



# RHENMAN GLOBAL OPPORTUNITIES L/S

August 2020

RC1 (SEK)  
**+1.64%**

YTD  
RC1 (SEK)  
**-20.39%**

- 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

US politics, Covid-19 and technology stocks took centre stage in August. The month was characterised by strong risk appetite, not least among private investors. Global stock market trading was dominated by the United States, where both the NASDAQ index and the broader S&P 500 index posted new record highs.

Interest in the major US technology companies was particularly notable. Retail investors accounted for a high share of total turnover in the stock market. Apple and Tesla, for example, recorded gains in August of more than 30 percent and 60 percent, respectively, in the absence of any news other than an announcement from both companies of a stock split.

During his speech in Jackson Hole, chairman of the US Federal Reserve Jerome Powell said that the inflation target would be adjusted, which was interpreted as meaning that interest rates would remain low for a long time to come.

As for Covid-19, the situation in the United States continued to gradually improve in August. However, several countries in Europe noted an accelerating infection rate after shutdown orders were lifted at the beginning of the summer. France and Spain were clear examples, and despite government ambitions to keep economies open, there is now growing concern over new shutdowns. In other parts of the world, such as Brazil and India, there are still no signs of the pandemic subsiding.

### Trump gaining on Biden

Interest in politics was almost exclusively focused on the impending US presidential election. The relatively large lead that the polls gave Democrat Joe Biden earlier in the summer shrank in August, and his advantage over President Trump was down to only a few percentage points. As expected, the debate is polarised and much revolves around the unrest in several US cities. The two candidates are accusing each other of advocating a policy that risks tearing American society apart.

### 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.

### Harsh tone between the US and China

The tone of the US-China conflict intensified further in August when President Trump ordered a US ban on the popular TikTok app, owned by the Chinese company ByteDance, unless the ownership situation was changed. After several US companies were identified as potential acquirers, China responded by announcing sales restrictions on foreign buyers.

### Most global sectors increased in August

The world index rose by 4.3 percent in August, measured in Swedish kronor, and rose by 4.6 percent and 6.0 percent measured in euros and US dollars, respectively. With the exception of utilities and energy, all global sectors recorded gains. However, information technology and consumer discretionary showed by far the largest upswings. All regions showed positive index figures but there were major differences, with the US in the lead while Europe and Hong Kong lagged far behind.

### FUND PERFORMANCE

The fund increased by 1.64 percent, measured in its main share class RC1 (SEK), and by 1.95 percent measured in IC4 (EUR). Communication services and information technology produced the highest positive contributions, while holdings in consumer discretionary accounted for the largest negative contribution. The fund's long positions added 3.1 percent to the fund's returns, while short positions dragged down returns by 1.5 percent measured in kronor. The fund's best contributors in August were Square Enix and Veoneer. The worst contributors were short positions in Tesla and ICBC.

### Square Enix quarterly report exceeded expectations

This month's top contributor was the Japanese game developer Square Enix. The company's quarterly report exceeded expectations when the company reported a 63 percent increase in sales for the period.

Demand for home entertainment has risen recently as many

[Continued on the next page →](#)

people have stayed at home and opted out of other leisure activities in favour of video or mobile games. Square Enix, along with many other game developers, are also benefitting in the current market climate from their growing share of digital sales, resulting in better margins than for physical in-store sales.

**Veoneer's collaboration with Qualcomm positively received**  
Veoneer was another positive contributor this month. The Swedish vehicle safety company initiated a collaboration with Qualcomm in August on scalable solutions for driver support and autonomous systems. The solution will be an open platform for suppliers and auto manufacturers, and will build on Veoneer's 5G software and Qualcomm's Snapdragon Ride. The technology ranges from level 1, driver support, to level 4, self-driving.

Analysts reacted positively to the project's scalability and the breadth of applicability from budget to luxury cars. A final collaboration agreement is expected to be ready in autumn 2020, and the technology itself is expected to be rolled out in production in 2024.

