

As at 12/31/2021	Value	1 Month (December)	YTD	Since Launch (ITD)
Share	201.00	7.9%	16.6%	131.0%
NAV	195.95	6.0%	15.2%	125.8%

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 31.12.2021, 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 January update. 2021 is done and dusted and will hardly be missed by the fund management community: yet another year of COVID-driven volatility and macro/factor-led market behaviour, frustrating the stock picker. Some may take comfort in the multitude of active investors wrong-footed in this period but, that has never been our mindset.**

Against a background of rising optimism, we started 2021 ruefully suggesting that the pandemic was far from over. This cautious approach served us very well in the early part of the year, but sentiment toward healthcare, especially smaller and mid-cap (SMID) names waned as 2021 wore on. It's fair to say that we feel much more optimistic about COVID this year.

Hopefully, investors will have returned from the festive break and hit the reset button, casting a fresh eye over what is undoubtedly a compelling set-up in SMID healthcare. In spite of a tumultuous 2021 and a volatile start to 2022, we look forward tenaciously rather than tremulously. Here's to the coming year and all the riches it may bring.

## Monthly review

### The wider market

The Santa rally returned once more to close out 2021 in style. In sterling terms, the MSCI World Index rose 2.1% when measured in sterling to yet another record high (+4.2% in dollars). Even as the Omicron wave broke on shores across the globe, its (arguably self-evident) predilection to manifest as a milder and more transient upper respiratory tract infection became ever more undeniable, resulting in improving sentiment.

Along the way, society again had to suffer to the doom-laden prognostications of some scientists/modellers who still don't seem to understand how extrapolation and power laws work. Surely there comes a point where you recognise, based on all your previous scenarios being wildly wrong (for some people, their track record of failure goes back many years), that you need to change your approach? Self-reflection is clearly more difficult for some people.

Whilst the downgrading of the Omicron panic felt like an inevitable outcome, we were rather more surprised by the positive stock market reaction, given how elevated valuations for the broader market were relative to history and the undeniable reality that any COVID wave and attendant changes in behaviour (voluntary or otherwise) is disruptive and thus economically costly, irrespective of how mild it may be. And this broader optimism proved short-lived.

At the time of writing, the S&P500 Index stood 1.9% below its December peak, and The NASDAQ Index 5.7% below its mid-November peak and the MSCI World Index 2.5% below its December peak. Markets though are nothing if not fickle.

What drove the Santa rally? For once, the short-term consequence (likely a brief explosion of cases that will undoubtedly be disruptive as people isolate etc., but without the critical care burden of prior waves) seemed to give way to an optimistic take that the longer-term consequence could be that Omicron displaces other more troublesome strains, ushering in an admittedly indeterminate, but possibly lengthy period where COVID is an easily manageable endemic disease. We can but hope...

### 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.

One can understand some sectors enjoying a renaissance in such a scenario where people start going out to non-essential places more often and return to the office: Transportation, commercial property (Real Estate), restaurants and leisure facility operators (Consumer Services), fashion (Consumer Durables & Apparel) and beauty brands (Household & Personal Products). Similarly, one might expect the 'stay at home' complex around internet retailing, media and entertainment would suffer.

Broadly, this is what transpired (and we now think this will likely continue into the new year). Household & Personal Products was the best performing sector (+10.8%), followed by Consumer Services (+9.7%) and then Real Estate (+8.9%). Retailing (-0.2%), Semiconductors (-0.7%) and Automotive (-0.9%) were the laggards.

### Healthcare

The MSCI World Healthcare Index also rose during December, gaining 5.1% in sterling terms (it appreciated 7.3% in dollars) and thus narrowing the underperformance gap for the calendar year to ~2% and leaving us with a scenario where healthcare underperformed materially in Q1 21 but outperformed modestly over the balance of the year to make up much of the lost ground.

Given the wider market narrative described above, one could be forgiven for being surprised that healthcare fared so well. After all, it will undoubtedly be one of the last sectors of the economy to do away with COVID-related spatial and temporal distancing measures.

Even assuming that surgical capacity does return to normal levels sooner rather than later, clearing the backlog of deferred treatment is much harder than it looks and the staffing problems we have spoken about many times before continue to build. Doctors and nurses are quitting in record numbers and Omicron will do nothing to reverse this trend.

