



# RHENMAN GLOBAL OPPORTUNITIES L/S

July 2020

RC1 (SEK)  
**-3.00%**

YTD  
RC1 (SEK)  
**-21.68%**

- A global long/short equity fund able to invest in all sectors around the world.
- Fundamental portfolio management by a portfolio manager with more than 30 years of experience in the finance sector.
- The portfolio team is supported by a renowned Advisory Board.

## Monthly update

The United States, Covid-19 and politics took centre stage in July. Despite the rapid spread of infection in the United States and fresh outbreaks in several European countries previously under lockdown, risk appetite in the stock market was high. Corporate earnings reports in most sectors around the world were less disappointing than expected and propped up stock prices.

However, substantial exchange rate fluctuations led to wide variations in monthly returns depending on the different base currencies of investors. The US dollar fell roughly 5 percent against the euro and 6 percent against the Swedish krona, making July a month of gains for US investors whereas Swedish investors, for example, recorded negative returns on global equities.

As for the pandemic, the spread of the infection in the United States attracted the greatest interest, and a certain change for the better was noticeable towards the end of July. By contrast, countries like Australia and Japan reported more outbreaks than in the spring. A number of European countries, such as Spain and Belgium, also noted an increase in new cases. All in all, this caused greater concern about new shutdowns and lower expectations for an economic recovery.

### President Trump trails in US pre-election opinion polls

The US presidential election is now less than 100 days away. Pressed by the pandemic, the protests associated with the Black Lives Matter movement and weak economic performance, the opinion polls showed that Democrat Joe Biden was ahead of President Trump.

However, because the ageing Biden is viewed as a weak card, there is great interest in who he will name as his vice-presidential candidate in the election. A woman is likely to be chosen and, among the predictions, senator Kamala Harris from California stands out. Another name being circulated is Elizabeth Warren, a senator from Massachusetts, who is seen as a possible threat to business in general and to the banking sector in particular. Other candidates of interest are being discussed at great length, but they all lack the breadth and depth of senators Harris and Warren. The choice of running mate, however, is Joe Biden's, and he may surprise us all by going for the candidate who most closely reflects his personal preferences.

### EU rescue package finalised after compromises

In other news, the EU reached an agreement on a major rescue package after several countries, including Sweden, accepted the ratio of grants to loans. US-China relations deteriorated further after China introduced new security laws in Hong Kong. The United States shut down China's consulate in Houston, after which China retaliated by closing the US consulate in Chengdu.

### The world index fell, with a wide spread between sectors

The world index fell by 0.9 percent in July, measured in Swedish kronor, but increased by 0.2 percent in euros and by 5.1 percent in US dollars. The spread between sectors remained wide, with consumer discretionary and materials at the top while energy companies and banks recorded the biggest declines. The differences were great even in terms of regions, where the United States (despite a weakened dollar) was the best market and Hong Kong and Japan the worst.

## FUND PERFORMANCE

The fund fell by 3.0 percent, measured in its main share class RC1 (SEK), and fell by 1.64 percent measured in IC4 (EUR). Information technology gave the most positive contributions, while holdings in energy and banks accounted for the largest negative contributions. Both the fund's long and short positions dragged down performance by 2.6 percent and 0.4 percent, respectively, measured in SEK. The fund's best contributors in July were Ericsson and Qualcomm. The worst contributors were Chevron and ExxonMobil.

### Ericsson benefits from 5G expansion

Ericsson was the fund's best contributor in July. During the month, the company released a very strong half-year report. Earnings exceeded analysts' expectations, thanks largely to increased margins in telecommunications equipment sales due to strong underlying demand for 5G.

Ericsson's figures confirm that the pandemic has exposed weaknesses in global capacity, which is being strained by the increase in remote working and streaming. This has boosted demand for Ericsson's network products.

