

January 2012 - Rhenman Healthcare Equity L/S

Monthly Update

January was a good month for global equity markets. The Fund continued to show strength and reached a new all-time-high, both in its base currency the euro and as converted into Swedish kronor. The ECB's major lending operation (LTRO) in December seems to have contributed to the fall in interest rates in Spain and Italy. Economic signals are surprisingly slightly less negative (and even slightly more positive in some cases) around the world, including Europe, despite persistent uncertainty over Greece and Portugal, as well as the other PIIGS countries for that matter. The reports from listed companies have been received with relief rather than with superlatives. Companies are not signalling that the danger is over for the time being, but the sentiment is nevertheless cautiously positive. Cyclical stocks, as a sector, and Germany, as a market, had a very strong month.

The large pharmaceutical companies found it difficult to keep pace with the market as a whole but other sub-sectors in healthcare, such as medical technology, service and not least biotechnology, more than compensated for this. The fund's major holdings in these sub-sectors created conditions for the favourable development of the fund. The large pharmaceutical companies in the U.S. and Switzerland had the strengthening of the dollar and the Swiss franc, respectively, against them while it was easier for euro and sterling-based companies to keep pace with the upturn. At a more fundamental level, it can be noted that while price pressure on pharmaceuticals in Europe is continuing, this is being offset by very good "pricing power" in the U.S. and in some of the emerging markets.

The prerequisites for a good year for the Fund are now in place. The fundamentals for the sector as a whole are good with the exception of some countries in Europe which are suffering under austerity measures. Meanwhile it is entirely possible, and perhaps even probable, that the global economic situation will improve which will benefit the more cyclically-sensitive sectors. For the time being, we are continuing with an emphasis on those sub-sectors that have so far performed best and hope that during the year we will see biotechnology reach the all-time-high level from 2000, representing an increase of about 20% from current levels.

The development of the pharmaceutical companies is very interesting. Clearly, the companies have gone through great challenges regarding patent expirations, rationalization of production and sales, pricing pressure on the older drugs and the globalization of markets. The next development phase will definitely be characterised by renewal and growth, and it will be extremely interesting to see at which point the equity market reassesses the improved long-term conditions. It could happen this year, but of course it could also be that a synchronized economic upturn in both the U.S. and in emerging markets leads to focus shifting to other sub-sectors, and that a reassessment of fundamentals is postponed. A rise in stock markets as a whole, however, should lead to higher earnings multiples for pharmaceutical companies too, probably beginning with those companies that now lead the renewal process. Companies such as Novo Nordisk, Roche and Bayer should be among the companies leading such a revaluation process. One thing, however, is virtually certain, and that is that acquisitions of small and medium-sized companies will continue. The price of money, i.e. the interest rates, is very favourable for acquisitions and many of the smaller and medium-sized companies can easily be counted as acquisition targets both in the short and medium term.

Achillion Pharmaceuticals, Illumina, and Mako Surgical gave the most positive contributions to the development of the fund during the month. Thoratec Corp., Shire Plc and Pronova Biopharma were the largest negative contributors.

Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
January	5.82%	0.12%
YTD	5.82%	0.12%
Since Inception (June 22, 2009)	42.42%	2.74%

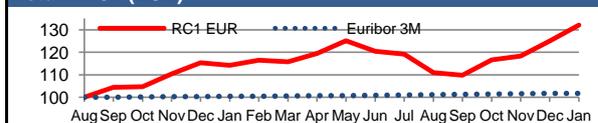
Return IC1 (EUR)



Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
January	5.78%	0.12%
YTD	5.78%	0.12%
Since Inception (August 31, 2010)	32.14%	1.76%

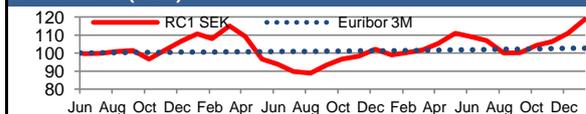
Return RC1 (EUR)



Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
January	6.96%	0.12%
YTD	6.96%	0.12%
Since Inception (June 22, 2009)	18.78%	2.74%

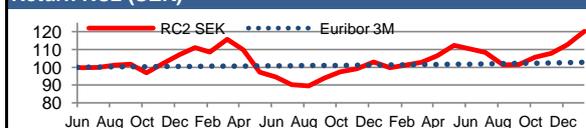
Return RC1 (SEK)



Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
January	6.81%	0.12%
YTD	6.81%	0.12%
Since Inception (June 22, 2009)	20.30%	2.74%

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	
2012	142.42												
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
2012	5.82												+5.82
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	
2012	132.14												
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
2012	5.78												+5.78
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	
2012	118.78												
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
2012	6.96												+6.96
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	
2012	120.30												
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
2012	6.81												+6.81
Risk (IC1)			Exposure						Largest Long Positions				
Value at Risk, % ¹		2.6	Long			136%			Roche Holding				
Standard deviation, % ^{2,3}		20.9	Short			22%			Algeta				
Sharpe ratio ^{2,3}		0.66	Gross			158%			Novo Nordisk				
			Net			115%			Forest Laboratories				
									Fresenius				

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

Currency Exposure (% of equity > 6%)					
USD	56%	EUR	15%	CHF	7%

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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