

BB Healthcare Trust plc

Half-yearly financial report

For the six months ended 31 May 2018

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INVESTMENT OBJECTIVE, FINANCIAL INFORMATION AND PERFORMANCE SUMMARY

Investment objective

The investment objective of the Company is to provide Shareholders with capital growth and income over the long term, through investment in listed or quoted global healthcare companies. The Company's specific return objectives are: (i) to beat the total return of the MSCI World Healthcare Index (in sterling) on a rolling 3 year period (the index total return including dividends reinvested on a net basis); and (ii) to seek to generate a double-digit total shareholder return per annum over a rolling 3 year period.

Financial information

As at 31 May 2018	
Net asset value ("NAV") per Ordinary Share (cum income)	122.09p
Ordinary Share price	121.50p
Ordinary Share price discount to NAV ¹	0.5%

Performance summary

	% change ^{2,3}
Share price total return per Ordinary Share ¹	+4.0%
NAV total return per Ordinary Share ¹	+7.5%
MSCI World Healthcare Index (GBP)	+1.7%

1 Alternative Performance Measures ('APMs')

2 Total returns in sterling for the six months to 31 May 2018, including dividends reinvested.

3 Source: Bloomberg

Alternative performance measures ('APMs')

The financial information and performance summary data highlighted in the above footnote are considered to represent APMs of the Company. Definitions of these APMs together with how these measures have been calculated can be found on page 21.

CHAIRMAN'S STATEMENT

I am pleased to present BB Healthcare Trust's Half-yearly Report for the 2018 Financial Year. It has been another period of positive progress, both in terms of the investment performance and continued growth through further share issuance, with a further 12.4 million Ordinary Shares issued since the end of the prior financial year. At the time of writing, the Company's market capitalisation is in excess of £355 million.

Performance

In the period under review from 1 December 2017 to 31 May 2018, the Company's share price and net asset value ("NAV") have recorded total returns in sterling terms of 4.0% and 7.5% respectively. In comparison, the MSCI World Healthcare Index (GBP) delivered a total return of 1.7%. In the period since inception to 31 May 2018, the Company's share price and NAV have delivered total returns in sterling terms of 25.3% and 26.0% respectively. In comparison, the MSCI World Healthcare Index (GBP) delivered a total return of 16.4%.

In contrast to the prior year, the Company's share price has shown a greater level of volatility versus the evolution of the NAV. The premium has averaged only 1.0% during the period under review, and has traded at an average discount of 0.5% since the end of March 2018. This has not only negatively impacted the total return for Shareholders, but has also hampered our ability to grow the Company through share issuance, which can only take place when the shares are trading at a premium to NAV. The Board continues to believe that further share issuance benefits all investors, through improved liquidity and a potential lower total expense ratio.

The Ordinary Shares are subject to an annual redemption option at the discretion of the Board, offering a robust form of discount control.

Key market developments

The first half of 2018 has seen a continuation of the volatile macro-political environment that characterised the prior year, making a difficult climate for equity investors, that has seen indices make little progress. Moreover, the healthcare sector has again been caught up in US polemics. In a divided country, common cause can be found in attacking the drug industry and health insurance companies, which are widely disliked by mistrustful voters. With mid-term electioneering in full swing, sentiment is unlikely to improve markedly in the near-term. In such a context, allied to the fading earnings power of the large pharmaceutical companies that account for almost half the benchmark value in the quoted sector, it is not a surprise that healthcare underperformed the MSCI World Index by 1.6% during the period.

As the Brexit debacle rolls on, one should also highlight the extent to which sterling impacted the progression of the NAV. The Company has averaged more than 90% exposure to dollar-denominated assets since inception, creating a significant translational currency exposure in terms of the reported NAV, with a peak-to-trough move in the dollar of almost 8% during the period in review.

In spite of the sector's lacklustre performance over the period, we remain very optimistic regarding the investment return opportunity in healthcare. Indices reflect history and incumbency, whereas the future belongs to those whose innovations will improve the quality and efficiency of healthcare delivery.

As society struggles to meet the growing needs of an ageing population, never has the need for improved services been so pressing. Our strategy focuses on companies helping to deliver that more efficient future.

Dividend

As announced in December 2017, the target dividend for the 2018 financial year is 4.0p per Ordinary Share. The Directors are pleased to declare an interim dividend for the Company of 2.0p per Ordinary Share, payable on 24 August 2018, to Shareholders on the register as at 27 July 2018. The dividend will be funded mainly from the Company's capital reserves.

