BB Healthcare Trust

Monthly News
May 2021

Marketing document

As at 05/31/2021	Value	1 Month (May)	YTD	Since Launch (ITD)
Share	183.80	-6.5%	4.9%	108.0%
NAV	182.32	-5.4%	5.5%	106.8%

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 31.05.2021, NAV and share price returns are adjusted for dividends paid during the period (but not assuming re-investment). 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 May missive. "Sell in May and go away" is an ancient axiom that appears no longer to be true, at least for the wider US market. It persists as a cautionary tale nonetheless; since volatility often rises in the early summer. "Be careful what you wish for" is another shibboleth, and we rather regret last month's utterances regarding a hoped-for reconsideration of valuations in certain areas of healthcare.

Still waters run deep. The calm surface of a gently rising market through the month belies hidden turbulence that can be quite dangerous for even the most experienced of swimmers. Whilst healthcare superficially appears to have performed well, sub-sector divergence has been unexpectedly wide in some cases and this seems to have spilled over into wider volatility and a 'risk-off' mindset.

Another common refrain is that 'every cloud has a silver lining'; this splenetic sell-off did create some long hoped for opportunities and we dove in head first.

Monthly review

The wider market

During May, the MSCI World Index declined 1.4% in sterling terms (it rose 1.3% in dollars). Following a generally positive Q1 21 reporting season, the (still positive) overall macro mood has moved on from "re-opening" to something more medium-term focused: where will consumers deploy their saved-up capital and what inflationary and supply-side pressures will this create? We are already seeing commodity prices rise, microchip shortages boosting used car values in the US and property spending ballooning across developed nations as people come to see their homes as somewhere they may now spend the bulk of their time.

This has further accelerated the ongoing sector rotation theme, with investors increasing exposure toward pro-cyclical, inflation-linked assets. Equities tend to do well (in aggregate) during periods of increasing inflation expectations, and within this dynamic it makes sense to be overweight sectors that are correlated to the economic cycle.

In what tends to be a fully invested world owing to low bond yields, the capital to buy these companies has to come from somewhere. Inevitably then, some parts of the market will suffer at the expense of others and that has continued to be the technology/media complex, where valuation-related concerns are longstanding, making these stocks an obvious source of funds for increased cyclical exposure.

In contrast, companies whose value lies further out (i.e. pre-commercial), or who trade at high valuations only really justified by discounted cash flow approaches, the expectation of higher risk-free rates will have a disproportionate effect on their perceived value, as those future cashflows will be worth less due to higher inflation. As such, technology and biotech remain the obvious sources of funds for the mutual fund manager. The overall outcome (in dollars) is that the sell down in defensives has largely offset gains in pro cyclical sectors, leading to a modest rise in the MSCI World Index overall.

And so it came to pass: the best performing sectors in the MSCI World Index during May were Consumer Durables (+4.8%), Banks (+3.8%), Energy (+3.0%) and Materials (+2.5%). On the other side, Telcos (-0.5%), Utilities (-0.3%) and Consumer Service (which includes Hotels, Restaurant and Leisure; -0.1%) were the laggards.

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.

The latter is perhaps worthy of note since it reflects not the cyclical dynamics above, but rather the risk that the rapidly spreading B.1.617.2 "Indian" SARS-CoV-2 variant may result in social distancing measures being relaxed more slowly than previously expected in several countries.

Viewing the world from the perspective of our Sceptred Isle, this continued positive sentiment is less apparent; the weakening of the dollar against many currencies including the pound has more than offset the market's modest gains, with sterling appreciating 2.8% over the month versus the dollar.

This is mostly about the dollar rather than sterling. If we compare the GBP:USD, EUR:USD and EUR:GBP rates since early March, the euro has been quite stable versus the pound, whereas both have strengthened versus the dollar. This is in contrast to January and February, where the pound strengthened against a basket of currencies thanks to relative pandemic progress.

Many commentators have suggested that the currency market is also reacting to the spectre of rising inflation, although there is scant evidence thus far that the current inflationary pressures are structural long-term issues rather than a transient supply/demand imbalance.

Those of an academic bent will appreciate the reason it is called a "yield curve" is that bond yield maturities take account of the inflationary risk inherent in the passage of time. You cannot have an economic recovery, rapid growth and benign inflationary trends, so why wasn't the inflation return already priced into the dollar?

