

# Factsheet

London Stock Exchange (LSE)

Marketing document

## Investment focus

Bellevue Healthcare Trust intends to invest in a concentrated portfolio of listed or quoted equities in the global healthcare industry. The investable universe for the fund is the global healthcare industry including companies within industries such as pharmaceuticals, biotechnology, medical devices and equipment, healthcare insurers and facility operators, information technology (where the product or service supports, supplies or services the delivery of healthcare), drug retail, consumer healthcare and distribution. There is no restrictions on the constituents of the fund's portfolio by index benchmark, geography, market capitalisation or healthcare industry sub-sector. Bellevue Healthcare will not seek to replicate the benchmark index in constructing its portfolio. The Fund takes ESG factors into consideration while implementing the aforementioned investment objectives.

## Fund facts

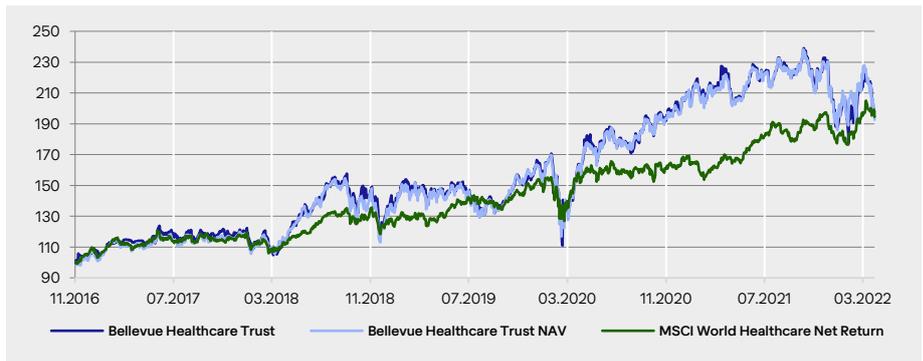
Share price	GBP 169.20
Net Asset Value (NAV)	GBP 164.48
Volume	GBP 954.0 mn
Investment manager	Bellevue Asset Management (UK) Ltd
Administrator	Sanne Funds Services (UK) Limited
Launch date	01.12.2016
Fiscal year end	Nov 30
Benchmark	MSCI World Healthcare Net Return
ISIN code	GB00BZCNLL95
Bloomberg	BBH LN Equity
Number of ordinary shares	580'037'380
Management fee	0.95%
Performance fee	none
Min. investment	n.a.
Legal entity	UK Investment Trust (plc)
EU SFDR 2019/2088	Article 8

## Key figures

Beta	1.25
Correlation	0.79
Volatility	27.7%
Tracking Error	17.56
Active Share	94.63
Sharpe Ratio	0.6
Information Ratio	-0.01
Jensen's Alpha	-4.48

Source: Bellevue Asset Management, 30.04.2022; Calculation over 3 years.

## Indexed performance since launch



## Cummulated & annualized performance

### Cummulated

	1 M	1 Y	2 Y	3 Y	4 Y	5 Y	ITD
Share	-7.4%	-10.2%	20.5%	33.6%	74.3%	74.1%	97.8%
NAV	-12.0%	-11.9%	17.9%	32.2%	65.3%	73.2%	92.7%
BM	-0.4%	16.7%	24.8%	51.4%	72.2%	76.8%	94.5%

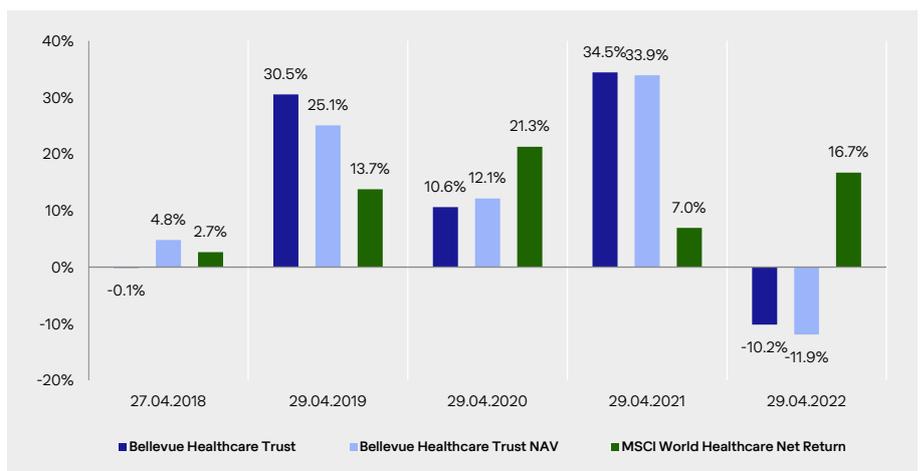
### Annualized

	1 Y	3 Y	5 Y	10 Y	ITD
Share	-10.2%	10.1%	11.7%	n.a.	13.4%
NAV	-11.9%	9.7%	11.6%	n.a.	12.9%
BM	16.7%	14.8%	12.1%	n.a.	13.1%

