BB Healthcare Trust

BB Healthcare Trust plc

Half-yearly financial report

For the period from incorporation

on 7 October 2016 to 31 May 2017

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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 2017
Net asset value ("NAV") per Ordinary Share (cum income)	110.2p
Ordinary Share price (Mid-market)	113.5p
Ordinary Share price premium to NAV	3.0%

Performance Summary

	% change[1]
Share price total return per Ordinary Share[2]	+13.5%
NAV total return per Ordinary Share[2]	+10.2%
MSCI Healthcare Index[2]	+13.3%

[1] Total returns in sterling from commencement of operation on 2 December 2016 to 31 May 2017.

[2] Source: Bloomberg.

CHAIRMAN'S STATEMENT

I am pleased to present the first Half-yearly report of the Company. BB Healthcare Trust plc ("the Company") raised £150m in its initial fund raising and the Company's Shares commenced trading on the London Stock Exchange on 2 December 2016.

During the period from the initial listing of the Company's shares up until 31 May 2017, an additional £25.4 million was raised through the issuance of 22,991,767 shares. A further 17,325,454 shares have been issued since the end of the period. At the time of writing the Company's market capitalisation is in excess of £220m.

Performance

In the period since launch to 31 May 2017, the Company's share price and net asset value ("NAV") have recorded total returns in sterling terms of 13.5% and 10.2% respectively.

The Company's shares traded at a premium to NAV (cum income) of 3.0% at the end of the period under review.

Key market developments

Sentiment toward the healthcare sector has been very much driven by the political agenda around reform and drug pricing in the United States. Although the sector has significantly outperformed the wider marketplace in recent months, generalist investor sentiment toward healthcare remains subdued and there has been a tendency to crowd into the perceived safety of larger conglomerate companies. Indeed, the top quartile by size of the benchmark index has performed in line with the rest of the index despite tending to be lower growth companies. This macro-led environment is antithetical to our bottom-up driven stock-picking strategy, making the year-to-date outperformance all the more gratifying.

Cancellation of share premium account

As stated in the Company's prospectus, in order to increase the distributable reserves available to facilitate the payment of future dividends, the Company had resolved that, conditional upon first admission of the shares to trading on the London Stock Exchange and the approval of the Court, the amount standing to the credit of the share premium account of the Company immediately following completion of the first issue be cancelled and transferred to a special distributable reserve. Following the approval of the Court and the subsequent registration of the Court order with the Registrar of Companies on 3 May 2017, the reduction has now become effective.

Dividend

As stated in the Company's prospectus, the target dividend in the Company's first full financial period to 30 November 2017 is 3.5p per share. The directors are pleased to declare a first interim dividend for the Company of 1.75p per Share which will be paid on 31 August 2017 to shareholders on the register at the close of business on 4 August 2017. The dividend will be partly funded from the Company's capital reserves.

Gearing

The Company has entered into a £30 million two year multi-currency revolving bank facility with Scotiabank and as at 31 May 2017 the aggregate amount drawn down from the facility was £7.9 million, representing a gearing ratio of 3.8% (calculated based on the loan value as a percentage of net assets excluding cash and cash equivalents).

Outlook

For better or worse, the US political agenda around healthcare reform is hopefully winding down and the focus should hopefully move back to corporate fundamentals in the second half of the year. This should be a more supportive environment for our strategy and we feel that we are well placed to benefit from US tax reform if that comes to pass. The demand and supply drivers for the healthcare sector remain very positive and the need for innovations to improve the outcomes for a given level of expenditure grows ever more pressing.

Professor Justin Stebbing
20 July 2017

PORTFOLIO MANAGER'S REPORT

Macro environment

Since the fund's inception through to 31 May 2017, the sector has been dominated by macro sentiment drivers around the US healthcare reform agenda and concerns over negative legislation on drug pricing. In addition, UK macro concerns around Brexit and the recent election have led to considerable volatility in the value of sterling (a +/- 4% fluctuation in the dollar-sterling rate around the average over the period), which has obfuscated the progression in the net asset value. Nonetheless, we are satisfied with the investment performance since inception, given what we would view as a generally unsupportive environment for our stock-focused bottom-up strategy.

Using the MSCI benchmark in sterling, the global healthcare sector outperformed the broader market by around 2.9% since inception to end May (+13.3%). It subsequently outperformed strongly and is now the best performing sector year-to-date. The Company has also outperformed the benchmark meaningfully year-to-date. In terms of the healthcare sub-sectors, all bar Healthcare Services (-9%) have posted positive performances over our first six months. The three top performing sub-sectors have been Healthcare IT (+27%), Diagnostics (+18%) and Medical Technology (+17%).

