Rhenman & Partners
Rhenman Healthcare Next Generation L/S
MONTHLY COMMENT by CIO, Kaspar Hållsten

October 2026

For existing investors of the fund. Not for wider circulation. Past performance is no indication of future returns.

Overview, exposure and positioning
Rhenman Healthcare Next Generation L/S decreased in October. The fund was down 0.7 percent in IC6 (EUR), down 3.9 percent in RC1 (SEK) and 2.4 percent in RC1 (USD) during the month. Since inception (29 May 2026), the fund is up 0.6 percent in IC6 (EUR), up 1.0 percentage in RC1 (SEK) and down 3.5 percent in RC1 (USD).

The fund ended the month with net exposure of 80 percent (101 percent long, 21 percent short), across 59 long and 22 short positions. At month end, the long book was allocated 35 percent to biotech, 28 percent to medtech, 27 percent to services and 10 percent to pharma. The short book was allocated 3 percent to biotech, 14 percent to medtech, 4 percent to services and 0 percent to pharma.

A month of defensive rotation
October was characterized by a rotation out of technology and into defensive sectors, triggered by a lukewarm reception of large-cap tech earnings and concerns over the financing of the AI buildout. Healthcare was a clear beneficiary, but the move was concentrated to large caps. Large-cap pharma had its best month since April 2020 and now trades in line with the S&P 500 on P/E, after starting the year at a 27 percent discount. Biotech, by contrast, declined as limited M&A activity and lower risk appetite weighed on the sub-sector. With a portfolio tilted toward micro-, small- and mid-cap innovation, and only a limited pharma allocation, this was a less supportive backdrop for the fund than the headline sector move suggests.

Highlights
Medtech delivered results that can be summarized as better than feared. The sub-sector trades near record-low valuations after a year weighed down by tariffs, weak consumer confidence, few product cycles and reduced insurance coverage. Stable utilization and constructive outlooks were enough to lift the group. Medtronic led the advance on the back of an FDA approval and strong clinical data in cardiac ablation, underlining the continued momentum in pulsed field ablation.

Strong reports from health insurers lifted the healthcare services sub-sector, while hospitals reported a weaker payer mix with a higher share of uninsured patients following the expiry of the enhanced ACA subsidies.

Despite weaker biotech share prices, financing remained healthy. Biotech companies raised more than USD 90 billion in the first nine months of the year, almost double the same period last year, with several successful IPOs and even stronger demand in private markets.

Performance attribution
GenMab and Brightspring were the strongest contributors for the fund in October. Iovance and Axsome were the largest detractors. Iovance declined after lung cancer data for its TIL therapy failed to convince the market. The treatment showed a strong effect in a subset of patients but a less compelling effect in the broader population. Axsome fell on weak prescription trends for Auvelity in depression and Alzheimer's agitation.

Outlook
Q3 earnings season has so far been encouraging, with strong sales growth for key products and solid clinical data across many of our holdings within mid-caps. Thus far, the advance in the market has been driven by large caps. The majority of our holdings report in November, and we expect a broadening performance toward small- and mid-caps if results continue to come through.

The US midterm elections are a key milestone. A Democratic House would most likely result in gridlock, while a Democratic Senate would increase the ability to push back on cuts to publicly funded health insurance, which would be positive for parts of the healthcare services sector. At the same time, geopolitical risk could rise after the elections, with implications for inflation and rates. Small-caps are the most rate-sensitive part of the sector.

Overall, we remain constructive. Valuations in medtech and small- and mid-cap biotech are attractive, the M&A logic driven by large-cap patent cliffs remains intact, and the earnings outlook is strong. We continue to favor execution stories where we believe the probability of a positive outcome is underappreciated, and we remain enthusiastic about the outlook for both the sector and the fund for the remainder of the year.

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