Hopefully analysts and investors will be more circumspect this year when baking in any supra-normal capacity utilisation into their expectations for 2022 and beyond. Our assumption was broadly that companies would be cautious guiding on the outlook for the year at the upcoming JP Morgan Healthcare jamboree (January 10-14th).

This marquee event very much sets the tone for the coming year and the timing being coincident with the peak of the Omicron wave generates too much uncertainty for anyone to be uber bullish, save of course for those investment cases that are dependent on trial data reading out near-term. Those catalyst events are highly likely to be affected (that said, delays to drug approvals remain a real risk). We summarise our thoughts on the event in the Musings section.

Back to December: the picture becomes stranger still when one delves into the sub-sector performance, for we see a mixed picture in terms of leaders and laggards versus the macro debates of short-term pain and long-term gain regarding COVID (Figure 1):

## BENCHMARK SUB-SECTOR PERFORMANCE AND WEIGHTINGS

Sub-Sector	Weighting	Perf. (USD)	Perf. (GBP)
Managed Care	9.6%	13.7%	11.5%
Distributors	1.0%	12.9%	10.7%
Facilities	1.3%	11.9%	9.7%
Conglomerate	11.6%	10.5%	8.4%
Diversified Therapeutics	32.7%	8.1%	6.1%
Other HC	1.6%	8.1%	6.0%
Med-Tech	15.2%	6.7%	4.6%
Services	3.3%	5.2%	3.2%
Tools	9.5%	5.1%	3.0%
Dental	0.9%	5.0%	3.0%
Generics	0.4%	4.6%	2.5%
Diagnostics	2.4%	4.3%	2.4%
Healthcare IT	1.5%	-0.7%	-2.6%
Focused Therapeutics	8.0%	-3.1%	-5.0%
Healthcare Technology	1.1%	-5.4%	-7.3%
<b>Index perf.</b>		<b>7.3%</b>	<b>5.1%</b>

Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd. Weightings as of 30-11-21. Performance to 31-12-21.

Managed Care is arguably one of the more defensive healthcare sub-sectors. It should benefit short-term from Omicron delaying procedures, but longer-term will need to navigate its way to normalising levels of claims activity (and an end to supra-normal profits that have driven ratings to multi-year highs).

Conversely, Facilities may struggle in the very short-term with procedure delays but on the other hand the acuity mix offsets this a little as some treatments cannot be delayed (i.e. fewer patients to care for but higher revenue from the patients who require urgent treatment). Longer-term, facilities operators should benefit overall from rising patient volumes as lower acuity elective procedures return to normal levels. Whilst margins may come down, the overall increase in revenues should more than compensate.

Distributors is the definition of a boring defensive (long and short-term). Conglomerates and Diversified Therapeutics are again very much in the 'dull but worthy' defensive growth camp, but they have the benefit of very large market capitalisations and so are on the radar screen of many generalist managers.

Med-Tech is the obvious procedural volume beneficiary, but sits mid-table. Perhaps this is because (as we have noted many times) expectations on procedure volume recovery have been too high all year, so it's perhaps a case of the opportunity now finally being able to rise to meet the existing expectations?

Diagnostics is probably perceived as a net source of funds in a world where the reflexive response is "less testing". In point of fact, non-COVID testing volumes will recover with procedures and physician visits, since it is these events that generate test requisitions. In this way, its position lower in the table can be understood in terms of the broader market narrative, but this probably represents an opportunity to add to some holdings as others take profits. The same is true in select areas of Tools and Services, where again, there seems to be some reflexive profit taking around the "less vaccines, less testing" mantra.

This leaves Healthcare IT, Focused Therapeutics (i.e. Biotechnology) and Healthcare Technology (all sectors that contain the word "technology")

propping up the bottom of the relative performance table. Why? Who knows; high growth seems to be out of favour in a world where interest rates are going to rise.

However, this makes zero sense when one thinks about it objectively. As alluded to previously, the future growth of these companies is contingent on demographic trends that are stable and technical and regulatory success in developing and launching new products, which is not linked to the economy at all. Granted, COVID staff absences at regulatory agencies and ongoing travel restrictions may impact some parts of the approval process for new products, as we saw irritatingly frequently during 2021, but this situation has not really changed.

Again though, the points above have nothing to do with the "real" economy. Perhaps then it is the perceived attraction or value of risk that is changing, but does a small change in the nominal interest rate really matter when rising inflation means that real rates have already risen to take account?

