

As at 04/30/2018	Value	1 Month (April)	YTD	Since Launch (ITD)
Share	112.00	5.16%	-3.14%	15.52%
NAV	111.01	6.02%	0.50%	14.60%

Welcome to our April Factsheet. Has the phrase “March winds and April showers” ever felt more felicitous here in Blighty? Having mirrored the wider market through Q1 2018, Healthcare outperformed a recovering market in March and, thus far, the corporate reporting season has demonstrated that underlying fundamentals remain strong...

Between Charybdis and Scylla

Over the month, the Trust’s ex-income net asset value (NAV) rose 4.2% to 111.01p, outperforming our benchmark. Sterling has again been volatile, with a 4.3% peak-to-trough swing on economic and political news in the UK and US.

Last month, we highlighted that we were navigating treacherous waters between two issues that have been weighing on healthcare sentiment: US drug pricing policy and our bête noire Mr Bezos (CEO of Amazon). Much as we admire the Washington Post and would also love to play with giant rockets if we had billions to burn in a literal sense, it would be helpful to the wider market if someone was a bit clearer on Amazon’s strategy.

The Damoclean sword of a Trump Stump on drug pricing was delayed to 8 May. This was an event we hoped would pass earlier this month; not out of some masochistic tendency, but rather because we think the substance will be limited. Since the market cannot accurately value that which it cannot quantify, “price in the worst and hope for the best” is a logical approach for the interim. We remain of the view that wider investor sentiment to healthcare will improve once this is out of the way.

That cohort of regular readers and CNBC watchers probably breathed a sigh of relief when Christina Farr (the principle author of Amazon healthcare stories since her brief covers both healthcare and technology) announced on the news channel that Amazon was afterall not interested in entering the drug supply chain.

“No more whinging from BBH about Amazon stories” you thought. Well, not quite. Whilst one could opine with various sardonic iterations of “like, obviously”, the aforementioned story does suggest that Amazon continues to evaluate a role for its Alexa “Virtual Assistant” in healthcare provision.

Monsters, Inc.

However, when it comes to virtual assistance, we are all in favour of the Amazon monster entering the fray. Medical compliance and exacerbations among the infirm or those living alone are a growing and still under-appreciated challenge for society and it must be quite disheartening as a physician to see the same ‘frequent fliers’ (in terms of specific patients or similar preventable episodes) to the emergency room.

Alexa/Echo and its ilk from Apple (‘Home Pod’) and Google (‘Home’) have much to offer here. They can be programmed to check how you are, ask if you have taken your medication and of course put a doctor on the line if the responses are not satisfactory. This is a powerful tool that can be harnessed by your healthcare provider. Relative to other ongoing medical expenses, the one-off cost of the device is minimal and internet connectivity near ubiquitous. We continue to believe that such devices (alongside wearable sensors) will play an increasing role in preventative care and our growing investments in Healthcare IT and Healthcare Technology reflect this belief.

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.

Cream rises, unless you stir too much

Whilst we debate the existential question of whether the wider sector narrative this year has been more Samuel Beckett or Franz Kafka; healthcare is managing to rise above the fray to some extent. In sterling terms, the MSCI Healthcare benchmark rose 2.8% over the period (the opposite of March’s fall); matching the broader market’s recovery (the MSCI World Index advanced 2.9% over the period). In local currency, the Healthcare Index increased 0.9%. Overall, the relative appreciation of the US dollar contributed 1.7% to the NAV evolution during the period.

In terms of sub-sectors, it is perhaps unsurprising that the distributors have led the sector back up, having taken the drug pricing and Amazon pain described previously on the downside during Q1. Managed Care has also performed strongly as the anticipated negative impact from a strong flu season has been outweighed by other (much more fundamental and long-term) positive offsets.

