

RHENMAN HEALTHCARE EQUITY L/S FUND

Outstanding performance in a complex market

- Annualised return of 30% (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

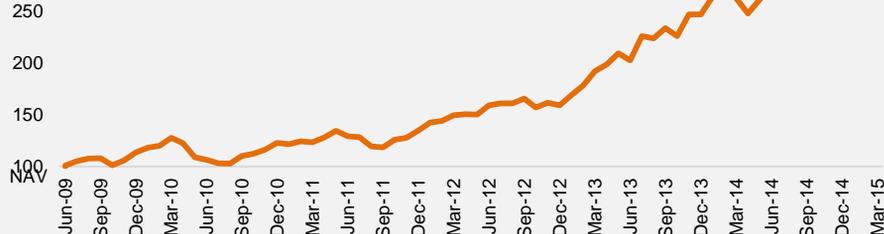
Despite a weak ending, March was a very good month for the Fund with an appreciation of 6.99% for the main share class (IC1 EUR). RC1 (SEK) rose 5.71%. This increase was somewhat better than many healthcare indices, but above all much higher than the global market. However, more than half of the Fund's increase was due to the dollar's strength against the euro. A number of new acquisition-deals (both actual and speculated) once again fired up share prices in the healthcare sector. As the sector overheated we saw profit-taking during the last week of the month.

We are now entering a phase of more uncertain and limited share price potential. Statistically stock market performance is not as strong in the summer half-year as it is in the winter half-year. We also expect more muted news flow, which may affect the biotechnology sector negatively. Thirdly, the US Supreme Court (SCOTUS) will decide on the validity of tax subsidies for health insurance in states that have federally organized market places. The ruling puts health insurance at risk for about 6 million people, i.e. 2% of the US population. Finally, the strong dollar in the first quarter means earnings may be weak for some US companies with a high proportion of exports.

It is worth summarising the possible ramifications of the Supreme Court's renewed examination of the Affordable Care Act, also known as Obamacare. If SCOTUS decides against the lawfulness of the subsidy to federal marketplaces (Health Exchanges), many of those who are healthy are likely to terminate their insurance, while the sick will try to keep it as long as possible because their illnesses will be more expensive to treat without insurance. Therefore, insurance companies will have little incentive to provide health insurance through the web-based exchanges as it would no longer be profitable, at least not in the 34 states that have federal backing. Some states will try to take over the market places, while others will allow the system to collapse for ideological and political...

Fund Performance IC1 (EUR)

450	Since inception	+349%
	2015 YTD	+27%
400	2014	+43%
	2013	+55%
350	2012	+18%
	2011	+10%
300	2010	+8%
	2009	+13%

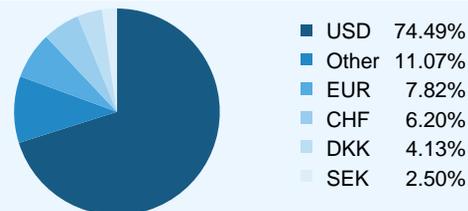


MARCH 2015

Share class	March 2015	YTD Return	Since inception ¹
IC1 (EUR)	6.99%	27.28%	348.65%
IC3 (EUR)	7.82%	30.60%	408.68%
IC2 (SEK)	6.03%	24.88%	200.86%
ID1 (SEK)	5.81%	19.26%	171.30%
IC1 (USD)	2.76%	9.37%	9.37%
IC2 (USD)	3.28%	15.47%	45.96%
RC1 (EUR)	6.62%	26.35%	298.19%
RC1 (SEK)	5.71%	24.25%	276.45%
RC2 (SEK)	5.73%	24.40%	286.77%
3 month Euribor (EUR)	0.01%	0.02%	3.86%

	Risk (IC1 EUR)	Exposure ⁵	
Value at Risk ²	2.54%	Long	134%
Standard Deviation ^{3,4}	16.95%	Short	11%
Sharpe Ratio ^{3,4}	4.18	Gross	145%
		Net	123%

Currency Exposure⁶



Largest Long Positions

1. Novartis AG	Fund:
2. Bayer AG	EUR 530m
3. Alexion Pharma Inc	USD 563m
4. Merck & Co Inc	Firm:
5. Biogen	EUR 570m

Portfolio Construction⁷

Pyramid level	Position size	No.
High conviction	3%-10%	6
Core holdings	1%-3%	41
Fractional positions	0.5%-1%	60
Candidate holdings	<0.5%	29

Notes:

1. Please find launch date information on page 3 and 4.
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 AUM and 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).





reasons. Hospitals will be seriously affected, since they will not be paid for the uninsured care they provide, whereas other providers will only be affected marginally. It is difficult to speculate on the share price reaction to a negative judgment other than that hospital shares are likely to go down. Share prices will probably react relatively modestly in most other sub-sectors because the consequences of an adverse judgment will largely be discounted. It seems likely, however, that the scope for meaningful positive share price performance for the sector is limited until the verdict is announced. Undoubtedly there will be a relief-driven rally if SCOTUS chooses to look at the *intention* of the law and not how it was *formulated*, and consequently rules in favour of the legality of the US administration's subsidies. Finally, we believe there is no risk that this will spread to other insured patients, aside from the 6 million newly-insured people covered by Obamacare.