**Tesla's rising stock price contributed negatively to the fund**  
The fund's most negative contributor was its short position in Tesla. The company announced a stock split during the month, causing the stock to soar. On the day of the stock split, Tesla's market capitalisation increased by 51 billion US dollars. In comparison, it took the company seven years to reach a market capitalisation equal to the same amount. The stock has now risen by over 1,000 percent in the last 12 months, while sales have increased by 3 percent over the same period.

At the end of the month the company overtook Visa as the seventh largest US company in terms of market capitalisation, after Berkshire Hathaway. Tesla is now valued higher than the five biggest automakers in the world combined, even though the company accounts for only a fraction of global car sales.

Tesla has also announced a reverse share buyback programme. In other words, the company will sell shares for the equivalent of 5 billion US dollars. It remains to be seen if and when the stock will be included in the S&P 500 index.

**ICBC's results weighed down by large provisions for loan losses**

Another negative contributor for the fund was the Industrial & Commercial Bank of China (ICBC). The company released its quarterly report during the month, with a net profit that was down 11 percent year on year. The bank, like other major banks worldwide, was forced to make large provisions for loan losses due to Covid-19.

Unlike many major Western banks, ICBC has chosen to continue paying out dividends to its shareholders during the pandemic. The state-controlled bank – the world's largest lender – will play a central role in relaunching the Chinese economy in the wake of the pandemic.

## OUTLOOK

The stock market continues to be divided. With the exception of the United States, all major regions are minus for the year. Nearly all sectors are also minus. Only information technology and consumer discretionary (which includes Amazon and Tesla) are showing positive returns for the first eight months of the year, with gains of 22 percent and 12 percent, respectively. By contrast, cyclical and politically vulnerable industries, such as banks and oil companies, have so far fallen by 25 percent and 44 percent, respectively.

The great interest in growth companies has led to huge valuation differences with other sectors, as well as a high concentration in which a few companies account for a historically large share of indexes.

**Concerns characterise investor perceptions**

Investors appear to have divided the world's companies into those that are benefitting from low interest rates and the increased digitalisation as a result of the pandemic, and those at risk of a prolonged weak economic recovery and a shift in industrial policy.

This is being exacerbated by the many uncertainties that currently abound in the world: What will the recovery in the economy look like, who will win the US presidential election, when will an effective vaccine become available and how will the US-China conflict develop?

Although these concerns are quite understandable, we believe that they have already been more than sufficiently discounted in share prices, meaning that the "in favour" companies have become too highly valued while, on the contrary, the "out of favour" companies have become too cheap.

**Portfolio companies' earnings are still better than expected**

If we disregard share price trends and instead take a look at the fundamentals of the companies in which the fund has invested, the picture becomes much brighter. In fact, the reported earnings of the fund's companies for the second quarter were better than expected. Even for holdings in sectors like banking and oil, where reserves and write-downs were a burden, the underlying results were a positive surprise.

The fund has a clear focus on value companies, and as a consequence has performed weakly in the two-tier equity market that has dominated thus far in 2020. We have great respect for the challenges facing the global economy. But when it improves, the inherent quality of our holdings, we believe, will lead to significant revaluations.

