

RHENMAN HEALTHCARE EQUITY L/S FUND

OUTSTANDING LONG-TERM PERFORMANCE IN A COMPLEX MARKET

- Annualised return of 21% (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 weakness seen in the second half of April continued with full force in the beginning of May. The adage "sell in May and go away" was reflected in a very risk-averse stock market that left the reporting season behind it and looked ahead to the Brexit referendum, the US elections, mediocre global growth, the uncertain situations in both China and Japan, and the seasonal weakness and volatility which builds up during the summer months.

Gradually, however, most stock markets strengthened and risk appetite returned. The Fed revisited the discussion of an interest rate hike against the backdrop of a stronger labour market. The dollar began to appreciate. Healthcare recovered in its entirety. For the Fund, the biotech sector in particular came back in favour. New acquisitions in the sector were announced. The upcoming major and important clinical conferences in cancer (the American Society of Clinical Oncology, ASCO) and diabetes (the American Diabetes Association, ADA) turned investors' attention to the underlying need for better treatments, and the opportunities that biotechnology offers to develop better and more effective treatments with fewer side effects.

The Fund was up by about 7% in EUR and by just over 8% in SEK. A good month in absolute terms and good also compared to other stock markets and sector indices. The result was boosted by the dollar, good sector allocation, a certain degree of leverage and the right type of companies (e.g. medium-sized companies and those with high growth rates).

May's best contributors were Incyte, Genmab and Galapagos. The worst contributions came from Endo, Ionis and Tandem. The US biotech company Incyte fell sharply at the start of the year, with the biotech sector as a whole. In addition to weak sentiment for the subsector, Incyte had a negative outcome for an early trial in solid tumours in January, which meant that the whole venture was terminated. In May, however, the shares began to recover after a good first quarter result in which full-year guidance was revised upwards for their myelofibrosis drug Jakafi, together with the announcement of the acquisition of Ariad's European commercial infrastructure. The market liked the deal, which also includes the European rights to Ariad's leukemia drug Iclusig. The shares of Danish biotech company Genmab performed strongly in May. The launch of their cancer drug Darzalex for multiple myeloma is going very well, but they also reported good data for Darzalex in patients earlier in the disease progression, suggesting a broader use of the drug going forward.

FUND PERFORMANCE IC1 (EUR)



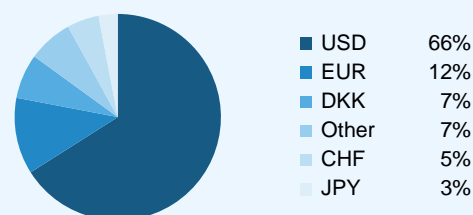
The portfolio manager is under the supervision of The Swedish Financial Supervisory Authority (Finansinspektionen) as of February 2009

MAY 2016

SHARE CLASS	MAY 2016	YTD RETURN	SINCE INCEPTION ¹
IC1 (EUR)	7.05%	-13.51%	266.15%
IC3 (EUR)	7.04%	-13.51%	315.58%
IC2 (SEK)	8.34%	-12.03%	148.02%
ID1 (SEK)	8.29%	-17.79%	108.21%
IC1 (USD)	4.01%	-11.38%	-7.76%
IC2 (USD)	4.06%	-11.17%	23.21%
RC1 (EUR)	6.99%	-13.70%	222.91%
RC1 (SEK)	8.24%	-12.39%	206.76%
RC2 (SEK)	8.29%	-12.21%	217.00%
3 month Euribor (EUR)	-0.02%	-0.07%	3.78%

RISK (IC1 EUR)		EXPOSURE	
Value at Risk ²	2.54%	Long	165%
Standard Deviation ³	20.16%	Short	34%
Sharpe Ratio ³	1.00	Gross	199%
		Net	131%