Gearing

The Company previously agreed a £30 million two-year multi-currency revolving bank facility with Scotiabank. As at 31 May 2018, the aggregate amount drawn down from the facility was just below this £30 million limit, representing a gearing ratio of 9.0% (versus 3.9% at the end of November 2017). The facility has a commitment increase option and this was exercised in June 2018, raising the maximum facility amount to £40 million. The Board and the Portfolio Manager continue to believe that a high single digit gearing level is appropriate in current market conditions.

Outlook

Whilst the clamorous electioneering will continue in the US for some months yet, the lack of substantive proposals argues for the status quo, and the second half of the year should see a pivot back toward stock-specific fundamentals. As noted above, we are in the foothills of an unprecedented period of change for our industry that offers multitudinous new opportunities for investors. All the while, valuations look undemanding in a number of healthcare sub-sectors and the need for healthcare products and services will continue to grow into the foreseeable future.

Professor Justin Stebbing

11 July 2018

PORTFOLIO MANAGER'S REPORT

Macro environment

During the first half of our financial year from 1 December 2017 to 31 May 2018, a number of macro-political themes emanating from the United States ("US") again dominated sentiment toward healthcare stocks. December 2017 saw a painful 'growth into value' transition, followed in January 2018 by a biotechnology rally spurred by hopes of tax reform fuelled Mergers & Acquisitions ("M&A"). This saw the NASDAQ Biotechnology Index up 11% before the month was out. It subsequently fell nearly 15% by April 2018, as it became clear that the uncertain environment was dissuading management teams from committing to widespread deal making.

Biotechnology looks well set to remain the axis of drug innovation and has gradually clawed its way back into positive territory for the year. In addition to the M&A induced volatility, drug stocks and the wider drug supply chain have been whipsawed by the twin spectres of Trump-driven pricing reform and Amazon-induced obsolescence.

As we noted in our February 2018 factsheet, you will struggle to find more fervent believers than us in the general notion that healthcare is an inefficient industry ripe for technology-led disruption. The recent PillPack acquisition notwithstanding, we do not see the low margin, capital-intensive world of wholesale drug supply as the obvious target. Equally, we are acutely aware of the realpolitik that developed world healthcare spending growth is out of control and must be brought to heel. Our investment decisions consider this likely future reality, and we eschew companies where we feel that a robust economic case for the product or service on offer is lacking.

Drug prices in the US are undoubtedly part of the healthcare cost problem, albeit a small one. Until the US has a leadership focused on the wider causes of spending growth, we think that the cost trend will continue to rise unabated. Although they are still evolving, we do not believe that the US Administration's current proposals represent a material change to the status quo. Despite this, there is a mid-term election for the politicians to win and a sell-side craving the volatility that drives share trading activity, so we have little hope that the noise around these false prophets of doom will die down in the short-term.

As was the case last year, Brexit anxieties have compounded the underlying volatility in our NAV progression with significant currency unpredictability. It is not obvious to us that the probability of a Brexit conclusion that is supportive of low friction trade and continued UK economic growth has become nearer but, at one stage during the period under review, sterling had appreciated nearly 7.7% against the US dollar. Overall, sterling has declined 0.7% since the end of our previous financial year and has appreciated more than 5.3% since the Company's inception.

Despite these multi-faceted challenges, we are pleased that the share price and the NAV have continued to develop positively and that we have materially outperformed our reference index over the first half of our financial year.

Discreet performance drivers

We use the MSCI World Healthcare Index ("the Index") in sterling as our reference index. Its parent index is the MSCI World Index. In sterling terms, the MSCI World Healthcare Index underperformed the broader MSCI World Index by around 1.6% in the six months to the end of May 2018, rising 0.8% (-0.8% in dollars), versus 2.4% (+0.8% in dollars). Healthcare performance by sub-sector for the six months ended 31 May 2018 is summarised in the table on page 5; Generics, Dental, Diagnostics and Animal Health have been the notable positive performers, with the branded drug companies (Biotechnology, Conglomerates and Pharma) and Distributors the laggards, as discussed above.

Performance by Sub-sector breakdown

	USD	GBP
Biotechnology	-7.7%	-6.2%
Conglomerate	-8.0%	-6.5%
Dental	17.1%	19.0%
Diagnostics	15.7%	17.6%
Distributors	-4.3%	-2.7%
Facilities	11.9%	13.7%
Generics	23.0%	25.0%
Healthcare IT	-3.3%	-1.7%
Managed Care	0.9%	2.5%
Medical Technology	6.6%	8.4%
Other Healthcare/Animal Health	15.8%	17.7%
Pharmaceuticals	-2.2%	-0.6%
Services	5.5%	7.2%
Specialty Pharmaceuticals	4.7%	6.4%
Tools	6.3%	8.0%

Source: Bloomberg and Bellevue Asset Management (1 December 2017 to 31 May 2018).