Sentiment indicators have been, and indeed remain, subdued. This suggests to us that generalists were, and still are unwilling to 'step in' ahead of further clarity on the direction (or lack thereof) regarding healthcare reform and they also remained wary of action on drug pricing (a key rhetoric on both sides during the US Presidential election campaign). Allocations to healthcare in actively managed portfolios remain low relative to recent history.

Investment portfolio performance

The Company's net asset value (NAV) cum income increased 10.2% since inception to 110.21p (although we would point out that our effective starting NAV was 98.23p after IPO-related costs). In sterling terms, the MSCI Healthcare benchmark increased 13.3%, and 14.7% when measured in US$ (>90% of our holdings are in US-listed companies). On a cost-adjusted basis, we have performed broadly in line with the sector to the end of May.

The top five positions in terms of a positive contribution to the development of the net asset value have been Align Technologies (Dental, +55% return since inception), Intuitive Surgical (+41% return), Anthem (Insurance, +24% return), Alnylam Pharmaceuticals (+55% return), and Hill-Rom (Med-Tech, +42% return). The five most significant negative contributors have been Horizon Pharma (Specialty Pharma, -50%), Macrogenics (Biotech, -34%), Walgreens Boots (Drug Retail, -6%), Teva (Specialty Pharma, -25%) and Perrigo (Specialty Pharma, -17%).

As the numbers above illustrate all too clearly, the benighted specialty pharma sector has been a significant drag on overall performance but, in the absence of legislative action on drug pricing, valuations in this group look very compelling and we remain of the view that mean reversion alone offers very attractive medium-term returns.

Portfolio evolution

Our launch portfolio included 32 companies. We have exited one position on a voluntary basis following an expeditious re-rating (Allergan – Specialty Pharma) and we have lost two companies through M&A (Alere – Diagnostics and Zeltiq – Med-Tech). In general, the M&A activity level has been low relative to the recent past, presumably due to the regulatory uncertainties created by the US healthcare reform agenda and the potential positive impact of tax reform on many companies' funding mix and thus their cost of capital. Sometimes, it pays to wait.

As of the end of May, the portfolio included 33 holdings and this has subsequently increased to 34. Within the existing positions, we have been actively managing our exposures in relation to short-term over and under-performance and to maintain an overall level of sub-sector exposure that we think is appropriate from a risk/return perspective. As of the end of May, we had a leverage ratio of 3.8% of gross asset value. We would expect this to rise in the second half of the year as the sector macro uncertainties hopefully dissipate.

Outlook for the second half of the year

We have found the sector macro environment year-to-date both vexing and perplexing in equal measure. One might have hoped that the Republicans had a clear vision and strategy behind ‘repeal and replace’, with some seven years to prepare for the opportunity to re-cast the healthcare debate but, in the end, the whole process has proven shambolic. We can empathise with those investors who have decided to eschew the sector until there is greater clarity.

Nevertheless, we feel that the portfolio is well positioned if the current measures finally become law or if we are left with some augmented version of the existing Affordable Care Act (it seems unlikely that it will be allowed to fall apart completely). We feel strongly that a renewed focus on fundamentals would benefit our holdings versus the wider sector, and the portfolio’s material outperformance versus the benchmark since the end of May arguably attests to this.

Amidst all the noise and polemics, we are trying to remain focused on the operational and R&D progress of the companies in which we are invested. There, we see many reasons to be optimistic with regard to the longer-term outlook and the historically low absolute valuations implied for many of these companies will hopefully not persist. Moreover, the attractive multi-factorial positive drivers on the demand side for healthcare products and services are undiminished.

We look forward to the forthcoming reporting season and the likely closing of the legislative window for any sort of healthcare reform (around September). To our mind, the Republican priority has always been tax reform and it seems logical to try and implement these tax proposals before Congress breaks for the midterm elections in 2018, after which the party may no longer have the votes to realise its ambitions.

We are pleased to announce that Brett Darke will be joining the Investment Advisory Team of BB Healthcare in London from 1 September 2017. Brett joins us from TT International and has a wealth of buy-side experience in Life Sciences on both the long only and long/short side.

