BB Healthcare Trust

Monthly News
August 2021

Marketing document

As at 08/31/2021	Value	1 Month (August)	YTD	Since Launch (ITD)
Share	198.20	2.5%	14.9%	127.8%
NAV	197.77	2.5%	16.3%	127.9%

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 31.08.2021, NAV and share price returns are adjusted for dividends paid during the period, assuming reinvestment in relevant security. Full performance data is on page 7.

Note: 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.

Welcome to our August abstrusities. The summer break, such as it was, is over and a foreboding winter looms into view. One must ignore the smorgasbord of lunacies the world can offer up and focus on the facts: things are actually getting better.

One does rather wonder why it seems so hard for so many pundits to say as much, but we are in an optimistic mood here at Bellevue Towers (and very happy to be back in the office). The sunny uplands beckon…

Summary

BB Healthcare Trust Ltd is a high conviction, unconstrained, long-only vehicle invested in global healthcare equities with a max of 35 stocks. The target annual dividend is 3.5% of NAV and the fund offers an annual redemption option. BB Healthcare is managed by the healthcare investment trust team at Bellevue Asset Management (UK) Ltd.

Monthly review

The wider market

Back in May 2021, the April Factsheet aired our surprise over the enduring strength of the positive narrative for the broader market; given so much was then taken for granted, we wondered where the impetus for indices to continue their ascent would come from. The oft-used axiom to 'sell in May and go away' sprang to mind: with the recovery and re-opening argument now widely accepted, ushering in a more than commensurate positive re-rating of cyclical and consumer assets, surely a period of consolidation would follow? Our conclusion was to caution that markets would be challenging to navigate, owing to the lack of any compelling positive macro narrative.

We can only hope that readers ignored our Cassandra-like prophecies of stagnation, logically founded as they seemed to us. In some respects, our thinking was correct: whilst there has been some degree of positive surprise to corporate earnings, there has been little to excite in terms of positive economic revisions for the US (Table 1) and Europe is frankly no better and signs of a slow down due to the Delta variant impacting both consumer sentiment and supply chains through disruption are growing week-on-week.

US Real GDP growth (y-o-y)	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Initial growth estimate	4.0%	6.4%	6.5%	6.2%
Latest/final growth figure	4.5%	6.3%	6.6%	6.3%

Source: United States Bureau of Economic Analysis (www.bea.gov/gdp)

Nonetheless, the MSCI World Index rose a further 7.1% (a 23% annualised return) from our prognostication of caution to the end of August. This period has been characterised by a battle for leadership between the pandemic winners in the tech/media complex and the consumer sentiment/inflation plays but broadly speaking, the rising tide appears to have lifted all types of watercraft to some extent. Indeed, if one considers Q2 2020 as a very brief recession, the US market's recovery is the fastest post-recessionary climb in 80 years, and it just keeps going.

August saw a further continuation of this pattern; the MSCI World Index once again made all-time highs, rising 3.4% in sterling terms (+2.4% in dollars) even as the Delta variant continued to weigh on most developed economies. Midway through, 2021 has equalled the all-time US record (77) for the number of new market all-time highs recorded in one year.

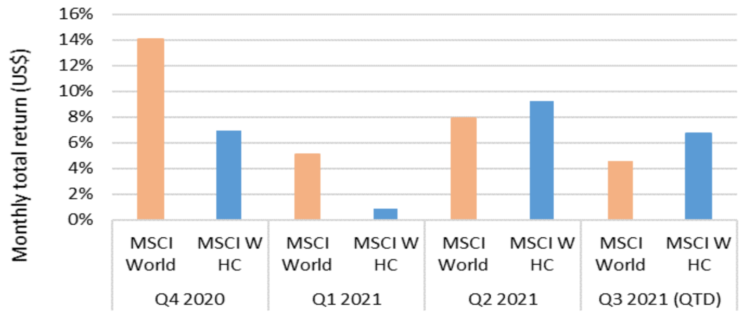
With case numbers once again in the ascendency, we remain as far away from the end of the pandemic as we were in April, but the market seems to feel that it is all manageable (which we would broadly agree with – more of that anon). It was always going to be the case that economic growth during the initial recovery phase would be high and then moderate to more normal levels: let the debate commence as to what the world's sustainable rate of GDP growth will be.

Perhaps reflecting the lurking fear of Delta derailing the party and growth slowing to more normal levels, it was again the tech and media complex that led the way in August. The top 5 sector performers were Media & Entertainment (+4.9%), Food & Staples Retailing (+4.9%), Insurance (+4.5%), Semiconductors (+4.4%) and Tech Hardware & Equipment (+4.2%). The laggards were Consumer Durables & Apparel (-3.0%), Energy (-1.8%), Materials (-0.9%), Food, Beverage & Tobacco (-0.5%) and Household & Personal Care (-0.5%).