Portfolio performance and evolution

During the period, the Company's NAV total return was 7.5%, compared to a total return in sterling terms of 1.7% for the Index. Our strategy thus materially outperformed the Index. The Company's share price total return was 4.0%, the under-performance versus the NAV arising from the share price premium to NAV as at 30 November 2017 moving to a small discount at the end of May 2018. The corresponding total return for the MSCI World Index was 2.5%, so we also delivered an above-market total return, despite the underperformance of healthcare against the MSCI World Index and the Company's share price premium to NAV moving to a discount. The Company also paid a final dividend of 1.75p per Ordinary Share at the end of March 2018.

The top three positions in terms of a positive contribution to the development of the NAV (and their local currency share price performance) have been Align Technology (Dental, +27%), Dexcom (Healthcare Technology, +51%) and Teladoc (Healthcare IT, +37%). The three most significant detractors have been Esperion (Specialty Pharma, -37%), Celgene (Biotechnology, -22%) and Incyte (Biotechnology, -31%). All three of the latter investments were impacted by specific developmental setbacks relating to important pipeline products, although one can always debate the extent to which the market has reacted appropriately to a singular event.

In terms of our sub-sector allocations, the most notable trend over the first six months of the Company's financial year was a shift away from therapeutics (Pharma, Specialty Pharma and Biotechnology) and toward Healthcare IT and Healthcare Technology. Our combined exposure to therapeutics declined from 35.0% at the end of November 2017 to 28.6% by the end of May 2018. Conversely, exposure to Healthcare Technology and Healthcare IT rose from 5.9% to 13.4%

PORTFOLIO MANAGER'S REPORT

CONTINUED

There were 27 companies in the portfolio at the end of November 2017. This rose to 30 by February 2018, but declined to 28 towards the end of the period. Our gross exposure rose from £312 million to £360 million through a combination of capital gains, share issuance and increased borrowings (the leverage ratio rose from 4.0% to 8.4% over the first half), offset by the payment of the £4.7 million dividend in March 2018. We continue to actively trade around our positions into news flow events and financial reporting, in order to manage short-term risk/return within our anticipated holding periods.

Outlook for the second half of the year and beyond

Healthcare provision is an emotive subject. Let us be honest, we will all need to use it at some point and access to these services is considered a basic human right in most of the developed world. Thus, the broad notion that the system in whatever country one inhabits is no longer fit for purpose or under intolerable strain is an unpalatable one, and calling for wholesale change has never been a sure-fire vote winner for politicians.

Nonetheless, change is coming and that represents a significant opportunity for both investors and society in the wider context. The Company was incepted recognising that such a prospect was finally upon us. One can of course talk ebulliently at any time about all manner of exciting innovations to come, and generally find an audience willing to listen, being as we are all so emotionally invested in the notion that scientific progress and human ingenuity can save us from suffering. This is not the same as making money, and alpha is generated by focusing on the ideas whose time has now come.

Whilst there have been a number of shorter-term headwinds since we began, our focus remains on the longer term outlook and those companies which we believe can improve care at an acceptable cost. As we move into the fourth quarter and the US mid-term election result becomes known, fundamentals should again come to the fore of the debate. Objectively, there are few things as certain as rising demand for healthcare, and we hope to ride the synchronous waves of innovation and demographic change for many years to come.

Paul Major, Brett Darke and Daniel Koller

Bellevue Asset Management

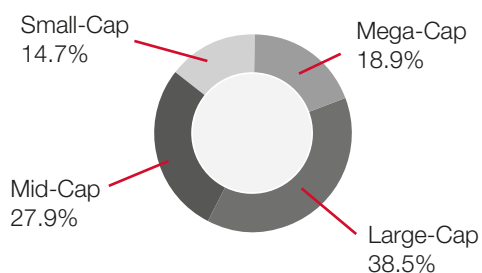
11 July 2018

PORTFOLIO

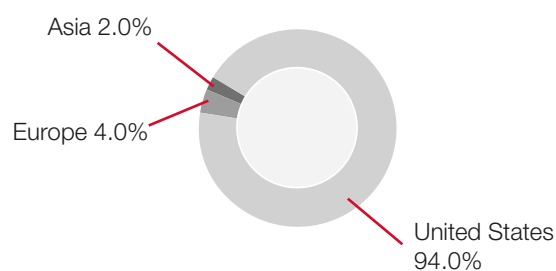
TOP TEN HOLDINGS As at 31 May 2018	% of net asset value
Align Technology	9.6
Anthem	7.0
Illumina	6.4
Teladoc	6.2
Dexcom	5.6
Shire	5.4
Intuitive Surgical	5.0
Celgene	4.7
AmerisourceBergen	4.6
Lonza	4.3
Top ten holdings	58.8
Other net assets	41.2
Total	100.0

SUB SECTOR BREAKDOWN	%
Medical Technology	19.5
Biotechnology	15.4
Managed Care	9.7
Dental	8.9
Specialty Pharmaceuticals	8.6
Diagnostics	7.7
Health Technology	7.7
Healthcare IT	5.7
Pharmaceuticals	5.0
Distributors	4.2
Services	4.0
Other Healthcare	3.6
Total	100.0

MARKET CAP BREAKDOWN



GEOGRAPHICAL BREAKDOWN (OPERATIONAL HQ)



Source: Bellevue Asset Management, 31.05.18.