What then can one conclude from this veritable smorgasbord of performance? On a one month view, probably very little. When viewed in the wider context of the last few months, the continued pattern is very much a "risk-off, pro-liquidity" pattern and this has very little to do with fundamentals.

One can illustrate this all too clearly by comparing the performance of the US Russell 2000 Healthcare Index (Russell is Small/Mid-Cap index of US companies) and the Nasdaq Biotech Index to the broad S&P500 Healthcare Index (like most indices, dominated by Mega-Caps). The respective GBP total returns for December were -2.0%, -3.2% and +6.8%!

## The Trust

The Trust's net asset value rose 6.0% to 195.95p, modestly outperforming the benchmark. This was another frustrating month where an early strong recovery from the material underperformance during November faded away as the markets entered the Christmas holiday period.

This reduction in broader market liquidity led to a significant increase in volatility, but that's just the way it goes sometimes. If we could have picked the previous day or the next day to strike the performance, it would have been several hundred basis points higher.

Our own analysis suggests that the elevated volatility was skewed to small and mid-cap stocks; the volatility of the MSCI World Healthcare Index was not out of line with recent prior periods, for example. Conversely, our portfolio did experience a jump in volatility relative to historical norms in late December that has frustratingly continued into the new year. These have proven to be most unforgiving markets for our strategy.

How does one convey the irrationality of the current situation? Adjectives and superlatives will struggle and there is always the risk that one simply comes over as hyperbolic, detracting from the argument. Instead, we offer some data. We have picked three of the most beaten-up names from the recent top 10 disclosure across different subsectors and illustrate below the output from a reverse DCF analysis using our models from September and December 2021 (Figure 2 overleaf).

This analysis is essentially asking "what rate do I need to discount the future cashflows at for the share price to be the appropriate valuation for the company at that moment". For reference, the average annualised return of the US stock market has been 7.5% over the past 20 years. Very broadly speaking, one might reasonably argue that a stock discounting returns of less than 7.5% is unlikely to outperform, whereas one discounting returns above this level is more likely to outperform.

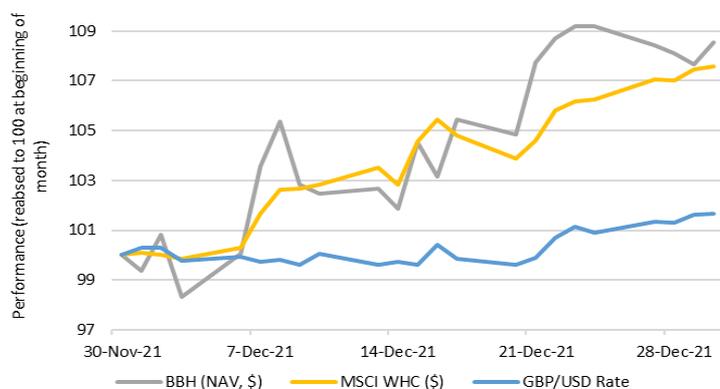
Company	Sub-sector	RDCF – End Sep 2021	RDCF – End Dec 2021	RDCF – Today <sup>(2)</sup>
CareDx	Diagnostics	6.5% <sup>(1)</sup>	11.0%	12.6%
Accolade	Healthcare IT	8.1%	9.8%	10.8%
Jazz Pharmaceuticals	Diversified Therapeutics	12.6%	12.8%	12.4%

Source: Bellevue Asset Management (UK) Ltd.

Note: 1) CareDx was not in the portfolio in September 2021, as the stock was fully valued on our analysis at that time. 2) Data as of last practicable date – 10-1-22.

As we have said many times in recent weeks, the current pessimistic outlook priced into our holdings makes no logical sense. For this reason, we continued to deploy capital inversely to recent performance during December and your managers have again been adding materially to their personal holdings in the Trust through December and into January. Hopefully our decision to invest more of our own capital sends a clear signal regarding our conviction that the current situation will improve materially in the future.

The monthly evolution of the NAV is illustrated in Figure 3. Focused Therapeutics, Services and Managed Care were the largest net contributors to the performance. FX had a negligible overall impact on the NAV evolution during the month.



Source: Bellevue Asset Management (UK) Ltd.

The evolution of the portfolio is summarised in Figure 4. It was a strong month in terms of inflows, with 8.3m shares issued via the tapping programme (£15.0m), we again increased our net borrowing to £58.8m (vs. £50.1m at the end of the prior month). These proceeds were deployed quite broadly; the 31 stock active portfolio is unchanged from the prior month. We added to 16 positions, reduced seven and left eight unchanged. Managed Care was the only sub-sector where we reduced position size across all holdings. The additional drawdown from the debt facility took the leverage ratio up to 5.3% from 4.9%. The company has renewed and expanded its lending facility with Scotia Bank.

