BB Healthcare Trust

Monthly News
January 2022

| As at 01/31/2022 | Value | 1 Month (January) | YTD | Since Launch (ITD) |
|---|---|---|---|---|
| Share | 167.00 | -16.9% | -16.9% | 91.9% |
| NAV | 174.00 | -11.2% | -11.2% | 100.5% |

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 31.01.2022, 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.

What a month! January did not play out as we, or frankly anyone else, expected. This has been the second-worst month performance-wise for the MSCI World Healthcare Index since the inception of the Trust and indeed the fourth-worst month in the last 20 years.

Funereal flummery from various commentators falls short in adequately explaining the fissiparous factor behaviour visible in the market meltdown. In truth, we too are somewhat lost for a compelling explanation, but doing this job whilst maintaining sanity behoves one to accept that markets can be irrational for protracted periods. Indeed, it is what you choose to do during those difficult periods that defines you as an investor.

Thus, we are where we are. Where are we though? Nothing fundamental has changed in the last four weeks, or even four months. There are more people alive than before. They are older and they will get sick, with increasingly complex conditions – these are irrefutable truths. Whatever happens to their discretionary income, they will still consume healthcare products and services.

We firmly believe that history will look back on this moment as a fantastic relative opportunity for long-term healthcare investors and have acted accordingly.

Summary

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

## *Monthly review*

### The wider market

Having made another all-time high on the final day of 2021, the MSCI World Index subsequently declined 4.7% in GBP terms (-5.3% in dollars) in a violent intra-sector rotation. This was variously attributed to inflation fears/rising interest rates and commensurate squeeze on corporate profit margins and consumer discretionary demand; a tech sell-off in relation to these twin concerns and the usual nebulous geo-political and global growth fears. Take your pick...

At this point, we are as bored writing about oscillating macro factor drivers of market behaviour as you probably are of reading about them. The following bears repeating though: the price of growth across markets has been elevated compared to historical norms for some time. The normalisation of the economy is happening faster than anyone expected and the supply/demand imbalance created by this is the primary inflationary driver. For some of these pressures (e.g. sea-bound container rates and microchips), it will take several years to ramp up production and capacity to meet demand.

The COVID-19 pandemic is unarguably moving into an endemic phase. There is still a huge amount of liquidity in the global monetary system and corporate balance sheets are in rude health relative to historical norms regarding leverage ratios and funding costs. However, other asset classes (especially sovereign bonds and property) are unattractive at this time due to rising interest rate expectations and changes to how we live and work. All of this is arguably supportive for equities in the longer-term.

Trying to be measured then, we continue to see a gradual increase in the risks to certain areas of the economy, but nothing that would warrant such a violent sell-off as we saw in January and which, for us (from a BBH perspective) began in earnest back in November (more of that anon).

As of the end of January, around half the S&P 500 had reported Q4 2021 earnings and more than 70% of those companies had beaten estimates. Thus, when we argue that fundamentals remain intact, it is an objective observation, not an opinion.

In terms of best and worst performers, the geopolitical tensions around Ukraine and concomitant impact on wholesale energy prices led the Energy sector (+15.4%) to buck the downward trend, along with the obvious rising interest rate beneficiaries of Banks (+2.6%) and Insurance (+2.3%).

Beyond the interminably dull Telecoms sector (+0.8% - does it ever move? The sector is currently trading <2% above its 18-year average), everything else was down in varying degrees of misery and capitulation. We would usually only comment on the best and worst performing sectors, but the carnage has been so widespread this month, we have included the entire sector performance table:

| Sector | Monthly perfromance |
|---|---|
| Energy | 15.4% |
| Banks | 2.6% |
| Insurance | 2.3% |
| Telecommunication Services | 0.8% |
| Food, Beverage & Tobacco | -1.0% |
| Diversified Financial | -3.0% |
| Media & Entertainment | -3.1% |
| Technology Hardware & Equipment | -4.2% |
| Utilities | -4.3% |
| Materials | -4.4% |
| Household & Personal Products | -5.4% |
| Transportation | -5.7% |
| Consumer Services | -5.8% |
| Food & Staples Retailing | -5.9% |
| Capital Goods | -6.0% |
| Pharmaceuticals, Biotechnology | -6.5% |
| Automobiles & Components | -6.9% |
| Real Estate | -7.0% |
| Health Care Equipment & Service | -8.0% |
| Software & Services | -8.7% |
| Consumer Durables & Apparel | -9.3% |
| Retailing | -9.9% |
| Commercial & Professional Service | -12.1% |
| Semiconductors & Semiconductor | -13.2% |

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

The laggards were interesting. Semiconductors loses out as the sector attracts record investment and government subsidy and enjoys multi-year highs in terms of pricing power. Moreover, the pain was across the board, as opposed to an outsized negative impact from one or two companies (cf. Rivian and Tesla driving the Autos decline – without these two deservedly falling double digits, that sector would have been down ~1%).

