B|B Healthcare Trust

Monthly News
November 2021

As at 11/30/2021	Value	1 Month (November)	YTD	Since Launch (ITD)
Share	186.20	-6.7%	8.0%	114.0%
NAV	184.90	-7.5%	8.7%	113.0%

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 30.11.2021, NAV and share price returns are adjusted for dividends paid during the period, assuming reinvestment in relevant security. Full performance data is on page 6.

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 November update and the end of the Trust's fiscal year 2021. We can say, without any hesitation, this has been a very challenging month in what has undoubtedly been our most challenging year in the Trust's brief history, one (as ever) dominated by 'unusual' macro-led market dynamics (can anyone remember what a 'normal' year looks like?).

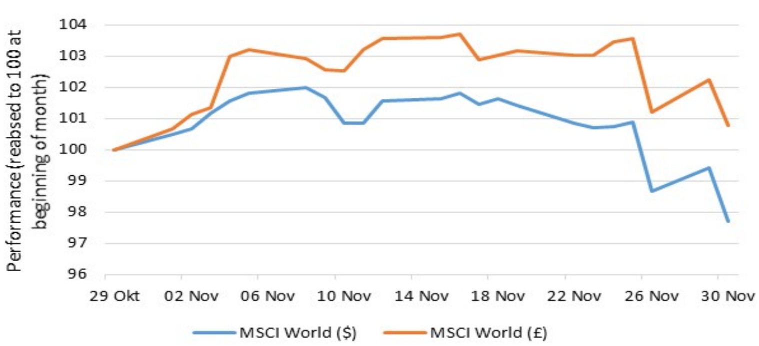
Even 2020, characterised as it was by extremes nonetheless made some sense in terms of sub-sector correlations. We recall being disappointed to report only outperforming in H1 2021 by 4.4% over that period (i.e. 8.8% annualised), but the year has fallen far short of the positive start. What drove the market's dissimulation this year? Honestly, we find it difficult to opine with any credibility.

Something else that we can state with certainty is that the financial potential of our portfolio in terms of value creation remains highly compelling, and history will probably look back on the last few months as a huge relative value opportunity in small and mid-cap healthcare.

Monthly review

The wider market

In sterling terms, the MSCI World Index declined 0.7% when measured in sterling (-2.3% in dollars). It rose ~3% in the first week of the month, continuing the longstanding trend of rising markets and new highs, and then essentially trod water in the middle of the month as the great inflation debate once again caused traders to pause for breath (along with the usual de-risking and de-grossing ahead of the Thanksgiving holiday, hedge fund rock stars do not want to spend their day off worrying about the P&L). So far, so typical, until the Omicron sell-off in the dying days of the month erased all of the gains (Figure 1).



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

As ever, the devil is in the detail and this relatively modest looking correction belies significant intra-sector rotation in recent days. The pattern of this rotation has been rather predictable: Banks, Energy and Consumer Services (restaurants, hotels, casinos) have sold off as consumers are expected to stay at home more and inflation (and thus interest rate rises that drive bank profitability) is forecast to be more subdued than previously prognosticated.

On the other hand, the Tech Hardware (+7.6%) and Semiconductors (+13.2%) sectors have done well as demand remains very strong on supply constraints (a classic safe haven trade). Likewise consumer staples and food retail (we all have to eat and perform our ablutions). Whilst the tech-related names were leading all month, the underperformance of the Banks (-7.5%) and Consumer Services (-7.1%) sectors was very much an Omicron-led phenomenon.

Summary

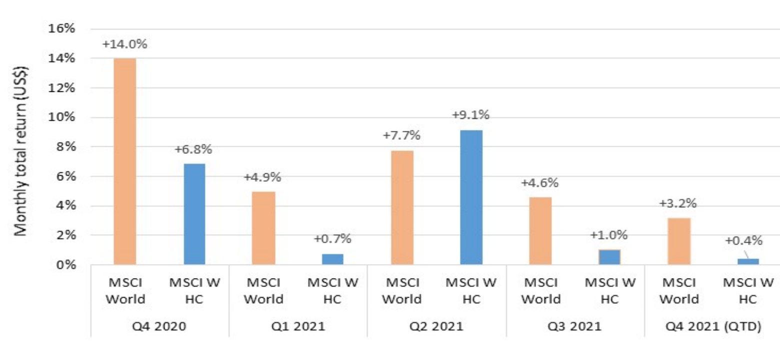
BB Healthcare Trust Ltd is a high conviction, unconstrained, long-only vehicle invested in global healthcare equities with a max of 35 stocks. The target annual dividend is 3.5% of NAV and the fund offers an annual redemption option. BB Healthcare is managed by the healthcare investment trust team at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

