BB Healthcare Trust

BB Healthcare Trust plc

Half-yearly financial report

For the six months ended 31 May 2019

CONTENTS

INVESTMENT OBJECTIVE, FINANCIAL INFORMATION, PERFORMANCE SUMMARY AND ALTERNATIVE PERFORMANCE MEASURES

Investment objective

The investment objective of the Company is to provide Shareholders with capital growth and income over the long term, through investment in listed or quoted global healthcare companies. The Company's specific return objectives are: (i) to beat the total return of the MSCI World Healthcare Index (in sterling) on a rolling 3 year period (the index total return including dividends reinvested on a net basis); and (ii) to seek to generate a double-digit total shareholder return per annum over a rolling 3 year period.

Financial information

	As at 31 May 2019	As at 31 May 2018
Net asset value ("NAV") per Ordinary Share (cum income)	132.3p	122.1p
Ordinary Share price	134.5p	121.5p
Ordinary Share price premium/(discount) to NAV[1]	1.7%	(0.5%)

Performance summary

For the six months ended 31 May	% change[2,3] 2019	% change[2,3] 2018
Share price total return per Ordinary Share[1]	-2.5%	+4.0%
NAV total return per Ordinary Share[1]	-3.2%	+7.5%
MSCI World Healthcare Index total return (GBP)	-4.5%	+1.7%

1 These are Alternative Performance Measures.
2 Total returns in sterling for the six months period, including dividends reinvested.
3 Source: Bloomberg.

Alternative performance measures ('APMs')

The financial information and performance summary data highlighted in the footnote to the above tables are considered to represent APMs of the Company. Definitions of these APMs together with how these measures have been calculated can be found on page 24.

CHAIRMAN'S STATEMENT

I am pleased to confirm that the first half of the financial year ending 30 November 2019 has been another period of relative outperformance for BB Healthcare Trust plc (the "Company"), and contextualise these results in more detail. The first half witnessed very challenging market conditions in late 2018 and year-to-date 2019. Nonetheless, the Company's share price total return outperformed its internal benchmark (the MSCI World Healthcare Total Return Index measured in GBP) by 2.0%, although it is frustrating that we could not deliver a positive absolute return for our Shareholders over the reporting period.

The Company has continued to grow its Shareholder base, having issued a total of 73.5 million shares during the period under review, both through the formal capital raise in December 2018 (34.1 million shares) and the ongoing share issuance programme (39.4 million shares). This raised an additional £99.6 million for the Company. The Board continues to believe that further share issuance benefits all investors, through improved liquidity and a lower ongoing charges ratio (which declined versus the comparable period of 2018). At the time of writing, the Company's market capitalisation is in excess of £545 million.

Performance in detail

In the period under review (1 December 2018 to 31 May 2019), the Company's share price and net asset value ("NAV") have decreased 3.9% and 4.6% respectively. Including the final financial year 2018 dividend paid during the period, the Company's shares delivered a share price total return of -2.5% and a NAV total return of -3.2%. In comparison, the MSCI World Healthcare Index delivered a negative total return of -4.5%. Whilst the absolute return is negative, it is arguable that the Company's returns should be viewed against a background of volatile market conditions and they compare favourably to other listed peers in the healthcare sector.

Despite the wider market volatility, the Company's share price has shown a lower level of deviation from the underlying NAV. During the period under review, the premium has averaged 2.2% and the Company's shares have only sporadically traded at a discount to NAV. The relative stability of the premium has enabled us to steadily grow the Company through the ongoing share issuance programme.

Key market developments

In what amounted to a repeat of the first half-year in 2018, the first six months of the 2019 financial year saw a continuation of the volatile macro-political environment that characterised the prior year, making a difficult climate for equity investors. Notwithstanding the December to January sell-off and recovery, broad indices have made little progress and exhibited high levels of stock correlations. Healthcare again underperformed the wider market, this time by a significant margin 6.9%.

At the risk of tedious ingemination, US politics was once more the fount of investor concerns, with trade tensions weighing on broader market sentiment and fears over onerous legislation regarding drug pricing and the largely unworkable promises of Democratic politicians around universal coverage compounding matters for the benighted healthcare sector in particular. It has long been apparent that we live in an age where form trumps substance and realism is secondary to generating clicks and likes. Markets often mirror society's foibles and the speed with which the unfeasible can become the expected is an ongoing challenge for all investors.

It is entirely understandable that such an emotive and wide-ranging subject as the provision of healthcare would be central to the political debate in the (long) run up to an election, but surely it behoves those involved to focus on realistic and deliverable aspirations, both logistically and financially.

In such volatile times, we must abstract ourselves from the noise and ask more searching questions about whether or not the medium-to-longer term fundamental outlook for the Company's holdings has changed. In this regard, we remain resolutely of the view that the evolution has been resolutely positive.

We are seeing more and more parts of the healthcare system acknowledge the potential for disruptive innovations to enhance the quality and efficiency of the care paradigm, with multiple countries adopting or reimbursing wider usage of technologies like genetic screening, telemedicine and proactive targeting of higher risk populations for early intervention and management.

As a practitioner at the frontline of the NHS, I can attest these changes are both necessary and positive for the service and should go some way to ensuring that we can continue to meet the needs of those we serve in the longer-term. It is a truism that, in order for things to remain the same, everything must change and the Company aims to position itself atop the crest of that wave of change.