Attendant to this, why are people selling dollars as a store of value if the yield on medium-term risk-free dollar assets is likely to rise? Surely, it makes more sense to store value in dollars, not less, especially as we have entered a two-speed economic world of a strong rebound in the US and China and a more patchy recovery in Europe and developing countries, with the additional economic growth mitigating the deficit-driven spending that might cause one to fret about currency reserves.

Distilling these disparate drivers into a clear narrative for the wider market is not so easy. Thankfully, the fundamentals underpinning growth in healthcare are far more secular and robust; we can confidently focus on the medium-to-longer term outlook and eschew shorter-term volatility as a transitory irrelevance.

Moreover, there always comes a point when rotation ceases to be compelling because the absolute value of the cyclical assets has risen and the structural growth plays no longer seem as expensive on a relative basis; there also comes a point when the value of growth is too enticing to ignore.

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Healthcare

May saw a continuing cycle of positive economic news, allied with supportive data regarding the potential for current vaccines to suppress serious morbidity from variant strains of SARS-CoV-2. If one took a folksy, common sense approach to investing, then it would be reasonable to assume a defensive, inflation-insensitive sector like healthcare would have continued the trend from April and significantly under-performed the wider market, acting as an ongoing source of funds for those cyclical purchases.

However, this was not the case: the MSCI World Healthcare Index rose 1.9% in dollar terms (declining 0.8% in sterling) during May, outperforming the wider market by 0.6%. The subsector performance is highlighted in Figure 1 below. The most notable feature is that the aforementioned rotation away from growth and 'Tech' was the predominant feature in the Healthcare sector as well, with Healthcare Technology, Diagnostics, Healthcare IT and Med-Tech lagging.

Last month, we flagged the ongoing underperformance of the large-cap pharma/biotech companies (Diversified Therapeutics in our preferred nomenclature) and related Conglomerates, noting their structural issues around pipeline productivity and the perceived risk of negative action on drug pricing from the Biden Administration (and likewise perceived risks to the Managed Care names as well).

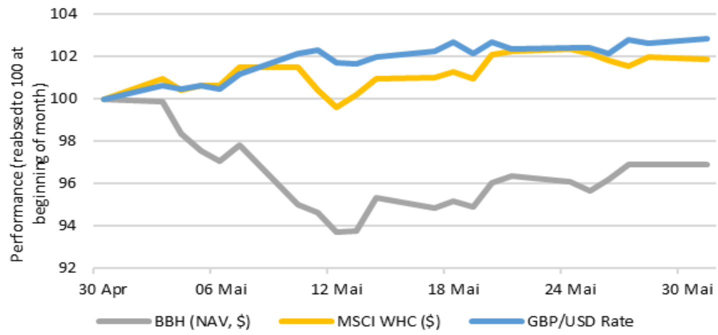
Everything has a price though, and it does seem that the Therapeutics companies in the wider sense have found something of a floor near-term (Generics and Focused Therapeutics mounted a nice recovery during the month and are also in positive territory). Managed Care continues to recover from record relative lows on the valuation side (the S&P US Provider Index is up 23% since the end of February 2021). The only element of the drug supply chain that has not fared well was the distributors, where more "Amazon will take over the world" nonsense again pressured the US names. This has been going on for years now and Amazon is still nowhere to be seen.

BENCHMARK SUB-SECTOR PERFORMANCE AND WEIGHTINGS

Sub-Sector	Weighting	Perf. (USD)	Perf. (GBP)
Generics	0.5%	6.6%	3.8%
Facilities	1.2%	4.2%	1.5%
Managed Care	9.7%	3.9%	1.2%
Other HC	1.5%	3.2%	0.7%
Diversified Therapeutics	32.4%	3.3%	0.6%
Focused Therapeutics	8.1%	2.9%	0.3%
Conglomerate	12.3%	3.0%	0.3%
Dental	0.9%	1.7%	-0.9%
Services	2.8%	1.5%	-1.1%
Tools	8.2%	0.4%	-2.2%
Healthcare IT	1.6%	-1.0%	-3.5%
Diagnostics	2.5%	-0.8%	-3.7%
Med-Tech	16.3%	-1.8%	-4.3%
Distributors	1.2%	-1.8%	-4.3%
Healthcare Technology	0.8%	-5.8%	-8.3%
Index perf.		**1.9%**	**-0.8%**

Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd. Weightings as of 30-04-21. Performance to 31-05-21.

