

# RHENMAN HEALTHCARE EQUITY L/S FUND

*Outstanding performance in a complex market*

- Annualised return of 26% (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

The devaluation of China's currency, the yuan, on August 11<sup>th</sup> was unexpected. Modest in size and in line with allowing the market forces to run their course, the initial reaction was cautiously 'wait-and-see'. After a week, the world's stock markets started to plummet almost simultaneously with the initial fall on the Chinese stock markets of 6%. By the end of August, China had fallen 12%, the World Index 8%, the Healthcare Index 9% and the Biotech Index 12%. The Fund fell 11% in the base currency, the euro.

The anxiety had several components: Could China go into recession? Could the global economy be significantly weakened as a result of China's slowdown? How would the Fed's ability to raise interest rates be affected? The effects on the world's stock markets were further compounded by the fact that many players were on vacation in August. The selling pressure was not immediately matched by buyers so prices first weakened significantly. The low volatility that preceded the decline had probably led to excessive optimism and this was therefore quickly replaced by a mood of pessimism. In more volatile markets many players sell the equity asset class, which further reinforces the downturn. It is easy to see that was case this time too, since we saw that companies with no business activities at all in China fell in line with the stock market in general – even though they should be regarded as having a low level of sensitivity to the economic cycle. The biotech sector, for example, has relatively low sales exposure to China and its economic sensitivity would be considered as limited, yet as a result of the greatly raised risk aversion, it actually fell more than the stock market in general. This was in no way unusual but strengthens the impression that the market's fall in August was largely technical in nature, and says relatively little about a slowdown in global activity.

So far, on the subject of the global economy, we can only state that the rate of growth in China will decrease as a result of a slowdown in exports and that domestic demand will not compensate enough. America's economy is reasonably strong, however, and shows continued good growth. Likewise, economic growth in Europe is still rising even though the increase in the growth rate has slowed. Countries like Brazil and Turkey have, for some time, had worrying structural deficits in their economies but these may now have bottomed out. Many emerging markets, not least Russia, have economies which are slowing, but this is also well known. On the whole, the state of the world economy is much as it was before the summer, or only marginally worse. The total lack of inflation is

## Fund Performance IC1 (EUR)

Year	Return
Since inception	+324%
2015 YTD	+20%
2014	+43%
2013	+55%
2012	+18%
2011	+10%
2010	+8%
2009	+13%

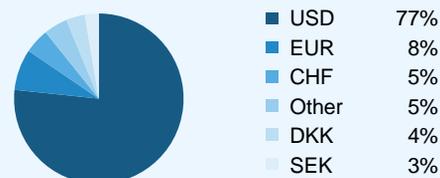


## AUGUST 2015

Share class	AUGUST 2015	YTD Return	Since inception <sup>1</sup>
IC1 (EUR)	-10.95%	20.40%	324.39%
IC3 (EUR)	-11.46%	23.67%	381.68%
IC2 (SEK)	-10.15%	21.61%	192.97%
ID1 (SEK)	-10.26%	15.88%	163.61%
IC1 (USD)	-9.33%	7.70%	7.70%
IC2 (USD)	-9.76%	13.34%	43.26%
RC1 (EUR)	-11.03%	19.23%	275.75%
RC1 (SEK)	-10.27%	20.50%	265.09%
RC2 (SEK)	-10.21%	20.89%	275.87%
3 month Euribor (EUR)	0.00%	0.02%	3.87%

Risk (IC1 EUR)	Exposure
Value at Risk <sup>2</sup>	4.28% Long 161%
Standard Deviation <sup>4</sup>	18.05% Short 40%
Sharpe Ratio <sup>3,4</sup>	1.90 Gross 201%
	Net 120%

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



## Largest Long Positions

Position	AUM <sup>5</sup>
1 Unitedhealth Group	Fund: EUR 539m
2 Roche Holdings	USD 604m
3 Allergan Plc	Firm: EUR 555m
4 Alkermes Plc	
5 Novartis AG	

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

Pyramid level	Position size	No.
High conviction	3%-10%	9
Core holdings	1%-3%	50
Fractional positions	0.5%-1%	45
Candidate holdings	<0.5%	39

### 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 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).





probably a bigger problem than the growth itself. The opportunities for central banks to raise interest rates are still extremely limited. This is still very positive for the valuation of growth stocks.

