BB Healthcare Trust

Monthly News
August 2020

Marketing document

As at 08/31/2020	Value	1 Month (August)	YTD	Since Launch (ITD)
Share	157.50	0.3%	14.4%	72.4%
NAV	157.23	1.2%	12.6%	75.2%

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 31.08.2020, 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 August factsheet. What crazy times these are. We veer from heatwave to cold spell; the stock market rises even faster than coronavirus cases and the UK Government's latest snappy message seems to be: "Go out, don't worry about the NHS, save Pret". Meanwhile, political discourse in America during intersecting national crises resembles a kindergarten playground spat. It is beginning to feel like the end of days...

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.

No generation can escape history

According to the Oxford Dictionary, 'analysis' is: "detailed examination of the elements or structure of something". We would interpret 'elements' and 'structure' as absolute constructs. In another, less fashionable era, we might have called these things 'facts' or 'truths'.

Where uncertainty prevails (i.e. in pretty much everything), we might instead look to "observations". Again, in what might in time be referred to as the 'not post-truth' era, these observations would be drawn from real-world datasets and include control groups and peer-reviewed analysis of the conclusions to ensure they were robust.

When people ignore the rules and rely on opinions rather than observable facts, bad decisions often follow. Worse, when the wider populous becomes inured to this lack of data and hollow claims from politicians of "following the science" or accusations of "fake news" and "deep state actors" within the very machinery of government, it is surely a certainty that we are headed to hell in a handbasket.

Unlike some people, we have not "had enough of experts". Right now, some demonstrable competency would be most refreshing. Whilst we are confident readers will relate to the sentiments expressed above (how could one not?), some might query how these nebulous disputations relate to healthcare investing. Let us explain ourselves:

We are in the middle of a global healthcare emergency. Whilst the ultimate severity of SARS-CoV-2 in the pantheon of human maladies should be more widely debated (more on this anon), we are already suffering tremendous and unprecedented economic and social upheavals. These are having profound impacts on morbidity and mortality that could persist for generations to come if we are not careful.

One need look no further than the increase in non-COVID excess deaths during the UK's lockdown to acknowledge how dangerous a dysfunctional state can be; we don't even need to wait for the recession to happen, people are already dying of secondary medical issues as the 'system' places controlling COVID-19 above all else.

Although the medical evidence all points in the direction of the crisis being well under control in terms of hospitalisations and deaths, many people are still very afraid and simply changing a slogan is not going to assuage the fear created by overly simplistic messaging early in the crisis.

Some politicians, tragically self-serving and vain since time immemorial, would happily send us all back into a lockdown than be accused of failing to manage this outbreak. The media is no better, jumping on every opportunity to tell the personal story of the exceptional fatality which proves the rule that most of us have nothing to fear from this virus.

All the while, efforts to protect and support those truly at risk remain shamefully weak or even cruel: why are some people being denied access to their elderly relatives in care homes? What about the human rights of the elderly for what little time they have left? They might as well be in prison.

In this febrile atmosphere, any hope of treatments to lessen severity, cures or vaccines are understandably seized upon and have been politicised as never before. Healthcare as a nationalistic weapon – who would have thought it? In such times, we would expect our leaders to show judgement, not exhort the drinking of bleach or the taking of unproven malaria remedies, but this is how far we have fallen.

The reason this is worth discussing is that society's next decisions, around second-wave management and potential vaccination, will set the course of events for some considerable time to come. Lives genuinely depend on getting this stuff right (and we don't just mean COVID-19 deaths). Less importantly perhaps, but of great relevance to us (and to you as an investor), the economic outlook and thus the rating of the stock market rest on these actions too.

The nobility of public service

Although we should not accept it, we can at least comprehend why so-called populist 'leaders' would jump on any opportunity to make themselves look better, but surely we have every right to expect a higher standard from our supposedly non-partisan civil servants? Maybe so, but it may be too much to expect they can withstand relentless political pressure from above in these times when the normal rules of responsible governance seem long forgotten.

There can be little argument the US Food and Drug Administration (FDA) is the world's most admired medical regulatory body. It has long sought to balance the need for patients to have rapid access to potentially life-saving treatments with safeguarding public health; never has the public desire for rapid action been so obvious. The agency's methods are as much copied as admired (as are its endorsements of treatments). However, we feel its conduct during this pandemic raises many questions.