Commercial & Professional Services was noteworthy in that a decent chunk of the underperformance came from a number of technology platform companies, many of whom most people have probably never heard of (candidly, we are none the wiser as to what many of them purport to do after some cursory analysis).

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The retail "sector" index is comprised of many different types of companies, but you cannot ignore the reality that cloud computing and media services behemoth Amazon, which happens to have a shopping app attached to it, accounts for 46% of the weighting. A raft of other 'internet only' platforms (Fiverr, Etsy, eBay, Delivery Hero, Just Eat, etc..) make up another c4%, so one can say that 50% of the sector is in fact a tech proxy. If one excludes these companies, the decline for the "bricks as well as clicks" brigade was a far more reasonable sounding -4.5%.

What can one conclude from all of this? It seems unarguable that we have experienced a technology-oriented sell-off and the ubiquity of technology-led approaches has meant that the contagion of any re-evaluation is much more widespread than one might initially imagine. However, the mid-pack performance of Technology Hardware and Media and Entertainment runs counter to such a broad statement.

The rational part of our brains wants to argue that the market has finally begun to wrestle with the most egregiously over-valued companies in the growth complex (Tesla, Rivian, Netflix and various beneficiaries of the "stuck at home" trade), but unfortunately the pain is spread too evenly for this to hold water and moreover, those most expensive companies still look very expensive to us.

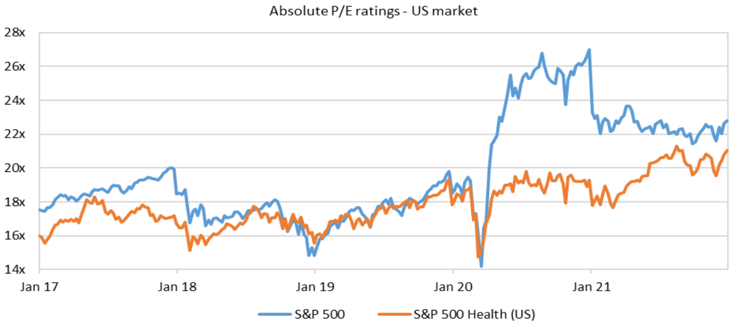
What we see is some themes playing out and being magnified by liquidity and volatility factors relating to the algo trading-driven world in which we live. As we saw in March 2020 and December 2018, this can lead to violent but thankfully short-lived periods of extreme market behaviour and, as we outline in the Musings section, that very much feels like what we have experienced in recent weeks.

Our final observation would be that a number of strategists and asset managers were not advocating that their portfolio managers or clients should be selling out of equity holdings. Indeed, redemption-driven mutual fund flows were not a significant factor in the sell-off, nor did we see huge outflows from a number of the thematic growth ETFs that have become so popular over the past few years. This has not been a market 'drawdown' in the classical sense.

## Healthcare

The defensive growth characteristics of the healthcare sector (it has the lowest EPS correlation of any sector to GDP and inflation indices) and the fact that its valuation relative to the wider market looked reassuring going into 2022 (Figure 2) offered scant protection: the MSCI World Healthcare Index declined 6.8% in GBP terms (-7.5% in dollars).

Size factor was again the predominant predictor of performance, with the Mega-Cap complex declining ~5.5% vs. ~9.6% for the Large-Cap and Mid-Cap groupings. Year-to-date volatility has been materially higher than comparable periods in 2020 and 2021, but is not out of line with the long-term average for this index.




Source: Bellevue Asset Management (UK) Ltd.

The performance dispersion by sub-sector is illustrated in Figure 3. It is interesting to note that the top five performing sub-sectors fall in either the 'dull but worthy' or very cheap (i.e. generics) sectors. Some of the highest growth areas (Diagnostics, Healthcare Technology and Dental) have been amongst the worst performers. The latter two are heavily weighted to what we consider to be some of the most egregiously over-valued companies in healthcare (Dexcom, Straumann and Align Technology), but the pain was spread quite widely across the sector and it was also interesting to note that positive data read-outs and financial beats were not rewarded in the expected manner: there appeared to be little marginal buying interest in the sector.

