Bellevue Healthcare Trust

APRIL 2023

Factsheet

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 are no restrictions on the constituents of the funds portfolio by index benchmark, geography, market capitalisation or healthcare industry sub-sector. Bellevue Healthcare Trust 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

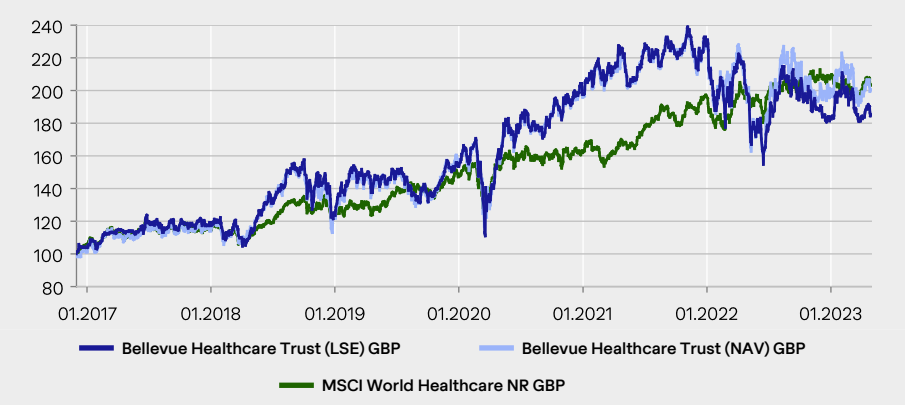
Share price	GBp 152.20
Net Asset Value (NAV)	GBp 164.96
Market capitalisation	GBP 836.27 mn
Investment manager	Bellevue Asset Management (UK) Ltd.
Administrator	Apex Listed Companies Services (UK) Ltd.
Launch date	01.12.2016
Fiscal year end	Nov 30
Benchmark (BM)	MSCI World Healthcare NR
ISIN code	GB00BZCNLL95
Bloomberg	BBH LN Equity
Number of ordinary shares	549,452,487
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	1.37
Correlation	0.70
Volatility	28.5%
Tracking Error	20.99
Active Share	93.41
Sharpe Ratio	0.45
Information Ratio	0.12
Jensen's Alpha	-1.00

Source: Bellevue Asset Management, 30.04.2023;
Calculation based on the Net Asset Value (NAV) over the last 3 years to 30 April 2023.

Indexed performance since launch



Cumulative & annualised performance

Cumulative

	1M	YTD	1Y	3Y	5Y	10Y	ITD
Share	0.7%	1.4%	-6.4%	17.0%	60.3%	n.a.	85.2%
NAV	1.1%	0.0%	4.2%	26.2%	75.1%	n.a.	100.7%
BM	1.6%	-2.0%	4.5%	32.7%	81.7%	n.a.	103.4%

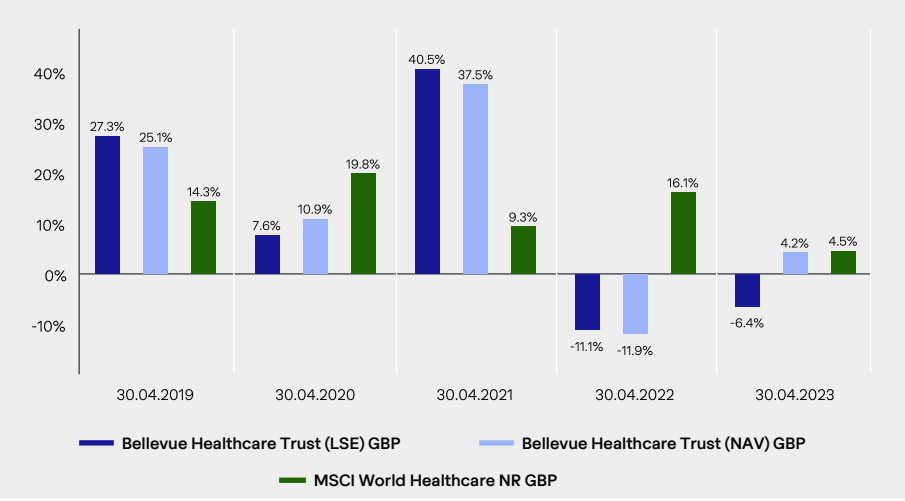
Annualised

1Y	3Y	5Y	10Y	ITD
-6.4%	5.4%	9.9%	n.a.	10.1%
4.2%	8.1%	11.9%	n.a.	11.5%
4.5%	9.9%	12.7%	n.a.	11.7%

Annual performance

	2018	2019	2020	2021	2022	YTD
Share	4.9%	22.7%	29.1%	16.6%	-21.0%	1.4%
NAV	8.6%	25.9%	25.7%	15.2%	-11.1%	0.0%
BM	8.8%	18.4%	10.3%	20.8%	5.8%	-2.0%

Rolling 12-month-performance



Source: Bellevue Asset Management, 30.04.2023; 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.

