

## October 2012 - Rhenman Healthcare Equity L/S

### Monthly Update

October was characterized by a 'wait-and-see' mentality on the world's stock markets. Reports were generally somewhat disappointing and concerns about the global economy are now evident despite the fact that the U.S. economy seems to be stable. This cautious approach prior to the elections in the United States did nothing to promote risk-taking. Barack Obama was perceived as being strongly bound by his promise to raise taxes for high earners and capital markets (e.g. dividend and capital gains tax). Mitt Romney's election platform was regarded by many as being rather general and lacking in detail on essential points, and therefore uncertain, not least on how the promised lower tax rates would lead to a reduced budget deficit. Furthermore, whoever won the election would have to deal with the issue of the "fiscal cliff", i.e. the large program of tax increases and spending cuts stipulated by existing laws unless Congress legislates on a new agreement across party lines. The election was held after the month's end, and Obama's victory was welcomed by the stock market only with regard to the sub-sector hospitals which rose sharply, while no positive reaction could be seen in any of the other sub-sectors.

The fund fell by 5% during the month. The main reason was that the biotechnology sector plunged during the month with a decline of 8%. Most of our companies had a negative development during the month with the storm Sandy probably contributing to some of that since almost half of the decline occurred when the stock market reopened after the storm, on the last trading day of the month. Reports in our sector were generally good, and in several cases surprisingly good. For instance, Regeneron, one of the major biotech companies, reported 1.89 dollars per share against estimated 1.15, and sales were \$ 427 million against expected 350. Despite this, the share price fell over the following days, underlining the strength and breadth of the downturn in biotechnology.

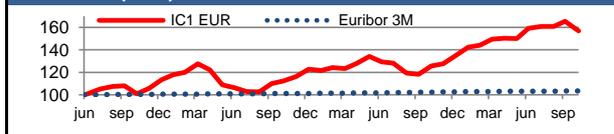
We see strong positive developments in the coming months, despite the risk of decline and volatility concerning the negotiations on the "fiscal cliff". The Republicans are signaling an initial willingness to compromise through John Boehner, the Speaker of the House of Representatives. Also, President Barack Obama has now been re-elected and can pay less heed to his party's left wing. The Republicans are fully aware that President Obama could deliberately trigger a "fiscal cliff" yet still continue negotiations, and the parties would then no longer be talking about avoiding tax increases but about cutting taxes, which from a negotiating point of view would be worse for the Republicans. The parties know each other very well in the main issues following last year's attempt at a "grand bargain", when an agreement was very close. It is likely that an agreement will be based on lower tax rates (than those that will apply in 2013, if nothing is done and the fiscal cliff is triggered), fewer tax deduction opportunities and certain reforms to entitlements, i.e. Medicare. Whether an agreement comes at the end of 2012 or early in 2013 is naturally uncertain, but when it comes in all probability it will most likely be a strong driving force for a positive stock market. A solution will be reached since the alternative would not be good for the Democrats, not be good for the Republicans and not be good for the U.S.A.

Allscripts, Sarepta and Vivus contributed most to the performance of the Fund during the month. Alexion, Threshold and Nuvasive gave the largest negative contributions.

#### Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
October	-5.16%	0.02%
YTD	16.60%	0.72%
Since Inception (June 22, 2009)	56.93%	3.35%

#### Return IC1 (EUR)



#### Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
October	-5.20%	0.02%
YTD	16.23%	0.72%
Since Inception (August 31, 2010)	45.20%	2.36%

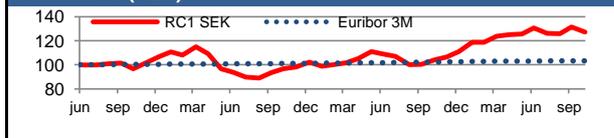
#### Return RC1 (EUR)



#### Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
October	-3.34%	0.02%
YTD	14.59%	0.72%
Since Inception (June 22, 2009)	27.25%	3.35%

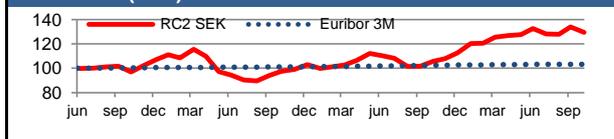
#### Return RC1 (SEK)



#### Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
October	-3.30%	0.02%
YTD	14.85%	0.72%
Since Inception (June 22, 2009)	29.36%	3.35%

#### Return RC2 (SEK)



IC1 (EUR) NAV per share													
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	159.07	160.74	160.74	165.47	156.93			
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	6.00	1.05	0.00	2.94	-5.16			+16.60
RC1 (EUR) NAV per share													
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	147.39	148.89	148.83	153.16	145.20			
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	5.97	1.02	-0.04	2.91	-5.20			+16.23
RC1 (SEK) NAV per share													
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	130.61	126.17	125.85	131.65	127.25			
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	3.83	-3.40	-0.25	4.61	-3.34			+14.59
RC2 (SEK) NAV per share													
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	132.58	128.13	127.86	133.77				
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	3.85	-3.36	-0.21	4.62	-3.30			+14.85
Risk (IC1)			Exposure					Largest Long Positions					
Value at Risk, % <sup>1</sup>	1.8		Long					158% Regeneron					
Standard deviation, % <sup>2,3</sup>	19.4		Short					18% Roche					
Sharpe ratio <sup>2,3</sup>	0.75		Gross					177% Alexion					
			Net					140% Sanofi					
								Biogen					

1) For holdings on October 31. 2) Since inception until October 25.  
3) Standard deviation and Sharpe ratio annualized.

Currency Exposure (% of equity > 6%)					
USD	67%	EUR	10%	SEK	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 500 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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