BENCHMARK SUB-SECTOR PERFORMANCE AND WEIGHTINGS

| Sub-Sector | Weighting | Perf. (USD) | Perf. (GBP) |
|---|---|---|---|
| Generics | 0.4% | 6.0% | 6.8% |
| Distributors | 1.1% | 1.5% | 2.2% |
| Conglomerate | 11.9% | -1.4% | -0.8% |
| Diversified Therapeutics | 33.5% | -3.9% | -3.3% |
| Managed Care | 10.0% | -5.9% | -5.2% |
| Med-Tech | 14.6% | -9.4% | -8.8% |
| Facilities | 1.2% | -10.0% | -9.4% |
| Focused Therapeutics | 7.5% | -11.1% | -10.1% |
| Healthcare IT | 1.2% | -11.0% | -10.4% |
| Tools | 9.6% | -14.6% | -14.1% |
| Other HC | 1.8% | -15.5% | -14.9% |
| Services | 3.1% | -15.5% | -15.1% |
| Healthcare Technology | 0.9% | -16.4% | -15.8% |
| Diagnostics | 2.3% | -15.7% | -16.4% |
| Dental | 0.9% | -24.2% | -23.7% |
| **Index perf.** | | **-7.5%** | **-6.8%** |

Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd. Weightings as of 31-12-21. Performance to 31-01-22.

That having been said, we would also make similar observations regarding healthcare-specific fund flows as was the case for the wider market, with scant visible evidence of material fund flows away from the sector, even for the much-maligned biotechnology sub-sector, where the much-followed $6bn XBI ETF (a basket of S&P500 Biotechnology stocks) last high was almost a year ago in early February 2021. This ETF saw positive net inflows in November, December and January and the flows in the last two months have been material versus the market capitalisation.

All of these factors have culminated into a very difficult environment for active healthcare managers. According to Lipper, only 14 of 139 healthcare funds in their universe outperformed the MSCI World Healthcare (in GBP) in 2021 and only two of these had assets in excess of $1bn.

## Trust

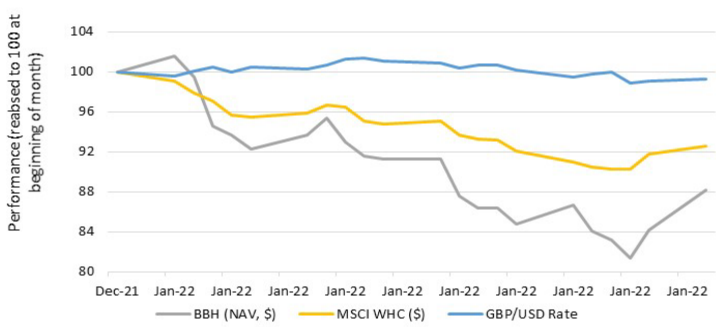
As one might easily imagine from the preceding comments, this has been a very difficult month for the Trust's strategy, focused as it is on small and mid-cap growth healthcare companies. The Trust's net asset value declined 11.2% to 174.0p, underperforming the comparator MSCI World Healthcare Index by 4.4%.

Only one of our sub-sector exposures (Diversified Therapeutics) registered a positive return for the month. Even with the context of the severity of the broader healthcare sell-off (discussed in the next section), we have been surprised at the magnitude of some of the moves and the arbitrary nature of the market's gyrations. On one day in the middle of the month, we saw a 500bp move in the NAV on an intra-day basis; we have not witnessed volatility like this since December 2018.

The broader context here is important, and we will return to this in the Musings section. Suffice to say, this has been the second-worst monthly performance in the Trust's history (again, it was December 2018 that takes the crown with a NAV decline of 14.8%. We can only hope the same pattern repeats here – the NAV rose 16% in the two months following December 2018).

Even the most recent market low in March 2020 only saw a 16% decline over the first quarter of that year, as the market grappled with the consequences of the rapidly unfolding pandemic (again – there was a near 29% recovery by the end of May 2020, leaving us higher than where we started. Is it really appropriate to be seeing short-term de-ratings of this magnitude, in absentia of any obvious and material driver?

The monthly evolution of the NAV is illustrated in Figure 4 and shows the almost continuous erosion of value over the period, save for a modest recovery at month end. Sterling weakened slightly over the course of the month, which was a very modest tailwind to performance.