Welcome to our April asseverations. The economic backdrop remains very murky, with conflicting signals bubbling to the surface. There are few signs that the market wants to grind higher and myriad reasons to be fearful of worse to come.

Operationally and aspirationally, healthcare remains a bright spot during Q1 reporting, with multiple signals attesting that a return to pre-COVID norms is well underway. Demography will underpin growth for many years to come, even if the economy does tip into recession.

Within the healthcare ecosystem, change continues apace. Changes that will deliver better services for patients and better value for money for payors, which is always us in the end. As depressing as things may sometimes seem, it still remains true that there has never been a better time to be alive than today, except perhaps tomorrow.

Monthly review

The wider market

During April, the MSCI World Index appreciated by 1.6% in dollar terms (-0.2% in sterling). It was yet another month of confused economic data and even more bewildering policy signals on the back of this data.

In the all-important US economy, 'spot' trucking data suggests an abrupt order slowdown that is confirmed by sluggish diesel sales volumes. The US manufacturing purchasing managers' index (PMI) remained below 50 in April, which suggests contracting manufacturing activity for the sixth consecutive month. The 'freight recession' is not limited to US road hauliers; US ship-borne freight volumes also seem to be plummeting.

Housing starts are slowing as interest rates continue to rise. Unsurprisingly, higher rates for borrowers and tighter supply of loans from stressed regional lenders are leading to rent increases from private landlords and this has become one of the key drivers of the CPI inflation bucket that the Fed is using as a guide for interest rate rises.

These are clearly all negative indicators. Nonetheless, April once again saw above-forecast employment figures and continued low unemployment claims in the US. If we ignore the pandemic and adjust for working-age population growth, US jobless claims haven't really risen since the post-financial crisis recovery got underway in the early 2010's, a truly remarkable run (cf. St. Louis Fed database). At the market index level, inflation may be crimping corporate profit margins, but it does not seem to be crimping actual profits.

As the month ended, another mid-sized US bank (First Republic) failed. Fractional reserve banking is capitalism's greatest mirage and the inevitable crisis of confidence will surely claim further victims in what feels like a free lunch for short sellers.

In contrast, JP Morgan Chase seems to be in a "heads I win, tails I still win" sweet spot. Ongoing worries send flighty capital to the apparent haven of "too big to fail" institutions. When the smaller players do go to the wall, JPM is allowed to acquire them outside anti-trust scrutiny. To paraphrase Friedman, "we are all Chase customers now".

In contrast to what one would intuit is a major risk for the broader economy, there are as yet few signs so far that this mini banking crisis is leading to an increase in the rate of tightening of credit conditions. These were already tightening due to the increase in the Fed funds rate and anticipation of further rises to come – only a fool would lend in this environment without stress testing borrowers.

Axioms and orthodoxies are proving quite unhelpful at the moment. What is one to make of such a confusing picture? On the one hand, this is all superficially reassuring; things are perhaps not as bad as they appear. This could argue for either a heretofore unanticipated degree of economic resilience, or some sort of statistical/sampling change post-pandemic that makes many economists' preferred measures of lower accuracy or prognostic value.

The problem with all economic data, regardless of quality, is that it is always backward looking. We won't know there is a problem until it's too late. As the debt ceiling crisis looms closer, the Fed seemed intent on saddling us all with another 25bp increase during May and this duly came, albeit with some more nuanced language that another rise is not certain to follow this one.

The ECB meanwhile, under the leadership of Christine 'Laggard' not only followed with another rate increase but recapitulated the central bank's intention to keep going until inflation is under control (whatever that means), or perhaps until the economy is in ruins. It is not impossible for inflation to co-exist with an economic contraction (i.e. stagflation).

Central bank press conferences are like watching five-year olds argue in a playground; no-one is willing to even entertain the notion that perhaps this is not the best idea in the current environment. That said, nostalgia is all the rage – let's bring back the 70s when we enjoyed high inflation, high unemployment, ruinous energy costs, dysfunctional government and mass unemployment (perhaps we are already there - many of these seem eerily apposite to the current malaise) .