In our minds at least, May 2021 will take its unedifying position in BBH's history as one of the more challenging months of relative performance we have experienced since launch. The Trust's net asset value declined 5.4% in sterling to 182.32p (-3.2% in dollars), underperforming the benchmark by 460bp. As Figure 2 illustrates, the picture looked even worse than this mid-month, when our relative underperformance was ~600bp.



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

We emphasise the historical significance of this performance not in an act of contrition (although we are of course disappointed and frustrated by the turn of events), but to highlight that our most challenging periods of material negative divergence from the wider sector's performance (notably March 2020's 970bp underperformance and December 2018's 672bp shortfall) were followed by strong periods of recovery.

One might counter that the circumstances are different because those two periods were part of a more widespread and disorderly market sell-off, when the benchmark also declined materially. However, we see many parallels between these periods, as they are all macro-driven events.

As we noted in March, the transition to a 'normal' (i.e. post-COVID) market outlook, which is pretty much where the Western economies and China now find themselves, was always going to be challenging and a classical defensive sector like ours was an obvious source of funds.

However, we did not expect it to manifest in such a "risk-off" mindset toward healthcare, given where valuations stood relative to the wider market. We weren't in value territory, but some areas such as Large Cap Pharma and Managed Care area were at multi-year lows in terms of relative valuation and we felt this should provide some support.

This was indeed the case, but other areas seem not to have found support at all, despite solid fundamentals. Indeed, according to Goldman Sachs, US mutual fund exposure to healthcare over-weights is now close to a 10-year low, as fund managers continue to pivot toward the logical inflation beneficiaries of Energy, Materials and Industrials exposures.

Initially, weightings were reduced in areas such as Large-cap Pharma & Biotech (Diversified Therapeutics and Conglomerates in our parlance), where a culmination of challenging macro factors relating to the pandemic and the fear of political action curtailed risk appetite. It is also worth noting that such companies account for around 40% of the overall MSCI World Healthcare Index by value and this rotation has undoubtedly subdued the benchmark performance.

However, there comes a point when you have sold down such holdings as much as you feel comfortable with, or when relative valuation reaches a point where you want or need to sell something else to continue to fund your sector rotation. That point came upon us and, as we have said many times before, the liquidity further down the market cap scale will compound the impact of any such selling. As noted above, this was not about deteriorating fundamentals or perceptions of increased risk.

Despite the Trust not having material exposure to Healthcare Technology and the more egregious elements of Healthcare IT from a valuation perspective (e.g. Telemedicine), this is where we found ourselves; at the mercy of a market dynamic that eschewed small/mid-cap, favoured value over growth and liked NYSE listing much more than constituents of NASDAQ indices. The latter is where we tend to focus our investments, since this is where we most readily find operationally geared exposure to the 'cost-curve bending' products and services that underpin our strategy.

Per Figure 2, and echoing the wider sector, it was Diagnostics, Focused Therapeutics, Healthcare Technology and Med-Tech that drove our underperformance (our healthcare IT names actually weren't that bad over the month). The positive performers were Diversified Therapeutics and Managed Care.

Positioning was not our only headwind during the month. As noted above, the appreciation of sterling was a headwind over the month. The benchmark is 70% dollar assets, versus an average of ~96% for our portfolio. We estimate this additional dollar exposure created a headwind of c70bp during May.

The other significant contributor to our underperformance was the unfortunate decision by the Trust's Top 3 holding Insmed to raise money via a secondary issue and a convertible bond. The setup for this raise could not have been worse in our view, in terms of how it was timed, structured, communicated and priced and we have relayed this to the company.

The 20%+ fall in the share price around this event (the raise was announced on 10 May 2021) was an irritating yet unsurprising outcome, and we have been engaging with the management team over this debacle. Nonetheless, we are where we are and this remains a compelling long-term investment in our view, so we took advantage of the depressed share price to bolster our holding. We estimate this represented an additional c120bp headwind to performance.