Source: Bellevue Asset Management (UK) Ltd.

As we noted during the introduction, the market can have irrational periods and how one chooses to respond to those can add material value for investors. If you really think that asset prices are wrong (in either direction), then you should be taking advantage of that to increase (or decrease) position sizes accordingly. We are fortunate to be managing a permanent capital vehicle and thus do not need to manage redemption risk over the majority of the year. Moreover, we have both the option to use leverage and a readily available borrowing facility on which we can draw.

If this really does feel to us to be a compelling opportunity, then investors should rightly expect that we have been taking advantage of it. We can confirm this is indeed the case: we have benefitted from continued inflows (£18.6m during the month), which has all been invested and we have increased net borrowings by £35.1m during January, drawing steadily over the course of the month and adding incrementally to our holdings (eight positions have shrunk in share count terms, but 17 have increased and six of these have increased by >20%).

In addition to bolstering existing holdings, we have added three new companies to the portfolio (one each in the Tools, Diagnostics and Medical Technology sub-sectors; one of these is a repurchase of a company that we have owned before but exited on valuation grounds). The active holdings now stand at 33 and the leverage ratio has increased from 5.3% to 9.4%, through a combination of debt drawdown and the erosion of the portfolio's gross value.

The evolution of the portfolio is summarised in Figure 5. The changes reflect two opposing factors: the vicissitudes of relative performance during the month and active additions to the majority of sub-sectors, albeit to differing degrees that reflect our perception of risk and opportunity. As noted previously, the Diversified Therapeutics sub-sector did register a positive performance for the month, but was also a source of funds to invest into other areas where we expect returns to be higher in the short-to-medium term.

EVOLUTION OF PORTFOLIO WEIGHTINGS

| | Subsector end Dec 21 | Subsector end Jan 22 | Change |
|---|---|---|---|
| Diagnostics | 10.8% | 12.0% | Increased |
| Diversified Therapeutics | 11.2% | 11.4% | Increased |
| Focused Therapeutics | 27.9% | 27.8% | Decreased |
| Healthcare IT | 8.5% | 7.6% | Decreased |
| Healthcare Technology | 4.0% | 3.7% | Decreased |
| Managed Care | 13.7% | 9.6% | Decreased |
| Med-Tech | 9.9% | 12.7% | Increased |
| Services | 12.0% | 11.4% | Decreased |
| Tools | 1.9% | 3.8% | Increased |
| | 100.0% | 100.0% | |

Your managers have again taken advantage of the current dislocation to bolster our personal holdings in the Trust during the month.

## *Managers' Musings*

### Rigor Mortis or Felix Emptor?

The anatomy of a market panic is, by its very nature, hard to describe or to analyse. Nevertheless, that does not stop any of us from trying, in order to gain some kind of an edge for the (inevitable) next such drama. Rarely is there a clear precipitating event, but rather a nebulous collection of concerns that gradually build. For a time, sometimes a long while, everyone seems happy to ignore these issues, until they don't anymore and the market goes into a tailspin. One generally sees a disorderly and outsize downside reaction in those situations.

There is a common misperception that such events unfold quickly and decisively. Looking back to recent market corrections such as Q4 2018 or Q1 2020 would affirm this view. Incidentally, "market corrections" is an interesting choice of terminology; it implies a rationality or higher purpose to market behaviour that is often lacking.

Coming back to the anatomical analysis; these things can go on for much longer than one may realise. For you striplings not long enough in the tooth to remember the 2000 "tech crash", it is a classic example of prolonged suffering. Those who bought the 'dip' after the Nasdaq's 34% fall in March 2000 would have found themselves out of pocket by May 2000. Perhaps they held fast and made a nice 28% profit by July 2000.

However, all of this volatility proved to be a mere amuse-bouche. The main course was served in the form of a protracted 61% fall from the end of August 2000 to April 2001. The market would again touch a new low in September 2001 (for obvious reasons) before starting its long rehabilitation. It was the summer of 2012 before the Nasdaq again surpassed the May 2000 level and 2015 before the index again made new all-time highs.

All jokes about age aside, it is worthwhile considering that the Federal Funds Rate (i.e. the US central bank rate) was last above 5% in 2007. Thus, anyone under the age of 33 working in the capital markets has not experienced a material tightening or loosening of interest rates and the potential impact on various asset classes. To have seen a full cycle you would need to be in your late 30s and to have seen more than one cycle you would need to be in your late 40s.

