## Summary

Rhenman Healthcare Equity L/S ("the Fund"), is a long/short thematic equity hedge fund with the sole focus to invest in the healthcare sector. The financial product focuses on four sub-sectors:

1. Pharma
2. Biotech
3. Medtech and
4. Services

This financial product promotes social characteristics, but does not have sustainable investments as its objective.

Through its investments, the financial product promotes the following social characteristics:

1. Supporting companies whose technology, research, services, etc., lay the foundation for the next generation of healthcare, and thereby contribute to achieving the United Nations Sustainable Development Goal ("UNSDG") #3: Good health and well-being.
2. Not investing in companies with a core business model that is deemed to do significant harm or has/risks having unacceptable adverse impacts on good health and well-being and/or society. This means excluding companies that either:
   - ◊ Derive more than 5 % of their total revenues from the production or distribution of 1) conventional weapons, 2) commercial gambling, 3) tobacco, 4) fossil fuels, 5) pornography or 6) alcoholic beverages; are known to have any involvement in controversial weapons; or
   - ◊ Are in severe and/or systematic breach of internationally recognised conventions and norms regarding the environment, human rights, labour law and anti-corruption.

Rhenman & Partners' approach to integrating sustainability and minimizing the principal adverse impacts of our investment decisions comprises three main strategies, (1) inclusion, (2) exclusion and (3) ongoing dialogue.

The Fund expects that at least 50% of the Sub-Fund's total allocation will comprise of long positions in healthcare equities that are aligned with the Sub-Fund's social characteristics, calculated as: direct investments in equities aligned with the social characteristics of the Sub-Fund divided by the gross exposure of the Sub-Fund. Moreover, a minimum of 20% of the total allocation of the Sub-Fund shall be in sustainable investments, as defined in article 2.17 of SFDR, and determined using the Portfolio Manager's three-step-test. This ratio is calculated as: direct investments in equities categorized as sustainable investments divided by the gross exposure of the Sub-Fund.

ESG factors (risks and opportunities) are considered for all direct equity investments, potential and existing. Rhenman & Partners uses its own pre-trade assessment tool to analyze potential investments and confirm that all investments are in line with Rhenman & Partner's Policy for Responsible Investments and the binding elements of the Fund. External quantitative data as well as in-house sector expertise are combined to analyze risks and opportunities from a sub-sector perspective. The Portfolio Manager's conclusions are then used as basis in the Portfolio Manager's decision-making processes.

Rhenman & Partners use Clarity.AI as well as Bloomberg for quantitative data. The data using Clarity.AI comprises both reported data as well as estimates. The investment team's deep sector knowledge and experience of company analysis are key aspects.

All investments are screened and monitored both pre- and post-trade. If Rhenman & Partners is made aware of a specific case where a company is acting contrary to our expectations in relation to environmental or social issues, Rhenman & Partners will also evaluate whether an active dialogue should be initiated to influence the company in a positive direction or if not, whether a divestment should be considered. However, Rhenman & Partners does not systematically exercise voting rights at general meetings.

No reference benchmark has been designated for the purpose of attaining the social characteristics of the financial product.

## No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment. A minimum of 20% of the total allocation of the Sub-Fund shall be in sustainable investments, as defined in article 2.17 of SFDR. This ratio is calculated as: direct investments in equities categorized as sustainable investments divided by the gross exposure of the Sub-Fund. Sustainable Investments according to article 2.17 of SFDR are determined using the Portfolio Manager's three-step-test. This includes performing a Do No Significant Harm (DNSH) test which comprises all 14 mandatory PAI indicators, plus two additional indicators (which are considered particularly important for the healthcare sector) prior to any investment.

Additionally, all potential investments must pass our pre-trade check for Good governance. Rhenman & Partner's assessment of good governance includes, but is not limited to, sound management structures, labor relations, remuneration and tax compliance. Furthermore, all investments in the Fund undergo an assessment of the investee company's adherence to OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights which is included in the pre-trade screening process and is an essential pre-requisite for potential investments to be included in the portfolio of the Sub-Fund. This is followed up at least quarterly in the post-trade monitoring.

## Environmental or social characteristics of the financial product

Rhenman Healthcare Equity L/S ("the Fund"), is a long/short thematic equity hedge fund with the sole focus to invest in the healthcare sector. The financial product focuses on four sub-sectors, 1. Pharma, 2. Biotech, 3. Medtech and 4. Services. Through these investments, the financial product promotes the following social characteristics:

1. Supporting companies whose technology, research, services, etc., lay the foundation for the next generation of healthcare, and thereby contribute to achieving the United Nations Sustainable Development Goal ("UNSDG") #3: Good health and well-being in general, and the following targets in particular:

   3.1 Maternal mortality
   3.2 Neonatal and child mortality
   3.3 Infectious diseases
   3.4 Noncommunicable diseases
   3.5 Substance abuse
   3.7 Sexual and reproductive health
   3.8 Universal health coverage

2. Not investing in companies with a core business model that is deemed to do significant harm or has/risks having unacceptable adverse impacts on good health and well-being and/or society. This means excluding companies that either:
   - ◊ Derive more than 5 % of their total revenues from the production or distribution of 1) conventional weapons, 2) commercial gambling, 3) tobacco, 4) fossil fuels, 5) pornography or 6) alcoholic beverages; are known to have any involvement in controversial weapons; or
   - ◊ Are in severe and/or systematic breach of internationally recognized conventions and norms regarding the environment, human rights, labor law and anti-corruption.

