

February 2013 - Rhenman Healthcare Equity L/S

Monthly Update

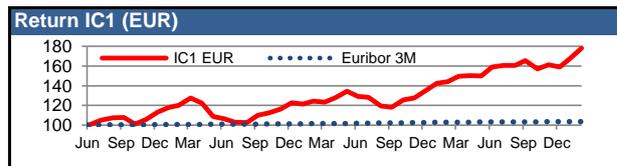
Global equity markets were strong in the month of February in euro terms, but not in dollar; that is to say the increase can be attributed to the stronger dollar. The Fund, with its high dollar exposure, had a strong month and rose 5.44% in the base currency (EUR). Somewhat stronger equity prices in local currencies also contributed. The market tensely monitored whether or not the sequester would be postponed. However, it transpired that the political positions were completely fixed on the question. The market gradually came to accept that the cuts would be implemented on March 1. We believe, as a consequence of the budget cuts, that the dollar will continue to appreciate as the market has long been concerned about the large US budget deficit. Meanwhile, the fundamental economic situation in Europe has proved to be weaker than expected (with the possible exception of Germany), which further adds to the weaker euro / dollar trend. There is also increasing scepticism that further cuts in state budgets can, or will, take place (Italy, France). The ECB may thus be forced into further expansion of its monetary policy, for example by lowering interest rates once again. It is therefore likely that the dollar will continue to strengthen, especially if the US economy is not too severely affected by the cuts that will now be gradually implemented.

The healthcare sector continues to be very strong and we have not seen such strength since the period of 1995-2000. The increase during the period 2003-2007 was as steady but not quite as rapid. We believe that we are roughly in the middle of a market upturn and that we will see continued strong growth in the coming years, with brief dips that will either reflect price-discovery (the market seeking valuation support) or profit-taking. Valuations in the healthcare sector are still relatively modest, while the market is starting to appreciate the favourable combination of better pipelines (new products), and the fact that emerging markets are becoming more meaningful contributors to the sector's growth rates. We are convinced that demand in the emerging markets is not only becoming important for the sales performance of the pharmaceutical companies, but also for biotech companies and companies in medical technology as well.

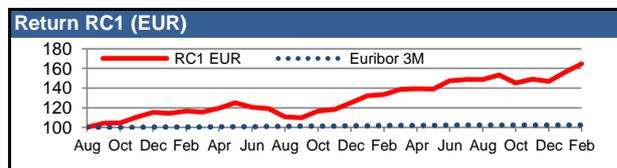
The Fund has developed strongly in recent months as a result of the strong positive news flow. Such a period often lulls generalists (those managers not specializing in the sector) into a false sense of security. The Fund will likely trim some of the most successful long-positions, where the sentiment is particularly positive, and replace them with companies of less interest to the market. Short positions as a percentage of the portfolio are also expected to rise significantly during the spring and summer. On a company level, we can conclude that the market reacted negatively to Alexion after its 4Q12 earnings release. The stock fell sharply despite the fact that results were broadly in line with expectations. Investors have been worried about the pricing of their drug, Soliris, in Europe for a new indication, aHUS. However, we believe that some delays in price negotiations are normal and we retain our position in the stock. Incyte reported on the same day as Alexion, but in this case their report was received with a very strong share price rally. Incyte's drug Jakafi/Jakavi against myelofibrosis, a rare form of blood cancer, has shown renewed strong sales momentum in the U.S. In the fourth quarter Jakavi was also launched outside the U.S. and sales got off to a brisk start.

During the month of February, Incyte, Celldex and Roche contributed most to the positive development of the Fund, while Alexion, Medivation and Dynavax gave the largest negative contributions.

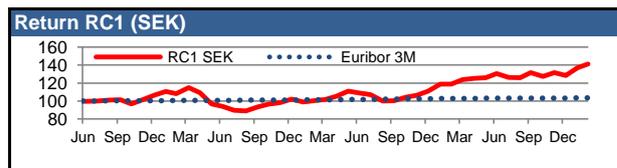
Return IC1 (EUR)		
	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
February	5.44%	0.01%
YTD	12.08%	0.03%
Since Inception (June 22, 2009)	78.11%	3.43%



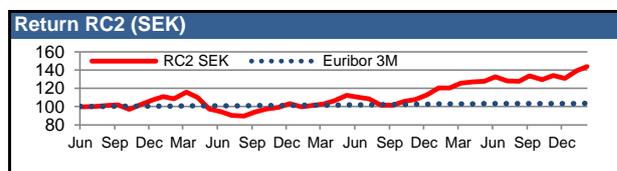
Return RC1 (EUR)		
	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
February	5.41%	0.01%
YTD	12.03%	0.03%
Since Inception (August 31, 2010)	64.59%	2.43%



Return RC1 (SEK)		
	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
February	3.28%	0.01%
YTD	9.87%	0.03%
Since Inception (June 22, 2009)	41.24%	3.43%



Return RC2 (SEK)		
	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
February	3.28%	0.01%
YTD	9.89%	0.03%
Since Inception (June 22, 2009)	43.74%	3.43%



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	
2013	168.92	178.11											
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
2013	6.29	5.44											+12.08
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	
2013	136.76	141.24											
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
2013	6.39	3.28											+9.87
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	
2013	139.17	143.74											
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
2013	6.40	3.28											+9.89
Risk (IC1)			Exposure					Largest Long Positions					
Value at Risk, % ¹		1.5	Long					144%	Roche				
Standard deviation, % ^{2,3}		19.1	Short					14%	Incyte				
Sharpe ratio ^{2,3}		0.83	Gross					159%	Sanofi				
			Net					130%	Bayer				
									Alexion				

1) For holdings on February 28. 2) Since inception until February 28.

3) Standard deviation and Sharpe ratio annualized.

4) The exposure is adjusted for fund inflow at month end.

Currency Exposure (% of equity > 5%)					
USD	66%	EUR	11%	CHF	7%

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 %
• Hurdle rate:	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) SEB Fund Services S.A.
• 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) = RHLERC1 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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