Where to next? Who honestly knows? If there was one interesting element to the Q2 21 reporting season, it was that earnings surprises did not seem to be rewarded to the same extent as Q1 21, which does rather suggest that we are getting to the point where estimates are now in line with investor expectations (i.e. the Buy side rather than the Sell side), but this does not mean that the market will not continue to re-rate the P/E of growth in what remains a zero percent risk free return environment. The world's wealth needs to be put to work somewhere.

Healthcare

As we have noted many times this year, a bull market narrative (however flimsy you might consider it) built around improving consumer sentiment, positive economic revisions and creeping inflation would be unlikely to favour defensive growth sectors like healthcare outperforming. Nonetheless, the MSCI World Healthcare Index has acquitted itself rather well against its parent: since the beginning of 2021 to date (3rd September), the dollar total returns of the respective indices have been 19.1% for the MSCI World and 18.5% for MSCI World Healthcare, with Healthcare outperforming World in past two quarters (Figure 2).



Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd.

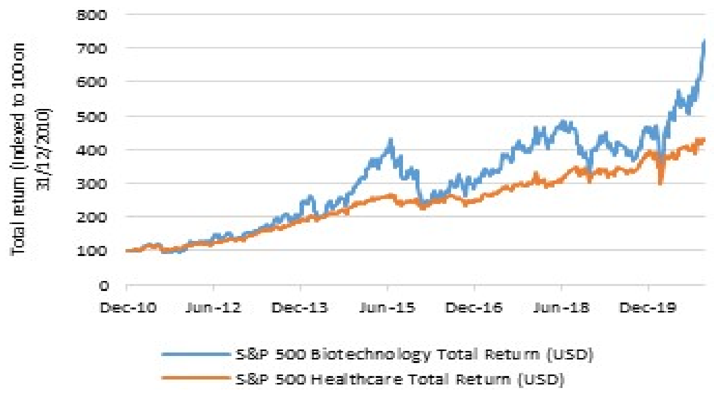
Perhaps the continued emergence of waves of SARS-CoV-2 makes people nervous enough to still want some defensive healthcare exposure (although data from surveys of mutual funds and fund managers continues to suggest the number who are overweight healthcare remains at decade lows).

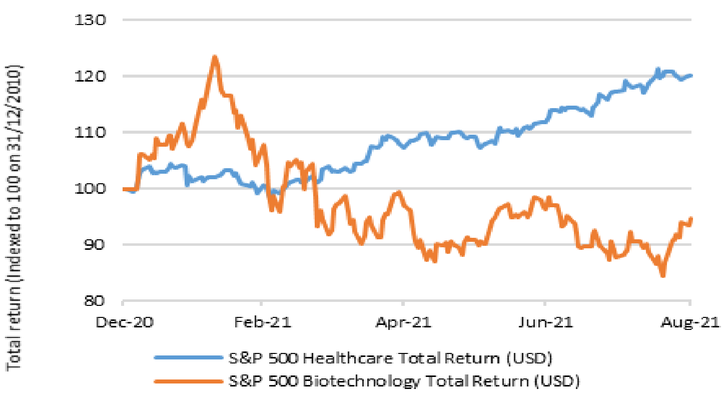
Perhaps the pandemic has highlighted the sector's compelling secular growth and potential for innovation (cf. the speed of development for COVID diagnostics, treatments and vaccines), although it has been notable that smaller capitalisation stocks (i.e. the true innovators) have been lagging their large cap brethren.

This unusual nature of this pattern can be illustrated by comparing returns from the S&P500 Healthcare Index (i.e. very broad) with the S&P Select Biotechnology Index (which is the basis for the much followed "XBI" ETF, the go-to healthcare proxy for hedge funds). In the five years to the end of 2020, the Biotech Index yielded a dollar total return of 102%, compared to 73% for the broader index. Over 10 years, the returns have been 581% and 337% respectively. In contrast, the total returns over the first eight months of 2021 have been 120% for the broader index versus 95% for the Biotech Index.

Rare indeed is the scenario where you have been better off owning large cap healthcare over innovators, but that is where we find ourselves today. However, this picture belies a deeper story: per Figure 3 & 4 below, one can see that the Biotech sector broke out of its long-term trend line in late 2020 and was arguably over-extended.

When viewed in this context, the early 2021 correction in some respects thus feels rather justified. At the same time, if we are now back to business as usual, then the logical argument that one should be focusing on the innovators rather than the 'blue chip' names should once again hold and is something investors should be mindful of when comparing the longer and shorter-term performance of various healthcare investment strategies.





Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd.