There were a couple of anomalies. One would not have expected Retailers (+1.6%) to have done so well, but the vast majority of the total sector return was due to Amazon – a classic example of how narrow the leadership in this market has been over the past two years and lest we forget, Amazon's profits and growth are driven by its cloud computing division! One might also express some surprise that the autos sector has held up but, you've guessed it… Tesla drove most of the return. Apparently, people not buying cars does not apply to Tesla. One might almost think that people have lost their collective reason…

Healthcare

The MSCI World Healthcare Index also declined 0.7% in sterling terms (it declined 3.7% in dollars). Even with the post-Omicron fall in the wider market outpacing that of healthcare (the latter being inherently defensive and of course containing the vaccine and testing beneficiaries of a potential new wave in the pandemic), the sector still underperformed the wider market.

This has been the expected pattern ever since the great re-opening commenced in Q4 2020 (Figure 2) and reflects a reversal of healthcare's outperformance of the market during the first six months of the pandemic. On a 10-year view, it remains the case that healthcare has materially outperformed the wider market.



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

The subsector performance during November is highlighted in Figure 3 overleaf and, at first glance, suggests a very defensive approach to positioning. The premium growth and valuation subsectors (e.g. Healthcare IT, Healthcare Technology) have been the laggards and the avoidance of procedure volume exposure reveals itself through the poor relative performance of Facilities (i.e. hospital operators) and Medical Technology companies.

Distributors and Tools are highly defensive as they operate services on a contracted basis and we know from prior experience that cosmetic dentistry will hold up well because aligner-based treatments can be distributed without recourse to face-to-face visits.

BB Healthcare Trust

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November 2021

Focused Therapeutics is worthy of discussion; one might think this another higher growth/valuation premium sector and thus, it is surprising to see it as fourth best performer. However, the vaccine producers Moderna and Novavax drove half the total return for the month. In a similar vein, Pfizer's COVID-drive 22% appreciation added >200bp to the Diversified Therapeutics category, which otherwise would have been in the bottom third of the table.

BENCHMARK SUB-SECTOR PERFORMANCE AND WEIGHTINGS

Sub-Sector	Weighting	Perf. (USD)	Perf. (GBP)
Other HC	1.6%	0.9%	3.8%
Tools	9.5%	-0.4%	2.6%
Dental	0.9%	-0.6%	2.4%
Focused Therapeutics	8.0%	-0.6%	2.2%
Distributors	1.0%	-1.0%	2.1%
Diversified Therapeutics	32.7%	-2.1%	0.9%
Services	3.3%	-3.3%	-0.4%
Conglomerate	11.6%	-3.6%	-0.6%
Managed Care	9.6%	-4.9%	-2.0%
Diagnostics	2.4%	-4.9%	-2.1%
Med-Tech	15.2%	-7.2%	-4.6%
Generics	0.4%	-7.7%	-4.8%
Healthcare Technology	1.1%	-9.0%	-6.2%
Facilities	1.3%	-9.8%	-7.0%
Healthcare IT	1.5%	-13.0%	-10.3%
Index perf.		**-3.7%**	**-0.7%**

Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd. Weightings as of 31-10-21. Performance to 30-11-21.

Again, we would note that a superficially predictable picture at the sub-sector and overall performance level belies some significant turbulence underneath. Size factor was a material performance determinant during November.