Dividend

As announced in December 2018, the target dividend for the 2019 financial year is 4.85p per share. The Directors are pleased to declare an interim dividend for the six months ended 31 May 2019 of 2.425p per share. The dividend will be funded mainly from the Company's distributable reserves. Further details can be found in Note 10 on page 21. At the Company's AGM in March, a resolution was passed allowing shareholders the right to elect to receive new Ordinary Shares instead of cash in respect of the whole or part of any dividend. We hope that this scrip option provides an attractive alternative for those shareholders who wish to utilise it. A separate circular containing details of the scrip option is being sent to Shareholders with this document.

Gearing

As detailed in the 2018 Annual Report, the Company renegotiated and renewed its revolving credit facility with Scotiabank on 25 January 2019. Under the terms of the amended facility, the Company may draw down loans up to an aggregate value of USD100 million. The facility also has an uncommitted accordion option to increase the facility by a further USD50 million. As at 31 May 2019, the aggregate amount drawn down from the facility was c.USD75 million, representing a net gearing ratio of 11.3% (versus 10.2% at the end of November 2018). This is slightly above the anticipated long-run average of 5-10%, reflecting opportunities resulting from the volatile environment in equity markets during the period under review.

Investment management team

In March 2019, Bellevue informed the Board that Dr Daniel Koller would step back from his role within the Company's investment team to focus solely on BB Biotech. It was always expected that Dr Daniel Koller would step back as the Company evolved.

The Board would like to thank Daniel for his support of Paul and Brett during the early years of this project, and we wish him continued success in the future.

Outlook

Once again, US issues will dictate wider sentiment to global healthcare. It will doubtless be a long and clamorous journey into the November 2020 US elections, with sentiment to the political football that is healthcare waxing and waning as the front-runners set out their priorities for the next administration. Regardless of what is said, which will likely bear little resemblance to what gets done in the end, it is unarguable that global healthcare systems are in the midst of a tumultuous period of revolution that will be of great benefit to wider society and to those who are invested in delivering these much needed changes.

This will be my last report as Chairman; I am stepping down to devote more time to my research interests after helping over the last few years in building up BB Healthcare to the exceptional and much larger company it is today. It has been a privilege to serve as Chair and I am grateful to be able to continue to serve the Company and its shareholders as a Non-Executive Director. Randeep Grewal will take over as Chair. Like me, he hails from a clinical background and has also worked on healthcare investments for many years. He has been very effective heading the Management Engagement Committee and I am sure he will capably lead the Company to continued success.

Professor Justin Stebbing
Chairman of the Board of Directors
16 July 2019

INVESTMENT ADVISER'S REPORT

Macro environment

Once again, we look back on a period where market commentary has been dominated by macro-political themes predominantly emanating from the United States ("US"), with the added spectre of nervousness regarding absolute valuations and market levels.

Over the last 20 years, global indices have seen a pattern of new highs being followed by market corrections (2000-2002, 2008-2009), with a gradual climb back to new highs over a five-to-six year period. However, the supposed highs of 2014-2016 saw only a minor correction (let's call it a pause) before the relentless march upward began anew.

Arguably then, we are in the longest bull market run in recent history and the wider market is struggling to hold, never mind break the highs of 2018. Meanwhile, economic data is mixed and not directionally clear. The US economy roars on, driven by a heady mix of productivity gains and tax policy, whereas Europe and China seem to be slowing. Geopolitics continues to throw us curve balls as various regional powers vie for hegemony.

How does one assimilate all this information? Is the past a good guide to the future? Does recent history matter at all in a world dominated by almost zero real interest rates and unconventional monetary policy? One thing we can all agree on is the air up here at market highs is thin and that makes people twitchy. Compound this febrile environment with someone who thinks Twitter is a policy tool and macro volatility becomes the new normal.

When macro dominates, the deviations in performance between stocks in a given sub-sector become less important; the wheat and the chaff do not separate. This heady mix is the active manager's worst scenario, as it becomes a struggle to outperform an Index by virtue of a high active share.

In this environment, the beleaguered generalist fund manager, thus assailed by multitudinous external factors pulling attention in all directions, loses their appetite for risk as detailed analysis is sacrificed to the more basic task of staying on top of a rapidly evolving macro picture. For instance, late May 2019 saw President Trump threaten rapidly escalating tariffs on Mexican imports. By the time analysts had finished working out the potential impact a fortnight later, the tariffs were called off.

Turning back to healthcare, we saw this most acutely with the pronounced sell-off in Managed Care (US health insurance companies). Much like the wider market, the MSCI Healthcare sub-index for Providers (which includes the Managed Care companies) fell 18% in the December 2018 sell-off, but had recovered most of this by mid-February 2019 to sit only ~5% off its high from the previous year. Then, as had been widely telegraphed, various Democratic members of the US Congress submitted healthcare proposals to build on the Obama legacy and further enfranchise the role of government in ensuring access to affordable care. This led to a further 18% fall in the Index by mid-March (leaving it 22% off the 2018 highs).

As detailed in our April 2019 factsheet, the proposals are not new and, as before, their major weakness is their financial infeasibility as currently proposed. Various broker surveys of healthcare fund managers put the probability of such legislation being passed in the low single digits, begging the question why the market reacted as it did.