## Annual performance

	2017	2018	2019	2020	2021	YTD
Share	14.8%	4.9%	22.7%	29.1%	16.6%	-14.4%
NAV	12.7%	8.6%	25.9%	25.7%	15.2%	-14.7%
BM	9.4%	8.8%	18.4%	10.3%	20.8%	-0.8%

## Rolling 12-month-performance



Source: Bellevue Asset Management, 30.04.2022; all figures in GBP %, total return / BVI-methodology  
Past performance is not a reliable indicator of future results and can be misleading. Changes in the rate of exchange may have an adverse effect on prices and incomes. All performance figures reflect the reinvestment of dividends and do not take into account the commissions and costs incurred on the issue and redemption of shares, if any. The reference benchmark is used for performance comparison purposes only (dividend reinvested). No benchmark is directly identical to the fund, thus the performance of a benchmark is not a reliable indicator of future performance of the Bellevue Healthcare Trust to which it is compared. There can be no assurance that a return will be achieved or that a substantial loss of capital will not be incurred.

**Top 10 positions**

Jazz Pharmaceuticals		8.8%
Option Care Health		7.2%
Sarepta Therapeutics		6.2%
Insmem Incorporated		5.8%
Anthem		5.4%
Caredx		5.3%
Amedisys		4.8%
United Health Group		4.2%
Tandem Diabetes Care		4.0%
Axonics Modulation		4.0%
<b>Total top 10 positions</b>		<b>55.7%</b>

**Sector breakdown**

Focused Therapeutics		25.3%
Services		15.1%
Med-Tech		13.5%
Diagnostics		11.7%
Diversified Therapeutics		10.9%
Managed Care		9.6%
Healthcare IT		4.9%
Tools		4.9%
Health Tech		4.0%

**Geographic breakdown**

United States		95.5%
China		1.0%
Others		3.5%

**Market cap breakdown**

Mega-Cap		15.6%
Large-Cap		6.5%
Mid-Cap		55.2%
Small-Cap		22.8%

**Welcome to our assessment of April's abstrusities. The investing environment remains very challenging and again we find ourselves want of compelling explanations for the relative performance of different companies within the wider healthcare firmament; the macro gods are firmly in control.**

**Nothing focuses the mind as much as an intractable problem and we continue to re-evaluate all of our holdings in light of the evolving market dynamic. Complacency is easily adopted in a rising market but confidence in a falling one is much less likely to arise through a lack of self-criticism. We remain of the view that we are doing the right thing, even if it is not yielding positive results in the short-term.**

**Monthly review**

**The wider market**

The relentless slew of negative macro-economic and geo-political updates continued through April. The risks of the Ukraine 'conflict' (can one really call it that when it's an invasion?) risks expansion as Moldova and Poland get dragged into the fray through false flag attacks and energy blackmail. That Russia would bomb Kyiv when the UN were in town and barely tries to conceal its war crime atrocities shows beyond doubt this is a new era of conflict; one that lacks any respect for the post WW2 rules of engagement that have maintained the peace between competing global powers for more than 70 years.

Inflationary pressures, labour shortages and logistical challenges asphyxiate the nascent recovery and stagflation stalks the markets. Monetary policy, which has made taming inflation its primary focus over the past three decades, feels like a blunt instrument amidst so many competing issues.

Quite why some elements of the British press keep trying to blame most of this on Brexit is beyond us. Clearly it isn't helping, but the ships and trucks piling up outside the ports of Shanghai and Long Beach, the tight US labour market and the ongoing struggles everywhere to return the healthcare industry to pre-pandemic norms suggest that, whilst the charge sheet is long and growing, not everything is Boris' fault.

We are all struggling to stay on top of this relentless and dispiriting newsflow and its implications for our personal and working lives. Everyone can feel the difference at the supermarket till, on the fuel station forecourt and, here in the UK, in their pay packet (thanks Rishi, great timing). It is also widely recognised that the only certainty in respect of the economic situation is that it will get harder for most before it gets better. It is inevitable that such a picture is going to impact on consumer behaviour.

Indeed, the OECD's composite consumer sentiment index has fallen back toward the 'peak COVID fear' levels of April 2020 (which remains the lowest number ever recorded in a data series that goes back to 1960). Low sentiment ultimately leads to lower discretionary spending and that, in turn, to lower earnings expectations for public companies.

