

December 2013 - Rhenman Healthcare Equity L/S

Monthly Update

The month of December ended virtually unchanged for both the global equity markets and the Fund. The month was however anything but uneventful. The Fed decided to reduce purchases of bonds with the result that interest rates rose and the dollar depreciated. The stock market fell back early in the month but rose after the Fed's announcement. This reaction surprised many observers who had assumed that the stock market would fall, as it did six months ago when Fed Chairman Ben Bernanke spoke of the need to reduce future asset purchases. The interpretation is that the stock market actually discounted 'tapering' (reduced quantitative easing) over the past few months, which were characterized by relatively positive macro statistics (i.e. a reduced need for the Fed's support). It should be kept in mind that markets were off to a weak start before the Fed meeting and once the tapering announcement indeed was a fact, it was obvious that it was clearly anticipated. It is also interesting, and of considerable importance, to note that the stock market now appears to react positively to strong macro data, unlike before, when good macro data induced a negative market reaction. What was previously regarded as a threat to tapering is now seen as something positive for demand and sales growth.

We can now look back on a strong year for the Fund with a return of approximately 55% measured in euro (its base currency). This rise was the fantastic and relatively unusual result of a combination of very strong fundamental news flow, positive earnings momentum and multiple expansion. It is difficult to see that 2014 can come close to this figure, and we will most probably have to act with greater caution, particularly if we see signs of overheating (many IPOs, capital raisings, high volatility during high turnover and extreme stock price reactions to positive news) or signs of relative weakness (despite good fundamental news flow) caused by, for instance, sector rotation into cyclical stocks. It is particularly difficult this year, after the extreme year of 2013, to comment on expected seasonality with any conviction. However, we believe it is likely that we will have relative strength in the winter and autumn and relative weakness in the spring and summer months. This would also tie in with the fact that elections to the U.S. Congress will take place in November.

We believe that biotech will continue to perform better than the other sub-sectors in 2014, but only marginally, and that the pharmaceutical sector is likely to do almost as well. A number of factors speak for the pharmaceutical companies; not least that volume growth in 2014 should be good with a marked acceleration in the U.S., somewhat better momentum in Europe and continued strength in emerging markets. However, we still believe that biotech remains the most attractive subsector, based on its strong growth, both in the short and long term, even if valuations clearly are higher now than a year ago. We also believe that continued M&A activity will benefit biotech companies the most. We expect medical technology and service companies to have a relatively weaker year, but uncertainty herein is high. Medtech companies face headwinds in the form of higher taxes in the U.S. and insurance companies will be affected by a plethora of factors in 2014 due to the introduction of Obamacare.

Regeneron Pharmaceuticals, Myriad Genetics and Pharmacyclics were the largest negative contributors in December. Ariad Pharmaceuticals, NPS Pharmaceuticals and Allergan were the largest positive contributors. It is pleasing to see Ariad continue its share price recovery. The stock has now risen by over 200% since it bottomed out two months ago.

Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
December	0.05%	0.02%
YTD	55.29%	0.21%
Since Inception (June 22, 2009)	146.79%	3.61%

Return IC1 (EUR)



Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
December	0.09%	0.02%
YTD	53.00%	0.21%
Since Inception (August 31, 2010)	124.79%	2.62%

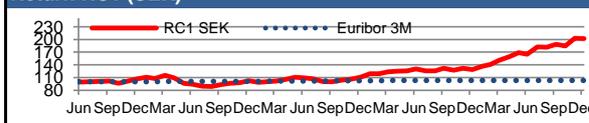
Return RC1 (EUR)



Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
December	-0.32%	0.02%
YTD	57.43%	0.21%
Since Inception (June 22, 2009)	102.38%	3.61%

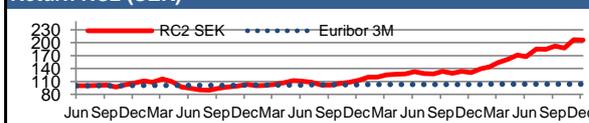
Return RC1 (SEK)



Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
December	-0.23%	0.02%
YTD	57.79%	0.21%
Since Inception (June 22, 2009)	106.39%	3.61%

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	158.92	
2013	168.92	178.11	191.91	198.41	209.10	202.53	225.87	223.66	233.45	225.66	246.67	246.79	
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	7.75	3.39	5.39	-3.14	11.52	-0.98	4.38	-3.34	9.31	0.05	+55.29
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	150.89	158.78	168.47	165.25	182.72	181.89	188.61	184.41	203.02	202.38	
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	6.83	5.23	6.10	-1.91	10.57	-0.45	3.69	-2.23	10.09	-0.32	+57.43
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	153.48	161.57	171.53	167.92	185.74	185.04	192.06	187.86	206.87	206.39	
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	6.78	5.27	6.16	-2.10	10.61	-0.38	3.79	-2.19	10.12	-0.23	+57.79
Risk (IC1)			Exposure ⁴					Largest Long Positions					
Value at Risk, % ¹			1.7	Long				138%	Regeneron				
Standard deviation, % ^{2,3}			17.6	Short				16%	Roche				
Sharpe ratio ^{2,3}			2.54	Gross				154%	Bayer				
				Net				122%	Celgene				
									Gilead				

1) For holdings on December 31. 2) Last 12 months.

3) Standard deviation and Sharpe ratio are annualized.

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

Currency Exposure (% of equity > 5%)			
USD	71%	EUR	9%
		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 core 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) = RHLEIC1 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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