Perhaps we can drown our sorrows with Blue Nun which, rather worryingly, is still extant as a brand. Some of our younger readers may have no idea what we are referring to at this point. All we can say is – lucky you. Please DO NOT try this at home.

Amidst all of this, what investments make sense (aside from the obvious "avoid smaller US banks")? The MSCI World sector performance breakdown is summarised in Figure 1:

Sector	Monthly perf
Household & Personal Products	+5.7%
Health Care Equipment & Services	+4.6%
Consumer Services	+4.4%
Insurance	+4.4%
Real Estate Management & Development	+3.8%
Energy	+3.8%
Food, Beverage & Tobacco	+3.8%
Media & Entertainment	+3.6%
Utilities	+2.7%
Pharmaceuticals, Biotechnology	+2.3%
Financial Services	+2.1%
Consumer Discretionary Distributors	+1.9%
Commercial & Professional Services	+1.8%
Software & Services	+1.8%
Consumer Staples Distribution	+1.7%
Telecommunication Services	+1.4%
Equity Real Estate Investment	+1.3%
Banks	+1.3%
Capital Goods	+0.5%
Technology Hardware & Equipment	+0.4%
Consumer Durables & Apparel	+0.0%
Materials	-0.9%
Transportation	-0.9%
Semiconductors & Semiconductor Equipment	-5.7%
Automobiles & Components	-10.4%

Source: Bellevue Asset Management, 28.04.2023

It is gratifying to see Healthcare Equipment toward the top of the list; classical defensive growth and an obvious safe haven attributes and signs of demand normalisation post-COVID (additional commentary follows in the next section).

Likewise Household and Personal Products should remain robust from a demand perspective, albeit with some risks to trading down in this category versus, say healthcare. We find the strength in Consumer

Services (restaurants, food delivery, holiday operators and casinos) is harder to understand given the current environment.

At the other end of the spectrum, it is Tesla that is again wagging the Automotive tail (ex. TSLA, the sector would have been down only ~2.4%). Variable car pricing is all well and good, but not if it goes up and down in the same month. Transportation makes sense in light of the previous comments about falling freight volumes and semiconductors remains a proxy play on GDP growth expectations (if this still holds true then this canary is also not singing a tune that any coalminer wants to hear).

The one thing all of us can probably agree on is that bullish signals are rather lacking.

Healthcare

As noted previously, healthcare was a relative bright spot with the MSCI World Healthcare Index rising 3.4% in dollars (+1.6% in sterling), outperforming the wider market by 184bp.

The sub-sector performance breakdown is summarised in Figure 2. Now that Q1 23 reporting is largely out of the way, it is evident that the stand-out theme was, pleasingly, US elective procedure volume recovery. In large joint ortho, we saw Stryker post 19% growth, Zimmer 16% and J&J 10%. Hospitals and clinics operator Tenet Healthcare reported LFL volume growth of 7% in its ambulatory care (i.e. walk-in day surgery) facilities business and its competitor Community Health Systems reported 9% admissions growth and 11% growth in surgical volumes.

As we have noted in previous missives, there have been glimmers of improvement in various elective metrics in recent quarters but the alignment of all metrics in a positive manner has been elusive until now. Prospective patients are now behaving in a manner that aligns with pre-COVID norms and this is reflected in the leading performance of the hospital operators (Facilities) and Med-Tech sub-sectors. A more cautious overall outlook is supportive for the duller bond proxies of Conglomerates, Diversified Therapeutics, Distributors and Managed Care.

At the other end of the spectrum, one could also argue that the Tools sub-sector and the complex within Services that provides outsourced operations for Biopharma have been the weak spots during Q1, in terms of guidance cuts and disappointing results.