During August, the MSCI World Healthcare Index rose 3.8% in sterling terms (+2.7% in dollars), outperforming the wider market. The subsector performance is highlighted in Figure 5 below. In keeping with the discussion above, it was the innovators in the R&D complex that led performance this month: within Services it was the CRO (contract research) and CDMO (contract manufacturing) companies that drove the return. Focused Therapeutics encompasses biotechnology and many of the innovative pharma names and the Tools sector supplies those R&D efforts with consumables and equipment.

At the other end of the spectrum, it was some of the most defensive names that lagged; Distributors and Managed Care. For Diagnostics, it was Illumina that dragged the sub-sector into negative territory for the month (it accounts for 37% of the sub-sector weighting).

BENCHMARK SUB-SECTOR PERFORMANCE AND WEIGHTINGS

Sub-Sector	Weighting	Perf. (USD)	Perf. (GBP)
Services	3.2%	6.9%	8.1%
Focused Therapeutics	8.2%	6.9%	8.0%
Tools	9.0%	5.7%	6.9%
Healthcare Technology	0.9%	3.7%	4.8%
Diversified Therapeutics	32.8%	2.9%	4.0%
Dental	0.9%	2.5%	3.6%
Facilities	1.3%	2.2%	3.3%
Med-Tech	15.6%	2.3%	3.3%
Conglomerate	11.7%	2.0%	3.1%
Generics	0.5%	0.3%	1.4%
Other HC	1.6%	-0.3%	0.7%
Healthcare IT	1.6%	-0.7%	0.4%
Managed Care	9.0%	-1.6%	-0.5%
Diagnostics	2.6%	-2.1%	-1.2%
Distributors	1.1%	-3.1%	-2.0%
Index perf.		**2.7%**	**3.8%**

Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd. Weightings as of 31-07-21. Performance to 31-08-21.

The Trust

During August, the Trust's net asset value rose 2.5% in sterling terms to 197.77p, underperforming the MSCI World Healthcare Index by 1.3%. This caps off a frustrating six month period for the Trust, where our returns have generally lagged the benchmark. The total return for shareholders during this six-month period (end February 2021 to end August 2021) has been a cumulative 10.3%, which sounds okay, except the healthcare benchmark has returned 20.9% over the same timeframe (Figure 6).

	BBH Adjusted Monthly Returns	MSCI WHC Monthly Total Return	Delta
Aug-21	+2.48%	+3.87%	-1.39%
Jul-21	-0.83%	+2.98%	-3.81%
Jun-21	+8.40%	+6.03%	+2.37%
May-21	-5.41%	-0.64%	-4.77%
Apr-21	+2.99%	+3.59%	-0.60%
Mar-21	+3.18%	+3.52%	-0.34%

Note: monthly returns for BBH have been adjusted to add back any dividends paid out. The adjustment was made in the month that the shares began trading ex-dividend in respect of that payout.

The simple explanation for this underperformance is of course that we have owned the wrong companies during this period. However, we are not investing on a six month view and the longer-term results attest that we have, in general, owned the right companies over the past five or so years: our sterling total return to date (3rd September) since inception is 133%, versus 94% for the MSCI World Healthcare Index. Since we aim to be a low turnover, long-term oriented investor, so are not going to chop and change what we think works long-term for some notion of a shorter-term gain.

In reality, the cause lies predominantly with the size factor issue described in the previous section. This market dynamic has been favouring large-cap, diversified companies. Investing in such companies is antithetical to our investment strategy, making it difficult to outperform in such an environment. The key goals for us during this period have been three-fold:

- Firstly, to understand the overall market dynamic and take a view on how much of what we are seeing is 'top down', versus 'bottom up'. Hopefully it is clear that our view is very much the former rather than the latter, and we can at least take some solace that the investment theses for the vast majority of holdings during this period remain intact and there are few financial or operational setbacks that would argue for a negative re-rating.

- Secondly, it has been to position the investment portfolio (in terms of the relative weightings of the current holdings and the overall level of gross exposure and leverage being used) to ride out this period as well as possible. We have discussed these changes each month in the Factsheets. Generally speaking, we are happy to have higher leverage as exposure to these relative underperforming names increases.

- Thirdly, it was to identify potential opportunities to bolster the portfolio with new investments that have become attractive through their ongoing evolution or through the market overlooking them during this period. It is always worth remembering that a company does not have to do anything wrong for its share price to go down, merely failing to attract enough new investors will do the trick on its own. The opposite is also true: having more buyers than sellers is enough to create the bubbles that one can see in a Gamestop or a Tesla, even when the fundamentals do not justify any additional value accretion.

In this latter regard, we have not been idle. There are a number of novel technologies, approaches or therapeutic modalities that have remained in our peripheral vision and on our watch list and one of the few ironies of this pandemic situation is the ease with which we can communicate with the senior management of prospective investments for our due diligence. They, like us, are stuck in their home territory and that makes it much easier to schedule conference calls. This has enabled us to put our heads down and get stuck into some really gritty analytical work.