## Investment strategy

Rhenman Healthcare Equity L/S, is a long/short thematic equity hedge fund with the sole focus to invest in the healthcare sector. The Fund invests mainly in equities comprising highly liquid companies, normally with around 60-80 core holdings in order to achieve proper diversification. An investment in any individual company typically does not exceed 10 % of the total gross portfolio. The Fund aims to have a maximum of 30 % of the capital invested in companies that are in the development stage and not yet cash-flow positive. Another risk diversification target is that an individual negative corporate event should not impact the Fund's performance by more than -1 %.

The investment strategy also includes utilizing the hedge fund's more flexible investment mandate in order to create value and limit risks. However, it should be noted that the fund has a positive bias in the long term and in no way is market neutral. The managers use derivatives and futures solely to protect capital and to generate returns.

The financial product focuses on four sub-sectors, 1. Pharma, 2. Biotech, 3. Medtech and 4. Services. The financial product shall comply with Rhenman & Partners Policy for Responsible Investments. This means that the following binding elements apply for the equity part of the Fund in order to attain the social characteristics promoted by the funds:

- ◊ Investee companies shall offer technology, research, services, etc., that directly or indirectly lay the foundation for the next generation of healthcare, and thereby contribute to UNSDG #3: Good health and well-being.
- ◊ Investee companies may not have a core business model which is deemed to do significant harm or has/risks having unacceptable adverse impacts on good health and well-being and/or society. This means excluding companies that either:
  - Derive more than 5 % of their total revenues from the production or distribution of 1) conventional weapons, 2) commercial gambling, 3) tobacco, 4) fossil fuels, 5) pornography or 6) alcoholic beverages; are known to have any involvement in controversial weapons; or

  - Are in severe and/or systematic breach of internationally recognised conventions and norms regarding the environment, human rights, labour law and anti-corruption

ESG factors (risks and opportunities) are considered for all direct equity investments, potential and existing. External quantitative data as well as in-house sector expertise are combined to analyze risks and opportunities from a sub-sector perspective and the Portfolio Manager's conclusions are used as basis in the Portfolio Manager's decision-making processes.

Additionally, all potential investments must pass our pre-trade check for Good governance and our PAI assessment. Rhenman & Partner's assessment of good governance includes, but is not limited to, sound management structures, labor relations, remuneration and tax compliance. Rhenman & Partners uses its own pre-trade assessment tool to confirm that the investee company fulfills Rhenman & Partner's expectations for each of the governance factors relevant to the sector and in relation to the sub-sector and the maturity of the company. The assessment is based on both company data and information as well as data supplied by external data providers. Furthermore, all investments are screened pre- and post-trade for any violations against international conventions and norms, including OECD Principles and ILO Guidelines. Where reported data may be lacking (generally the case for small- and micro-caps), we base our views and conclusions on information sourced from the investee company and our extensive sector expertise.

Prior to any investment, Rhenman & Partners also performs a Do No Significant Harm (DNSH) test which comprises all 14 mandatory PAI indicators, plus two additional indicators (which are considered particularly important for the healthcare sector).

In order to qualify as a sustainable investment within the Sub-Fund, and in accordance with article 2.17 of SFDR, the investee company must pass the Portfolio Manager's three step test which comprises:

1. Contribute to UNSDG #3: Good health and well-being which is defined as meeting at least one of the following criteria:
   a) "revenue alignment", i.e. offering products and/or services contributing to UNSDG #3 amounting to at least 20 % of the company's total revenues;
   b) spend on average at least 20% of annual revenues; at least 20% of operating expenses; or at least 20 % of equivalent capital over a current three year period (which may also include the Portfolio Manager's forecasts of such investments) on relevant R&D for new drugs and/or treatments; and/or
   c) scoring in the top quartile of at least two PAI indicators according to the Portfolio Manager's third party data provider, Clarity.AI,
2. Fulfil the Portfolio Manager's expectations on Good Governance as described above, including but not limited to, sound management structures, labour relations, remuneration and tax compliance; and
3. Pass the DNSH test which means:
   - No products, services or operational exposure to negative exposure PAIs
   - No exposure to controversy PAIs
   - No mandatory PAIs in the bottom 5th percentile according to third party data provider, Clarity.AI.

All investments are screened and monitored both pre- and post trade.