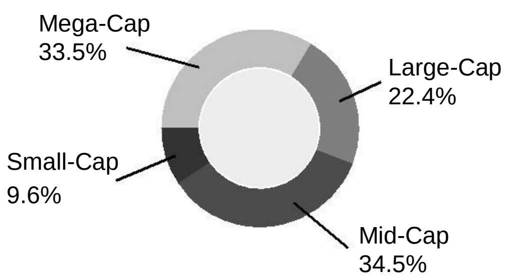
Paul Major and Daniel Koller
Bellevue
20 July 2017

PORTFOLIO

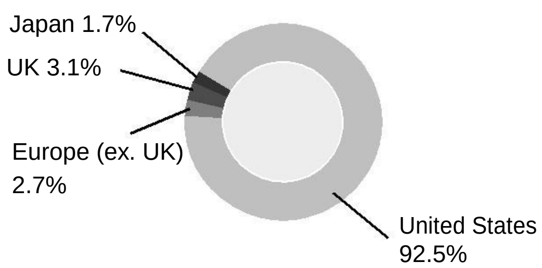
TOP TEN HOLDINGS As at 31 May 2017	% of net asset (Ex income)
Align Technology	8.1%
Anthem	6.6%
Walgreens Boots Alliance	5.9%
Eli Lilly	5.3%
Amgen	5.1%
Intuitive Surgical	4.8%
Celgene	4.4%
Illumina	4.3%
AmerisourceBergen	4.2%
Gilead Sciences	3.5%
Other holdings	47.8%
Total	**100.0%**

SUB SECTOR BREAKDOWN	
Biotechnology	26.6%
Medtechnology	24.6%
Pharmaceuticals	14.8%
Specialty Pharmaceuticals	11.7%
Managed Care	8.0%
Other Healthcare	5.9%
Diagnostics	5.9%
Distributors	4.2%
Facilities	2.1%
Cash	-3.8%
Total	**100.0%**

MARKET CAP BREAKDOWN



GEOGRAPHICAL BREAKDOWN (OPERATIONAL HQ)



Source: Bellevue Asset Management, 31.05.17.

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 and the Portfolio Manager's Report on pages 2 to 5 of this Half-yearly Report, the following statement on related party transactions and the Directors' Responsibility Statement below, together constitute the Interim Management Report for the Company for the period from its incorporation to 31 May 2017. The principal risks and uncertainties to the Company are detailed in note 18 to the financial statements. The outlook for the Company in the remaining six months of the Company's first financial period is discussed in the Chairman's Statement and 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 the notes to the financial statements.

DIRECTORS' STATEMENT OF RESPONSIBILITY FOR THE HALF-YEARLY REPORT

The directors confirm to the best of their knowledge that:

- The set of financial statements contained within the Half-yearly financial report has been prepared in accordance with International Financial Reporting Standards ('IFRS').
- 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.

Professor Justin Stebbing
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BB HEALTHCARE TRUST PLC

We have audited the financial statements of BB Healthcare Trust PLC for the period ended 31 May 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 19 The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with our engagement letter dated 12 September 2017. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the half yearly financial report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2017 and of its profit for the period then ended; and

- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Ernst & Young LLP

London
12 September 2017

Notes:

1. The maintenance and integrity of the BB Healthcare Trust plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF COMPREHENSIVE INCOME

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

				31 May 2017
		Revenue	**Capital**	**Total**
	Note	**£'000**	**£'000**	**£'000**
Gains on investments		–	18,000	**18,000**
Gains on currency movements		–	17	**17**
Net investment gains		**–**	**18,017**	**18,017**
Income	5	956	–	**956**
Total income		**956**	**18,017**	**18,973**
Portfolio management fees	6	(167)	(667)	**(834)**
Other expenses	7	(326)	–	**(326)**
Profit before finance costs and taxation		**463**	**17,350**	**17,813**
Finance costs	8	(11)	(45)	**(56)**
Operating profit before taxation		**452**	**17,305**	**17,757**
Withholding tax expense	19	(127)	–	**(127)**
Profit for the period		**325**	**17,305**	**17,630**
Return per ordinary share	9	0.20p	10.75p	**10.95p**

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 profit and loss account of the Company. The supplementary revenue and capital columns, including the earnings per ordinary shares, 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 26 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2017

	Note	31 May 2017 £'000
Non-current assets		
Investments at fair value through profit and loss	4	197,707
Current assets		
Cash and cash equivalents		904
Income receivable		221
		1,125
Total assets		**198,832**
Current liabilities		
Management shares		13
Bank loans payable	10	7,948
Other payables		215
Total liabilities		**8,176**
Net assets		**190,656**
Equity		
Share capital	13	1,730
Share premium account		24,884
Special distributable reserve	14	146,412
Capital reserve		17,305
Revenue reserve		325
Total equity		**190,656**
Net assets per ordinary share	11	110.21p
Number of ordinary shares in issue (excluding shares held in treasury)		172,991,767

Approved by the Board of Directors on 12 September 2017 and signed on its behalf by:

Randeep Grewal
Director

The notes on pages 14 to 26 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