## EVOLUTION OF PORTFOLIO WEIGHTINGS

	Subsector end Nov 21	Subsector end Dec 21	Change
Diagnostics	9.5%	10.8%	Increased
Diversified Therapeutics	10.9%	11.2%	Increased
Focused Therapeutics	28.7%	27.9%	Increased
Healthcare IT	8.2%	8.5%	Increased
Healthcare Technology	4.3%	4.0%	Decreased
Managed Care	14.7%	13.7%	Decreased
Med-Tech	10.0%	9.9%	Decreased
Services	11.5%	12.0%	Increased
Tools	2.1%	1.9%	Decreased
	<b>100.0%</b>	<b>100.0%</b>	

## Managers' Musings

### Interregnum

What a strange world we find ourselves in, even relative to the past few years. Let us begin with the pandemic. We now have a highly transmissible but largely benign dominant strain, even for those who remain unvaccinated (note – many of these will by now have prior community SARS-CoV-2 exposure, whether they know it or not); we are sure most of your acquaintances that are known to have been infected with Omicron had very mild or no symptoms – a large proportion of the positive cases so far have been children picked up by routine school tests.

We cannot know how much of this reduced severity is due to prior exposure (through infection or vaccination) and how much is due to the virus attenuating, but in the end that does not really matter: we are where we are.

Whatever any government will say now, it is undeniable that the true nature of this strain was evident from the data coming out of South Africa in mid-December. The virus is now endemic in most countries, so contract tracing approaches are no longer effective or worthwhile, yet we persist in spending millions on them.

Even in countries that think human rights are nonsense and your every move is tracked (China), they keep having untraceable community outbreaks, delicately handled by mass imprisonment of entire cities. It is nothing if not disproportionate and presumably all for the glory of the (spectator-free) Olympics in a few weeks' time. Zero COVID strategies are not working, and travel restrictions/red lists make no real sense anymore either (unless you are China, apparently. At least this way you don't need to explain why lots of diplomats want to boycott your 'prestigious' event).

We also know that vaccination status has little impact regarding onward Omicron transmission. Given that the protection against infection (not serious illness – we'll come back to that) seems to wane at six months or so and the strain is much more want to reproduce in the upper respiratory tract, the risk of infection and onward transmission is no longer the reason to argue for vaccination.

However, governments everywhere seemingly want to try to blame the unvaccinated for the continuation of the pandemic (Très bon Macron. Imbécile). This is not only scientific nonsense, it is socially dangerous to 'other' any group in society, with transmission rates so high and vaccine efficacy of limited duration, the eradication of community transmission is probably now an unrealistic concept for this virus; we are going to have to live with it. With these inconvenient facts in mind, let's not even get started on vaccine passports, where there is (unsurprisingly) robust evidence showing that they offer no incremental protection.

Governments clutch at straws to try to make us all feel that 'they' are doing something to protect us. Wear a "face covering" they say, without directing you to wear the only sort clinically proven to work (FFP3 masks). It is sad to see old and presumably vulnerable people wandering around behind what is in effect a plastic "spit shield" in the forlorn hope it will protect them from an airborne pathogen. It also makes no sense to ask people to walk into a pub or restaurant wearing a mask, to then take it off once seated and spend several hours breathing in your friends' faces at the table. Doesn't it all seem so odd when you write it down and look at it in the abstract?

Meanwhile, the evidence grows that the virus particles only live for a matter of minutes in the kind of dry air found in air-conditioned spaces or outside, which probably explains why you are far more likely to catch the virus from your friends or family than a stranger. You do, quite literally, need to be in each other's faces or shouting.

Here in the UK, we deserve a special award for spending billions of pounds on the mass usage of demonstrably unreliable lateral flow tests in schools. It is a matter of debate how well these rather poor tests even work against Omicron

on the mass adoption of this approach) and the money spent on making children test relentlessly could have put a HEPA quality air filter in almost every room in every school in the country. Then our children would not need to suffer open windows and could presumably lose the masks completely.

