B|B Healthcare Trust

Monthly News
October 2020

Marketing document

As at 10/31/2020	Value	1 Month (October)	YTD	Since Launch (ITD)
Share	163.00	-1.8%	18.3%	77.9%
NAV	163.43	-1.3%	16.9%	81.5%

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 31.10.2020, 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 October missive. Investor updates inevitably have a finite shelf life, but rarely are there so many uncertainties as now. By the time you read this, the US Presidential election will be imminent or past; the first interim read for a SARS-CoV-2 vaccine likely will have occurred and we will be close to the (slightly elastic) EU deadline for a post-Brexit trade deal. For a UK equity investor, any of these events could have a material short-term impact.

Sadly, the election may not end healthcare uncertainties – we must also contend with a US Supreme Court hearing on Obamacare in front of a right-leaning bench that will rule before mid-2021. The only certainty is everything will look different by year end…

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.

Triangulation

Before we ruminate on our own meanderings through the escalating market gyrations that typified October, we will layout our thoughts on the potential impact from three of the four propinquitous issues outlined above: the US election and vaccine efficacy, from the standpoint of healthcare utilisation and wider market sentiment and the (hopefully definitive) Supreme Court ruling on the Affordable Care Act ('ACA' or 'Obamacare').

Looking beyond the next few weeks, the other pressing question is: how might 2021 look, both in comparison to 2019 and versus market expectations. Many uncertainties force one to have a range of views, but these are beginning to coalesce into distinct views that could inform positioning.

What about Brexit; is it not worthy of more detailed debate? We are not the Liberal Democrats (remember them?), acting as if the referendum never happened. However, Brexit's medium-term impact for our strategy is minimal: our current and future investment targets are largely focused away from this sceptred isle: the UK only accounts for about 2.5% of global health spending, being home to 0.9% of the global population.

In the event of a better than expected (i.e. comprehensive) EU-UK agreement, we expect to see a fairly rapid and potentially material uptick in the dollar-sterling exchange rate or the reverse in the event of an 'EU-Australia deal' (mellifluous PR spin for 'no deal' or 'hard Brexit'). Our Net Asset value could thus see a re-basing, but we would not expect it to be comparable to the ~20% sterling sell-off in the four months post the 2016 referendum (a 20% up/down move from today would imply above $1.60, a level not held since 2013-14, or below $1.08, which we have not seen in 50 years). Beyond this FX move, will anything else really change for a global healthcare investor?

Onward or hard-a-starboard?

US politics can seem unfathomable to the outside observer, especially in the current 'post-truth' era, where the rules of engagement seem forgotten. Nautical terminology seems apt, for turning the tiller in one direction actually sets the ship in the other.

Do we really know what either candidate actually stands for? Trump does not really articulate any position in the stated aims for his second term and we know his views can change on a dime. As such, he is very much a continuity candidate, if volatile and irrational behaviour can ever be considered continuity.

Biden is a consensus builder and a stated one term President if he wins. Much of his agenda is about reversing the isolationist and combative foreign / supranational policy focus of the Trump administration. At home, taxes will go up, regulation for business will go up. In general, markets do not like these things, but the market has been pricing in his ascendency for some time.

There will be a leftward shift, but how much? Polling through the ages tells left-leaning politicians to play to the centre to gain leadership and then power, regardless of their true desires. Here in the UK, Tony Blair understood this, Corbyn did not. For two US Presidential cycles in a row, it is clear that Sanders did not understand, Biden did. But does he mean what he says, or say what he needs to?

One of the fascinating things about modern investment bank research is the claim the bank takes no view on the outcome of the US election. With most of these institutions having tens of billions of dollars of daily market risk exposure, this is of course nonsense. Everyone has a view and, if you are a fund manager, it is your job to take a position.

Our position remains unchanged for some weeks now. We expect Biden to win the White House, the Democrats to retain the House of Representatives and increase their Senate seats from the current 45 (+2 independents. The Republicans have 53, plus the VP can come in to break a tie in their favour).

However, we think it is too close to call in terms of a potential Senate majority, since seven marginal seats are within the bounds of polling error. If the Democrats do win a majority (>50, + the VP if they win the Presidential race), we think the probability of a super-majority (60+ to allow cloture and block a filibuster) is very low, but may be possible in 2022.