INTERIM MANAGEMENT REPORT

The Directors are required to provide an Interim Management Report in accordance with the UK Listing Authority's Disclosure Guidance and Transparency Rules ('DTR'). The Directors consider that the Chairman's Statement on pages 2 and 3 and the Portfolio Manager's Report on pages 4 to 6 of this Half-yearly Report, the following statement on related party transactions and the Statement of Directors' Responsibilities below, together constitute the Interim Management Report for the Company for the six months ended 31 May 2018. The principal risks and uncertainties to the Company are detailed in the Company's Annual Report for the period ended 30 November 2017. The principal risks and uncertainties facing the Company remain unchanged from those disclosed in the Annual Report for the period ended 30 November 2017. The outlook for the Company for the remaining six months of the year ending 30 November 2018 is discussed in the Chairman's Statement and the Portfolio Manager's Report.

Related party transactions

Details of the amounts paid to the Company's Portfolio Manager and the Directors during the period are detailed in note 12 of the notes to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE HALF-YEARLY REPORT

The Directors confirm to the best of their knowledge that:

- The condensed set of interim financial statements contained within the Half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting.
- The interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's DTR.

Justin Stebbing

Chairman

11 July 2018

CONDENSED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MAY 2018

		Six months ended 31 May 2018			Period from 7 October 2016 to 31 May 2017			Period from 7 October 2016 to 30 November 2017 [^]		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments		–	25,056	25,056	–	18,000	18,000	–	33,960	33,960
(Losses)/gains on currency movements		–	(590)	(590)	–	17	17	–	522	522
Net investment gains		–	24,466	24,466	–	18,017	18,017	–	34,482	34,482
Income	4	963	–	963	956	–	956	1,919	–	1,919
Total income		963	24,466	25,429	956	18,017	18,973	1,919	34,482	36,401
Portfolio management fees		(288)	(1,154)	(1,442)	(167)	(667)	(834)	(417)	(1,668)	(2,085)
Other expenses		(406)	–	(406)	(326)	–	(326)	(791)	–	(791)
Profit before finance costs and taxation		269	23,312	23,581	463	17,350	17,813	711	32,814	33,525
Finance costs		(67)	(270)	(337)	(11)	(45)	(56)	(43)	(170)	(213)
Operating profit before taxation		202	23,042	23,244	452	17,305	17,757	668	32,644	33,312
Taxation	6	(108)	–	(108)	(127)	–	(127)	(272)	–	(272)
Profit for the period		94	23,042	23,136	325	17,305	17,630	396	32,644	33,040
Return per Ordinary Share	7	0.04p	8.68p	8.72p	0.20p	10.75p	10.95p	0.21p	17.42p	17.63p

[^] Audited.

There is no other comprehensive income and therefore the 'Profit for the period' is the total comprehensive income for the period.

The total column of the above statement is the statement of comprehensive income of the Company. The supplementary revenue and capital columns, including the earnings per Ordinary Share, are prepared under guidance from the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

The notes on pages 14 to 20 form an integral part of these financial statements.

CONDENSED UNAUDITED STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2018

	Note	31 May 2018 £'000	31 May 2017 £'000	30 November 2017 [^] £'000
Non-current assets				
Investments held at fair value through profit or loss	3	360,035	197,707	312,238
Current assets				
Cash and cash equivalents		4,512	904	842
Sales for future settlement		832	–	–
Income receivable		223	221	228
		5,567	1,125	1,070
Total assets		365,602	198,832	313,308
Current liabilities				
Bank loans payable	5	29,720	7,948	12,786
Purchases for future settlement		3,279	–	484
Other payables		547	215	425
Management Shares	8	–	13	–
Total liabilities		33,546	8,176	13,695
Net assets		332,056	190,656	299,613
Equity				
Share capital	8	2,733	1,730	2,609
Share premium account		134,767	24,884	120,934
Special distributable reserve		138,705	146,412	143,355
Capital reserve		55,686	17,305	32,644
Revenue reserve		165	325	71
Total equity		332,056	190,656	299,613
Net asset value per Ordinary Share	9	122.09p	110.21p	115.43p

[^] Audited.

