

RHENMAN HEALTHCARE EQUITY L/S FUND

Outstanding performance in a complex market

- Annualised return of 25% (net) since inception
- Over 20 years managing successful healthcare funds.
- World renowned industry professionals each with over 30 years experience, actively involved through the Scientific Advisory Board.
- Unquestionable alpha generation, outperforming all relevant indices and top quartile in all relevant rankings.
- Long term investment horizon:
 - Diversified across subsectors, company size and geographies to lower volatility.
 - Active trading around holdings.
 - Predominantly cash flow positive companies.
 - Typically investing post approval, mitigating event risk.

Monthly Update

October was a real roller coaster in the stock markets with a sharp downturn and then an aggressive rally. The fall seemed largely connected to Ebola concerns and the economic situation in Europe. The Ebola cases in the USA and Spain sparked fears of a wider western infection. Fears of a further cooling off of the world economy were reinforced when the IMF reduced their forecasts for global GDP growth. Equally, concern was caused by a fall in industrial production in Germany. A combination of all these factors lead the global markets to fall by almost ten percent. At mid-month share prices began to rally, presumably because that the number of Ebola cases in the Western world did not appear to be as numerous as feared. Equally, the market had a relatively decent reporting season. Finally, the ECB stress test of the European bank system resulted in a positive outcome for most banks, and the shortage of capital in the banking sector as a whole was found to be relatively small.

The Fund performed extremely well and rose 7.3%, in its base currency the Euro. Even with wild swings intra-month the global market index rose just over one percent and the healthcare sector increased a couple of percent. It is worth pointing out that within the Fund, the small cap companies once again rose after a recent period of relatively weak performance.

Fund Performance IC1 (EUR)

| | | |
|-----|-----------------|-------|
| 350 | Since inception | +226% |
| | 2014 YTD | +32% |
| | 2013 | +55% |
| | 2012 | +18% |
| | 2011 | +10% |
| | 2010 | +8% |
| | 2009 | +13% |

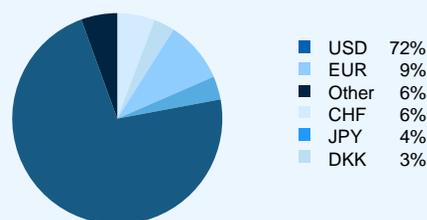


OCTOBER 2014

| Share class | October return | YTD 2014 | Since inception |
|-----------------------|----------------|----------|----------------------|
| IC1 (EUR) | 7.28% | 32.16% | 226.16% |
| IC2 (USD) | 6.58% | 20.10% | 20.10% ¹ |
| IC3 (EUR) | 8.20% | 37.05% | 256.89% |
| RC1 (EUR) | 7.24% | 30.40% | 193.13% ¹ |
| RC1 (SEK) | 8.71% | 36.42% | 176.09% |
| RC2 (SEK) | 8.75% | 37.12% | 183.00% |
| 3 month Euribor (EUR) | 0.01% | 0.21% | 3.83% |

| | Risk (IC1 EUR) | Exposure ⁵ | |
|-----------------------------------|----------------|-----------------------|------|
| Value at Risk ² | 2.91% | Long | 164% |
| Standard Deviation ^{3,4} | 17.47% | Short | 16% |
| Sharpe Ratio ^{3,4} | 2.54 | Gross | 181% |
| | | Net | 148% |

Currency Exposure⁶



Largest Long Positions

| | |
|----------------------------|----------|
| 1. Novartis AG | Fund: |
| 2. Bayer AG | EUR 300m |
| 3. Salix Pharmaceuticals | |
| 4. Alkermes PLC | Firm: |
| 5. Bristol-Myers Squibb Co | EUR 325m |

Portfolio Construction⁷

| Pyramid level | Position size | No |
|----------------------|---------------|----|
| High conviction | 3%-10% | 4 |
| Core holdings | 1%-3% | 53 |
| Fractional positions | 0.5%-1% | 62 |
| Candidate holdings | <0.5% | 28 |

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.
6. As a percentage of the market value of the long book.
7. Number of long and short equity positions (excluding any ETFs)





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

The reporting season was yet again characterised by strong results in our sector. The ever-stronger dollar is creating tailwinds for the large European companies and corresponding headwinds for the major internationally-active American giants. These winds should continue to affect the sector over the coming quarters. In this way the biotech sector (consisting mainly of US companies) will benefit, relatively speaking, against the American pharma companies since biotech companies generally have a larger share of their sales in the US and/or have such high sales growth that the currency headwinds will be small in relation to the high growth rates.

The strongest positive contributors to the Fund's performance this month were three biotech stocks. Alkermes (a company that many believe could have a successful 2015), Incyte (which has many important milestones ahead of it) and Celgene (a darling in the market right now thanks to good sales and an increasingly broad pipeline). Negative contributors were Sanofi (rising competition in the US insulin market, in addition to the CEO being fired), Shire (Abbvie decided against completing the acquisition of the company) and Salix (reduced speculation regarding a take-over of the company).

We are now well into the time of year that is considered the least volatile and which statistically has the highest chance of stock market appreciation. The average US stock market appreciation six months after an American mid-term election (when only Congress is elected) has been an impressive 15% for all 16 mid-term elections since 1950. Statistics are one step up from 'damn lies' and this performance cannot go on indefinitely. We have a strong month behind us, and so the likelihood of weaker development in the last months of the year is higher than otherwise would have been the case. However, the stock market will continue to discount next year's rising profits in the healthcare sector, which is why we should continue to see a continued upward trend, be it less steep. Obamacare will add to demand in 2015, and many markets outside the US now appear, once again, able to generate good demand growth in healthcare following the financial crisis.

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 | RHHCIC2 LX | 68121173 | 13336963 |
| IC3 (EUR) | 5,000,000 | 1.50% | 10% | LU0434614789 | RHHCIC3 LX | 68014068 | 10283697 |
| IC4 (EUR) | 20,000,000 | 0.75% | 10% | LU0815250997 | RHHCIC4 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 | RHHCID1 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 |

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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 | 252.66 | 246.67 | 246.79 |
| 2014 | 263.91 | 277.13 | 262.34 | 247.80 | 260.99 | 274.87 | 276.25 | 296.82 | 304.03 | 326.16 | | |

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 | 7.28 | | | +32.16 |

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 | 120.10 | | |

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 | 6.58 | | | +20.10 |

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 | 276.09 | | |

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 | 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 | 8.71 | | | +36.42 |

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 | 283.00 | | |

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 | 8.75 | | | +37.12 |

Legal disclaimer

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