The company continues to invest heavily in the expansion and

[Continued on the next page →](#)

development of its 5G portfolio, primarily in China. In a statement, the company's CFO said that Ericsson was well equipped to meet a major increase in demand. This can be viewed as a comment on the 5G ban recently imposed by the UK on Huawei, and which may result in more countries following the UK's example.

#### Qualcomm stock rose on a strong report and settlement agreement with Huawei

Qualcomm was another positive contributor this month. The company released a strong report that exceeded expectations and also announced that it had reached a settlement with the Chinese telecom giant Huawei.

Modem sales were robust for high-tech products, while demand in the smartphone market continued to be weak. Qualcomm, like Ericsson, is benefiting greatly from the current expansion of 5G networks at an ever-faster pace, prompting several equity research firms to raise their outlooks.

The company also announced an end to the legal dispute it has had with Huawei. Under the settlement, Huawei remains banned from buying Qualcomm's modem chips but will resume payments for wireless technology licensing fees. This in turn means that Qualcomm now has multi-year licensing agreements with all major smartphone OEMs. Much of Qualcomm's profits come from patent licensing because the company has a unique business model whereby it charges a percentage of each end-product's sales price, regardless of whether or not the product uses Qualcomm's modems.

Two key factors now facing the company are how quickly the general demand for 5G phones recovers, and within what time horizon can Apple be expected to launch a 5G phone.

#### Chevron's share price fell after a challenging earnings season for oil companies

Chevron was among the fund's most negative contributors. The company released a report in July that missed expectations, and in which it reported its biggest quarterly loss since 2001. Historically, the first six months of 2020 have presented major challenges for oil companies, which have been doing business in a tough operating environment since the oil price crash in March. Unlike many of its competitors, Chevron has no trading business and have thus been unable to offset some of the damage from low oil prices by trading on the high levels of volatility.

Chevron wrote down the full value of its Venezuelan business – 2.6 billion dollars – after its assets were virtually frozen by US sanctions against the country. During the quarter, the company also wrote down its assets by an additional 1.8 billion due to lower oil prices. Chevron made cost cuts that saved it 780 million dollars during the quarter by, among other measures, laying off more than 13 percent of its workforce.

Despite the tough operating environment, the company seized the opportunity to make acquisitions during the month. Noble Energy was acquired for 5 billion dollars. Analysts hailed the acquisition, which was carried out at a tiny premium and which filled a gap in Chevron's long-term portfolio.

#### ExxonMobil reported its biggest quarterly loss ever

ExxonMobil was another negative contributor in July. The company reported its biggest quarterly loss ever at the end of the month. ExxonMobil's vice president stated that demand for oil during the half-year had fallen to levels the world had not seen in over 20

years, and was unprecedented in modern history.

The company has made great efforts to reduce its workforce in the United States this year and announced, without specifying further details, that it would continue to reduce its operating costs in the coming quarters. In total, the company has reduced its capital expenditures by 10 billion dollars so far this year. CEO Darren Woods said in a statement that the company would not take on additional debt. This can be seen as part of a shift in strategy and as a defensive move to reassure investors who have been concerned about the level of debt in the company and thus its ability to maintain dividends.

#### OUTLOOK

The stock markets still continue to defy an uncertain environment. On the whole, second-quarter reports have exceeded low expectations, thereby buoying the mood. Many cyclical companies have shown a surprisingly good ability to maintain decent margins despite falling sales, which demonstrates good cost control and preparedness for crises.

However, this has not helped the industries suffering the most, such as the airlines, whose capacity utilisation has fallen below 10 percent, and although recovery is progressing albeit slowly, they have incurred heavy losses and have new tough capital requirements as a result. At the other end of the spectrum, we find companies that have directly benefited from the lockdowns and closures, particularly within e-commerce and information technology, as was clearly demonstrated by their strong quarterly reports.