CURRENCY EXPOSURE ⁴



LARGEST LONG POSITIONS

LARGEST LONG POSITIONS	AUM ⁵
1 Shire	Fund:
2 Eli Lilly	EUR 443m
3 Celgene	USD 493m
4 CVS Health	Firm:
5 United Health Group	EUR 468m

PORTFOLIO CONSTRUCTION ⁶

PYRAMID LEVEL	POSITION SIZE	NO.
High conviction	3%-10%	11
Core holdings	1%-3%	54
Fractional positions	0.5%-1%	38
Candidate holdings	<0.5%	37

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

The Belgian biotech company Galapagos, which nearly halved in the biotech correction at the beginning of the year, continued to recover in May on a relatively limited news flow. However, a number of planned studies in cystic fibrosis and inflammatory diseases such as rheumatoid arthritis were announced. The specialty pharma company Endo had yet another challenging month after once again lowering its full-year forecast, which resulted in downward adjustments of analysts' estimates and downgrades. Margins are being squeezed by fierce competition in the US generics market and it may take longer for the company to gain a new strategic direction. However, it is worth emphasizing that share prices often turn before analysts upgrade them to "buy" again, which is why a long-term investor may benefit from sticking with shares that are out of favour. The US biotech company Ionis (formerly ISIS) fell sharply after problems with side effects in a study, following which their partner GSK decided not to take the drug to the next phase of the development. The worry is that the same type of side effects may be found in Ionis' other drug candidates. Because of this uncertainty, the Fund has sold its entire holding in Ionis pending further clarification. The Medtech company Tandem, which makes insulin pumps, took a hit when the managed care company United Healthcare decided that their policyholders would only have access to Medtronic's insulin pumps. This means a drop in demand for Tandem, but the company's sales are still expected to grow by over 30% per year over the next two years.

It is clear that the risk-aversion towards the healthcare sector is receding. More and more people agree that regulatory price control of medicines after the US elections is unlikely and will face significant opposition in Congress. For instance, there are ongoing attempts to reform doctors' compensation for administering (especially injecting) drugs in medical practices for Medicare (retirees) and Medicaid (low-income) patients. Today, physicians receive a percentage fee for this service which favours expensive drugs, and the CMS (Centres for Medicare and Medicaid Services) is therefore trying to reduce the incentives to prescribe expensive drugs by reducing compensation levels. A very strong reaction from both the Congress and the healthcare system has once again highlighted the difficulties in changing the system without a strong backlash. The reform proposal may be seen as both reasonable and relatively limited but the scale of the protests is very large. For instance, a medical practice in a rural area may have its finances significantly weakened as a result of the proposed reform and this can threaten the availability of healthcare in the long term. The reform proposal will therefore, in all probability, be revised and reduced.

It is also possible that the market might increasingly see Donald Trump as a potential winner of the presidential election and that he might be more of a capitalist and a non-interventionist in his policies than Hillary Clinton, something that could possibly be better for the industry than Clinton's supposed reforms. Earlier, Trump was considered to be too difficult to predict but we sense a more positive attitude or expectation regarding his future healthcare policies. The lack of any new statements from Trump on the healthcare sector has probably contributed to this interpretation.

Brexit is June's big issue for the stock market. The latest opinion polls indicate that voters are divided into roughly two equal camps. The Brexit campaign seems to be gaining ground after having been slightly weaker. A "leave" victory (i.e., a win for those who want to withdraw from the EU) will likely lead to a fall in the stock market and a marginal weakening of the euro. We believe that there is a fall risk of at least 5%, but probably not more than 8% on the European equity markets if the Brexit side wins. However, we believe that the US market will go down somewhat less and that the dollar might rise slightly in such a situation, both of which should dampen the impact on the Fund. Overall, therefore, we find no decisive reason to reduce exposure significantly ahead of the referendum.

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

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**

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	322.91								
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	6.99								-13.70
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	306.76								
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	8.24								-12.39
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	317.00								
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	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	8.29								-12.21

LEGAL DISCLAIMER

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