

May 2011 - Rhenman Healthcare Equity L/S

Monthly Update

For the first time in a long while, a strong dollar helped to produce positive developments in the world's stock markets in euros but not in dollars. Developments in healthcare were even stronger and the sector had a really good month, the best for a long time. More and more investment banks are upgrading the sector to overweight with the arguments: earnings growth is good, cash flows are strong with share repurchases and takeovers in the sector, while valuations are almost 30% lower than in 2007.

Restraining forces for stock markets are continued concerns for Greece, a slowing down of economic activity globally and budget negotiations in the U.S. Congress. These storm clouds have been gathering during the spring and there is every reason to remain vigilant in the future. We have the following opinions about the three questions: (1) A Greek collapse would be too expensive in the present stage of the economic recovery, i.e. both Greece and the EU have strong economic incentives to continue with those programmes that have already been launched. Only a strong political movement in one of the countries concerned (Germany, Greece, Spain, Portugal, Ireland), which ran counter to these economic incentives would make it impossible to continue to support Greece in the current situation, (2) The slowing-down of the economic upswing is a reality but is probably only a limited slowdown and not a so-called 'double-dip' (w-shaped development). This view is based on the fact that double-dips are extremely rare and almost always created by external factors, such as very large increases in oil prices or strong tightening of economic policy as a result of inflationary trends, (3) The U.S. budget negotiations appear to be making significant progress and furthermore, the Republicans probably have nothing to gain politically by closing down the federal government programs. The only thing that would actually happen is that politicians would not get any holidays in August due to acute negotiation needs.

The upswing in the healthcare sector in May is due to two factors: First, reports for the first quarter were surprisingly good, the percentage of companies that surprised positively in the healthcare sector was in fact the highest among all sub-sectors in the United States. Second, the economic upturn has now moved into a later phase with slower growth in which the late cyclical companies are becoming relatively more attractive. It is perhaps worth noting that even Goldman Sachs, an investment bank known for its positive view on cyclicals, has become more positive towards the healthcare sector.

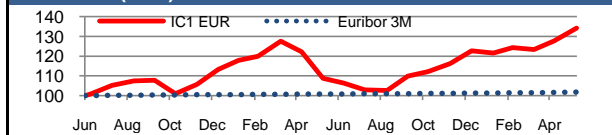
The summer 2011 is however rather difficult to forecast since the slowdown of the U.S. economy is creating anxiety in global equity markets. We believe that these concerns will be dispelled when new statistics show that the risk of a double-dip is low.

Alkermes Inc, Mako Surgical Corp and Amgen Inc gave the greatest positive contribution to fund development in the month. Bayer AG, Qiagen N.V. and Imris Inc were the largest negative contributors.

Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
May	5.05%	0.11%
YTD	9.38%	0.46%
Since Inception (2009-06-22)	34.24%	1.72%

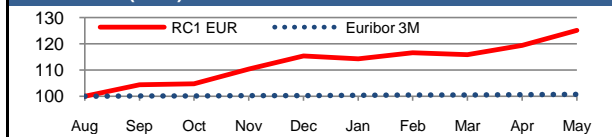
Return IC1 (EUR)



Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
May	4.77%	0.11%
YTD	8.48%	0.46%
Since Inception (2010-08-31)	25.10%	0.75%

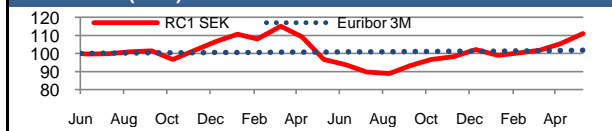
Return RC1 (EUR)



Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
May	5.47%	0.11%
YTD	8.69%	0.46%
Since Inception (2009-06-22)	11.04%	1.72%

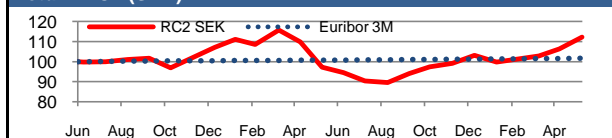
Return RC1 (SEK)



Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
May	5.53%	0.11%
YTD	8.93%	0.46%
Since Inception (2009-06-22)	12.28%	1.72%

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	123.35	127.79	134.24							

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	-0.75	3.60	5.05								+9.38

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	115.79	119.40	125.10							

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	-0.61	3.12	4.77								+8.48

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	101.80	105.28	111.04							

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	1.58	3.42	5.47								+8.69

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	102.84	106.40	112.28							

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	1.62	3.46	5.53								+8.93

Risk (IC1)		Exposure		Largest Long Positions	
Value at Risk, % ¹	2.40	Long	146.5%	UnitedHealth Group Inc	
Standard deviation, % ^{2,3}	19.13	Short	23.4%	Gilead Sciences Inc	
Sharpe ratio ^{2,3}	0.79	Gross	169.9%	Fresenius SE	
		Net	123.1%	CVS Caremark Corp	
				Cubist Pharmaceuticals Inc	

1) For holdings on May 31. 2) Since start until May 26.
3) Standard deviation and Sharpe ratio annualized.

Currency Exposure (% of equity > 5%)			
USD	69.4%	EUR	15.6%
		GBP	3.8%

Fund characteristics

- Target annual net returns in excess of 12% 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 60–80 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 2 500, SEK 25 000 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) = RHLIC1 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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