This tenebrous technical scrutiny of times past is all well and good, but the important question is what actions were taken in the face of it? We have not been idle. The aforementioned disorderly sell-off and related volatility in the middle of the month allowed us to add two new companies to the portfolio at what we believe are compelling entry prices; one in the Focused Therapeutics category and another in Diagnostics. We have also continued to add to existing holdings where we felt it appropriate to do so.

As a consequence, we have gone from a net cash position equivalent to 3.1% of gross assets at the end of April (or around £31m of cash on hand) to being modestly geared (0.7% or £6m of net debt). We have received inflows from the tapping programme of c£23m through the issuance of 13.2m million shares, so it total we have deployed £60m of cash during May.

We are sure this is exactly what investors would hope we would be doing during such a period, and why wouldn't we be so active, given the compelling and undiminished long-term opportunity for positive investment returns that Healthcare offers. The consequential evolution of our sector weightings is illustrated in Figure 3.

Notwithstanding the considerable quantum of capital deployment described previously, we have also been taking some profits in areas where we have seen strong relative performance (notably Diversified Therapeutics and Managed Care), recycling the capital back into underperforming areas.

The majority of the increased weighting in Diagnostics can be attributed to our new holding. Focused Therapeutics declining is due to performance; we have been selectively adding capital to existing holdings throughout the month in addition to the new investment described previously.

Healthcare Technology has been another area of material deployment, as we took advantage of volatility to add to existing holdings at attractive valuations. Tools was a source of funds as we reduced exposure to one of our holdings on the back of strong performance.

EVOLUTION OF PORTFOLIO WEIGHTINGS

	Subsector end Apr 21	Subsector end May 21	Change
Diagnostics	3.2%	5.5%	Increased
Diversified Therapeutics	14.7%	14.5%	Decreased
Focused Therapeutics	27.2%	26.1%	Decreased
Healthcare IT	6.6%	6.5%	Decreased
Healthcare Technology	1.8%	2.9%	Increased
Managed Care	14.2%	13.3%	Decreased
Med-Tech	18.6%	18.0%	Decreased
Services	9.2%	9.3%	Increased
Tools	4.6%	3.8%	Decreased
	100.0%	100.0%	

Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd. Weightings as of 30-04-21. Performance to 31-05-21.

Managers' Musings

"An Essay on the Principle of Population (Remix)"

The emergence of the pandemic inevitably ushered forth a preponderance of predictions regarding its impact on society beyond the obvious burden of morbidity, mortality and economic damage. In particular, there was much speculation regarding a potential baby boom.

Readers are no doubt aware this did not happen; rather the opposite has in fact come to pass. Quite why so many commentators expected a lustful lockdown induced boom was beyond us, since there are many datasets that show catastrophic events tend to have a negative impact on fertility rates, with a recovery coming only when the outlook brightens sufficiently. For example, the post-WW2 baby boom varied by country, but typically began in 1947, whereas the War officially ended in Europe and the Pacific region in 1945.

Innumerable factors come into play. Stress is the enemy of reproductive health and this was prevalent in many forms throughout the pandemic. Although COVID-19 has predominantly impacted those beyond reproductive age from a morbidity and mortality perspective, the impact on financial wellbeing has fallen more severely on younger age groups.

Many people would logically postpone planned pregnancy in the face of economic uncertainty and then there are many sensible health-related questions that were initially unknown: "will the virus harm my unborn baby?" and then later "is it safe to get vaccinated immediately before or during pregnancy?", not to mention the disruption to pre-natal services and generally poorer availability of healthcare since the crisis.

Finally, for those people with a young family already, the sudden closure of many supportive services like nurseries and playgroups and restricted access to the support of extended family (especially grandparents), allied to the accursed home schooling would again be a logical reason not to compound the pressure on the family unit with another pregnancy.

Malthusian fears of great human suffering due to over-population have been disputed ever since his late 18th century treatise was published, not least because the ready availability of contraception in developed countries has latterly allowed family planning; it (unsurprisingly) turns out that, when given a choice, most women are rational actors who try not have more children then they believe they can look after. The global pandemic-related fertility dip is an example of this judgement-based thinking in reproductive matters.

"What happens next?"

All of the above is glaringly obvious, you might say, so why does it merit consideration in our factsheet? The current baby malaise is probably a transient issue, and each country's birth rate will likely fall back in line with its long-term trend in due course. Where it becomes more interesting is that the trend was already a negative one in so many countries.