At any given moment, the stock market is a net present value estimation of future earnings expectations; sometimes irrationally optimistic, sometimes overly cautious, but earnings momentum remains the most reliable predictor of share price movements. Given the rather depressing picture outlined previously, it is no surprise that the MSCI World Index declined 4.4% in sterling terms (-8.4% in dollars) during April, to reach levels comparable to the lows of last year (seen in March 2021).

We again include the full sub-sector US dollar performance breakdown for the MSCI World Index in Figure 1, to illustrate the overall picture. It is one of defensive re-positioning, with food and staples holding up best. Energy remains positive as the disruption to wholesale markets supports high price levels and super-normal profits.

Elon Musk's Twitter shenanigans has taken a toll on Tesla for sure, but the woes of the Autos sector were (for once) broadly correlated, rather than it being a case of the Tesla tail wagging the dog. Technology, capital equipment and discretionary consumer spending (and adjacencies such as consumer credit) bore the brunt of the downside. Rather like March, one can argue that the market appears to have behaved rationally from a directional and top-down sector-level dispersion perspective. As ever though, things look messier as you scratch below the surface.

Source: Bellevue Asset Management, 30.04.2022;  
For illustrative purposes only. Holdings and allocations are subject to change. Any reference to a specific company or security does not constitute a recommendation to buy, sell, hold or directly invest in the company or securities. Where the subfund is denominated in a currency other than an investor's base currency, changes in the rate of exchange may have an adverse effect on price and income.

Food, Beverage & Tabacco	1.8%
Household & Personal Products	1.8%
Energy	-1.5%
Pharmaceuticals, Biotechnology	-3.3%
Utilities	-3.6%
Food & Staples Retailing	-3.8%
Telecommunication Services	-3.9%
Real Estate	-4.2%
Materials	-5.6%
Commercial & Professional Services	-5.9%
Consumer Services	-6.2%
Media & Entertainment	-6.2%
Healthcare Equipment & Services	-6.7%
Insurance	-7.1%
Capital Goods	-8.3%
Consumer Duables & Apparel	-9.0%
Banks	-9.3%
Technology Hardware & Equipment	-9.7%
Transportation	-10.3%
Software & Services	-10.5%
Diversified Financials	-11.0%
Retailing	-13.2%
Automobiles & Components	-13.6%
Semiconductors & Semiconductor Equipment	-17.4%

Source: Bellevue Asset Management, 30.04.2022

**Healthcare**

As one would expect, healthcare’s obvious defensive qualities enabled it to outperform the broader market as it declined. The MSCI World Healthcare Index declined only 0.4% in sterling terms (-4.7% in dollars). The performance dispersion by sub-sector is illustrated in Figure 2:

	Weighting	Perf (USD)	Perf (GBP)
Managed Care	10.6%	0.2%	4.7%
Distributors	1.3%	-0.5%	3.9%
Diversified Therapeutics	35.7%	-1.1%	3.4%
Conglomerate	12.2%	-1.4%	3.0%
Other HC	1.5%	-3.9%	-0.8%
Focused Therapeutics	7.1%	-5.3%	-1.0%
Generics	0.4%	-7.1%	-3.0%
Med-Tech	14.1%	-10.5%	-6.5%
Tools	8.6%	-10.8%	-6.8%
Facilities	1.1%	-11.1%	-7.2%
Diagnostics	1.9%	-12.7%	-9.2%
Services	2.8%	-13.2%	-9.4%
Healthcare IT	1.1%	-14.1%	-10.1%
Healthcare Technology	0.9%	-17.5%	-13.8%
Dental	0.7%	-30.8%	-27.8%
<b>Index perf</b>		<b>-4.7%</b>	<b>-0.4%</b>

Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd. Weightings as of 31.03.2022. Performance to 30.04.2022.

Echoing the broader ‘risk-off’ theme outlined previously, it was the most utilitarian sub-sectors that performed best (Managed Care, Distributors), followed by Large-cap pharma (within our Diversified Therapeutics category) and Conglomerates. The worst-performing sub-sectors were Dental (as we noted last month, Align Technology was a big risk into numbers given consumer sentiment), Healthcare IT (mostly Teladoc, which we have also commented on as being risky and now looks completely broken investment-case wise) and Healthcare Technology (one of the highest rated sub-sectors; high multiples suffer more in a market sell-off).

We are about halfway through the reporting season for the US S&P500 Healthcare Index. If there is a pattern to discern from the market reaction to Q1 results (both positive and negative), it would be that there is no obvious pattern save for any perceived negative newsflow being punished most severely.

