

RHENMAN HEALTHCARE EQUITY L/S FUND

OUTSTANDING LONG-TERM PERFORMANCE IN A COMPLEX MARKET

- Annualised return of 20% (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

The month of April was characterised by a steadily rising stock market but with clear profit-taking during the last week. The dollar was slightly weaker. The Fund rose by 5.03 percent in euro and by slightly less in Swedish kronor. The healthcare index and the biotech index rose by between two and three percent in euro. Thus, the recovery that began in March, calculated in local currencies, continued in April. So far, the results season for the healthcare sector has been relatively good but not good enough to spark enthusiasm ahead of the upcoming US elections. After the first quarter, the dollar has now ceased to create headwinds for US companies and correspondingly it is no longer a tailwind for those European companies reporting in their domestic currencies. The dollar now appears to be in a downward trend as a result of the Federal Reserve's cautious stance in terms of interest rate hikes. In the short term, this is a disadvantage for the Fund given its large exposure to USD assets, but in the longer term, however, it will be an advantage since American exporters will receive a devaluation benefit.

Two important events (for further information, see the section below on monthly contributors) were Sanofi's bid for the biotech company Medivation and Abbott's bid for the medtech company St. Jude. The two bids show that the level of interest in M&A is still very high, despite the fact that Pfizer earlier in the month gave up the purchase of Allergan (which is also commented on below). Acquisition eagerness is not solely being driven by potential tax benefits but by genuine needs among the large companies to find new products that can drive growth and where the purchasing company's global infrastructure can provide sales synergies. Another factor that motivates companies is that the in-house development of new products often takes longer than expected and while waiting for their portfolios to mature, they are keen to complement them through acquisitions. Last but not least, acquisitions are being driven by low interest rates, which means that the larger companies, often with extremely strong balance sheets, can use them to buy companies at valuations which give immediate earnings accretion. Thus they achieve, at least in the short term, even higher profit growth, something which is often rewarded by the stock market. To understand the magnitude of the cash flows that the pharmaceutical industry has available for acquisitions, consider the example of Pfizer and Allergan

FUND PERFORMANCE IC1 (EUR)

Annualised return of 20% (net) since inception

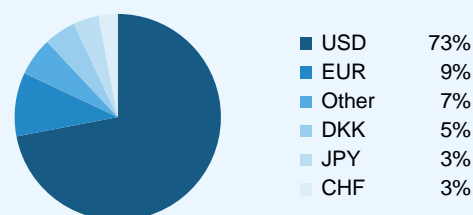


APRIL 2016

SHARE CLASS	APRIL 2016	YTD RETURN	SINCE INCEPTION ¹
IC1 (EUR)	5.03%	-19.20%	242.05%
IC3 (EUR)	5.03%	-19.20%	288.23%
IC2 (SEK)	4.49%	-18.80%	128.93%
ID1 (SEK)	4.45%	-24.08%	92.27%
IC1 (USD)	5.55%	-14.80%	-11.32%
IC2 (USD)	5.60%	-14.64%	18.40%
RC1 (EUR)	4.99%	-19.34%	201.80%
RC1 (SEK)	4.41%	-19.07%	183.40%
RC2 (SEK)	4.45%	-18.93%	192.73%
3 month Euribor (EUR)	-0.02%	-0.05%	3.80%

RISK (IC1 EUR)		EXPOSURE	
Value at Risk ²	2.64%	Long	156%
Standard Deviation ³	22.42%	Short	28%
Sharpe Ratio ³	0.86	Gross	184%
		Net	128%

CURRENCY EXPOSURE ⁴



LARGEST LONG POSITIONS

AUM ⁵

1 Allergan	Fund:
2 Eli Lilly	EUR 416m
3 Shire	USD 477m
4 Biomarin Pharmaceuticals	Firm:
5 St Jude Medical	EUR 441m

PORTFOLIO CONSTRUCTION ⁶

PYRAMID LEVEL	POSITION SIZE	NO.
High conviction	3%-10%	8
Core holdings	1%-3%	56
Fractional positions	0.5%-1%	42
Candidate holdings	<0.5%	36

Notes:

1. Please find launch date information on page 3 and 4.
2. For holdings at month end (95% conf. int, 250 days history).
3. Standard deviation and Sharpe ratio are annualized.
4. As a percentage of the market value of the long book.
5. The AUM is not adjusted for fund inflow at month end.
6. Number of long and short equity positions (excluding any ETFs).

RHENMAN PARTNERS
THE HEALTHCARE FUND

which together would have had a yearly free cash flow of 25 billion USD, if the merger had gone through with assumed tax benefits. This would have enabled quite a large acquisition every year!

April's best contributors were St. Jude, Alkermes and Medivation. The worst contributions came from Allergan, Perrigo and Cepheid. The medtech company St. Jude, which last autumn bought the heart failure company Thoratec, found itself be the target of M&A, this time by Abbott. The deal which is valued at 24 billion USD, with a premium in excess of 30%, has been approved by both companies and is likely to be approved by the Federal Trade Commission (FTC). Alkermes, the drug delivery company, which began the year with a sharp drop in its share price when a trial within major depression disorder failed, rebounded in April. The company delivered a good Q1 result and the market considered the valuation was too attractive to ignore. When its share price was at its lowest, Alkermes' pipeline was ascribed zero value, only the royalty income and existing products were discounted. The oncology company Medivation, which incidentally was also the Fund's best contributor last month (i.e. March) when the stock shot up significantly after it was rumoured that the company had sought advice to protect itself against takeover attempts, continued to rise in April. Management confirmed a bid from Sanofi and at the same time the market speculated on other possible acquirers that might get involved in a possible bidding war. In addition, the share was upgraded by a number of research houses, which further supported the share price. The Fund's worst contributor, Allergan, fell in April after the expected deal with Pfizer fell through. It is worth pointing out that the company has good organic growth and a very strong balance sheet which can enable large future acquisitions. After last month's weakness the current valuation is very attractive. The generics company Perrigo reported preliminary Q1 results that were weaker than expected and lowered its full-year forecast. It also announced that its respected CEO is stepping down to become the new CEO of Valeant. Together, these developments caused the share price to plunge. Finally, the medtech company Cepheid reported good Q1 results ahead of the last trading day in April, while at the same time announcing that the launch of a new diagnostics platform will be delayed, which is why the shares traded down considerably, even though most analysts had not built the new platform into their valuation models.

