

## June 2010 - Rhenman Healthcare Equity L/S

### Monthly Update

Initially, equity markets recovered somewhat from May's large drop, only to fall again sharply at the end of June due to weak U.S. macroeconomic statistics. It is now most apparent that the causes of the financial markets' turmoil may be divided into three primary areas: (1) the so-called peripheral countries' debt and competitiveness within the Euro area, coupled with entailing budget consolidation and bank recapitalization (2) the risk of a so-called "double-dip" (two recessions in a row) in the U.S. due to weak development of the labour market; (3) restrictive economic policies in China and other Asian countries as a result of inflation and overheating tendencies, leading to a drop in demand within the global economy. In addition, concerns about the Gulf of Mexico and BP as well as other traditional trouble spots are also worth mentioning. We recognize that the process of recovery is likely to become prolonged and at times volatile. As for the U.S. recovery in particular, it may take another six months or more before we can say with certainty that the worst is over. However, we have a relatively positive outlook for the following reasons: firstly, double-dips are rare, the last one occurring in 1980-1981 when the U.S. Federal Reserve raised rates sharply (from 11% to 20%) to beat inflation. This significantly weakened the labour market at the time, but after inflation and interest rates receded the labour market rebounded strongly. Naturally, the course of events is completely different this time around, and a similar austerity is not at all likely, despite projections of increased taxes in the relatively near future. Instead, the purchasing power of the U.S. households is growing steadily due to the lowering of mortgage rates (which declined sharply, approximately one-half percent, during the recent market turmoil) and lower oil prices. For Europe, a very difficult and challenging transition is to be expected, but there is no doubt that all the EU countries have begun the arduous path towards lower budget deficits and sound public finances. There is a risk that this could lead to an excessive drop in demand as it did during the Depression in the 1930's. However, many of the reforms being implemented now are by nature long-term, for example higher retirement age (the Greek Parliament recently adopted such a reform), which decreases this risk. China certainly has its fair share of problems but is coming from a strong position with large foreign currency assets and strong competitiveness, so this provides great flexibility in the range of measures currently being considered to counterbalance some of the earlier austerity policy measures.

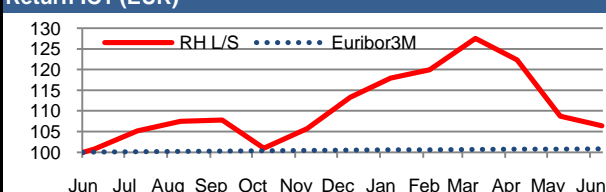
The fund declined during June, with most sub-sectors weak this month. The fund is now once again fully exposed to the stock market. Overall, we see continued volatility in a market where financial investors would like to see an improved U.S. labour market (which may only take place when the capacity utilization has risen further and the need to recruit strengthens) as well as continued implementation of budget- and banking restructuring in Europe without growth abating (the most recent forecasts by IMF indicate continued growth) and also that China continues to have strong growth. We see good chances for all these three conditions for global growth to materialize, but we believe that this will only become clear in the autumn when jobless claims in the U.S. continue to fall, and employment grows. In the Healthcare sector, there were no large negative or positive events during the month in terms of prices or other significant policy issues. We estimate that the development of drug prices in Europe is better than previously feared. More details regarding the German reform are, however, essential for making a full, accurate assessment. The big pharmaceutical companies' share prices have very recently shown clear signs of bottoming out, which bodes well for the sector as a whole. The forthcoming reporting season is particularly interesting in light of the large currency movements we have had in the first half of the year and we have tried to position the fund in companies that benefit from, or are well placed to cope with a strong dollar.

Cyberonics Inc, Martek Biosciences Corp and Salix Pharmaceuticals Ltd gave the greatest positive contribution to the fund development during the month. CVS Caremark Corp, Grifols SA and Algeta ASA were the main negative contributors.

#### Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor
June	-2.14%	0.05%
YTD	-6.07%	0.33%
Since Inception (2009-06-22)	6.40%	0.84%

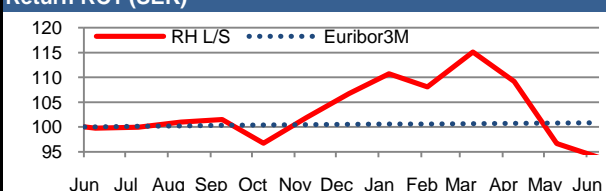
#### Return IC1 (EUR)



#### Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor
June	-2.92%	0.05%
YTD	-12.07%	0.33%
Since Inception (2009-06-22)	-6.13%	0.84%

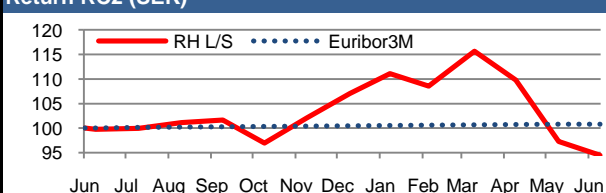
#### Return RC1 (SEK)



#### Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor
June	-2.89%	0.05%
YTD	-11.77%	0.33%
Since Inception (2009-06-22)	-5.53%	0.84%

#### Return RC2 (SEK)



## 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	122.31	108.73	106.40						

### 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	-4.09	-11.10	-2.14							-6.07

### 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	109.18	96.69	93.87						

### 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	-5.14	-11.44	-2.92							-12.07

### 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	109.78	97.28	94.47						

### 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	-5.11	-11.39	-2.89							-11.77

Risk	Exposure	Largest Long Positions (% of equity)
Value at Risk, % <sup>1</sup>	4.60 Long	108.0% Roche Holding AG 5.6%
Standard deviation, % <sup>2,3</sup>	19.86 Short	26.7% Fresenius SE 5.2%
Sharpe ratio <sup>2,3</sup>	0.47 Gross	134.8% Novartis AG 5.0%
	Net	81.3% Celgene Corp 4.9%
		Synthes Inc 4.5%

1) For holdings on June 30. 2) Since start until June 24.

3) Standard deviation and Sharpe ratio annualized.

## 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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