Healthcare has long been a political football, as our Chairman noted in the preceding pages. It is one of those few policy areas in which interest spans the demographic and economic spectrum. Put simply, we all care. As such, it is reasonable to think the polemics continue and, whilst specialist investors may well appreciate the nuances of the policies, the over-stretched generalist is more likely to pack up and move on to less unfavourable climes.

We expect that the US political debate around healthcare will continue to focus on three issues: Firstly, populist measures to curb drug pricing/out of pocket expenses (likely limited in their actual consumer benefits or negative impact on the drug industry and its supply chain). Secondly, Democrat-led efforts to widen the availability of healthcare (assuming of course that lack of access to insurance is actually the reason why many Americans are uninsured or under-insured, rather than the high cost of services in the first place) and finally, the potential impact of further trade/tariff barriers on global customer and supply chain networks.

These vicissitudes are par for the course and one must always consider potential outlier risks when constructing a portfolio. We cannot say when the political rhetoric might die down, nor when the window for any adverse action might finally be behind us. What we can say is that we have conducted significant amounts of work around these topics and believe the Company's holdings leave us well positioned to benefit as the debates evolve.

Discreet performance drivers

Although our strategy is unconstrained, we utilise the MSCI World Healthcare Index in sterling as an internal benchmark and external reference point; its parent Index is the MSCI World Index. The global healthcare sector underperformed the broader market by around 1.6% in the six months to the end of May 2019, rising 0.8% (-0.8% in dollars), versus 2.4% for the wider market (+0.8% in dollars).

The Healthcare Index's performance by sub-sector is summarised in the table below; Dental, Healthcare IT and Tools have been the notable positive performers, with Managed Care, Facilities and Distributors the laggards. This reflects two themes described previously: concerns over political action on drug pricing impacting the supply chain and, secondly, the risks to insurance providers and hospital operators from the Democratic healthcare proposals. The poor performance of the generics 'sub-sector' – in reality only two stocks in the MSCI WHC (Teva and Mylan) – can be attributed to fears over litigation.

MSCI World Healthcare Index performance by sub-sector

As at 31 May 2019	Weighting (%)	USD Performance (%)	GBP Performance (%)
Biotechnology	9.7	-11.6	-10.7
Conglomerate	12.0	-8.9	-8.0
Dental	0.5	26.6	27.8
Diagnostics	1.8	2.2	3.2
Distributors	3.6	-24.6	-23.8
Facilities	1.3	-12.2	-11.3
Generics	0.7	-55.5	-55.1
Healthcare IT/Technology	0.7	33.0	34.3
Managed Care	9.0	-18.7	-17.9
Medical Technology	13.8	-1.7	-0.8
Other Healthcare	0.9	7.6	8.7
Pharmaceuticals	35.4	-6.8	-5.9
Services	2.7	-6.2	-5.4
Specialty Pharmaceuticals	3.4	-7.9	-7.0
Tools	4.7	11.4	12.5

INVESTMENT ADVISER'S REPORT

CONTINUED

Portfolio performance and evolution

During the period, the Company's net asset value (NAV) decreased 4.6% to 132.29p whilst the share price declined 3.9% to 134.5p. Including the final financial year 2018 dividend, the Company's share price and NAV delivered negative total returns of 2.5% and 3.2% respectively. In comparison, the MSCI World Healthcare Index delivered a negative total return of 4.5%. The Company's share price averaged a 2.2% premium to NAV during the period under review, only occasionally trading at a discount.

The top three positions in terms of a positive contribution to the development of the NAV (and their local currency share price performance during the period of ownership) have been Insmed (Specialty Pharma, +35%), Align Technology (Dental, +24%) and Celgene (Biotechnology, +14%).

The three most significant detractors have been Evolent Health (Healthcare IT, -37%), Walgreens Boots (Other Healthcare, -36%) and Humana (Managed Care, -8%). To some extent, all three have fallen victim to the macro-political concerns described previously. Walgreens sits at the front end of the drug supply chain and Evolent's customer base is predominantly smaller health plan operators that would be subsumed under the Democratic proposals, as would Humana's business. That said, both Walgreens' and Evolent's woes were compounded by stock-specific issues.

In terms of the Company's sub-sector allocations, the most notable trend over the first six months was a shift away from biotechnology and the healthcare supply chain (Distributors and Other Healthcare) toward Managed Care and Healthcare IT. The Company's exposure to biotechnology declined from 20.6% at the end of November 2018 to 12.0% by the end of May 2019, driven mainly by our exit of Celgene, which was 5.9% of the gross exposure in November 2018. Likewise, the exposure to the supply chain declined from 6.6% to 1.0%. Conversely, exposure to Managed Care rose from 10.9% to 17.0% and Healthcare IT rose from 7.2% to 11.5%.

There were 27 holdings in the portfolio at the end of November 2018. This rose to 29 by the end of the period with the two new positions being added during May 2019. Our gross exposure rose from £488 million to £578 million through a combination of share issuance and increased borrowings (the leverage ratio rose from 10.2% to 11.2% over the first half), offset by the payment of the dividend in March 2019 (£7.3 million). We continue to actively trade around our positions into news flow events and financial reporting, in order to manage shorter-term risk/return within our anticipated holding periods.

Outlook for the second half of the year and beyond

As our Chairman highlighted, the next eighteen months or so will be noisy. We have battled various political headwinds since our launch into a period of history that will probably be defined by the attempts of populous elements across the western world to redefine political and diplomatic norms. We can all hope for a return to a less disputatious discourse but for now, we are where we are and must accept truculent markets as the price we pay for a polarised democracy.

