

December 2011 - Rhenman Healthcare Equity L/S

Monthly Update

The development of the fund began somewhat weakly in the month of December, but finished strongly. The upturn was mainly attributable to the continued strength of the U.S. dollar. The fund had a strong finish to a volatile year.

The U.S. economy continues to strengthen, and it is quite possible that growth in 2012 will be on par with the historical growth trend level. We now hear much less from the pessimists in the economic debate, although many note that despite better labour market statistics there are still too few new jobs being created. European economies are considerably weaker and the only real source of encouragement during the month was that the ECB's so-called LTRO (Long Term Refinancing Operation) was used heavily in its first part. Thus, the banking sector's short-term funding requirements have largely been resolved, although it is still an entirely open question as to whether the banks will use their increased liquidity to participate in their own countries' financing operations in the coming critical months. We think that this will be the case, but it may also be one of the main risk factors for the financial markets in spring 2012. Whatever happens, interest rate levels in the PIIGS countries are much higher than is consistent with financial stability, which of course gives cause for considerable concern.

The healthcare sector has become a sector which is now favoured by investors. It is now becoming increasingly apparent to more and more that the sector's fundamentals have not been affected in any significant way by the austerity programmes in Europe. In other words, the fundamentals in the world at large are strong enough to offset the weaknesses in Europe. In the United States the improving economy is gradually becoming more supportive of companies in the medical technology subsector, even though these companies are still relatively weak on the stock market.

2011 was a year characterized by a flow of positive news flow from the pharmaceutical and biotechnology industries. A summary of all the progress made in the form of the product names and the types of clinical progress would easily fill an entire A4 page or perhaps even two pages, but would only give our investors a feeling of unfathomable complexity. However, it is quite clear that the pharmaceutical industry is now moving towards a surprisingly strong renaissance in terms of product development.

2012 can of course be a year of unexpected negative surprises. It is time once again to follow the development of new legislation regarding the so-called biosimilars i.e. biotech generics. However, progress has been very slow due to the high level of complexity, and we expect progress to continue to be gradual. The US Supreme Court will also examine the healthcare reform, and its verdict will naturally be of great importance for the sector, particularly for the service companies. Here too, our forecast is cautiously positive.

Galapagos, Roche and Vertex gave the greatest positive contributions to fund development during the month, while Algeta, St Jude Medical and Nobel Biocare were the largest negative contributors.

Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
December	5.58%	0.13%
YTD	9.66%	1.34%
Since Inception (June 22, 2009)	34.59%	2.62%

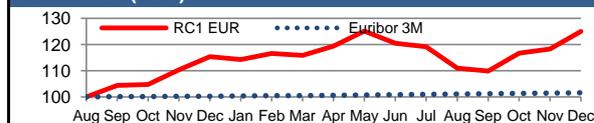
Return IC1 (EUR)



Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
December	5.59%	0.13%
YTD	8.32%	1.34%
Since Inception (August 31, 2010)	24.92%	1.63%

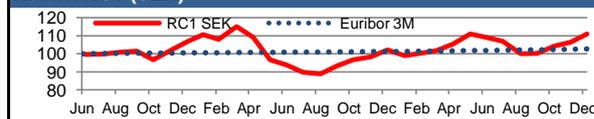
Return RC1 (EUR)



Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
December	4.35%	0.13%
YTD	8.70%	1.34%
Since Inception (June 22, 2009)	11.05%	2.62%

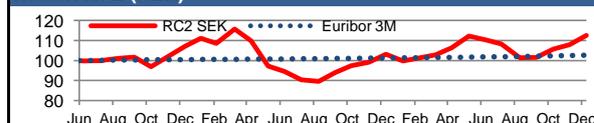
Return RC1 (SEK)



Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
December	4.39%	0.13%
YTD	9.26%	1.34%
Since Inception (June 22, 2009)	12.63%	2.62%

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	119.36	118.28	125.67	127.48	134.59

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	-6.89	-0.90	6.25	1.44	5.58	+9.66

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	110.91	109.86	116.68	118.31	124.92

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	-6.92	-0.95	6.21	1.40	5.59	+8.32

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	100.09	100.29	104.24	106.42	111.05

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	-6.48	0.20	3.94	2.09	4.35	+8.70

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	101.33	101.58	105.64	107.89	112.63

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	-6.45	0.25	4.00	2.13	4.39	+9.26

Risk (IC1)		Exposure		Largest Long Positions	
Value at Risk, % ¹	2.8	Long	146%	Bayer AG	
Standard deviation, % ^{2,3}	21.1	Short	15%	Sanofi	
Sharpe ratio ^{2,3}	0.58	Gross	161%	Novo Nordisk	
		Net	131%	Algeta	
				Forest Laboratories	

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

Currency Exposure (% of equity > 6%)					
USD	59%	EUR	17%	CHF	5%

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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