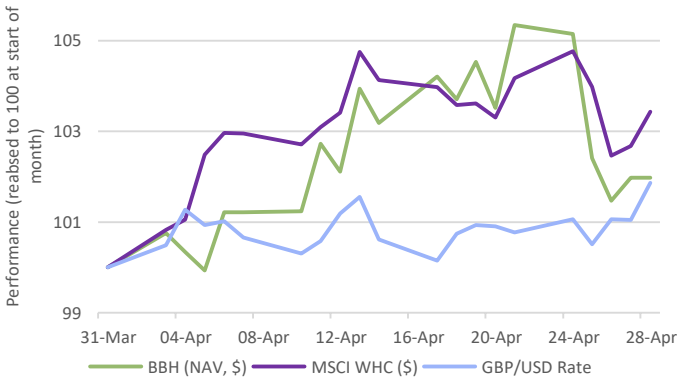
	Weighting	Perf (USD)	Perf (GBP)
Facilities	1.0%	8.6%	6.6%
Med-Tech	13.7%	7.6%	5.7%
Conglomerate	10.9%	5.1%	3.2%
Other HC	1.3%	4.3%	2.9%
Managed Care	10.4%	4.1%	2.2%
Diversified Therapeutics	37.7%	4.1%	2.2%
Distributors	1.6%	3.3%	1.4%
Healthcare Technology	0.9%	2.9%	1.0%
Focused Therapeutics	8.6%	1.1%	-0.8%
Services	2.3%	-0.2%	-2.0%
Generics	0.3%	-0.3%	-2.1%
Dental	0.6%	-1.4%	-3.2%
Healthcare IT	0.5%	-2.4%	-4.1%
Tools	8.6%	-4.2%	-5.8%
Diagnostics	1.6%	-5.1%	-6.8%
Index perf		**3.4%**	**1.6%**

Source: Bloomberg/MSCI and Bellevue Asset Management, Weightings as of 31.03.2023, Performance to 28.04.2023

The Trust

During April, the Trust's Net Asset Value rose by 1.1% in sterling (+3.0% in dollars) to 164.96p, underperforming the comparator index by 43bp.

The evolution of the NAV over the course of the month is illustrated in Figure 3 below.



Source: Bellevue Asset Management, 28.04.2023

Focused Therapeutics and Med-Tech were the primary positive contributors to the absolute return, with Diagnostics and Tools being the main detractors.

The evolution of the sub-sector weightings is summarised in Figure 4 overleaf. The reduction in Dental was due to active re-allocation, whereas the reduction in Diagnostics and Diversified Therapeutics was solely due to relative underperformance. We modestly added to our Focused Therapeutics and Healthcare IT holdings. The changes to the weightings of Healthcare Technology, Managed Care and Tools were driven by relative performance, whereas we were modest net sellers in both Med-Tech and Services.

	Subsectors end Mar 23	Subsectors end Apr 23	Change
Dental	1.6%	1.0%	Decreased
Diagnostics	10.0%	9.5%	Decreased
Diversified Therapeutics	3.7%	3.6%	Decreased
Focused Therapeutics	27.1%	27.2%	Increased
Healthcare IT	8.5%	9.2%	Increased
Healthcare Technology	4.0%	3.9%	Decreased
Managed Care	5.2%	5.5%	Increased
Med-Tech	16.4%	17.4%	Increased
Services	14.5%	14.4%	Decreased
Tools	8.9%	8.3%	Decreased
	100.0%	**100.0%**	

Source: Bellevue Asset Management, 28.04.2023

The investment portfolio is unchanged at 28 companies. Adjusting for the funds escrowed for the dividend, the leverage ratio fell from 5.7% to 3.6% as we modestly reduced overall gross exposure (a trend that continued into early May). The share buyback programme remains active. However, no shares were repurchased during April and the average discount to NAV widened from 5.9% to 7.4%. The discounts for our closest healthcare trust peers also increased by a similar amount during April.

Managers' musings

Complex problems, simple solutions?

We always welcome the opportunity to interact with our investors and we have been on the road a fair bit during April, as well as having our AGM (thank you to all those who attended and for the wide-ranging discussion that followed). One recurring observation from these interactions is the excitement that many of you have for hearing opinion on what might be the "next big thing" in healthcare. Usually, people are more taken with cutting-edge coruscations than plodding mundanities of operational improvement.

It would be comforting indeed to imagine there are imminent revolutionary developments that could greatly improve the human condition, but it is rarely so clear cut. Systemic change is typically grinding, incremental and hard to see unfolding except in hindsight. We would love to tell you that we are excited today about, say, Moderna's personalised cancer vaccine programme or Lilly's Alzheimer's drug but we are not.

We want game-changing efficacy in dementia and in the treatment of cancer (especially in respect of side effects) just as much as the next human being, but we have not seen any product or technology that yet warrants such a 'game-changer' description. Moreover, we do not agree with Mencken that clear and simple solutions to complex problems are innately wrong.

Indeed, if we distil the many and varied challenges that healthcare faces during a period of unprecedented demographic change and rapid innovation, it all comes down to a rather simple problem – capacity. We all want to be able to see a doctor quickly when we need to and then not wait too long after that for any required treatment. Nevertheless, there are more than 400,000 people in the UK who have been waiting more than one year for an NHS elective procedure.