Political ideas ultimately must pass through a funnel of truth and, in the end, it becomes apparent what can or cannot ultimately be delivered. Whilst we can only hope such realpolitik comes to bear in the holdouts on the edges of each side of the Brexit debate, it must also come to pass on the Democratic side with respect to the future of the US healthcare system. It has been suggested the phrase "this too shall pass" is surely the most universal of truths and it feels that is very much the case here.

If one looks past the polemics, society still has huge structural issues to overcome with respect to the provision of healthcare. We simply cannot afford to carry on as is, lacking both the financial resources to scale up the system in its current form and the human capital to enable such an endeavour. The only certainty then is profound change and this, as ever, is a significant opportunity for the long-term investor. This fundamental positive, allied to inexorably positive demographic changes, argues for a positive investment outlook well into the future.

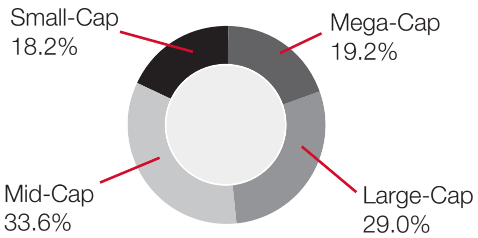
Paul Major and Brett Darke
Bellevue Advisors Limited
16 July 2019

PORTFOLIO

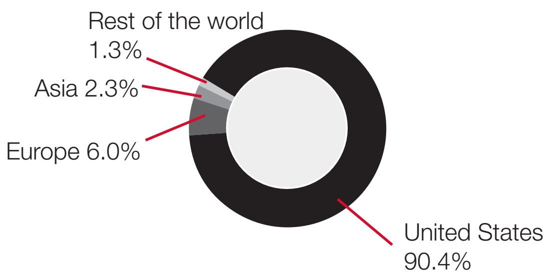
TOP TEN HOLDINGS As at 31 May 2019	% of net assets value
Anthem	11.5
Teladoc	10.5
Align Technology	9.7
Illumina	8.4
Lonza	6.7
Humana	6.4
Bristol-Myers Squibb	5.4
Esperion	3.9
Intuitive Surgical	3.4
Hill-Rom Holdings	3.4
Top ten holdings	**69.3**
Other net assets	30.7
Total	**100.0**

SUB SECTOR EXPOSURE Allocation as at 31 May 2019	% of portfolio value
Managed Care	17.0
Diagnostics	13.9
Biotechnology	12.0
Healthcare IT	11.5
Medical Technology	11.2
Speciality Pharmaceuticals	10.2
Dental	8.7
Services	6.0
Pharmaceuticals	4.8
Health Technology	2.3
Facilities	1.3
Distributors	1.1
Total	**100.0**

MARKET CAP BREAKDOWN



GEOGRAPHICAL BREAKDOWN (OPERATIONAL HQ)



Source: Bellevue Asset Management, 31.05.19.

INTERIM MANAGEMENT REPORT

The Directors are required to provide an Interim Management Report in accordance with the Financial Conduct Authority's Disclosure Guidance and Transparency Rules ("DTR"). The Directors consider that the Chairman's Statement on pages 2 and 3 and the Investment Adviser's Report on pages 4 to 7 of this Half-yearly Report, provide details of the important events which have occurred during the period and their impact on the financial statements. The following statement on related party transactions and the Statement of Directors' Responsibilities below, the Chairman's Statement and Investment Adviser's Report together constitute the Interim Management Report of the Company for the six months ended 31 May 2019. The outlook for the Company for the remaining six months of the year ending 30 November 2019 is discussed in the Chairman's Statement and the Investment Adviser's Report.

Principal risks and uncertainties

The principal risks and uncertainties to the Company are detailed on page 18 to 20 of the Company's most recent Annual Report for the year ended 30 November 2018 which can be found on the Company's website at www.bbhealthcaretrust.com. The principal risks and uncertainties facing the Company remain unchanged from those disclosed in the Annual Report for the year ended 30 November 2018 and the Board are of the opinion that they will continue to remain unchanged for the forthcoming six month period. The principal risks and uncertainties facing the Company are as follows:

- Market Risks including: risks associated with the economy, healthcare companies, sectoral diversification;
- Financial risks;
- Corporate governance and internal control risks (including cyber security);
- Regulatory risks; and
- UK exit from the European Union.

Related party transactions

The Company's Portfolio Manager is Bellevue Asset Management AG ('Bellevue'). Bellevue is considered a related party under the Listing Rules. Bellevue is entitled to receive management fees payable monthly in arrears calculated at the rate of one-twelfth of 0.95% (excluding VAT) per calendar month of the market capitalisation of the Company. There is no performance fee payable to Bellevue. Details of the Portfolio Manager's fees paid during the six month period to 31 May 2019 can be found in Note 12 on page 22. There have been no changes to the related party transactions that could have a material effect on the financial position or performance of the Company since the year ended 30 November 2018.

Going concern

The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the following twelve-month period from the date of this report. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. The Company's net assets as at 31 May 2019 were £519.4 million (31 May 2018: £332.1 million). As at 31 May 2019 the Company held £577.9 million (31 May 2018: £360.0 million) in quoted investments and had cash of £3.5 million (31 May 2018: £4.5 million). The total expenses (excluding finance costs and taxation) for the six months ended 31 May 2019 were £2.9 million (31 May 2018: £1.8 million).