De-grossing is clearly a major factor as to why positive updates are leading to shares opening up on the day but then a rapidly

fading share price; it feels easier to “sell on the green” and results generally lead to increased volumes and thus the perception of improved liquidity. Of course, there can be too much liquidity if everyone is rushing for the exit. This having been said, mutual fund data continues to show that generalist allocations to healthcare are increasing, even if they are currently biased toward hiding in Mega-Cap stocks in the ‘dull but worthy’ category.

Some commentators hoped that the relative underperformance of SMID healthcare would prompt more positive commentary from large companies, particularly around M&A. However, this was not forthcoming. Bigger companies seem more cautious if anything and thus happy to wait. It is fair to argue that FDA-related updates have skewed negatively with a number of “complete response letters”, some of which were totally unexpected. We believe that the risk premium around earlier-stage projects has increased and this is probably a factor in corporate as well as investor thinking.

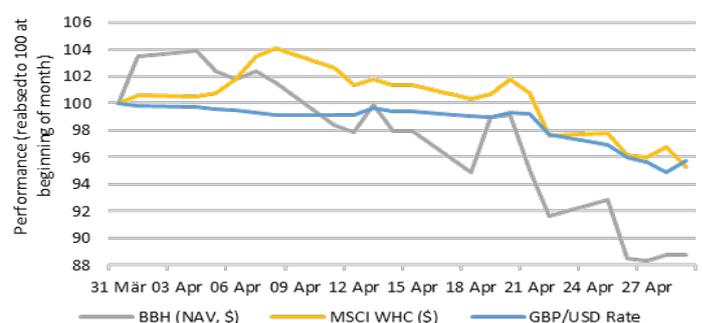
Consumer exposure, high EV/sales multiples and China exposure all seem to have been negative attributes during this period. Again, it will come as no surprise to readers that size factor offered no palliation in such a febrile environment. The monthly returns within the MSCI World Healthcare Index from the Mega-Cap, Large-Cap and Mid-Cap groupings were -2.7%, -8.7% and -10.7% respectively (this cap-weighted Index contains no small cap companies). Such an environment is inevitably a very challenging one for our strategy.

**The Trust**

April 2022 will be seared into our memories for all the wrong reasons. With the Trust’s net asset value declining 10.4% to 164.5p; it is in our top three worst months for absolute performance and stands alone as our worst ever month for relative performance; we under-performed the index by 10.4% over the month, despite FX being a material tailwind (+430bp).

There were a number of different factors at play here, many of which confound rational analysis. As noted previously, size factor was again a headwind. However, there were some stock specific factors that also weighed on our holdings; some were operational, some sentiment-related. We had two stocks that declined >50%, four that declined >30%, and 15 that fell more than 20%. In total, 23 of our initial 30 positions declined more than 10% during the month. Three of the four stocks that declined >30% did not have any operational newsflow or financial reporting during the month; they just went down a lot! The four worst performers covered four different sub-sectors. Such a picture defies objective analysis.

Diversified Therapeutics was the only sub-sector of the portfolio that delivered a (very modest) positive return during the month. By far the largest negative contributors to the evolution of the NAV came from Diagnostics, followed by Focused Therapeutics, Healthcare IT and Med-Tech. The evolution of the NAV during the period is illustrated in Figure 3:



Source: Bellevue Asset Management (UK) Ltd.

The active portfolio has declined from 30 stocks at the end of March to 29 at the end of April, with us exiting a Focused Therapeutics holding on a failed investment case. We added to eight holdings and trimmed four (plus the one we exited). We saw no inflows, but did issue 285,015 shares in respect of the scrip dividend programme and also drew down a further \$15m from our debt facility. The additional investments and the decline in the value of the portfolio resulted in the leverage ratio increasing from 7.4% to 10.2%. Your managers again bought additional shares in the Trust for their personal holdings during April.

The evolution of the portfolio is summarised in Figure 4 below. The declines in the weightings of Diagnostics, Healthcare IT and Healthcare Technology were driven by de-rating. Conversely, the relative outperformance of Managed Care and Diversified Therapeutics drove their weighting increase; we actually reduced the number of shares held in these two sub-sectors. Med-Tech increased due to relative performance; our holdings were unchanged. Tools and Services saw material increases in our active allocation, but this was partly offset by relative underperformance.

	Subsectors end Mar 22	Subsectors end Apr 22	Change
Diagnostics	13.1%	11.7%	Decreased
Diversified Therapeutics	10.0%	10.9%	Increased
Focused Therapeutics	25.9%	25.3%	Decreased
Healthcare IT	6.7%	4.9%	Decreased
Healthcare Technology	4.1%	4.0%	Decreased
Managed Care	8.3%	9.6%	Increased
Med-Tech	14.2%	13.5%	Decreased
Services	13.3%	15.1%	Increased
Tools	4.5%	4.9%	Increased
	<b>100.0%</b>	<b>100.0%</b>	

In summary then, we continue to add to holdings in companies that are underperforming despite continued positive evolution of our investment thesis. The funding of these increases comes from a combination of reducing holdings in areas that have held up better during this difficult period and from drawing down on our bank facilities.