In the face of a market sell-off, there are only really three potential courses of action: de-gross as far as your mandate allows to preserve capital, utilise the opportunity to buy assets at what you believe are attractive and probably temporary valuations, or just sit there like a corpse and do nothing. The last of these is the least likely to be the best course of action, although of course these things can only ever be judged in hindsight.

With the caveats about ascertaining the fundamental nature of whatever market gyration one finds oneself at the mercy of, we think there are three principle questions that determine the appropriateness of 'buying the dip': 1) Is there a change to the environment that argues for a fundamental re-assessment of the key assumptions driving models of net present value for the equities that you are following? 2) Regardless of your personal views on their merits, are the most likely factors driving market behaviour likely to be of limited duration? If so, can you identify a clearing event? 3) Can you identify a share price level where all of the potential risks are sufficiently discounted?

If the first question is answered positively, then hopefully the situation can be analysed to some extent and a 'worst reasonable case' elucidated. If share prices reach a level where this is the case then clearly it has become a buying opportunity. The March 2020 sell-off around COVID-19 is an example of such a situation. At the point where share prices were discounting a contraction in the volume outlook for the healthcare system with no subsequent recovery, it was obviously time to buy.

The second situation is a more complex one. In a healthcare context, we can look to the 2008/9 financial crisis. Lehman collapsed on 15 September 2008 and the prior day marked a seven-year high for the Nasdaq Biotech Index (NBI). By late November, the index was 33% lower and many people were arguing that the problems in the banking system would weigh on the ability for biotech companies to raise money and investor appetite to back them.

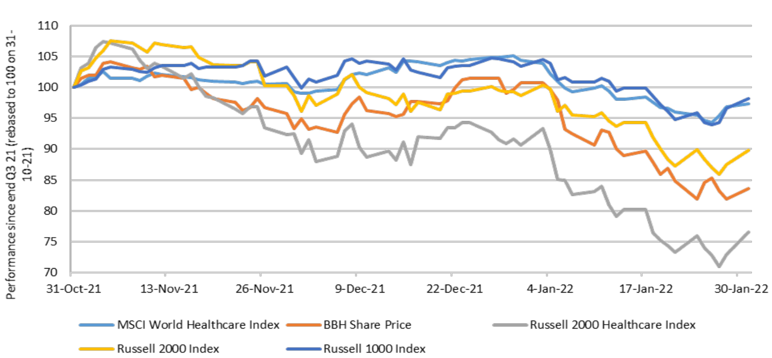
Bear Stearns collapsed into the arms of JP Morgan in March 2008 and, although the NBI lurched down, it recovered within two weeks, making it very tempting to buy this second dip. Although the post Lehman situation persisted for about a year, the NBI surpassed the September 2008 high by March 2010 and went on to make new all-time highs in 2010, 2011 and 2012. It took a fair amount of time for investors (i.e. no clearing event) to be satisfied that the sector was going to be able to fund itself in this new environment, but it was nonetheless correct to buy the dip because the industry fundamentals were intact.

The third scenario is the one investors hope never to see; where the market has fallen to such an extent that it really doesn't matter what the cause was – asset prices are unarguably cheap.

## Dissecting the data

Regular readers will be painfully aware through our constant carping that the market has for some time exhibited certain size factor behaviours that we do not think are justified by any changes to fundamentals or easy to understand. Figure 6 below serves as an illustration comparing the GBP performance of the MSCI World Healthcare Index to the Russell 1000 and 2000 indices and BBH share price. The Russell 2000 is the small-cap brethren of the Russell 1000.

As the chart clearly shows, size factor has been a major performance determinant for some time. The Russell 2000 Indices have lagged the 1000 and the effect is even more pronounced comparing within healthcare. Against this backdrop, we understand that our strategy will struggle to keep up with the broad MSCI World Healthcare Index and if there were an obvious reason for size factor to play such a significant role, we would begrudgingly accept this situation. The other notable observation is that the magnitude of the size factor effect has grown materially in 2022.

