

February 2011 - Rhenman Healthcare Equity L/S

Monthly Update

World stock markets moved sideways during the month of February. Continued positive economic signals could not outweigh the concern for what the crises in North Africa might lead to if they spread to the oil-rich nations in the Middle East. Developments in the healthcare sector did not differ significantly from those of the stock market as a whole. The small and medium-sized companies that reported in February continued to post figures in line with expectations and, in several cases, better than the earnings estimates.

The main fund class (IC1 EUR) rose by 2.3 percent in euro and by 1.3 percent in Swedish kronor (RC1 SEK), despite an even weaker dollar. A certain rotation towards defensive shares was relatively helpful to the sector, relative to for instance the more cyclical Swedish market. At the stock level, movements were relatively small within the various sub-sectors. Clearly, the sector that developed best was that of the service companies, reflecting an increasingly optimistic view for both 2011 and the American healthcare reform.

One of our favourite shares, the Alexion share, continued to rise, suggesting that the market is willing to pay even higher P/E ratios for growth. This is good for several of our sub-sectors with fast-growing small and medium-sized companies. Exelixis, a company that appears to have a revolutionary drug within prostate cancer, was another source of satisfaction. Mako Surgical, offering robot-assisted knee surgery, was another notable example of a company that performed well during the month.

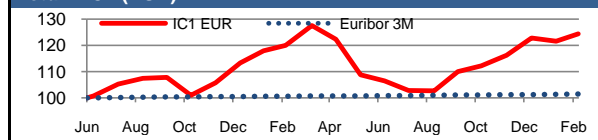
However, there was a source of disappointment in the fund. Salix Pharmaceuticals reported that the FDA is likely to demand more clinical data before granting extended approval for their gastro-intestinal medicine called Xifaxan. The drug, an antibiotic that stays in the gastrointestinal tract, gives good results for the treatment of certain forms of chronic diarrhoea, a condition that in some cases may have a bacterial component, reminiscent of the importance of Helicobacter Pylori for gastric ulcers. The FDA will argue that the company must make long-term studies for the potential long-term use of the drug, although its use is only intermittent, i.e., treatment is only given when needed. Rhenman & Partners' Scientific Advisory Board pointed out the risk just a few days before the preliminary decision was received from the FDA. At the time of the FDA's decision, the position unfortunately was still partially in place. However, on the whole, the company is developing well, and we still have a position in the company.

Alexion, Exelixis and Mako Surgical gave the greatest positive contributions to the development of the fund during the month. Salix, Amgen and Teva were the largest negative contributors.

Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
February	2.26%	0.08%
YTD	1.26%	0.16%
Since Inception (2009-06-22)	24.28%	1.42%

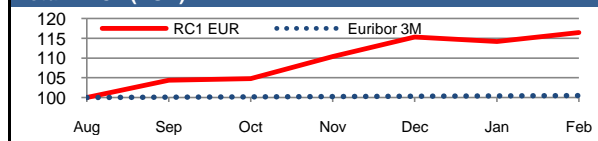
Return IC1 (EUR)



Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
February	2.03%	0.08%
YTD	1.02%	0.16%
Since Inception (2010-08-31)	16.50%	0.45%

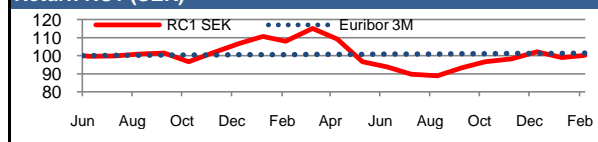
Return RC1 (EUR)



Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
February	1.32%	0.08%
YTD	-1.90%	0.16%
Since Inception (2009-06-22)	0.22%	1.42%

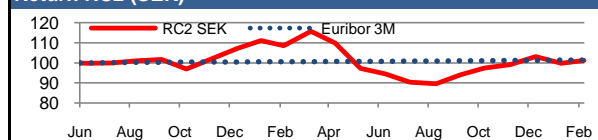
Return RC1 (SEK)



Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
February	1.36%	0.08%
YTD	-1.82%	0.16%
Since Inception (2009-06-22)	1.20%	1.42%

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
2011	121.53	124.28										

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
2011	-0.98	2.26											+1.26

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
2011	114.18	116.50										

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
2011	-0.99	2.03											+1.02

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
2011	98.91	100.22										

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
2011	-3.18	1.32											-1.90

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
2011	99.84	101.20										

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
2011	-3.14	1.36											-1.82

Risk (IC1)		Exposure		Largest Long Positions	
Value at Risk, % ¹	3.10	Long	144.1%	Bayer AG	
Standard deviation, % ^{2,3}	19.40	Short	22.1%	Amgen Inc	
Sharpe ratio ^{2,3}	0.61	Gross	166.2%	Fresenius SE	
		Net	122.0%	Celgene Corp	
				Shire PLC	

1) For holdings on February 28. 2) Since start until February 24.
3) Standard deviation and Sharpe ratio annualized.

Currency Exposure (% of equity > 5%)			
USD	60.5%	EUR	21.9%
CHF	7.8%		

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) = RHEIC1 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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