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

	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**
Issue of ordinary shares	1,730	173,661	–	–	–	**175,391**
Share issue costs	–	(2,365)	–	–	–	**(2,365)**
Transfer to special distributable reserve	–	(146,412)	146,412	–	–	**–**
Closing balance as at 31 May 2017	**1,730**	**24,884**	**146,412**	**17,305**	**325**	**190,656**

The notes on pages 14 to 26 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

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

	31 May 2017 £'000
Cash flows from operating activities	
Income	735
Management expenses	(978)
Purchase of investments*	(203,942)
Sale of investments*	24,235
Foreign exchange gains - non cash flow	17
Taxation	(127)
Net cash flow used in operating activities	**(180,060)**
Cash flows from financing activities	
Bank loans drawn	7,948
Finance costs paid	(10)
Proceeds from issue of shares	175,391
Share issue costs	(2,365)
Net cash flow from financing activities	**180,964**
Increase in cash and cash equivalents	**904**
Cash and cash equivalents at start of period	**–**
Cash and cash equivalents at end of period	**904**

* 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 26 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 period from 7 October 2016 to 31 May 2017.

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

Statement of compliance

The interim financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), and the Disclosure Guidance and Transparency Rules ('DTRs') of the UK's Financial Conduct Authority.

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 January 2017 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 interim 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 interim financial statements.

Use of estimates and judgements

The preparation of the interim 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 significant estimates, judgements or assumptions for the period.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

Functional and presentation 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 - therefore, the financial statements are presented in sterling, which is the Company's functional currency. All financial information presented in sterling have been rounded to the nearest thousand pounds.

Comparatives
There are no comparatives as this is the Company's first accounting period.

3. Accounting policies

(a) Investments

Upon initial recognition investments are designated by the Company "at fair value through profit or loss account". 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.

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.

(b) Foreign currency

Transactions denominated in foreign currencies are translated into sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities, and non-monetary assets held at fair value denominated in foreign currencies are translated into sterling using London closing foreign exchange rates at the period end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss to capital or revenue in the Statement of Comprehensive Income as appropriate. Foreign exchange movements on investments are included in the Statement of Comprehensive Income within "gains on currency movements".

(c) Income from investments

Dividend income from shares is accounted for on the basis of ex-dividend dates. Overseas income is grossed up at the appropriate rate of tax.

Special dividends are assessed on their individual merits and may be credited to the Statement of Comprehensive Income as a capital item if considered to be closely linked to reconstructions of the investee company or other capital transactions. All other investment income is credited to the Statement of Comprehensive Income as a revenue item. Interest receivable is accrued on a time apportionment basis and reflects the effective interest rate.

(d) Capital reserves

Profits achieved in cash by selling investments and changes in fair value arising upon the revaluation of investments that remain in the portfolio are all charged to the capital column of the Statement of Comprehensive Income and allocated to the capital reserve.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are recognised through the Statement of Comprehensive Income as revenue items except as follows:

Management fees

In accordance with the Company's stated policy and the directors' expectation of the split of future returns, 80% of investment management fees are charged as a capital item in the Statement of Comprehensive Income.

Finance costs

Finance costs include interest payable and direct loan costs. In accordance with directors' expectation of the split of future returns, 80% of finance costs are charged as capital items in the Statement of Comprehensive Income. Loan arrangement costs are amortised over the term of the loan.

(f) Cash and cash equivalents

Cash comprises cash at hand and demand deposits. Cash equivalents, which include bank overdrafts, are short term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risks of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(g) Taxation

Irrecoverable taxation on dividends is recognised on an accruals basis in the Statement of Comprehensive Income.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the financial reporting date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the financial reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the timing differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

(h) Financial liabilities

Bank loans and overdrafts are classified as loans and are measured at amortised cost. They are initially recorded at the proceeds received net of direct issue costs.

4. Investment held at fair value through profit or loss

(a) Summary of valuation	**As at 31 May 2017 £'000**
Investments held at fair value through profit or loss	
– Quoted in UK	12,271
– Quoted overseas	185,436
Closing valuation	**197,707**

(b) Movements in valuation	**£'000**
Opening valuation	-
Opening unrealised gains/(losses) on investments	-
Opening bookcost	**-**
Additions, at cost	203,942
Disposals, at cost	(19,362)
Closing bookcost	**184,580**
Closing unrealised gains on investments	13,127
Opening valuation	**197,707**

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 2017
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit and loss – Quoted	197,707	–	–	197,707

There were no transfers between levels during the period to 31 May 2017.