## Proportion of investments

The Sub-Fund comprises mainly direct investments in equities, but may also utilize the hedge fund's more flexible investment mandate in order to create value and limit risks. At least 50% of the Sub-Fund's total allocation will comprise of long positions in healthcare equities that are aligned with the Sub-Fund's social characteristics, calculated as: direct investments in equities aligned with the social characteristics of the Sub-Fund divided by the gross exposure of the Sub-Fund. The remaining share of the Fund comprises cash positions, short positions, derivatives and other eligible assets used mainly for liquidity and hedging purposes and do not undergo any of our ESG assessments or minimum environmental or social safeguards and do not promote social characteristics.

Moreover, a minimum of 20% of the total allocation of the Sub-Fund shall be in sustainable investments, as defined in article 2.17 of SFDR, and determined using the Portfolio Manager's three-step-test. This ratio is calculated as: direct investments in equities categorized as sustainable investments divided by the gross exposure of the Sub-Fund.

## Monitoring of environmental or social characteristics

Post-investment, the portfolio is monitored on an ongoing basis to track progress and discover potential new outliers which may require additional analysis or action. This review is done in collaboration with Rhenman & Partners' outsourced Compliance Officer. On a quarterly basis a post trade report is shared with Rhenman & Partners' senior management and board.

**The fund uses the following sustainability indicators to measure the attainment of environmental and social characteristics:**

1. % of the Sub-Fund's capital invested in companies that offer technology, research, services, etc., or spend a significant amount of their revenues, operating expenses or equivalent capital on relevant R&D for new drugs and/or treatments that directly or indirectly lay the foundation for the next generation of healthcare, and thereby contribute to UNSDG #3: Good health and well-being.
2. % of the Sub-Fund's capital invested in companies with their core business in any of the excluded sectors listed above.
3. % of the Sub-Fund's capital invested in companies in severe and/or systematic breach of recognized conventions and norms regarding the environment, human rights, labour law and anti-corruption.
4. % of the Sub-Fund's capital invested in Sustainable Investments according to SFDR article 2.17.

Rhenman & Partners works together with Compliance Officer and Risk Officer to ensure that there are appropriate routines and processes in place so that the sustainability risks and requirements that are determined are followed in all parts of the investment process.

## Methodologies

Rhenman & Partners uses its own pre-trade assessment tool to analyze potential investments and confirm that all investments are in line with Rhenman & Partner's Policy for Responsible Investments and the binding elements of the Fund. The assessment is based on both company data and information as well as data supplied by external data providers. An important extra level of due diligence is the investment team's deep sector knowledge and individual sub-sector and company analysis.

## Data sources and processing

Over and above qualitative data that our investment team gathers their regular contacts with companies, we use Clarity.AI as well as Bloomberg for quantitative data/information. These suppliers have been selected based on a thorough review of methodology, data coverage and quality. The data sourced from Clarity.AI comprises both reported data as well as estimates. Clarity AI's solution leverages reported and estimated data from a variety of sources, including CDP, EU/UN/US sanction lists, EU non cooperative jurisdiction list, Global Rights Index, which are augmented with proprietary NLP algorithms. A breakdown between reported and estimated data is only available for PAI data at present.

## Limitations to methodologies and data

It is important to note that data for many indicators is still unavailable for many companies. Both reported and estimated data is used in our investment analysis and our reporting (e g Rhenman & Partners' Statement on Principal Adverse Impacts on Sustainability Factors). Estimates are only used if reported data is not available. It should be noted that any estimates used may under- or overstate actual values or impacts. Where reported data may be lacking (generally the case for small- and micro-caps), we base our views and conclusions on information sourced from the investee company and our extensive sector expertise.

## Due diligence

Prior to investment into any equity, Rhenman & Partners perform a pre-trade analysis using a proprietary framework which includes a review of material sustainability risks, with particular focus on risks relevant to the healthcare sector and the Fund's relevant sub-sectors, a Good Governance test and a Do No Significant Harm test. The Do No Significant Harm test comprises all 14 mandatory PAI indicators, plus two additional indicators (6. Water usage and recycling and 15. Lack of anti-corruption and anti-bribery policies, which are considered particularly important for the healthcare sector).). Any outliers will be analyzed further and the conclusions will be assessed together with other quantitative and/or qualitative data in the investment process.

## Engagement policies

Rhenman & Partners are engaged in a continuous dialogue with companies within (or under review for) the portfolio and this forms a central part of the investment process. This dialogue revolves around the company's current situation, outlook and general market environment but can also include questions around sustainability and a company's principal adverse impacts. Conclusions feed into the portfolio management team's analysis and investment decisions. If Rhenman & Partners is made aware of a specific case where a company is acting contrary to our expectations in relation to environmental or social issues, Rhenman & Partners will also evaluate whether an active dialogue should be initiated to influence the company in a positive direction or if not, whether a divestment should be considered.

However, in light of the EU's Shareholder Rights Directive II (SRD II) and the holding structure of Rhenman & Partners, Rhenman & Partners does not systematically exercise voting rights at general meetings.

## Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.