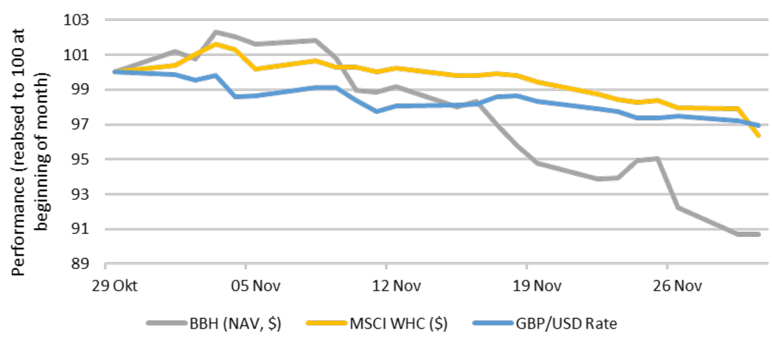
Whilst there are no 'small-caps' in the MSCI World Healthcare Index, we would note that the aggregated US dollar performance of the 'mid-cap' grouping within the index was -5.7%, versus -2.9% for the 'Mega-cap' grouping (Large-Cap rose 0.4%). As a proxy for small-caps, the US Russell 2000 Healthcare Index (which includes 528 companies across a market cap range of $40m to $8.6bn) declined 10.3% during the month.

The Trust

Before we talk about the month that has just passed, some historical context feels important. As we noted at the time, March 2020 would be one of those periods that we will forever remember; an epoch-defining event. For obvious reasons, this was also the worst month in the Trust's history in terms of relative and absolute performance: the Trust's Net Asset Value declined 10.8% in sterling terms versus a 1.1% decline for the MSCI World Healthcare benchmark.

Although this was a difficult period to manage, there was an inevitability about the whole thing that in some ways made it easier to accept. The market broke in the face of overwhelming uncertainties and it was obvious that tremendous opportunity would follow (cf. our 'ad hoc' missive of March 20th, urging investors to step in and snap up some obvious bargains, which we certainly did). So it proved to be: the sector and the market recovered strongly in the weeks that followed.

The current situation around Omicron is discussed in more detail in the Musings section, but it is surely evident to even the most casual observer that the situation before us today is incomparable to that of March 2020 in terms of the risk to society. Nonetheless, we find ourselves staring at a bizarrely similar situation in terms of the portfolio: during November 2021, the Trust's NAV declined 7.5% to 184.91p, underperforming the MSCI World Healthcare Index by 6.9%. The monthly evolution (or should that be evisceration?) of the NAV is illustrated in Figure 4. This was despite FX offering a material tailwind over the month of ~3.0%:



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

The worst performing sub-sectors during November were Healthcare IT (-18.7%), Medical Technology (-16.7%) and Diagnostics (-13.9%). Focused Therapeutics (+1.8%) and Healthcare Technology (-3.5%) were the best performers.

As noted in the previous section on the Healthcare sector, size factor has played an outsized role in our relative underperformance and that size factor reflects classical "risk off" behaviour. People always sell the higher beta, higher risk holdings first, lest the liquidity is not there to sell them later.

This problem is hugely compounded when the black swan news event (i.e. Omicron) occurs concurrently with the Thanksgiving holiday and commensurately lower-than-usual levels of market liquidity. In the short-term, this selling pressure versus low liquidity in small and mid-cap (SMID) companies always becomes a self-fulfilling prophecy but, as we have also seen many times, it tends to reverse at much the same pace as it fell (i.e. rapidly).

Quite when the reversal happens is harder to determine; generalist fund manager exposure to healthcare (as defined by funds being actively overweight rather than underweight stocks) remains close to decade lows and Managed Care and Tools continue to be the only widely favoured sub-sectors. It is close to the end of a frustrating year for healthcare investors and it seems unlikely that they will be hugely active until we have additional clarity on the Omicron situation.

However, this is undoubtedly a great opportunity for longer-term investors and we have been active on the deployment side, with one new company being added to the portfolio (in Focused Therapeutics). This aside, we have added to 10 of our 30 previously held positions and reduced exposure to 16 (with five unchanged). This re-allocation was a gradual process over the month as the divergent performance of many of our small and mid-cap stocks unfolded. In the vast majority of cases, we cannot identify a fundamental or thematic reason for the underperformance of these companies.

In terms of the redeployment, this has manifested itself in an active reduction in our exposure to the Managed Care, Tools, Services and Diversified Therapeutics sub-sectors where we tended to own large-cap companies, in favour of other sectors where size factor has played a significant role on the recent performance of our holdings.