If we compare the portfolio at the end of February with that from the end of August, four companies have left the portfolio and five have joined. Of the four that left, two were forced sales due to M&A and those five new holdings accounted for 12.7% of the portfolio at the end of August. The opportunities to add to some of our smaller positions on relative weakness has meant that the top 10 holdings have declined from 52.6% of gross assets to 50.9%.

As one would expect from the previous commentary, we continued to deploy capital throughout the month. In terms of inflows, 5.1m new shares issued via the tapping programme during the month.

The leverage ratio decreased in the last few days of the month following speculation regarding the acquisition of Hill Rom by Baxter; as is prudent, we managed the size of our overall Hill-Rom exposure lest the rumoured deal did not materialise (it was latterly confirmed in early September). This unexpected cash windfall left us with a leverage ratio of 0.8% at the end of the month, compared to 1.6% at the end of July 2021. We expect this money will be redeployed over the coming weeks.

We exited two positions during the month; one in the Diagnostics space and one from Focused Therapeutics. The Diagnostics exit was another valuation-related decision and the Focused Therapeutics was a re-prioritisation of our holdings within the wider Therapeutics category. In particular, we have materially increased our exposure to Jazz Pharmaceuticals and Insmed (both top 10 holdings) given recent negative price action, but did not want to increase our overall combined exposure to Therapeutics.

The evolution of our sub-sector weightings is illustrated in Figure 3 below. We continue to build our positon in some more novel diagnostics holdings and also in the Healthcare IT and Healthcare Technology arenas; an intention we communicated previously. Our Med-Tech holdings were reduced by the Hill-Rom trimming and we have continued to manage our exposure in the Tools sub-sector on valuation grounds. The reduced exposure to Managed Care is dilution from portfolio evolution, rather than an active reduction in position size.

EVOLUTION OF PORTFOLIO WEIGHTINGS

	Subsector end July 21	Subsector end Aug 21	Change
Diagnostics	5.7%	6.0%	Increased
Diversified Therapeutics	12.5%	12.3%	Decreased
Focused Therapeutics	26.9%	27.3%	Increased
Healthcare IT	7.4%	8.0%	Increased
Healthcare Technology	3.4%	3.9%	Increased
Managed Care	12.4%	12.2%	Decreased
Med-Tech	18.8%	17.6%	Decreased
Services	9.0%	9.5%	Increased
Tools	3.9%	3.2%	Decreased
	100.0%	100.0%	

This section of the Factsheet keeps ending with an upbeat long-term outlook, noting that market volatility creates opportunities even as it erodes performance. This bears repeating; the market is not efficient in the short-term. If it was, our jobs would not exist. We continue to be very optimistic about the long-term outlook. When we look at the portfolio today, the level of true innovation that lies behind the investment cases for the companies we own is probably higher than at any point in the Trust's history.

Thus, whilst we cannot be content with the relative performance over the past six months, we can be very satisfied that we are well set to ride out the next five years of the Trust's life surfing an inevitable wave of change in healthcare, carried along by a suite of best-in-class companies that are using innovative technologies and approaches to break the mould of the existing care paradigm.

Other developments

In response to requests from some of our institutional clients, we launched an open-ended UK UCITS version of the Trust's strategy on 1st September 2021 called the WS Bellevue Healthcare Fund, which will closely mirror the approach taken by the Trust within the slightly more restrictive confines of the UK UCITS rules. Please contact the team if you would like any more details on this product.

Managers' Musings

"To conquer fear is the beginning of wisdom"

Moving beyond the world of rational analysis, one cannot ignore the role that sentiment plays in market behaviour. Bull markets are driven by optimism about the future and bear markets are driven by fear. With this in mind, it does rather feel the diaphanous optimism of summer and the 'great re-opening' has now faded into the rear-view mirror.

Geopolitics and the Delta variant have seemingly tilted people toward a more negative mind-set: even a cursory delve into what passes for journalism these days could leave one thinking that a new, deadly COVID variant lurks around every corner and that the UK is fast returning to the winter of discontent due to a combination of Brits apparently loathing both hard work and anyone from Eastern Europe, leaving us critically short of workers in various key industries and supply chains.

If those two topics in the popular press don't scare you or depress you enough, then they can talk about resurgent global jihad waiting to pounce from an Afghanistan that has recently returned to the Middle Ages or how we risk being consumed in global warming's forest fires or drowned in its biblical floods. To cap it all, cheap and easy flights to the sun via a carefree trip through duty free seem to be a thing of the past. Tis indeed the end of days...

