

March 2014 - Rhenman Healthcare Equity L/S

Monthly Update

During March the market's attention was focused on the geopolitical uncertainty caused by Ukraine and Russia. The global stock market managed to maintain February's closing level, despite concerns that Russia might go further into Ukraine. However, there was major profit-taking in the biotechnology sector, which meant the main index fell by more than ten percent. The Fund therefore had a very weak month with a fall of just over five per cent in its base currency, the euro.

The very long period of rising share prices within the biotech sector was followed by some profit-taking and we believe that there were two, possibly three factors that together triggered the selloff. First of all, Gilead has been called upon by the Committee on Energy and Commerce, (a Congressional committee at the House of Representatives), to explain the pricing of their new drug Sovaldi, for the treatment of hepatitis C, which is priced around USD84,000, before discounts, for a normal treatment. The three Democrats who took the initiative to call upon Gilead believe that the price is set too high and makes it difficult for Medicaid to treat patients with the new drug. The second factor that triggered the correction in biotech was probably a statement by the head of the Federal Reserve, Janet Yellen. She said she expected the first interest rate hike to be "approximately 6 months after the completion of QE". The statement reminded the market that the low interest rate environment will not last forever. As a result, growth stocks with high P/E ratios came under pressure because the market expects them to be affected first and most severely by rising interest rates. Finally, the Ukrainian conflict may also have contributed to the sell-off even though the stock market in general was not hit; biotech is often regarded as "a peace sector", since their high multiples are particularly dependent on a stable business environment.

The Fund reduced its exposure at the beginning of the month (at its lowest, net exposure was 106%) but successively bought back shares, particularly biotech shares, at lower prices. Share prices at the end of the month were very attractive, which is why the Fund's net exposure is now temporarily higher than previously forecast. We continue to view Gilead positively, since the pricing of the drug Sovaldi is not higher than other modern drugs when based on the total cost of curing a patient.

We are now approaching a new results season. We believe that several of the major biotech companies will surprise on the upside. However, the large pharmaceutical companies are more sensitive to the so-called "donut hole" in the first quarter (the initial coverage gap due to the copayment feature of Medicare). They also have exposure to lower exchange rates in emerging markets. The cold winter may have resulted in fewer doctor visits and fewer prescriptions being collected, as well as less treatment generally in healthcare. We are therefore adapting the portfolio so that these one-off effects will be felt as little as possible. Otherwise, we believe in a strong year for global healthcare consumption as a whole, partly due to Obamacare, with particular emphasis on the second half of the year.

The largest positive contributors to the Fund's performance in March were Teva, Johnson & Johnson and Keryx. The largest negative contributors were Pharmacyclics, Gilead and Biomarin. Teva's Copaxone franchise seems to be holding up better than expected as a result of a successful life-cycle program. The sentiment for Pharmacyclics, Gilead and Biomarin was affected negatively by the discussions on biotech drug pricing and also because of profit-taking after a prolonged period of outperformance.

Return IC1 (EUR)

	Rhenman Healthcare Equity L/S IC1 (EUR)	3 Month Euribor (EUR)
March	-5.34%	0.02%
YTD	6.30%	0.07%
Since Inception (June 22, 2009)	162.34%	3.69%

Return IC1 (EUR)



Return RC1 (EUR)

	Rhenman Healthcare Equity L/S RC1 (EUR)	3 Month Euribor (EUR)
March	-6.06%	0.02%
YTD	5.17%	0.07%
Since Inception (August 31, 2010)	136.42%	2.69%

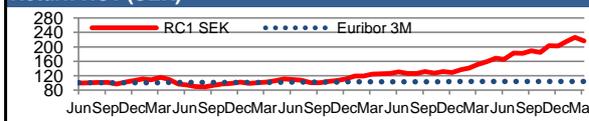
Return RC1 (EUR)



Return RC1 (SEK)

	Rhenman Healthcare Equity L/S RC1 (SEK)	3 Month Euribor (EUR)
March	-4.57%	0.02%
YTD	6.86%	0.07%
Since Inception (June 22, 2009)	116.26%	3.69%

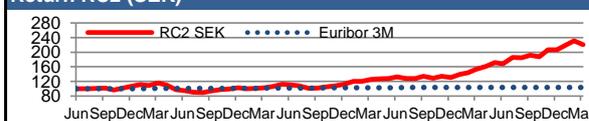
Return RC1 (SEK)



Return RC2 (SEK)

	Rhenman Healthcare Equity L/S RC2 (SEK)	3 Month Euribor (EUR)
March	-4.42%	0.02%
YTD	7.10%	0.07%
Since Inception (June 22, 2009)	121.05%	3.69%

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
2014	263.91	277.13	262.34									

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	-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
2014	6.94	5.01	-5.34										+6.30

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
2014	215.63	226.61	216.26									

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
2014	6.55	5.09	-4.57										+6.86

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
2014	219.98	231.28	221.05									

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
2014	6.58	5.14	-4.42										+7.10

Risk (IC1)		Exposure ⁴			Largest Long Positions		
Value at Risk, % ¹	2.7	Long		145%	Gilead		
Standard deviation, % ^{2,3}	19.9	Short		8%	Alexion		
Sharpe ratio ^{2,3}	1.6	Gross		153%	Regeneron		
		Net		137%	Biogen		
					Bayer		

1) For holdings on March 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)			
USD	77%	EUR	9%
CHF			3%

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)
• 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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