

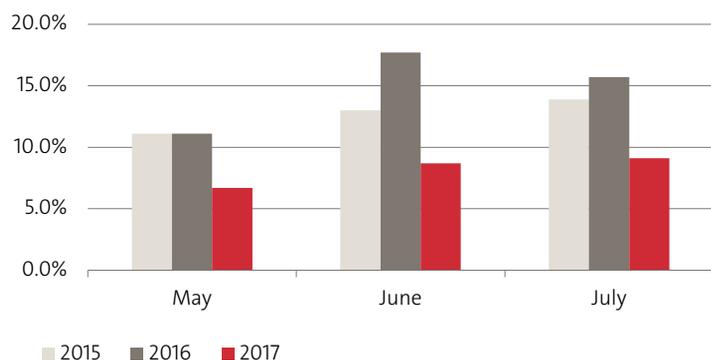
| As at 07/31/2017 | Value | 1 Month (July) | YTD | Since Launch (ITD) |
|------------------|--------|----------------|--------|--------------------|
| Share | 118.75 | -1.04% | 14.32% | 18.75% |
| NAV | 114.08 | -0.22% | 12.77% | 14.08% |

Welcome to our July update. The summer is finally upon us and the British weather has been rather like sentiment to healthcare – highly volatile and generally disappointing. Back in May, it was the driest spring for many years and water restrictions were “inevitable”. Now we are looking back on the wettest July in living memory. At this point, there is probably more faith in our ability to forecast the weather than amongst Republicans toward the passage of a healthcare reform bill. Nonetheless, the latter’s efforts continue to hang over us like a foreboding rain cloud...

Ceteris Paribus

The Trust’s net asset value (NAV) declined 0.2% over the month to 114.08p. In sterling terms, the MSCI Healthcare benchmark increased <0.1% over what again proved to be a volatile month (inter-month range was 3.0%). Currencies were once more the major contributory factor, with sterling appreciating 1.5% versus the dollar over the month. In dollar terms, the benchmark rose 1.35% during the period.

The underlying volatility in the Index constituents remains very low versus recent history, serving to illustrate the extent to which the macro/political outlook is driving sentiment and stock performance:



Indeed, it is becoming tediously repetitive to describe this phenomenon in detail so we will decline to do so. Suffice to say, it is the unpredictability (desperation?) of the Republican reform agenda and lack of progress on bringing any certainty to the drug pricing outlook that is driving sentiment and depressing generalist enthusiasm for the sector, although there are some glimmers that sentiment has finally bottomed out.

As noted last month, this is the reality that we must deal with and we can draw some consolation from the continued outperformance of our strategy YTD versus the index, despite these unfavourable conditions for a stock-focused, bottom-up approach.

As in June, the sector’s performance was led by biotechnology (+2.7%); only Managed Care (+0.2%) also posted positive sterling returns for the month. Facilities (-8.6%) was the worst performing sub-sector by far. In terms of the NAV evolution, the three most significant positive contributors to this month’s portfolio performance were Align Technology (Dental, +11%),

Summary

BB Healthcare Trust 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, which also manages BB Biotech.

Gilead (Biotech +8%) and Incyte (Biotech +6%). This month’s notable laggards were AstraZeneca (Pharma, -11%), Tenet Healthcare (Facilities, -10%) and MacroGenics (Biotech, -6%).

Developments within the Trust

We have not substantially altered any of our sub-sector exposures or holdings during the period, as we were hoping for a final conclusion to the healthcare reform sideshow. We feel that we need some additional clarity on the nature of any continuing insurance exchange (HIX) based business and the sustainability of the various subsidies that underpin its continued functioning in order to make any material changes to the portfolio. In a similar vein, we have not taken on any further borrowings and the overall leverage in the portfolio has thus continued to decline. The leverage ratio stood at 3.0% as of the month’s end.

We have issued a further 7.55m shares under the block listing facility during the month.

Norwegian Blue?

It seems that everyone is endeavouring to understand when the Republican repeal/replace effort will finally be abandoned and what will follow next. At this stage, the tragicomedy has become Pythonesque.

Despite the myriad failed votes and significant minority dissent, the President has tweeted that “repeal/replace” is, in fact, not dead. Is it stunned, or merely resting? Even if the GOP finally do concede they cannot move forward with a bill, there are a number of ways that Trump can seek to undermine the programme, which he seems to want to see collapse.

He has further tweeted that the “bailouts” for insurers (aka the subsidies that underpin a functional market with a higher than average risk population) will end very soon. This is probably a reference to the ‘CSR’ payments (c\$7bn per annum) that insurers effectively pass on to low income plan members. The next round of such payments are due on or about August 20th. Since we have not yet reached the deadline for insurers to decide the extent of their participation in the exchanges for 2018, such a decision might accelerate the pattern of withdrawals that we have seen this year.

Paradoxically, such a move would not really save the Government any money since premiums would rise and the Government would be obliged to increase its tax subsidies to soften the blow on consumers from the premium increases (this is a key part of the legislation that can only be

overturned by Congress). One is effectively robbing Peter to pay Paul. In the short-term though, such manoeuvres increase uncertainty for operators which is already cited as the main reason for the decreasing HIX participation.

It has also been suggested that Trump may try instead to legislate through executive orders, effectively bypassing Congress. One way might be to abrogate the individual mandate so that Americans are no longer obliged to buy insurance or face a penalty. Again, such action could have the effect of reducing the market size and thus making continued participation less attractive for some players.

Quite how the electorate will react to such cynical tactics is anyone's guess, but it is not the members of Congress who face imminent re-election that are driving this particular scenario.

I got a slug...

