

March 2012 - Rhenman Healthcare Equity L/S

Monthly Update

The World index rose slightly in March. The development of the Healthcare index was somewhat stronger. The development of the Fund was good and the main fund share class rose by 3.83%.

The major question of the month was the hearings in the U.S. Supreme Court on the constitutionality of the healthcare reform, the PPACA (Patient Protection and Affordable Care Act). The main question is whether the so-called commerce clause of the Constitution allows the federal government to force citizens to trade (in this case to buy insurance) and thus be regulated with the support of this clause. Put another way: Does the Constitution give the Federal government the right to force individual citizens to have health insurance? If so, what then limits the power of the Federal government? Could the federal government force an individual to buy membership in a health-club because it would save healthcare costs? There are no earlier appropriate legal cases where citizens have been forced into activities that subsequently have been regulated, and the issue is politically and ideologically highly explosive. However, the Supreme Court has to assess the balance between Federal and State powers as it is regulated in the Constitution, and there is a high, even a very high, probability that the Supreme Court will not only declare mandatory insurance (the individual mandate) to be unconstitutional, but also to declare the whole healthcare reform null and void. This scenario is based on the fact that many other parts of the Act are based on everyone having insurance (for example, that insurance companies must insure everyone who is willing to pay, and then to similar, regulated conditions).

The ruling will come at the end of June. We believe it is reasonable to plan for the sensational outcome that the entire reform will fall. It is likely that the deciding vote will rest with Judge Anthony Kennedy who is often the deciding judge in the Supreme Court where judges tend to vote according to their political affiliations. Kennedy became a member of the Court during the Ronald Reagan era and is generally considered to be a Republican.

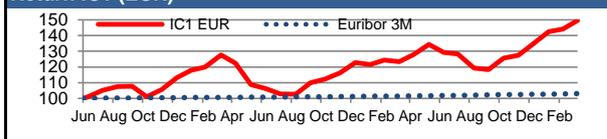
There are obvious reasons to consider the implications for the Fund if the Act falls in its entirety. It would actually benefit a number of companies and sectors in the short term, although not hospital companies. The question is what will happen in the longer term, and the answer to that question is partly dependent on the election results and the subsequent political processes, and also the eventuality that certain parts of the reform will stay. We find the situation interesting and critical but we do not consider it to be acutely serious since it will not affect the profit outlook negatively 2012 - 2015 (except for hospitals which will have to continue to take the costs for the uninsured). It could be argued that the profit outlook would be strengthened in the short term (no new drug discounts, no tax on medical technical products), but this is probably an exaggeration since demand in general would be affected in a negative direction. Unfortunately, in all events, uncertainty will increase as states are forced to legislate at the state level for those parts they wish to save from the Act. We continue to monitor and regularly analyse the consequences of the various possible outcomes in the Supreme Court.

Threshold Pharmaceuticals, Medivation and Alexion gave the largest positive contributions to the development of the Fund during the month. Algeta, Galapagos and Bayer were the largest negative contributors.

Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
March	3.83%	0.11%
YTD	11.09%	0.34%
Since Inception (June 22, 2009)	49.51%	2.97%

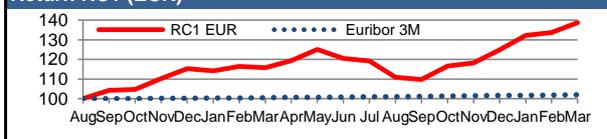
Return IC1 (EUR)



Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
March	3.80%	0.11%
YTD	11.00%	0.34%
Since Inception (August 31, 2010)	38.66%	1.98%

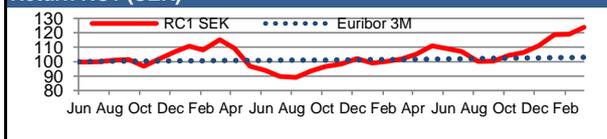
Return RC1 (EUR)



Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
March	4.14%	0.11%
YTD	11.47%	0.34%
Since Inception (June 22, 2009)	23.79%	2.97%

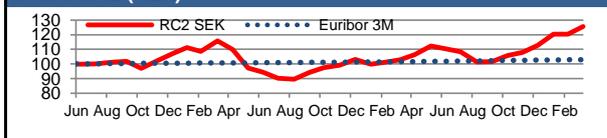
Return RC1 (SEK)



Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
March	4.21%	0.11%
YTD	11.44%	0.34%
Since Inception (June 22, 2009)	25.51%	2.97%

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	143.99	149.51										
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	1.10	3.83										+11.09
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	133.59	138.66										
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	1.10	3.80										+11.00
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	118.87	123.79										
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	0.08	4.14										+11.47
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	120.44	125.51										
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	0.12	4.21										+11.44
Risk (IC1)			Exposure					Largest Long Positions					
Value at Risk, % ¹			2.1	Long		134%			Novo Nordisk				
Standard deviation, % ^{2,3}			20.9	Short		14%			Alexion				
Sharpe ratio ^{2,3}			0.67	Gross		148%			Bayer				
				Net		121%			Roche				
									Biogen				

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

Currency Exposure (% of equity > 6%)					
USD	71%	EUR	10%	DKK	6%

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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