

# 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

After a tentative start to the month, the stock market gradually strengthened and rose a couple of percent as a whole during May. Almost all of this increase was driven by the appreciation of the US dollar. Healthcare had a particularly strong month and rose 5%. The Fund exceeded expectations and increased in value by 10%, one of the best months the Fund has had since inception. The Fund's strong appreciation can be explained by a successful combination of high net exposure, high biotechnology exposure and good stock selection.

The biotech sector closed the month of April with a sharp fall, but rose in May to return to previous peak levels with the support of the annual ASCO cancer conference that took place on the last weekend of the month. We have previously mentioned the ground-breaking developments that are taking place right now in cancer treatment, especially within cancer immunotherapy. Up until now, cancer has been treated with surgery, radiation therapy, chemotherapy and monoclonal antibodies against specific cancer antigens. Another tool is emerging to add to the treatment paradigm; immunotherapy. Put simply, a tumor normally tricks the immune system by masquerading as healthy tissue, which therefore should not be attacked. The scientific breakthrough of treatment with antibodies means that the cancer will no longer be able to inhibit the immune system (e.g. anti-PD-1 / PD-L1). Clinical studies suggest that it is possible for patients to respond for much longer than with current conventional treatments, in some cases many years. In the future, we may be able to use the term "chronic cancer" - thanks to the developments we are seeing today.

## Fund Performance IC1 (EUR)

450	Since inception	+363%
	2015 YTD	+31%
400	2014	+43%
	2013	+55%
350	2012	+18%
	2011	+10%
300	2010	+8%
	2009	+13%

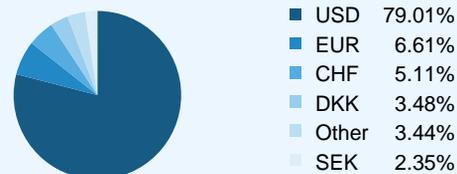


## MAY 2015

Share class	May 2015	YTD Return	Since inception <sup>1</sup>
IC1 (EUR)	10.08%	31.48%	363.44%
IC3 (EUR)	10.53%	35.38%	427.32%
IC2 (SEK)	9.94%	30.32%	213.96%
ID1 (SEK)	9.91%	24.37%	182.93%
IC1 (USD)	7.21%	14.84%	14.84%
IC2 (USD)	7.24%	21.34%	53.38%
RC1 (EUR)	10.05%	30.43%	311.03%
RC1 (SEK)	9.89%	29.49%	292.32%
RC2 (SEK)	9.91%	29.72%	303.34%
3 month Euribor (EUR)	0.00%	0.02%	3.87%

	Risk (IC1 EUR)	Exposure <sup>5</sup>	
Value at Risk <sup>2</sup>	2.22%	Long	154%
Standard Deviation <sup>3,4</sup>	15.35%	Short	26%
Sharpe Ratio <sup>3,4</sup>	5.66	Gross	180%
		Net	127%

## Currency Exposure<sup>6</sup>



## Largest Long Positions

	AUM <sup>5</sup>
1. Alexion Pharmaceuticals Inc	Fund:
2. Biogen Inc	EUR 549m
3. Roche Holding AG	USD 602m
4. Alkermes Plc	Firm:
5. Rite Aid Corp	EUR 594m

## Portfolio Construction<sup>7</sup>

Pyramid level	Position size	No.
High conviction	3%-10%	7
Core holdings	1%-3%	47
Fractional positions	0.5%-1%	52
Candidate holdings	<0.5%	35

### 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).





In addition to monotherapies with PD-(L)1, intensive research is being conducted into combinations of both new and already available drugs, such as Roche's compelling (but early) data within lung cancer using the combination of PD-L1 and chemotherapy. Chemotherapy can act synergistically by creating inflammation in the tumor which can then be more easily attacked by a reactivated immune system. Several smaller companies are developing therapies that may come to be used in sequence or in combination with PD-(L)1. This is a clear and interesting research trend which is reflected in the performance of some of the Fund's holdings in May.

The Fund's best contributors during the month were Galapagos, Alkermes and Gilead. The largest negative contributions came from Orexigen, Meda and Rigel. The Belgian biotech company Galapagos reported good data for its oral rheumatoid arthritis drug Filgotinib in April. Data for a competing drug was subsequently reported, but with lower than expected efficacy, to Galapagos' advantage. In May, Galapagos was also listed on the US Nasdaq exchange, which raised the company's profile further. Alkermes, the drug delivery company recovered slightly in May after a strong performance in autumn but dismal performance during late winter. The company is expected to receive an important approval in August for a new, long-acting version of the antipsychotic drug Abilify. The market expects 2016 to be an eventful year for the company's solid project portfolio within CNS. Gilead, the world's largest biotech company and the leader in hepatitis C, reported far better results than expected for the first quarter, which forced the market to revise up estimates for 2015. Orexigen, a small cap biotech company in the treatment of obesity, was May's worst contributor as they got into a contractual dispute with their licensee Takeda concerning how they had chosen to deal with newly generated data; the company chose to apply for a patent on a discovery which meant that a clinical study could not be completed, something that Takeda argued was contrary to the parties' agreement. Meda reported worse than expected earnings for the first quarter with negative organic growth of 5%, compared with management's target of +2%. Rigel traded down on a delay for its phase III clinical project that was caused by a slightly slower recruitment of patients, something which was taken as a pretext for low interest, but of course can have many other explanations.

We now face a summer period that may be weaker; historically, the time between May and October gives less stock market return; we are also awaiting the US Supreme Court's ruling on the legality of the tax subsidies that are part of Obamacare. Presumably, in line with the normal seasonal pattern, there will be more muted news flow from the biotech and pharmaceutical sectors. The negotiations between the institutions and Greece are worrying, albeit that they have been ongoing for a long time. We believe that an agreement (money and the promise of future negotiations about a partial debt write-down against reforms) will be concluded between the parties, but may be preceded by some market volatility. June is therefore particularly difficult to forecast. However, we are optimistic that the market has already discounted a number of possible negative events and processes. The upside is thus greater than the downside. To initiate a more defensive approach over the summer period, some option strategies have been implemented, however the Fund's net exposure remains high but will gradually fall according to plan.

### 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
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	RHHICD1 LX	68153820	18491109
IC1 (USD)	300 000	1.50%	20%	LU0417598280	RHUI1A LX	68305812	26812813
IC2 (USD)	6,000,000	1.00%	20%	LU0417598520	RHUI2U LX	68265724	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

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

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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	373.48	411.03							

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	-6.21	10.05								30.43

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	357.02	392.32							

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	-5.16	9.89								29.49

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	366.96	403.34							

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	-5.12	9.91								29.72

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