Stephen Hahn took over as FDA Commissioner in December 2019, just before the pandemic took hold. Appointed by Trump, Hahn's academic and medical career preceding this appointment is impressive. Nonetheless, it seems to us that he has failed to stand up for the Agency's principles of balancing public need with supportive evidence and instead succumbed to political pressure on at least two occasions that are in the public domain:

- Hahn was at the forefront of the push to approve the emergency use of the malaria drug hydroxychoroquine (HCQ) under a so-called Emergency Use Authorisation (EUA) and to have the drug distributed across the USA. This decision came after Trump boosted the drug as a "miracle cure". That EUA was revoked less than three months later due to the potential for serious adverse events and lack of efficacy. This is a nearly 70 year-old drug. Its potential for adverse events was well documented, so an approval could surely only have been justified in the face of overwhelming efficacy evidence, which there never was.

- On 23 August, the FDA granted another EUA to convalescent plasma (blood isolates from recovered COVID-19 patients, that would include antibodies). The EUA was predicated on an uncontrolled registry study. During a press conference about its approval, with Trump at his side, Hahn made various statements about the treatment, including suggesting it conveyed a 35% survival benefit. This is an impossible conclusion to reach given there was no control arm. This approval is all the more bizarre in the face of the previous misstep with HCQ.

  Much more learned scientists than us have suggested that, in as much as one could draw any conclusions from the data at hand, the benefit from convalescent plasma suggested by the registry studies would be many times lower than Hahn implied. Worse, the US National Institutes of Health (NIH), perhaps the only part of the US Government's healthcare apparatus more positively regarded than the FDA, has issued a condemnatory opinion stating there is no evidence plasma is an effective treatment.

  This approval leaves aside the fact that such plasma is difficult to obtain and expensive to produce, so this could not be a widespread treatment option in the event of a second wave of disease, even if it did work. It felt disturbingly like a PR exercise and public officials should not be dragged into such things.

- In light of all this, we were wondering what the FDA planned to do in respect of Gilead's Veklury (remdesivir), a re-purposed Ebola treatment similarly feted by Trump as being "very very successful", despite what we (and many other more expert commentators) consider to be rather mixed clinical trial results overall, including a Chinese study that was negative. Likewise, it was approved under an EUA in May, immediately after an NIH study was stopped early. Since then, various parties have been pushing for an expanded label for the drug but one could reasonably argue that the cumulative results thus far raise significant questions over its efficacy that warrant more trials. We do not yet know if this drug can improve mortality and probably never will now.

  True to recent form, the EUA was expanded to include all hospitalised patients on 28 August. Trials to demonstrate remdesivir's effectiveness are ongoing. This drug's adverse event profile is relatively straightforward (liver enzyme elevations) and patients can be monitored during therapy and the drug stopped if there are issues, although this would be more of a potential problem if the label was ever expanded further into mild-to-moderate COVID-19 and then patients might end up taking it at home rather than in hospital.

In crucial things, unity

As we come into the back end of this tumultuous year, the next big decision for the FDA will be the approval of a potential vaccine against SARS-CoV-2. Rarely does one find a situation where the approval of a medicine could result in literally hundreds of millions of people receiving it within months, and potentially billions within years. Any risks from an early approval must be weighed up against the potential deaths of hundreds of thousands of people if the virus is left to continue to circulate unchecked.

With Russia having seemingly approved a vaccine before studies have been complete and China also willing to have made one available to frontline workers before trials are finished, America is already 'losing the race' in the mind of the US President, who has claimed one would be approved before the election. Will Trump pressure the FDA to approve these vaccines early, on limited data? Will others like the EMEA in Europe then feel compelled to follow suit?

There is a broader context here. Vaccination is probably humanity's greatest single achievement, ahead of anaesthesia and antibiotics. Whilst it may not be as cool as say, space exploration, it has improved life quality and expectancy for billions of people over the past 200 years and will continue to do so forever more. Can one confidently say something comparable about any non-medical inventions?

The age of social media has allowed crackpot conspiracies to flourish as never before, including the so-called Anti-Vaxxer movement. Even our interminable prognostications do not have room for all the many reasons these idiotic philosophies should be ignored, but there are few groups whose influence is so evidently causing harm.