#### FAAMG companies recorded all-time highs in July

Technology companies dominated July's trading and the top five listed companies in the United States, the so-called FAAMG companies comprising Facebook, Apple, Amazon, Microsoft and Google, all recorded all-time highs during the month. Tesla was the world's most traded stock in July. A contributing factor behind the great interest in these companies can be attributed to the unusually high proportion of retail investors trading in the market, which in turn is partly a consequence of a lack of alternative activities brought on by the pandemic. A good example is Robinhood, a Silicon Valley company that offers free stock market trading. Within a short time, the company's app has become a hugely popular retail trading platform with more than 14 million accounts.

Meanwhile, sectors such as banking and oil continued to fall. As a result, the big growth companies represent an increasing share of overall market capitalisation: FAAMG now accounts for roughly 23 percent of the S&P 500 and thus nearly 15 percent of the entire world index.

Having now seen the reported earnings for the majority of the fund's holdings, we can be pleased with the overall, better-than-expected results. Even in sectors that performed weakly, especially banks and oil companies which were burdened by provisions for loan losses and asset write-downs, we were able to note surprisingly good underlying results.

We believe that the earnings resilience of the fund's holdings in this uncertain climate is a clear sign of the intrinsic quality of these companies, and we therefore reiterate our view that the fund holds significant growth potential going forward.

## Fund characteristics

#### KIID AND PROSPECTUS (WEBPAGE)

<https://fundinfo.fundrock.com/Rhenman-PartnersFund/>

#### 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

FundRock Management Company 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

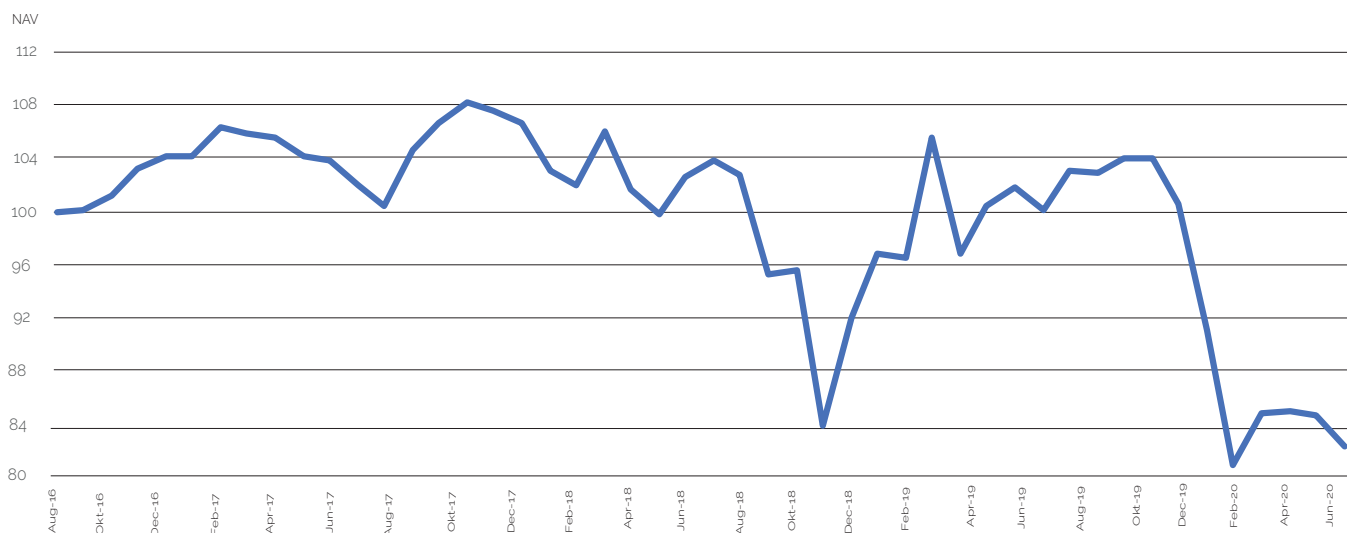
#### NOTICE PERIOD

3 business days (12.00 CET)