We think the Democrats taking control of the Senate has been priced into the US equity market for some time. However, we see potential downside risk in the event of a super-majority, as it would enable the party to tack further to the left in terms of potential legislative actions, creating additional uncertainty. A Trump victory might offer some surprise upside, if for no other reason than the neutralising of corporate tax rises.

As we have noted in previous factsheets, we think a Democratic White House and Congress is the best medium-term outcome for the healthcare sector more broadly. One cannot divorce the potential election outcome from the wider economic picture, which looks set to worsen. For the majority of US citizens, employment status and healthcare access are intrinsically linked. The costs of the US system are such that those without adequate insurance coverage will forego non-emergency care. All other factors being equal then, one should hope for the candidate who will do the most to enable healthcare access to those at the margins of viable employer coverage.

Trump offers nothing in this regard and is supporting a repeal of the ACA if the Supreme Court ruling (see below) offers a window to do so. Conversely, Biden is committed to fixing the ACA, lowering premium rates in the process and enhancing Medicare access through a lower age threshold.

The market has fretted that Biden could be a wolf in sheep's clothing: not so far from Sanders and Warren, with their "crazy" and "socialist" 'Medicare for All' policy, which Biden might introduce via the back door under the guise of the so-called 'public option'. Such a covert nuclear strike could be devastating for the healthcare sector and America more widely.

We will not contest the premise that 'Medicare for All' as written is a financially and logistically unsound fantasy that would have terrible consequences, but that is why it has never gone anywhere in the better part of a decade. Politicians are, in the end, not going to vote for the destruction of the American healthcare system; something imperfect is better than nothing.

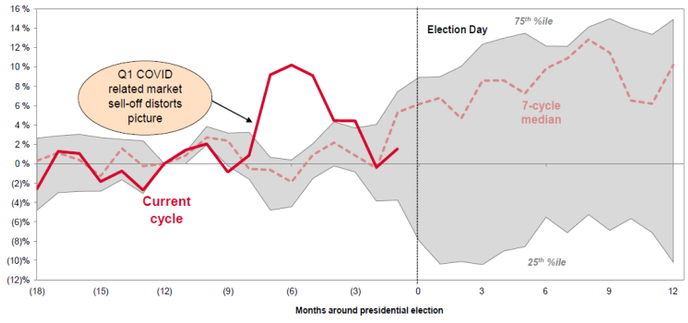
The key question then is whether the public option could be such a nefarious scheme. We hoped this incendiary theory would wither in the Presidential debates, but it garnered nary a mention in the first debate. However, the final Presidential debate (22 October) included a mute button, allowing the candidates to speak for two minutes uninterrupted and actually tell us something substantive. Biden opened up on the public option and the implication that it sought to replace private insurance capacity. This is what he said:

"What I'm going to do is pass Obamacare with a public option, and become Bidencare. The public option is an option that says that if you in fact do not have the wherewithal, if you qualify for Medicaid and you do not have the wherewithal in your state to get Medicaid, you automatically are enrolled, providing competition for insurance companies. That's what's going to happen."

"The idea that I want to eliminate private insurance, the reason why I had such a fight with 20 candidates for the nomination was I support private insurance. That's why. Not one single person with private insurance would lose their insurance under my plan, nor did they under Obamacare."

Surely even the most fervent 'Trumper' will struggle to find ambiguity in these comments, or argue it is 'Medicare for All' by the back door.

What might this mean for the post-election 'setup'? It bears repeating the perceived folly of owning healthcare into Presidential elections is not really true, as Figure 1 illustrates. Indeed, it has generally been the right call to be overweight healthcare into the outcome and ride a nice sentiment recovery bounce that results in relative outperformance during the following months.



Source: Goldman Sachs. Healthcare sector excess returns around US presidential elections 1992-2016 (indexed to 12 months ahead of election).

COVID-19 obviously complicates this picture, as does the Damoclean overhang of the Supreme Court discussing the ACA. Nonetheless, we expect this picture to hold initially. However, the bounce may not last six months if Trump wins, as it increases the odds that the totality of US healthcare coverage will decline in a material way, right at the point where unemployment could pressure commercial coverage levels.

"Let me go the right way" by ACB and the Supremes

The US legal and political systems turn out constitutional hits to the Affordable Care Act at a rate that would make Berry Gordy proud. Congress is 0 for 70 in sporting parlance for repeal bills to the ACA. Whilst the batting average sucks, you cannot fault the perseverance. It's like Leicester City in the FA Cup.