For example, measles was declared eliminated in the United States in 2000, after its incidence fell below one case per million people, with a total of 60 domestic cases that year. Pre vaccination (in the 1960's) its prevalence was 3,000 times higher. There were >1,200 cases in 2019, 10% of which resulted in hospitalisations. There were only 63 cases in 2010. This is a tangible example of real harm being done to people in the US, mostly to children. Those involved should hang their heads in shame.

In all crazy theories, there is a kernel of truth. Vaccines can be harmful, as can everything. Oxygen is bad for you in high doses for goodness sake. Some people exhibit hypersensitivity to components within the vaccines. Much more rarely, vaccination itself can trigger runaway immune reactions. These are low risks and in most cases transient or easily managed with steroids etc. The risks of serious reactions like anaphylaxis are very low, perhaps 1 per 2 million vaccinations.

Nonetheless, when you are giving vaccines to literally everyone, as we do, these tiny numbers will mount up into multiple case reports and therein the trouble begins. The kernel germinates into a conspiracy theory. The rational majority focus on the statistics – the risk of harm is insignificant and the benefit huge. Ergo, you get vaccinated. The key point here is that the rational majority have the facts – the magnitude of benefit and the risk of harm. Because they have facts, they can undertake an analysis and reach a logical conclusion.

We have discussed the potential risks of antibody-dependent enhancement (ADE) from a poorly conceived vaccine before (cf. April Factsheet). We have also repeatedly cited the lack of evidence on the durability of protection for any candidate vaccine (a problem only resolved by long-term follow-up, the anathema of rapid approval). The emergence of serious complications like ADE or the rapid waning of protection in the real-world setting could undermine public trust in health authorities and in vaccination programmes more broadly. The latter would be a tragedy.

Many of those involved seem to appreciate the risks, as the 31 August press release on this topic from vaccine front-runner AstraZeneca attests. It emphasises their commitment to comprehensive trial data collection and that any regulatory submission "will meet the stringent requirements of regulators around the world". Rightly so; what company would want to be associated with a rushed approval that might lead to adverse consequences for millions of people?

Against this backdrop, we should all remember that hospitalisation rates and fatalities from SARS-CoV-2 are falling. Part of this is demographics (more younger people being tested, many are asymptomatic or mildly unwell at worst) and part of it is deterministic (many of the most vulnerable were lost already and we are now better protecting those in care homes).

At the same time, we have got better at managing the condition (evidenced by improving mortality for those admitted to intensive care). There may also be some element that is due to attenuation of the virus as it mutates and evolves toward optimised human-to-human transmission; severely injuring your host is rarely a good evolutionary strategy for a parasitic organism.

America is already viewed as a leader in medical science and certainly used to be regarded as a leader in public health. It should not compromise on these high standards for the sake of pyrrhic political expediency. The section titles this month are quotes by 41st US President George H W Bush. The current incumbent of that noble office would be well served by considering this statement, which many consider the definition of so-called American exceptionalism:

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"America is never wholly herself unless she is engaged in high moral principle. We as a people have such a purpose today. It is to make kinder the face of the nation and gentler the face of the world."

Donald Trump has told the US that it should prepare for a vaccine to be deployed on 1 November, conveniently just before the election. We have no idea if this timeframe allows for sufficient data to be produced and then analysed deeply by regulators, but it seems highly unlikely either marker can be met. We can only hope that common sense prevails in future FDA decisions. There is too much at stake to cut corners.

The solution to every problem starts with education

After a somewhat downcast and depressing opening to our missive, let us move to greener pastures. Firstly, it has been another fruitful month on the vaccine development front, with positive data on efficacy in the over 50 age group (albeit from a small dataset) and evolving progress on cold chain issues (i.e. the temperatures at which putative vaccines can be stored and remain viable).

As we have noted before, global success really requires a vaccine that can be distributed in poorer (often warmer) nations at practicable temperatures. It is all still very early days, but progress on any of these fronts is unquestionably good, albeit irrelevant without real-world efficacy of infection prevention. And for that, we will need to wait a while longer.

