

MAY 2018



# RHENMAN GLOBAL OPPORTUNITIES L/S

## BACK TO BASICS

- A global long/short equity fund able to invest in all sectors around the world.
- Fundamental portfolio management by a portfolio manager with almost 30 years experience of the finance sector.
- The portfolio team supported by the renowned Advisory Board.
- Global Long/Short equity fund with a long bias over a business cycle.
- Typical net exposure of 50 % to 90 %.
- Active selection of regions and sectors, regardless of index.
- 35-50 single stock positions, preferably in larger companies.
- Investment horizon for long positions of 2-4 years, short position horizon of 6 months to 2 years.

## MONTHLY UPDATE

The positive stock market performance we saw in April continued into May, albeit with wide variations between different markets. In particular, American growth companies rose while European value companies fell. Exchange rate movements also remained large, with a further strengthening of the US dollar and a major recovery of the Swedish krona from its weak performance in April. Depending on the accounting currency, there were significant differences in returns during the month, with the world index unchanged in USD, and up by 0.5 percent in SEK, while in EUR it saw an increase of more than 3 percent.

With the close of the first-quarter earnings season for most major corporations, the market's focus turned to macro events. Economic data and political events, especially in Europe, came to play a large role in investors' perception of markets during the month. The long-awaited meeting between President Trump and North Korea's Kim Jong-Un which, after its first announcement was cancelled and then rescheduled for June 12, attracted plenty of inter-

est. Meanwhile developments in Europe were brought into even sharper focus. In mid-May, the winners of the Italian elections, the Five Star Movement and Lega Nord, nominated eurosceptic Paolo Savona as finance minister. The news was received with great concern by the financial markets and Italian interest rates rose sharply while the Milan Stock Exchange fell.

At the same time, the conservative prime minister of Spain, Mariano Rajoy, was forced to resign following corruption scandals within his party, the Partido Popular. This had a negative impact on Spanish interest rates and equities. Currency turmoil in Turkey, where Spanish banks are major lenders, fueled the unrest. Even Latin America, with yet another currency crisis in Argentina and a massive transportation strike in Brazil, adversely affected investors' willingness to take risks.

Towards the end of May, the Trump administration made a statement that the steel and aluminum tariffs originally announced in March, despite negotiations, would be imposed starting in June,

*Continued on the next page* ➤

renewing fears of an escalating trade war.

All in all, this led to widespread concern over economic developments in Europe and Latin America, with massive outflows of capital from these regions to the benefit of reallocations to the United States. Sector-wise, the upside was dominated by technology, which rose worldwide by approximately 7 percent, while banks fell by just over 3 percent.

#### FUND PERFORMANCE

Measured in its main share class RC1 (SEK), the fund decreased by 4.3 percent, with energy companies and consumer staples being the biggest contributors while banks and consumer discretionary dragged down returns. Both the fund's long and short positions dragged down performance, by 3.3 percent and 1.0 percent respectively.

Among the fund's best investments in May was US semiconductor manufacturer Qualcomm. The stock had been adversely affected during the spring by the trade dispute between the United States and China, in which the Chinese authorities took a hostile position on Qualcomm's acquisition of NXP Semi. During the month, however, President Trump indicated he would lift sanctions against ZTE, the Chinese telecom equipment and smartphone manufacturer, thereby allowing the use of US components in their products. At the same time, the Chinese authorities announced they would review the assessments of Qualcomm and NXP Semi. This news was received with enthusiasm by investors in the semiconductor market, where hopes of takeovers were resurrected given that there were now catalysts for higher returns in the otherwise low-valued companies. In addition, Qualcomm