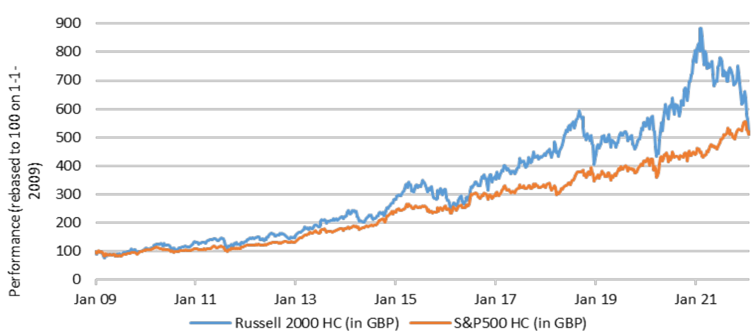



It would be reasonable to ask why we do not willingly accept this size-driven dynamic. The simple answer is that it is without precedent. As we have noted before, it is intuitive to think that innovation in an R&D-led sector is going to occur more readily and have greater materiality for smaller companies focused on those areas of innovation, as opposed to the more diversified mega-cap companies that dominate the sector from a market value perspective. Indeed, this is why the BBH strategy focuses on such companies.

Long-term data proves this intuitive notion to be factually correct. Figure 7 illustrates the relative performance of two US indices; the broad S&P500 healthcare benchmark and the Russell 2000 equivalent. We have taken the data from the beginning of 2009; as far as we can go back without bumping into a market correction event (the previously mentioned 2008 banking crisis).

If one ignores the data from H2 2021 onward for a moment, there are two very clear patterns here: firstly, SMID healthcare outperforms large cap healthcare. Secondly, when there is a retrenchment, the SMID Index bounces back much faster, rapidly re-asserting its leadership over the broader gauge. Surely then, it becomes obvious that the current dynamic is rather odd.

That leaves us with a pattern that is out of the ordinary and for which we can find neither fundamental justification for, nor precedent. Consequently, we have used this as an opportunity to add to our gross exposure, albeit at a measured pace because we cannot find an external driver and thus a crystallising event with which to be confident that the market has found a bottom. That having been said, the intersection of these two lines on the chart seems like a compelling signal to us.




## Gratuitous violence

As a final observation, we wanted to expand upon the previously made comment regarding the accelerating severity of this size factor effect. Below are four charts that compare the fall of various indices during prior crises by using the preceding index high as a starting point.

Figure 8 uses the broad S&P500 healthcare index. We have included this because it is such a long-standing data series that we can include the most singular existential crisis the modern healthcare industry has faced – The Clinton administration's ill-fated 1992/3 proposal to create a national healthcare system in the United States. We have also included the 2000 tech crash and the 2008 banking crisis and compared these to the current sell-off. We will leave it to readers to decide if today's situation merits comparison to the 2000 crash or the planned obliteration of private payor healthcare in the US, or if the 2008 situation is a more appropriate example.

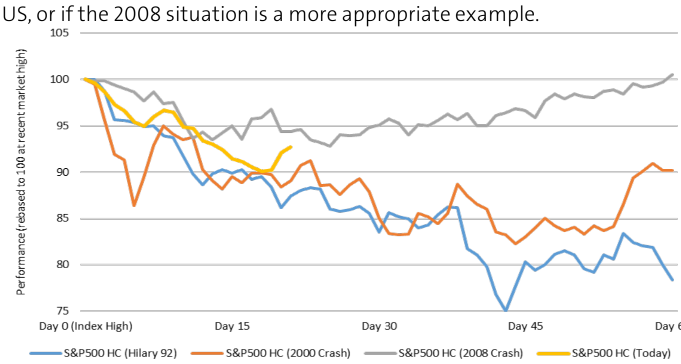


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Figure 9 covers the mid-cap focused Russell 2000 healthcare Index. This time series does not go far enough back to include the Clinton era, but we can cover the 2000 and 2008 crises. The Russell 2000 Healthcare's high was also in mid-2021, so we can see the sell-off unfolding over a longer time period and this also allows us to illustrate that marked acceleration in the downside in recent weeks. Again, this data is suggestive of a pattern that is becoming more extreme than historical precedents, despite the absence of a clear external stressor.

