

September 2010 - Rhenman Healthcare Equity L/S

Monthly Update

Equity markets in September were very strong. The late summer's economic slowdown did not accelerate and although the risk of an impending new recession has been reduced, it is still not completely over. Federal Reserve members have continued to imply that the new quantitative easing may be implemented as a consequence of a weak labor market, of too low inflation and too low demand. A large part of the market recovery so far may be attributed to restocking. Furthermore, the U.S. economy is in a critical stage now where final demand must increase in order to give the economy enough strength to also give support to new employment. Northern Europe's and the BRIC-countries' economies are still looking encouragingly strong, and this has also given extra impetus to stock exchanges during the September.

However, Ireland's weak development, where bailout programs for banks may be up to 50% of GDP, has worried the European markets, not least due to the normal budgetary austerity measures taking so much time to implement. Unhealthily large currency movements continue unabated and the dollar continues to weaken, as a result of concerns about monetary policy in the US. A lack of common strategy among American politicians as to how to overcome the deficits has been clear in the polarized debates ahead of the US elections. Interest rate levels remain very low and this continues to give strong support to equity markets, particularly for high-yielding stocks as well as traditional growth stocks.

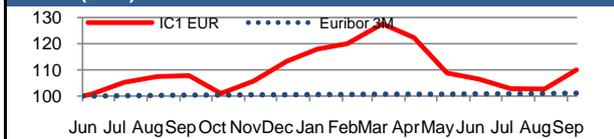
The fund had a successful month, despite continued significant headwind in terms of currency movements. A newly arisen and sizeable interest in our sector is clearly apparent. All sub-sectors had a positive development during the month and few shares in the portfolio had a negative development. Furthermore, a small number of shares have broken out from their so-called trading ranges, which is quite encouraging. We continue to believe that the outlook remains very strong for the coming six months. The US elections will presumably be the starting point for a rising stock market. However before that, third quarter results are crucial and it should be mentioned that the upward earnings revisions that we have seen are now beginning to diminish. Equity markets, however, are cheap, and it is likely that even minor positive estimate deviations will be well received, especially if macro statistics continue to point to a recovery. Our US stocks will not instantaneously benefit from the renewed weakening of the dollar, but American companies have every reason to face the future with confidence, not least due to the very strong demand that is at hand in other parts of the world. Price reductions on drugs in Europe are a minor concern, but in our opinion they are already well discounted in current share prices. The remaining uncertainty is related to slightly lower utilization of medical services in the United States due to lack of healthcare insurance among the unemployed. However, we believe that demand outside the US and Europe will make up for this. This month's highlighted stock in our portfolio is Alexion, a medium-sized US biotechnology company. The share is trading at all-time high. The Alexion share is interesting because it so clearly illustrates the opportunity for our companies to grow existing products by developing new indications. From being a one-product company, Alexion is now on its way into many new diseases, many of them potentially bigger than the original approved one. This gives Alexion (and many biotechnology companies) a tremendous opportunity to grow strongly over time. Biotechnology is therefore still a very important part of our portfolio.

Zymogenetics Inc, Grifols SA and United Therapeutics Corp gave the greatest positive contribution to the fund development during the month. A significant contribution was given by the short position in Merck KGaA. Roche Holding AG, Actelion Ltd and Watson Pharmaceuticals were the largest negative contributors.

Return (EUR) IC1

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
September	7.13%	0.06%
YTD	-2.94%	0.53%
Since Inception (2009-06-22)	9.95%	1.03%

Return (EUR) IC1



Return (EUR) RC1

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
September	4.35%	0.06%
YTD	4.35%	0.06%
Since Inception (2010-08-31)	4.35%	0.06%

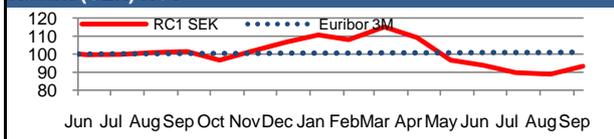
Return (EUR) RC1



Return (SEK) RC1

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
September	4.99%	0.06%
YTD	-12.53%	0.53%
Since Inception (2009-06-22)	-6.63%	1.03%

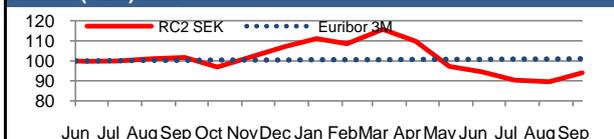
Return (SEK) RC1



Return (SEK) RC2

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
September	5.05%	0.06%
YTD	-12.11%	0.53%
Since Inception (2009-06-22)	-5.90%	1.03%

Return (SEK) RC2



IC1 (EUR) NAV												
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	109.95			

IC1 (EUR) 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	7.13				-2.94

RC1 (EUR) NAV												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009												
2010								100.00	104.35			

RC1 (EUR) Performance %, net of fees													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2009													
2010									4.35				+4.35

RC1 (SEK) NAV												
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	93.37			

RC1 (SEK) 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	4.99				-12.53

RC2 (SEK) NAV												
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	94.10			

RC2 (SEK) 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	5.05				-12.11

Risk (IC1)	Exposure	Largest Long Positions (% of equity)
Value at Risk, % ¹	3.40 Long	120.7% Roche Holding AG 4.9%
Standard deviation, % ^{2,3}	20.93 Short	20.5% Alexion Pharmaceuticals Inc 4.3%
Sharpe ratio ^{2,3}	0.36 Gross	141.2% Fresenius SE 4.1%
	Net	100.2% Teva Pharmaceuticals 3.2%
		Celgene Corp 3.1%

1) For holdings on September 30. 2) Since start until September 30.
3) Standard deviation and Sharpe ratio annualized.

Currency Exposure (% of equity > 5%)					
USD	62.6%	EUR	19.3%	CHF	10.5%

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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