BENCHMARK SUB-SECTOR PERFORMANCE AND WEIGHTINGS

Sub-Sector	Weighting	Performance (USD)	Performance (GBP)
Biotech	10.4%	-2.4%	-0.6%
Conglomerate	12.5%	-0.1%	1.7%
Dental	0.6%	2.0%	3.9%
Diagnostics	1.9%	1.9%	3.7%
Distributors	1.9%	7.3%	9.2%
Facilities	1.1%	0.8%	2.7%
Generics	0.7%	-0.6%	1.2%
Healthcare IT	1.2%	-3.4%	-1.7%
Managed Care	9.6%	8.3%	10.2%
Med-Tech	13.8%	3.6%	5.5%
Other HC	0.9%	0.0%	1.8%
Pharma	35.0%	0.1%	2.0%
Services	2.6%	3.6%	5.5%
Specialty Pharma	3.5%	-0.9%	1.0%
Tools	4.1%	1.2%	3.0%

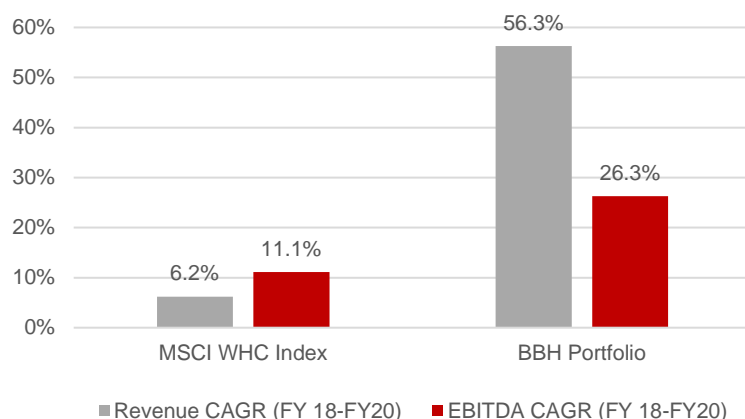
Source: Bloomberg/MSCI and Bellevue Asset Management. Weightings as of 31-03-18. Performance to 30-04-18.

*Note: DexCom is no longer in the benchmark, effectively removing the Health Tech sub-sector

Those of you with a theological bent will of course be familiar with Ecclesiastes' morose refrain that there is nothing new under the sun. Markets rarely feel so monotonous, but still the broker must find a new idiom to tempt us to trade a bit more often. For this reporting season (never mind it's not even half way through), the observation is that operational outperformers are not rewarded with positive share price reactions and we should "trade the fade". Like all hindsight-based prognostications, this is indeed true, so what does one do?

Our take on there being nothing new is to refer back to 1965 and Benjamin Graham: "In the short run, the market is a voting machine, but in the long run it is a weighing machine". As such, we will continue to weigh and to trade the fundamentals. Of our disclosed Top 10 holdings following calendrical reporting cycles, five had reported numbers for Q1 18 by the end of April. We shall ignore Shire, since it is now a special situation, but the other four (Align, Anthem, Illumina and Intuitive Surgical) were all beat and raise stories for the quarter. Any inclination the market has to "trade the fade" simply provides us with greater opportunity to buy more of these companies given our longer investment time horizon.

One cannot really control market sentiment, which inevitably waxes and wanes. The question we can ask ourselves is this: do we own the right portfolio of companies to deliver long-term outperformance versus the wider healthcare sector? We have to assume all other factors will be equal (PE ratios, etc.) and so what follows is that our portfolio should deliver superior medium-term sales and earnings growth versus the peer group. Fig 2 below uses consensus numbers to illustrate the forecast revenue and EBITDA growth of our portfolio versus the market and gives us confidence that we are well positioned to meet our objective.



The lower growth in EBITDA vs. revenues is not what one might expect from a group of operationally geared companies. However, the BBH portfolio includes a number of early stage companies that will not be profitable initially as sales ramp from a low base, creating a transient period where EBITDA growth lags revenue growth. In contrast, this effect is de-minimis for the benchmark, which is dominated by more mature companies. Were we able to show a reliable consensus projection for >3 years, we think the picture would be more normalised.

With such a picture, we have been relatively quiet on the portfolio front, although we continually evaluate new opportunities. At the moment, we feel that we have the right exposures and, in the end, the cream will rise to the top, delivering the outperformance that we are aiming for.