Rapid turnaround makes economic sense as well as being socially just – the longer you leave a condition untreated, the more likely it is to cause further physical and mental problems for the patient (e.g. joint replacement delay leads to poor mobility, which can then lead to weight gain and attendant cardiovascular and musculoskeletal problems, social isolation, pain medication dependency, loss of income etc. etc.)

We can choose to over-complicate this simplistic conclusion regrading capacity in many different ways: there aren't enough beds, there aren't enough doctors or nurses, social care is underfunded and lacks adequate capacity. We don't have enough hospices etc. etc. For the UK NHS, all of these are true; we lag our European and OECD peers on most of these measures on a population-adjusted basis.

However, that was arguably true five years ago and yet the problems were nowhere near as great. Indeed, many healthcare commentators might argue that the UK was previously seen as something of a model of lean management, coping fine for most of the time (i.e. except winter) in most years.

Politicians will argue that each of these problems lacks a simple (i.e. affordable) solution and each has myriad causes that have been decades in the making. Compounding so many complex problems is surely a certain route to failure when it comes to solving them. Thankfully, whilst the politicians vacillate and kick the can down the road, the healthcare industry is innovating. Why bother conflating, when there is a simple solution to them all?

A simple rather than a complex problem?

The primary issue behind the headline-grabbing issues of waiting lists, ambulance delays and access to treatment is a lack of available acute care beds. If you are going to cut someone open in an elective surgical procedure, you need a safe environment for their body to recover and heal and ensure that relevant follow-up care is provided. You might also need to educate the patient or their caregivers on any continuing care thereafter (medication, physical therapy exercises, diet, etc.).

This recovery period need not be that long. According to the King's Fund, 80% of all elective procedures undertaken by the NHS should be day cases (i.e. no overnight stay). Elective procedures account for around 85% of overall volume and thus day cases are around 68% of total surgical caseload.

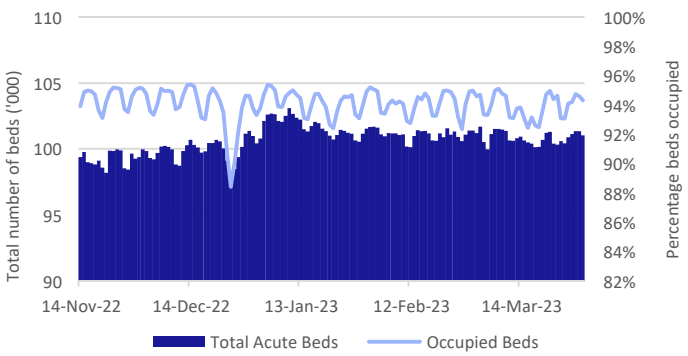
In many private UK hospitals, you will see a bed turned twice over in a day; the first round of admissions is early morning followed by a morning surgery schedule. Many of the beds will be empty by midday and turned around for a new occupant in time for a second early-afternoon surgical roster, with the aim of getting those patients home for prime-time TV.

Anyone who has been to a private hospital will know that such rapid turnarounds are only possible through ensuring that the elective procedure is booked on a date and time when the patient can be sure that there will be someone waiting for them at home to look after them. Post-surgical soreness and swelling can limit mobility and anaesthesia often causes light headedness for several hours. Certain musculoskeletal procedures can require many days of minimal physical activity (and the wearing of those hideous knee-length compression socks)

So much for the theory of optimised day case management. What does the data tell us about the performance of our benighted health service? We have included two charts using data over the busy winter period from the NHS' own data warehouse, which is available online for public interrogation.

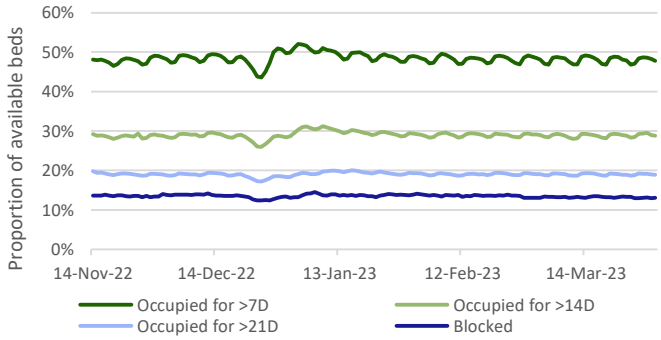
The data in Figure 5 below might, at first glance, suggest a model of efficiency and good management: occupancy is always high, but never total and those nice people in charge do everything they can to keep people home on Christmas day.