The company's AGM took place on 22 April. All resolutions were passed and we enjoyed an engaging and discursive Q&A session with the shareholders in the audience. We thank them for taking the time to attend and for their interesting questions.

### Manager's Musings

#### Sisyphian dissipations

Keeping one's spirits elevated can be a challenge during times like these. It does rather feel that, as soon as we believe we are on top of the latest geopolitical or macroeconomic crisis, another comes along. Whilst us ordinary folk are victims of circumstances largely beyond our control, to our minds most of these crises are the product of a combination of poor leadership and an inability of people in power to admit when they are wrong or do not know something. As a consequence, the many and varied travails of our global village feel like they were eminently avoidable.

Is there really any logical need for China to sacrifice its economy and the (limited) freedoms of its populous just so an autocratic despot doesn't have to admit that Western vaccines are better than Chinese ones and 'Zero COVID' is utter nonsense? Does Ukraine need to continue to suffer because one ex-spy cannot admit that his country is no longer a superpower, despite the fact that hardly anyone in Russia other than him seems to care?

Whilst these political chess games continue, rapidly rising food and fuel prices, concordant with the Federal Reserve hurtling toward meaningful US interest rate rises (we doubt they will fully come to pass, but that's a topic for another day), increases the risk of another 1998-style emerging market debt crisis, with all the attendant human suffering that would bring.

"The West" can hardly proclaim intellectual superiority or moral leadership though: the last US election was a choice between a liar and someone who appears to have been happy to let his son peddle influence and access whilst he was VP and is rather prone to gaffs that suggest his grasp of, well anything, is far from optimal. France has just re-elected an unpopular president by a limited margin because he was deemed a less offensive choice than a neo-fascist. Indeed, illiberal political movements seem to be gaining ground everywhere. Isn't democracy wonderful?

Nor can "The West" hold the moral high ground on not invading or destabilising other sovereign countries because we do not like their leaders, or having some red line about not dealing with despotic regimes that oppress their peoples. If you have enough natural resources, then a blind eye is turned. The Americans going cap in hand to Venezuela and Saudi Arabia is surely evidence that principles are indeed a relative construct in realpolitik. It really is quite difficult to remain an optimist or an idealist amidst all of this horse-trading.

Here in the UK, we have a familiar-sounding Hobsonian choice of sticking with a liar or going with someone who does not really seem up to the task and who himself only got the job as leader of the opposition because he was not an unelectable Trotskyist. Recent news stories also confirm that the opposition is not above telling a few porkies for political advantage and then are incapable of apologising when caught out.

At least the UK has a third national party... as a bit of fun, can any readers recall who the leader of the Lib Dems even is, never mind what they look like? The party does still exist, we checked; they have policies and everything and still have 2% of the seats in the Commons. They say we get the leaders that we deserve. Your managers have been wracking their brains but we really cannot recall doing anything so awful as to deserve this deluge of effluent.

Why make these obvious observations, save for the often cathartic release of venting one's frustrations by stating that which is self-evident?

Firstly, it has relevance to the macro backdrop: it seems reasonable to assume that the many and various issues the world currently faces are not going to get better quickly with any of these idiots in charge. Moreover, the absence of compelling alternatives to the aforementioned 'leaders' does not augur well; the least-worst option seems to be the devil you know. In conclusion then, the emergence of a definitive post-COVID world order is going to be a challenging birth and any near-term hope for a stable geo-political backdrop is forlorn. The markets are adjusting to this but further volatility clearly lies ahead.

Secondly, we come back to the initial observation. Many of these problems stem not only from bad decision making, but from the failure to recognise this and to change course when it becomes glaringly obvious that is what needs to happen (yes Rishi, this includes you). Sometimes, when things are going wrong, it can be hard to be objective and ask the most difficult question: am I doing the right thing?

#### Epistemological equanimity

One of life's great paradoxes is that self-reflection is not easy whilst cognitive dissonance and self-delusion are disturbingly straightforward. There is all manner of psychological research showing that we imbue our decisions, and the supporting evidence for them, with greater weight over time and tend to 'double down' in the face of even logical questioning of previous decisions (cf. the 'backfire effect', 'endowment effect' and the 'mere exposure effect').