Perhaps none of this short-term risk really matters. As Keynes wittily observed: in the long-term, we are all dead. Nonetheless, we cannot help but feel there is a better way to pass the interregnum colloquially known as life in a slightly less morose state of mind; things are seldom as bleak as they seem at first glance, at least for those of us fortunate enough not to have woken up in a terrifying fundamentalist theonomy.

Cognitive dissonance

One of the many enjoyable aspects of this job is our frequent interactions with our investors. They are often kind enough to ask us for our opinions on health-related topics and it is clear that many of them are also scratching their heads trying to reconcile their lived experience with what is being said in the media.

Whilst we don't have much more to say on the broader subject of seemingly preventable geo-political catastrophes, nor any brilliant insights on how to reverse global warming, we feel on relatively safer ground with respect to the economic outlook both here in the UK and more widely and the pandemic (can we even call it that anymore? Surely it now meets the definition of being endemic?).

We have thus sought to lay out our opinions on the latter in the following pages. Since neither of us harbour any burning ambitions to work in the mainstream UK media, we are quite happy to point out that things really don't seem all that bad if you, you know, try to stick to relevant facts.

So let us agree what the facts should be: the only thing that really matters in respect of this pandemic is the societal burden wrought by virally mediated morbidity and mortality. Everything else is just numbers or costs that arise from such morbidity or from attempts to prevent such morbidity.

We are thankfully no longer in a situation where thousands of people were at genuine risk of hospitalisation or death on a daily basis, and the problems and solutions that we face should be viewed in light of this very positive development. It's not 2019, but it's not spring 2020 either.

Re-painting the fourth wave

Perhaps the most pressing question people are wrestling with is: what does COVID's fourth wave here in the UK look like? The presumption is that it will soon be upon us as the children go back to school, we all return to work venues and the winter closes in. Will there need to be another lockdown to "protect the NHS and save lives"?

The primary driver of the 'next wave' debate naturally relates to the culmination of normal winter pressures from respiratory diseases and their toll on the elderly, supercharged by COVID as Delta continues its march against an apparently waning level of efficacy from vaccines some 6-8 months after the administration of the second dose, plus the attendant fear that the next, more virulent strain is emerging somewhere.

To stymie the first of these risks, both the US and Israel have decided to offer booster jabs fairly widely to their elderly populations, much to the chagrin of the WHO, whose focus is on ensuring as many people in the world get jabbed as possible. Many epidemiologists agree with the WHO (as do we), arguing that unvaccinated populations are a reservoir for the establishment of new variants that could undo all the hard work of the initial vaccination cycle (i.e. the second risk described above).

There is a reason why recent variants of concern have arisen in places such as India, South Africa and Brazil. Columbia and Peru (and yes, we are ignoring the Kent variant and yes it originated in the Medway region). All jokes aside, the Isle of Sheppy really not that bad a place! The point still stands that poor places with high population density are the most likely hotspots for such outbreaks.

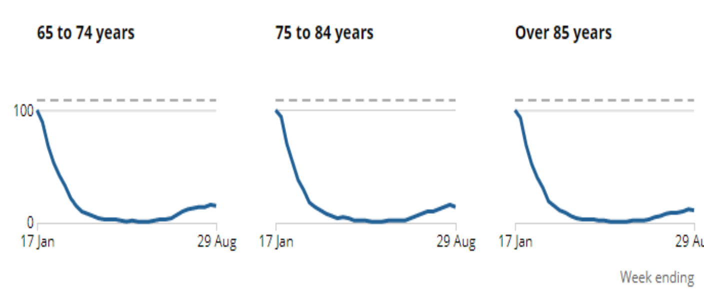
The UK has been more cautious so far when it comes to embracing boosters for the wider population (so far limiting their recommendation to boost only the severely immunocompromised). Predictably, official silence on the subject of wider re-vaccination has allowed the more hysterical elements of the media to fill the information vacuum with howls of protest as the Government 'vacillates' once more, 'putting us all at risk' (or some such hyperbole).

Regular readers will know we never shy away from criticising those in power when we feel it appropriate to do so, but the UK does deserve some credit around its medical response to the pandemic and the UK Joint Committee on Vaccination and Immunisation (JCVI) deserve credit for resisting pressure from current and former ministers who should know better than to endorse boosters before scientific evidence on their usefulness and data on the need for them is ready, just because it would go down well with certain sections of the media or their followers. We will probably end up going down the route of offering boosters more widely, but there does not seem to be a need to rush into this.

Firstly, we have had the lowest Case Fatality Ratio (CFR) in Europe for some time now. Yes, we test more, which lowers the CFR (our much discussed denominator problem) but if we adjust for this, the UK still comes out rather well (and herein lies the crux of the problem of comparing between countries. Everyone defines things differently). Secondly, we continue to have the highest proportion of the adult population vaccinated versus our peer group (let's ignore Malta and the like). We should be in good shape to reduce hospitalisations and deaths, as long as the vaccines continue to be effective.