Approved by the Board of Directors and authorised for issue on 11 July 2018 and signed on their behalf by:

Justin Stebbing
Chairman

Registered in England and Wales with registered number 10415235

The notes on pages 14 to 20 form an integral part of these financial statements.

CONDENSED UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MAY 2018

	Note	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening balance as at 1 December 2017		2,609	120,934	143,355	32,644	71	299,613
Profit for the period		–	–	–	23,042	94	23,136
Issue of Ordinary Shares	8	124	13,984	–	–	–	14,108
Share issue costs		–	(151)	–	–	–	(151)
Dividend paid		–	–	(4,650)	–	–	(4,650)
Closing balance as at 31 May 2018		2,733	134,767	138,705	55,686	165	332,056

FOR THE PERIOD FROM INCORPORATION ON 7 OCTOBER 2016 TO 31 MAY 2017

	Note	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening balance as at 7 October 2016		–	–	–	–	–	–
Profit for the period		–	–	–	17,305	325	17,630
Transfer to special distributable reserve		–	(146,412)	146,412	–	–	–
Issue of Ordinary Shares	8	1,730	173,661	–	–	–	175,391
Share issue costs		–	(2,365)	–	–	–	(2,365)
Closing balance as at 31 May 2017		1,730	24,884	146,412	17,305	325	190,656

The notes on pages 14 to 20 form an integral part of these financial statements.

CONDENSED UNAUDITED STATEMENT OF CHANGES IN EQUITY

CONTINUED

FOR THE PERIOD FROM INCORPORATION ON 7 OCTOBER 2016 TO 30 NOVEMBER 2017 (AUDITED)

	Note	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening balance as at 7 October 2016		–	–	–	–	–	–
Profit for the period		–	–	–	32,644	396	33,040
Transfer to special distributable reserve		–	(146,412)	146,412	–	–	–
Issue of Ordinary Shares	8	2,596	271,014	–	–	–	273,610
Issue of Management Shares	8	13	–	–	–	–	13
Share issue costs		–	(3,668)	–	–	–	(3,668)
Dividend paid		–	–	(3,057)	–	(325)	(3,382)
Closing balance as at 30 November 2017		2,609	120,934	143,355	32,644	71	299,613

The notes on pages 14 to 20 form an integral part of these financial statements.

CONDENSED UNAUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MAY 2018

		Six months ended 31 May 2018	Period from 7 October 2016 to 31 May 2017	Period from 7 October 2016 to 30 November 2017 [^]
	Note	£'000	£'000	£'000
Cash flows from operating activities				
Income*		969	735	1,690
Management expenses		(1,889)	(978)	(2,520)
Purchase of investments**		(114,042)	(203,942)	(371,220)
Sale of investments**		93,251	24,235	93,426
Foreign exchange (losses)/gains		(590)	17	(204)
Taxation	6	(108)	(127)	(272)
Net cash flow used in operating activities		(22,409)	(180,060)	(279,100)
Cash flows from financing activities				
Bank loans drawn		16,934	7,948	13,512
Finance costs paid		(162)	(10)	(130)
Dividend paid		(4,650)	–	(3,382)
Proceeds from issue of shares		14,108	175,391	273,610
Share issue costs		(151)	(2,365)	(3,668)
Net cash flow from financing activities		26,079	180,964	279,942
Increase in cash and cash equivalents		3,670	904	842
Cash and cash equivalents at start of period		842	–	–
Cash and cash equivalents at end of period		4,512	904	842

[^] Audited.

* Cash inflow from dividends for the financial period was £961,000 (30 November 2017: £1,688,000).

** Sales proceeds and purchases costs have been classified as components of cash flows from operating activities as investing activities form part of the Company's operations.

The notes on pages 14 to 20 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

BB Healthcare Trust plc is a closed-ended investment company, registered in England and Wales on 7 October 2016. The Company's registered office is Mermaid House, 2 Puddle Dock, London EC4V 3DB. Business operations commenced on 2 December 2016 when the Company's Ordinary Shares were admitted to trading on the London Stock Exchange. The condensed interim financial statements of the Company are presented for the six months to 31 May 2018.

The Company invests in a concentrated portfolio of listed or quoted equities in the global healthcare industry. The Company may also invest in American Depositary Receipts (ADRs), or convertible instruments issued by such companies and may invest in, or underwrite, future equity issues by such companies. The Company may utilise contracts for differences for investment purposes in certain jurisdictions where taxation or other issues in those jurisdictions may render direct investment in listed or quoted equities less effective.