Given the previous comments regarding the proximity of contact needed to enable transmission unless you are projecting your voice, another UK award could be merited for churches. You must wear a mask in church, except when you are singing! You really cannot make this stuff up, it's Pythonesque. One could be forgiven for thinking that the government isn't serious about all these rules... Party on!

Whilst we are handing out gongs for self-destructive, nonsensical or ideologically driven policies (perhaps we can throw an awards party: just a hundred or so guests – everyone can bring a bottle), we should also put a shout out for the forthcoming vaccine mandate for NHS frontline workers. We have already seen the damaging impact of such a mandate in care homes. Quite why it was thought necessary when staff were tested multiple times per week, wore full PPE and all the residents were vaccinated is beyond us, especially when non-vaccinated family members were free to visit as they wished!

All this decision has done is to exacerbate an already emerging staffing crisis in social care, which places further pressure on the NHS through bed blocking. What has the Government learned from this process? Nothing! It plans to do the self-same destructive thing to the health service, which was hardly coping well at the best of (pre-COVID) times, in part due to a longstanding shortage of frontline staff.

One can but wonder at the stupidity of it all, or maybe not with this shower in charge. Yes, people catch COVID (and other things) in hospital. They still will, even when this mandate is enacted. You cannot have a service where millions of people interact at close quarters on a daily basis and not expect highly virulent pathogens to get into the system. We have never managed to make hospitals disease free up to now, why think there is a realistic hope with COVID?

When the world around you makes so little sense, it is no wonder that the stock market is also seemingly more irrational than usual. The madness will subside at some point and eventually people will tire of all the residual double-speak around COVID and yearn for a return to normal. For this to really take hold though, people need to feel reassured and that starts with the governments of the world changing their intentionally scary messaging.

## Beyond the fear

So how does one “unscare” the population? This question has been a recurring theme of our missives for these past two years. The anatomy of fear is nothing if not persistent. A good place to start might be to present some alternative facts. Not the Trumpian sort, but the re-casting of data to present the current reality in a more sympathetic light. Here are some suggestions:

- 1) **Cases:** let's stop talking about cases and move to symptomatic infections. If you are not ill, then you are not ill. We don't count cases of the common cold (mainly because we couldn't). Related to this point, limit the availability of lateral flow tests to people who feel unwell. The case numbers will come down soon enough and nothing will actually have changed across society.
- 2) **Vaccine efficacy:** let's also stop talking about antibodies. These are one facet of the persistent immunological response to a known pathogen. As we discussed in detail last month, the protection from severe illness requiring hospitalisation and antibody titres are not linearly correlated and all the speculation about how much less effective current vaccines would be against Omicron based on antibody experiments proved pretty much useless (as expected: current vaccines work well enough).

Let us instead only talk of the risk of severe illness at different levels of vaccination (zero, one, two or three jabs) to whatever the current

dominant variant might be. For Omicron, the Pfizer double jab reduces hospitalisation risk by >70% and this rises into the high 80s with three doses. This is what people need to know: one clear objective fact encapsulated in a few simple numbers.

- 3) **Hospitalisation data:** we need to provide more detail on hospitalisation reporting. Data from other countries (e.g. the US, South Africa for Omicron, Canada), who are being much more upfront about the situation on the ground, shows that a substantial minority of “COVID hospitalisations” are in fact people who are in hospital via an elective or emergency entry for an unrelated condition who were then found to have an asymptomatic SARS-CoV-2 infection or who contracted the virus in the hospital after admission.

These are known as incidental or nosocomial infections respectively and for those areas reporting them, they typically account for more than 30% of hospitalisations (with 60% being the highest figure we have seen).

We understand that, once you are a COVID patient, you must be monitored etc., especially if you are vulnerable for other reasons, so there is an argument from the hospital's perspective not to differentiate on the “how” of the infection. For the public though, this matters greatly. People need to be able to comprehend their personal risk for getting seriously unwell and it is much lower than they currently appreciate.

Perhaps if the government were to articulate risk as a positive number? Per Neil Ferguson's 22 December paper, the new message could be: “99.78% of people who contract Omicron do not end up in hospital”. We would need a footnote of course to point out that “since we are not capturing all of the cases, the real percentage not going to hospital is actually higher than this”.

- 4) **COVID Deaths:** sticking with this theme, we also need to change the way we record deaths, especially in the UK. Old people die disproportionately in the winter. They always have done. Every death is a tragedy, but it is also a certainty. Simply reporting the number of people dying within 28 days of a positive test, when we have so many asymptomatic and incidental infections/hospitalisations offers a misleading picture.

