

RHENMAN HEALTHCARE EQUITY L/S FUND

Outstanding performance in a complex market

- Annualised return of 21.1% (net) since inception
- Over twenty years experience successfully managing healthcare funds
- Fundamental approach with world renowned Scientific Advisory Board
- Long-term investing with active trading around holdings
- Typically 60–80 core positions from a 500 company universe
- Diversified across company size, subsectors and geographies to lower volatility
- Predominantly cash flow positive companies

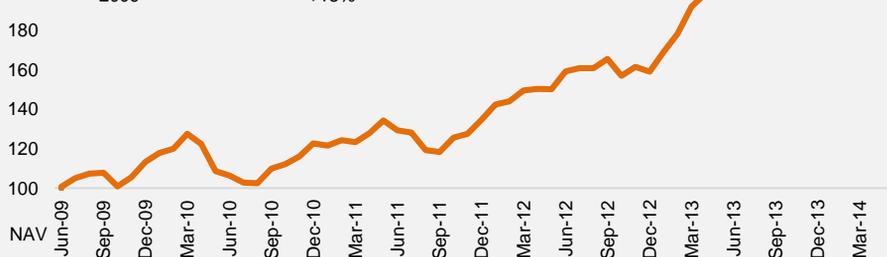
Monthly Update

May was dominated by developments in eastern Ukraine. Despite many problematic aspects of the Donetsk region's attempt to break away from the rest of the country, the stock market strengthened after a more volatile and weaker performance in April. Some investors had probably expected even more unrest in Ukraine, with the direct involvement of Russian military forces. Instead, the presidential elections could be conducted as intended in large parts of the country and the global stock market rose by nearly four percent. The global healthcare sector was up by as much while the Fund was up by over five percent in its base currency, the Euro.

The correction in March and April had the healthy effect of significantly reducing investment banking activity within the biotech sector and the stream of IPOs was reduced to a trickle. Pfizer did not, in this round, receive the support of AstraZeneca's Board of Directors for a merger and, according to English law, they may not initiate new discussions until after the summer. However, Pfizer has not lost much time. The U.S. Congress does not appear to be able to decide on new tax legislation until after the November elections, which in practice will mean next year. Many influential politicians are expressing their concern and dismay that American companies are trying to reduce their tax expenses in the U.S. by moving their legal headquarters to countries with lower tax rates, but the legislative process will move slowly. We therefore believe that it is still likely that Pfizer will return with a higher bid in the autumn. Such a bid could be hostile, that is, against the expressed wishes of the AstraZeneca Board to have the company remain listed. A number of other mergers have been discussed and may indeed take place, driven both by the opportunities to reduce tax costs and especially by low financing costs. The prerequisites for a strong wave of mergers in the second half of the year are present, and this should support the stock market. It's actually relatively easy to find financially strong companies which are in a position to acquire, as well as interesting acquisition candidates.

Fund Performance IC1 (EUR)

280	Since inception	+161%
260	2014 YTD	+6%
240	2013	+55%
220	2012	+18%
200	2011	+10%
	2010	+8%
	2009	+13%



MAY 2014

Share class	May return	YTD 2014	Since inception
IC1 (EUR)	5.32%	5.75%	160.99%
IC2 (USD)	2.92%	2.92%	2.92% ¹
RC1 (EUR)	5.28%	4.54%	135.00% ¹
RC1 (SEK)	5.92%	7.99%	118.55%
RC2 (SEK)	5.95%	8.31%	123.54%
3 month Euribor (EUR)	0.03%	0.12%	3.74%

Risk (IC1 EUR)

Value at Risk ²	2.16%
Standard Deviation ^{3,4}	19.49%
Sharpe Ratio ^{3,4}	1.6

Exposure ⁵

Long	149%
Short	12%
Gross	161%
Net	137%

Currency Exposure

USD	77%
EUR	9%
DKK	3%

Largest Long Positions

1. Biogen
2. Gilead
3. Alexion
4. Bayer
5. Celgene

Notes:

1. RC1 (EUR) inception Sep 2010. IC2 (USD) inception May 2014. All other classes Jun 2009.
2. For holdings at month end (95% conf. int, 250 days history).
3. Last 12 months.
4. Standard deviation and Sharpe ratio are annualized.
5. The exposure is adjusted for fund inflow at month end.