Developments within the Trust

We have issued a further 0.75m shares during April through the block listing facility. Our ability to issue shares was restricted by the evaporation of our premium rating versus our NAV. From inception to end March 2018, the Trust traded at an average premium to NAV of 2.27%. In contrast, we have traded at an average discount of 1.55% during April, despite a solid performance versus our benchmark and peers: BBH's NAV return has outperformed the total return of the MSCI benchmark by 2.5% so far this calendar year year. Furthermore, we are in positive absolute territory YTD, in contrast to the wider market, where the key UK, US and Global indices are down).

Our leverage ratio has modestly decreased versus the end of March (declining from 9.9% of gross assets to 8.9%), as we have kept some cash aside to take advantage of any perceived market mis-steps around the reporting season. In-keeping with the comments above, the portfolio remains unchanged, with the same 30 holdings as we had at the end of March.

With the Trust currently trading at a discount to NAV, relative performance holding up well and both relative and absolute valuations for healthcare companies looking very attractive versus recent history, we think it is a very opportune time to consider investing in the Trust. With that in mind, we will be out on the road updating investors over the coming weeks and we look forward to seeing many of you then. Meanwhile, we would like to thank you for your continued support of the Trust.

Please do feel free to submit any questions raised by the discussion in the factsheet to: shareholder_questions@bbhealthcaretrust.co.uk and we will endeavour to respond in a timely fashion.

Paul Major, Daniel Koller and Brett Darke

SUB SECTOR BREAKDOWN

Med-Tech	20.3%
Biotech	16.1%
Managed Care	10.2%
Specialty Pharma	8.8%
Dental	7.9%
Health Tech	7.9%
Diagnostics	7.0%
Pharma	5.2%
Healthcare IT	4.8%
Distributors	4.4%
Other HC	3.9%
Services	3.5%

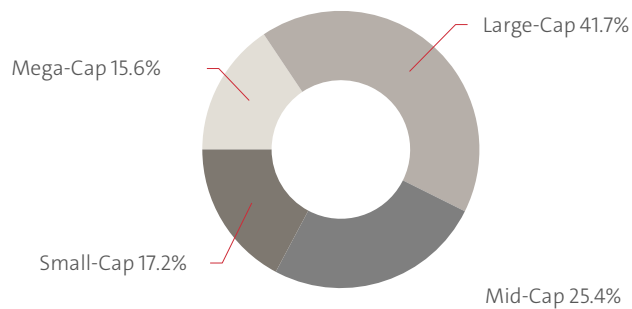
Source: Bellevue Asset Management, 30.04.2018

TOP 10 HOLDINGS

Align Technology	7.9%
Anthem	6.9%
Illumina	5.3%
Shire	5.2%
Dexcom	5.0%
Teladoc	4.8%
Celgene	4.8%
Intuitive Surgical	4.5%
AmerisourceBergen	4.4%
Walgreens Boots	3.9%

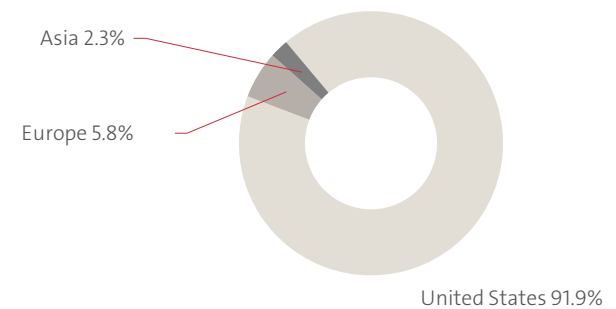
Source: Bellevue Asset Management, 30.04.2018

MARKET CAP BREAKDOWN



Source: Bellevue Asset Management, 30.04.2018

GEOGRAPHICAL BREAKDOWN (OPERATIONAL HQ)



Source: Bellevue Asset Management, 30.04.2018

"four companies representing ~12% 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".

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 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 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. 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. 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 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 AG and no assurances are made as to their accuracy. Bellevue Advisors Limited is an Appointed Representative of Mirabella Advisers LLP, which is authorised and regulated by the FCA (RFN: 606792).

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



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 301.0 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	268 699 768
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

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