The generally accepted population replacement fertility rate is 2.1 (i.e. women need to have an average of 2.1 babies to keep the population constant). Of the UN's recognised Sovereign countries and Dependent Territories' (n=200), 96 of them were already below this rate in 2019 (the last year of pandemic-free statistics). From 2000 to 2019, the estimated global fertility rate fell from 2.63 to 2.43. If this trend were to continue at this rate and all other factors remain equal, the global population will begin to shrink from 2050.

In the developed world at least, historical precedent suggests the fertility rate will recover when women of child-bearing age again feel sufficiently confident in the medium-term outlook for their personal circumstances to take on this 18+ year responsibility.

This probably means "not yet" for many young couples, since the recovery is barely underway and we have yet to see a dramatic improvement in the labour market for younger age groups. For some women, this multi-year delay might be enough to compromise fertility or alter life circumstances in such a way that they may (voluntarily or otherwise) end up having fewer children than perhaps they hoped or planned to. In other words, not all of these missing births from the COVID era will be caught up in a 1950's style baby boom.

All the while, the existing population continues to age. The pandemic has done little to change the demographic trends in developed countries, where in many cases the median age of death from COVID-19 was at or above the median life expectancy. Our one certainty then is that the dependency ratio (the number of people not of working age (usually defined as 15-64) as a proportion of the total population) will continue to rise. If the fertility rate gaps down permanently post-pandemic, then it will simply rise faster.

Your managers have some disputatious discussions about what the future of discretionary consumer expenditure will be in the face of this changing population, especially since the younger generations show conflicting signals around consumerism: they claim to be more environmentally aware, yet love fast fashion and consume more processed food products (nothing makes one feel old as failing to understand prevailing 'yoof' trends).

Currently, the elderly consume less, but will this continue to be the case? We must also recognise that the savings rate in aggregate has collapsed, so the future generation of retirees will be far less wealthy than the current one (and let's not even get started on property wealth). Objective thinking is critical here, for we must not forget that we are financially fortunate in this industry and likely our readers are similarly disposed since BBH shares are a discretionary purchase.

In many ways, this is a somewhat tangential discussion. We are healthcare managers after all and healthcare consumption is many things, but it is rarely discretionary. More elderly people is, simply put, good for business, at least on the demand side.

"Who's gonna pay?"

Demand is of course only one side of the equation. Someone has to pay for all of this elderly care. Based upon the outrageous sums borrowed to shore up the pandemic response, it will be our children and grandchildren that foot the bill. Those additional tax revenues or pay supplied in the form of healthcare benefits rather than cash remuneration is again likely to impact that discretionary consumer spending.

Immigration can help of course, but the pandemic has put paid to that for now and for some countries (e.g. China, Japan, various Middle Eastern states), immigration is not considered a desirable solution. It can be fickle too; we have seen already in the UK how the combination of Brexit and the pandemic has led to an exodus of younger and thus highly mobile immigrant workers and, having gotten accustomed to their labours, we are struggling to fill the attendant vacancies as the hospitality sector opens up once more.

The apotheosis of this debate resides, ironically, at the epicentre of the pandemic – China. Readers will be aware that the country has several oppressive personal diktats that make family planning difficult: firstly, there was the one child policy that began in 1978 and ran until 2015 (Did Deng Xiaoping read Malthus?). Secondly, there is the patriarchal nature of Chinese society that resulted in a sex ratio imbalance – if you were only allowed one child, then it should be a boy. The natural sex ratio is widely accepted to be around 105 (i.e. 105 boys are born per 100 girls). In some parts of China, it has been reported to be as high as 120.

Such a problem did this become that from the mid-1980s some provinces "allowed" a second child if your first was female. Failure to adhere to the policy resulted in fines that varied by where you lived, but were always multiples of your annual family income. Because accurate data is so hard to get from China, the demographic impact of the policy is difficult to gauge, but it has been estimated to have resulted in 400-600m fewer live births than would otherwise have been the case. Malthus would indeed be proud.

