

RHENMAN HEALTHCARE EQUITY L/S FUND

Outstanding performance in a complex market

- Annualised return of 23% (net) since inception
- Over twenty years experience successfully managing healthcare funds
- Fundamental approach with world renowned Scientific Advisory Board
- Long-term investing with active trading around holdings
- Typically 60–80 core positions from a 500 company universe
- Diversified across company size, subsectors and geographies to lower volatility
- Predominantly cash flow positive companies

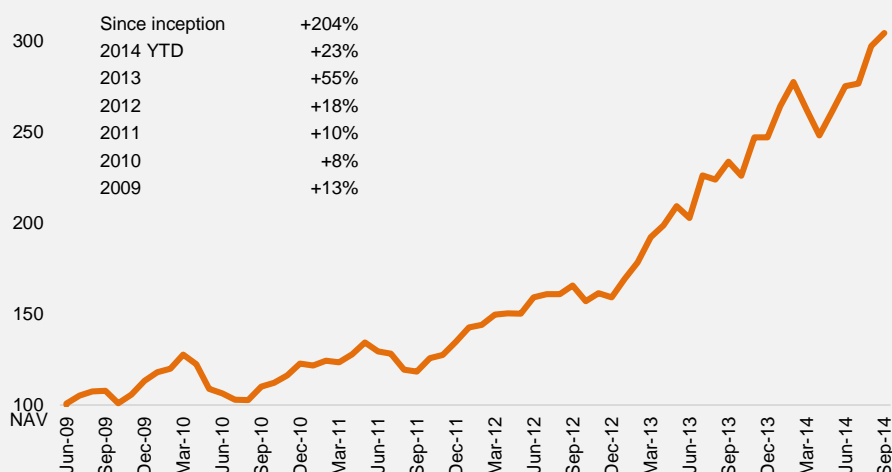
Monthly Update

In the month of September the global index rose by just over one percent in Euro terms, largely due to a very strong dollar. The Fund's main share class (IC1 EUR) rose by 2.43 percent. The broad healthcare index was also up two percentage points following a sharp rise for large cap pharmaceutical companies. For the year as a whole, the larger companies in the healthcare sector have risen more than twice as much as the smaller ones. At company level, Novartis had a significant development in September with positive data for a new drug against heart failure. This product will be a so-called 'mega block-buster', i.e. sales are expected to reach several billion dollars per year. This news probably had a positive impact on the share prices of several of the major pharmaceutical companies.

For quite some time, we have warned of the seasonally weak period during the early autumn, and thus we regard the positive result for September as gratifying. The biggest question mark for the Fund is how small companies will perform over the next six months. On the one hand, the market is entering the seasonally strong period in the late autumn and winter when small companies tend to perform well. On the other hand, global capital (in particular pension money) seems to be shifting focus to large, stable growth healthcare companies that are now experiencing a P/E expansion. This is something we have discussed for several years and which brings an underlying tailwind for the Fund.

At some point towards the latter part of 2015 or in 2016, the U.S. Supreme Court may make a further examination of the ACA (Affordable Care Act, also known as "Obamacare"), which may lead to volatility. The current legal challenge to the Act...

Fund Performance IC1 (EUR)



SEPTEMBER 2014

Share class	September return	YTD 2014	Since inception
IC1 (EUR)	2.43%	23.19%	204.03%
IC2 (USD)	-0.90%	12.69%	12.69% ¹
RC1 (EUR)	2.39%	21.60%	173.34% ¹
RC1 (SEK)	1.78%	25.50%	153.98%
RC2 (SEK)	1.87%	26.09%	160.24%
3 month Euribor (EUR)	0.02%	0.20%	3.82%

Risk (IC1 EUR)