INTERIM MANAGEMENT REPORT

CONTINUED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE HALF-YEARLY REPORT

The Directors confirm to the best of their knowledge that:

- The condensed set of interim financial statements contained within the Half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting.
- The interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's DTR.

Justin Stebbing
Chairman
16 July 2019

CONDENSED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MAY 2019

		Six months ended 31 May 2019			Six months ended 31 May 2018			Year ended 30 November 2018		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments		–	(10,107)	(10,107)	–	25,056	25,056	–	79,404	79,404
Losses on currency movements		–	(863)	(863)	–	(590)	(590)	–	(1,876)	(1,876)
Net investment (losses)/gains		**–**	**(10,970)**	**(10,970)**	**–**	**24,466**	**24,466**	**–**	**77,528**	**77,528**
Income	4	1,241	–	1,241	963	–	963	1,770	–	1,770
Total income/(losses)		**1,241**	**(10,970)**	**(9,729)**	**963**	**24,466**	**25,429**	**1,770**	**77,528**	**79,298**
Portfolio management fees		(470)	(1,879)	(2,349)	(288)	(1,154)	(1,442)	(661)	(2,643)	(3,304)
Other expenses		(552)	–	(552)	(406)	–	(406)	(884)	–	(884)
(Loss)/Profit before finance costs and taxation		**219**	**(12,849)**	**(12,630)**	**269**	**23,312**	**23,581**	**225**	**74,885**	**75,110**
Finance costs	5	(209)	(827)	(1,036)	(67)	(270)	(337)	(196)	(777)	(973)
Operating (loss)/profit before taxation		**10**	**(13,676)**	**(13,666)**	**202**	**23,042**	**23,244**	**29**	**74,108**	**74,137**
Taxation	6	(134)	–	(134)	(108)	–	(108)	(222)	–	(222)
(Loss)/profit for the period/year		**(124)**	**(13,676)**	**(13,800)**	**94**	**23,042**	**23,136**	**(193)**	**74,108**	**73,915**
Return per Ordinary Share	7	**(0.03)p**	**(3.73)p**	**(3.76)p**	**0.04p**	**8.68p**	**8.72p**	**(0.07)p**	**26.75p**	**26.68p**

There is no other comprehensive income and therefore the '(Loss)/profit for the period/year' is the total comprehensive income for the period.

The total column of the above statement is the Statement of Comprehensive Income of the Company. The supplementary revenue and capital columns, including the Return per Ordinary Shares, are prepared under guidance from the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

The notes on pages 16 to 23 form an integral part of these financial statements.

CONDENSED UNAUDITED STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2019

	Note	31 May 2019 £'000	31 May 2018 £'000	30 November 2018 £'000
Non-current assets				
Investments held at fair value through profit or loss	3	577,871	360,035	487,630
Current assets				
Cash and cash equivalents		3,470	4,512	3,802
Sales for future settlement		–	832	–
Dividend receivable		27	223	137
Other receivables		145	–	81
		3,642	**5,567**	**4,020**
Total assets		**581,513**	**365,602**	**491,650**
Current liabilities				
Purchases for future settlement		1,220	29,720	–
Bank loans payable		59,638	3,279	48,138
Other payables		1,235	547	831
Total liabilities		**62,093**	**33,546**	**48,969**
Net assets		**519,420**	**332,056**	**442,681**
Equity				
Share capital	8	3,939	2,733	3,204
Share premium account		296,693	134,767	199,625
Special distributable reserve		126,029	138,705	133,293
Capital reserve		93,076	55,686	106,752
Revenue reserve		(317)	165	(193)
Total equity		**519,420**	**332,056**	**442,681**
Net asset value per Ordinary Share	9	**132.29p**	**122.09p**	**138.72p**

Approved by the Board of Directors and authorised for issue on 16 July 2019.

Justin Stebbing
Chairman

Registered in England and Wales with registered number 10415235.

The notes on pages 16 to 23 form an integral part of these financial statements.

CONDENSED UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MAY 2019

	Note	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening balance as at 1 December 2018		3,204	199,625	133,293	106,752	(193)	**442,681**
Loss for the period		–	–	–	(13,676)	(124)	**(13,800)**
Dividend paid		–	–	(7,264)	–	–	**(7,264)**
Issue of Ordinary Shares	8	735	98,838	–	–	–	**99,573**
Share issue costs		–	(1,770)	–	–	–	**(1,770)**
Closing balance as at 31 May 2019		**3,939**	**296,693**	**126,029**	**93,076**	**(317)**	**519,420**

FOR THE SIX MONTHS ENDED 31 MAY 2018

	Note	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening balance as at 1 December 2017		2,609	120,934	143,355	32,644	71	**299,613**
Profit for the period		–	–	–	23,042	94	**23,136**
Dividend paid		–	–	(4,650)	–	–	**(4,650)**
Issue of Ordinary Shares	8	124	13,984	–	–	–	**14,108**
Share issue costs		–	(151)	–	–	–	**(151)**
Closing balance as at 31 May 2018		**2,733**	**134,767**	**138,705**	**55,686**	**165**	**332,056**

The notes on pages 16 to 23 form an integral part of these financial statements.