When it comes to investing, admitting you are wrong having lost money and "cutting your losses" is really tricky for most people too (cf. the 'break-even fallacy', 'sunk cost fallacy' and 'loss aversion'). We say these things from experience: our own data shows us that we are seldom aggressive enough in exiting a position when the investment hypothesis suffers a major setback, but there again everything appears clearer in hindsight.

However, the key to all of this is continuous self-reflection. We fully recognise that we make mistakes and we try to do better. That is why we believe that a co-management structure is the best approach to running a fund. It is much easier (and more fun) to play devil's advocate and take the other side of an argument and have a debate about the merits (or otherwise) of a thing than to review it on your own: this is why newspapers have editors and accounts have auditors.

If, in the end, one can come away from such a discussion happy to continue to have a position because it has stood up to the scrutiny, then you are all the better for it. In doing so though, one must recognise that the past is irrelevant. The only thing that matters is where you are today and what you think will happen in the future.

The last six months have not been easy for us, or satisfying in terms of the investment return outcome. Over this period, the Trust's sterling NAV total return has been -16.4%. The mega-cap MSCI World healthcare Index has returned +4.0%. Context is everything though; the Nasdaq Biotech and Russell 2000 (i.e. mid-cap) healthcare have returned -17.7% and -30.9% respectively.

As our readers should be aware, the outcome of our investment philosophy is that we will tend to have more mid-cap and more focused/operationally-gearred companies. These are going to be more volatile and deliver less correlated returns than a strategy running a lower active share. When assessing our performance then, we need to be mindful of these more SMID-focused comparators and, with so many similar healthcare stocks down well into double-digits over this period, our return is explainable.

This does not make us complacent. We pore over every element of the performance attribution trying to understand the whys and wherefores of our outcomes. For instance, we have chosen to be levered throughout this period. Since leverage exacerbates directionality, this has contributed to our under-performance because the market has continued to fall. This analysis seems as obvious in its conclusions as it is simple in its mechanics, but the reality is more nuanced.

Our use of leverage is timing-related and drawing down funds enables us to take advantage of mis-pricing events, allowing us to increase exposure to shares when their prices fall significantly. These "oversold" situations often ameliorate quite rapidly, permitting us to make a positive return on these trades. The ungeared open-ended version of the strategy offers a guide to the ungeared returns of the portfolio.

If one compares the total return of the two products over the six month period, the WS Bellevue Healthcare Fund's total return is only about 100bp higher than that of the Trust (i.e. the geared version), so the negative contribution of our leverage on overall performance has been very muted. However, it has allowed the Trust to obtain higher levels of gross exposure to the companies we like at very attractive prices, which we think is to our advantage in the longer-term.

Again though, context is key. If we look at the first five months of the same period of data to the end of March 2022, the return of the Trust was actually higher than the Fund, i.e. one can conclude that being levered had not adversely impacted our performance despite the overall direction of returns still being negative. Put another way, it only really hurt us in the carnage of April.

The fundamentals of the portfolio remain positive and the valuations of the companies with it compelling when viewed over a longer-term horizon. It is this opportunity that prompts us to continue to put capital to work. In any rational universe, these are beguiling entry levels.

#### The anatomy of an upturn in the context of a downturn

If one begins with the (admittedly questionable) premise that the equity market is, in the end, a rational valuation mechanism, there are three fundamental reasons why shares will increase in value:

- 1) earnings growth is realised as time passes. If the market is happy to pay 10x current earnings and the earnings in three years' time are higher than today, then it follows that the share price will also be higher in three years' time, even if the FY3 earnings forecast does not change over the three years in between.

- 2) the earnings outlook improves. If the expected earnings forecast in three years' time begins to look too low, then that same earnings multiple will be applied to a bigger number and
- 3) the market chooses to apply a higher multiple to forward earnings and the share price rises without the earnings outlook changing at all.

All of the above phenomena work both ways, so all can contribute to shares declining. Indeed, on the downside they are often linked. If a company announces a surprise negative development, it will impact the earnings outlook and at the same time, the attendant uncertainty over the future outlook suggests it is prudent to apply a lower multiple, which is why downside moves can be so material on unexpected announcements.

This rather begs the question: what has driven the downside to the Nasdaq Biotech and Russell 2000 Indices? Clearly at a company-specific level, any combination of these can come into play and there have undoubtedly been a fair share of material setbacks for companies over this period.

If one were to look at the EPS trend of each index over the period (and focusing on the same earnings year – 2023), Bloomberg data suggests that the overall trend has been a modest positive one for both indices. Ergo, the overwhelming driver of the deterioration in share prices has been a reduction in the rating.

