

October 2011 - Rhenman Healthcare Equity L/S

Monthly Update

October was a very strong month for global equity markets. The combination of good reports and a European agreement to stabilize the financial markets gave them new courage. The fund rose sharply, more than 6%, despite a significant weakening of the dollar when the market was again willing to increase the share of risk assets (short-term dollar assets are thus considered as low risk, and fall in value when risk appetite increases). Macro-economic statistics in the United States were encouraging and the risk of a U.S. recession seems to have declined, which gave further support for the U.S. stock market which had a record month.

The reporting season was generally strong, although comments about the future were cautious for obvious reasons. There were many sources of comfort within the healthcare sector but in medical technology there were some signs of weakness due to fewer operations and increasingly conservative purchasing policies, such as within the life science area (i.e. research equipment). Both the pharmaceutical and the biotechnology segments more than lived up to expectations. Reports from the service sector as a whole were actually excellent. The market strongly sold off shares that missed expectations.

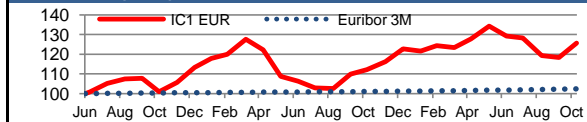
The largest positive contributions to the development of the fund were made by Algeta, Ariad Pharmaceuticals, and Express Scripts. Ariad, a relatively small biotech company, has the prerequisites necessary to come up with an improved version of one of the world's largest cancer drugs, with a lower risk of developing resistance. Express Scripts, a service company that specializes completely in handling pharmaceutical benefits, posted a surprisingly strong report. Express Scripts is a small company, relatively difficult to analyze, that is sometimes affected by the doubts of the stock market, but the structural growth for separate pharmaceutical benefits is very strong (the company can buy large volumes at high discounts) which favours this sub-sector which is oligopolistic in nature. The largest negative contributions to the development of the fund were made by Volcano Corp, Daiichi Sankyo and Shire.

We are now in a situation where, in principle, we should see a continuing rise as a result of continued solid earnings growth in our companies. However, the global financial situation is still extremely fragile due to the uncertainties, not least regarding Greece and Italy, and we will continue to experience high levels of volatility. Sooner or later central banks will probably be forced to introduce new quantitative easing which will give support to our sector. In the healthcare sector, investors should regard the fundamentals as good and stable. Further austerity measures in Europe will only marginally alter these fundamentals. Europe only accounts for about 10-15% of the growth of the global healthcare market. Historically, the end of the year tends to be strong for the healthcare sector. A financial meltdown can of course prevent this seasonal pattern being repeated. We believe that central banks will be forced to take powerful supporting measures in the event of a Greek default, and so we choose at this time to have high net exposure to equities.

Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
October	6.25%	0.13%
YTD	2.40%	1.08%
Since Inception (June 22, 2009)	25.67%	2.36%

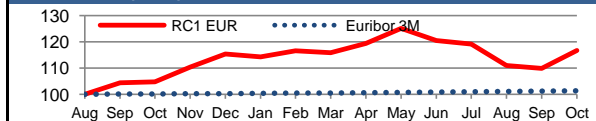
Return IC1 (EUR)



Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
October	6.21%	0.13%
YTD	1.18%	1.08%
Since Inception (August 31, 2010)	16.68%	1.38%

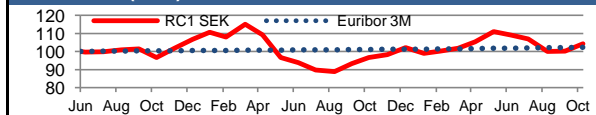
Return RC1 (EUR)



Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
October	3.94%	0.13%
YTD	2.04%	1.08%
Since Inception (June 22, 2009)	4.24%	2.36%

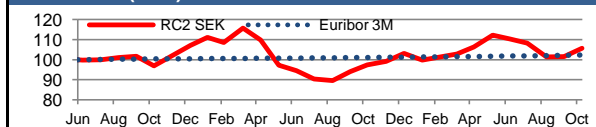
Return RC1 (SEK)



Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
October	4.00%	0.13%
YTD	2.48%	1.08%
Since Inception (June 22, 2009)	5.64%	2.36%

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	118.28	125.67		

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	-0.90	6.25			+2.40

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	109.86	116.68		

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	-0.95	6.21			+1.18

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	100.29	104.24		

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	0.20	3.94			+2.04

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	101.58	105.64		

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	0.25	4.00			+2.48

Risk (IC1)		Exposure		Largest Long Positions	
Value at Risk, % ¹	2.8	Long	150%	Gilead Sciences	
Standard deviation, % ^{2,3}	20.4	Short	14%	Algeta	
Sharpe ratio ^{2,3}	0.52	Gross	164%	Sanofi	
		Net	136%	Amgen	
				Bayer	

1) For holdings on October 31. 2) Since start until October 27.
3) Standard deviation and Sharpe ratio annualized.

Currency Exposure (% of equity > 6%)					
USD	61%	EUR	15%	CHF	5%

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

This material has been prepared for professional investors. Rhenman & Partners Asset Management AB (Rhenman & Partners) when preparing this report has not taken into account any one customer's particular investment objectives, financial resources or other relevant circumstances and the opinions and recommendations herein are not intended to represent recommendations of particular investments to particular customers. All securities' transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk. Due care and attention has been used in the preparation of this forecast information. However, actual results may vary from their forecasts, and any variation may be materially positive or negative. Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Rhenman & Partners. Rhenman & Partners cannot guarantee that the information contained herein is without fault or entirely accurate. The information in this material is based on sources that Rhenman & Partners believes to be reliable. Rhenman & Partners can however not guarantee that all information is correct. Furthermore, information and opinions may change without notice. Rhenman & Partners is under no obligation to make amendments or changes to this publication if errors are found or opinions or information change. Rhenman & Partners accepts no responsibility for the accuracy of its sources. Rhenman & Partners is the owner of all works of authorship including, but not limited to, all design, text, sound recordings, images and trademarks in this material unless otherwise explicitly stated. The use of Rhenman & Partners' material, works or trademarks is forbidden without written consent except where otherwise expressly stated. Furthermore, it is prohibited to publish material made or gathered by Rhenman & Partners without written consent.