CONDENSED UNAUDITED STATEMENT OF CHANGES IN EQUITY

CONTINUED

FOR THE YEAR ENDED 30 NOVEMBER 2018

	Note	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening balance as at 1 December 2017		2,609	120,934	143,355	32,644	71	**299,613**
Profit/(loss) for the year		–	–	–	74,108	(193)	**73,915**
Dividend paid		–	–	(10,062)	–	(71)	**(10,133)**
Issue of Ordinary Shares	8	595	79,392	–	–	–	**79,987**
Share issue costs		–	(701)	–	–	–	**(701)**
Closing balance as at 30 November 2018		**3,204**	**199,625**	**133,293**	**106,752**	**(193)**	**442,681**

The notes on pages 16 to 23 form an integral part of these financial statements.

CONDENSED UNAUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MAY 2019

	Note	Six months ended 31 May 2019 £'000	Six months ended 31 May 2018 £'000	Year ended 30 November 2018 £'000
Cash flows from operating activities				
Income*		1,352	969	1,861
Management and other expenses		(2,788)	(1,889)	(4,150)
Foreign exchange losses		(863)	(590)	(1,876)
Taxation		(134)	(108)	(222)
Net cash flow used in operating activities		**(2,433)**	**(1,618)**	**(4,387)**
Cash flows from investing activities				
Purchase of investments		(210,158)	(114,042)	(315,283)
Sale of investments		111,029	93,251	218,811
Net cash flow used in investing activities		**(99,129)**	**(20,791)**	**(96,472)**
Cash flows from investing activities				
Bank loans drawn		11,500	16,934	35,352
Finance costs paid		(809)	(162)	(686)
Dividend paid		(7,264)	(4,650)	(10,133)
Proceeds from issue of shares		99,573	14,108	79,987
Share issue costs		(1,770)	(151)	(701)
Net cash flow from financing activities		**101,230**	**26,079**	**103,819**
(Decrease)/increase in cash and cash equivalents		**(332)**	**3,670**	**2,960**
Cash and cash equivalents at start of period		3,802	842	842
Cash and cash equivalents at end of period		**3,470**	**4,512**	**3,802**

* Cash inflow includes dividends received for the financial period of £1,301,000 (31 May 2018: £961,000 and 30 November 2018: £1,827,000).

The notes on pages 16 to 23 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

BB Healthcare Trust plc is a closed-ended investment company, registered in England and Wales on 7 October 2016. The Company's registered office is Mermaid House, 2 Puddle Dock, London EC4V 3DB. Business operations commenced on 2 December 2016 when the Company's Ordinary Shares were admitted to trading on the London Stock Exchange. The condensed unaudited interim financial statements of the Company are presented for the six months to 31 May 2019.

The Company invests in a concentrated portfolio of listed or quoted equities in the global healthcare industry. The Company may also invest in American Depositary Receipts (ADRs), or convertible instruments issued by such companies and may invest in, or underwrite, future equity issues by such companies. The Company may utilise contracts for differences for investment purposes in certain jurisdictions where taxation or other issues in those jurisdictions may render direct investment in listed or quoted equities less effective.

2. Basis of preparation and accounting policies

Statement of compliance

The condensed unaudited interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules ("DTRs") of the UK's Financial Conduct Authority. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 30 November 2018. The financial statements of the Company as at and for the year ended 30 November 2018 were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies used by the Company are the same as those applied by the Company in its financial statements as at and for the year ended 30 November 2018. The financial information for the year ended 30 November 2018 in the condensed interim unaudited financial statements has been extracted from the audited Annual Report and Accounts.

When presentational guidance set out in the Statement of Recommended Practice ("SORP") for Investment Companies issued by the Association of Investment Companies ("the AIC") in November 2014 and updated in February 2018 is consistent with the requirements of 'IFRS', the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. There have been no estimates, judgements or assumptions, which have had a significant impact on the financial statements for the period.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

2. **Basis of preparation and accounting policies** continued

Functional and presentation currency

The financial statements are presented in sterling, which is the Company's functional currency. The Company's investments are denominated in multiple currencies. However, the Company's shares are issued in sterling and the majority of its investors are UK based. In addition the substantial majority of expenses are paid in GBP as are dividends. All financial information presented in sterling have been rounded to the nearest thousand pounds.

Investments

Upon initial recognition investments are designated by the Company "at fair value through profit or loss". They are accounted for on the date they are traded and are included initially at fair value which is taken to be their cost. Subsequently quoted investments are valued at fair value which is the bid market price, or if bid price is unavailable, last traded price on the relevant exchange. Unquoted investments are valued at fair value by the Board which is established with regard to the International Private Equity and Venture Capital Valuation Guidelines by using, where appropriate, latest dealing prices, valuations from reliable sources and other relevant factors.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the Statement of Comprehensive Income within "(losses)/ gains on investments".

Investments are derecognised on the trade date of their disposal, which is the point where the Company transfers substantially all the risks and rewards of the ownership of the financial asset.

Adoption of new and revised standards period

The Company has adopted IFRS 9 Financial Instruments, which became effective on 1 January 2018. IFRS 9 replaces IAS 39, 'Financial Instruments: Recognition and measurement'. It includes revised guidance on the classification and measurement of financial instruments; a new expected credit loss model for calculating impairment of financial assets and new general hedge accounting requirements. It also carries forward the guidance from IAS 39 regarding recognition and derecognition of financial instruments. Adoption of this standard did not have a material impact on the classification of financial assets and liabilities of the Company, because the financial instruments currently measured at fair value through profit or loss ("FVTPL") under IAS 39, are managed on a fair value basis in accordance with a documented investment strategy. Accordingly, these financial instruments have been mandatorily measured at FVTPL under IFRS 9.