2. Basis of preparation and accounting policies

Statement of compliance

The condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules ('DTRs') of the UK's Financial Conduct Authority. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the period ended 30 November 2017. The financial statements of the Company as at and for the period ended 30 November 2017 were prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). The accounting policies used by the Company are the same as those applied by the Company in its financial statements as at and for the period ended 30 November 2017. The financial information for the period from incorporation on 7 October 2016 to 30 November 2017 in the condensed interim financial statements has been extracted from the audited Annual Report and Accounts for that period.

When presentational guidance set out in the Statement of Recommended Practice ('SORP') for Investment Companies issued by the Association of Investment Companies ('the AIC') in November 2014 and updated in February 2018 is consistent with the requirements of 'IFRS', the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

Going concern

The Directors have adopted the going concern basis in preparing the financial statements.

The Directors have a reasonable expectation that the Company has adequate operational resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. There have been no estimates, judgements or assumptions, which have had a significant impact on the financial statements for the period.

2. Basis of preparation and accounting policies continued*Functional and presentation currency*

The financial statements are presented in sterling, which is the Company's functional currency. The Company's investments are denominated in multiple currencies. However, the Company's shares are issued in sterling and the majority of its investors are UK based. In addition all expenses are paid in GBP as are dividends. All financial information presented in sterling have been rounded to the nearest thousand pounds.

Investments

Upon initial recognition investments are held by the Company "at fair value through profit or loss". They are accounted for on the date they are traded and are included initially at fair value which is taken to be their cost. Subsequently quoted investments are valued at fair value which is the bid market price, or if bid price is unavailable, last traded price on the relevant exchange. Unquoted investments are valued at fair value by the Board which is established with regard to the International Private Equity and Venture Capital Valuation Guidelines by using, where appropriate, latest dealing prices, valuations from reliable sources and other relevant factors. The Company currently holds no unquoted investments.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the Statement of Comprehensive Income within "gains on investments".

Investments are derecognised on the trade date of their disposal, which is the point where the Company transfers substantially all the risks and rewards of the ownership of the financial asset. Gains or losses are recognised in the capital column of the Statement of Comprehensive Income.

New standards and interpretations effective in the current financial period

In the opinion of the Directors, there are no new standards that became effective during the period that had a material impact on the financial statements. At the date of approval of these condensed interim financial statements, the following standard, which has not been applied in these financial statements, was in issue:

IFRS 9, 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

The Board is currently considering the impact of the above standard. Based on its assessment, the standard is not expected to have a material impact on the Company's financial statements. The Company's portfolio of investments are held at fair value through profit or loss and, in accordance with IFRS 9, will continue to be classified as such based on the assessment so far.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3. Investment held at fair value through profit or loss

Financial instruments

Under IFRS 13 'Fair Value Measurement', an entity is required to classify investments using a fair value hierarchy that reflects the significance of the inputs used in making the measurement decision.

The following shows the analysis of financial assets recognised at fair value based on:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The classification of the Company's investments held at fair value is detailed in the table below:

	As at 31 May 2018				As at 31 May 2017			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss								
– Quoted in UK	17,901	–	–	17,901	12,271	–	–	12,271
– Quoted overseas	342,134	–	–	342,134	185,436	–	–	185,436
Closing valuation	360,035	–	–	360,035	197,707	–	–	197,707

	As at 30 November 2017			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss				
– Quoted in UK	15,984	–	–	15,984
– Quoted overseas	296,254	–	–	296,254
Closing valuation	312,238	–	–	312,238

There were no transfers between levels during the six months ended 31 May 2018 (31 May 2017 and 30 November 2017: nil).

Financial instruments – risk profile

The principal risks relating to financial instruments held by the Company remain the same as at the Company's last financial period ended 30 November 2017.

4. Income

	Period to 31 May 2018 £'000	Period to 31 May 2017 £'000	Period to 30 November 2017 £'000
Income from investments			
Overseas dividends	848	826	1,778
UK dividends	108	130	139
Other income	7	–	2
Total income	963	956	1,919

5. Bank loans and finance costs

The Company agreed a multi-currency revolving credit facility with Scotiabank (Ireland) Designated Activity Company on 23 February 2017. During the period, under the terms of the facility, the Company could draw down up to an aggregate of £30 million. The facility has a commitment increase option and this was exercised in June, raising the maximum facility amount to £40 million. The facility expires on 22 February 2019.

As at 31 May 2018, the Company's aggregate loans outstanding was £29,720,000 (comprising £6,700,000 and \$30,600,000 – equivalent of £23,020,000).