#### HURDLE RATE

Euribor 90D (high-water mark)

## FUND PERFORMANCE - RC1 (SEK)



## JULY 2020

SHARE CLASS	NAV <sup>1</sup>	MONTHLY RETURN <sup>1</sup>	YEAR TO DATE <sup>1</sup>	SINCE INCEPTION <sup>1</sup>
RC1 (SEK)	81.53	-3.00%	-21.68%	-18.47%
RCg (SEK)	85.63	-2.89%	-21.10%	-14.37%
IC1 (EUR)	74.18	-1.72%	-20.14%	-25.82%
3M Euribor (EUR)	99.47	0.00%	0.00%	-0.53%

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

MINIMUM INVESTMENT		MGT. FEE	PERF. FEE	ISIN NO.	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	RGLOPI1 LX	68373081	32744302

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

MINIMUM INVESTMENT		MGT. FEE	PERF. FEE	ISIN NO.	BLOOMBERG TICKER	LIPPER REUTERS	TELEKURS
RC1 (SEK)	500	2.00 %	20 %	LU1346219402	RGLOPR1 LX	68373110	32744421
RCg (SEK)	2 500 000	0.70 %	20 %	LU1339365303	RGLOPRg LX	68373115	32744420

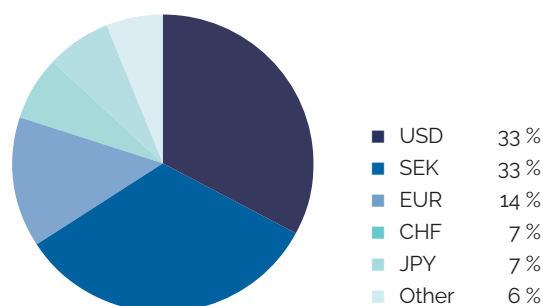
Administrative fees are charged in addition to the fees above. Further information is available in the KIID as well as the prospectus (part B, B14-18).

**Note:** 1) Please find launch date information on page 4.

## PORTFOLIO CONSTRUCTION<sup>2</sup>

PYRAMID LEVEL	POSITION SIZE	NO.
High conviction	3 %-10 %	6
Core holdings	1 %-3 %	26
Fractional positions	0.5 %-1 %	0
Candidate holdings	0 %-0.5 %	0

## CURRENCY EXPOSURE<sup>3</sup>



## RISK (RC1 SEK)

Value at risk <sup>4</sup>	1.75%
Standard Deviation <sup>5</sup>	15.55%
Sharpe Ratio <sup>5</sup>	-0.30

## EXPOSURE<sup>6</sup>

Long	80%
Short	-2%
Gross	82%
Net	78%

## AUM<sup>7</sup>

Fund:
EUR 6m
USD 7m
<b>Firm total: EUR 729m</b>

## LARGEST LONG POSITIONS

1. Nestlé SA
2. Telefon AB LM Ericsson
3. Qualcomm Inc
4. Chevron Corp
5. Volkswagen AG

**Notes:** 2) As a percentage of the market value of the long and short positions (excluding cash positions). 3) Number of long equity positions (excluding any ETFs). 4) For holdings at month end (95% conf. int. 250 days history). 5) Standard Deviation and Sharpe Ratio are annualised. 6) The exposure is not adjusted for net fund flow at month end. 7) The AUM is adjusted for fund inflow at month end. Total firm AUM consists of funds Rhenman Healthcare Equity L/S and Rhenman Global Opportunities L/S.