The evolution of our sub-sector weightings is illustrated in Figure 3 overleaf. The degree to which those sectors from which we re-allocated have held up as the Omicron news broke means that the substantial re-positioning of the book art the stock level is less apparent when viewed as a month end sub-sector snapshot:

EVOLUTION OF PORTFOLIO WEIGHTINGS

	Subsector end Oct 21	Subsector end Nov 21	Change
Diagnostics	6.1%	9.5%	Increased
Diversified Therapeutics	11.7%	10.9%	Decreased
Focused Therapeutics	26.3%	28.7%	Increased
Healthcare IT	8.9%	8.2%	Increased
Healthcare Technology	4.4%	4.3%	Unchanged
Managed Care	16.2%	14.7%	Decreased
Med-Tech	12.1%	10.0%	Decreased
Services	11.9%	11.5%	Decreased
Tools	2.2%	2.1%	Decreased
	100.0%	100.0%	

In addition to investing the proceeds from the issuance of 3.2m shares via the tapping programme, we have also drawn down on our lending facility such that our net borrowings have increased from £18.4m at the end of October to £50.1m at the end of November. As a consequence, the gearing ratio has risen from 1.7% to 4.9%, which is closer to our long-term aspiration of mid-to-high single digit gearing.

The month end also marks our fifth anniversary and you will find the performance over these five years summarised on the penultimate page of the factsheet. As disappointed as we are with this month's outcome and the financial year in general, the long-term performance of the Trust remains robust and our focus unaltered: we are picking winners on a multi-year view.

As the previous paragraphs hopefully make clear, we see this current disorderly sell-off as a tremendous entry point. So much so that your managers have materially added to their aggregated personal holdings in the Trust, acquiring shares at what we believe are depressed valuation levels for the portfolio holdings after the initial reaction to the Omicron news unfolded.

Managers' Musings

Toxic

The topic of this month's musings has been through a number of inevitable iterations. Amidst the equanimity of early November, we planned to focus on something that we thought offered an interesting insight into the ongoing and inexorable evolution of the healthcare delivery paradigm.

As time went on, it felt apposite to concentrate instead on the frankly bizarre market dynamic playing out in healthcare (no matter, the original topic will keep). This quixotic ambition was also short-lived since, as we noted in the previous section of this month's factsheet, we are still want for an adequate explanation of these dynamics ourselves.

Mephistopheles' malevolence seldom disappoints and instead he gave us Omicron (literally "little o" in greek, but also "super mutant" if you work at the Daily Mail and "moronic" if you like an anagram; prophetic indeed) to fill these pages. Oh, happy days!

What follows is not intended to be a comprehensive or definitive review since, candidly, there is very little relevant data to consider and this will inevtiably change over the coming days. Instead we try to offer some some rectitudinous ratiocination and perhaps reassurance, rather than the rebarbative reflexivity so beloved in modern media discourse.

To our minds, this unfolding episode surely serves more as a depressing tale regarding the state of modern political discourse than anything else. It seems to us that it no longer important what you do, as long as you are seen to be doing something.

Baby one more time

First we need to reacquaint ourselves with a few salient (and tragic) facts about South Africa. This benighted kleptocracy is home to more than 60 million people and has 11 official languages. Although it is the largest economy in the lower continent, it ranks only 114th on the UN Human Development Index (a composite of life expectancy, education and GDP per Capita).

The South African healthcare system is fragmented and the government system on which the majority of the population depends is poor. Although apartheid is supposedly consigned to history, the life expectancy of a white South African is 23 years longer than that of a black citizen. This is largely because South Africa has an estimated 7.7m people living with HIV; more than any other country in the world.

We would note also this is an estimate of prevalence, it is not a number based on people receiving treatment; only around 70% of adults and 40% of children afflicted with this terrible infection are receiving anti-retroviral therapy (ART). Expressed another way, one adult in five has HIV (26% of women and 15% of men). Again, tragically, this divides across racial lines. The prevalence of HIV amongst white South Africans is only ~0.3%. The Mbeki government's (1999-2008) reluctance to provide ART did much to worsen this epidemic and undermine trust in the public health system.

The country's current President, Cyril Ramaphosa, has rightly called out Western nations for the rampant vaccine inequality that persists more than a year into the global vaccine rollout. The latest data suggests that only 14.3m people in South Africa are fully vaccinated (25m partially). The government is investigating corruption around the programme, including the misappropriation of funds by officials and the distribution of counterfeit vaccine doses.

