however that in the long run, shares in small companies usually bear large companies by a wide margin.

FUND PERFORMANCE

HealthInvest Alpha Fund decreased by 0.7% in SEK and increased by 1.2% in USD in October. Although the absolute return in 2021 for the Fund has been positive (+4.5%), we note that it pales in comparison with MSCI World Health Care Index. As mentioned above, this is mainly due to a generally weak share price development of smaller companies (MSCI World Small Health Care Index is +4.8% in 2021). The fund also takes lower market risk compared to indices, which dampens development when the stock market is brisk. Finally, none of the fund's holdings have yet fulfilled their price potential, which is unusual.

Due to the low valuation of smaller health care companies and a strong conviction in the Fund's holdings, HealthInvest Alpha Fund's portfolio manager has increased his investment in the Fund by 45 million SEK in October. Following the purchase, the manager's total investment in the Fund amounts to approximately 125 million SEK.

MANAGEMENT, VALUATION & OUTLOOK

In October, HealthInvest Alpha Fund built up three new substantial equity positions.

Aldevra Therapeutics is a US biotechnology smallcap company focusing on eye diseases. Its lead investigational drug, Reproxalap, is a potential game changing treatment for dry eye disease and allergic conjunctivitis. The compound targets reactive aldehyde species (RASPs) and the inhibition of RASP has been shown to reduce ocular inflammation. Reproxalap is currently being evaluated in two Phase 3 trials and we expect positive outcomes from both trials – a view that is supported by independent experts. New drug applications may be filed within 3-6 months and if approved by the FDA, market launches are expected in 2023. We estimate peak sales at around USD500m for dry eye disease and at around USD300m for allergic conjunctivitis. If Reproxalap is launched according to plan, the shares will trade at 3x free cash flow in 2026.

Intercept Pharmaceuticals is a US biotechnology smallcap company focusing on liver diseases. Intercept's drug, Ocaliva, is a first-in-class drug that was approved for treatment of PBC (Primary Biliary Cholangitis) by the FDA in 2016. PBC is a liver disease characterized by inflammation that could eventually lead to liver failure, cirrhosis, and death if left untreated. Ocaliva is currently used by 6% of PBC patients, a use which should increase over time. Although the PBC indication is helpful to Intercept's financials, the larger opportunity for Ocaliva is the treatment of NASH (Non-alcoholic steatohepatitis). NASH is the buildup of fat in the liver leading to inflammation and eventually liver failure. It is a life-threatening condition which affects more than 5 million people in the USA and there are currently no products approved specifically for NASH. Intercept received a CRL (complete response letter) from the FDA in June 2020 and the regulator has requested additional clinical data before approval. Although unfortunate, we believe that Intercept soon has garnered all the necessary data which will support a re-submission. If Ocaliva would receive FDA approval for the treatment of NASH, peak sales for the drug may top USD1400m. Including the potential launch in NASH, Intercept shares may trade at 2x free cash flow in 2026.

Zogenix is a US biotechnology smallcap company that launched its first drug, Fintepla, for the treatment of Dravet Syndrom (DS) in August 2020. Dravet syndrome is a rare, drug-resistant epilepsy that begins in the first year of life in an otherwise healthy infant. It is unfortunately a lifelong disease which affects 300 babies each year in the US. Although Fintepla was launched in the midst of the pandemic, sales has ramped up impressively and we believe peak sales for Fintepla in DS may amount to USD700m. A future label expansion of Fintepla to include the treatment of Lennox-Gastaut Syndrome (LGS) constitutes a large additional potential and a supplemental New Drug Application was filed with the FDA in September 2021. LGS, similar to DS, is another rare form of pediatric epilepsy that has proven to be highly pharmaco-resistant. Based on Fintepla's solid efficacy in DS patients, LGS represents a natural extension for the product to play a broader role in pediatric epilepsy disorders. The LGS opportunity may increase peak sales for Fintepla to USD1200m. Including the future launch in LGS, Zogenix shares may trade at 4x free cash flow in 2026.

HealthInvest Alpha Fund (as an aggregate) is currently trading at 13.2x free cash flow. This compares favourably to the global healthcare sector (21.0x) as well as to MSCI World Index (25.9x).

At month end, the Fund had 31 equity holdings and 68% of the companies produce significant positive free cash flow. The net equity exposure was 95%.