The past two weeks have seen two SARS-CoV-2 'lateral flow' point-of-care antigen tests launched (one by Abbott, the other by Roche). These work like a pregnancy test stick. Roche's appears slightly more complex to use than Abbott's, but both should give results in around 15 minutes and cost less than $5. Both will be manufactured at the 10s of millions of tests per month rate within a few months.

These tests are a potential game-changer over time (we say over time because the US Government has basically bought out all of Abbott's supply until year-end for nursing homes). In addition to being provided to frontline medical staff and care homes, they could be used in schools, offices, universities and so on. They might even become something one gets issued with boarding passes at ports and airports. It is unlikely they will replace the existing infrastructure used for mass testing, but they will be a welcome addition: anything that improves public confidence will greatly aid the economic recovery, which of and in itself will improve health outcomes.

Whilst we are discussing progress on testing, there are some interesting papers suggesting that the PCR-based lab tests now in widespread use might be too good, in terms of sensitivity. PCR uses an amplification technique that enables it to detect minute amounts of genetic material. The rounds of amplification you do, the smaller quantity you can detect. DNA and RNA are not evidence of a viable pathogen, they are evidence that such a pathogen was present. It could have been inactivated by the immune system or even just be fragments of the virus left over from its immunological destruction.

As such, it has been shown that you can now test positive weeks after infection when you are clearly no longer a risk. As such, it is being suggested that the amount of amplification being used in labs is capped at an agreed level, so that we limit positive results to those who are highly likely to still have viable viral particles in your system that you could pass on to others. In this way, we will limit those self-isolating unnecessarily and also make better decisions regarding localised restrictions (which are based on testing positivity rates).

A less welcome piece of data was the global death toll from SARS-CoV-2 now exceeds 850,000, or an annualised 1.5 million. The US alone has thrown more than $6 trillion at the pandemic, in terms of supporting medical provision, research and economic support. The EU has spent $3.5 trillion. Unprecedented levels of mortality argue for unprecedented levels of spending, right?

According to the World Health Organisation, tuberculosis (another respiratory disease, albeit one for which the vast majority of cases can be treated) kills this many people every year. It is estimated that global spending on TB prevention and treatment is about $13 billion a year. J&J has recently cut the price of key TB therapy bedacquiline in developing nations, but it is still unaffordable in many of the countries blighted by this disease, despite its apparently very low cost of manufacture. From our analysis, it is difficult to understand why J&J doesn't give it away outside the US and Europe.

Diarrhoeal diseases resulting from a lack of access to clean drinking water kill something like 2 million people every year. The UN has estimated that it would cost $150bn per year to ensure that everyone had access to clean water by 2030, or $1.5trn in total. Until this money is made available, please have a look at this: https://csdw.org/. Well done Procter & Gamble.

Whilst it is inescapably true that all human life is of equal value, the numbers above surely illustrate that the reality for many is clearly very different. The best predictor of good health is being in a developed nation, but that does not mean that we could not collectively improve the lot of the majority of the planet's denizens for a small monetary amount. Given the amazing rapidity with which financial resources have been deployed during the pandemic, the argument that we cannot afford to tackle these health inequalities feels rather hollow.

Let us hope such inequity is not the outcome when it comes to vaccine access for SARS-CoV-2. Until we are all protected, the virus will continue to circulate, offering a reservoir of disease to strike at those who are vulnerable, just as preventable diseases like measles and polio still circulate in poor countries today.

Performance review

The wider market

The healthcare sector once more under-performed a roaring stock market in August. The MSCI World Index rose 4.3% in sterling terms, with US tech stocks again taking charge. Apple, Microsoft, Amazon, Facebook and Google (Alphabet) are the five largest weightings, accounting for a cumulative 15% of the Index. Poor Elon – Tesla only manages 11th place and a puny 0.7% weighting of the World's pre-eminent global benchmark, although we can think of 100 billion reasons why he probably isn't bothered. The US market's tech-led rally continues to break all manner of records. The market is partying like it's 1999, and we all know how that ended.

The MSCI World Healthcare fell 0.2% during August. It rose in dollars, but the greenback has continued to weaken, with the sterling-dollar exchange rate moving 2.2% across the month. The Pound has touched levels last seen in May 2018. This is very much a macro-driven FX rally; sadly it is not because the fundamentals of the UK economy have suddenly improved. Quite the opposite in fact.