However, a few days before the announcement of the detection of Omicron, the government requested Pfizer and J&J to delay future planned deliveries of doses of SARS-CoV-2 vaccines because the government is managing to deploy its stocks at around half the rate it anticipated due to widespread vaccine hesitancy (lack of trust in government is understandable!). As of the end of the month, the country had ~17m unused doses on hand. Thus, whilst Mr Ramaphosa's words on vaccine inequality are entirely fair, supply is not the reason why South Africa has low vaccination rates.

If one were hypothesising about the optimal environment for the generation of variant strains of a novel human pathogen, a poor country full of immuno-compromised people living in cramped conditions and with poor access to healthcare resources seems a reasonable place to start. South Africa has not disappointed in this regard; Omicron is the second variant to have been detected there (after Beta or B.1.351 as it is also referred to, in September 2020).

Having said so many unfortunate things about this country, we should applaud its scientists for their openness in rapidly communicating the emergence and seemingly rapid spread of this variant to the world. If only China could have managed the same at the start of the pandemic...

Perhaps a more salient question would be this: how does the spread of a novel variant in such an environment help us understand what may be likely to happen in a western country with good healthcare, high vaccination rates and generally much higher levels of health? 'Not very well' is probably a reasonable answer.

Don't let me be the last to know

For those who scoff at the previous comment, the Beta variant surely serves as a good case study. Evolution is a random process, but the drivers of "fitness" to survive are not. As the environment changes, so does the optimum genetic characteristics to thrive.

Back in late 2020, there was so much concern over Beta and the propensity for it to re-infect vaccinated individuals due to so-called escape mutations (same for the P1 variant from Brazil, now known as Gamma), that Pfizer, Moderna and AstraZeneca developed variant vaccine shots and these were evaluated as potential boosters lest Beta take hold and sweep the globe.

This never happened of course because the more transmissible Alpha variant also emerged around the same time and, at that stage, few people were fully vaccinated anyway, so transmissibility was a more important criteria of fitness than vaccine evasion. Ergo, Alpha outcompeted everything else.

Then came Delta, more transmissible still, and the rest were again swept asunder. Evolution tends toward a 'winner takes all' model, aka "survival of the fittest", which is why Delta now accounts for around 99% of sequenced cases globally (note – there is much more sequencing in developed countries, so this may under-represent the reality of other variants' circulation).

There are many sub-lineages of the Alpha and Delta variants, but thus far none have emerged with higher virulence (i.e. the propensity to both spread more easily and cause greater morbidity), so we have jogged along for some time now with a fairly benign backdrop, all the while making progress on vaccinations (as a means to reduce severity of morbidity) and also developing improved anti-viral treatments.

Lest we forget just how far we have come, the following table is a fantastic reminder of the power of science and medicine and this progress is before we have access to the novel anti-virals from Merck and Pfizer, even if their efficacy may not prove to be quite as compelling as the initial clinical trials suggested:

Time period	UK case fatality rate
23rd Feb 2020 – 28th Jun 2020	15.0% ("W1 wave")
5th July 2020 – 30th Aug 2020 -	2.2%
1st Sep 2020 – 25th Oct 2020	0.6%
26th Oct 2020 – 27th Dec 2020	1.7% ("Alpha wave")
28th Dec 2020 – 28th Mar 2021	2.7%
29 Mar 2021 – 5th Jun 2021	0.7% ("Delta wave")
6th Jun 2021 – 28th Nov 2021	0.3%

Source: WHO, JP Morgan

What became of those Beta variant booster shots? The clinical data, which came first from Moderna in May 2021 showed that the booster shots did indeed increase neutralising antibodies against the Beta and Gamma variants and this was latterly demonstrated for the Pfizer/BioNTech construct as well (Astra/Oxford's Beta variant vaccine trial has yet to report, perhaps because it started so late that Delta had begun to sweep Beta away even in South Africa; Beta was largely gone by August 2021).

In summary, the principle of altering the sequence of the mRNA vaccines to address novel strains has been demonstrated to be effective. This is good to know and important to consider how the next wave of the virus' inevitable evolution can be managed.