One important event in the healthcare sector over the summer has been the merger frenzy within managed care. A number of insurance companies intend to merge, assuming that they are permitted to do so. Closer scrutiny of these mergers will take place within the next year. Taken together the mergers mean that concentration will increase and, as a consequence, buyers of healthcare, pharmaceutical products and medical technologies will become bigger and stronger. The Fund has therefore increased its holdings in these companies, which, incidentally, show several examples of low P/E multiples.

The largest positive contributions in August came from Abiomed, Incyte and Lundbeck. The largest negative contributions came from Alkermes, Alexion and Cemptra. Abiomed, the medtech company which makes miniature heart pumps that support blood circulation during coronary surgery, first reported good quarterly results which were then followed by a new five-year strategy with ambitious sales targets which would represent sales growth of 40-50% per year. The market appreciated both of these news items. The biotech company Incyte generated very good sales for its blood cancer drug Jakafi during the second quarter and raised its full year forecast. Incyte has many interesting data points in its increasingly broad pipeline for the coming year, which are starting to be integrated in the valuation of the share. The new CEO of Lundbeck, the Danish CNS company, presented an extensive, credible cost-cutting package in conjunction with the second quarter results, which showed better sales than expected and increased guidance for the full year. Alkermes, the CNS and reformulation company, was the largest negative contributor. The share partly followed the general fall in the biotech sector, but besides that, the company announced that the FDA's decision on the approval of its schizophrenia drug Aristada would be a few weeks delayed, which added to short-term concerns and the shares took a beating despite the fact that a short delay alone is neither alarming nor particularly unusual. Biotech company Alexion, which performed strongly during the summer and reported good results in late July, was hit by risk-off sentiment when shareholders chose to take profits in August. Cemptra, a young biotech company that is developing the latest generation of antibiotics for particularly severe infections, was also dragged down by the sector. The company will present important data in October which could widen the field of use for the drug from hospital-only use to include patients in the home after they have been discharged, which would be very positive for the company's earnings potential and the stock will probably recover as a consequence.

August was a grim month for the Fund and the underlying holdings. Apart from the above-mentioned, subjects for rejoicing were few; most holdings were down. The end result of the decline, however, was that many healthcare stocks are now heavily oversold and have significantly low valuations in relation to their earnings multiples, especially if one looks ahead to 2016's earnings estimates. It is reasonable to do so, since in the next three months the majority of analysts will start updating earnings estimates and also set new target prices based on 2016's profits. We now have a number of companies in the Fund which are trading under P/E 15 (2016), and which are expected to show profit growth of 10-15%/year over the next three years. In addition, they have good long-term growth prospects and therefore can be regarded as growth companies. Against the background of low interest rates and low sensitivity to economic cycles, these valuations should be seen as being extremely interesting and lead us to having an optimistic view of the Fund's opportunities for the rest of the year. We have increased the proportion of large market cap companies as a result of the turmoil in the markets. Large companies now constitute about 2/3 of the Fund which should contribute to reduced volatility, should concerns about the global economy continue.

### 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

Chief Investment Officer

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# Historical Returns and NAVs

IC1 (EUR) NAV												
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	296.82	304.03	326.16	338.66	352.48
2015	391.34	419.34	448.65	421.01	463.44	456.29	476.60	424.39				

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	3.83	4.08	42.83
2015	11.02	7.15	6.99	-6.16	10.08	-1.54	4.45	-10.95					20.40

IC2 (SEK) NAV												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	105.95	109.53	117.11	123.34	131.02	128.83	142.56	142.09	147.55	144.39	159.03	158.77
2014	169.27	178.14	170.53	162.83	172.56	182.30	184.56	197.44	201.10	218.77	227.47	240.91
2015	264.32	283.76	300.86	285.57	313.96	305.90	326.08	292.97				