5. Income

	Period to 31 May 2017 £'000
Income from investments	
Overseas dividends	826
UK dividends	130
Total income	**956**

6. Portfolio management fee

			Period to 31 May 2017
	Revenue £'000	**Capital £'000**	**Total £'000**
Management fee	167	667	**834**

The Company's Portfolio Manager is Bellevue Asset Management AG (the 'Portfolio Manager'). The Portfolio Manager is entitled to receive a management fee payable monthly in arrears and calculated at the rate of one-twelfth of 0.95% per calendar month of market capitalisation. Market capitalisation means the average of the mid-market prices for an ordinary or a C share, respectively, as derived from the daily official list of the London Stock Exchange on each business day in the relevant calendar month multiplied by the number of ordinary or C shares, respectively, in issue on the last business day of the relevant calendar month excluding any ordinary or C shares held in treasury.

There is no performance fee payable to the Portfolio Manager.

7. Other expenses

	Period to 31 May 2017 £'000
Administration & secretarial fees	62
AIFM fees	42
Auditor's remuneration*	15
Broker fees	18
Custody services	31
Directors' fees	78
Printing and public relations	28
Registrar fees	6
Other expenses	46
Total	**326**

* Auditor's remuneration includes VAT of £3,000.

The auditors also received £44,000 (including VAT of £7,000) for non-audit IPO-related services, which have been treated as a capital expense and included in 'share issue costs' disclosed in the Statement of Changes in Equity on page 12.

8. Finance costs

	Period to 31 May 2017		
	Revenue £'000	Capital £'000	Total £'000
Loan interest	9	36	**45**
Other finance costs	2	9	**11**
Total	**11**	**45**	**56**

9. Return per share

Return per share is based on the profit for the period of £17,630,000 attributable to the weighted average number of Ordinary Shares in issue (excluding treasury shares) of 161,030,037 in the period from commencement of operation on 2 December 2016 to 31 May 2017. Revenue and capital profits are £325,000 and £17,305,000 respectively.

10. Bank loans

The Company agreed a multi-currency revolving credit facility with Scotiabank (Ireland) Designated Activity Company on 23 February 2017. Under the terms of the facility, the Company may draw down up to an aggregate of £30 million. The facility expires on 22 February 2019.

As at 31 May 2017, the Company's aggregate loans outstanding was £7,948,000. The table below shows the breakdown of the loans at 31 May 2017.

Currency of loans	Local currency amount	£'000	Interest rate (%)	Maturity date
GBP loan	£500,000	500	1.71213	24 Aug. 2017
USD loan	$4,000,000	3,103	2.63489	22 Sep. 2017
USD loan	$5,600,000	4,345	2.56072	29 Aug. 2017
		7,948		

A commitment fee is calculated at 0.35 per cent per annum, if the unutilised amount equals or exceeds 50 percent of the total commitment; or 0.45 per cent per annum if the unutilised amount is less than 50 percent of the total commitment.

In the opinion of the directors, the fair value of the bank loans is not materially different to their amortised costs.

11. Net assets per ordinary share

Net assets per ordinary share as at 31 May 2017 is based on the £190,656,000 net assets of the Company attributable to the 172,991,767 Ordinary Shares in issue (excluding treasury shares) as at 31 May 2017.

12. Dividend

The directors recommend the payment of an interim dividend for the period of 1.75p per share. The dividend will have an ex-dividend date of 3 August 2017 and will be paid on 31 August 2017 to shareholders on the register at 4 August 2017. The dividend will be funded from the Company's distributable reserves as per note 15.

13. Share capital

As at	31 May 2017 No. of Shares	31 May 2017 Nominal value £'000
Redeemable Ordinary Shares of 1p each ('Ordinary Shares')	172,991,767	1,730
Management shares	50,001	50

On incorporation, the issued share capital of the Company was 1 ordinary share of 1 penny issued to the subscriber to the Company's memorandum. On 2 November 2016, the Company's issued share capital was increased by £50,000 represented by 50,000 Management Shares of nominal value £1.00 each, which were subscribed for by the Portfolio Manager of which one quarter of the nominal value is fully paid up. This ordinary share was subsequently redesignated prior to the Company's listing and an additional Management Share was issued.

On 2 December 2016, 150,000,000 Ordinary Shares were allotted and issued to shareholders as part of the placing and offer for subscription in accordance with the Company's prospectus dated 10 November 2016. A further 22,991,767 Ordinary Shares have been allotted, issued and fully paid between 2 December 2016 and 31 May 2017.

Since 31 May 2017, a further 17,325,454 Ordinary Shares have been issued raising aggregate proceeds of £20,149,000.

The Ordinary Redeemable Shares have attached to them full voting, dividend and capital distribution (including on winding-up) rights. They confer rights of redemption.
The Management Shares do not carry a right to receive notice of, or attend or vote at any general meeting of the Company unless no other shares are in issue at that time.

