

December 2012 - Rhenman Healthcare Equity L/S

Monthly Update

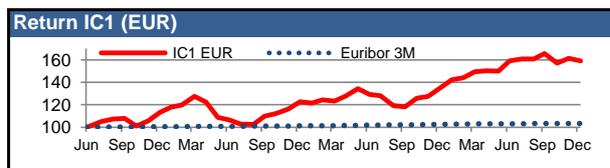
Global stock markets in December were in a 'wait-and-see' mode while waiting for a political compromise in Washington concerning the 'fiscal cliff'. A compromise on tax issues was finally reached on New Year's Eve while the parts regarding savings in public expenditure were deferred to a later date in the near future. The month ended marginally up for the world's stock markets in their entirety while the Fund was not only hit by the weak dollar, but also by the rather weak development in the biotechnology sector, and thus ended 1.5% down in the main fund share class (EUR).

The power game within US politics is of concern to most investors. Nothing suggests that the fixed ideological positions are on their way to easing, allowing for pragmatic compromises. When the debt ceiling needs to be raised over the next two months, the political maneuvering will be at least as complicated and powerful as it was in December. The threat to the financial markets this time is not automatic tax increases (which would have led to negative growth for a couple of quarters) but the severe consequences of the U.S. not paying its debts on time because the Republicans choose 'the nuclear option', that is to say not raising the debt ceiling. The suspension of payments of the national debt ('default') is not very likely (such payments are given priority over everything else), but the markets could see the consequences of such an event (such as partial closure of the federal government and many bills and entitlements not being paid on time) as extremely negative and a strong stock market fall cannot be ruled out before the politicians are forced to think again and are forced to a compromise. Relations between the parties, however, are at such a low level that it cannot be ruled out that an agreement will be reached only hours before the treasury is practically empty. A very weak market prior to these negotiations cannot therefore be ruled out. Shares that have particularly large exposure to Medicare, Medicaid and NIH grants can also be seen as problematic, since the savings decided upon will, to some extent, most likely affect these programs. We estimate that approximately 50-60 billion dollars on an annual basis may be needed to be taken from these programs. We are trying to position the fund particularly cautiously with regard to companies that can be affected by the cuts.

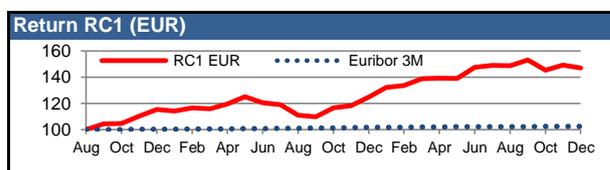
The year has now come to an end and we can look back on a reasonably good year for the Fund which rose, in total, by +18% in the full year 2012. We believe that 2013 will also be a good year. Two prerequisites are that the negotiations on the long-term fiscal consolidation in the USA are completed in an acceptable manner, and that the free pricing of drugs is not cut back. We believe that the likelihood of price control is very small but we have a particularly conservative approach, in the short term at least, both to service companies that are largely dependent on Medicare and companies that rely on grants from the NIH (e.g. instrument companies). However, on the other hand, 2013 can be a strong year for Japanese pharmaceutical companies, and European companies can also develop well as the European pharmaceutical market's weakness become less marked. Biotechnology has good potential for a strong second half-year. It will be interesting to see if shares in medical technical companies pick up again now when many sub-segments have great opportunities to get an international boost from emerging markets.

Positive contributions to the fund's performance during the month came from YM Biosciences, Sanofi and Medivir, while Astellas, Ariad and Allscripts were among the most negative contributors. YM Biosciences is the target of a takeover and is an excellent illustration of the very active M & A market, which we believe will be at least as significant in 2013.

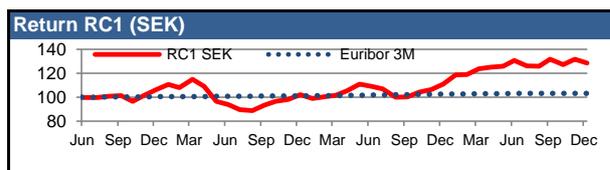
Return IC1 (EUR)		
	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
December	-1.50%	0.02%
YTD	18.08%	0.75%
Since Inception (June 22, 2009)	58.92%	3.39%



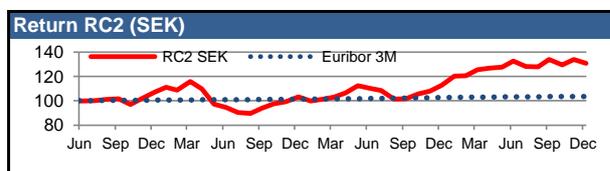
Return RC1 (EUR)		
	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
December	-1.53%	0.02%
YTD	17.61%	0.75%
Since Inception (August 31, 2010)	46.92%	2.40%



Return RC1 (SEK)		
	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
December	-2.32%	0.02%
YTD	15.76%	0.75%
Since Inception (June 22, 2009)	28.55%	3.39%



Return RC2 (SEK)		
	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
December	-2.27%	0.02%
YTD	16.13%	0.75%
Since Inception (June 22, 2009)	30.80%	3.39%



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	158.92	
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	-1.50	+18.08
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	146.92	
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	-1.53	+17.61
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	128.55	
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	-2.32	+15.76
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	130.80	
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	-2.27	+16.13
Risk (IC1)			Exposure					Largest Long Positions					
Value at Risk, % ¹			1.6	Long				130%					Sanofi
Standard deviation, % ^{2,3}			19.4	Short				8%					Roche
Sharpe ratio ^{2,3}			0.69	Gross				138%					Regeneron
				Net				121%					Incyte
													Alexion

1) For holdings on December 31. 2) Since inception until December 27.

3) Standard deviation and Sharpe ratio annualized. 4) The exposure is adjusted for substantial fund inflow at month end.

Currency Exposure (% of equity > 5%)					
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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