Despite a de-rating being the primary reason that we are where we are in terms of net asset value and investor returns, this does not mean that we are dependent upon a re-rating to deliver future returns for investors. If the collective wisdom of the stock market opines that the current multiples are the correct ones for the next few years, we still have underlying double-digit growth in our companies (even on a risk-adjusted basis) to fall back on. When stock-level fundamentals do return as the driver of share price performance, we should be well rewarded. If there is a re-rating to boot, then all the better.

#### Defending the defensive

One of the interesting things about being a portfolio manager is that investor questions in meetings offer a mirror into the thinking of the market; we can learn as much about the perception of the market from these interactions as we can from our spreadsheets and models of sub-sector performance and factor behaviour.

We have seen more investors face-to-face in the past six weeks than we have in the preceding two years. We are very happy to be back on the road meeting people and it became obvious very quickly how inferior virtual interactions are when compared to the real thing. Over the past weeks, there has been a noticeable increase in the level of questioning regarding the pervasiveness of defensive growth characteristics within the sector. To the extent one can generalise, the question is along the lines of "do the other sub-sectors and smaller companies have the same level of earnings defensiveness as Large-Cap pharma?".

The mere fact people are asking this question is almost as interesting to our minds as the answer to it. Firstly, we see it as clear evidence that people want to hide from an unfriendly world in the relative comfort and safety of something they perceive to be low risk. This is understandable. The large pharma companies are generally well diversified so that, even if there is a hiccup in the pipeline, it will not tend to move the earnings needle over-much, leaving one's capital at limited downside risk.

They are not bulletproof though, as Roche's recent pipeline failures and cuts to FY22 guidance from Abbvie will attest. Meanwhile, Pfizer continues to generate around half of its revenues from COVID-19 vaccines and treatments.

Setting aside size-related diversification, the more interesting aspect of the question to our minds is the perception (or worry) that other areas of healthcare might be less defensive. Granted there are some areas where the consumer is paying and there are opportunities to forego treatment or trade down (e.g. wires and brackets instead of clear aligners, or having less frequent cosmetic treatments, although there is little evidence for the latter from Abbvie's Q1 results), but the vast majority of healthcare treatment is driven by need not want and so there is little reason to be more concerned about the outlook today than six weeks or six months ago.

We could also understand some reticence on this topic in early 2020, when the pandemic was in the ascent. At that time, hospitals were postponing procedures and consumers were avoiding the doctor and the dentist if they could bear to wait. Roll forward to today though, and the opposite is happening. Procedures are opening back up and patients are trying to come back, such that available capacity is being filled (capacity is still not back to normal due to ongoing COVID protocols and staffing issues, but it is improving not worsening).

Sadly, the only way to assuage this perception is to continue to deliver a robust operating performance and then, in time, confidence should improve. This is frustrating for sure, but on the other hand, it creates an interesting opportunity to buy shares at attractive valuations and, in effect, be paid to wait out the realisation that the broader market dynamic for healthcare is robust and those defensive qualities apply far more widely than current perception would lead you to think.

The most simple way to answer this question is with another question – have we negatively revised any of our longer-term growth expectations for specific sub-sectors of the healthcare ecosystem over the past six months? The answer is no. Quite the opposite in fact...

We always appreciate the opportunity to interact with our investors directly and you can submit questions regarding the Trust at any time via:

[shareholder\\_questions@bellevuehealthcaretrust.com](mailto:shareholder_questions@bellevuehealthcaretrust.com)

As ever, we will endeavour to respond in a timely fashion and we thank you for your continued support during these volatile weeks.

**Paul Major and Brett Darke**

**Objective**

The fund's investment objective is to achieve capital growth of at least 10% p.a., net of fees, over a rolling three-year period. Capital is at risk and there is no guarantee that the positive return will be achieved over that specific, or any, time period.

**Risk Return Profile**

This product should form part of an investor's overall portfolio. It will be managed with a view to the holding period being not less than three years given the volatility and investment returns that are not correlated to the wider healthcare sector and so may not be suitable for investors unwilling to tolerate higher levels of volatility or uncorrelated returns.



The risk indicator assumes you keep the product for 5 years. The actual risk can vary significantly if you cash in at an early stage and you may get back less.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because the fund is not able to pay you.

This fund is classified as 6 out of 7, which is a medium-high risk class. This rates the potential losses from future performance at a medium-high level, and poor market conditions will likely impact the capacity to pay you.

The portfolio is likely to have exposure to stocks with their primary listing in the US, with significant exposure to the US dollar. The value of such assets may be affected favourably or unfavourably by fluctuations in currency rates.

This fund does not include any protection from future market performance so you could lose some or all of your investment.

If the fund is not able to pay you what is owed, you could lose your entire investment.

