BB Healthcare Trust

BB Healthcare Trust plc

Annual Report and Accounts

For the year ended 30 November 2020

CONTENTS

INVESTMENT OBJECTIVE, FINANCIAL INFORMATION, PERFORMANCE SUMMARY AND ALTERNATIVE PERFORMANCE MEASURES

Investment objective

The investment objective of BB Healthcare Trust plc ("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	30 November 2020	30 November 2019
Net asset value ("NAV") per Ordinary Share (cum income)	172.51p	143.11p
Ordinary Share price	172.00p	145.00p
Ordinary Share price (discount)/premium to NAV[1]	(0.3)%	1.3%
Ongoing charges ratio ("OCR")[1]	1.10%	1.19%

Performance summary

	% change 30 November 2020[2]	% change 30 November 2019[3]
Share price total return per Ordinary Share[1,4]	22.5%	6.9%
NAV total return per Ordinary Share[1,4]	24.6%	6.6%
MSCI World Healthcare Index total return (GBP)[4]	10.3%	8.6%

1 These are Alternative Performance Measures.
2 Total returns in sterling terms for the year ended 30 November 2020.
3 Total returns in sterling terms for the year ended 30 November 2019.
4 Including dividends reinvested in the year.
Source: Bloomberg.

Alternative Performance Measures ("APMs")

The financial information and performance summary data highlighted in the footnote to the above tables represent APMs of the Company. In addition to these APMs other performance measures have been used by the Company to assess its performance; these can be found in the key performance indicators section of the Annual Report, on page 25. Definitions of these APMs together with how these measures have been calculated can be found on pages 87 and 88.

CHAIRMAN'S STATEMENT

This is the fourth annual report of your Company.

COVID-19

The last year has been extraordinary. COVID-19 has had both a direct and indirect cost on lives, families and the global economy. There will inevitably be readers who have lost loved ones; we extend our deepest sympathies.

The pandemic has impacted the way all of us work, interact and engage. The Investment Managers' report details the impact on the portfolio. However, I am satisfied that, as both a Board and as a Company, we have continued to operate effectively over the past twelve months. I would like to thank our service providers, who have also continued to deliver their usual excellent service.

Performance

Over the financial year, the Company's Net Asset Value ("NAV") rose 20.5% to 172.51p. The total shareholder return (i.e. including reinvestment of dividends) over the last financial year was 22.5%. This was materially above our comparator index (the MSCI World Healthcare total return Index measured in GBP) which produced a total return of 10.3%.

Over the latest three-year period, the Company has delivered a total share price return of 59.3%, versus 42.9% for the comparator index.

The share price returns on an annualised basis over one year, three years and since inception are 22.5%, 16.8% and 97.6% respectively. Since inception, the total share price return is 97.6% versus 64.3% for the comparator index.

Your Board consider the two targets set at inception against a three year rolling period, to performing well against the index and provide a double digit total return per annum, are demonstrably achieved and we congratulate the Investment Managers' on that performance.

The Company's performance and subsequent growth resulted in its inclusion in the FTSE 250 Index in June 2020. It is especially pleasing, in this environment, to report that within four years of launch your Company has achieved this accolade. As of 25 February 2021, BB Healthcare was the 294th largest listed company on the LSE.

Board Composition and evaluation

On 23 September 2020, Professor Tony Young OBE joined the Board as Non-Executive Director. As well as being a clinician and successful healthcare entrepreneur, Tony is National Clinical Director for Innovation for NHS England. The appointment was delayed by Tony's involvement in various projects fast-tracked by the government in the early stages of the pandemic and we thank him for his contribution to managing the response.

My predecessor and fellow board member, Professor Justin Stebbing also deserves a special mention for his leadership of a team that used artificial intelligence to identify an already approved drug, Barcitinib as a potential treatment for COVID-19. Justin stepped back from being Chair to allow more time to focus on his research efforts and we should all be grateful that he did so! We are very lucky indeed to have such luminaries on our Board.

The Board recognises the importance of the AIC Code's recommendation in respect of evaluating the performance of the Board, its Committees, and individual Directors. During the year, an external consultant undertook such an evaluation of the Board and the Investment Manager. The conclusions of the performance evaluation were positive, confirming that the Board and Investment Manager were operating effectively and showed the necessary commitment to the effective fulfilment of their duties.

