

RHENMAN HEALTHCARE EQUITY L/S FUND

Outstanding performance in a complex market

- Annualised return of 22.11% (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

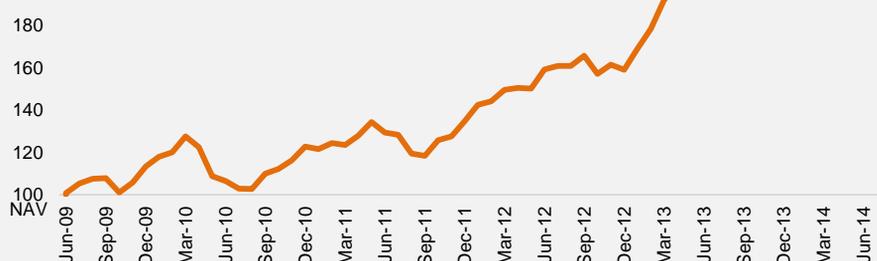
Monthly Update

In July The Fund rose 0.5% in its base currency (the Euro). Global stock markets appreciated, as did the healthcare sector. The dollar also strengthened against the Euro. A raft of macro data indicates fairly clearly that the American economy is getting stronger and that inflation is gradually returning. In contrast, Europe is strikingly weak and has virtually no inflation at all. An increase in interest rates in the USA in 2015 is becoming more likely, while the ECB is getting ever closer to extraordinary stimulus measures. This favors the dollar which now appears to have stopped falling against the euro. The crisis in Ukraine is reinforcing deflationary trends in Europe and thus supports the dollar against the euro.

The reporting season was very strong for our sector. In fact it was one of the best in many years. Despite relatively high expectations, the majority of companies beat the market's official estimates. Recently, stocks in the biotech sector have suffered from poorer sentiment in favour of technology companies. At the start of the month, the market began to question the valuation levels within biotech when the new head of the Federal Reserve, Janet Yellen, pointed out in a committee hearing in Congress that smaller biotech companies and "social media" were overvalued (something we find controversial). This influenced the month's trading with the result that the large market cap companies performed better than the smaller ones. Many of the smaller companies traded down to their April lows. The Fund took advantage of the temporary lows to buy several of the names. One example was the biotech company Nektar which was traded down 20% during the month, despite several sets of positive news from the company recently.

Fund Performance IC1 (EUR)

280	Since inception	+176%
260	2014 YTD	+12%
240	2013	+55%
220	2012	+18%
200	2011	+10%
	2010	+8%
	2009	+13%



JULY 2014

Share class	July return	YTD 2014	Since inception
IC1 (EUR)	0.50%	11.94%	176.25%
IC2 (USD)	-1.64%	6.82%	6.82% ¹
RC1 (EUR)	0.46%	10.59%	148.60% ¹
RC1 (SEK)	1.17%	15.34%	133.43%
RC2 (SEK)	1.21%	15.75%	138.90%
3 month Euribor (EUR)	0.02%	0.17%	3.79%

Risk (IC1 EUR)

Value at Risk ²	2.43%
Standard Deviation ^{3,4}	18.80%
Sharpe Ratio ^{3,4}	1.17

Exposure ⁵

Long	160%
Short	10%
Gross	170%
Net	149%

Currency Exposure

USD	86%
EUR	8%
CHF	6%

Largest Long Positions

1. Gilead Sciences Inc
2. Alexion Pharmaceuticals Inc
3. Actelion Ltd
4. Biomarin Pharmaceuticals Inc
5. Covidien Plc

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 discussion over tax-inversion continued apace (American companies reducing corporate tax through major acquisitions abroad). The American administration is now trying to make this more difficult by changing the way in which the existing laws are interpreted. Therefore, those companies that recently entered into such transactions had a weak month of performance. The Fund was affected somewhat by this, but we expect that acquisitions will continue to be implemented. The effective tax rate will possibly be higher, but despite this, many of the relevant shares are attractive at current levels.

Developments in Ukraine continue to worry the market, more so than any other conflict. We too are concerned but as yet see no reason to radically change course in our management work. In the short-term, the healthcare sector is benefitting since defensive stocks appear more attractive than cyclical ones, assuming lower demand for investment goods and lower economic growth. The pharmaceutical market is not covered by sanctions, even if demand is negatively affected. Russia's ability to redirect purchases to other producers does not exist in reality. Also, Russian demand for pharmaceutical products is only a few percent of the overall global market. The threat to strong future returns for the Fund lies in an abrupt, major act of war that seriously reduces the risk appetite and which would result in stock markets falling sharply. Obviously this risk exists, but must be regarded as limited.

We chose to exploit the very weak performance in the last few trading days of July and bought more shares, thus net exposure is again relatively high. During the second half of the year, an increase in M&A activity and P/E expansion is expected to resume, not least in the pharmaceutical sector. The continued low interest rate environment and the steady market growth in the healthcare sector means that we are confident that the likelihood of this scenario is high. However, we expect some volatility as late summer and early autumn is historically a weak time in the stock market.

The major biotech companies Pharmacyclics, Gilead and particularly Biogen Idec, contributed to the Fund's positive performance during the month of July, while the smaller companies Alkermes, Incyte and Acadia gave the largest negative contributions.

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	68265724	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

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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	276.25					

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	0.50						+11.94

IC2 (USD) NAV per share

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014					102.92	108.60	106.82					

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	-1.64						+6.82%

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	233.43					

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	1.17						+15.34

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	238.90					

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	1.21						+15.75

Legal disclaimer

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