

August 2010 - Rhenman Healthcare Equity L/S

Monthly Update

For most of the world's stock markets, August was a weak and in some cases very weak month. Government bonds continued to rise as a result of the continued preference for assets perceived as low-risk. Concerns about a "double-dip" in the U.S. are growing and even the Federal Reserve notes a weakening economic outlook. Fed Chairman Ben Bernanke gave a detailed speech in which he discussed various possible measures to take in case a weakening economic activity should jeopardize the country's economic recovery. Closest at hand is renewed purchases of government bonds (quantitative easing), but no timetable was specified. Instead, this is dependent on the development of the labor market and the possibility of a slowing economy. His speech was perceived by the market as reassuring in that the Fed is prepared for further action. In Europe new signs emerged that Germany in particular will continue its strong growth, but fear of the PIIGS countries has returned to some extent.

The fund managed to stay almost unchanged, which was partly an effect of the stronger dollar. The month started strong, but increasing concern for falling economic activity resulted in most shares declining in value. In particular, shares related to companies that have a certain dependence on the business cycle were weak, such as orthopedics (that is adversely affected by unemployment) and life science equipment (dependent on the general willingness to invest). Medical technology was also weak due to the fact that the large company Medtronic delivered a weak report, partly due to reduced inventories among hospitals. Pharmaceuticals and health insurance companies fared better. As a result of a very weak Nasdaq at the end of the month, biotechnology shares once again fell back in value. Although this sub-sector should be seen as non-cyclical, it is also highly dependent on the market's general risk appetite.

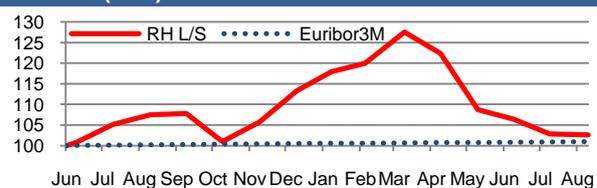
Probably the most important event in the healthcare sector was Sanofi's hostile bid for Genzyme, amounting to 18.5 billion dollars. It is important because it reveals the value of biotechnology companies and the synergies that can be obtained (mainly administration and marketing can be coordinated). This may be the starting point for more M&A-activities in the coming year. Pharmaceutical companies can borrow at record low cost and therefore purchases may be made with very high premiums (>50%) over current stock prices. The fund benefited from this for a few weeks, but Nasdaq-weakness at the end of the month took over, unfortunately. The fund is currently positioned for a rising stock market, and short positions are currently relatively few. Looking ahead, we believe that the market outlook is very good for the next six months. However, September and to some extent October are traditionally difficult months. September is statistically the year's weakest month and October is the most volatile. Midterm election years in the U.S. tend to finish very strong and in light of the weak and volatile stock market in the late summer, there is, in our opinion, a latent buy demand for shares, subject to the economic situation which needs to stabilize, particularly in the U.S. but also in parts of Europe. We are among those who believe that the risk for a "double-dip" is small (<20%), but that the coming months may signify a weaker economic growth period. Healthcare should definitely be a winner in such a situation. It may be useful to recall that when the majority considers the business cycle as being stable and accelerating, it is soon time for financial interventions of various kinds. The best performance for the stock market is likely to occur in a period before that.

Novartis AG, Roche Holding AG and Life Technologies made the greatest positive contribution to the development of the fund during the month. Momenta Pharmaceuticals, UCB SA and Celgene Corp were the biggest negative contributors.

Return IC1 (EUR)

| | Rhenman Healthcare Equity L/S IC1 (EUR) | 3 Month Euribor (EUR) |
|------------------------------|--|--------------------------|
| August | -0.20% | 0.07% |
| YTD | -9.40% | 0.46% |
| Since Inception (2009-06-22) | 2.63% | 0.97% |

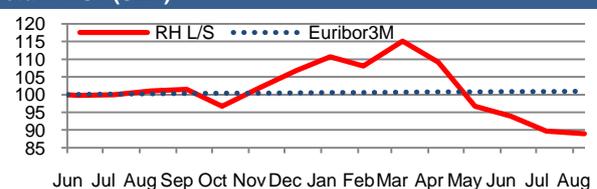
Return IC1 (EUR)



Return RC1 (SEK)

| | Rhenman Healthcare Equity L/S RC1 (SEK) | 3 Month Euribor (EUR) |
|------------------------------|--|--------------------------|
| August | -0.85% | 0.07% |
| YTD | -16.69% | 0.46% |
| Since Inception (2009-06-22) | -11.07% | 0.97% |

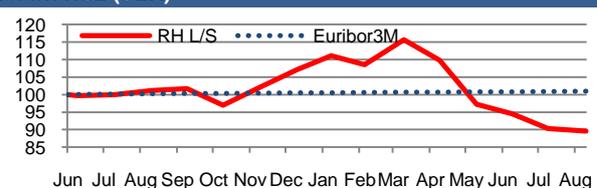
Return RC1 (SEK)



Return RC2 (SEK)

| | Rhenman Healthcare Equity L/S RC2 (SEK) | 3 Month Euribor (EUR) |
|------------------------------|--|--------------------------|
| August | -0.81% | 0.07% |
| YTD | -16.34% | 0.46% |
| Since Inception (2009-06-22) | -10.42% | 0.97% |

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 | 102.84 | 102.63 | | | | |

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 | -3.35 | -0.20 | | | | | -9.40 |

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 | 89.69 | 88.93 | | | | |

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 | -4.45 | -0.85 | | | | | -16.69 |

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 | 90.31 | 89.58 | | | | |

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 | -4.40 | -0.81 | | | | | -16.34 |

| Risk | Exposure | Largest Long Positions (% of equity) |
|--------------------------------------|-------------|--------------------------------------|
| Value at Risk, % ¹ | 4.40 Long | 119.9% Fresenius SE 5.1% |
| Standard deviation, % ^{2,3} | 21.09 Short | 23.7% Shire PLC 4.5% |
| Sharpe ratio ^{2,3} | 0.10 Gross | 143.6% Amgen Inc 4.1% |
| | Net | 96.2% Roche Holding AG 3.8% |
| | | Celgene Corp 3.7% |

1) For holdings on Augusti 31. 2) Since start until Augusti 26.
3) Standard deviation and Sharpe ratio annualized.

Currency Exposure (% of equity)

| | |
|-----|-------|
| USD | 62.7% |
| EUR | 15.5% |
| CHF | 11.6% |
| GBP | 5.8% |
| NOK | 2.8% |
| HKD | 1.5% |
| DKK | 0.4% |
| SEK | -0.3% |

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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