We will soon be entering the summer period, which statistically is a weaker time period for the stock market. Brexit, weak growth in Europe and the US elections are collectively significant dark clouds on the horizon. At the same time there are factors that provide support for the healthcare sector. The issue of drug prices has cooled somewhat after having been discussed back and forth and it is hard to see that price regulation is actually a realistic political option. The stock market's interest in healthcare is, on the whole, actually rising rather than falling as a result of the weak economic growth in the world. Valuations remain very attractive; the P/E-ratio for the sector is just over 16, which is low in absolute terms and marginally lower than for the world index. The underlying growth for both products and services is relatively stable, even though a weakening in demand in commodity driven economies can be seen. The Fund's strategy is to specifically invest in companies that have growth and development opportunities, more or less regardless of what happens to the world economy. Our assessment is still that the recovery has begun for the sector after significant weakness at the start of the year.

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
IC3 (EUR)	5,000,000	1.50%	10%	LU0434614789	RHHIC3 LX	68014068	10283697
IC2 (SEK)	50,000,000	1.00%	20%	LU0417598793	RHHIC2S LX	68204997	20323930
ID1 (SEK)	100,000	1.50%	20%	LU0417599098	RHHCID1 LX	68153820	18491109
IC1 (USD)	300 000	1.50%	20%	LU0417598280	RHUIC1A LX	68305812	26812813
IC2 (USD)	6,000,000	1.00%	20%	LU0417598520	RHUIC2U LX	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

Administrative fees are charged in addition to the fees above. Further information is available in the KIID as well as the prospectus (part B, A14-19).

FUND CHARACTERISTICS

KIID AND PROSPECTUS (WEBPAGE)

<http://fundinfo.sebfundservices.lu/RhenmanPartnersFund/>

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% over time

LEGAL STRUCTURE

FCP (Fonds Commun de Placement) under Part II of the Luxembourg Law on Investment Funds

PORTFOLIO MANAGER

Rhenman & Partners
Asset Management AB

MANAGEMENT COMPANY / AIFM

SEB Fund Services S.A.

PRIME BROKER

Skandinaviska Enskilda Banken AB (publ)

DEPOSITARY AND PAYING AGENT

Skandinaviska Enskilda Banken S.A.

EXTERNAL AUDITOR

PricewaterhouseCoopers (PwC)

SUBSCRIPTION / REDEMPTION

Monthly

NOTICE PERIOD

3 working days

HURDLE RATE

Euribor 90D

MINIMUM TOP UP

No minimum

Chief Investment Officer

HENRIK RHENMAN

Managing Director

GÖRAN NORDSTRÖM

Head of Investor Relations

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**RHENMAN
PARTNERS**

THE HEALTHCARE FUND

WWW.RHEPA.COM

RC1 (EUR) NAV													
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
2010									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	118.31	124.92	
2012	132.14	133.59	138.66	139.34	139.09	147.39	148.89	148.83	153.16	145.20	149.21	146.92	
2013	156.14	164.59	177.28	183.22	192.89	185.65	206.96	204.86	212.69	205.49	224.58	224.79	
2014	240.30	251.66	236.42	223.21	235.00	247.45	248.60	266.95	273.34	293.13	304.24	315.14	
2015	349.47	373.47	398.19	373.48	411.03	404.45	422.31	375.75	328.13	355.37	380.41	374.15	
2016	304.81	288.23	287.45	301.80									
RC1 (EUR) PERFORMANCE % NET OF FEES													
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
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	1.40	5.59	8.32
2012	5.78	1.10	3.80	0.49	-0.18	5.97	1.02	-0.04	2.91	-5.20	2.76	-1.53	17.61
2013	6.28	5.41	7.71	3.35	5.28	-3.75	11.48	-1.01	3.82	-3.39	9.29	0.09	53.00
2014	6.90	4.73	-6.06	-5.59	5.28	5.30	0.46	7.38	2.39	7.24	3.80	3.58	40.19
2015	10.89	6.87	6.62	-6.21	10.05	-1.60	4.42	-11.03	-12.67	8.30	7.05	-1.65	18.73
2016	-18.53	-5.44	-0.27	4.99									-19.34
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	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	286.74	302.97	
2015	332.20	356.11	376.45	357.02	392.32	381.98	406.89	365.09	313.86	340.74	358.11	350.16	
2016	289.10	274.97	271.43	283.40									
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	3.86	5.66	49.70
2015	9.65	7.20	5.71	-5.16	9.89	-2.64	6.52	-10.27	-14.03	8.56	5.10	-2.22	15.58
2016	-17.44	-4.89	-1.29	4.41									-19.07
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	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	260.24	283.00	293.97	310.92	
2015	341.02	365.80	386.77	366.96	403.34	392.85	418.61	375.87	323.26	351.09	369.14	361.10	
2016	298.25	283.80	280.26	292.73									
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	3.88	5.77	50.65
2015	9.68	7.27	5.73	-5.12	9.91	-2.60	6.56	-10.21	-14.00	8.61	5.14	-2.18	16.14
2016	-17.41	-4.84	-1.25	4.45									-18.93
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