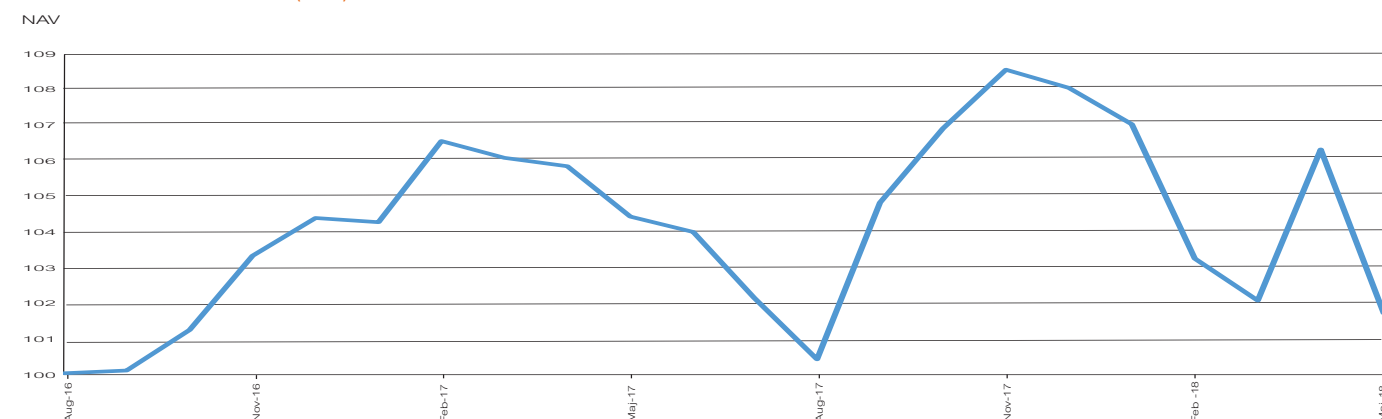
announced in a press release that it was teaming up with Facebook (and the company's Terragraph project) to provide fast Wi-Fi. Another strong contributor was Square Enix, the Japanese game studio. The stock performed well in a month of more good news. To the delight of investors and consumers, work on the company's pipeline of new titles appears to be proceeding seamlessly without delays. Expectations for this year's big game conference E3 in Los Angeles in June appear to be justified. Even before the conference, Square Enix showed trailers and demos of the long-awaited 'Kingdom Hearts 3', which is expected to be one of the highlights of the conference.

US corporation Exxon Mobile also contributed positively during the month of May. The stock performed strongly for the greater part of the month, backed by rising oil prices. At the end of the month Russia and Saudi Arabia announced that they were considering increasing oil production, leading to a plunge in crude oil prices that in turn hit energy shares. This proved temporary, and by the end of the month, oil prices as well as Exxon Mobile recovered from much of the decline.

The fund's two European bank holdings, in Spanish Banco Santander and French BNP Paribas, performed very weakly in May. The sector was affected by the turbulent political developments in Italy and Spain, in addition to concerns over Turkey, Argentina and Brazil. The trend towards a more EU-negative coalition government in Italy frightened off investors, who questioned the stability of the EU.

Another negative contributor was the fund's holdings in Symantec. The US company, which sells digital security solutions and infrastructure, delivered a stronger quarter than expected

#### FUND PERFORMANCE - RC1 (SEK)



#### MAY 2018

SHARE CLASS	NAV	MONTHLY RETURN	YTD 2018 <sup>1</sup>	SINCE INCEPTION <sup>1</sup>
RC1 (SEK)	101.71	-4.31%	-5.82%	1.71%
RC9 (SEK)	103.89	-4.21%	-5.31%	3.89%
IC1 (EUR)	91.73	-1.89%	-10.00%	-8.27%
Benchmark (>0), Euribor 3M (EUR)	99.47	0.00%	-0.11%	-0.53%

#### SHARE CLASS CHARACTERISTICS – INSTITUTIONAL SHARE CLASSES (ONLY INSTITUTIONAL INVESTORS)

	MINIMUM INVESTMENT	MGT. FEE	PERF. FEE	ISIN NUMBER	BLOOMBERG TICKER	LIPPER REUTERS	TELEKURS
IC1 (EUR)	100,000	1.50 %	20 %	LU1346219667	RGLOPC1 LX	68373122	32744428
IC1 (SEK)	1,000,000	1.50 %	20 %	LU1346220160	RGLOP11 LX	68373081	32744302

#### SHARE CLASS CHARACTERISTICS – RETAIL SHARE CLASSES (ALSO OPEN TO INSTITUTIONAL INVESTORS)

	MINIMUM INVESTMENT	MGT. FEE	PERF. FEE	ISIN NUMBER	BLOOMBERG TICKER	LIPPER REUTERS	TELEKURS
RC1 (SEK)	500	2.00 %	20 %	LU1346219402	RGLOPR1 LX	68373110	32744421
RC9 (SEK)	2,500,000	0.70 %	20 %	LU1339365303	RGLOPR9 LX	68373115	32744420

Administrative fees are charged in addition to the fees above. Further information is available in the KIID as well as the prospectus (part B, B14-18).

Notes: <sup>1</sup> Please find launch date information on page 4.

yet gave a weaker earnings forecast for the rest of the year than investors had hoped for. In addition, Symantec announced that it was undergoing an internal audit following concerns raised by a former employee about its report. Although the company claimed that the impact of the audit would not be tangible, it created a significant degree of uncertainty.