Of course, this is national-level data and the supply demand imbalance can look very different from one area to another. If you are waiting for a bed in Colchester for your hip operation, the availability of one in Cleethorpes is of little use. If there were always free space, then surely there wouldn't be such long waiting lists for elective procedures, queues of ambulances and all the rest?



Source: NHS England Statistical Work Areas monthly reports

This chart tells us nothing about who is in these beds and one more level of granularity paints a very different picture. Figure 6 below shows proportional occupancy for longer periods and also beds that are blocked (this is when the patient is considered to be safe for discharge into the community with suitable support, but where such support is not available).



Source: NHS England Statistical Work Areas monthly reports

Given the previous data points showing that more than two thirds of surgical cases are day cases and only one in seven are emergency admissions, it really is quite staggering to think that, at any given moment, around half of the people in hospital in England have been there for more than one week, some more than three weeks and that one in six of them have no medical need to be there at all.

And then there is the cost. Every extra day sat in an acute care bed costs the NHS £350-500. With around 12,000 beds blocked at any one time, that is £5.1m per day being wasted and probably multiples of that again being mis-spent through excessive stay length.

Leaving aside the undoubtable truth that no-one wants to be in hospital for any length of time, a prolonged period of bed rest is not good for you and doubly so if you are old and more inclined to suffer muscle wastage.

In addition to the physical and mental health aspects, the food is unconscionably terrible – vegetables boiled longer than some of these waiting lists and all flavourful elements (evil sugar and deadly salt) banished. That alone is enough to make you ill. Where does this leave us?

A simple rather than a complex solution

Making a comparison to the UK private sector is of course unfair, because that service cherry-picks the simple cases. If it appears that you might be high risk or that you won't be able to put your own post-operative care in place, then they won't admit you for a procedure.

However, it remains objectively true that, for the majority of the case volume, the post-procedure medical requirements are limited: ongoing medication, some vitals monitoring and rapid access to a nurse or doctor in the event that your condition worsens. Why do you need to be in hospital at all?

The elegant solution to all of this is home healthcare. We are not talking about meals on wheels, we are talking about a concept the NHS calls the "virtual ward" and its simplicity is beguiling…

Coming back to the early comments about the next big thing: we would love to tell you this is all clever and high tech, but it really isn't. If you were of a bootstrapping mindset, you could create a virtual care environment with some clever coding and a few rudimentary gadgets available from Amazon: a tablet computer, a pulse oximeter, a digital thermometer and a digital blood pressure cuff.

You could take things up a gear again with some digital scales and a smart watch. Let's add in a 5G internet dongle as well, just in case your broadband is a bit dodgy.

With these tools suitably linked to the tablet and the tablet linked to the internet, a third party could remotely monitor your critical vital signs just as easily and regularly as if you were sat in a hospital bed. They could use the tablet and a video calling suite to offer regular check-ins and watch as you took your medication.

You may need some specialist care – a blood draw say, some infused medication or a dressing changed. That's fine, this third party can send a skilled nurse to you and they can travel around seeing multiple patients every day for such procedures.

If your vitals started to deteriorate, advice could be given or, in a worst case scenario, a paramedic dispatched. If you pass out or have a fall, the accelerometers in the smart watch will send an alert. The scales can make sure that you are eating well (much more likely outside of the hospital than in it).

The total cost of all of this equipment is probably less than the cost of a two-day hospital stay. For those with additional mobility needs, other equipment could be loaned as well (riser recliner chairs, walking frames, commodes etc.).

Because the majority of post-admission cases are thankfully uncomplicated, the amount of staff needed to run such a programme remains an open question. As of March 2023, there were 340 pilot "virtual ward" programmes running in NHS England, serving ~7,700 patients (each patient is referred to as a "virtual bed") that had treated and discharged >100,000 patients since inception.

The levels of staffing vary considerably across these but one can easily imagine that the tablet will be sending regular updates and these can all be monitored algorithmically. When things step out of range or a check-in is missed, a human can be brought into the loop.

If you think about how few actual minutes of any day in hospital include a nurse or doctor at the bedside, the ability to scale up a large ward from a small control room that is manned 24/7 becomes all too obvious. The potential cost savings resulting from this are also very obvious.

It will take time to gather sufficient data on longer-term outcomes, patient satisfaction and, critically, re-admission rates. Broadly speaking, literature from pilot programmes across the world thus far is favourable in terms of no worse outcomes, positive patient feedback and cost savings. In summary, this feels much more like the future of healthcare than most of the things we see and talk about.

