

March 2010 - Rhenman Healthcare Equity L/S

Monthly Update

Despite a number of earlier unsuccessful attempts, the Obama administration succeeded in March in pushing through its reform of the healthcare system, despite some fierce opposition from Republicans in the House of Representatives. The reform is quite investor-friendly if still difficult to judge in terms of 'managed care', that is the insurance companies. Many parts of the reform will not be implemented for a number of years giving the opportunity for the market to interpret its consequences step by step. The reform can be summarised as follows:

- 1) The rebates the pharmaceutical companies are obliged to give to federally-funded programmes will rise somewhat and together with other measures (in the main taxes) the total cost can be estimated as being equivalent to two years of normal price increases.
- 2) Medical device manufacturers are faced with a special excise tax on their products corresponding to a couple of per cent of the aggregated profits for this market segment.
- 3) The 'individual mandate' requires people to buy health insurance meaning that approximately 95% of all US citizens will be covered by health insurance.
- 4) The reform will be financed by tax increases in the household sector, taxes directed at companies in the healthcare sector and a reduction in the yearly increases of funds to the Medicare program. All in all the reform can be seen as clearly expansive and positive for the sector.

In Germany a proposal has been made to impose mandatory rebates on drugs which, if enacted, would represent an attack on free price negotiations. Our judgement however is that the proposal will not have a serious negative effect on profitable drug sales in Germany although it is negative in the sense that it can lead to further profit erosion in the longer term and indirectly have an effect on price negotiations in other European countries.

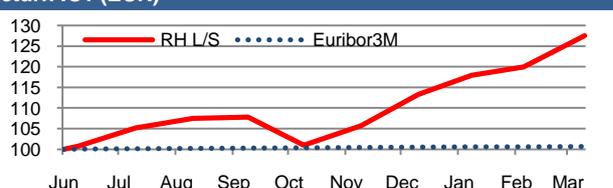
The fund continued to rise during March with the biotechnology segment continuing to be relatively strong. During recent months American companies have performed better than their European counterparts in the portfolio, probably because the American health reform has now been pushed through resulting in investors returning to the sector. Our view is that European companies should perform well in the months ahead. In addition, we consider that the present valuations of our holdings will support continuing strong stock price performances, valuations now being at a record low level compared with cyclical shares. We look forward to the reporting season which is sure to reveal many interesting commentaries on the big reform in the West and should support further upward revaluation of the sector.

Nektar Therapeutics, Centene Corp, Fresenius SE gave the largest positive contribution to the fund's performance during the month. Our holdings in Medivation Inc, Gilead Sciences Inc and Beckman Coulter showed the weakest performance.

Return IC1 (EUR)

| | Rhenman Healthcare Equity L/S IC1 (EUR) | 3 Month Euribor |
|------------------------------|--|--------------------|
| March | 6.33% | 0.06% |
| YTD | 12.58% | 0.17% |
| Since Inception (2009-06-22) | 27.53% | 0.68% |

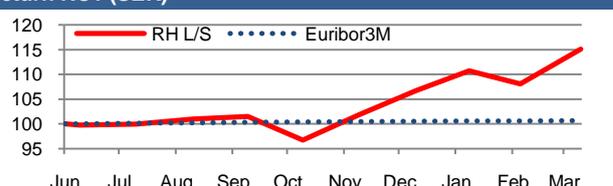
Return IC1 (EUR)



Return RC1 (SEK)

| | Rhenman Healthcare Equity L/S RC1 (SEK) | 3 Month Euribor |
|------------------------------|--|--------------------|
| March | 6.52% | 0.06% |
| YTD | 7.81% | 0.17% |
| Since Inception (2009-06-22) | 15.09% | 0.68% |

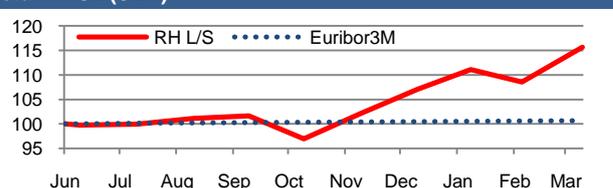
Return RC1 (SEK)



Return RC2 (SEK)

| | Rhenman Healthcare Equity L/S RC2 (SEK) | 3 Month Euribor |
|------------------------------|--|--------------------|
| March | 6.56% | 0.06% |
| YTD | 8.05% | 0.17% |
| Since Inception (2009-06-22) | 15.69% | 0.68% |

Return RC2 (SEK)



| Risk | Exposure | Largest Long Positions (% of equity) |
|--------------------------------------|-----------------------------|--------------------------------------|
| Value at Risk, % ¹ | 2.39 Long | Fresenius SE 5.2% |
| Standard deviation, % ^{2,3} | 12.84 Short | Merck & Co. Inc 4.9% |
| Sharpe ratio ^{2,3} | 2.47 Gross | Synthes Inc 4.7% |
| | Net | Gilead Sciences Inc 4.6% |
| | Net (adjusted) ⁴ | CVS Caremark Corp 4.3% |

1) For holdings on March 31. 2) Since start until March 25.

3) Standard deviation and Sharpe ratio annualized. 4) Adjusted for net fund inflow for April.

Monthly Performance
IC1 NAV (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 | 105.70 | 113.28 |
| 2010 | 117.91 | 119.94 | 127.53 | | | | | | | | | |

IC1 Performance % (net of fees)

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|------|------|------|-----|-----|------|------|------|------|-------|------|------|--------|
| 2009 | | | | | | 0.75 | 4.41 | 2.17 | 0.33 | -6.34 | 4.66 | 7.17 | +13.28 |
| 2010 | 4.09 | 1.72 | 6.33 | | | | | | | | | | +12.58 |

RC1 NAV (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 | 101.85 | 106.75 |
| 2010 | 110.70 | 108.05 | 115.09 | | | | | | | | | |

RC1 Performance % (net of fees)

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|------|-------|------|-----|-----|-------|------|------|------|-------|------|------|-------|
| 2009 | | | | | | -0.26 | 0.18 | 1.08 | 0.50 | -4.72 | 5.30 | 4.81 | +6.75 |
| 2010 | 3.70 | -2.39 | 6.52 | | | | | | | | | | +7.81 |

RC2 NAV (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 | 102.10 | 107.07 |
| 2010 | 111.07 | 108.57 | 115.69 | | | | | | | | | |

RC2 Performance % (net of fees)

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|------|-------|------|-----|-----|-------|------|------|------|-------|------|------|-------|
| 2009 | | | | | | -0.26 | 0.24 | 1.14 | 0.55 | -4.66 | 5.32 | 4.87 | +7.07 |
| 2010 | 3.74 | -2.25 | 6.56 | | | | | | | | | | +8.05 |

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: | Yes (since November 5, 2009) |
| • 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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