The third aspect has been the Hukou registration system. The concept precedes communist rule but in essence ties you to your place of birth in terms of accessing certain rights. It can be challenging to move from the country to a city (i.e. the fundamental change that drives industrialisation and post-industrialisation in any developing society!) in terms of accessing benefits or even being able to buy a property. It also impacts where your children are allowed to receive state funded education.

Simply put, it is not just how many people are born that creates an issue, but where they are born. You may well be an attractive young man with a cool job in Shanghai, having worked hard at school and university. However, you may not be viewed as marriage and father material if you don't have the right Hukou and, thanks to that sex ratio, there are plenty more fish in the sea. A UN study from 2018 suggested that you were 22% less likely to be married (62% vs 76%) if you had migrated to a city versus having resident status.

Finally, there is the generally high cost of living. Housing is expensive. Private healthcare is essential. The hyper-competitive schooling system behoves you to tutor your children. This cumulation of costs means that, for many urban dwellers, a large family is unaffordable. With many decades of the one child policy, there is also the normalisation of the small family unit. You are unlikely to know anyone with three or more children, so why would you then aspire to this is a goal?

The demographic timebomb created by these policies has been obvious for some time, but represents a material risk to China as it seeks to escape the 'middle income' trap and secure its place as an advanced economy. Landing probes on Mars is all well and good, but it will not quell a restive population if living standards begin to fall.

The 2015 relaxation of the one child policy to two was a tacit acknowledgement of this and it resulted in a short-lived improvement in the fertility ratio, presumably as wealthy Chinese people longing for that extra child took advantage. For many though, it remained an unrealistic goal.

In what can only be described as a perfect example of why centrally planned government interventions are generally rubbish, this was raised to three children at the end of May 2021, shortly after a crackdown on private tutoring (presumably to lower the perceived cost of having a family).

Quite why raising the child limit further is expected to improve things is beyond us; relaxing the Hukou presumably would have resulted in better outcomes, but at the cost of the government ceding some control. Trying to restrict tutoring will likely drive it underground rather than stop it completely, making it even more the preserve of the wealthy.

"Damned by data"

Surely more interesting is the question of why make these changes now? The decennial Chinese census results were due in May 2021. Various media stories appeared in late April, suggesting that the data showed the Chinese population had actually shrunk since the previous national census (2010). These were swiftly denied and some new figures were offered that suggested the population continues to grow.

Some wags amusingly noted that the revised data when compared to the annual data on births implied zero deaths in China during 2020! Comparing across datasets is fraught with challenges (especially for China, where the data is often dubious to begin with), but regardless, it does suggest that the population Rubicon will be crossed sooner rather than later, if it has not already happened.

This is bound to have ramifications for both the quantum and the shape of economic growth coming from this vitally important geography over the coming years. It will also impact the development of its (still very immature) healthcare system.

"What does this all mean? (Family) planning ahead"

Ultimately, we can only speculate what the future might look like and then try to allocate investor capital commensurate with the likely outcomes. Given the uncertainties, it makes sense to divide the data using Rumsfeldian reasoning: what we can be confident in and what are we sure that we do not yet know? Summarising the points above:

1. The population continues to age but, in the post pandemic era, it is possible the rate at which the dependency ratio increases could accelerate versus current projections.

2. The changing dynamics of the population will impact consumer consumption trends, but we cannot yet be sure how. Given how consumer-centric the modern economies are, this could have negative implications for wider demand-driven growth versus the status quo.

3. Given the likely tax burden that a higher dependency ratio brings, allied to the slower economic growth through the pandemic and deficit-driven spending beyond it, the proportion of income that will be considered disposable is likely to fall.

4. The likely conclusion of the three points above is that subsequent generations are unlikely to be as wealthy in real terms as we are today and that could create a negative feedback loop in respect of falling consumer discretionary spending.

5. Thinking about the market more holistically, navigating through all of these things from a future demand perspective will not be easy, save for two immutable truths:

   a. The demand for healthcare and related services will continue to rise inexorably due to these demographic changes.

   b. If this increased demand is to be affordable for society, then the nature of how services are delivered and outcomes measured must change profoundly.

Objectively then (and we do mean that sincerely), investing into healthcare change seems the most obvious and safest trend on a multi-decade view that we can identify across the wider equities marketplace. Someone should devise a scalable investment strategy around that...