Statistically (i.e. leaving any moral or political views aside), the legal system is faring better, with a number of cases that have narrowed the scope of the legislation and several that have progressed to the Supreme Court. There were rulings on two consolidated cases in June 2012 (before the law even came into effect) and the Court rejected two others that year.

Several further challenges remain, principally centred around the individual mandate and associated tax penalties, culminating in another hearing to determine if the law is constitutional, in whole or in part. The case is due to begin in November 2020 and the Court is expected to issue an opinion by June 2021. It could come earlier but, as a general rule, the more contentious the opinion, the longer it takes. That said, a unanimous decision could come as early as January, but this seems unlikely.

One might reasonably posit that, since the law has previously been challenged and upheld, why won't this be the case again? If there was not a material issue to debate, the Court would have declined the case: the mandate was impacted by the 2017 Trump tax cuts. The other factor to consider is that the make-up of the Court is now different to 2012.

First, let's briefly revisit the conclusions of the 2012 case. This is a little dry, but hopefully explains why the issue is not definitively settled.

The original case was 'National Federation of Independent Business v. Sebelius' (Kathleen Sebelius was Obama's Health Secretary). The ruling upheld (by a vote of five to four) that Congress was acting within its authority with respect to the mandate for two reasons 1) The individual mandate was described as a 'penalty' instead of a tax so cannot be challenged as a tax under the 'anti-injunction act' of 1867. 2) The mandate does, however, function as a tax and Congress has wide powers to issue taxes. This latter point was the more controversial, with majority opinions that the Act conformed to one set to tax raising powers but not to another.

The 2017 Trump tax cut reduced the penalty for not having insurance to zero, arguably undermining the 2012 ruling since the tax no longer functions as a penalty. One might say 'so what', but various Federal lawsuits, including one in Texas in 2018, concluded that the ACA is so intrinsically linked to the concept of the mandate that the law cannot stand without it. Removing a tenet from legislation is known as 'severability' and the 2012 ruling did not address severability, because the mandate was upheld, making it a moot point.

One further complication is that revenues from the mandate are supposed to reimburse insurers for not discriminating actuarially against those with pre-existing conditions. Thus, the ACA being upheld with the mandate severed may have material consequences for how the ACA works in reality and place insurance beyond the reach of millions of Americans with poor health status.

In summary, the ruling could have several outcomes. 1) Dismiss the case on technical grounds, so the law still stands. 2) Uphold the law as it stands today. 3) Uphold the law by severing it from the mandate, making the challenge moot, but with potential consequences for those with pre-existing conditions. 4) Strike the law down.

Three of the Justices involved in the 2012 ruling are no longer on the bench (Ginsburg, Kennedy and Scalia). Ginsburg voted in favour, the other two against. All three replacements (Gorusch, Kavanaugh and Barrett) are perceived as more conservative and constitutionally literal and thus arguably more likely to vote against the mandate were the case being heard today. As such, a five to four win could become four to five, or they may support severance of the mandate.

Unless you are one of the 20 million or so Americans relying on this Act for your healthcare coverage, all of this may seem rather anodyne. However, the materiality of these people dropping out of the coverage pool is clearly not a positive for healthcare, or American society as a whole, since it will set back a decade's progress on addressing healthcare inequalities.

Nothing will change before the ruling. If Biden wins 'bigly', then all of this could be moot as legislation to pre-empt a potential severing of the mandate might be possible before the opinion is handed down.

Conversely, if Trump wins, his administration is likely to take as harsh a view as possible and try to strike the law down. As such, the court decision

may replace the election and things like drug pricing reform or 'Medicare for All' as another overhang for the sector.

Of course, it is possible that Trump has a plan (maybe called "Trumpcare"?) to replace the ACA. If he does, no one yet knows about it. Since all of the arguments on both sides have already been aired, there will be little new information on how this is likely to play out before the actual ruling arrives.

A shot in the arm or a shot through the heart?

Vaccines, vaccines, vaccines. So much talk about vaccines. We have opined on the various uncertainties surrounding vaccine safety and efficacy before, so let's not revisit those topics and adopt the market's seemingly uncontroversial assumption that vaccines will be shown to work well in the coming weeks. What next?

