

August 2011 - Rhenman Healthcare Equity L/S

Monthly Update

August was a dramatic month with sharp falls in the world's stock markets, with the world index falling by about 7%. The lengthy and irreconcilable negotiations in Washington regarding the nature of the cuts in the federal budget, and the subsequent downgrading of the United States by Standard & Poor's was too much for the global investor community. The situation was exacerbated by an extremely weak Philadelphia Federal Index, which pointed towards a sharp decline in economic activity and deteriorating prospects for the future. Substantial interest rate increases in Spain and Italy forced the European Central Bank to intervene in these countries' bond markets. In return, Spain and Italy are said to have promised to introduce further austerity measures in addition to those already taken in their public spending. The intervention has been strongly criticized by the German central bank, the Bundesbank, and the decision is said to have been controversial in the governing council of the ECB. In Germany, there is a heated on-going debate about the advantages and disadvantages of the euro and Germany's future in the monetary union, on the reasons for saving Greece as a member of the union, and the design of the new rescue fund, the EFSF.

Stock markets are clearly uncertain about what the final results of the shows of strength we are now seeing, both in the political and financial spheres, will look like. However, there is growing pessimism about the prospects for normal economic growth both in the short term and in the longer term. The combination of long-term demographic developments and the accumulation of debts may have resulted in a situation which for the western world will increasingly resemble the Japanese; namely, low growth, low inflation, low interest rates and enormous difficulties to reduce debt. It can still be said that the hope of the market is that the FED in the U.S. will try, with all the means available to it, to raise the nominal growth rate and the inflation rate (to reduce the national debt as a share of the GDP) through the use of different types of quantitative easing and a QE3 is now much more likely now than it was just a few weeks ago, even though we know that several influential members of the Fed's Monetary Committee, the FOMC, are against further stimulus measures.

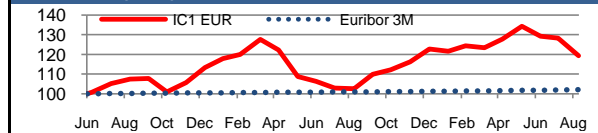
The healthcare sector fared slightly better than the world index and significantly better than cyclical stock markets, such as, the Swedish and German markets. There were hardly any causes for rejoicing in individual holdings. The most important sign that the portfolio has future potential in a stable market is, however, that when the market turned up from its low point at the end of the month, all the fund's sub-sectors were included in the upswing and this was true for companies of all sizes. No signs of new, significant cutbacks in healthcare in our key-market countries can be seen at present. This was concern for the market in connection with the Greek crisis just over a year ago, but as we have seen, the reforms that were initiated at the time affected our company only marginally. The risk of recession has however increased significantly, which is an important reason why the fund's risk level is being gradually reduced.

Dendreon Corp, Cigna Corp and Mako Surgical Corp gave the greatest positive contributions to the development of the fund during the month. Novo Nordisk A/S, Active Biotech AB and Medivir AB were the largest negative contributors.

Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
August	-6.89%	0.14%
YTD	-2.75%	0.82%
Since Inception (June 22, 2009)	19.36%	2.09%

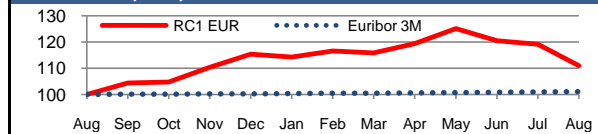
Return IC1 (EUR)



Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
August	-6.92%	0.14%
YTD	-3.82%	0.82%
Since Inception (August 31, 2010)	10.91%	1.11%

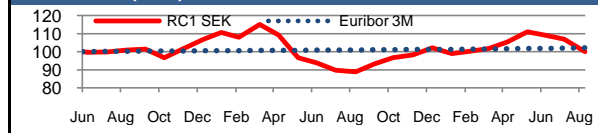
Return RC1 (EUR)



Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
August	-6.48%	0.14%
YTD	-2.03%	0.82%
Since Inception (June 22, 2009)	0.09%	2.09%

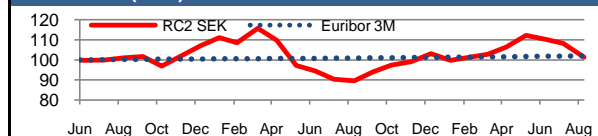
Return RC1 (SEK)



Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
August	-6.45%	0.14%
YTD	-1.70%	0.82%
Since Inception (June 22, 2009)	1.33%	2.09%

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	129.26	128.19	119.36				

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	-3.71	-0.83	-6.89					-2.75

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	120.47	119.15	110.91				

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	-3.70	-1.10	-6.92					-3.82

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	109.04	107.03	100.09				

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	-1.80	-1.84	-6.48					-2.03

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	110.30	108.32	101.33				

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	-1.76	-1.80	-6.45					-1.70

Risk (IC1)		Exposure		Largest Long Positions	
Value at Risk, % ¹	2.60	Long	137.1%	Gilead Sciences	
Standard deviation, % ^{2,3}	20.22	Short	14.1%	Pfizer Inc	
Sharpe ratio ^{2,3}	0.27	Gross	151.2%	Algeta ASA	
		Net	122.9%	Shire PLC	
				Roche Holding AG	

1) For holdings on July 29. 2) Since start until July 28.
3) Standard deviation and Sharpe ratio annualized.

Currency Exposure (% of equity > 5%)					
USD	62,5%	EUR	11,2%	CHF	6,6%

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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