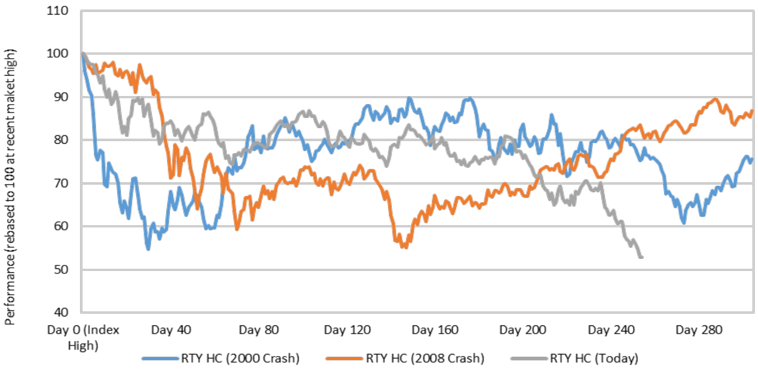
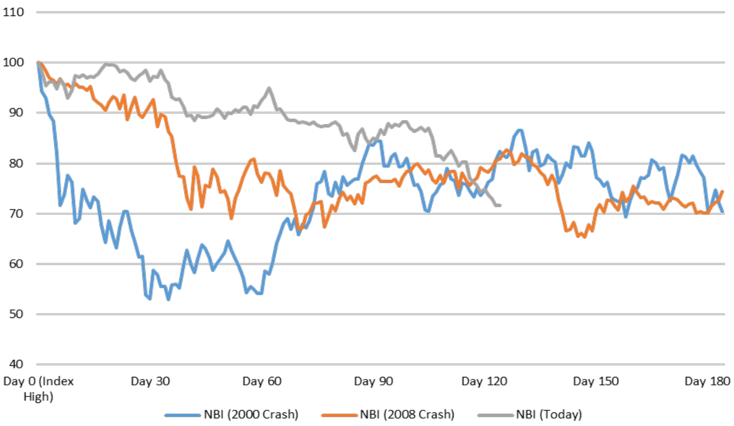
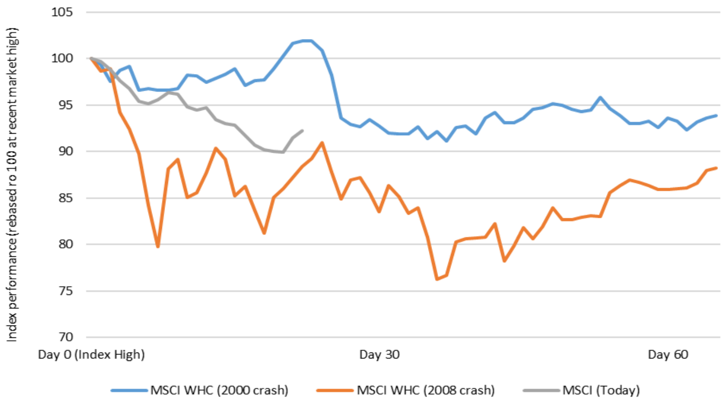



Figure 10 covers the Nasdaq Biotechnology Index. This is somewhat of a misnomer these days, as the index includes some large-cap pharma companies and Tools and Diagnostics plays such as Illumina and Guardant Health. Whilst it is probably the least relevant correlate to our strategy, it is nonetheless indisputably an index focused on healthcare innovation and thus a useful illustration of the current market fall versus prior crises.




Our final chart (Figure 11) illustrates the same data for the broad MSCI World Healthcare Index. As we have noted before, this is a free-float weighted index of the world's largest healthcare companies and, as such, has very limited exposure to what we would consider small and mid-cap healthcare. A time series comparison is also somewhat problematic because the market's recent market high was at the end of 2021, so there is little data to track. Broadly though, it does illustrate how much better the larger capitalisation stocks have fared throughout these difficult weeks.




## Simian musings

There are various and rather childish stock market aphorisms involving monkeys and picking bottoms, with the pithy observation that engaging in such an activity in public is unseemly and likely to cause embarrassment. This may well be true, but in the end it is part of a portfolio manager's job to do so and it is also true that embarrassment can often be quelled with sufficient pecuniary reward.

We cannot be confident that the mid-cap healthcare rout is close to its denouement, but we can objectively discern value when we see it, and that time is now. We enter February with a portfolio of undiminished quality and an unchanged investment strategy, but one that is re-weighted to take maximum advantage of any return to more typical market dynamics and enhanced with an increased level of gearing that reflects our conviction in the opportunity that lies before us.

We remain optimistic not because we are optimists, but because we are realists.