**Target market**

The fund is available for retail and professional investors in the UK who understand and accept its Risk Return Profile.

**Chances**

- Healthcare has a strong, fundamental demographic-driven growth outlook.
- The fund has a global and unconstrained investment remit.
- It is a concentrated high conviction portfolio.
- The fund offers a combination of high quality healthcare exposure and a 3.5% dividend yield.
- Bellevue Healthcare Trust has an experienced management team and strong board of directors.

**Inherent risks**

- The fund invests in equities. Equities are subject to strong price fluctuations and so are also exposed to the risk of price losses.
- Healthcare equities can be subject to sudden substantial price movements owing to market, sector or company factors.
- The fund invests in foreign currencies, which means a corresponding degree of currency risk against the reference currency.
- The price investors pay or receive, like other listed shares, is determined by supply and demand and may be at a discount or premium to the underlying net asset value of the Company.
- The fund may take a leverage, which may lead to even higher price movements compared to the underlying market.

**Management Team**



**Paul Major**  
Portfolio Manager  
since inception of the fund



**Brett Darke**  
Portfolio Manager  
since inception of the fund

**Awards**



**Sustainability Profile – ESG**

<b>Exclusions:</b>	<input checked="" type="checkbox"/> Compliance UNGC, HR, ILO	<input checked="" type="checkbox"/> Controversial weapons
	<input checked="" type="checkbox"/> Norms-based exclusions	
<b>ESG Risk Analysis:</b>	<input checked="" type="checkbox"/> ESG Integration	
<b>Stewardship:</b>	<input checked="" type="checkbox"/> Engagement	<input checked="" type="checkbox"/> Proxy Voting

<b>CO2 intensity (t CO2/mn USD sales):</b>	26.5 t (low)	MSCI ESG coverage: 100%
<b>MSCI ESG Rating (AAA - CCC):</b>	A	MSCI ESG coverage: 100%

Based on portfolio data as per 31.03.2022 (quarterly updates) – ESG data base on MSCI ESG Research and are for information purposes only; compliance with global norms according to the principles of UN Global Compact (UNGC), UN Guiding Principles for Business and Human Rights (HR) and standards of International Labor Organisation (ILO); no involvement in controversial weapons; norms-based exclusions based on annual revenue thresholds; ESG Integration: Sustainability risks are considered while performing stock research and portfolio construction; Best-in-class: systematic exclusion of "ESG laggards"; MSCI ESG Rating ranges from "leaders" (AAA-AA), "average" (A, BBB, BB) to "laggards" (B, CCC). Note: in certain cases the ESG rating methodology may lead to a systematic discrimination of companies or industries, the manager may have good reasons to invest in supposed "laggards". The CO2 intensity expresses MSCI ESG Research's estimate of GHG emissions measured in tons of CO2 per USD 1 million sales; for further information c.f. [www.bellevue.ch/sustainability-at-portfolio-level](http://www.bellevue.ch/sustainability-at-portfolio-level)

### Important information

This document is only made available to professional clients and eligible counterparties as defined by the Financial Conduct Authority. The rules made under the Financial Services and Markets Act 2000 for the protection of retail clients may not apply and they are advised to speak with their independent financial advisers. The Financial Services Compensation Scheme is unlikely to be available.

Bellevue Healthcare Trust PLC (the "Company") is a UK investment trust premium listed on the London Stock Exchange and is a member of the Association of Investment Companies. As this Company may implement a gearing policy investors should be aware that the share price movement may be more volatile than movements in the price of the underlying investments. **Past performance is not a guide to future performance. The value of an investment and the income from it may fall as well as rise and is not guaranteed. An investor may not get back the original amount invested.** Changes in the rates of exchange between currencies may cause the value of investment to fluctuate. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially over time. This document is for information purposes only and does not constitute an offer or invitation to purchase shares in the Company and has not been prepared in connection with any such offer or invitation. Investment trust share prices may not fully reflect underlying net asset values. There may be a difference between the prices at which you may purchase ("the offer price") or sell ("the bid price") a share on the stock market which is known as the "bid-offer" or "dealing" spread. This is set by the market makers and varies from share to share. This net asset value per share is calculated in accordance with the guidelines of the Association of Investment Companies. The net asset value is stated inclusive of income received. Any opinions on individual stocks are those of the Company's Portfolio Manager and no reliance should be given on such views. This communication has been prepared by Bellevue Asset Management (UK) Ltd., which is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Any research in this document has been procured and may not have been acted upon by Bellevue Asset Management (UK) Ltd. for its own purposes. The results are being made available to you only incidentally. The views expressed herein do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the view of Bellevue Asset Management (UK) Ltd. and no assurances are made as to their accuracy. ©

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