

## December 2009 - Rhenman Healthcare Equity L/S

### Monthly Update

The first six months for the fund were characterised by a strong recovery in the stock markets following the financial crisis that culminated at the beginning of the year. Healthcare shares experienced a slightly less strong recovery as investors focused mainly on cyclical sectors. A general fall in share prices in the biotechnology sector (probably as a consequence of a very high interest in technology shares) was seen in the second half of October, but a recovery started already in November. In December the healthcare sector was generally very strong and the fund performed very well. Probable causes were the fact that the sector had performed more poorly during the year and that the healthcare reform in the USA made definite progress and in a positive direction for many companies, compared to previous expectations.

The healthcare sector has solid fundamentals and low valuations, but has a slightly lower rate of future earnings growth than many other sectors, where profits have been depressed during the recession. We believe that a gradual P/E (price/earnings) expansion can be expected for our investments, but it is not clear whether or not the sector will lead the way in a continued upturn in the stock markets. We do, however, believe that the stock market will be strong in 2010. The healthcare reform that the US Congress is pushing through will create clearer conditions, increased volumes for companies and therefore higher profits despite proposed taxes. Even if the reform is delayed, we believe that the market conditions will be both clearer and better than for many years.

We would like to point out the important contributions that emerging markets are now making to growth in the industry. Many of the major pharmaceutical companies are emphasising the opportunities for high growth in turnover, for example in the so-called BRIC countries (Brazil, Russia, India and China). Countries outside Europe and the USA are gradually accounting for an increasingly significant proportion of total turnover. This is also true of companies in the fields of biotechnology and medical technology. We therefore believe that many investors are underestimating future growth in the pharmaceutical industry, which we believe will be at least five per cent, despite patent expiries.

Biogen, Wellpoint and Centene made the biggest positive contributions to the fund's performance. Auxilium, Novartis and Gilead were the biggest negative contributors during the month.

### Return and Risk (EUR)

	Rhenman Healthcare Equity L/S	3 Month Euribor
December 2009	7.17%	0.06%
Since start <sup>1</sup>	13.28%	0.50%
Value at Risk, % <sup>2</sup>	2.50	-
Standard deviation, % <sup>3,4</sup>	12.24	-
Sharpe ratio <sup>3,4</sup>	1.83	-

1) Fund Inception: June 22, 2009. 2) For holdings on the 29 of December.

3) Since start until 31 of December. 4) Standard deviation and Sharpe ratio annualized.

### Exposure

	Rhenman Healthcare Equity L/S	Largest Long Positions (% of equity)	
Long	116.5%	Gilead Sciences Inc	5.9%
Short	11.0%	Wellpoint Inc	4.7%
Gross	127.4%	Medtronic Inc	4.5%
Net	105.5%	Novo Nordisk A/S-B	4.2%
		Abbott Laboratories	4.1%
Net (adjusted) <sup>5</sup>	97.2%		

5) Adjusted for net fund inflow for January.

### IC1 NAV (EUR)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009						100.75	105.19	107.47	107.83	100.99	105.70	113.28

### IC1 Performance % (net of fees)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2009						0.75	4.41	2.17	0.33	-6.34	4.66	7.17	13.28

### RC1 NAV (SEK)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009						99.74	99.92	101.00	101.51	96.72	101.85	106.75

### RC1 Performance % (net of fees)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2009						-0.26	0.18	1.08	0.50	-4.72	5.30	4.81	6.75

### RC2 NAV (SEK)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009						99.74	99.98	101.12	101.68	96.94	102.10	107.07

### RC2 Performance % (net of fees)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2009						-0.26	0.24	1.14	0.55	-4.66	5.32	4.87	7.07

## Fund characteristics

- Target annual returns in excess of 15% (before fees) with a volatility below the stock market
- Long-term investment horizon but active trading around holdings
- Roughly equal allocation to small-, mid- and large-cap companies
- Typically 60–70 positions out of a 500 company universe
- Portfolio company size > USD 200 million
- Cash flow positive companies are predominant

## Key Data

• Base currency:	EUR
• Subscription/redemption frequency:	Monthly (T-3)
• Share classes:	(R) Retail class / (I) Institutional class
• Minimum initial investment:	RC1 = SEK 250 000 RC2 = SEK 2 500 000 IC1 = EUR 250 000
• Minimum top-up investment:	No minimum
• Management fee:	RC1 = 2 %, RC2 = 1,5 %, IC1 = 1,5 %
• Benchmark:	Euribor 90D
• Performance fee (quarterly):	20 % (high water mark)
• Soft close:	EUR 500m
• Hard close:	EUR 1bn
• Dividends:	R = Only capitalization I = Capitalization + Distribution
• Legal Structure:	Open-ended FCP (Fonds Commun de Placement) under Part II of the Luxembourg Law on Investment Funds (20 Dec, 2002)
• Fund Management Company:	SEB Fund Services S.A.
• Fund Promotor (Sponsor):	SEB Fund Services S.A.
• Investment Manager:	Rhenman & Partners Asset Management AB
• Placement and Distribution Agent:	Rhenman & Partners Asset Management AB
• Custodian Bank and Paying Agent:	Skandinaviska Enskilda Banken S.A.
• Prime Broker:	Skandinaviska Enskilda Banken AB (publ)
• External Auditor:	PricewaterhouseCoopers (PwC)
• Swedish registration:	Registration process initiated
• ISIN:	RC1 = LU0417597712, RC2 = LU0417590817, IC1 = LU0417598108
• Bloomberg ticker:	RC1 = RHLSRC1 LX, RC2 = RHLSRC2 LX, IC1 = RHLEIC1 LX
• Lipper Reuters ticker:	RC1 = 68014067, RC2 = 68015239, IC1 = 65147588
• Telekurs ticker:	RC1 = 10239523, RC2 = 10239528, IC1 = 10034579

This material has been prepared for professional investors. Rhenman & Partners Asset Management AB (Rhenman & Partners) when preparing this report has not taken into account any one customer's particular investment objectives, financial resources or other relevant circumstances and the opinions and recommendations herein are not intended to represent recommendations of particular investments to particular customers. All securities' transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk. Due care and attention has been used in the preparation of this forecast information. However, actual results may vary from their forecasts, and any variation may be materially positive or negative. Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Rhenman & Partners. Rhenman & Partners cannot guarantee that the information contained herein is without fault or entirely accurate. The information in this material is based on sources that Rhenman & Partners believes to be reliable. Rhenman & Partners can however not guarantee that all information is correct. Furthermore, information and opinions may change without notice. Rhenman & Partners is under no obligation to make amendments or changes to this publication if errors are found or opinions or information change. Rhenman & Partners accepts no responsibility for the accuracy of its sources. Rhenman & Partners is the owner of all works of authorship including, but not limited to, all design, text, sound recordings, images and trademarks in this material unless otherwise explicitly stated. The use of Rhenman & Partners' material, works or trademarks is forbidden without written consent except where otherwise expressly stated. Furthermore, it is prohibited to publish material made or gathered by Rhenman & Partners without written consent.