However well the vaccines work, they will not be 100% effective. Let's go with the flow and assume 80% since Pfizer's first interim has yet to happen and thus it may be above 77%. The lack of full data for many months yet will probably allow only an Emergency Use Authorisation, limiting the first doses to those most at risk and frontline healthcare workers. Logistics around manufacturing and distribution probably also limit the initial usage.

For the UK then, let's assume they target everyone over 65 (~12m) and 0.5m NHS workers during Q1 2021. Not everyone will want the vaccine initially. There are understandable reservations about taking something that has not been fully approved – how many people then might say "no thanks"?

A UK survey by University College London suggested only around half the broad population would be 'very likely' to get a shot. The same survey found older adults, who generally understand their risk is higher, were more willing (73% said 'more likely'). Let's be generous and assume that three quarters of the elderly and all those frontline workers go for it. For reference, around 75% of the UK's over 65s do get an annual flu jab. Let us also assume it works as well in these people as the rest of us.

Presupposing this logistically challenging vaccination programme could be completed in three months (several of these putative vaccines would require two injections, around four weeks apart), we could say that (75% * 12m) + (0.5m) = 9.5m UK adults would be vaccinated by mid-year. If the vaccine has 75% efficacy for whatever period (let's assume a year), then we have 9.5m * 75% = 7.13m people who are genuinely protected against COVID-19. That amounts to just over 10% of the total UK population. If the R0 of the virus is just under 2.0, then we probably need >70% of the population to be vaccinated or have innate immunity to prevent person to person transmission.

It therefore follows that we cannot think of relaxing the various physical distancing and mask wearing rules and infection control protocols in the health and personal care settings in H1 2021.

Let's go further and assume that we do get a formal approval for use in all adults by mid 2021, allowing a mass vaccination programme to begin in H2 2021. There are ~13m under 18s, leaving 42.5m adults aged 18-65 to vaccinate. As noted above, many will be wary and some sort of government campaign to promote vaccination and its safety will surely occur.

If we make the same assumption about 75% uptake and efficacy, we get to another ~24m people who are notionally immune. Can the NHS manage to give 32 million people a shot (or maybe even two) inside of six months? It takes more than four months to give nine million people a flu shot. We could of course create centres like we have for testing (hopefully better run), but let us not under-estimate this challenge.

At the end of 2021, we could thus have 24m + 7m immune. Let's add another three million for innate immunity, that's 34m out of 68m or around 50%. We are still not at that critical 70% level. As such, there will continue to be COVID-19 cases and possibly even some deaths. Furthermore, some of those vaccinated in the Emergency Use Authorisation phase may at this point now see waning

This takes us all the way back to a comment that we made at the very start of the pandemic. In the end, the Government is going to have to decide on a level of new COVID cases and COVID deaths that it deems acceptable to begin to roll back restrictions and this will probably be the driver of the ultimate "return to normal", whatever that means. These are difficult decisions, but that is the responsibility that comes with being in Government.

The key point is there will not be some wonderful singular event like a modern VE day, where our self-anointed latter-day Churchill can declare that vaccination is finished and the 'war' is won. COVID is endemic now, and we will be living with it in some form or other for a long time. This is great news if you are a vaccine manufacturer, but probably not great news for the rest of us.

Let's not go too far into an Aldous Huxley rabbit hole. As we stare down the barrel of a second national lockdown in the UK, the rational conclusion is surely that 2021 is going to look much more like 2020 than 2019 and we think the stock market needs to go through a further period of adjustment to reflect this.

We can at least hope that the ultimate approval of a vaccine does lift both people's spirits and consumer sentiment, for the reality remains that most of us have little to fear from this cursed virus and its economic costs are proving out of all proportion to its morbidity burden.