We always appreciate the opportunity to interact with our investors directly and you can submit questions regarding the Trust at any time via:
shareholder_questions@bbhealthcaretrust.co.uk

As ever, we will endeavour to respond in a timely fashion. We thank you for your support of BB Healthcare Trust.

Paul Major and Brett Darke

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Standardised discrete performance (%)

12-month total return	1 year May 20 - May 21	2 years May 19 - May 21	3 years May 18 - May 21	4 years May 18 - May 21	since inception
NAV return (inc. dividends)	18.3%	45.6%	65.9%	83.2%	108.0%
Share price	17.8%	47.1%	64.1%	88.0%	106.8%
MSCI WHC Total Net Return Index	2.8%	30.5%	45.3%	50.6%	70.7%

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 31.05.2021

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

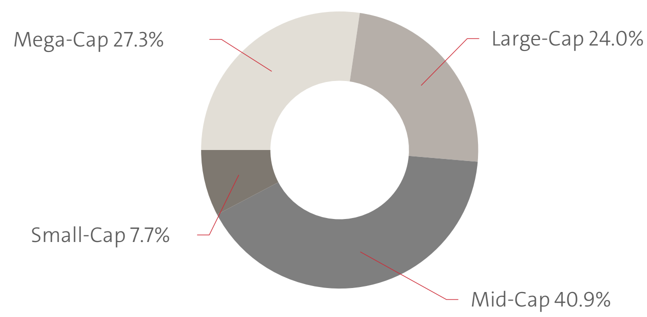
Note: Past performance is not a guide to future performance. The value of an investment and the income from it may fall as well as rise and is not guaranteed

TOP 10 HOLIDINGS

Bristol Myers Squibb	6.6%
Jazz Pharmaceuticals	6.4%
Vertex Pharmaceuticals	5.9%
Anthem	5.5%
Insmed	5.4%
Hill-Rom Holdings	5.3%
Charles River	4.5%
Alnylam Pharmaceuticals	4.4%
Humana	4.4%
Bio-Rad Laboratories	3.8%
Total	**52.1%**

Source: Bellevue Asset Management, 31.05.2021

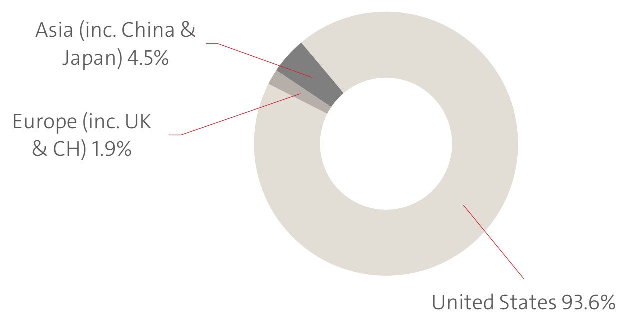
MARKET CAP BREAKDOWN



Source: Bellevue Asset Management, 31.05.2021

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

GEOGRAPHICAL BREAKDOWN (OPERATIONAL HQ)



Source: Bellevue Asset Management, 31.05.2021

Sustainability Profile – ESG

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

CO2 intensity (t CO2/mn USD sales): 21.9 t (low) MSCI ESG coverage: 98%

Based on portfolio data as per 31.03.2021 (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

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Marketing document

INVESTMENT FOCUS

- The BB Healthcare Trust invests in a concentrated portfolio of listed equities in the global healthcare industry (maximum of 35 holdings)
- Managed by Bellevue group ("Bellevue"), who manage BB Biotech AG (ticker: BION SW), Europe's leading biotech investment trust
- The overall objective for the BB Healthcare Trust is to provide shareholders with capital growth and income over the long term
- The investable universe for BB Healthcare is the global healthcare industry including companies within industries such as pharmaceuticals, biotechnology, medical devices and equipment, healthcare insurers and facility operators, information technology (where the product or service supports, supplies or services the delivery of healthcare), drug retail, consumer healthcare and distribution
- There will be no restrictions on the constituents of BB Healthcare's portfolio by index benchmark, geography, market capitalisation or healthcare industry sub-sector. BB Healthcare will not seek to replicate the benchmark index in constructing its portfolio
- The Fund takes ESG factors into consideration while implementing the aforementioned investment objectives

DISCLAIMER

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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 982.4 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	534 494 403
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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