Are the vaccines really beginning to wear off, as has been suggested? Figure 7 (from the ONS COVID dashboard) shows the number of hospitalisations per week in the critical 65 and over age groups. It is indexed data, with a value of 100 assigned to the 17th of January, which was the peak of cases in wave three.

Whilst cases in this age group have risen above the very, very low levels seen in March/April, they remain very far below the last peak and let us remember that the current dominant strain (Delta) has a much higher R0 and thus RE compared to the strain circulating back then (i.e. it is much easier to catch). If this non 'apples to apples' comparison is evidence of waning vaccine efficacy, then it is pretty weak evidence in our view. To our mind, it shows you that the existing vaccines are doing a good job in protecting the elderly from Delta.



Source: Public Health England

The growth in cases from late June through early July appeared to follow the conventional pattern of a mounting fourth wave, but then it stalled, reversed and has now begun to climb again. The dip and recent raise is probably as much to do with the cessation and then re-commencement of the ludicrous over-testing of school children.

Regardless though, the pattern falls well outside (to the good) of any of the predictive models circulating before restrictions were lifted this summer (recall the worst case scenario estimates of 100,000 cases per day within weeks of the re-opening, with thousands of deaths following in their wake) and strongly supports the argument that vaccination has broken the link between infection and serious morbidity/mortality.

We are not saying that boosters are unnecessary; they could be of great use to some of the most vulnerable. However, it is a bit of stretch to suggest that we will all need jabs every six months and new vaccines for these jabs to cope with the latest variant of concern.

The Judean People's Front

We get why people worry. They want COVID gone and they want to feel that their personal risk has been minimised as much as possible. We all hate what this pandemic has done, but let's not turn on one another over ludicrous arguments about vaccinating children and "selfish" young people who won't get jabbed, or the merits of vaccine passports.

At the risk of sounding tediously repetitive to our regular readers, the evidence that vaccination reduces transmission such that herd immunity was a realistic prospect was always weak and now, with Delta and its materially higher R0, it may be an unrealistic idea.

We think it is pretty fair to say that other people not being vaccinated does not materially increase your risk of catching COVID, or impact how sick you might get. Your decision to get vaccinated yourself does impact how sick you are likely to get and your risk of long COVID. You are doing this primarily for your own benefit, just like every other vaccine.

If other people don't want to, then fine. That's on them. We let people smoke, which is kind of crazy and don't ban them from cancer treatment, so if people want to risk it without a vaccine then, at this stage in the rollout, when the majority are protected, then so be it.

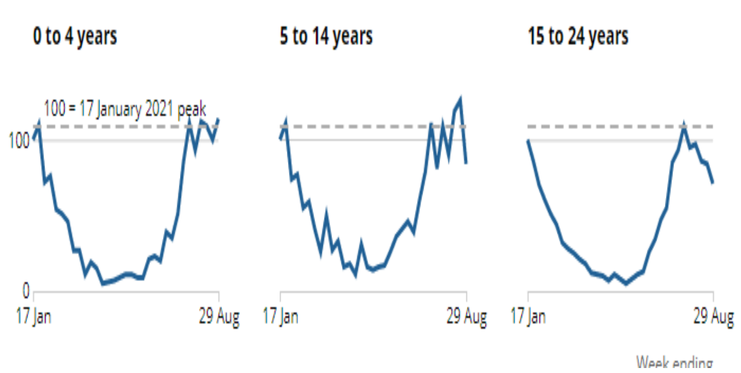
Hanging out with infected people increases your risk of COVID. People unwittingly walking around with asymptomatic infections (many of whom are double jabbed by the way, cf. previous Factsheet comments regarding systemic versus mucosal immunity) increases your risk of catching COVID.

This is why vaccine passports make much less sense to us than lateral flow tests for attending mass gatherings. Vaccine passports seem like a stick to try to get more younger people jabbed, not a rational solution to the issue of curbing transmission across the wider population.

Morbidly curious

What should matter is how sick people get and these days, the general answer is "not very", which is why we are not seeing thousands of hospitalisations and deaths per day anymore and why those models and their worst case scenarios were so wide of the mark. This is not to diminish the serious cases that do occur, but we need to look at the big picture here (i.e. population level data).