	Period to 31 May 2018			Period to 31 May 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Loan interest	64	258	322	9	36	45
Other finance costs	3	12	15	2	9	11
Total finance costs	67	270	337	11	45	56

	Period to 30 November 2017		
	Revenue £'000	Capital £'000	Total £'000
Loan interest	37	150	187
Other finance costs	6	20	26
Total finance costs	43	170	213

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

6. Taxation

	Period to 31 May 2018			Period to 31 May 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Withholding tax expense	108	–	108	127	–	127
Total tax charge for the period	108	–	108	127	–	127

	Period to 30 November 2017		
	Revenue £'000	Capital £'000	Total £'000
Withholding tax expense	272	–	272
Total tax charge for the period	272	–	272

7. Return per share

Return per share is based on the weighted average number of Ordinary Shares in issue during the six months ended 31 May 2018 of 265,481,854 (31 May 2017: 161,030,037 and 30 November 2017: 187,377,682).

	Period to 31 May 2018			Period to 31 May 2017		
	Revenue	Capital	Total	Revenue	Capital	Total
Profit for the period (£'000)	94	23,042	23,136	325	17,305	17,630
Return per Ordinary Share	0.04p	8.68p	8.72p	0.20p	10.75p	10.95p

	Period to 30 November 2017		
	Revenue	Capital	Total
Profit for the period (£'000)	396	32,644	33,040
Return per Ordinary Share	0.21p	17.42p	17.63p

8. Share capital

	As at 31 May 2018		As at 31 May 2017	
	Number of shares	£'000	Number of shares	£'000
Allotted, issued and fully paid:				
Redeemable Ordinary Shares of 1p each ('Ordinary Shares')	271,979,768	2,720	172,991,767	1,730
Management Shares of £1 each	50,001	13	50,001	13
Total	272,029,769	2,733	173,041,768	1,743

	As at 30 November 2017	
	Number of shares	£'000
Allotted, issued and fully paid:		
Redeemable Ordinary Shares of 1p each ('Ordinary Shares')	259,569,268	2,596
Management Shares of £1 each	50,001	13
Total	259,619,269	2,609

The Company has 50,001 Management Shares of £1 each in issue of which £12,501 is fully paid up.

Share Movement

During the period to 31 May 2018, 12,410,500 Ordinary Shares (31 May 2017: 172,991,767 and 30 November 2017: 259,569,268) were issued raising aggregate proceeds of £14,108,666 (31 May 2017: £175,391,000 and 30 November 2017: £273,610,000).

Since 31 May 2018, a further 2,147,794 Ordinary Shares have been issued raising aggregate proceeds of £2,719,000.

9. Net assets per Ordinary Share

Net assets per Ordinary Share as at 31 May 2018 is based on £332,056,000 of net assets of the Company attributable to the 271,979,768 Ordinary Shares in issue (excluding treasury shares) as at 31 May 2018. £12,500 of net assets as at 31 May 2018 was attributable to the Management Shares.

10. Dividend

During the six months ended 31 May 2018, the Company paid a dividend of 1.75p per Ordinary Share in respect of the year ended 30 November 2017.

The Directors have declared an interim dividend for the six month period ended 31 May 2018 of 2.0p per Ordinary Share. The dividend will have an ex-dividend date of 26 July 2018 and will be paid on 24 August 2018 to Shareholders on the register at 27 July 2018. The dividend will be funded from the Company's distributable reserves as per note 11.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

11. Distributable reserves

The Company's distributable reserves consist of the special distributable reserve, capital reserve and revenue reserve.

The Company can use its distributable reserves to fund dividends, redemptions of Ordinary Shares and share buy backs.

12. Related party transactions

Fees payable to the Portfolio Manager are shown in the Statement of Comprehensive Income. As at 31 May 2018, the fee outstanding to the Portfolio Manager was £251,000.

Since commencement of operations on 2 December 2016 fees have been payable at an annual rate of £27,500, with an additional fee of £12,500 to the Chairman, £5,000 to the Chair of the Audit Committee and £2,500 to the Chair of the Management Engagement Committee. Net fees payable to the Directors, other than the US resident Director, Siddhartha Mukherjee, are settled in Ordinary Shares quarterly, using the prevailing market price per share at the relevant quarter end.

The Directors had the following shareholdings in the Company, all of which are beneficially owned.

	As at 31 May 2018	As at 30 November 2017
Professor Justin Stebbing	23,399	14,833
Josephine Dixon	44,057	37,318
Randeep Grewal	43,062	36,418
Paul Southgate	41,455	35,567
Siddhartha Mukherjee	25,000	25,000

13. Subsequent events

There are no subsequent events after the period end other than those disclosed in this report.

14. Status of this report

These interim financial statements are not the Company's statutory accounts for the purposes of section 434 of the Companies Act 2006. They are unaudited. The unaudited Half-yearly financial report will be made available to the public at the registered office of the Company. The report will also be available in electronic format on the Company's website, <http://www.bbhealthcaretrust.com>.

These interim financial statements have been prepared in accordance with the requirements of section 838 of the Companies Act 2006 and constitute interim accounts for the purpose of justifying the payment of an interim dividend for the year ending 30 November 2018.