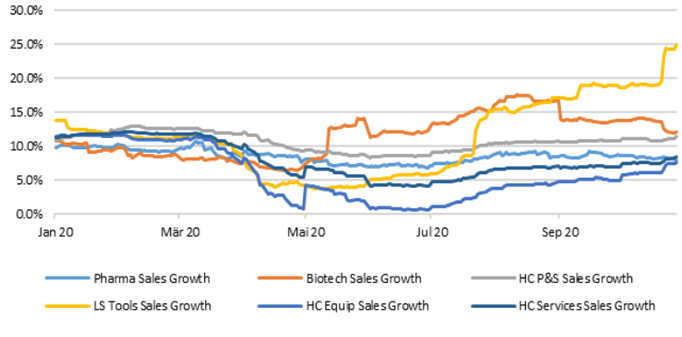
Back to the Future

This brings us neatly to the topic of positioning. For those of you still with us and not fed up of our Eeyorish ways, we must all try to navigate through this reality. The equity market remains frothy in absolute valuation terms yet, at the same time, the world is awash with super-cheap money that must find a home somewhere. Bonds have no yield, credit risks are rising and commercial property no longer feels safe and secure. All of this points to sustained equity inflows. That said, we have to be rational investors and we currently see no reason to change our generally cautious and defensive positioning with respect to healthcare.

Partly this is informed by wider valuation considerations, which we have discussed at length over many months. We have also touched upon consensus expectations before and our fear that they may be too high for 2021. This is increasingly our main concern, especially as the 2021 JP Morgan Healthcare conference will (in a virtual sense) remain the key venue where senior management teams opine on the outlook and we fear the waters will at best be muddy and at worst a turbulent riptide against which swimming will be very challenging.

They say a picture tells a thousand words, so here are two. Figure 2 is a chart of how expectation for the revenue growth of the healthcare sub-sectors (MSCI GICS Level 3) have evolved over the year. We are highlighting revenue growth expectations for 2021 versus a static baseline. This baseline is the estimate for 2020 revenues as of 1 January 2020. Clearly, those 2021 estimates moved down as the pandemic took hold.

We are seeking a simple truth – are people expecting 2021 to be a normal year, almost as if COVID never happened, or are they factoring in the continuation of the pandemic and all the attendant limitations that places on healthcare utilisation?



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

What the Figure 2 shows is a downward rebasing of 2021 expectations as the realisation of the pandemic took hold, with renewed optimism taking forecasts back up in the summer. The Tools upward re-basing is due to COVID testing emerging as a major industry in itself, and is thus uncontroversial.

Where has this renewed optimism left us? Figure 3 illustrates where estimates for 2021 revenue growth now stand versus that pre-COVID 2020 baseline:

	2021 estimate change since 01-01-2020
Pharma Sales	0.6%
Biotech Sales	8.5%
HC P&S Sales	3.5%
LS Tools Sales	12.5%
HC Equip. Sales	-0.5%
HC Services Sales	0.6%

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

We would caveat that Index-level data is always to be taken with a pinch of salt: constituents change, weightings evolve, FX moves, etc. etc. However, we have validated these findings against other quantitative data sources to confirm there has been a material positive re-basing of 2021 expectations during the summer.

As a consequence, the picture suggests that healthcare revenue expectations for 2021 have risen overall since the pandemic began. Taken at face value, 2021 is apparently looking better than it did before all of this started, which intuitively feels incorrect to us.

It will be interesting to see how Q3 reporting impacts these expectations, although so far, the Q3 reporting season has been a mixed bag from the perspective of 'reading the recovery tea leaves'. We have seen positive comments from hospital operators regarding capacity utilisation, albeit with higher acuity levels suggesting strongly that much of returning patient volumes were those people who couldn't risk deferring any longer and those who perhaps could not risk waiting, lest there were another shutdown. When it comes to the funnel of new patients that come from routine screening or primary care referrals, the picture is more mixed.

On the capex side, we also see a confusing picture. Spending is increasing, but remains below historical norms and continues to prioritise acute care capacity needs over the usual wants and desires of the hospital staff for shiny new equipment.

Whilst many a conference call talks of the V-shaped recovery from Q1 to Q3 and are more than praiseworthy for how their company and their customers have adapted to the pandemic, most are coy about trends for Q4 and even more so on predicting how 2021 might look. This is understandable. What feels less so to us is the willingness of Wall Street to fill this void with growth and optimism. For the healthcare sector, we concur 2021 will likely as not be better than 2020; how could it not? The key point for us though is the 2021 to 2019 comparison, along with the veracity of some of those sales and earnings forecasts.

These remain difficult questions and the prudent assumption is an abundance of caution. As such, we continue to prioritise companies where we are very comfortable with the current levels of consensus expectations. There may be companies that we think have better long-term prospects, but we want to buy at the right entry price.