Making money

We cannot realistically make money from an NHS initiative using largely 'off the shelf' technologies from multiple vendors. However, we can find examples of third party service providers in the US to play this accelerating transition toward quality care at home.

We selected two companies – Option Care Health and Amedisys – to provide exposure to this theme within the portfolio. We have a third portfolio company that is also geared toward home care but in a specific niche (haemodialysis) and is thus not relevant to the discussion in this month's missive.

Amedisys (AMED) is one of the leading providers of Home Health Services (i.e. helping patients recovering from illness or surgery and the prevention of avoidable hospital readmissions, patients living with chronic disease and providing physical, speech and occupational therapy in the home setting. These activities account for ~60% of revenues).

AMED also has a hospice unit offering end of life care in the home setting, which accounts for ~35% of revenues. The remainder is a more typical Personal Care offering that provides daily living assistance. The Company operates in 39 US states and serves more than 400,000 patients annually.

Two of AMED's largest competitors, Kindred at Home and LHC Group were acquired in 2021 and 2023 respectively by large insurance providers (Humana and United Health/Optum respectively) to help those groups facilitate the transition to value-based-care ('VBC') contracting.

Option Care (OPCH) is the leading independent provider of alternate site infusion services in the US with ~21% market share of this $11bn, rapidly-consolidating industry. OPCH offers a wide range of chronic and acute therapies to patients either in their homes or at the Company's ambulatory infusion centres. Although there are three large players (two of which are owned by insurers), around 40% of the US infusion market is still in the hands of local 'mom and pop' operators.

Option Care Health has benefited from multiple tailwinds: an ageing population is driving increased chronic use of infused medications and uptake of the Medicare Advantage insurance schemes that its business serves. Investor interest has grown around the (allegedly) burgeoning opportunity in anti-amyloid Alzheimer's treatments. If you cannot work out which drug is the winner, far better to play the volume upside from the product-neutral administrator of them all.

In contrast, Amedisys' operating environment has been challenged in recent years by the vagaries of government reimbursement for traditional Medicare on which it is highly dependent (as opposed to Medicare Advantage, which has different contracting rate arrangements and to which AMED historically has had limited exposure), and the labour environment where high turnover, wage inflation and commensurate reliance on agency staff has pressured margins.

We have long felt that a combination of these two companies would be compelling in the long term, but were surprised by the timing of OPCH's bid for Amedisys on 3rd May 2023. Thus far, the deal has not been well received by the market, with some chatter around OPCH holders being disgruntled at the growth opportunity for the company being diluted with the drag of turning around AMED.

We think this is a very short-term view. The aforementioned ongoing transition in the US to value-based-care models is likely to drive more and more providers into vertically-integrated full service provision so that they can contract directly with physician groups and payors in 'at risk' arrangements.

We expect these trends to consolidate industry segments and squeeze out 'mom and pop' services, operators and smaller physician practice groups. Like insurance itself, VBC relies on risk-pooling and size is your friend in such arrangements.

At first glance, one might argue that AMED is in a more difficult spot, has lower growth and margins and the apparent synergy targets ($50m from a $1.6bn combined cost base and only $25m of revenue synergies from a combined revenue base of $6.5bn) seem uncompelling. We think this is a short-sighted view.

Firstly, this is a human capital business and the labour market in home care and nursing has already seen a lot of turnover since COVID. The last thing you want to do is disrupt operations in the run-up to the closing and integration with nurses leaving because they fear they will become a synergy (we expect much larger cost savings from the middle and back office areas being combined).

Secondly, the revenue synergy target is a complex discussion. The real synergies will not arise from the market that the companies serve today, but rather emerge as the VBC transition gathers pace (and it will – ask any major payor in the US). We would imagine that, since this deal was announced, the management team of Option Care have been inundated with customer enquiries about what the combined entity might be able to offer them. Time will tell, but we expect larger cost and revenue synergy forecasts to be forthcoming after the deal has closed.

The past two years have been extremely challenging for our strategy; this macro-focused market dynamic is leading investors to eschew growth and longer-duration investment cases, both significant characteristics of our approach. Behind this, the wider healthcare market dynamic continues to evolve in the direction that we hoped and expected that it would and this leaves us optimistic that we will be rewarded appropriately in the fullness of time.