These shots did not make it into production in part because Beta and Gamma faded away but also in part because the updated sequence did not offer improved efficacy against Alpha and Delta. There is another important point to emphasise here: vaccinations induce what is known as a polyclonal immune response. The body does not just ramp up the production of one antibody, but several that are effective. As such, vaccination conveys both a broad spectrum of protection and also the induction of T-cells and memory cells.

The emergence of the Omicron variant has garnered a level of attention that the Mu (identified January 2021, Columbia) and Lamda (identified June 20201, Peru) variants seem to have failed to achieve. Incidentally, these two countries are also likely hotspots for variant evolution. Columbia is poor and has struggled with its vaccine rollout (around 10% of the population vaccinated). Peru thought it had done well, but relied on the Chinese Sinopharm vaccine which looks to be much less effective than any of the Western options or Russia's Sputnik. As such, neither country has achieved high levels of vaccine coverage.

These variants do not seem to have such high levels of transmissibility as Delta so are struggling to compete but clinical studies appear to show that they have quite a significant ability to evade vaccine induced immunity. Mu is certainly as alarming on paper to our minds as anything that we seem to know about Omicron and may yet rise to prominence as vaccination rates increase and vaccine escape becomes more of a fitness driver than transmissibility, or if it garners some fitness-enhancing mutations of its own.

Regardless of which variant eventually comes to challenge Delta, it does seem inevitable at some point that we will need to tweak the vaccine recipe (as we do for 'flu) and it feels like we are in a good place to manage this process.

Overprotected

Let us come back to Omicron. All we know at this stage is that a highly mutated strain (and all that means is a lot of changes, it says nothing about their impact) has emerged in southern Africa. It would appear that the strain is competing well there against Delta, so in this population at least, it has some relative advantage around transmission or re-infection.

How this might translate into the western world with higher vaccination rates is much harder to know. We do not know if Omicron is associated with higher morbidity. Comments from the South African health authorities regarding morbidity in adults are superficially reassuring, but the case numbers are very low so it is difficult to ascribe meaningful value to these early case reports. In addition, a number of the cases detected in travellers from southern Africa were asymptomatic.

Let us not lose sight of the vitally important point that cases do not matter, symptomatic infection requiring treatment, hospitalisations and deaths matter. Now this pathogen is endemic, society really does need to start distinguishing between symptomatic and asymptomatic cases in our data analyses.

We do not know very much about the health status of those infected or their vaccination status: someone with HIV or other co-morbidities may be in a much weaker position to fight off any viral infection. Conversely, we already know that double vaccination conveys material protection from severe disease with other variants so we really do need data on multiple patients to have any clarity. We also know that the J&J vaccine widely used in South Africa is less effective than the other options that we have so again this will need to be taken into account when extrapolating to the likely experience in other countries.

Aside from the inevitable tracking of the variant's progress across the globe (it's too late for travel bans to be effective in our view; it is already here), the next likely piece of data is measuring the neutralising antibody titres of vaccinated patients against this strain. This data is likely to emerge in the next 2-3 weeks.

Again, we must be cautious in how this is interpreted by the media etc. – who have already seized on comments from several senior figures at Moderna that titres are likely to be several-fold lower than with Delta (arguably self-serving: the UK has announced a fourth booster dose for the vulnerable and boosters for all as we await data on vaccine efficacy, just in case. All the while depriving developing countries of the opportunity to get their first and second doses rolled out).

The scary-sounding headline that blood from those vaccinated with the Pfizer vaccine has almost 6x lower neutralising antibody levels to Delta than to the W1 strain on which the vaccines are based only translated to a modest increase in the risk of hospitalisation (from 1% to 4%). Again, you could make that sound worrisome and say "its 4x higher", but we are talking about a vaccine offering a 96% reduction in the risk of hospitalisation rather than 99%. By any objective measure, this is still an amazing level of efficacy against severe illness for a vaccine product!

The novel anti-virals from Merck and Pfizer impair the reproduction of the virus and thus are not impacted by these potential changes to its 'spike' protein. As such, this soon to be available next line of defence against severe morbidity is not imperilled by the emergence of a novel variant (although over-use of these drugs could lead to resistance in years to come, which is why we use cocktails of drugs to combat viruses like HIV and HCV). Antibody cocktails may be rendered less effective, but these are too expensive for widespread use in any event.