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**

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Standardised discrete performance (%)

| 12-month total return | 1 year Jan 21 - Jan 22 | 2 years Jan 20 - Jan 22 | 3 years Jan 19 - Jan 22 | 4 years Jan 18 - Jan 22 | 5 years Jan 17 - Jan 22 | since inception |
|---|---|---|---|---|---|---|
| NAV return (inc. dividends) | -5.3% | 23.3% | 38.3% | 61.6% | 85.0% | 91.9% |
| Share price | -0.2% | 32.8% | 44.8% | 75.6% | 95.6% | 100.5% |
| MSCI World Healthcare Index (GBP) | 12.5% | 26.7% | 46.3% | 62.3% | 79.0% | 87.8% |

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 31.01.2022

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

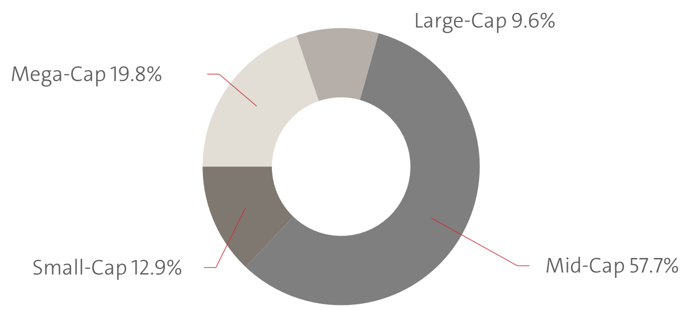
Note: Past performance is not a guide to future performance. The value of an investment and the income from it may fall as well as rise and is not guaranteed

TOP 10 HOLIDINGS

| | |
|---|---|
| Jazz Pharmaceuticals | 7.8% |
| Vertex Pharmaceuticals | 6.6% |
| Insmed | 5.4% |
| Caredx | 5.2% |
| Sarepta Therapeutics | 5.2% |
| Option Care Health | 5.0% |
| Amedisys | 4.4% |
| Anthem | 4.4% |
| Tandem Diabetes Care | 3.7% |
| Exact Sciences | 3.5% |
| **Total** | **51.1%** |

Source: Bellevue Asset Management, 31.01.2022

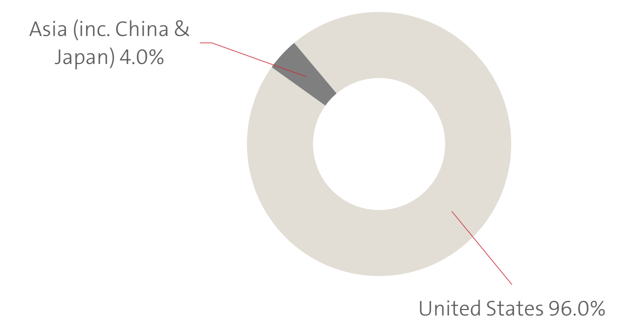
MARKET CAP BREAKDOWN




Source: Bellevue Asset Management, 31.01.2022

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

GEOGRAPHICAL BREAKDOWN (OPERATIONAL HQ)




Source: Bellevue Asset Management, 31.01.2022

## *Sustainability Profile – ESG*

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

CO2 intensity (t CO2/mn USD sales): 24.2 t (low) MSCI ESG coverage: 100%

Based on portfolio data as per 31.12.2021 (quarterly updates) – ESG data base on MSCI ESG Research and are for information purposes only; compliance with global norms according to the principles of UN Global Compact (UNGC), UN Guiding Principles for Business and Human Rights (HR) and standards of International Labor Organisation (ILO); no involvement in controversial weapons; ESG Integration: Sustainabiltiy risks are considered while performing stock research and portfolio construction; The CO2 intensity expresses MSCI ESG Research's estimate of GHG emissions measured in tons of CO2 per USD 1 million sales; for further information c.f. www.bellevue.ch/en/corporate-information/sustainability

# BB Healthcare Trust

Monthly News
January 2022

## 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



## 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 964.5 million |
| ISIN | GB00BZCNLL95 |
| Investment Manager | Bellevue Asset Management (UK) Ltd.; external AIFM |
| Investment objective | Generate both capital growth and income by investing in a portfolio of global healthcare stocks |
| Benchmark | MSCI World Healthcare Index (in GBP) - BB Healthcare Trust will not follow any benchmark |
| Investment policy | Bottom up, multi-cap, best ideas approach (unconstrained w.r.t benchmark) |
| Number of ordinary shares | 577 507 046 |
| Number of holdings | Max. 35 ideas |
| Gearing policy | Max. 20% of NAV |
| Dividend policy | Target annual dividend set at 3.5% of preceding year end NAV, to be paid in two equal instalments |
| Fee structure | 0.95% flat fee on market cap (no performance fee) |
| Discount management | Annual redemption option at/close to NAV |
| EU SFDR 2019/2088 | Article 8 |

## CONTACT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