Boris Johnson's attempts to play up Britain's first Omicron death (13th December 2021: reportedly the first such fatality in the world, despite this variant emerging in less developed countries months beforehand) was nothing short of outrageous in our view. The lack of detail around this case surely tells you all you need to know; it is very unlikely they died because of Omicron, but rather with it.

The differences in reporting standards are evident by comparing two countries of comparable demography and then examine the rate of COVID deaths versus total excess deaths compared to pre-pandemic levels. The ratio should look similar between countries, but they do not, which suggests very strongly that we are not making “apples to apples” comparisons here in terms of COVID deaths. All of these nuances likely combine to give a misleading impression of how many people have actually died due to COVID itself. Again, this matters because it is key to the ability to understand personal risk.

The Government should also make more of the fact that the case fatality ratio (i.e. your risk of dying after testing positive for COVID) is somewhere around 30x lower than it was at the start of the pandemic. Part of this is the much-referenced ‘denominator problem’ (if you test more people and pick up more asymptomatic cases, of course the perceived mortality rate will drop because these people are not going to die if they are not unwell). We are testing 1.3m people per day at the moment, versus ~70,000 per day in the summer of 2020. All other factors being equal, that alone would drop the case fatality rate 18-fold.

Many people are still haunted by those images from Italy early on in wave one of overflowing hospitals and people dying on gurneys. That was a horrific tragedy, but we are dealing with a different medical approach to a different virus in a largely vaccinated population. Per the data on the risk of hospitalisation mentioned previously, it is night and day from where we were in early 2020. Echoing the positive approach suggested for hospitalisation data: “99.9% of people who catch Omicron don’t die” seems quite a nice thing to be able to say, no?

- 5) **Risk factors:** finally, we need to help people understand where they are most at risk from catching the virus (or giving it to someone else) and so they can modify personal behaviour if they feel this is appropriate. We cannot continue down this path of viewing everyone else as a risk all the time; we are simply not conditioned to live sanely in a perpetual state of hypervigilance.

The Government should be broadcasting facts about real risks. For instance, it is absolutely fine to pass by someone unmasked in the street outside. You don’t need to jump into a bush (or worse throw your children into a bush) when someone is coming past. We are still amazed when out and about that people seem to think it is wiser to step off the pavement and into traffic (often without looking) than it is to walk past someone in the fresh air.

We also need to educate people better about modifiable risk factors. After age, obesity remains the single biggest risk factor, not least because it exacerbates baseline cardiovascular load, making any restriction on oxygen saturation much worse. The media is still full of stories about “healthy” people who have died of COVID without mentioning what is obvious from the photos – they are grossly overweight.

The US CDC has attributed 30% of COVID hospitalisations in America to obesity. In other words, US hospitalisations would have been 30% lower if the infected people had a BMI within normal range. Losing weight is thus arguably more protective than getting a booster jab. Instead of worrying about trying to contain a now-endemic virus, let’s help people lose weight and get fitter. It will pay healthcare dividends for decades to come.

## Onward and upward

At the risk of sounding like a broken record, all we can do is to continue to objectively (but not dispassionately) look at the longer-term outlook and the company-specific merits of potential holdings and try to build a portfolio that will accrete value over the longer-term. We remain convinced that we own the right companies to bring this to fruition, even if market sentiment currently suggests otherwise.

The 2022 JP Morgan healthcare conference has proved reassuring and frustrating in equal measure. Broadly speaking, the updates from portfolio companies have offered few surprises. They have been both positive and in line with expectations. In some cases these have triggered relief rallies, as the market can discount that low probability worst case scenario that was hanging over a company for reasons that still make no sense. Here are some examples:

Our top ten holding CareDx, whose share price declined from \$73.6 to \$39.1 (which gave us our re-entry point having sold out on a full valuation) and then recovered back to \$46.3 since mid-October 2021, all around the false premise that its revenue per commercial test sold declined, when it clearly did not. This misperception was untenable following its Q4 release, when revenue per test was in line with prior periods.

Accolade, another portfolio company whose share price declined >50% on the premise that it would report a weak calendar Q4 (fiscal Q3) and guide down for the year ahead. When this did not occur, the shares rallied back almost 30%. In both cases, the pain for long-term investors may end up being short-lived, but that does not make it any less real.