IC2 (SEK) Performance % .net of fees													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2013	5.95	3.38	6.92	5.32	6.23	-1.67	10.66	-0.33	3.84	-2.14	10.14	-0.16	58.77
2014	6.61	5.24	-4.27	-4.52	5.98	5.64	1.24	6.98	1.85	8.79	3.98	5.91	51.74
2015	9.72	7.35	6.03	-5.08	9.94	-2.57	6.60	-10.15					21.61

IC1 (USD) NAV												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2015		106.43	109.37	107.12	114.84	114.48	118.78	107.70				

IC1 (USD) Performance % .net of fees													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015		6.43	2.76	-2.06	7.21	-0.31	3.76	-9.33					7.70

IC2 (USD) NAV												
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	124.21	126.40
2015	132.75	141.32	145.96	143.02	153.38	152.95	158.76	143.26				

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	3.42	1.76	26.40
2015	5.02	6.46	3.28	-2.01	7.24	-0.28	3.80	-9.76					13.34

IC3 (EUR) NAV												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009								102.15	103.33	96.78	101.30	109.19
2010	114.20	116.43	124.73	119.62	106.33	104.06	100.57	100.37	107.52	109.68	113.59	120.00
2011	118.82	121.50	120.59	124.92	131.89	126.43	125.36	116.73	115.66	122.76	124.53	132.03
2012	140.67	142.42	148.58	149.43	149.16	159.24	161.09	161.06	166.38	157.79	162.21	159.79
2013	170.25	180.70	196.39	203.85	216.23	208.50	235.66	233.03	244.50	236.34	260.09	260.40
2014	280.76	296.58	279.47	263.97	278.02	294.48	296.09	321.00	329.83	356.89	372.31	389.50
2015	437.99	471.80	508.68	477.10	527.32	518.14	544.00	481.68				

IC3 (EUR) Performance % .net of fees													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2009								2.15	1.16	-6.34	4.67	7.79	9.19
2010	4.59	1.95	7.13	-4.10	-11.11	-2.13	-3.35	-0.20	7.12	2.01	3.56	5.64	9.90
2011	-0.98	2.26	-0.75	3.59	5.58	-4.14	-0.85	-6.88	-0.92	6.14	1.44	6.02	10.03
2012	6.54	1.24	4.33	0.57	-0.18	6.76	1.16	-0.02	3.30	-5.16	2.80	-1.49	21.03
2013	6.55	6.14	8.68	3.80	6.07	-3.57	13.03	-1.12	4.92	-3.34	10.05	0.12	62.96
2014	7.82	5.63	-5.77	-5.55	5.32	5.92	0.55	8.41	2.75	8.20	4.32	4.62	49.58
2015	12.45	7.72	7.82	-6.21	10.53	-1.74	4.99	-11.46					23.67

ID1 (SEK) NAV													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2012					100.64	104.51	101.00	100.77	105.42	101.93	105.47	103.07	
2013	109.66	109.21	116.69	122.83	130.33	127.88	141.46	140.87	146.24	143.04	157.52	157.19	
2014	167.54	168.39	161.54	154.18	163.36	172.51	174.59	186.71	190.10	206.73	214.90	227.49	
2015	249.52	256.41	271.30	257.41	282.93	275.68	293.76	263.61					

ID1 (SEK) Performance % .net of fees													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2012					0.64	3.85	-3.36	-0.23	4.61	-3.31	3.47	-2.28	3.07
2013	6.39	-0.41	6.85	5.26	6.11	-1.88	10.62	-0.42	3.81	-2.19	10.12	-0.21	52.51
2014	6.58	0.51	-4.07	-4.56	5.95	5.60	1.21	6.94	1.82	8.75	3.95	5.86	44.72
2015	9.68	2.76	5.81	-5.12	9.91	-2.56	6.56	-10.26					15.88

**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	404.45	422.31	375.75				

**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	-1.60	4.42	-11.03					19.23

**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	381.98	406.89	365.09				

**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	3.86	5.66	49.70
2015	9.65	7.20	5.71	-5.16	9.89	-2.64	6.52	-10.27					20.50

**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	392.85	418.61	375.87				

**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	-2.60	6.56	-10.21					20.89

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