The Half-yearly financial report was approved by the Board of Directors on 11 July 2018.

ALTERNATIVE PERFORMANCE MEASURES ('APMs')

Discount

The amount, expressed as a percentage, by which the share price is less than the Net Asset Value per Ordinary Share.

As at 31 May 2018 (Unaudited)		Page	
NAV per Ordinary Share (pence)	a	1	122.09
Share price (pence)	b	1	121.5
Discount	(b ÷ a) - 1		0.5%

Gearing

A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.

As at 31 May 2018 (Unaudited)		Page	As at 31 May 2018 (Unaudited)
Total assets less cash/cash equivalents (£'000)	a	10	361,776
Loan (£'000)	b	10	(29,720)
Net assets (£'000)	c = a - b	10	332,056
Gearing	a ÷ c - 1		9.0%

Leverage

An alternative word for "Gearing".

(See gearing for calculations).

Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions.

Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

ALTERNATIVE PERFORMANCE MEASURES ('APMs')

CONTINUED

Ongoing charges A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.

Six months ended 31 May 2018 (Unaudited)		Page	
Average NAV (£'000)	a	n/a	297,453
Annualised expenses (£'000)	b	n/a	3,706
Ongoing charges	b ÷ a		1.25%

Note: The ongoing charges as per the latest audited annual report for the period ended 30 November 2017 was 1.37%.

Premium The amount, expressed as a percentage, by which the share price is more than the Net Asset Value per share.

There is no calculation of premium shown as the shares were trading at a discount of 0.5% at the period end.

Total return A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into the Ordinary Shares of the Company on the ex-dividend date.

Six months ended 31 May 2018 (Unaudited)		Page	Share price	NAV
Opening at 1 December 2017 (pence)	a	n/a	118.75	115.43
Closing at 31 May 2018 (pence)	b	1	121.50	122.09
Dividend adjustment factor	c	n/a	1.01646	1.01636
Adjusted closing (d = b x c)	d	n/a	123.50	124.09
Total return	(d ÷ a) - 1		4.0%	7.5%

n/a = not applicable.

GLOSSARY

American Depositary Receipt or “ADR”	A negotiable certificate issued by a U.S. bank representing a specified number of shares in a foreign stock traded on a U.S. exchange.
AIC	Association of Investment Companies.
Alternative Investment Fund or “AIF”	An investment vehicle under AIFMD. Under AIFMD (see below) the Company.
Alternative Investment Fund Managers Directive or “AIFMD”	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or “AGM”	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
Custodian	An entity that is appointed to safeguard a company’s assets.
Depository	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depository’s duties include, inter alia, safekeeping of the Company’s assets and cash monitoring. Under AIFMD the depository is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or “FCA”	The independent body that regulates the financial services industry in the UK.
Gross assets	The Company’s total assets adjusted for any leverage amount (outstanding bank loan).
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment Trust	An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
Large Cap	A company with a market capitalisation above \$10 billion.
Liquidity	The extent to which investments can be traded at short notice.
Management Shares	Non-redeemable preference shares of £1.00 each in the capital of the Company.
Mega Cap	A company with a market capitalisation above \$50 billion.
Net assets	An investment company’s assets less its liabilities.
Net asset value (NAV) per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury).

GLOSSARY

CONTINUED

Net fees	The fees after estimated tax and other relevant charges have been deducted.
Ordinary Shares	The Company's redeemable Ordinary Shares of 1p each.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Small Cap	A company with a market capitalisation less than \$2 billion.
Treasury Shares	A company's own shares which are available to be sold by a company to raise funds.
Volatility	A measure of how much a share moves up and down in price over a period of time.

DIRECTORS, MANAGER AND ADVISERS

Directors

Professor Justin Stebbing (Chairman)
Josephine Dixon
Randeep Grewal
Siddhartha Mukherjee
Paul Southgate

Broker

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Depository

CACEIS Bank, UK Branch
Broadwalk House
5 Appold Street
London EC2A 2DA

Registrar

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Legal Adviser

Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Registered Office*

Mermaid House
2 Puddle Dock
London EC4V 3DB

Portfolio Manager

Bellevue Asset Management AG
Seestrasse 16
CH-8700 Kusnacht / Zurich
Switzerland

Investment Adviser

Bellevue Advisors Limited
32 London Bridge Street
London SE1 9SG

Secretary & Administrator

PraxisIFM Fund Services (UK) Limited
Mermaid House
2 Puddle Dock
London EC4V 3DB

Auditor

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

AIFM

Mirabella Financial Services LLP
130 Jermyn Street
London
SW1Y 4UR

*Registered in England and Wales No.10415235

