

December 2010 - Rhenman Healthcare Equity L/S

Monthly Update

December was a very strong month. World stock markets rose across the board despite the fact that the Chinese market fell sharply due to overheating tendencies and the austerity measures which followed. Cyclical stocks rose strongly as a result of continued global recovery and healthcare shares too had a rather good month. The clear signs of stability in the global economic upswing are probably the main reason for the upturn. The performance of the healthcare sector was characterized by a very clear preference for medium and small companies. In actual fact, the large companies' stock prices remained essentially unchanged in the optimistic sentiment that was evident in December. The market was generally characterized by a rising appetite for risk and an orientation towards growth stocks. Despite the sluggish performance of the major companies in the sector there were many stocks that performed well, not least in the biotech sector, which showed clear signs of width and depth (many shares rise in value with higher turnover), usually a sign of a continuing positive trend. The news flow was predominantly positive and was received with interest by the market.

The main fund share class (IC1, EUR) rose by 5.6% in December, which is considerably more than the healthcare sector as a whole, as a result of the fund's current focus on small and medium-sized companies. The stated strategy of the fund is to hold roughly a third of small, medium and large cap companies respectively over time, a diversification target that is currently showing its strength. At the stock level, we find it gratifying that our favorite stocks in biotechnology, such as Alexion and Salix, continue to rise. The insurance company segment however, has remained sluggish due to the uncertainty of 2011. Medical technology has come back very strongly thanks to the improved economic prospects in the U.S. and elsewhere. It is pleasing to see the Nordic companies Active, Algeta and Medivir going forward strongly on the back of the positive news. It looks as if the Nordic countries are now, finally, about to enter a decade in which a number of companies will actually make money. Having said that, we will continue to monitor the possibilities for participating, with acceptable returns, in the transformation of these companies from research companies to pharmaceutical companies. Today Nordic holdings represent only a small portion of the Fund.

A very interesting year lies ahead of us. It is likely that the market will continue to favour growth stocks to the benefit of small and medium-sized companies in the various sub-sectors of the healthcare industry, not least within biotechnology. It is highly likely that there will be a strong wave of M & A's as a result of the current low interest rates and the needs of the larger companies to renew their product portfolios. New issue volumes are low and the number of IPO's continues to be few. Since the demand for listed companies stocks presently outstrips supply, this bodes well. Many analysts point out that the general valuation level is still attractive and that the number of downgrades due to achieved target prices is extremely low.

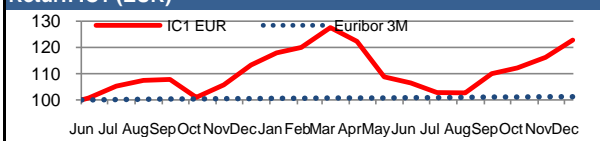
The growth in demand for healthcare has probably bottomed-out for this economic cycle and will now gradually rise, albeit cautiously. The prospects therefore look good for the year ahead, despite the strong rise in the autumn. We also think it is likely that allocations among many of the large institutions between stocks and bonds will gradually change towards an increased proportion of shares. However, there is no apparent reason why just the larger pharmaceutical companies should have a particularly good year - it is probably still somewhat early in the global recovery, which is why we have still underweight this particular sub-sector, despite record-low valuations. Sometime in 2011, however, the appetite of these large companies will rise, possibly because by then the valuation gap with other sectors will have become too large.

Spectrum Pharmaceuticals Inc, Algeta ASA and Beckman Coulter Inc gave the greatest positive contributions to development of the Fund in December. Fresenius SE, Celgene Corp. and Sinopharm Group were the largest negative contributors.

Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
December	5.65%	0.08%
YTD	8.34%	0.75%
Since Inception (2009-06-22)	22.73%	1.26%

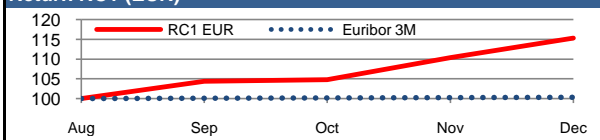
Return IC1 (EUR)



Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
December	4.49%	0.08%
YTD	15.32%	0.29%
Since Inception (2010-08-31)	15.32%	0.29%

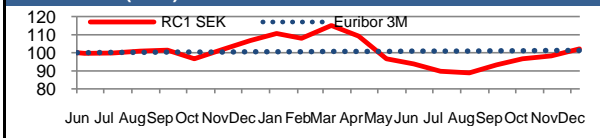
Return RC1 (EUR)



Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
December	3.94%	0.08%
YTD	-4.30%	0.75%
Since Inception (2009-06-22)	2.16%	1.26%

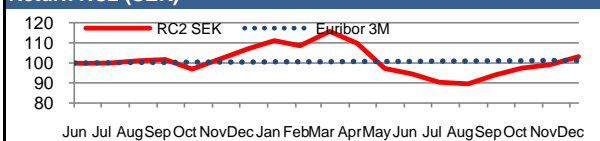
Return RC1 (SEK)



Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
December	3.97%	0.08%
YTD	-3.73%	0.75%
Since Inception (2009-06-22)	3.08%	1.26%

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	122.73

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	5.65	+8.34

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	115.32

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	4.49	+15.32

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	102.16

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	3.94	-4.30

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	103.08

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	3.97	-3.73

Risk (IC1)	Exposure	Largest Long Positions (% of equity)
Value at Risk, % ¹	3.20 Long	136.2% Bayer AG 5.2%
Standard deviation, % ^{2,3}	19.67 Short	20.0% Fresenius SE 4.3%
Sharpe ratio ^{2,3}	0.72 Gross	156.2% Merck Inc 4.1%
	Net	116.2% Alexion Pharmaceuticals Inc 3.8%
		Shire plc 3.4%

1) For holdings on December 31. 2) Since start until December 30.
3) Standard deviation and Sharpe ratio annualized.

Currency Exposure (% of equity > 5%)			
USD	61.3%	EUR	22.6%
		CHF	8.5%

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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