

November 2012 - Rhenman Healthcare Equity L/S

Monthly Update

November saw a slight recovery in the markets following a weak October. The sell-off of NASDAQ-listed shares is probably related to the much higher capital gains tax rules that come into force at year end, unless Congress agrees on an adjustment of the so-called fiscal cliff legislation. Accordingly, profit-taking has been much more evident in biotechnology generally and, more particularly, in those companies whose shares have performed best during the past year. Fundamentally the healthcare sector is very strong, reaching its strongest recording for several years. The emerging markets have contributed strongly to this fact and, for some of the major companies, these markets are in fact responsible for the major contributions to sales growth. The potentially most worrying factor today, which is more of a hypothetical threat than a real one, is in the U.S., and is the question of federal negotiating rights for the price-setting of pharmaceuticals for Medicare and Medicaid. This has been cited as one of many measures that could be the outcome of the currently on-going negotiations between President Barack Obama and the Speaker of the House of Representatives, Mr. John Boehner over government finances. Such a negotiating right could lead to even higher discounts for the publicly-funded portion of the pharmaceutical market but it would also increase uncertainty with regards to the long established right of free pricing. We see this political risk as small but not completely negligible. The question has been discussed many times before and, at the end of the day, the decision has been to protect what the USA is an extremely important industry and export sector. In actual fact, a great deal of legislation from the Congress is based on strengthening the pharmaceutical industry, for instance through special protection for "orphan drugs" and market protection for new antibiotics. We want to mention this issue now as it might appear in the media in the near future.

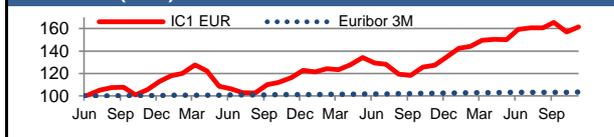
Despite quite some concerns over the details and outcome of the fiscal cliff negotiations, we are very positive about both the stock market in general and the healthcare market in particular. Valuations, by historical standards, are low and well-supported and cash flows are very strong. The exceptionally high levels of cash funds and the low cost of financing acquisitions mean that we see a year of strong M & A activity ahead of us. The major pharmaceutical companies are investing systematically in the biotechnology market and will continue to buy market share. Within the service sector the wave of consolidation continues in all segments. The large med tech companies can obtain significant synergies in international marketing and distribution when acquiring the smaller companies. Something that has not yet happened is a broad financing wave of the smallest biotech companies. This is often a sign of overheating and we do not seem to be there yet, and for this we are quite grateful. 2012 looks like being quite a good year for the healthcare sector, albeit not quite as good as we thought. 2013 has all the makings of being a strong year, but this statement is based on a series of assumptions that as yet we cannot be sure of. Most important of all is that the world economy continues to stabilize and also that the budget negotiations in the USA result in an agreement. In this likely case, the flow of capital into the stock market will be strong and the larger companies too will rise to a greater extent than hitherto.

Regeneron, Biomarin and Sarepta contributed most to the performance of the fund during the month. Clavis Pharma, Abiomed and Achillion gave the largest negative contributions.

Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
November	2.81%	0.02%
YTD	19.88%	0.73%
Since Inception (June 22, 2009)	61.34%	3.37%

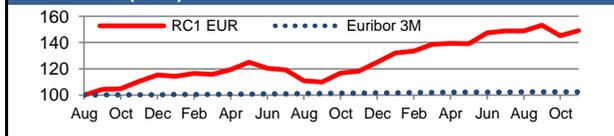
Return IC1 (EUR)



Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
November	2.76%	0.02%
YTD	19.44%	0.73%
Since Inception (August 31, 2010)	49.21%	2.38%

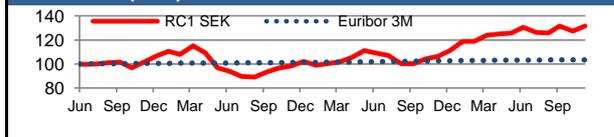
Return RC1 (EUR)



Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
November	3.42%	0.02%
YTD	18.51%	0.73%
Since Inception (June 22, 2009)	31.60%	3.37%

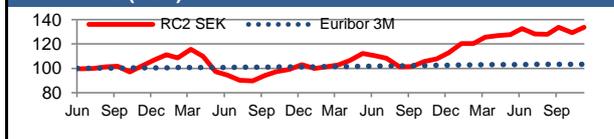
Return RC1 (SEK)



Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
November	3.46%	0.02%
YTD	18.83%	0.73%
Since Inception (June 22, 2009)	33.84%	3.37%

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	161.34		
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	2.81		+19.88
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	149.21		
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	2.76		+19.44
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	131.60		
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	3.42		+18.51
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	129.36	133.84		
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	3.46		+18.83
Risk (IC1)			Exposure					Largest Long Positions					
Value at Risk, % ¹	1.8		Long					144% Regeneron					
Standard deviation, % ^{2,3}	19.5		Short					14% Sanofi					
Sharpe ratio ^{2,3}	0.74		Gross					158% Incyte					
			Net					130% Roche					
								Alexion					

1) For holdings on November 30. 2) Since inception until November 30.
3) Standard deviation and Sharpe ratio annualized.

Currency Exposure (% of equity > 4%)					
USD	71%	EUR	11%	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 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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