14. Special reserve

As indicated in the Company's prospectus dated 10 November 2016, following admission of the Company's Ordinary Shares to trading on the London Stock Exchange, the directors applied to the Court to cancel the share premium account so as to create a new special distributable reserve which may be treated as distributable reserves and out of which tender offers and share buybacks may be funded. This reserve may also be used to fund dividend payments.

Following approval by the Court, the cancellation became effective on 3 May 2017 and an amount of £146,412,136 was transferred to the above special reserve at that time.

15. Distributable reserves

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

16. Related party transactions

Fees payable to the Portfolio Manager are shown in the Statement of Comprehensive Income. As at 31 May 2017, the fee outstanding to the Portfolio Manager was £155,000.

Since commencement of operations on 2 December 2016 fees have been payable at an annual rate of £40,000 to the Chairman, £32,500 to the Chair of the Audit Committee, £30,000 to the Chair of the Management Engagement Committee and £27,500 to the other directors. Net fees payables to the directors, other than the US resident director, are settled in Ordinary Shares quarterly, using the prevailing market price per share at the relevant quarter end.

The Board consists of 1 female and 4 male directors.

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

	As at 31 May 2017	**As at 20 July 2017**
Professor Justin Stebbing	45,898	50,860
Josephine Dixon	29,907	33,940
Randeep Grewal	29,512	33,235
Paul Southgate	29,166	32,578
Siddhartha Mukherjee	25,000	25,000

17. Post balance sheet events

There are no post balance sheet events other than as disclosed in this report.

18. Financial instruments and capital disclosures

(i) Market risks

Economic conditions

Changes in general economic and market conditions including, for example, interest rates, cost increase, rates of inflation, industry conditions, competition, political events and trends, tax laws, national and international conflicts and other factors could substantially and adversely affect the Company's prospects and thereby the performance of its Ordinary Shares and/or C Shares.

Healthcare companies

The Company invests in global healthcare equities. There are many factors that could adversely affect the performance of investee companies. The healthcare sector may be affected by government regulations and government healthcare programs, increases or decreases in the cost of medical products and services and product liability claims, among other factors. Many healthcare companies are heavily dependent on patent protection, and the expiration of a company's patent may adversely affect that company's profitability. Healthcare companies are subject to competitive forces that may result in price discounting, and may be thinly capitalised and susceptible to product obsolescence. The market prices for securities of companies in the healthcare sector may be highly volatile.

Any failure by any of the Company's investee companies to obtain or maintain, or any delay by any investee company in obtaining or maintaining, regulatory approvals could adversely affect the business of that investee company and thereby adversely affect the performance of the Company.

The level of revenues and profitability of pharmaceutical companies may be affected by the efforts of governments and regulators to contain or reduce the cost to the public of healthcare through various means. The adoption of such legislative and regulatory approaches could have an adverse effect on the business and profitability of investee companies and therefore on the performance of the Company.

The successful development of healthcare products may be highly uncertain and requires significant expenditures. Even where products are successfully developed, protecting healthcare proprietary rights is difficult and costly. Patent disputes are frequent and can preclude the commercialisation of products.

Other factors that could affect the performance of investee companies include, but are not limited to, pricing decisions, including a decision to increase or decrease the price of a product, and the pricing decisions of competitors; government and third-party payer reimbursement and coverage decisions that affect the utilisation of relevant products and services; negative data from new clinical studies and the degree of patent protection afforded to relevant products by patents granted to investee companies and by the outcome of litigation involving investee companies' patents; and the rate of market penetration by competing products. In addition, the testing and marketing of medical products entail an inherent risk of product liability. Liability exposures for pharmaceutical and other healthcare products could be extremely large and pose a material risk. The value of the Company's investments in a healthcare company may be materially and adversely affected by a successful product liability claim in relation to that company.

Sectoral diversification

The Company has no limits on the amount it may invest in the healthcare sector and is not subject to any sub-sector investment restrictions. Although the portfolio is expected to be well diversified in terms of industry sub-sector exposures, the Company may have significant exposure to portfolio companies from certain sub-sectors from time to time. Greater concentration of investments in any one sub-sector may result in greater volatility in the value of the Company's investments and consequently its NAV and may materially and adversely affect the performance of the Company and returns to Shareholders.

UK exit from the European Union

A referendum was held on 23 June 2016 to decide whether the UK should remain in the EU. A vote was given in favour of the UK leaving the EU (''Brexit''). The extent of the impact on the Company will depend in part on the nature of the arrangements that are put in place between the UK and the EU following Brexit and the extent to which the UK continues to apply laws that are based on EU legislation. In addition, the macroeconomic effect of Brexit on the value of investments in the healthcare sector and, by extension, the value of investments in the Company's portfolio is unknown. As such, it is not possible to state the impact that Brexit will have on the Company and its investments. It could also potentially make it more difficult for the Company to raise capital in the EU and/or increase the regulatory compliance burden on the Company. This could restrict the Company's future activities and thereby negatively affect returns.