There has been no restatement in the comparative figures for the period ended 31 May 2018 and 30 November 2018 as a result of adopting IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3. Investment held at fair value through profit or loss

	As at 31 May 2019 £'000	As at 31 May 2018 £'000	As at 30 November 2018 £'000
Investments at fair value through profit or loss			
– Quoted	577,871	360,035	487,630
Closing valuation	**577,871**	**360,035**	**487,630**

The following shows the analysis of financial assets recognised at fair value based on:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The classification of the Company's investments held at fair value is detailed in the table below:

	As at 31 May 2019				As at 31 May 2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit or loss								
– Quoted	577,871	–	–	**577,871**	360,035	–	–	**360,035**

	As at 30 November 2018			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit or loss				
– Quoted	487,630	–	–	**487,630**

There were no transfers between levels during the six months ended 31 May 2019 (31 May 2018: nil).

4. Income

	Six months ended 31 May 2019 £'000	Six months ended 31 May 2018 £'000	Year ended 30 November 2018 £'000
Income from investments			
Overseas dividends	1,191	848	1,612
UK dividends	–	108	124
Other income	50	7	34
Total income	**1,241**	**963**	**1,770**

5. Bank loans and finance costs

The Company agreed a multi-currency revolving credit facility with Scotiabank (Ireland) Designated Activity Company on 23 February 2017. Under the terms of the facility, the Company may draw down up to an aggregate of £50 million (2018: £30 million). A replacement facility was agreed with Scotiabank in January 2019 under which the Company may draw down loans up to an aggregate value of USD $100 million. The facility also has an uncommitted accordion option which, subject to the agreement of Scotiabank, provides the Company with the flexibility to increase the facility by a further USD50 million. The replacement facility will expire in January 2021. As at 31 May 2019, the aggregate of loans outstanding was £59,637,000 (comprising £6,700,000 and $66,850,000 – equivalent of £52,937,000).

	Six months ended 31 May 2019			Six months ended 31 May 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loan interest	205	810	**1,015**	64	258	**322**
Other finance costs	4	17	**21**	3	12	**15**
Total	**209**	**827**	**1,036**	**67**	**270**	**337**

	Year ended 30 November 2018		
	Revenue £'000	Capital £'000	Total £'000
Loan interest	179	715	**894**
Other finance costs	17	62	**79**
Total	**196**	**777**	**973**

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

6. Taxation

	Six months ended 31 May 2019			Six months ended 31 May 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Withholding tax expense	134	–	**134**	108	–	**108**
Total tax charge for the period	**134**	**–**	**134**	**108**	**–**	**108**

	Year ended 30 November 2018		
	Revenue £'000	Capital £'000	Total £'000
Withholding tax expense	222	–	**222**
Total tax charge for the year	**222**	**–**	**222**

7. Return per share

Return per share is based on the weighted average number of Ordinary Shares in issue during the six months ended 31 May 2019 of 366,291,934 (31 May 2018: 265,481,854 and 30 November 2018: 277,060,711).

	As at 31 May 2019			As at 31 May 2018		
	Revenue	Capital	Total	Revenue	Capital	Total
(Loss)/profit for the period (£'000)	(124)	(13,676)	**(13,800)**	94	23,042	**23,136**
Return per Ordinary Share	(0.03)p	(3.73)p	**(3.76)p**	0.04p	8.68p	**8.72p**

	As at 30 November 2018		
	Revenue	Capital	Total
Profit for the year (£'000)	(193)	74,108	**73,915**
Return per Ordinary Share	(0.07)p	26.75p	**26.68p**

8. Share capital

	As at 31 May 2019		As at 31 May 2018	
	Number of shares	£'000	Number of shares	£'000
Allotted, issued and fully paid:				
Redeemable Ordinary Shares of 1p each ('Ordinary Shares')	392,642,593	3,926	271,979,768	2,720
Management Shares of £1 each	50,001	13	50,001	13
Total	**392,692,594**	**3,939**	**272,029,769**	**2,733**

	As at 30 November 2018	
	Number of shares	£'000
Allotted, issued and fully paid:		
Redeemable Ordinary Shares of 1p each ('Ordinary Shares')	319,107,794	3,191
Management Shares of £1 each	50,001	13
Total	**319,157,795**	**3,204**

Share Movement

During the period to 31 May 2019, 73,534,799 Ordinary Shares (31 May 2018: 12,410,500 and 30 November 2018: 59,538,526) were issued for an aggregate proceeds of £99,573,000 (31 May 2018: £14,108,000 and 30 November 2018: £79,987,000). Since 31 May 2019, a further 18,875,000 Ordinary Shares have been issued for an aggregate proceeds of £26,633,825.

9. Net assets per Ordinary Share

Net assets per Ordinary Share as at 31 May 2019 is based on £519,420,000 of net assets of the Company attributable to the 392,642,593 Ordinary Shares in issue (excluding treasury shares) as at 31 May 2019. £12,500 of net assets is attributable to the Management Shares.

10. Dividend

During the six months ended 31 May 2019, the Company paid a dividend of 2.0p per Ordinary Share in respect of the year ended 30 November 2018.