Value at Risk ²	1.68%
Standard Deviation ^{3,4}	16.92%
Sharpe Ratio ^{3,4}	1.77

Exposure ⁵

Long	141%
Short	14%
Gross	155%
Net	127%

Currency Exposure

USD	74%
EUR	9%
CHF	4%

Largest Long Positions

1. Alkermes Plc
2. Bayer AG
3. Universal Health Services Inc
4. Alexion Pharmaceuticals Inc
5. Biogen IDEC

Notes:

1. RC1 (EUR) inception Sep 2010. IC2 (USD) inception May 2014. All other classes Jun 2009.
2. For holdings at month end (95% conf. int, 250 days history).
3. Last 12 months.
4. Standard deviation and Sharpe ratio are annualized.
5. The exposure is adjusted for fund inflow at month end.





centers on whether healthcare subsidies may be awarded through federal health exchanges in States that have chosen not to set up their own marketplaces. The law is unclear on this point and has thus led to disputes. The question is now being taken through the judicial system, and is on its way to the Supreme Court if the courts below that level do not agree. We will return to the subject in due course and, in the meantime, we are monitoring the situation carefully.

We believe that the smaller companies have good opportunities to end the year strongly, which is why we are maintaining our broad exposure to all sizes of companies. This is also an important factor for the diversification of the Fund and something that we would be reluctant to change, other than marginally. We have benefited from a strong wave of acquisitions, not least during this year, which has meant that the Fund has risen several percentage points merely on the basis of rises in the share prices of these small and medium-sized companies when they were bought or are/were the subject of takeover discussions.

We expect a number of additional acquisitions during the rest of the year and in 2015, which again will favour the Fund's underlying structure with approximately one-third each in small, medium and large cap companies. The tailwind for large companies is strong and clear. The ongoing P/E expansion is forecast to continue for several more years, so the sources of the Fund's potential gains may well be fairly evenly distributed across the three market cap categories. This is a strength, and we see the prerequisites for continued growth for the sector, not least in the next six months. October, however, is the year's most volatile month so there is no lack of challenges along the way. The market seem to be very cautious ahead of the reporting season and sentiment seems low in general, not least because of the ebola virus and the more contagious enterovirus D68, that can cause polio-like damage. The significant weakness in the European economy is also a distinct negative.

Vertex (upgraded by several investment banks), Auxilium (acquisition target) and Bayer (will sell its plastics business) contributed most to the Fund's rise during the month. On the downside, the largest negative contributors were Rite Aid (weak momentum due to few new generics), Intercept (fell pending more data after a sharp rise) and Exelixis (their main project failed in the final analysis).

Share class characteristics

	Minimum Investment	Mgt. fee	Perf. fee	ISIN number	Bloomberg ticker	Lipper Reuters	Telekurs
Institutional share classes							
IC1 (EUR)	250,000	1.50%	20%	LU0417598108	RHLEIC1 LX	65147588	10034579
IC2 (EUR)	5,000,000	1.00%	20%	LU0417598447	RHHIC2 LX	68121173	13336963
IC3 (EUR)	5,000,000	1.50%	10%	LU0434614789	RHHIC3 LX	68014068	10283697
IC4 (EUR)	20,000,000	0.75%	10%	LU0815250997	RHHIC4 LX	68173297	19867376
IC2 (SEK)	50,000,000	1.00%	20%	LU0417598793	RHHIC2S LX	68204997	20323930
ID1 (SEK)	2,500,000	1.50%	20%	LU0417599098	RHHIC1D1 LX	68153820	18491109
IC2 (USD)	6,000,000	1.00%	20%	LU0417598520	RHUIC2ULX	68265724	24456000
Retail share classes							
RC1 (EUR)	2,500	2.00%	20%	LU0417597555	RHLERC1 LX	65147589	10034567
RC1 (SEK)	500	2.00%	20%	LU0417597712	RHLSRC1 LX	68014067	10239523
RC2 (SEK)	2,500,000	1.50%	20%	LU0417598017	RHLSRC2 LX	68015239	10239528

