

October 2009 - Rhenman Healthcare Equity L/S

Monthly Update

During October the Nasdaq Biotechnology Index was down 10.4%. Rhenman Healthcare Equity L/S depreciated 6.3 %, partly as a result of an exposure to the biotechnology sector which exceeded 50%. The healthcare market was down 2 % (slightly less than the overall global market).

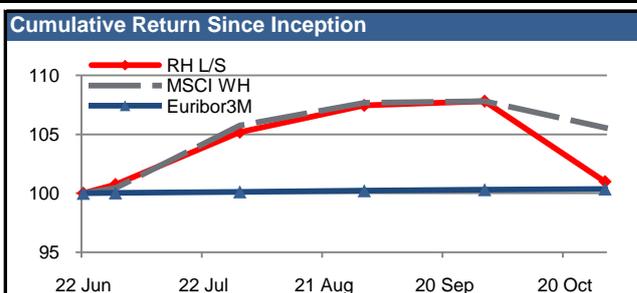
Why did this correction take place when quarterly reports were generally quite good and disappointments rare or minor? Our interpretation is that the market discounts an even greater improvement in the overall economy and continues to rotate towards companies and sectors which to a large degree benefit from an improvement in the business cycle; examples are Apple (+109 % YTD in EUR), Microsoft (+40 %), Amazon.com (+134 %), Research in Motion (+45 %) and instead sell defensive stocks, such as Amgen (-11 % YTD in EUR), Biogen Idec (-15 %), Gilead (-20 %), despite that earnings estimates for these companies have been increasing during the year but not at all as much as for technology companies. To illustrate this further, the earnings estimate (consensus) for Apple in the next fiscal year has increased 42 % during 2009, but only with 13 % for one of our favorite companies, Gilead. The outlook for Gilead's profit growth next year is very good, with a growth of at least 10 %, probably significantly higher as sales have continued to grow faster than expected. In comparison Apple has an estimated earnings growth of approximately 20-25 %.

As a consequence of the fund's downturn we have decided to significantly decrease the fund's net- and gross exposure during November in order to lower the risk for continued negative development. We have also chosen to lower the fund's exposure to biotechnology investments, as it cannot be ruled out that sector rotation will continue. However, we believe that we have very strong valuation support in the traditional large cap biotechnology companies, with Amgen trading at P/E 10 on next year's earnings, Biogen Idec P/E 10 (despite an R&D budget of 25 % of sales), and Gilead P/E 13. These P/E numbers are at a record low which also holds true for the large European pharmaceutical companies. According to UBS, European pharmaceutical companies today trade at the same low relative P/E ratio (compared to the average P/E ratio for the European market as a whole) as in 1993, when the world economy was about to improve. For the following five years the healthcare sector outperformed the overall market with 11 % - per year!

Cardinal Health, Sinopharm and Novartis gave the largest positive contributions to the fund's performance. Biogen Idec, Amgen, Gerresheimer and Gilead were the most significant negative contributors during the month.

Return	Rhenman Healthcare (EUR)	MSCI World Healthcare ¹ (EUR)	3 Month Euribor
2009 October	-6.34%	-2.09%	0.06%
Since Start	0.99%	5.57%	0.38%
12m Rolling	-	-	-

1) Source: Bloomberg. 2) Fund Inception: June 22, 2009.



Risk	Rhenman Healthcare (EUR)	MSCI World Healthcare	MSCI World
Value at Risk, % ²	1.87	-	-
Standard deviation, %	-	-	-
Correlation	-	-	-
Sharpe Ratio	-	-	-
Beta	-	-	-
Jensens Alfa	-	-	-

2) The fund was positioned on October 30 for a large percentual net fund inflow on November 1. Some fields are intentionally left blank as there are too few historical datapoints to be meaningful.

Exposure	Rhenman Healthcare (EUR)	Largest Long Positions (% of equity)	
Long ²	112.5%	Biogen Idec Inc	5.4%
Short ²	8.3%	Amgen Inc	5.3%
Gross ²	120.8%	Gilead Sciences Inc	5.2%
Net ²	104.2%	Baxter International Inc	5.1%
		Johnson & Johnson	5.0%
Net ⁴	94.5%		

4) Adjusted for net fund inflow.

Monthly Performance (IC1 EUR, since inception, net of fees), %

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009						0.75	4.41	2.17	0.33	-6.34			0.99

NAV (IC1 EUR)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009						100.75	105.19	107.47	107.83	100.99		

NAV (RC1 SEK)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009						99.74	99.92	101.00	101.51	96.72		

NAV (RC2 SEK)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009						99.74	99.98	101.12	101.68	96.94		

Fund characteristics

- Target annual returns in excess of 15% (before fees) with a volatility below the stock market
- Long-term investment horizon but active trading around holdings
- Roughly equal allocation to small-, mid- and large-cap companies
- Typically 60–70 positions out of a 500 company universe
- Portfolio company size > USD 200 million
- Cash flow positive companies are predominant

Key Data

• Base currency:	EUR
• Subscription/redemption frequency:	Monthly (T-3)
• Share classes:	(R) Retail class / (I) Institutional class
• Minimum initial investment:	RC1 = SEK 250 000 RC2 = SEK 2 500 000 IC1 = EUR 250 000
• Minimum top-up investment:	No minimum
• Management fee:	RC1 = 2 %, RC2 = 1,5 %, IC1 = 1,5 %
• Benchmark:	Euribor 90D
• Performance fee (quarterly):	20 % (high water mark)
• Soft close:	EUR 500m
• Hard close:	EUR 1bn
• Dividends:	R = Only capitalization I = Capitalization + Distribution
• Legal Structure:	Open-ended FCP (Fonds Commun de Placement) under Part II of the Luxembourg Law on Investment Funds (20 Dec, 2002)
• Fund Management Company:	SEB Fund Services S.A.
• Fund Promotor (Sponsor):	SEB Fund Services S.A.
• Investment Manager:	Rhenman & Partners Asset Management AB
• Placement and Distribution Agent:	Rhenman & Partners Asset Management AB
• Custodian Bank and Paying Agent:	Skandinaviska Enskilda Banken S.A.
• Prime Broker:	Skandinaviska Enskilda Banken AB (publ)
• External Auditor:	PricewaterhouseCoopers (PwC)
• Swedish registration:	Registration process initiated
• ISIN:	RC1 = LU0417597712, RC2 = LU0417590817, IC1 = LU0417598108
• Bloomberg ticker:	RC1 = RHLSRC1 LX, RC2 = RHLSRC2 LX, IC1 = RHLEIC1 LX
• Lipper Reuters ticker:	RC1 = 68014067, RC2 = 68015239, IC1 = 65147588
• Telekurs ticker:	RC1 = 10239523, RC2 = 10239528, IC1 = 10034579

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