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

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

Paul Major and Brett Darke

Bellevue Healthcare Trust

Top 10 positions

Option Care Health	6.1%
Apellis Pharmaceuticals	5.9%
Evolent Health	5.5%
Sarepta Therapeutics	5.5%
Exact Sciences	5.4%
Axonics	5.3%
Insmed	5.3%
Vertex Pharmaceuticals	5.2%
Charles River Laboratories	4.7%
Bio-Rad Laboratories	4.2%
Total top 10 positions	53.2%
Total positions	28

Sector breakdown

Focused Therapeutics	27.2%
Med-Tech	17.4%
Services	14.4%
Diagnostics	9.5%
Healthcare IT	9.2%
Tools	8.3%
Managed Care	5.5%
Health Tech	4.0%
Diversified Therapeutics	3.6%
Dental	1.0%

Geographic breakdown

United States	95.9%
China	3.1%
Europe	1.0%

Market cap breakdown

Mega-Cap	12.8%
Large-Cap	16.1%
Mid-Cap	55.2%
Small-Cap	15.8%

Source: Bellevue Asset Management, 30.04.2023;
Due to rounding, figures may not add up to 100.0%. Figures are shown as a percentage of gross assets.
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 fund 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.
Market Cap Breakdown defined as: Mega Cap >$50bn, Large Cap >$10bn, Mid-Cap $2-10bn, Small-Cap $2bn. Geographical breakdown is on the basis of operational HQ location.

Benefits

- 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 targeted 3.5% dividend yield.
- Bellevue Healthcare Trust has a strong board of directors and relies on the experienced management team of Bellevue Asset Management (UK) Ltd

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 owning 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.

You can find a detailed presentation of the risks faced by this fund in the "Risk factors" section of the sales prospectus.

Management Team

Paul Major
Co-Portfolio Manager

Brett Darke
Co-Portfolio Manager

Sustainability Profile – ESG

EU SFDR 2019/2088 product category: Article 8

Exclusions:		ESG Risk Analysis:		Stewardship:	
Compliance UNGC, HR, ILO	✓	ESG-Integration	✓	Engagement	✓
Norms-based exclusions	✓			Proxy Voting	✓
Controversial weapons	✓				

Key Figures:

CO_2 intensity (t CO_2/mn USD sales):	27.9 (low)	Coverage:	97%
MSCI ESG Rating (AAA - CCC):	BBB	Coverage:	97%

Based on portfolio data as per 30.04.2023; – 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; Stewardship: Engagement in an active and constructive dialogue with company representatives on ESG aspects as well as exercising voting rights at general meetings of shareholders.MSCI ESG Rating ranges from "leaders" (AAA-AA), "average" (A, BBB, BB) to "laggards" (B, CCC). The CO_2 intensity expresses MSCI ESG Research's estimate of GHG emissions measured in tons of CO_2 per USD 1 million sales; for further information c.f. www.bellevue.ch/sustainability-at-portfolio-level.

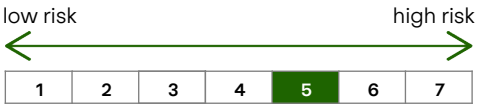
Bellevue Healthcare Trust

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.



We have classified this product as risk class 5 on a scale of 1 to 7, where 5 corresponds to a medium-high risk class. The risk of potential losses from future performance is classified as medium-high. In the event of very adverse market conditions, it is likely that the ability to execute your redemption request will be impaired. The calculation of the risk and earnings profile is based on simulated/ historical data, which cannot be used as a reliable indication of the future risk profile. The classification of the fund may change in future and does not constitute a guarantee. Even a fund classed in category 1 does not constitute a completely risk-free investment. There can be no guarantee that a return will be achieved or that a substantial loss of capital will not be incurred. The overall risk exposure may have a strong impact on any return achieved by the fund or subfund. For further information please refer to the fund prospectus or PRIIPS KID.

Liquidity risk
The fund may invest some of its assets in financial instruments that may in certain circumstances reach a relatively low level of liquidity, which can have an impact on the fund's liquidity.

Risk arising from the use of derivatives
The fund may conclude derivatives transactions. This increases opportunities, but also involves an increased risk of loss.

Currency risks
The fund may invest in assets denominated in a foreign currency. Changes in the rate of exchange may have an adverse effect on prices and incomes.

Operational risks and custody risks
The fund is subject to risks due to operational or human errors, which can arise at the investment company, the custodian bank, a custodian or other third parties.

Target market

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

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 markers 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.

The most important terms are explained in the glossary at www.bellevue.ch/en/glossary.

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