

February 2010 - Rhenman Healthcare Equity L/S

Monthly Update

In the wake of Greece's severe financial difficulties, February was characterized by turbulence in the currency markets. This had a significant impact on the fund as the Euro depreciated strongly against the US dollar. Stock markets were weak at the start of the month but rebounded somewhat during the second half. The fund's net asset value increased in its base currency. The reporting season is over for this time and, with a few exceptions, boasted generally good results in the healthcare sector. Interestingly, even those reports that did not quite meet expectations were often interpreted positively as these deviations from expectations were mostly minor. Instead, more focus was placed on the companies' forecasts and underlying market prospects. We had a very strong upswing for one of our medtech companies, NuVasive, whose shares rose substantially. In a turnaround of opinion, two major insurance companies are now accepting NuVasive's spine surgery products for reimbursement. Unfortunately, we also held a position in German Merck KGaA that delivered a very cautious prognosis for 2010 which led to a substantial downward move in the company's share price. Besides this, our currency hedge against a falling dollar had a negative impact on the fund. We have now decreased the size of this currency hedge as the dollar could continue to gain strength following expectations of stronger economic growth in the US.

The process of finalizing a healthcare reform in the US is likely to intensify during the month of March, so some volatility in connection with this is to be expected. We are strongly in favor of a reform, and view it as a long-term necessity. The sooner it is implemented, the easier it will be for companies to gradually adjust towards somewhat lower prices and marginally higher taxes. Importantly, these two negative factors will be largely compensated by higher volumes. We believe that the risk of a correction in the stock market as a consequence of a reform in line with current proposals to be relatively low.

There is obviously a risk that the turbulence in the currency markets will continue short-term, but we have good faith in that we have good opportunities to continue to deliver positive performance in local currencies.

NuVasive, Nektar and Teva made the greatest positive contributions to the fund's performance during the month. Merck KGaA, AMAG and Nobel Biocare were the main negative contributors.

Return and Risk (EUR)

	Rhenman Healthcare Equity L/S	3 Month Euribor
February	1.72%	0.05%
Since start ¹	19.94%	0.61%
Value at Risk, % ²	2.72	-
Standard deviation, % ^{3,4}	12.75	-
Sharpe ratio ^{3,4}	1.93	-

1) Fund Inception: June 22, 2009. 2) For holdings on February 26.

3) Since start until February 25. 4) Standard deviation and Sharpe ratio annualized.

Exposure

	Rhenman Healthcare Equity L/S	Largest Long Positions (% of equity)	
Long	125.5%	Merck & Co. Inc	6.2%
Short	24.1%	Gilead Sciences Inc	5.6%
Gross	149.6%	Biogen Idec Inc	5.6%
Net	101.3%	Medtronic Inc	5.4%
		CVS	5.1%

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
2010	117.91	119.94										

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
2010	4.09	1.72											+5.88

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
2010	110.70	108.05										

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
2010	3.70	-2.39											+1.22

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
2010	111.07	108.57										

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
2010	3.74	-2.25											+1.40

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)
• 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

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