The Fund reduced its leverage (the net exposure was just above 100%) for a short period during the month when prices were at their highest. As the correction came the Fund gradually bought back shares that had fallen and which we perceive are the least influenced by Obamacare. On the last day of the month, shares were particularly weak and the Fund then continued to increase its net exposure to a slightly higher level than at the beginning of the month. This measure reflects the fact that we consistently try to buy high quality shares at attractive prices even in situations when others, for short-term reasons, choose to sell and a month end before a holiday period is obviously no exception.

The most significant positive contributors in March were Esperion, Receptos and Novo Nordisk. Esperion, which is developing a new oral cholesterol-lowering drug, published impressive data relating to the combination of their candidate with another cholesterol-lowering drug, being especially beneficial for those patients who are otherwise unable to reach their target levels. Receptos, a small company in areas such as multiple sclerosis and inflammatory bowel disease, was the subject of takeover rumours which drove up the share price. Novo Nordisk was able to renew its FDA application for approval of its new long-acting insulin Tresiba, which was perceived as a clear and positive signal regarding the drug's side-effect profile.

The drug delivery companies Nektar and Alkermes were the biggest negative contributors, together with the Swedish biotech company Hansa Medical. Nektar was unsuccessful with their slow-release formulation of the cancer drug irinotecan in breast cancer. It is still possible that this drug candidate can succeed in another cancer type in the future. It was nevertheless pleasing that the side effects appeared to be less significant, which can be both clinically and commercially interesting. This is typical of how drug development works; a failure can still give rise to new hypotheses and new opportunities. Alkermes was weak due to a pause in upcoming catalysts after a time with many positive data points for the company. Hansa Medical was hit by profit-taking in connection with a rights issue and after a strong share price performance earlier this year.

Although we have more measured expectations for the Fund in the short term, we are more than happy to restate that the fundamentals for the health care industry are probably the best we have ever observed. We therefore believe in continued good investment opportunities for the Fund in the medium and especially the long term.

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
IC3 (EUR)	5,000,000	1.50%	10%	LU0434614789	RHHIC3 LX	68014068	10283697
IC2 (SEK)	50,000,000	1.00%	20%	LU0417598793	RHHIC2S LX	68204997	20323930
ID1 (SEK)	100,000	1.50%	20%	LU0417599098	RHHIC1D1 LX	68153820	18491109
IC1 (USD)	300 000	1.50%	20%	LU0417598280	RHUIC1A LX	68305812	26812813
IC2 (USD)	6,000,000	1.00%	20%	LU0417598520	RHUIC2U LX	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

The Investment Manager is under the supervision of The Swedish Financial Supervisory Authority (Finansinspektionen) as of February 2009

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

Minimum top up

No minimum

Chief Investment Officer

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Managing Director

Göran Nordström

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RC1 (EUR) NAV

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010									104.35	104.75	110.36	115.32
2011	114.18	116.50	115.79	119.40	125.10	120.47	119.15	110.91	109.86	116.68	118.31	124.92
2012	132.14	133.59	138.66	139.34	139.09	147.39	148.89	148.83	153.16	145.20	149.21	146.92
2013	156.14	164.59	177.28	183.22	192.89	185.65	206.96	204.86	212.69	205.49	224.58	224.79
2014	240.30	251.66	236.42	223.21	235.00	247.45	248.60	266.95	273.34	293.13	304.24	315.14
2015	349.47	373.47	398.19									

RC1 (EUR) Performance % net of fees

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2010									4.35	0.38	5.36	4.49	15.32
2011	-0.99	2.03	-0.61	3.12	4.77	-3.70	-1.10	-6.92	-0.95	6.21	1.40	5.59	8.32
2012	5.78	1.10	3.80	0.49	-0.18	5.97	1.02	-0.04	2.91	-5.20	2.76	-1.53	17.61
2013	6.28	5.41	7.71	3.35	5.28	-3.75	11.48	-1.01	3.82	-3.39	9.29	0.09	53.00
2014	6.90	4.73	-6.06	-5.59	5.28	5.30	0.46	7.38	2.39	7.24	3.80	3.58	40.19
2015	10.89	6.87	6.62										26.35

RC1 (SEK) NAV

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	286.74	302.97
2015	332.20	356.11	376.45									

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	3.86	5.66	49.70
2015	9.65	7.20	5.71										24.25

RC2 (SEK) NAV

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	260.24	283.00	293.97	310.92
2015	341.02	365.80	386.77									

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	3.88	5.77	50.65
2015	9.68	7.27	5.73										24.40

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