Monthly returns (share class D)*

	2021	2020	2018	2017	2016	2015	2014	2013
January	1.8%	-1.0%	7.2%	4.3%	-1.0%	-1.4%	4.4%	3.3%
February	-1.1%	-5.8%	5.9%	0.9%	8.2%	0.8%	5.4%	-3.1%
March	7.2%	-0.6%	1.2%	0.3%	4.6%	2.6%	4.8%	-0.7%
April	0.5%	9.1%	-1.2%	1.2%	-3.2%	2.7%	3.1%	1.3%
May	-0.2%	2.5%	-3.2%	-0.4%	2.3%	5.6%	0.1%	4.3%
June	2.5%	-3.5%	2.3%	0.8%	2.5%	-2.8%	-0.6%	-1.9%
July	-0.2%	3.0%	2.2%	-0.9%	-2.0%	4.5%	7.7%	2.2%
August	-1.8%	0.2%	-3.6%	4.2%	1.6%	3.5%	-0.0%	1.9%
September	-3.2%	0.4%	3.1%	-1.3%	6.1%	4.6%	-0.1%	0.2%
October	-0.7%	-4.4%	5.3%	-10.1%	2.9%	5.4%	4.5%	2.1%
November	12.8%	2.2%	1.7%	-1.3%	-0.3%	4.8%	1.4%	3.4%
December	1.1%	-2.0%	-8.9%	2.3%	0.0%	-2.1%	3.8%	1.0%

Per year	4.5%	12.9%	20.6%	-8.9%	24.7%	27.9%	24.2%	15.6%	28.3%
Since start	280.2%	263.9%	222.3%	167.3%	193.4%	135.4%	84.1%	48.3%	28.3%

*Net of fees. Share class D started on 11 September 2019. Returns preceding that date are the return of the Fund adjusted for the fee structure of share class D.

Performance against benchmark*

	NAV	Oct*	2021*
HealthInvest Alpha Fund (C-SEK)	128.0	-0.7%	4.7%
HealthInvest Alpha Fund (D-SEK)	125.2	-0.7%	4.5%
MSCI World HC Index (SEK)	4306.9	2.3%	21.1%
MSCI World HC Index (USD)	500.6	4.2%	15.7%
MSCI World Small HC Index (SEK)	51751.3	-1.3%	4.8%
MSCI World Small HC Index (USD)	6015.5	0.5%	0.1%

*Net of fees.

Risk measures (share class D)*

	24 months	Since start
Sharpe ratio	0.65	1.28
Standard deviation	14.5%	12.8%
Beta vs MSCI World HC Index	0.79	0.62

*Net of fees. Share class D started on 11 September 2019. Returns preceding that date are the return of the Fund adjusted for the fee structure of share class D.

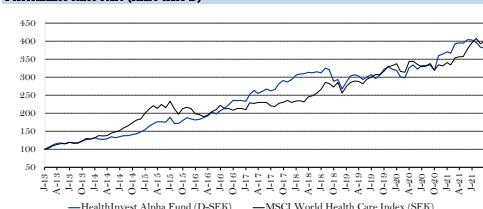
Top Five Positions

Company	Country	Sector	Portfolio weight
Supernus Pharmaceuticals	US	Pharmaceuticals	5.5%
Ironwood Pharma	US	Biotechnology	5.4%
Almirall Laboratories	ES	Pharmaceuticals	5.0%
Dedicare	SE	Health Care Services	4.9%
Stille	SE	Health Care Equipment	4.8%

Sector Distribution

Sector	Portfolio weight
Biotechnology	32%
Pharmaceuticals	28%
Health Care Equipment	17%
Health Care Services	9%
Health Care Supplies	6%
Health Care Distributors	3%
Cash	5%

Performance since start (share class D)*



*Net of fees. Share class D started on September 11, 2019. Returns preceding that date are the return of the Fund adjusted for the fee structure of share class D.

Geographical Distribution

Region	Portfolio weight
USA	46%
Europe	45%
Asia	5%
Cash	5%

Liquidity Risk*

% part	No of days to liquidate portfolio					
	0-1	1-2	2-3	3-5	5-30	30+
5	14	4	4	6	32	40
10	18	7	6	9	29	31
15	22	9	7	11	26	25
20	25	11	8	10	25	21

* % of portfolio that can be liquidated with different constants on daily turnover.

DISCLAIMER

HealthInvest Alpha 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 Alpha 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.

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.