But the opposite can also happen: Sarepta, another top ten holding has just released data confirming that its gene therapy for children with Duchene Muscular Dystrophy offers both durable disease modification and consistent efficacy. When the market was first looking to results from the trials for this drug back in 2020, the shares traded >\$170. The initial results were confounded and the shares have oscillated around the \$80 level since (which gave us our entry point). The company’s reward for resolving the confounding issue and clearing up the (now very positive) efficacy outlook? A double-digit fall in the share price in the immediate aftermath of the data presentation.

These are just a few maddening examples of an unforgiving and irrational market dynamic that has persisted for several months. It will pass though and logic will reassert itself; it always does. This works both ways too, as a cursory glance at the much more realistic share prices of exited portfolio holdings such as Teladoc (72% off its 2021 high) or Pacific Biosciences (71% off its 2021 high) will attest.

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](mailto:shareholder_questions@bbhealthcaretrust.co.uk)

As ever, we will endeavour to respond in a timely fashion.

**Paul Major and Brett Darke**

## Standardised discrete performance (%)

	1 year	2 years	3 years	4 years	5 years	since
12-month total return	Dec 20 - Dec 21	Dec 19 - Dec 21	Dec 18 - Dec 21	Dec 17 - Dec 21	Dec 16 - Dec 21	inception
NAV return (inc. dividends)	16.6%	50.5%	84.6%	93.7%	122.4%	131.0%
Share price	15.2%	44.8%	82.3%	98.0%	123.2%	125.8%
MSCI World Healthcare Index (GBP)	21.4%	34.6%	60.2%	75.2%	92.6%	101.2%

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 31.12.2021

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

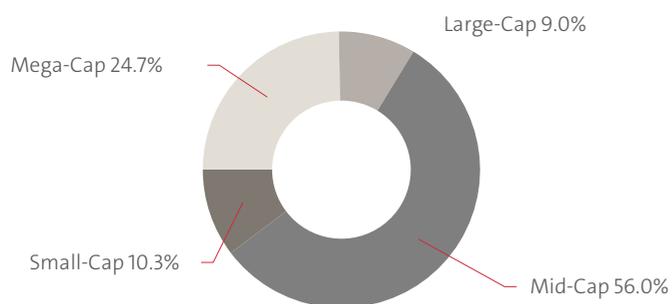
Note: Past performance is not a guide to future performance. The value of an investment and the income from it may fall as well as rise and is not guaranteed

## TOP 10 HOLDINGS

Jazz Pharmaceuticals	7.1%
Vertex Pharmaceuticals	6.8%
Insmed	6.0%
Anthem	5.3%
Option Care Health	5.2%
Humana	4.9%
Sarepta Therapeutics	4.7%
Caredx	4.2%
Amedisys	4.2%
Bristol Myers Squibb	4.1%
<b>Total</b>	<b>52.6%</b>

Source: Bellevue Asset Management, 31.12.2021

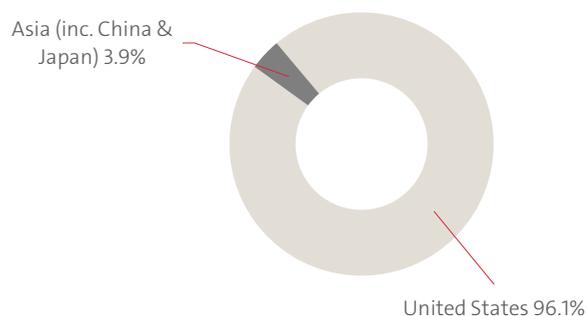
## MARKET CAP BREAKDOWN



Source: Bellevue Asset Management, 31.12.2021

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

## GEOGRAPHICAL BREAKDOWN (OPERATIONAL HQ)



Source: Bellevue Asset Management, 31.12.2021

## Sustainability Profile – ESG

<b>Norms-based exclusions:</b>	<input checked="" type="checkbox"/> Compliance UNGC, HR, ILO	<input checked="" type="checkbox"/> Controversial weapons
<b>ESG Risk Analysis:</b>	<input checked="" type="checkbox"/> ESG Integration	
<b>Stewardship:</b>	<input checked="" type="checkbox"/> Engagement	<input checked="" type="checkbox"/> 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: Sustainability 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](http://www.bellevue.ch/en/corporate-information/sustainability)

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## 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, Official List) UK Incorporated Investment Trust
Launch	December 2, 2016
Market capitalization	GBP 1140.0 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	567 155 904
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

## CONTACT

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