The attendant reaction to Omicron (travel restrictions, quarantines, more testing, encouraging people to reduce interactions and so on) are entirely unsurprising. These are simple measures that, at face value, have relatively limited economic impact and apparently make people feel better/safer.

Of course, we know that most people wear the wrong masks and wear them incorrectly and so on. This is not really about stopping the inevitable (which is that there will be a new variant to replace Delta at some point), it's about delaying it, so we are as prepared as possible (and so it does not coincide with the peak winter demand for the NHS). One can make it all sound so logical and reasonable.

Oops!... I did it again

Whilst one can understand the political desire to i) be seen to be taking action to protect the electorate (especially when your polling ratings have been declining) and ii) making use of this episode to encourage people to come forward and get fully vaccinated or boosted, the sudden movement to what seems like a state of high alert does rather fail to take into account the difficulties for the wider public to quantify the risks and uncertainties about this situation when some of the science is, by its very nature, far from black and white and when the media have, up to now, generally not done a good job on these matters.

It remains the case that there is no reason yet to believe that Omicron will drive a new wave of higher morbidity and mortality from viral exposure. It is also undeniable that SARS-CoV-2 is endemic and existing in zoonotic reservoirs, so any notion of a zero-COVID world is delusional. The government cannot save you from this virus, no-one can. However, science can continue to do a lot to mitigate the risk of morbidity (which is now very low). Life cannot be free of risk.

Again, some of you might find the comments above flippant, but one need only glance at social media or below-the-line comments on news websites to get an idea of the confusion and fear unleashed by the suddenness of the global governmental response to this particular piece of news. Alternatively, one could take a trip into London or to the supermarket to see how people's behaviour has already altered, even though the probability of their personal exposure to this variant remains miniscule. This may increase of course, but not overnight.

On a personal level, we have already had face-to-face meetings cancelled, most work Christmas social events postponed (presumably indefinitely) and travel plans curtailed as people change their behaviour in the face of what they perceive to be a material change in their personal risk. The idea this will not have any economic impact is fanciful and the market is reacting to that new reality.

Genies and bottles spring to mind and, as the reaction to this news illustrates, we continue to await a cogent explanation of how you 'unscare' the populous once you have (in conjunction with the mainstream media, amplified by armchair experts on social media) essentially terrified them: it's never a good look when the deputy chief medical officer (Van Tam) hosts an unexpected press conference and uses the phrase "I don't want people to panic". The more normality slips away, the harder people will find it not to panic.

Perhaps in a few weeks' time, our fearless leader will once again appear on TV, announcing that it was all just an "abundance of caution" or that he has saved Christmas for us all, urging the populace to take our kids to the utopia that is Peppa Pig World to re-start the economy.

As a scholarly man, he is doubtless familiar with Aesopica and will know all too well that crying wolf may get you attention, but it also has consequences. Greek fables also suggest that pigs and wolves are seldom a winning combination. None of this is going to stop the NHS being overwhelmed in a winter crisis either, for that has become as much an annual event in the UK as Christmas itself.

(You Drive Me) Crazy

The keen-eyed may wonder at the choice of Britney Spears songs as a title theme, but there is much to admire in the brave public battle to regain control of her affairs. One can but hope that we all will soon be able to live as we want, not as others tell us that we must "for our own good". Unfortunately, that day seems further away now than it was a month ago.

In the meantime, we must try to navigate challenging circumstances as a society and, as investors (for that is ultimately the point of this missive). So how might this impact the healthcare investment environment? In the short term, this is yet another disorderly market sell-off and we would not expect much to make sense in the first phase.

A snap market recovery in the event that Omicron is determined to have limited vaccine escape potential, or if its apparent transmissibility advantage over Delta comes with a concomitant reduction in morbidity risk (which is an ideal profile for a pathogen from an evolutionary perspective). This is definitely a market scenario where derivatives earn their place.

As we noted in first section of the factsheet, we were already into a sustained de-rating of SMID healthcare that makes little objective sense. The realities of liquidity and risk appetite suggest this will get worse before it gets better. We have already seen the state of New York declare a public health emergency and this allows hospitals to delay elective procedures and some of the elderly "worried well" will also want to delay procedures. This is likely to weigh on broader sentiment, linked as it is to the elective procedure volumes that account for the majority of global healthcare consumption. Vaccine and testing stocks may continue to do well in the short and medium term.