Fund Characteristics

- Investible currencies**
Euro (EUR) / Swedish Krona (SEK) / US Dollar (USD)
- Target fund size**
EUR 500m (soft close)
EUR 1bn (hard close)
- Return target**
Annualised net returns in excess of 12% with volatility below the market
- Legal structure**
FCP (Fonds Commun de Placement) under Part II of the Luxembourg Law on Investment Funds
- Investment Manager**
Rhenman & Partners
Asset Management AB
- Fund Management Company**
SEB Fund Services S.A.
- Prime Broker**
Skandinaviska Enskilda Banken AB (publ)
- Custodian Bank and Paying Agent**
Skandinaviska Enskilda Banken S.A.
- External Auditor**
PricewaterhouseCoopers (PwC)
- Subscription /redemption**
Monthly
- Notice period**
3 working days
- Hurdle rate**
Euribor 90D (IC4 (EUR) 5%)
- Minimum top up**
No minimum

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The Investment Manager is under the supervision of The Swedish Financial Supervisory Authority (Finansinspektionen) as of February 2009

Historical Returns and NAVs

IC1 (EUR) NAV per share

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	127.48	134.59
2012	142.42	143.99	149.51	150.29	150.07	159.07	160.74	160.74	165.47	156.93	161.34	158.92
2013	168.92	178.11	191.91	198.41	209.10	202.53	225.87	223.66	233.45	225.66	246.67	246.79
2014	263.91	277.13	262.34	247.80	260.99	274.87	276.25	296.82	304.03			

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	1.44	5.58	+9.66
2012	5.82	1.10	3.83	0.52	-0.15	6.00	1.05	0.00	2.94	-5.16	2.81	-1.50	+18.08
2013	6.29	5.44	7.75	3.39	5.39	-3.14	11.52	-0.98	4.38	-3.34	9.31	0.05	+55.29
2014	6.94	5.01	-5.34	-5.54	5.32	5.32	0.50	7.45	2.43				+23.19

IC2 (USD) NAV per share

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014					102.92	108.60	106.82	113.71	112.69			

IC2 (USD) Performance %, net of fees

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014					2.92	5.52	-1.64	6.45	-0.90				+12.69

RC1 (SEK) NAV per share

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	106.42	111.05
2012	118.78	118.87	123.79	125.05	125.79	130.61	126.17	125.85	131.65	127.25	131.60	128.55
2013	136.76	141.24	150.89	158.78	168.47	165.25	182.72	181.89	188.61	184.41	203.02	202.38
2014	215.63	226.61	216.26	206.33	218.55	230.73	233.43	249.55	253.98			

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	2.09	4.35	+8.70
2012	6.96	0.08	4.14	1.02	0.59	3.83	-3.40	-0.25	4.61	-3.34	3.42	-2.32	+15.76
2013	6.39	3.28	6.83	5.23	6.10	-1.91	10.57	-0.45	3.69	-2.23	10.09	-0.32	+57.43
2014	6.55	5.09	-4.57	-4.59	5.92	5.57	1.17	6.91	1.78				+25.50

RC2 (SEK) NAV per share

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	107.89	112.63
2012	120.30	120.44	125.51	126.83	127.66	132.58	128.13	127.86	133.77	129.36	133.84	130.80
2013	139.17	143.74	153.48	161.57	171.53	167.92	185.74	185.04	192.06	187.86	206.87	206.39
2014	219.98	231.28	221.05	210.98	223.54	236.05	238.90	255.47	260.83			

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	2.13	4.39	+9.26
2012	6.81	0.12	4.21	1.05	0.65	3.85	-3.36	-0.21	4.62	-3.30	3.46	-2.27	+16.13
2013	6.40	3.28	6.78	5.27	6.16	-2.10	10.61	-0.38	3.79	-2.19	10.12	-0.23	+57.79
2014	6.58	5.14	-4.42	-4.56	5.95	5.60	1.21	6.94	1.87				+26.09

Legal disclaimer

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