If we look at hospitalisations, they are rising, especially amongst the younger groups and the young thus now make up a greater proportion of hospitalisations as a consequence. Again though, no-one was really worrying about the young people six months ago and the same ONS data suggests that hospitalisations amongst the very young are still very low (Figure 8):

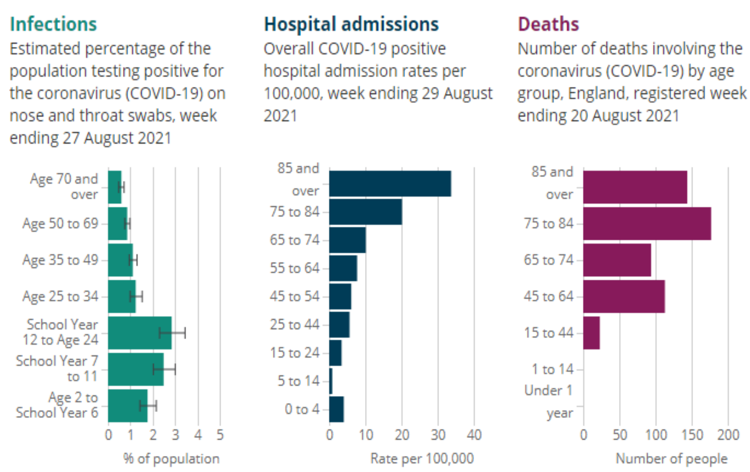


Another factor that cannot be ignored is the current behaviour of clinicians, whose job is as much about preventing disease as treating it. There is strong anecdotal evidence that the number of young people with pre-existing conditions being admitted to hospital on a precautionary basis after testing positive has risen.

This is a good thing: perhaps now there are free beds again, why risk a scenario where COVID might become problematic for someone with severe asthma, for example? Admit the patient anyway and see what happens. There has been a marked rise in admissions of pregnant women after testing positive for COVID, but without this context it may be fallacious to simply compare the pattern of hospitalisations over time. It probably makes more sense to look at the proportion of people on ventilation for example (the numbers are rising, but are currently 60% lower than at the peaks of wave one in March 2020 and 75% lower than the peak of wave three in January 2021).

As the data from the ONS in Figure 8 shows, there really is very little risk of severe morbidity and mortality for the very young, and we all need to remember this important point. Leading on from this, in a rational discussion, nobody would consider vaccinating anyone below the age of 18 because the risk/cost benefit simply wouldn't stack up.

Again, this is the conclusion the "experts" at the JCVI have reached but some platitudinous plenipotentiary suggested we should let the 12 year olds decide for themselves: they are not old enough to vote or drive a car, but why not let them wrestle with the complexities of epidemiological risk/benefit? It does rather feel this ceased to be a rational debate some time ago.



Have we all had enough of experts?

What then will the coming months hold? Will Christmas be cancelled again? Will the schools shut? Honestly, we have no idea, but we can be certain of three things:

1. The NHS will fall over this winter. It does every winter, so why should this one be any different, especially as the pandemic has reduced the total number of available beds due to physical and temporal distancing put in place to reduce nosocomial infection risks.
2. The people least likely to see any of this coming currently reside in our Cabinet, and they have done more U-turns than a London cabbie so don't accord any value to anything they say about lockdowns or anything else.
3. The same people now in power have previously said that "we have all had enough of experts", so the sort of objective analysis laid out here may be of little to no value in the end.

Many of you may not like what we have written and many more may disagree with the conclusions we have drawn, but you cannot argue with the data. Facts are facts and it is difficult not to conclude that this whole crisis would have played out much better if everyone was prepared to admit firstly there are some things we just don't know, so we need to iterate our way to the correct decision through reasoned and dispassionate debate, and secondly that the situation is ever changing (and mostly for the better).

With this latter point in mind, we need to transition to accepting that COVID is here to stay and will become another life risk to be managed, like RSV, influenza and the other respiratory diseases that tragically cause sickness and death but that we accept as facts of life. Those at high risk from COVID would benefit from regular jabs, as we have for RSV and influenza, but these are offered without coercion.

It seems to us that COVID has become a populist lighting rod issue and the Government is in thrall to its perception of popular opinion, which is the reciprocal definition of true leadership; wasn't it Boris' hero Winston Churchill who said: "never let a good crisis go waste"? Appearing to save us all from ourselves is a fantastic way of staying in power and distracting from other things that might be going on in the background. With that in mind, we leave you with one of our favourite quotes, which is from former First Lady Rosalyn Carter:

"A leader takes people where they want to go. A great leader takes people where they don't necessarily want to go, but ought to be."

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@bbhealthcaretrust.co.uk

As ever, we will endeavour to respond in a timely fashion. We thank you for your ongoing support of BB Healthcare Trust and we hope that the coming months give us the opportunity to meet with many of you face to face once more.

Paul Major and Brett Darke

BB Healthcare Trust

Monthly News
August 2021

Marketing document

Standardised discrete performance (%)

12-month total return	1 year Aug 20 - Aug 21	2 years Aug 19 - Aug 21	3 years Aug 18 - Aug 21	4 years Aug 17 - Aug 21	since inception
NAV return (inc. dividends)	29.5%	68.6%	49.5%	91.8%	127.8%
Share price	29.5%	70.2%	48.7%	93.5%	127.9%
MSCI World Healthcare Index (GBP)	20.7%	35.0%	44.9%	64.4%	93.5%

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 31.08.2021

All returns are adjusted for dividends paid during the period, assuming reinvestment in relevant security.