For us though, this is really just a question of when to accelerate capital deployment and leverage and by how much. There is no reason to think we are headed to another March 2020 situation in terms of illness from COVID. Whilst the broader market may have looked pricey on several metrics, leadership was narrow and there is undoubted value in healthcare. As terrible as the height of the first wave of COVID was for the world, it was also a tremendous opportunity for investors and there is no reason not to follow the same playbook again if another market rout is in evidence.

This is the last missive of the year, so we would like to thank you all for your ongoing support of BB Healthcare Trust, especially through the last few challenging months; we do not take lightly the responsibilities of looking after other people's hard-earned savings.

We would also take this opportunity to wish all of our readers and their loved ones a happy and healthy Christmas and a prosperous 2022.

Finally, please remember that fear spreads far faster than any known pathogen. Most media operations exist to sell adverts as well as report the news and redoubtable headlines do this better than the banality of day-to-day developments. Our time on this earth is too short as it is, so it should be spent living to the full, not existing in some dystopian prison of our own making.

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.

Paul Major and Brett Darke

BB Healthcare Trust

Monthly News
November 2021

Standardised discrete performance (%)

12-month total return	1 year Nov 20 - Nov 21	2 years Nov 19 - Nov 21	3 years Nov 18 - Nov 21	4 years Nov 17 - Nov 21	5 years Nov 16 - Nov 21	since inception
NAV return (inc. dividends)	11.4%	36.6%	46.0%	77.5%	114.0%	114.0%
Share price	10.3%	37.5%	46.6%	81.8%	113.0%	113.0%
MSCI World Healthcare Index (GBP)	16.3%	28.9%	40.1%	66.2%	88.2%	91.2%

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 29.11.2021

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

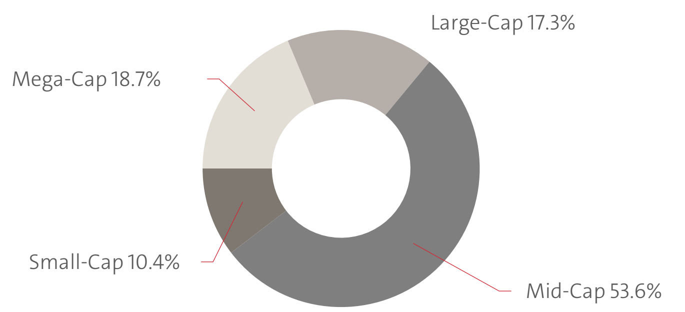
Note: Past performance is not a guide to future performance. The value of an investment and the income from it may fall as well as rise and is not guaranteed

TOP 10 HOLIDINGS

Vertex Pharmaceuticals	7.3%
Jazz Pharmaceuticals	7.0%
Insmed	6.6%
Anthem	5.4%
Humana	5.1%
Option Care Health	5.1%
Sarepta Therapeutics	4.6%
Tandem Diabetes Care	4.3%
UnitedHealth Group	4.1%
Bristol Myers Squibb	3.9%
Total	**53.6%**

Source: Bellevue Asset Management, 30.11.2021

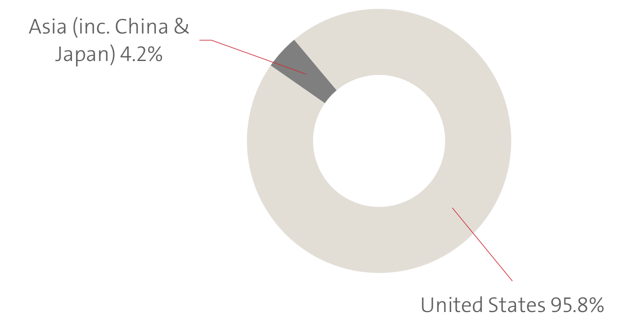
MARKET CAP BREAKDOWN



Source: Bellevue Asset Management, 30.11.2021

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

GEOGRAPHICAL BREAKDOWN (OPERATIONAL HQ)



Source: Bellevue Asset Management, 30.11.2021

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): 23.6 t (low) MSCI ESG coverage: 100%

Based on portfolio data as per 30.09.2021 (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

B|B **Healthcare Trust**

Monthly News
November 2021

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 1034.2 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	559 310 904
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

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