Management of market risks

The Company is invested in a diversified portfolio of investments.

The Company's investment policy states that no single holding will represent more than 10 per cent of gross assets at the time of investment and, when fully invested, the portfolio will have no more than 35 holdings.

The Company's financial assets and liabilities at 31 May 2017 comprised:

Investments	**Interest bearing £'000**	**Non-interest bearing £'000**	**Total £'000**
Danish Kroner	-	5,236	5,236
Sterling	-	12,271	12,271
Japanese Yen	-	2,985	2,985
US Dollar	-	177,215	177,215
	-	197,707	197,707
Cash at bank			
Floating rate - £ sterling	904	-	904
Short term debtors	-	221	221
Short term creditors	(7,948)	(228)	(8,176)
	(7,044)	**197,700**	**190,656**

(ii) Liquidity risks

There is a risk that the Company's holdings may not be able to be realised at reasonable prices in a reasonable timeframe.

Management of liquidity risks

The Company will typically seek to maintain a high degree of liquidity in its portfolio holdings (such that a position could typically be exited within 1 to 5 trading days, with minimal price impact) and as a consequence of the concentrated approach, it is unlikely that a position will be taken in a company unless a minimum holding of 1.0 per cent of gross assets at the time of investment can be achieved within an acceptable level of liquidity.

There are inherent risks involved in stock selection. The Portfolio Manager is experienced and employs its expertise in selecting the stocks in which the Company invests. The Company's Portfolio Manager monitors the liquidity of the Company's portfolio on a regular basis. See note 10 for the maturity profiles of the loans. Other payables are typically settled within a month.

(iii) Currency risks

Although the Company's performance is measured in sterling, a high proportion of the Company's assets may be either denominated in other currencies or be in investments with currency exposure.

Given the nature of the wider healthcare industry and the geographic location of the investable universe, it is expected that the portfolio will have a majority of its exposure to stocks with their primary listing in the United States and with a significant exposure to the US dollar in terms of their revenues and profits. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. This will not be hedged using any sort of foreign currency transactions, forward transactions or derivative instruments.

Currency sensitivity

The below table shows the strengthening/(weakening) of sterling against the local currencies over the financial year for the Company's financial assets and liabilities held at 31 December 2016.

	31 May 2017 % change*
Danish Krone	(3.0%)
Japanese Yen	(0.6%)
US Dollar	2.4%

* Percentage change of sterling against local currency from commencement on 2 December 2016 to 31 May 2017

Based on the financial assets and liabilities at 31 May 2017 and all other things being equal, if sterling had weakened against the local currencies by 10%, the impact on the Company's net assets at 31 May 2017 would have been as follows:

	31 May 2017 % change
	£'000
Danish Krone	524
Sterling	-
Japanese Yen	299
US Dollar	17,721
Total	**18,544**

Management of currency risks

The Company's Portfolio Manager monitors the currency risk of the Company's portfolio on a regular basis.

Currency risk will not be hedged using any sort of foreign currency transactions, forward transactions or derivative instruments.

(iv) Leverage risks

Borrowings

The Company may use borrowings to seek to enhance investment returns. While the use of borrowings should enhance the total return on the Ordinary Shares and/or C Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is rising at a lower rate than the cost of borrowing or falling, further reducing the total return on the Ordinary Shares and/or C Shares. As a result, the use of borrowings by the Company may increase the volatility of the Net Asset Value per Ordinary Share and per C Share.

Any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its Net Asset Value (which is likely to adversely affect the price of an Ordinary Share and/or a C Share). Any reduction in the number of Ordinary Shares in issue (for example, as a result of buy backs or redemptions) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing.

To the extent that a fall in the value of the Company's investments causes gearing to rise to a level that is not consistent with the Company's gearing policy or borrowing limits, the Company may have to sell investments in order to reduce borrowings, which may give rise to a significant loss of value compared to the book value of the investments, as well as a reduction in income from investments.

The Company will pay interest on its borrowings. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

Derivative instruments

The Company may utilise contracts for difference for investment purposes. Such financial instruments inherently contain much greater leverage than a non-margined purchase of the underlying security. This is due to the fact that, generally, only a very small portion (and in some cases none) of the value of the underlying security is required to be paid in order to make such investments. Small changes in the value of the underlying assets may cause a relatively large change in the Net Asset Value of the Company.

