

RHENMAN HEALTHCARE EQUITY L/S FUND

Outstanding performance in a complex market

- Annualised return of 25% (net) since inception
- Over 20 years managing successful healthcare funds.
- World renowned industry professionals each with over 30 years experience, actively involved through the Scientific Advisory Board.
- Unquestionable alpha generation, outperforming all relevant indices and top quartile in all relevant rankings.
- Long term investment horizon:
 - Diversified across subsectors, company size and geographies to lower volatility.
 - Active trading around holdings.
 - Predominantly cash flow positive companies.
 - Typically investing post approval, mitigating event risk.

Monthly Update

October was a real roller coaster in the stock markets with a sharp downturn and then an aggressive rally. The fall seemed largely connected to Ebola concerns and the economic situation in Europe. The Ebola cases in the USA and Spain sparked fears of a wider western infection. Fears of a further cooling off of the world economy were reinforced when the IMF reduced their forecasts for global GDP growth. Equally, concern was caused by a fall in industrial production in Germany. A combination of all these factors lead the global markets to fall by almost ten percent. At mid-month share prices began to rally, presumably because that the number of Ebola cases in the Western world did not appear to be as numerous as feared. Equally, the market had a relatively decent reporting season. Finally, the ECB stress test of the European bank system resulted in a positive outcome for most banks, and the shortage of capital in the banking sector as a whole was found to be relatively small.

The Fund performed extremely well and rose 7.3%, in its base currency the Euro. Even with wild swings intra-month the global market index rose just over one percent and the healthcare sector increased a couple of percent. It is worth pointing out that within the Fund, the small cap companies once again rose after a recent period of relatively weak performance.

Fund Performance IC1 (EUR)

350	Since inception	+226%
	2014 YTD	+32%
	2013	+55%
	2012	+18%
	2011	+10%
	2010	+8%
	2009	+13%

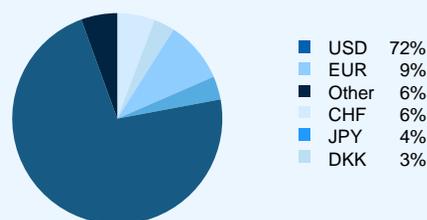


OCTOBER 2014

Share class	October return	YTD 2014	Since inception
IC1 (EUR)	7.28%	32.16%	226.16%
IC2 (USD)	6.58%	20.10%	20.10% ¹
IC3 (EUR)	8.20%	37.05%	256.89%
RC1 (EUR)	7.24%	30.40%	193.13% ¹
RC1 (SEK)	8.71%	36.42%	176.09%
RC2 (SEK)	8.75%	37.12%	183.00%
3 month Euribor (EUR)	0.01%	0.21%	3.83%

	Risk (IC1 EUR)	Exposure ⁵	
Value at Risk ²	2.91%	Long	164%
Standard Deviation ^{3,4}	17.47%	Short	16%
Sharpe Ratio ^{3,4}	2.54	Gross	181%
		Net	148%

Currency Exposure⁶



Largest Long Positions

1. Novartis AG	Fund:
2. Bayer AG	EUR 300m
3. Salix Pharmaceuticals	
4. Alkermes PLC	Firm:
5. Bristol-Myers Squibb Co	EUR 325m

Portfolio Construction⁷

Pyramid level	Position size	No
High conviction	3%-10%	4
Core holdings	1%-3%	53
Fractional positions	0.5%-1%	62
Candidate holdings	<0.5%	28

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.
6. As a percentage of the market value of the long book.
7. Number of long and short equity positions (excluding any ETFs)





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 reporting season was yet again characterised by strong results in our sector. The ever-stronger dollar is creating tailwinds for the large European companies and corresponding headwinds for the major internationally-active American giants. These winds should continue to affect the sector over the coming quarters. In this way the biotech sector (consisting mainly of US companies) will benefit, relatively speaking, against the American pharma companies since biotech companies generally have a larger share of their sales in the US and/or have such high sales growth that the currency headwinds will be small in relation to the high growth rates.

The strongest positive contributors to the Fund's performance this month were three biotech stocks. Alkermes (a company that many believe could have a successful 2015), Incyte (which has many important milestones ahead of it) and Celgene (a darling in the market right now thanks to good sales and an increasingly broad pipeline). Negative contributors were Sanofi (rising competition in the US insulin market, in addition to the CEO being fired), Shire (Abbvie decided against completing the acquisition of the company) and Salix (reduced speculation regarding a take-over of the company).

We are now well into the time of year that is considered the least volatile and which statistically has the highest chance of stock market appreciation. The average US stock market appreciation six months after an American mid-term election (when only Congress is elected) has been an impressive 15% for all 16 mid-term elections since 1950. Statistics are one step up from 'damn lies' and this performance cannot go on indefinitely. We have a strong month behind us, and so the likelihood of weaker development in the last months of the year is higher than otherwise would have been the case. However, the stock market will continue to discount next year's rising profits in the healthcare sector, which is why we should continue to see a continued upward trend, be it less steep. Obamacare will add to demand in 2015, and many markets outside the US now appear, once again, able to generate good demand growth in healthcare following the financial crisis.