## NAV & PERFORMANCE DATA

RC1 (SEK) NAV														
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC		
2016									100.10	101.22	103.31	104.36		
2017	104.27	106.54	106.06	105.84	104.40	103.98	102.13	100.41	104.80	106.89	108.52	108.00		
2018	106.99	103.24	102.04	106.29	101.71	99.75	102.74	104.00	102.48	95.00	95.42	83.14		
2019	91.66	96.68	96.32	105.80	96.64	100.42	101.86	100.05	103.24	103.07	104.22	104.10		
2020	100.58	90.73	80.06	84.25	84.36	84.05	81.53							
RC1 (SEK) PERFORMANCE %, NET OF FEES														
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	
2016									0.10	1.12	2.06	1.02	4.36	
2017	-0.09	2.18	-0.45	-0.21	-1.36	-0.40	-1.78	-1.68	4.37	1.99	1.52	-0.48	3.49	
2018	-0.94	-3.51	-1.16	4.17	-4.31	-1.93	3.00	1.23	-1.46	-7.30	0.44	-12.87	-23.02	
2019	10.25	5.48	-0.37	9.84	-8.66	3.91	1.43	-1.78	3.19	-0.16	1.12	-0.12	25.21	
2020	-3.38	-9.79	-11.76	5.23	0.13	-0.37	-3.00						-21.68	
RC9 (SEK) NAV														
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC		
2016									100.22	101.45	103.62	104.87		
2017	104.89	107.25	106.85	106.75	105.42	105.11	103.36	101.72	106.28	108.36	110.13	109.72		
2018	108.82	105.11	104.00	108.46	103.89	102.00	105.16	106.57	105.12	97.55	98.10	85.56		
2019	94.44	99.71	99.45	109.35	100.00	104.02	105.63	103.86	107.28	107.23	108.54	108.53		
2020	104.99	94.79	83.73	88.21	88.41	88.18	85.63							
RC9 (SEK) PERFORMANCE %, NET OF FEES														
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	
2016									0.22	1.23	2.14	1.21	4.87	
2017	0.02	2.25	-0.37	-0.09	-1.25	-0.29	-1.66	-1.59	4.48	1.96	1.63	-0.37	4.62	
2018	-0.82	-3.41	-1.06	4.29	-4.21	-1.82	3.10	1.34	-1.36	-7.20	0.56	-12.78	-22.02	
2019	10.38	5.58	-0.26	9.95	-8.55	4.02	1.55	-1.68	3.29	-0.05	1.22	-0.01	26.85	
2020	-3.26	-9.72	-11.67	5.35	0.23	-0.26	-2.89						-21.10	
IC1 (EUR) NAV														
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC		
2017							99.08	98.29	100.48	101.42	101.46	101.92		
2018	101.48	94.89	92.06	93.50	91.73	88.84	92.99	91.09	92.39	85.50	86.29	76.46		
2019	82.38	85.88	86.39	92.77	85.18	88.19	89.22	86.71	90.20	89.84	92.54	92.89		
2020	88.35	80.01	69.12	73.93	75.65	75.48	74.18							
IC1 (EUR) PERFORMANCE %, NET OF FEES														
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	
2017							-0.92	-0.80	2.23	0.94	0.04	0.45	1.92	
2018	-0.43	-6.49	-2.98	1.56	-1.89	-3.15	4.67	-2.04	1.43	-7.46	0.92	-11.39	-24.98	
2019	7.74	4.25	0.59	7.39	-8.18	4.40	0.37	-2.81	4.02	-0.40	3.01	0.38	21.49	
2020	-4.89	-9.44	-13.61	6.96	2.33	-0.22	-1.72						-20.14	





## ABOUT RHENMAN & PARTNERS

Rhenman & Partners Asset Management, founded in 2008, is a Stockholm-based investment manager focusing on two niche funds administered by FundRock Management Company 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 700m. 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

Rhenman Global Opportunities L/S ("the Fund") is not an investment fund as defined in the European Union directives relating to undertakings for collective investment in transferable securities (UCITS). Legal information regarding the Fund is contained in the Prospectus and the KIID, available at Rhenman & Partners Asset Management AB (Rhenman & Partners) webpage: <http://rhepa.com/the-fund/prospectus/>.

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