

July 2011 - Rhenman Healthcare Equity L/S

Monthly Update

July's stock market became progressively more nervous with the ongoing negotiations between the parties in Congress and among different factions within the parties concerning the increase of the US budget ceiling. The situation seemed to be completely deadlocked but on the last day of the month the parties were able to agree on a raise that pushes some of the budget cuts into the future, and any tax increases have been excluded at this point.

Many politicians were unhappy with the deal because for the Republicans it will mean a reduction in defence spending and for the Democrats reductions in social programmes, something which will affect Medicare and Medicaid. Significant tax increases can possibly come later on when the tax cuts (in the form of marginal income tax cuts) that were initiated first by George W. Bush and then extended by Barack Obama come to an end in 2012, at which point the tax issue will once again become the subject of very vigorous confrontations, not least before the next election.

The world's reaction was one of concern; the U.S. has one of the OECD's lower tax burdens – so why can't American politician's work together long term, to create a better fiscal balance when the country, despite everything, has great resources and wealth? Can we rely on America's willingness to do the right thing and thus continue to depend on the dollar as the global reserve currency? The immediate answer to the last question is probably yes. As long as Europe has problems with peripheral countries, it is difficult to see an alternative, but the question of course is what happens in the longer term.

Our sector came through the first part of the month very well. At times, we were clearly in positive territory in terms of performance, but gradually markets became more nervous, and most of the reports presented were not received as they deserved. When this happens, it is clear that the market is in an accumulation phase or even in decline. Novartis is a simple but illustrative example; the half-year report which was released in the middle of the month was somewhat better than market expectations. Fundamentally, the year has started well and the company has indicated that the dividend ratio may rise further. Fears that a strong Swiss Franc could mean that earnings prospects would be more difficult to achieve or at least more difficult to assess did not materialise. Yet, after only a week, the share traded down to below its level before the report - a sign that we are indeed in a decline phase.

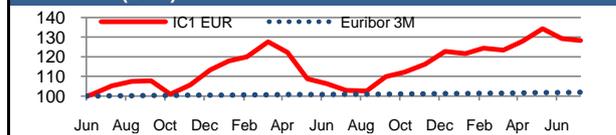
On the whole, half year reports were as good as we had hoped. We will now scrutinise these yet again and focus even more on companies that can best handle future changes in Medicare and Medicaid. However, our opinion is that any changes in the future will only be marginal for corporate earnings (between 0-5% impact on earnings for most companies), but that the market will differentiate even more in terms of valuation because those companies most affected may be perceived as also being most vulnerable in the long term.

Alexion Pharmaceuticals Inc., Shire PLC and Algeta ASA gave the greatest positive contributions to the development of the fund during the month. Wellpoint Inc., Humana Inc. and Nektar Therapeutics were the largest negative contributors.

Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
July	-0.83%	0.12%
YTD	4.45%	0.68%
Since Inception (2009-06-22)	28.19%	1.95%

Return IC1 (EUR)



Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
July	-1.10%	0.12%
YTD	3.32%	0.68%
Since Inception (2010-08-31)	19.15%	0.97%

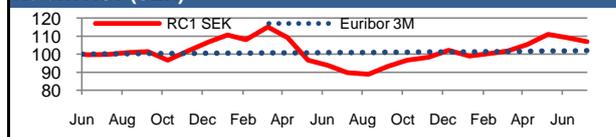
Return RC1 (EUR)



Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
July	-1.84%	0.12%
YTD	4.77%	0.68%
Since Inception (2009-06-22)	7.03%	1.95%

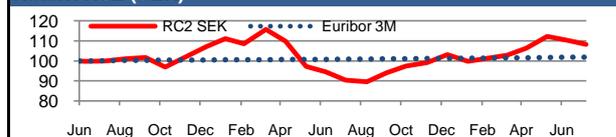
Return RC1 (SEK)



Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
July	-1.80%	0.12%
YTD	5.08%	0.68%
Since Inception (2009-06-22)	8.32%	1.95%

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	124.28	123.35	127.79	134.24	129.26	128.19					

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	2.26	-0.75	3.60	5.05	-3.71	-0.83						+4.45

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	116.50	115.79	119.40	125.10	120.47	119.15					

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	2.03	-0.61	3.12	4.77	-3.70	-1.10						+3.32

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	100.22	101.80	105.28	111.04	109.04	107.03					

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	1.32	1.58	3.42	5.47	-1.80	-1.84						+4.77

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	101.20	102.84	106.40	112.28	110.30	108.32					

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	1.36	1.62	3.46	5.53	-1.76	-1.80						+5.08

Risk (IC1)		Exposure		Largest Long Positions	
Value at Risk, % ¹	2.30	Long	134.3%	Algeta ASA	
Standard deviation, % ^{2,3}	18.71	Short	13.8%	United Healthcare Inc	
Sharpe ratio ^{2,3}	0.65	Gross	148.1%	Alexion Pharmaceuticals Inc	
		Net	120.5%	Cubist	
				Roche Holding AG	

1) For holdings on July 29. 2) Since start until July 28.
3) Standard deviation and Sharpe ratio annualized.

Currency Exposure (% of equity > 5%)					
USD	64.3%	EUR	9.8%	CHF	6.4%

Fund characteristics

- Target annual net returns in excess of 12% 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 60–80 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 2 500, SEK 25 000 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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