

# RHENMAN HEALTHCARE EQUITY L/S FUND

*Outstanding performance in a complex market*

- Annualised return of 22.40% (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

June saw a continued rise in many, but not all, stock markets. Smaller companies and growth companies performed somewhat better than large and cyclical ones. It appears to be driven by the continuing recovery of the companies that suffered most during the correction in March and April. The Fund's main share class had a strong month and rose by 5.32 per cent, which was significantly better than the global healthcare sector.

The market's focus shifted from Ukraine and other crises and war zones to macroeconomics and valuation. Growth is recovering from the weakness over the winter, nevertheless the central banks are intent on further measures to stimulate growth, not least the ECB. The Federal Reserve in the US is still signaling that no interest rate hikes are in sight and has emphasized that there is still significant excess capacity in the economy. The prospects are good for a strong stock market in the coming summer months.

The recovery in the biotechnology sector has been strong. The valuation support for large and medium-sized companies has been validated now that they have almost returned to February's levels. However, many of the smaller companies are still trading well below their previous highs. Our thesis, that the downturn in March-April was largely due to too many IPOs, has thus been confirmed by recent developments.

## JUNE 2014

Share class	June return	YTD 2014	Since inception
IC1 (EUR)	5.32%	11.38%	174.87%
IC2 (USD)	5.52%	8.60%	8.60% <sup>1</sup>
RC1 (EUR)	5.30%	10.08%	147.45% <sup>1</sup>
RC1 (SEK)	5.57%	14.01%	130.73%
RC2 (SEK)	5.60%	14.37%	136.05%
3 month Euribor (EUR)	0.03%	0.15%	3.77%

### Risk (IC1 EUR)

Value at Risk <sup>2</sup>	1.59%
Standard Deviation <sup>3,4</sup>	19.51%
Sharpe Ratio <sup>3,4</sup>	1.81

### Exposure <sup>5</sup>

Long	143%
Short	13%
Gross	156%
Net	130%

### Currency Exposure

USD	78%
EUR	8%
CHF	3%

### Largest Long Positions

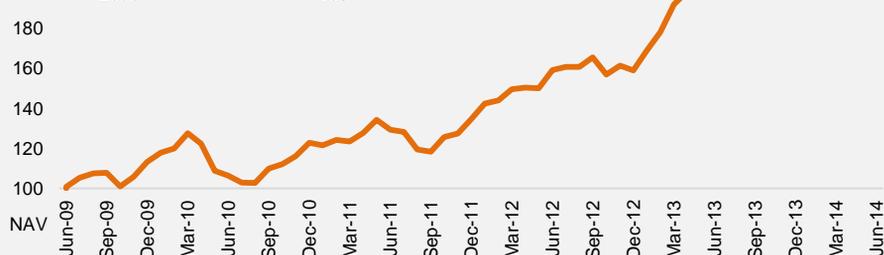
1. Biogen Idec Inc
2. Covidien Plc
3. Gilead Sciences Inc
4. Alexion Pharmaceuticals Inc
5. Celgene Corp

#### 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 Performance IC1 (EUR)

280	Since inception	+175%
260	2014 YTD	+11%
240	2013	+55%
220	2012	+18%
200	2011	+10%
180	2010	+8%
160	2009	+13%





## 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

In accordance with our earlier statements, we have now started to slowly reduce the net exposure of the Fund. This work has been facilitated by the strong recovery in the biotech sector. At the same time, we have also taken the opportunity to increase the share of large companies and companies with strong cash flows. Thus, the Fund's exposure to biotech is most likely to gradually fall.

During the month of June the Fund continued to experience a high level of M&A activity. Merck made a bid for Idenix, a small company in hepatitis C, and this benefited the Fund directly since we owned shares in the company. Indirectly, the Fund also benefited when other possible acquisition targets rose in value. Another one of our holdings, Shire, became the subject of a takeover offer. This development highlights the interest in consolidation, not least from American companies that have large cash positions outside the United States.

Idenix (acquisition) was a major contributor to the Fund's performance in June, as were Celgene (upgraded long-term growth) and Shire (acquisition target). The most important negative contributors were Alexion (downturn after a strong performance in May), Thrombogenics (the company is not likely to be sold) and Regeneron (renewed concerns over low-price competition from non-approved use of Avastin).

We believe the stock market will be more volatile over the coming six months, although it may also rise slightly. As always, the late summer and early autumn period is a statistically weaker, and also more volatile, than other times of the year. Moreover, it is an election year in the U.S., and this too has important implications for the stock market. There are significant areas of conflict around the world including Ukraine, Iraq and Syria. Unexpected events and incidents in 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 on the whole discounted.

During May and June, we took down the net exposure slightly, from a fairly high level after the correction in March-April. It is our intention to continue with a reduction in exposure for the remainder of the summer. There are still factors pointing towards continued strong growth in the next twelve months, not least increasing acquisitions and P/E expansions in the pharmaceutical sector. The continued low interest rates and steady market growth for the healthcare sector means the strong likelihood of a multiple expansion scenario.

## Share class characteristics

	Minimum Investment	Mgt. fee	Perf. fee	ISIN number	Bloomberg ticker	Lipper Reuters	Telekurs
<b>Institutional share classes</b>							
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	RHHICD1 LX	68153820	18491109
IC2 (USD)	6,000,000	1.00%	20%	LU0417598520	RHUIC2ULX	tbc	24456000
<b>Retail share classes</b>							
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

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## 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	274.87						

### 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	5.32							+11.38

### IC2 (USD) NAV per share

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014					102.92	108.60						

### IC2 (USD) Performance %, net of fees

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014					2.92	5.52							+8.60%

### 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	230.73						

### 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	5.57							+14.01

### 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	236.05						

### 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	-4.56	5.95	5.60							+14.37

## Legal disclaimer

Rhenman Healthcare Equity L/S Fund, "the Fund" is not an investment fund as defined in the European Union directives relating to undertakings for collective investment in transferable securities (UCITS). Legal information regarding Fund is contained in the Prospectus and the KIID, available at Rhenman & Partners Asset Management AB (Rhenman & Partners) webpage: <http://rhepa.com/the-fund/prospectus/>.

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