Regardless of FX, the >400bp lagging performance of healthcare merits discussion. The ongoing tech rally has been a major factor in this, but there also seems to have been a continued rotation in favour of cyclical stocks. Since the market low of 23 March, the MSCI World Index has generated a sterling total return of 33.9%, versus 24.1% for the MSCI World Healthcare Index. Healthcare actually outperformed the wider market up to the end of May, after which the relative performance reversed. Since the end of May 2020, The MSCI World Index has delivered a sterling return of 7.9%, and the MSCI Healthcare Index has lost 2.1%.

The table overleaf illustrates the MSCI World's sub-sector performance since the end of May. At first glance, one might well conclude that the market is not solely driven by a Tech rally. Other consumer-oriented stocks seem to have done well, perhaps presaging a return to normal (the old normal that is – life pre-COVID):

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EVOLUTION OF PORTFOLIO WEIGHTINGS

Sector	Weighting	Performance
Automobiles & Components	1.8%	41.4%
Technology Hardware & Equipment	5.6%	40.6%
Retailing	5.6%	27.2%
Software & Services	10.9%	19.5%
Media & Entertainment	6.4%	19.0%
Transportation	2.1%	18.8%
Semiconductors & Semiconductor	3.6%	18.6%
Materials	1.8%	41.4%
Consumer Durables & Apparel	5.6%	40.6%
Capital Goods	5.6%	27.2%
Household & Personal Products	10.9%	19.5%
Insurance	6.4%	19.0%
Consumer Services	2.1%	18.8%
Diversified Financial	3.6%	18.6%
Commercial & Professional Services	1.8%	41.4%
Food & Staples Retailing	5.6%	40.6%
Bank	5.6%	27.2%
Healthcare Equipment & Services	10.9%	19.5%
Food, Beverage & Tobacco	6.4%	19.0%
Real Estate	2.1%	18.8%
Telecommunication Services	3.6%	18.6%
Utilities	6.4%	19.0%
Pharmaceuticals, Biotechnology	2.1%	18.8%
Energy	3.6%	18.6%

Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd. as of 31-08-20.

A couple of notable observations throw this initial conclusion into sharp relief: we estimate that "tech-like" Tesla accounts for around three quarters of the auto sector's total return over the period. Without Tesla, Autos would be in the bottom half of the distribution. Likewise, almost the entire return in the Retail grouping has come from Amazon. Whilst some retailers have done okay, others have not and it washes out. Media and Entertainment includes Facebook and Netflix. Guess what? They both account for an out-sized proportion of the total return in that sub-sector too.

Transportation may seem like an interesting one, but this includes logistics firms like UPS, FedEx and Deutsche Post DHL. They have done very well out of the shift online and account for a meaningful amount of the return there as well. Since we are immersed in 1999 nostalgia, let's call that an internet derivative play; everyone wanted to be one of those in 1999.

In conclusion then, we are looking at an overwhelmingly Tech-driven market dynamic, just like the one that emerged in the autumn of 1999. The stock market return excluding Tech and pseudo-Tech like Tesla is quite muted, which is what one might reasonably think appropriate in the midst of a global economic slowdown driven by a pandemic yet to have been brought under control.

Perhaps this subdued wider picture suggests markets are rational overall (ignoring the bidding Tech up massively bit). We make no attempt to forecast when this Tech-centric upswing will end; the NASDAQ's 1999 tech break out went on for four months before reaching is apogee in March 2000, but end it will. Will this be the signal to pile into the market again? That is also a difficult question. There were many false dawns on the way to the NASDAQ's October 2002 trough. Indeed, buying and holding the May 2000 NASDAQ 'mini-rally' would have been even more ruinous than the initial March 2000 sell-off.

We are convinced this exuberance is unlikely to last and feel strongly it continues to warrant cautious and defensive positioning (even within healthcare, which is unarguably more defensive than the wider market). Just as a rising tide lifts all ships to some extent, a storm can have unpredictable consequences.

Healthcare

Let us return to more familiar territory. The MSCI World Healthcare Index's sub-sector performance is illustrated in the table below. There is perhaps less behaviour that warrants explanation here when comparing to the wider market: Animal Health fits into the Consumer Staples bucket, so is an obvious arena for generalist interest if playing the economic recovery trade. Healthcare IT stocks are tech proxies; Facilities are another operationally and financially geared beneficiary of normalisation.