Performance review

The wider market

In sterling terms, the MSCI World Index declined 3.4% during October (-3.1% in dollars), in a predominantly 'risk-off' dynamic characterised by increasing volatility as the month wore on. Whilst the US election probably played some role in this, the main factor appears to have been the rapid re-acceleration in COVID-19 case growth across Europe and then, lagging slightly, the US. The three worst-performing sectors were Pharma (-6.8%), Software (-6.3%) and Energy (-5.5%). Energy is an obvious play on the economic shutdown scenario; Pharma and Software are perhaps worthy of further consideration.

Pharma weakness seems to be a combination of election/political rhetoric (as discussed previously), lacklustre earnings and the ongoing discussion around pipelines generally being weak (a longstanding view of ours, but why is that material now, versus a few months back?). On Software, it seemed to be a capitulation on the SaaS names, presumably because the corporate spending outlook for 2021 is looking a bit bleaker and there has been a general reversal of positive retail investor sentiment to technology shares in the wider sense, given how lofty valuations have become.

Healthcare

Since the largest component of the healthcare index got sent to the woodshed, it is probably no surprise to read that healthcare underperformed the wider market during October, declining 5.2% in sterling terms (4.9% in dollars). The way down was led by the aforementioned pharma stocks (categorised within Focused Therapeutics, Diversified Therapeutics and Conglomerates), but retail investor darling Dexcom (declining 18.6% when measured in sterling) dragged Healthcare Technology into the worst performer slot.

Conversely, another former Trust holding, Align, took Dental to the winners slot with its 33.4% appreciation during the month in sterling. Hindsight is a wonderful thing, but the potential for a strong rebound was there in the channel data. You can't win 'em all and our concerns over the medium-term outlook versus the valuation have not been assuaged. The sub-sector performance data is illustrated in the table below:

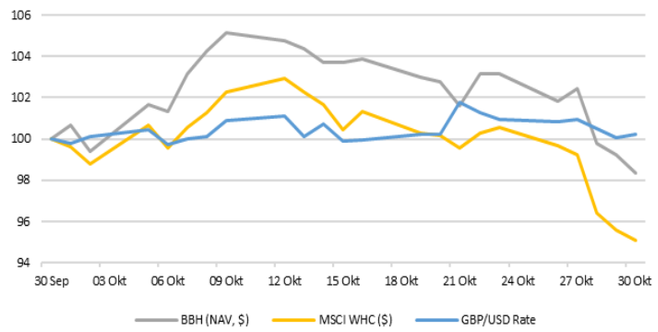
BENCHMARK SUB-SECTOR PERFORMANCE AND WEIGHTINGS

Sub-Sector	Weighting	Perf. (USD)	Perf. (GBP)
Focused Therapeutics	9.2%	-7.6%	-8.1%
Conglomerate	12.3%	-7.8%	-8.5%
Dental	0.6%	22.1%	21.6%
Diagnostics	2.2%	1.4%	1.0%
Distributors	1.2%	-1.7%	-2.7%
Facilities	1.0%	-2.4%	-2.0%
Generics	0.4%	-2.8%	-3.9%
Healthcare IT	1.7%	-1.3%	-0.8%
Healthcare Technology	0.9%	-17.7%	-16.1%
Managed Care	8.5%	-1.4%	-1.8%
Med-Tech	15.4%	-3.5%	-3.9%
Other HC	1.4%	-2.2%	-1.6%
Diversified Therapeutics	35.3%	-8.3%	-8.7%
Services	2.5%	-1.8%	-2.0%
Tools	7.6%	6.5%	6.0%
Index perf.		**-4.9%**	**-5.2%**

Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd. Weightings as of 30-09-20. Performance to 31-10-20.

The Trust

The Trust's Net Asset Value declined 1.4% during the month, outperforming the sector benchmark by 381bp to yield a month-end NAV of 163.43p. This was a very tricky month with high levels of intra-day volatility and we again benefitted from our intentionally defensive positioning. Tools, Services and Diagnostics were again the principle drivers of our outperformance and therapeutics were the largest detractors. As noted previously, we still see scope for a post-election relief rally in the Therapeutics companies. The evolution of the NAV over the month is illustrated overleaf:



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

The 27-stock portfolio is unchanged from September, although inevitably various weightings have moved, particularly among our diagnostics holdings. The evolution of our sector weightings is illustrated in the table below:

EVOLUTION OF PORTFOLIO WEIGHTINGS

	Subsector end Sep	Subsector end Oct	Change
Diagnostics	11.8%	10.9%	Decreased
Diversified Therapeutics	15.9%	15.5%	Decreased
Focused Therapeutics	33.3%	32.2%	Decreased
Healthcare IT	2.8%	1.9%	Decreased
Managed Care	16.0%	17.5%	Increased
Med-Tech	9.1%	10.7%	Increased
Services	6.8%	6.3%	Decreased
Tools	4.4%	5.1%	Increased
	100.0%	**100.0%**	

Source: Bloomberg/MSCI and Bellevue Asset Management (UK) Ltd. Weightings as of 30-09-20. Performance to 31-10-20.

The reduced exposure to Therapeutics is a combination of active re-allocation and under-performance. The reduced holdings in Diagnostics was due to profit taking on significant outperformance during the month. The increased allocation to Managed Care and Med-Tech is a combination of active allocation and relative outperformance. The increased holdings in Tools was driven by relative outperformance.

The net cash position stood at 9.2% of gross assets at the end of the month, compared to 9.1% at the end of September. We have maintained our recent policy of holding the majority of this cash in sterling to reduce the translational impact caused by any Brexit induced GBP/USD volatility versus our dollar-dominated equity holdings. We will review this approach one we have moved beyond the (hopefully final) EU-UK trade agreement negotiations. The performance drag created by the net cash position was clearly helpful in the latter part of the month as the market fell.

We issued 4.9m shares via the tapping programme.

Hopefully we are well positioned to ride the inevitable election-related volatility and we will update you again if the outcome turns out to be a surprise that warranted revised positioning.

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 and, in the meantime we wish you and your families well in coping with this challenging environment.

Paul Major and Brett Darke

B|B Healthcare Trust

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Standardised discrete performance (%)

12-month total return	1 year Oct 19 - Oct 20	2 years Oct 18 - Oct 20	3 years Oct 17 - Oct 20	since inception
NAV return (inc. dividends)	31.2%	34.1%	56.5%	81.5%
Share price	25.9%	26.4%	41.7%	63.0%
Share price (inc. dividends)	29.7%	33.6%	53.1%	77.9%
MSCI WHC Total Net Return Index	9.4%	19.0%	33.8%	52.5%

Sources: Bloomberg & Bellevue Asset Management (UK) Ltd., 31.10.2020

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

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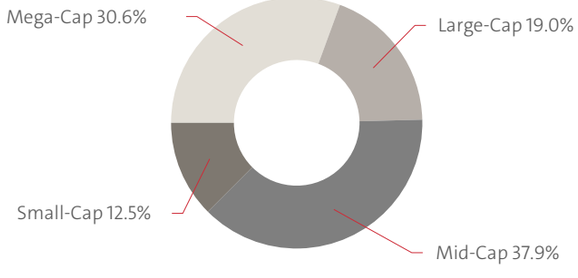
TOP 10 HOLIDINGS

Anthem	7.7%
Bristol Myers Squibb	7.4%
Hill-Rom Holdings	6.1%
Humana	5.7%
GW Pharmaceuticals	5.6%
Bio-Rad Laboratories	5.1%
Jazz Pharmaceuticals	4.8%
Caredx	4.8%
Insmed	4.6%
Esperion	4.3%
Total	**56.3%**

Source: Bellevue Asset Management, 31.10.2020

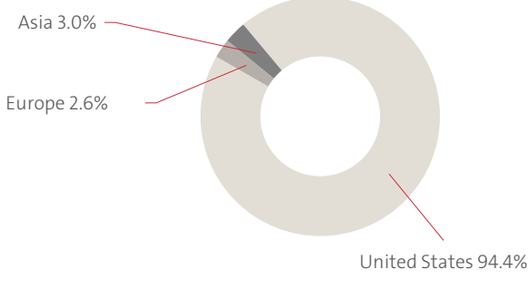
MARKET CAP BREAKDOWN



Source: Bellevue Asset Management, 31.10.2020

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

GEOGRAPHICAL BREAKDOWN (OPERATIONAL HQ)



Source: Bellevue Asset Management, 31.10.2020

BB Healthcare Trust

Monthly News
October 2020

Marketing document

INVESTMENT FOCUS

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

DISCLAIMER

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 784.2 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	481 074 689
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

CONTACT

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