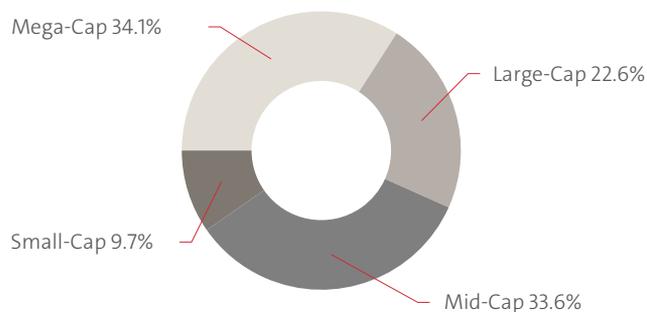
The alternative scenario to malevolent executive action is that members of Congress accept that Obamacare will remain with us for the foreseeable future and thus the right thing to do is address its shortcomings and make the marketplace function better for everyone. We fully recognise this is a bitter pill to swallow. Bolstering the ACA is about as far from repeal as one could imagine, but needs must. As things stand, the Republicans are staring at the 2018 elections empty-handed.

A bipartisan group known as the 'Problem-Solvers Caucus', that includes 43 members of the House of Representatives, has put forward a number of proposals that are believed to address a number of issues such as more flexibility for States to create risk pools and a Federal fund for very sick patients plus some changes to the way that various taxes and subsidies work. If such a bill of amendments is voted up by Congress, will Trump sign it?

Navigating the quagmire

Like the vast majority of investors and healthcare companies, we look forward to the time when we have a stable regulatory backdrop on which to predicate our longer-term assumptions. Until then, we are looking to mitigate risk with our sub-sector allocations. We have a number of thesis that are driven more by consumer behaviour than by reimbursement / insurance coverage decisions and several that are driven by productivity gains for healthcare operators. These long-cycle ideas should be relatively immune to the outcome of the reform agenda regardless of the outcome.

MARKET CAP BREAKDOWN



Source: Bellevue Asset Management, 31.07.2017

TOP 10 HOLDINGS

| | |
|--------------------------|------|
| Align Technology | 7.6% |
| Anthem | 6.0% |
| Walgreens Boots Alliance | 5.1% |
| Amgen | 4.8% |
| Celgene | 4.8% |
| Eli Lilly | 4.7% |
| Intuitive Surgical | 4.4% |
| Shire | 4.0% |
| Illumina | 3.9% |
| Gilead | 3.8% |

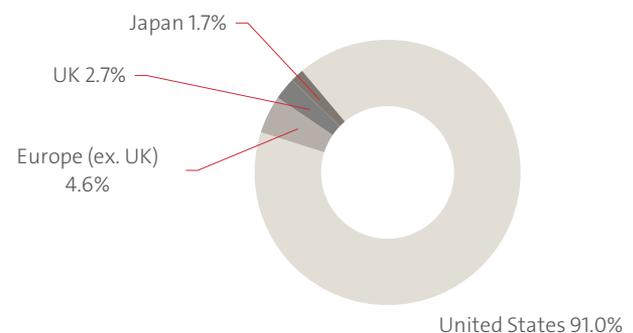
Source: Bellevue Asset Management, 31.07.2017

SUB SECTOR BREAKDOWN

| | |
|------------------|-------|
| Biotech | 26.0% |
| Medtech | 24.8% |
| Pharma | 14.4% |
| Specialty Pharma | 11.4% |
| Managed Care | 7.3% |
| Diagnostics | 5.5% |
| Other Healthcare | 5.1% |
| Distributors | 3.5% |
| Facilities | 2.1% |

Source: Bellevue Asset Management, 31.07.2017

GEOGRAPHICAL BREAKDOWN (OPERATIONAL HQ)



Source: Bellevue Asset Management, 31.07.2017

"five companies representing ~14% of the portfolio have a non-US legal domicile (primarily for tax reasons) but operate out of the United States and their primary stock market listing (in terms of volume traded) is in the United States".

Although we remain bullish about the prospects for Managed Care more widely, and Anthem in particular, we reduced our HIX exposure through Centene back in April and May. With hindsight, this was premature, but strategically we feel that our insurance exposure should be more balanced across the various business lines. We continue to have limited exposure to acute care facilities and have a 'value' bias in our therapeutics exposures across pharma/biotech/spec pharma. We continue to feel that a prudent approach is warranted whilst the sector remains directionless (the benchmark Index currently sits at the same level as it was back at the end of February).

We wish you all an enjoyable break over the summer

Paul Major and Daniel Koller

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 Asset Management AG ("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

DISCLAIMER

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 investment and the income from them 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 and 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 "bid-offer" or "dealing" spread. This is set by the market makers 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. Net asset are 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. Any research in this document has been procured and may not have been acted upon by Bellevue Asset Management AG for its own purposes. The results are being made available to you only incidentally. The view 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 AG and no assurance 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 a 3.5% dividend yield
- BB Healthcare has an experienced management team and strong board of directors

MANAGEMENT TEAM



Paul Major



Daniel Koller

GENERAL INFORMATION

| | |
|---------------------------|---|
| Issuer | BB Healthcare Trust (LSE main Market (Premium Segment, Official List) UK Incorporated Investment Trust) |
| Launch | December 2, 2016 |
| Market capitalization | GBP 220.5 million |
| ISIN | GB00BZCNLL95 |
| Investment Manager | Bellevue Asset Management AG; 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 | 193 237 221 |
| 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 |

CONTACT

Bellevue Advisors Limited
 Claude Mikkelsen, Director of Investor Relations
 Phone: +44 (0) 203 326 29 83
 Mobile Phone: +44 (0) 755 704 85 77
 E-Mail: cmi@bellevue.ch
 32 London Bridge Street
 25th Floor
 GB-SE1 9SG London
www.bbhealthcaretrust.com