

## November 2010 - Rhenman Healthcare Equity L/S

### Monthly Update

The month of November was characterized by cautious stock markets. Measured in euro, however, the global index rose by about three percent, partly as a result of a stronger dollar. The fund's value continued to rise and the NAV increased by +1.8 to +3.6 percent (depending on currency / share class).

Developments in Ireland which resulted in a "rescue package" have created deep concern about the euro's future. Opinions differ as to whether or not other countries will need help, but the bond market sees increasing risks while the eurozone as a whole is out of sync, and while there are a number of countries that sooner or later will probably need financial help. The main concerns vary somewhat among the countries, but the bottom-line is that they all have financial situations that are not sustainable: in Portugal the main concern is the low level of growth, in Spain it is an overvalued property market combined with high unemployment, in Italy it is the low rate of growth while in Belgium, it is the high level of indebtedness. In the present situation, the financial markets are genuinely worried about new acute crises that will bring about further measures, such as, 1) that the ECB is forced to make quantitative easing, 2) forced debt restructuring in PIIGS countries as well as for some banks, and 3) an extension of the European rescue fund to provide meaningful support for both Portugal and Spain (and still be financially prepared for other countries). A completely different and much more optimistic interpretation of current events is that the present crisis is just part of a process in which long-term interest rates are going up due to the successively strengthening economy and the declining risk of deflation. The stock market is outperforming the bond market at the moment and this may be a perfectly natural part of a better global economy. Optimism for the U.S. economy is currently rising, the leading indices are rising globally, and this favours the fund. Market sentiment is good and we remain optimistic, despite the worries, about the development of the stock market going forward.

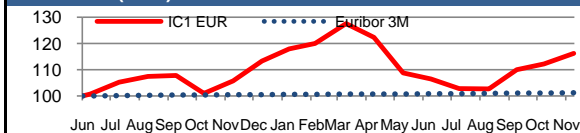
The reporting season in the healthcare sector was, on the whole, strong. Interest in small and medium-sized companies is clearly rising, but this is also part of a traditional, annually recurring, seasonal pattern. It is rather easy to see that, right now, the positive news dominates among the fund's companies, possibly due in part to the low level of expectations. Clearly, biotechnology is a favoured sector in the U.S. stock market. We believe that healthcare reform in the U.S. will not be a serious concern for the next two or three years, during which time the initial implementation will take place. Healthcare insurance companies will therefore continue to grow in the established upward trend. The major pharmaceutical companies are the subject of cautious trading, presumably due to the rising risk appetite for equities in general. However, risk appetite has not been high enough to prevent recent rights issues in our sector to be received rather coolly. In its own way, this is a good sign that the market is not flooded with IPOs and rights issues, which often ends with a correction. Consequently, we find ourselves in the early stages of a recovery. The fund continues to be well-positioned for a rising stock market and the equity exposure has been further increased.

Positive contributors to the fund's rising performance were: Alexion (focused on rare diseases in the so-called 'complement system' that is part of our immune system), Salix (which can be used to treat multiple diseases (that may not primarily be perceived as infectious diseases, such as irritated stomach/intestinal tract) with antibiotic treatments) and Algeta (a Norwegian company in metastasis treatment). The three companies Grifols (a Spanish plasma company), UCB (a medium-sized Belgian pharmaceutical company) and Sanofi (a French large cap pharmaceutical company) gave the largest negative contributions without any directly disadvantageous events in these companies.

#### Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
November	3.58%	0.08%
YTD	2.55%	0.68%
Since Inception (2009-06-22)	16.17%	1.18%

#### Return IC1 (EUR)



#### Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
November	5.36%	0.08%
YTD	10.36%	0.21%
Since Inception (2010-08-31)	10.36%	0.21%

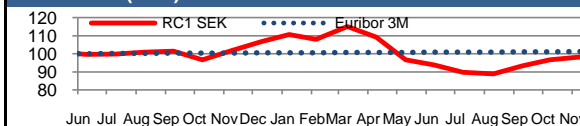
#### Return RC1 (EUR)



#### Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
November	1.76%	0.08%
YTD	-7.93%	0.68%
Since Inception (2009-06-22)	-1.71%	1.18%

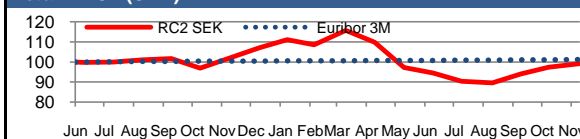
#### Return RC1 (SEK)



#### Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
November	1.81%	0.08%
YTD	-7.41%	0.68%
Since Inception (2009-06-22)	-0.86%	1.18%

#### Return RC2 (SEK)



IC1 (EUR) NAV												
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	127.53	122.31	108.73	106.40	102.84	102.63	109.95	112.16	116.17	

IC1 (EUR) 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	6.33	-4.09	-11.10	-2.14	-3.35	-0.20	7.13	2.01	3.58		+2.55

RC1 (EUR) NAV												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009												
2010								100.00	104.35	104.75	110.36	

RC1 (EUR) Performance %, net of fees													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2009													
2010									4.35	0.38	5.36		+10.36

RC1 (SEK) NAV												
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	115.09	109.18	96.69	93.87	89.69	88.93	93.37	96.59	98.29	

RC1 (SEK) 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	6.52	-5.14	-11.44	-2.92	-4.45	-0.85	4.99	3.45	1.76		-7.93

RC2 (SEK) NAV												
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	115.69	109.78	97.28	94.47	90.31	89.58	94.10	97.38	99.14	

RC2 (SEK) 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	6.56	-5.11	-11.39	-2.89	-4.40	-0.81	5.05	3.49	1.81		-7.41

Risk (IC1)	Exposure	Largest Long Positions (% of equity)
Value at Risk, % <sup>1</sup>	3.60 Long	Merck Inc 4.5%
Standard deviation, % <sup>2,3</sup>	20.01 Short	Celgene Corp 4.4%
Sharpe ratio <sup>2,3</sup>	0.55 Gross	Alexion Pharmaceuticals Inc 4.3%
	Net	Gilead Sciences Inc 4.1%
		Fresenius SE 3.3%

1) For holdings on November 30. 2) Since start until November 26.

3) Standard deviation and Sharpe ratio annualized.

Currency Exposure (% of equity > 5%)			
USD	67.6%	EUR	17.9%
CHF			7.6%

## 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:	IC1 = EUR 250 000 RC1 = EUR 25 000, SEK 250 000 RC2 = SEK 2 500 000
• Minimum top-up investment:	No minimum
• Management fee:	IC1 = 1.5 %, RC1 = 2%, RC2 = 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:	Yes (since November 5, 2009)
• ISIN:	IC1 (EUR) = LU0417598108, RC1 (EUR) = LU0417597555 RC1 (SEK) = LU0417597712, RC2 (SEK) = LU0417598017
• Bloomberg ticker:	IC1 (EUR) = RHLEIC1 LX, RC1 (EUR) = RHLERC1 LX RC1 (SEK) = RHLSRC1 LX, RC2 (SEK) = RHLSRC2 LX
• Lipper Reuters ticker:	IC1 (EUR) = 65147588, RC1 (EUR) = 65147589 RC1 (SEK) = 68014067, RC2 (SEK) = 68015239
• Telekurs ticker:	IC1 (EUR) = 10034579, RC1 (EUR) = 10034567 RC1 (SEK) = 10239523, RC2 (SEK) = 10239528

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