The Directors have declared an interim dividend for the six month period ended 31 May 2019 of 2.425p per Ordinary Share. The dividend will have an ex-dividend date of 25 July 2019 and will be paid on 30 August 2019 to Shareholders on the register at 26 July 2019. The dividend will be funded from the Company's distributable reserves. At the Company's AGM in March 2019, a resolution was passed allowing shareholders the right to elect to receive their entitlement to the interim dividend in new Ordinary Shares instead of cash in respect of the whole or part of any dividend.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

11. Distributable reserves

The Company's distributable reserves consist of the special distributable reserve, capital reserve and revenue reserve.

The Company can use its distributable reserves to fund dividends, redemptions of Ordinary Shares and share buy backs.

12. Related party transactions

Fees payable to the Portfolio Manager are shown in the Statement of Comprehensive Income. As at 31 May 2019, the fee outstanding to the Portfolio Manager was £381,000.

Since commencement of operations on 2 December 2016 fees have been payable at an annual rate of £40,000 to the Chairman, £32,500 to the Chair of the Audit Committee, £30,000 to the Chair of the Management Engagement Committee and £27,500 to the other Directors. Net fees payable to the Directors, other than the US resident Director, Siddhartha Mukherjee, are settled in Ordinary Shares quarterly, using the prevailing market price per share at the relevant quarter end.

The Directors had the following shareholdings in the Company, all of which are beneficially owned.

	As at 31 May 2019	As at 31 May 2018
Professor Justin Stebbing	38,434	23,399
Josephine Dixon	55,445	44,057
Randeep Grewal	55,484	43,062
Paul Southgate	50,992	41,455
Siddhartha Mukherjee	25,000	25,000

On 28 June 2019 the Board were issued with the following shares from the net director fees.

Director	Number of Shares purchased
Professor Justin Stebbing	4,147
Josephine Dixon	3,773
Randeep Grewal	3,198
Paul Southgate	2,687

13. Post balance sheet events

There are no post balance sheet events, other than those disclosed in this report.

14. Status of this report

These interim financial statements are not the Company's statutory accounts for the purposes of section 434 of the Companies Act 2006. They are unaudited. The unaudited Half-yearly financial report will be made available to the public at the registered office of the Company. The report will also be available in electronic format on the Company's website, http://www.bbhealthcaretrust.com.

The information for the year ended 30 November 2018 has been extracted from the last published audited financial statements, unless otherwise stated. The audited financial statement has been delivered to the Registrar of Companies. The Auditors reported on those accounts and their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006.

The Half-yearly financial report was approved by the Board of Directors on 16 July 2019.

ALTERNATIVE PERFORMANCE MEASURES ('APMs')

Premium

The amount, expressed as a percentage, by which the share price is more than the Net Asset Value per Ordinary Share.

As at 31 May 2019 (Unaudited)		Page	
NAV per Ordinary Share (pence)	**a**	12	132.29
Share price (pence)	**b**	1	134.50
Premium	**(b ÷ a) - 1**		**1.7%**

Gearing

A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.

As at 31 May 2019 (Unaudited)		Page	£'000
Total assets less cash/cash equivalents	**a**	n/a	578,043
Net assets	**b**	12	519,420
Gearing (net)	**(a ÷ b) - 1**		**11.3%**

Leverage

An alternative word for "Gearing".

(See gearing for calculations).

Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions.

Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Total return

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into the Ordinary Shares of the Company on the ex-dividend date.

Six months ended 31 May 2019 (Unaudited)		Page	Share price	NAV
Opening at 1 December 2018 (pence)	**a**	n/a	140.00	138.72
Closing at 31 May 2019 (pence)	**b**	1	134.50	132.29
Price movement (b÷a)-1	**c**	n/a	-3.9%	-4.6%
Dividend reinvestment	**d**	n/a	1.4%	1.4%
Total return	**(c + d)**		**-2.5%**	**-3.2%**

n/a = not applicable.

GLOSSARY

American Depositary Receipt or "ADR"	A negotiable certificate issued by a U.S. bank representing a specified number of shares in a foreign stock traded on a U.S. exchange.
AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or "AGM"	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask Directors questions about the company in which they are invested.
Custodian	An entity that is appointed to safeguard a company's assets.
Depositary	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary's duties include, inter alia, safekeeping of the Company's assets and cash monitoring. Under AIFMD the depositary is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Gross assets	The Company's total assets.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment Trust	An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
Large Cap	A company with a market capitalisation above $10 billion.
Liquidity	The extent to which investments can be traded at short notice.
Management Shares	Non-redeemable preference shares of £1.00 each in the capital of the Company.
Mega Cap	A company with a market capitalisation above $50 billion.
Net assets	An investment company's assets less its liabilities.
Net asset value (NAV) per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any Shares held in treasury).

Ongoing charges	A measure, expressed as a percentage of average net assets of the regular, recurring annual costs of running an investment company.
Ordinary Shares	The Company's redeemable ordinary shares of 1p each.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Small Cap	A company with a market capitalisation less than $2 billion.
Treasury Shares	A company's own shares which are available to be sold by a company to raise funds.
Volatility	A measure of how much a share moves up and down in price over a period of time.

DIRECTORS, PORTFOLIO MANAGER AND ADVISERS

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Josephine Dixon
Randeep Grewal
Siddhartha Mukherjee
Paul Southgate

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