As at the period end, the Company did not hold any derivative instruments.

Management of leverage risks

Gearing will be deployed flexibly up to 20 per cent of the Net Asset Value, at the time of borrowing, although the Portfolio Manager expects that gearing will, over the longer term, average between 5 and 10 per cent of the Net Asset Value. In the event the 20 per cent limit is breached as a result of market movements, and the Board considers that borrowing should be reduced, the Portfolio Manager shall be permitted to realise investments in an orderly manner so as not to prejudice Shareholders.

Further details of the Company's bank loans is disclosed in note 10.

(v) Interest rate risks

The Company pays interest on its borrowings. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

Management of interest rate risks

Prevailing interest rates are taken into account when deciding on borrowings.

The Company had bank loans denominated in GBP and USD in place during the period. The loan interest is based on a variable rate. Based on the loans outstanding at the period end a change of 0.25% in interest rates would increase/(decrease) annual profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant:

	Loans at 31 May 2017 £'000	**Profit or loss 0.25% decrease**	**Profit or loss 0.25% increase**
USD bank loan	7,448	£18,620	(£18,620)
GBP bank loan	500	£1,250	(£1,250)

(vi) Credit risks

Cash and other assets held by the depositary
Cash and other assets that are required to be held in custody will be held by the depositary or its sub-custodians.

Derivative instruments

Where the Company utilises derivative instruments, it is likely to take a credit risk with regard to the parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organisation guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Accordingly, the Company's use of derivative instruments may expose the Company to greater risk and have a material adverse effect on the Company's performance. The company does not hold any derivative instruments at the statement of financial position date.

Management of credit risks

The Company has appointed Caceis as its depositary. The credit rating of Caceis was reviewed at the time of appointment and will be reviewed on a regular basis by the Portfolio Manager and/or the Board.

The Portfolio Manager monitors the Company's exposure to its counterparties on a regular basis.

At 31 May 2017, the Depository held £197,707,000 in respect of quoted investments and £904,000 in respect of cash on behalf of the Company.

(vii) Corporate governance and internal control risks

The Board has contractually delegated to external agencies the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the accounting and company secretarial requirements.

The main risk areas arising from the above contracts relate to allocation of the Company's assets by the Portfolio Manager, and the performance of administrative, registration and custodial services. These could lead to various consequences including the loss of the Company's assets, inadequate returns to shareholders and loss of investment trust status.

Management of risks

Each of the above contracts was entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company. All of the above services are subject to ongoing oversight of the Board and the performance of the principal service providers is reviewed on a regular basis.

(viii) Regulatory risks

Breaches of Section 1158 of the Corporation Tax Act could result in loss of investment trust status. Loss of investment trust status would lead to the Company being subject to tax on any gains on the disposal of its investments. Breaches of the FCA's rules applicable to listed entities could result in financial penalties or suspension of trading of the Company's shares on the London Stock Exchange. Breaches of the Companies Act 2006, The Alternative Investment Fund Managers Directive, accounting standards, the Listing Rules, Disclosure Guidance and Transparency Rules and Prospectus Rules could result in financial penalties or legal proceedings against the Company or its directors.

Management of risks

The Company has contracted out relevant services to appropriately qualified professionals. The Secretary, AIFM and Depositary report on regulatory matters to the Board on a quarterly basis. The assessment of regulatory risks forms part of the Board's risk assessment programme.

(x) Capital management policies and procedures
The Company considers its capital to consist of its share capital of Ordinary Shares of 1p each and reserves totalling £190,656,000.

The Company has an annual redemption facility. The Portfolio Manager and the Company's broker monitor the demand for the Company's shares and the directors review the position at Board meetings.

The Company's policy on borrowings are detailed in the note 18(iv).

Use of distributable reserves is disclosed in note 15.

The Board regularly monitors, and has complied, with the externally imposed capital requirements

19. Taxation

(a) Analysis of charge in the period:

			31 May 2017
	Revenue	Capital	Total
	£'000	£'000	£'000
Withholding tax expense	127	-	**127**
Total tax charge for the period (note 19b)	**127**	**-**	**127**

(b) Factors affecting the tax charge for the period:
The tax assessed for the period is the 20% standard rate of corporation tax in the UK for a large company. The differences are explained below:

	31 May 2017
	Total
	£'000
Operating profit before taxation	17,757
UK Corporation tax at 19%	3,374
Effects of:	
Gains on investments not taxable	(3,423)
UK dividends not taxable	(25)
Overseas dividends not taxable	(157)
Withholding tax expense	127
Movement in excess expenses	231
Total tax charge	**127**

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Randeep Grewal
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