Fund Characteristics

- Investible currencies**
Euro (EUR) / Swedish Krona (SEK) / US Dollar (USD)
- Target fund size**
EUR 500m (soft close)
EUR 1bn (hard close)
- Return target**
Annualised net returns in excess of 12% with volatility below the market
- Legal structure**
FCP (Fonds Commun de Placement) under Part II of the Luxembourg Law on Investment Funds
- Investment Manager**
Rhenman & Partners
Asset Management AB
- Fund Management Company**
SEB Fund Services S.A.
- Prime Broker**
Skandinaviska Enskilda Banken AB (publ)
- Custodian Bank and Paying Agent**
Skandinaviska Enskilda Banken S.A.
- External Auditor**
PricewaterhouseCoopers (PwC)
- Subscription /redemption**
Monthly
- Notice period**
3 working days
- Hurdle rate**
Euribor 90D (IC4 (EUR) 5%)
- Minimum top up**
No minimum

The biotech sector rose by six per cent in May. Not surprisingly, those that lagged the most in the recovery were the smallest, the earliest (measured by pipeline maturity) and the most recently-listed companies. The large companies, the classic medium-sized growth companies and the smaller companies with promising products already on the market rose the most. This is a completely normal development and can be expected to continue for some time to come. Another complicating factor for the recently-listed companies is that the time period for lock-ups, i.e. restrictions on the sale of shares by the original financiers, are gradually coming to an end. Thus, there may be a new wave of shares coming to the market in companies listed in the past year and we are restricting the purchase of these companies.

The recovery among the major biotech companies was reflected through Biogen Idec, Alexion and Gilead who contributed the most to the Fund's performance in May. The Japanese pharmaceutical company Astellas also recovered well after a significant correction. The small companies gave the largest negative contributions; Endocyte (failed in an important clinical trial); Aegerion (continued concerns regarding the potential for their only product, plus delayed sales in their second largest market Brazil because of an anti-corruption campaign) and Thrombogenics (no indications that the company is going to be sold, which the market was hoping for).

We now expect a somewhat more volatile stock market over the next six months, although we do believe that it is likely to rise slightly. One factor pointing towards higher volatility is that the late summer and early autumn period, statistically speaking, is a weaker and also a more uncertain period. Moreover, it is an election year in the U.S., with important implications for the stock market. There are significant geopolitical crises such as in Ukraine and in Iraq. Unexpected incidents and developments related to the South China Sea could also have a negative impact on risk appetite. Growth prospects for the world economy for the rest of the year are certainly decent, but this is mostly priced in already. During the month of May, we reduced our net exposure slightly, from a relatively high level after the correction in April, and it is our intention to continue with the reduction during the summer. It should be pointed out once more that the fund's performance may continue to be strong if acquisitions continue. Equally, P/E expansion, not least in the pharmaceutical sector, will be likely during the next twelve months. Finally, we believe that the underlying market growth for the healthcare sector will be higher than expected.

Share class characteristics

	Minimum Investment	Mgt. fee	Perf. fee	ISIN number	Bloomberg ticker	Lipper Reuters	Telekurs
Institutional share classes							
IC1 (EUR)	250,000	1.50%	20%	LU0417598108	RHLEIC1 LX	65147588	10034579
IC2 (EUR)	5,000,000	1.00%	20%	LU0417598447	RHHIC2 LX	68121173	13336963
IC3 (EUR)	5,000,000	1.50%	10%	LU0434614789	RHHIC3 LX	68014068	10283697
IC4 (EUR)	20,000,000	0.75%	10%	LU0815250997	RHHIC4 LX	68173297	19867376
IC2 (SEK)	50,000,000	1.00%	20%	LU0417598793	RHHIC2S LX	68204997	20323930
ID1 (SEK)	2,500,000	1.50%	20%	LU0417599098	RHHIC1D1 LX	68153820	18491109
IC2 (USD)	6,000,000	1.00%	20%	LU0417598520	RHUIC2ULX	tbc	24456000
Retail share classes							
RC1 (EUR)	2,500	2.00%	20%	LU0417597555	RHLERC1 LX	65147589	10034567
RC1 (SEK)	500	2.00%	20%	LU0417597712	RHLSRC1 LX	68014067	10239523
RC2 (SEK)	2,500,000	1.50%	20%	LU0417598017	RHLSRC2 LX	68015239	10239528

Chief Investment Officer

Henrik Rhenman

Managing Director

Göran Nordström

Head of Sales & Marketing

Carl Grevelius

Tel +46 8 459 88 83

Mob +46 768 438 803

carl@rhepa.com

Strandvägen 5A

114 51 Stockholm

Sweden



Historical Returns and NAVs

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	247.80	260.99							

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	-5.54	5.32								+5.75

IC2 (USD) NAV per share

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014					102.92							

IC2 (USD) Performance %, net of fees

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014					2.92								+2.92%

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	206.33	218.55							

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
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	-4.59	5.92								+7.99

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	210.98	223.54							

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	-4.56	5.95								+8.31

Legal disclaimer

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