

May 2012 - Rhenman Healthcare Equity L/S

Monthly Update

There was a marked decline in the world index in the month of May but the Fund ended up almost unchanged from April. The Fund was helped first and foremost by the strong dollar but also by the fact that the healthcare sector did better than the stock market as a whole. Market participants were clearly concerned in May about the lack of political consensus on how the European countries shall together solve the crisis in the Eurozone, both concerning the recapitalization of the banking system and the breaking of the financial and economic deadlock. More and more it seems that a full blown crisis has to evolve to get the full participation of all institutions (including quantitative easing from the ECB) and all countries (to form a European federation with full fiscal integration).

In the healthcare sector, interest is currently focused on individual companies and products, not least within oncology. ASCO (the American Society of Clinical Oncology) has its annual conference in early June and the financial markets are focusing on the results presented there. This in turn leads to questions about how the new products will be accepted clinically (if and when approved) and about their competitiveness. Often there are no strong price reactions because the market has succeeded in discounting the upcoming news rather well, but the conference is of great value however for the more long-term investors. Overall some major achievements are being made in the cancer field right now, despite survival gains still being measured in months for each new drug. Later on, survival gains will hopefully be much greater, when the new drugs are combined with each other, in less seriously ill patients and in subgroups best responding to treatment. One area that is attracting a great deal of attention is the so-called PD-1 (Programmed Cell Death Protein 1)-receptor whose blockade functions to strengthen the body's own defences against malignant melanoma, for instance, with relatively few side effects. Bristol Myers has made the most progress, but many other companies are active and we will have reason to monitor the area since it is commercially very interesting and because potentially it can affect the competitive landscape in a number of cancer diseases. A number of our investments have important data disclosures at the conference and some changes to our portfolio are possible as a result.

Two companies had particularly large price movements in May. Mako Surgical, a company specialising in robotic surgery (orthopedics), had a relatively weak first quarter in 2012 following a very strong fourth quarter in 2011. The share price almost halved. We see it as a buying opportunity although the uncertainty surrounding its sales prospects have certainly increased. Robots are expensive to purchase and sales may be adversely affected by an economic slowdown. Another holding, Vertex Pharmaceuticals, reported very interesting phase 2 data in cystic fibrosis (through a combination of two new drugs, of which one is approved) that can increase the profitability of the company enormously. The share price increased by more than 50% and we await further data from the study to be assured that the results can be achieved in phase 3.

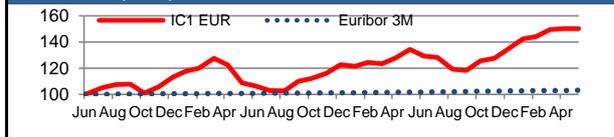
The portfolio as a whole developed somewhat unevenly and any strong trends in the various sub-sectors are difficult to see. However, the larger companies fared better than the smaller and medium-sized companies, although this may be a short-term change rather than a trend shift.

Vertex Pharmaceuticals, Pronova Biopharma and BioMarin Pharmaceutical gave the most positive contributions to the development of the fund during the month. Mako Surgical, Zealand Pharma and Dynavax were the largest negative contributors.

Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
May	-0.15%	0.07%
YTD	11.50%	0.47%
Since Inception (June 22, 2009)	50.07%	3.10%

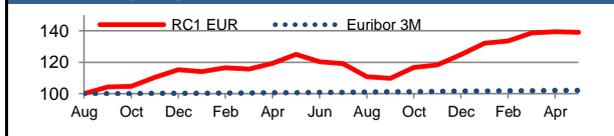
Return IC1 (EUR)



Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
May	-0.18%	0.07%
YTD	11.34%	0.47%
Since Inception (August 31, 2010)	39.09%	2.11%

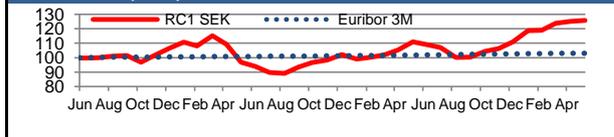
Return RC1 (EUR)



Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
May	0.59%	0.07%
YTD	13.27%	0.47%
Since Inception (June 22, 2009)	25.79%	3.10%

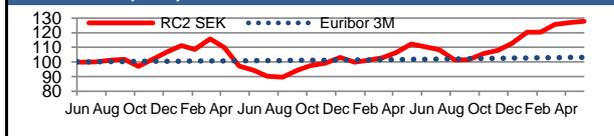
Return RC1 (SEK)



Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
May	0.65%	0.07%
YTD	13.34%	0.47%
Since Inception (June 22, 2009)	27.66%	3.10%

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	150.29	150.07								
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	0.52	-0.15								+11.50
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	139.34	139.09								
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	0.49	-0.18								+11.34
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	125.05	125.79								
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	1.02	0.59								+13.27
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	126.83	127.66								
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	1.05	0.65								+13.34
Risk (IC1)													
			Exposure					Largest Long Positions					
Value at Risk, % ¹			2.1		Long			127%		Roche			
Standard deviation, % ^{2,3}			20.9		Short			19%		Algeta			
Sharpe ratio ^{2,3}			0.67		Gross			147%		Sanofi			
					Net			108%		Novo Nordisk			
										Ariad			

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

Currency Exposure (% of equity > 6%)					
USD	69%	EUR	10%	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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