## 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

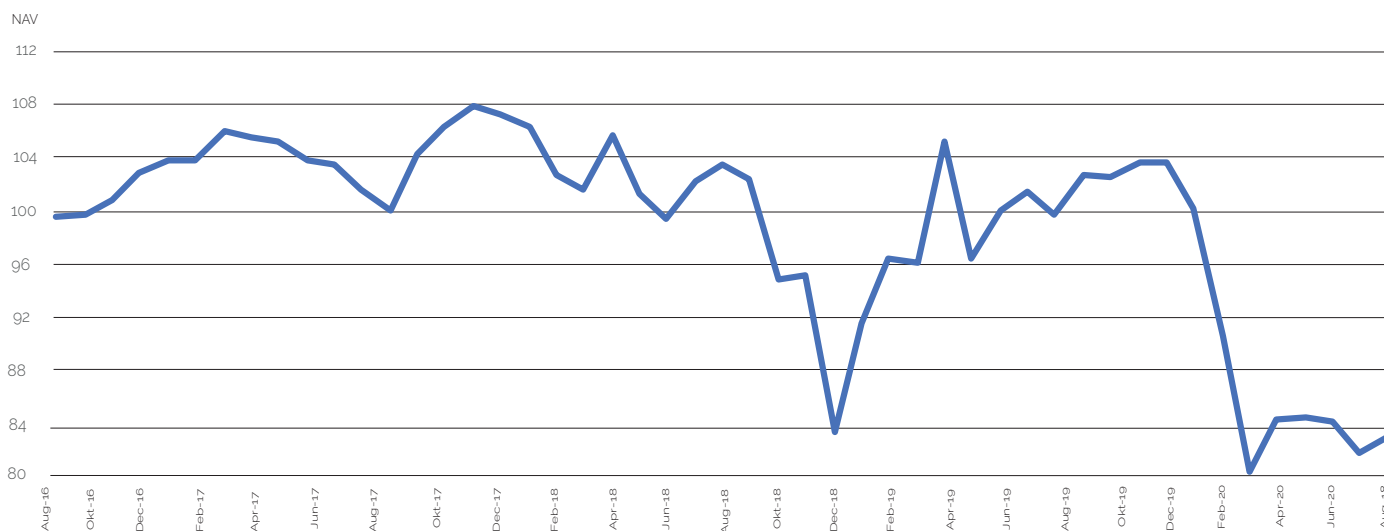
### NOTICE PERIOD

3 business days (12.00 CET)

### HURDLE RATE

Euribor 90D (high-water mark)

## FUND PERFORMANCE - RC1 (SEK)



## AUGUST 2020

SHARE CLASS	NAV	MONTHLY RETURN	YEAR TO DATE	SINCE INCEPTION <sup>1</sup>
RC1 (SEK)	82.87	1.64%	-20.39%	-17.13%
RCg (SEK)	87.11	1.73%	-19.74%	-12.89%
IC1 (EUR)	75.59	1.90%	-18.62%	-24.41%
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	0.50 %	20 %	LU1346219667	RGLOPC1 LX	68373122	32744428

## 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	0.50 %	20 %	LU1346219402	RGLOPR1 LX	68373110	32744421
RCg (SEK)	2 500 000	0.00 %	20 %	LU1339365303	RGLOPRg LX	68373115	32744420

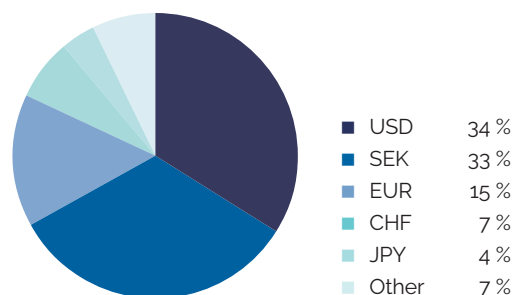
Administrative fees are charged in addition to the fees above. Further information is available in the KIID as well as the prospectus (part B, B14-18).

Note: 1) Please find launch date information on page 5.

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

PYRAMID LEVEL	POSITION SIZE	NO.
High conviction	3%-10%	7
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>	1.77%
Standard Deviation <sup>5</sup>	15.42%
Sharpe Ratio <sup>5</sup>	-0.28

## EXPOSURE<sup>6</sup>

Long	79%
Short	-3%
Gross	82%
Net	76%

## AUM<sup>7</sup>

Fund:
EUR 6m
USD 7m
<b>Firm total: EUR 760m</b>

## LARGEST LONG POSITIONS

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

**Notes:** 2) Number of long equity positions (excluding any ETFs). 3) As a percentage of the market value of the long and short positions (excluding cash positions). 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	82.87					

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	1.64					-20.39

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	87.11					

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	1.73					-19.74

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	75.59					

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	1.90					-18.62



## 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 800m. 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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