Diagnostics companies were pole-axed on the aforementioned Abbot lateral flow test approval (and have suffered further on the similar news from Roche). Managed care has continued to be whipsawed on political sentiment, but is looking more attractive by the day in our minds.

BENCHMARK SUB-SECTOR PERFORMANCE AND WEIGHTINGS

Sub-Sector	Weighting	Perf. (USD)	Perf. (GBP)
Animal Health	1.3%	7.6%	5.3%
Healthcare IT	1.6%	5.4%	3.2%
Facilities	1.0%	4.7%	2.6%
Conglomerate	12.2%	4.6%	2.4%
Services	2.5%	2.8%	0.7%
Tools	7.3%	2.6%	0.5%
Managed Care	8.5%	2.6%	0.5%
Med-Tech	15.2%	2.0%	0.2%
Diversified Therapeutics	35.6%	1.7%	-0.4%
Dental	0.5%	0.9%	-1.3%
Healthcare Technology	0.9%	0.0%	-2.1%
Focused Therapeutics	9.4%	-0.6%	-2.7%
Distributors	1.2%	-1.6%	-3.6%
Generics	0.4%	-4.2%	-6.2%
Diagnostics	2.3%	-6.4%	-8.4%
Index perf.		**1.9%**	**-0.2%**

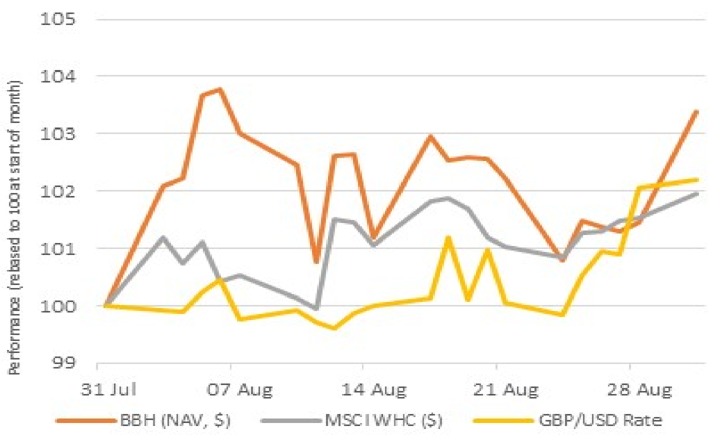
Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd. Weightings as of 31-07-20. Performance to 31-08-20.

Separately, it was gratifying to see the so-called 'vaccine trade' discussed last month unwinding nicely over the past few weeks. Some rationality around pricing and a realisation that the smaller-cap laggards who are many months behind the leaders may not be getting much of the action drove the sell-off; this offers some evidence that markets are rational in the end.

Overall though, it feels as if healthcare remains adrift on a macro sea; listless rather than listing, but waiting for something to happen with regard to wider sentiment before pushing on one way or the other. We continue to think that healthcare is better placed than the market overall to deliver returns on a six-to-twelve month view.

The Trust

The Trust's Net Asset Value rose 1.3% during the month, outperforming the sector benchmark by ~150bp to yield a month-end NAV of 157.23p. The NAV evolution over August is illustrated in the chart overleaf; we are pleased to have recovered the outperformance from the early part of the month despite the appreciation of sterling against our dollar-focused portfolio.



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

Our conservative positioning is largely unchanged. The portfolio declined from 31 active positions to 28, with us exiting two inception positions: Intuitive Surgical (Med-Tech) and Align Technology (Dental) on a combination of high valuation and high consensus expectations. We also sold the remainder of our once-beloved but much reduced position in Teladoc (Healthcare IT). Valuation has long been challenging, but we are not fans of the Livongo transaction. We exited the position on announcement of the deal. There are no sacred cows at BB Healthcare.

The evolution of our sector weightings is illustrated below. The reduced exposure to Diagnostics and Tools reflect market movements rather than active allocation. In contrast, the increased exposure to Focused therapeutics and Managed Care does reflect additional buying.