#### FORECAST

Market performance in May was thus positive, but with large differences between sectors, regions and accounting currencies. There are two phenomena that stand out: the increasingly widespread scepticism about Europe and the continued confidence in growth companies in the United States. An example of the former is the European banks, whose valuations are now at their lowest levels in years, whereas the so-called FAANG companies (Facebook, Amazon, Apple, Netflix and Google) in the United States all rose sharply in May. As always, we have respect for the challenges facing Europe and, for that matter, many of the value companies, but we still believe that the valuation differences are unduly large.

We thus maintain a basically positive attitude towards the sectors that benefit from a continued healthy economy, including industrial companies, banks and energy companies. Our view is that the profit outlook for these sectors is good, which, together with the reasonable and even low valuations, creates potential for higher share prices. ■

## FUND CHARACTERISTICS

#### KIID AND PROSPECTUS (WEBPAGE)

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

#### INVESTABLE CURRENCIES

Euro (EUR) / Swedish Krona (SEK)

#### RETURN TARGET

Annualised net returns of +7-8 % over time

#### LEGAL STRUCTURE

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

#### PORTFOLIO MANAGER

Rhenman & Partners Asset Management AB

#### HEAD OF INVESTMENT TEAM

Staffan Knafve

#### AIFM / MANAGEMENT COMPANY

SEB Fund Services S.A.

#### PRIME BROKER

Skandinaviska Enskilda Banken AB (publ)

#### DEPOSITARY AND PAYING AGENT

Skandinaviska Enskilda Banken S.A.

#### AUDITOR

PricewaterhouseCoopers (PwC)

#### SUBSCRIPTION / REDEMPTION

Monthly

#### MINIMUM TOP UP

No minimum

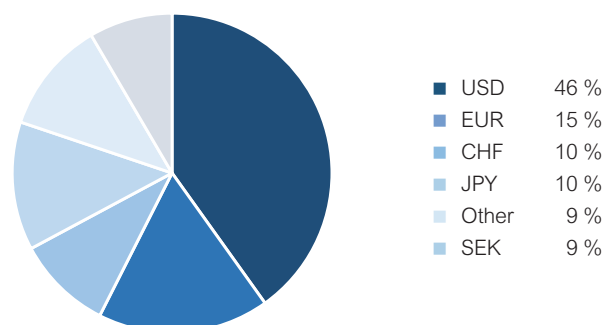
#### NOTICE PERIOD

3 working days

#### HURDLE RATE

Euribor 90D (high-water mark)

## CURRENCY EXPOSURE<sup>2</sup>



## PORTFOLIO CONSTRUCTION<sup>7</sup>

PYRAMID LEVEL	POSITION SIZE	NO.
High conviction	3 %-10 %	17
Core holdings	1 %-3 %	17
Fractional positions	0.5 %-1 %	0
Candidate holdings	0 %-0.5 %	0

## RISK (RC1 SEK)

Value at risk <sup>4</sup>	0.93 %
Standard Deviation <sup>5</sup>	7.38 %
Sharpe Ratio <sup>5</sup>	0.18

## EXPOSURE<sup>6</sup>

Long	97 %
Short	8 %
Gross	105 %
Net	89 %

## AUM<sup>3</sup>

Fund:	EUR 11m
USD	13m
Firm:	EUR 625m

## LARGEST LONG POSITIONS

1 Exxon Mobil Corp
2 Nestle SA
3 Chevron Corp
4 Halliburton Co
5 Industr & Cial Bk of China

Notes: <sup>2</sup> As a percentage of the market value of the long and short positions (excluding cash positions). <sup>3</sup> The AUM is adjusted for fund inflow at month end. <sup>4</sup> For holdings at month end (95% conf. int. 250 days history). <sup>5</sup> Standard deviation and Sharpe ratio are annualized. <sup>6</sup> The exposure is not adjusted for net fund flow at month end. <sup>7</sup> Number of long equity positions (excluding any ETFs).



## ABOUT RHENMAN & PARTNERS

Rhenman & Partners Asset Management, founded in 2008, is a Stockholm-based investment manager focusing on two niche funds administered by SEB Fund Services S.A.: Rhenman Healthcare Equity L/S, founded in 2009, and Rhenman Global Opportunities L/S, founded in 2016. Assets under management amount to approximately EUR 500m. Investment Teams of both Funds are in their investment processes supported by renowned Advisory Boards, including professors and experts with many years of market experience and extensive networks around the world.

## LEGAL DISCLAIMER

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Before making an investment decision, an investor and/or its adviser should (i) consider the suitability of investments in the Fund with respect to its investment objectives and personal situation and (ii) consider factors such as its personal net worth, income, age, risk tolerance and liquidity needs. Short-term investors and investors who cannot bear the loss of some or all of their investment or the risks associated with the limited liquidity of an investment should not invest.

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