

January 2011 - Rhenman Healthcare Equity L/S

Monthly Update

January began with rising share prices but unrest in Egypt created nervousness in the market. The dollar fell by two per cent against the euro as a result of moves by the European Community to increase the new European rescue fund and thereby create additional mechanisms with which to save the single currency, the euro. Macro statistics remained strong. The world's stock exchanges stayed more or less unchanged during the month while the healthcare sector was down about two percentage points. The energy and financial sectors were among the winners as a result of reduced worries over further crises in the periphery of Europe.

The performance of shares in the healthcare sector was characterized by a marked preference for medium and small companies. These types of companies are among the most vulnerable when levels of volatility rise in connection with political crises, such as the current one in Egypt. This is why we saw a marked backlash during the last few days of the month.

The main fund class (IC1, EUR) fell by almost one percent in January. This negative development was entirely due to the crisis in Egypt, which created a sharp drop in risk appetite in the equity markets.

The reporting season is in full swing and generally shows strong reports across the board. However, it is interesting to note that in a number of cases the market was not satisfied with a good report if it was not backed up with a forecast that exceeded market expectations. In several cases share price reactions would seem to indicate that a large part of the rising profits are already discounted. However, we believe that such a conclusion is a little over-simplified. Prices often drop instantaneously on the basis of reports that are in line with market expectations, only to begin to rise again after a period of consolidation. We believe that this will happen this time too, precisely because valuations are historically low. We therefore see no new trend, only the short-term profit-taking that is natural in a generally rising stock market.

It is pleasing to see that the insurance companies are now performing strongly. The biggest disappointment was probably Celgene, which showed the same signs as Gilead last year, moving from being a growth valuation case to a so-called pure value case, presumably because the stock market has put a hefty discount on both companies market capitalization needing to use a large part of their cash flows to adequately secure their pipelines. The Gilead stock has begun to rise again while Celgene seems to need time to find new investors. We regard these two shares as being considerably undervalued but understand that this type of change to an investor base often takes rather a long time.

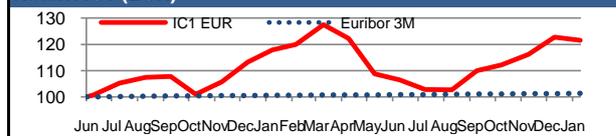
Interest in the healthcare sector continues to be good, despite showing some signs of relative weakness during the month, but we must not forget that January has been a particularly good month for energy and financial stocks coupled with increased financial stability and rising oil prices. This, of course, has nothing to do with the fundamentals of the healthcare sector. We look to the future with confidence.

Intuitive Surgical Inc., Imris Inc and Shire plc gave the greatest contributions to the fund's performance during January. Celgene Corp, Salix Pharmaceuticals Ltd, and Algeta ASA were the largest negative contributors.

Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
January	-0.98%	0.09%
YTD	-0.98%	0.09%
Since Inception (2009-06-22)	21.53%	1.35%

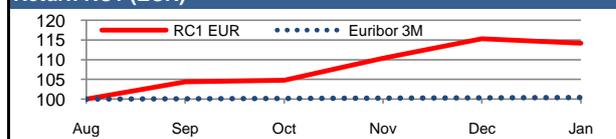
Return IC1 (EUR)



Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
January	-0.99%	0.09%
YTD	-0.99%	0.09%
Since Inception (2010-08-31)	14.18%	0.37%

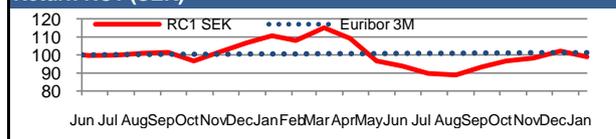
Return RC1 (EUR)



Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
January	-3.18%	0.09%
YTD	-3.18%	0.09%
Since Inception (2009-06-22)	-1.09%	1.35%

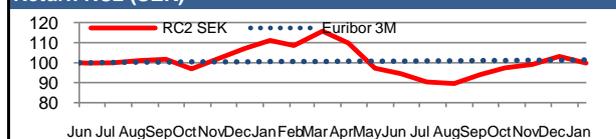
Return RC1 (SEK)



Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
January	-3.14%	0.09%
YTD	-3.14%	0.09%
Since Inception (2009-06-22)	-0.16%	1.35%

Return RC2 (SEK)



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	112.16	116.17	122.73
2011	121.53											

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	2.01	3.58	5.65	+8.34
2011	-0.98												-0.98

RC1 (EUR) NAV												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009												
2010								100.00	104.35	104.75	110.36	115.32
2011	114.18											

RC1 (EUR) Performance %, net of fees													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2009													
2010									4.35	0.38	5.36	4.49	+15.32
2011	-0.99												-0.99

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	96.59	98.29	102.16
2011	98.91											

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	3.45	1.76	3.94	-4.30
2011	-3.18												-3.18

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	97.38	99.14	103.08
2011	99.84											

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	3.49	1.81	3.97	-3.73
2011	-3.14												-3.14

Risk (IC1)		Exposure		Largest Long Positions	
Value at Risk, % ¹	3.30	Long	148.1%	Bayer AG	
Standard deviation, % ^{2,3}	19.46	Short	21.9%	Fresenius SE	
Sharpe ratio ^{2,3}	0.69	Gross	170.1%	Amgen	
		Net	126.2%	Shire plc	
				Celgene	

1) For holdings on January 31. 2) Since start until January 27.
3) Standard deviation and Sharpe ratio annualized.

Currency Exposure (% of equity > 5%)			
USD	63.0%	EUR	21.1%
		CHF	7.1%

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:	IC1 = EUR 250 000 RC1 = EUR 25 000, SEK 250 000 RC2 = SEK 2 500 000
• Minimum top-up investment:	No minimum
• Management fee:	IC1 = 1.5 %, RC1 = 2%, RC2 = 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:	IC1 (EUR) = LU0417598108, RC1 (EUR) = LU0417597555 RC1 (SEK) = LU0417597712, RC2 (SEK) = LU0417598017
• Bloomberg ticker:	IC1 (EUR) = RHLIC1 LX, RC1 (EUR) = RHLERC1 LX RC1 (SEK) = RHLSRC1 LX, RC2 (SEK) = RHLSRC2 LX
• Lipper Reuters ticker:	IC1 (EUR) = 65147588, RC1 (EUR) = 65147589 RC1 (SEK) = 68014067, RC2 (SEK) = 68015239
• Telekurs ticker:	IC1 (EUR) = 10034579, RC1 (EUR) = 10034567 RC1 (SEK) = 10239523, RC2 (SEK) = 10239528

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