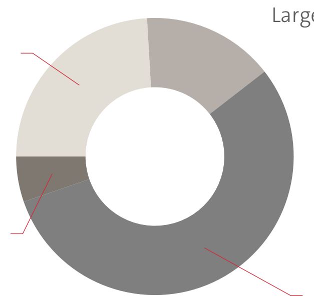
Note: Past performance is not a guide to future performance. The value of an investment and the income from it may fall as well as rise and is not guaranteed

TOP 10 HOLIDINGS

Jazz Pharmaceuticals	6.7%
Insmed	6.3%
Vertex Pharmaceuticals	6.2%
Bristol Myers Squibb	5.5%
Hill-Rom Holdings	5.3%
Anthem	4.6%
Option Care Health	4.5%
Humana	4.3%
Tandem Diabetes Care	3.9%
Alnylam Pharmaceuticals	3.7%
Total	**50.9%**

Source: Bellevue Asset Management, 31.08.2021

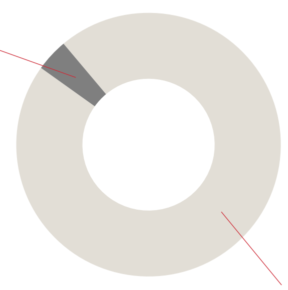
MARKET CAP BREAKDOWN



Source: Bellevue Asset Management, 31.08.2021

"Mega Cap >$50bn, Large Cap >$10bn, Mid-Cap $2-10bn, Small-Cap <$2bn."

GEOGRAPHICAL BREAKDOWN (OPERATIONAL HQ)



Source: Bellevue Asset Management, 31.08.2021

Sustainability Profile – ESG

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

CO2 intensity (t CO2/mn USD sales): 23.5 t (low) MSCI ESG coverage: 100%

Based on portfolio data as per 30.06.2021 (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; ESG Integration: Sustainabiltiy risks are considered while performing stock research and portfolio construction; 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/en/corporate-information/sustainability

BB Healthcare Trust

Monthly News
August 2021

Marketing document

INVESTMENT FOCUS

- The BB Healthcare Trust invests in a concentrated portfolio of listed equities in the global healthcare industry (maximum of 35 holdings)
- Managed by Bellevue group ("Bellevue"), who manage BB Biotech AG (ticker: BION SW), Europe's leading biotech investment trust
- The overall objective for the BB Healthcare Trust is to provide shareholders with capital growth and income over the long term
- The investable universe for BB Healthcare 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 will be no restrictions on the constituents of BB Healthcare's portfolio by index benchmark, geography, market capitalisation or healthcare industry sub-sector. BB 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

DISCLAIMER

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.

BB 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. ©

FIVE GOOD REASONS

- 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 Trust offers a combination of high quality healthcare exposure and targets a dividend payout equal to 3.5% of the prior financial year-end NAV
- BB Healthcare has an experienced management team and strong board of directors

MANAGEMENT TEAM


Paul Major


Brett Darke

GENERAL INFORMATION

Issuer	BB Healthcare Trust (LSE main Market (Premium Segment, Offical List) UK Incorporated Investment Trust
Launch	December 2, 2016
Market capitalization	GBP 1088.5 million
ISIN	GB00BZCNLL95
Investment Manager	Bellevue Asset Management (UK) Ltd.; external AIFM
Investment objective	Generate both capital growth and income by investing in a portfolio of global healthcare stocks
Benchmark	MSCI World Healthcare Index (in GBP) - BB Healthcare Trust will not follow any benchmark
Investment policy	Bottom up, multi-cap, best ideas approach (unconstrained w.r.t benchmark)
Number of ordinary shares	549 167 785
Number of holdings	Max. 35 ideas
Gearing policy	Max. 20% of NAV
Dividend policy	Target annual dividend set at 3.5% of preceding year end NAV, to be paid in two equal instalments
Fee structure	0.95% flat fee on market cap (no performance fee)
Discount management	Annual redemption option at/close to NAV
EU SFDR 2019/2088	Article 8

CONTACT

Simon King
Phone +44 (0) 20 3871 2863
Mobile: +44 (0) 7507 777 569
Email: ski@bellevue.ch

Mark Ghahramani
Phone +44 (0) 20 3326 2981
Mobile: +44 (0) 7554 887 682
Email: mgh@bellevue.ch

Bellevue Asset Management (UK) Ltd.
24th Floor, The Shard
32 London Bridge Street
London, SE1 9SG
www.bbhealthcaretrust.com