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	RHHCIC2 LX	68121173	13336963
IC3 (EUR)	5,000,000	1.50%	10%	LU0434614789	RHHCIC3 LX	68014068	10283697
IC4 (EUR)	20,000,000	0.75%	10%	LU0815250997	RHHCIC4 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	RHHCID1 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

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	252.66	246.67	246.79
2014	263.91	277.13	262.34	247.80	260.99	274.87	276.25	296.82	304.03	326.16		

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	7.45	2.43	7.28			+32.16

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	113.71	112.69	120.10		

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	6.45	-0.90	6.58			+20.10

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	249.55	253.98	276.09		

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	6.91	1.78	8.71			+36.42

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	255.47	260.83	283.00		

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	6.94	1.87	8.75			+37.12

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/>.

This material has been prepared by Rhenman & Partners for professional and non-professional investors. Rhenman & Partners when preparing this information has not taken into account any one customer's particular investment objectives, financial resources or other relevant circumstances and the opinions and recommendations herein are not intended to represent recommendations of particular investments to particular customers. This material is for informational purposes only and should not be construed as an offer or solicitation to sell or buy units of the Fund.

All securities' transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk. There can be no assurance that an investment in the Fund will achieve profits or avoid incurring substantial losses. There is a high degree of risk inherent in investments and they may not be suitable for all eligible investors. It is possible that an investor may lose some or all of its investment. The past is not necessarily a guide to the future performance of an investment. The value of investments may fall as well as rise and investors may not get back the amount invested. Changes in rates of foreign exchange may cause the value of investments to go up or down.

Before making an investment decision, an investor and/or its adviser should (i) consider the suitability of investments in the Fund with respect to its investment objectives and personal situation and (ii) consider factors such as its personal net worth, income, age, risk tolerance, and liquidity needs. Short-term investors and investors who cannot bear the loss of some or all of their investment or the risks associated with the limited liquidity of an investment should not invest.

Due care and attention has been used in the preparation of this information. However, actual results may vary from their forecasts, and any variation may be materially positive or negative. Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Rhenman & Partners. Rhenman & Partners cannot guarantee that the information contained herein is without fault or entirely accurate. There may be delays, omissions or inaccuracies in the information. Any dated information is published as of its date only and no obligation or responsibility is undertaken to update or amend any such information.

The information in this material is based on sources that Rhenman & Partners believes to be reliable. Rhenman & Partners can however not guarantee that all information is correct. Furthermore, information and opinions may change without notice. Rhenman & Partners is under no obligation to make amendments

or changes to this publication if errors are found or opinions or information change. Rhenman & Partners accepts no responsibility for the accuracy of its sources.

Rhenman & Partners is the owner of all works of authorship including, but not limited to, all design, text, images and trademarks in this material unless otherwise explicitly stated. The use of Rhenman & Partners' material, works or trademarks is forbidden without written consent except where otherwise expressly stated. Furthermore, it is prohibited to publish material made or gathered by Rhenman & Partners without written consent.

By accessing and using the <http://rhepa.com/> website and any pages thereof, you acknowledge that you have reviewed the following important legal information and understand and agree to the terms and conditions set therein. If you do not agree to the terms and conditions in this disclaimer, do not access or use <http://rhepa.com/> website in any way.

Products and services described herein are not available to all persons in all geographical locations. Rhenman & Partner will not provide any such products or services to any person if the provision of such services could be in violation of law or regulation in such person's home country jurisdiction or any other related jurisdiction. The units of the Fund may not be offered or sold to or within the United States or in any other country where such offer or sale would conflict with applicable laws or regulations.

In no event, including (but not limited to) negligence, will Rhenman & Partner be liable to you or anyone else for any consequential, incidental, special or indirect damages (including but not limited to lost profits, trading losses and damages).

The sole legally binding basis for the purchase of shares of the Fund described in this information is the latest valid sales prospectus with its terms of contract. Subscriptions cannot be received on the basis of financial reports.

The information in this document was prepared by Rhenman & Partners Asset Management AB (Rhenman & Partners) and should not be considered a recommendation to purchase, sell or hold any particular security. This document contains general information only and does not take account of your individual objectives, financial situation or needs. You should get professional advice as to whether investment in the Fund is appropriate having regard to your particular investment needs, objectives and financial circumstances before investing. An investment in the Fund does not represent deposits or other liabilities of any member of the Rhenman & Partners Group. Neither Rhenman & Partners nor any member of the Rhenman & Partners Group and its affiliates guarantees in any way the performance of the Fund, repayment of capital from the Fund, any particular return from or any increase in the value of the Fund.