EVOLUTION OF PORTFOLIO WEIGHTINGS

	Subsector end July	Subsector end Aug	Change
Dental	0.2%	0.0%	Exited
Diagnostics	11.4%	11.2%	Decreased
Diversified Therapeutics	15.4%	17.3%	Increased
Focused Therapeutics	32.8%	32.9%	Unchanged
Healthcare IT	5.2%	3.6%	Decreased
Managed Care	15.1%	15.7%	Increased
Med-Tech	8.1%	7.9%	Decreased
Services	7.1%	7.1%	Unchanged
Tools	4.6%	4.3%	Decreased
	100.0%	100.0%	

Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd. Weightings as of 31-07-20. Performance to 31-08-20.

Our cash balance increased slightly from 8.7% of gross assets to 9.0%. We issued a further 6.0 million shares during August, 0.5 million of which were in relation to the scrip dividend option in respect of the H1 2020 interim dividend.

The General Meeting that took place just after the end of the month saw both resolutions passed. As a consequence, the Trust has the capacity to issue a further c.53 million shares before the next AGM. The Board and the Managers are happy to support continued issuance as long as the investment portfolio can absorb the additional capital without any diminution of our projected returns. We are comfortable that the current assets under management are far below this threshold and expect to be able to support issuance for many more years to come. The increased share count improves liquidity for existing shareholders and the growth in assets should result in a lower total expense ratio, to the benefit of all holders.

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

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

Paul Major and Brett Darke

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Standardised discrete performance (%)

12-month total return	1 year Aug 19 - Aug 20	2 years Aug 18 - Aug 20	3 years Aug 17 - Aug 20	since inception
NAV return (inc. dividends)	31.2%	13.9%	47.0%	75.2%
Share price	26.0%	8.2%	34.6%	57.5%
Share price (inc. dividends)	29.9%	14.7%	45.8%	72.4%
MSCI WHC Total Net Return Index	11.3%	18.9%	34.1%	57.2%

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 31.08.2020

NAV return and share price returns are adjusted for dividends paid during period where started (but not assuming reinvestment)

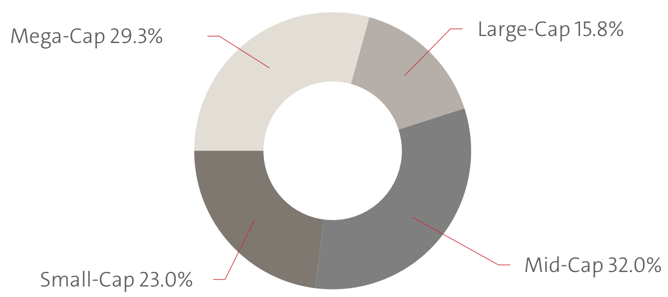
Note: Past performance is not a guide to future performance. The value of an investment and the income from it may fall as well as rise and is not guaranteed

TOP 10 HOLIDINGS

Bristol Myers Squibb	8.1%
Anthem	7.4%
Esperion	6.7%
GW Pharmaceuticals	5.7%
Hill-Rom Holdings	5.5%
Charles River	5.5%
Jazz Pharmaceuticals	5.3%
Humana	4.8%
Alnylam Pharmaceuticals	4.4%
Bio-Rad Laboratories	4.3%
Total	**57.8%**

Source: Bellevue Asset Management, 31.08.2020

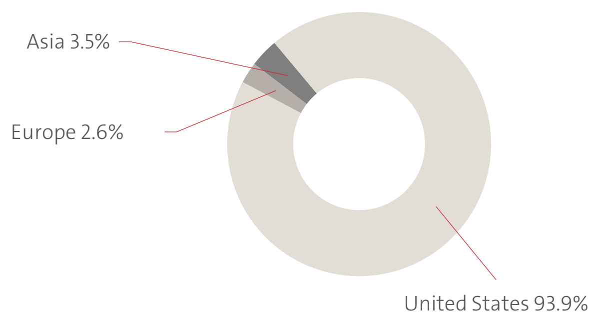
MARKET CAP BREAKDOWN



Source: Bellevue Asset Management, 31.08.2020

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

GEOGRAPHICAL BREAKDOWN (OPERATIONAL HQ)



Source: Bellevue Asset Management, 31.08.2020

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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

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 749.1 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	472 644 689
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

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 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.

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