

HealthInvest Small & MicroCap Fund changes name to HealthInvest Alpha Fund

On 14 June 2021, HealthInvest Small & MicroCap Fund will change name to HealthInvest Alpha Fund. The name change is made to highlight the ability and ambition to generate excess returns (Alpha). The fund's investment strategy will not change, however, and the asset management team will continue to work relentlessly. The name change was approved by the Swedish Financial Supervisory Authority (Finansinspektionen) on 28 May.

Background

HealthInvest Small & MicroCap Fund started on 1 February 2013 and has now achieved a track record of more than eight years. The main purpose of the fund is to generate an excess return compared to passively managed funds. This excess return is called Alpha in academic terms. The scientific theory behind the alpha value was developed in the 1960s and the researchers Markowitz, Miller and Sharpe who invented the concept won the Nobel Prize in 1990.

As HealthInvest Small & MicroCap Fund now has a relatively long track record, we have evaluated whether the fund has managed to generate Alpha since its inception in 2013. The evaluation, which included all healthcare funds in the database Morningstar.se with sufficient track record, showed a positive result. In fact, HealthInvest Small & MicroCap Fund had the highest alpha of all healthcare funds (see full table in Annex 1). The calculations in the table refer to returns net of fees and the risk-free interest rate is assumed to be zero during the period.

As shown in the table, there is a large spread in excess returns among the funds. We are of course proud that HealthInvest Small & MicroCap Fund had the highest Alpha (+7.4% annually). In addition, the fund's risk, measured as beta, is 37% lower than the market in general.

Conclusion

Based on its track record and ambitions going forward, we think that the name HealthInvest Alpha Fund appropriately reflects what differ the fund from other, more passively managed healthcare funds.

Importantly, the fund's investment strategy will stay the same. The fund benefits from the tailwind of the healthcare sector over time but is managed with a clear focus on low stock valuations. In addition to low valuations, there should be some type of catalyst that may result in multiple expansion. Our belief is that the focus on low valuations contributes to a relatively low risk (beta) and the catalysts contribute to the high alpha.

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Annex 1 – Fund Evaluation, 31 January 2013 – 30 April 2021

Fund	Domicile	Alpha	Beta
Healthinvest Small & MicroCap Fund - D	Sweden	7.4%	0.63
Variopartner Global Medtech Fund P1	Luxemburg	5.0%	0.90
Sector Value Healthcare Value Fund A	Ireland	3.9%	0.94
Polar Capital Healthcare Opportunities Fund - 1	Ireland	3.0%	1.04
Rhenman Healthcare Equity L/S - IC2	Luxemburg	2.3%	1.34
Janus Global Life Sciences Fund - 1	Ireland	1.8%	1.13
Wellington Global Health Care Equity Fund - D	Ireland	1.5%	1.12
AB International Health Care Portfolio A	Luxemburg	1.5%	0.95
Handelsbanken Hälsövård - A1	Finland	1.3%	1.03
NN (L) Health Care - P Cap USD	Luxemburg	1.2%	0.93
LokalTapiola Wellbeing ESG	Finland	1.2%	0.87
Blackrock World Healthscience Fund - A2	Luxemburg	0.7%	1.05
DNB Health Care A	Norway	0.4%	0.93
JP Morgan Global Healthcare - A	Ireland	0.3%	1.07
Fidelity Funds - Global Health Care Fund AA - EUR	Luxemburg	0.1%	0.97
MSCI World Global Health Care Index		0.0%	1.00
UBS (Lux) Equity Fund - Health Care (USD) P	Luxemburg	-1.1%	1.06
SEB Läke-medelsfond	Sweden	-1.7%	0.96
iShares Global Healthcare ETF	USA	-1.7%	1.00
Swedbank Robur Medica	Sweden	-1.9%	0.99
GAM Multistock - Health Innovation Equity USD A	Luxemburg	-2.0%	1.20
BNP Paribas Funds Health Care Innovators C	Luxemburg	-2.1%	1.05
Pictet-Health P USD	Luxemburg	-2.5%	1.06
Framlington Longevity Economy A USD	Luxemburg	-2.5%	1.02
C Worldwide Healthcare Select - 1A	Luxemburg	-3.2%	1.08
Invesco Global Health Care Innovation Fund A	Luxemburg	-3.8%	1.13
Seligson & Co Global Top 25 Pharmaceuticals A	Finland	-7.2%	1.04

Sources: Bloomberg and Morningstar, as of 30 April 2021. Monthly returns from 31 Januari 2013 - 30 April 2021.