Portfolio Positioning

Clearly the positioning of the portfolio has necessarily evolved as the pandemic unfolded. Though the intent is to have long term holdings and low turnover, an unprecedented crisis which significantly changes the operating environment must clearly impact positioning (Keynes' oft attributed saying comes to mind).

Geographically, the investments remain centred on the US market which, leads to an inherent US Dollar exchange rate exposure, which is unhedged. The Investment Mandate has few constraints beyond liquidity, giving the Investment Manager free reign to pursue a 'best ideas' approach and optimise the risk/return potential of the Company's (intentionally) concentrated investment portfolio.

More details are provided in the Investment Managers' report, but I would recommend that investors avail themselves of the monthly reports from the Investment Manager which give their current thoughts and can be found on the Company's website.

Gearing, Portfolio Turnover, Expenses and Structure

The Company has a revolving credit facility ("RCF") with Scotiabank. This was renewed in January 2021 for a further year, but was substantially undrawn during the pandemic period. As of 30 November 2020, the Company's net cash position represented 10.9% of total assets.

As a result of COVID-19, the number of changes to the portfolio gave rise to a greater Portfolio average turnover (measured as traded value less capital inflows versus gross investment value) which was 14.0% at year end; this compares to a turnover of 6.0% in the financial year 2019.

The OCR was reduced to 1.1% for the 2020 financial year, as compared to 1.2% for financial year 2019. The Investment Manager receives no further fees in addition to the management fee. All other factors being equal, we would expect the OCR to decline further in 2021 as the assets under management have risen and the Board continually endeavours to minimise expense growth in other areas.

Responsible investing

Both the Company and the Appointed Investment Manager, Bellevue Asset Management are committed to reflecting Environmental, Social & Governance issues ("ESG") as a core principle within the investment process. More details on the various processes and reporting around this topic can be found on pages 33 and 34 of the Annual Report.

Share Capital and issuance

The Company's issued share capital was 488.7 million Ordinary Shares as of the financial year end, versus 433.9 million Ordinary Shares as of fiscal year 2019, an increase of 12.6%. A further 18.6 million Ordinary Shares have been issued since the year end via the Company's block listing facility and the number of shares in issue stood at 507.3 million as of 25 February 2021.

The Company has the authority to issue a further c.22.3 million Ordinary Shares ahead of the AGM on 23 April 2021. At the AGM, we will be seeking authority to issue 50,734,545 new Ordinary Shares to meet potential investor demand and to fulfil the scrip dividend commitment.

I would remind readers, shares issued through placing and tap issues can only be issued at a premium to NAV and continued issuance has been possible because the Company's shares again traded at a premium to NAV over much of the year.

CHAIRMAN'S STATEMENT

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In my role as Chairman, I have the opportunity to meet with a number of investors across the year and the Board receives regular updates from the Investment Manager on feedback it receives on the Company. One of the questions that I am asked is why we continue to expand the size of the Company through further share issuance. The Board debates this topic continually, but I thought it worth summarising this.

Firstly, and most importantly, the Board is satisfied that the Investment Manager has demonstrated there is considerable headroom to grow the Company's assets without impacting its investment returns or liquidity position. This has been demonstrated by the continued meeting of the team's return objective as the Company has grown in size from £150 million to over £951 million as at 24 February 2021. We would not sanction issuance if we felt it could adversely impact our existing shareholders.

Secondly, there are the benefits of scale. The Company's enlarged size offers many benefits when negotiating with service providers, since not all costs scale with assets under management. This is reflected in the continued reduction of the ongoing charges ratio.

Thirdly these scale benefits are not limited to the Company itself, but also to the Investment Manager's role on behalf of the Company. This manifests in key areas such as management access (companies inevitably prioritise investors who can build large positions and keep them for a long time) and access to market liquidity (banks offer better pricing on 'block trades' to those who can partake regularly and in size). In the ESG section, later in this report, there is discussion of active engagement with companies – scale helps ensure the attention of company management to the Company's views in this area.

Fourthly, there is the benefit of improved liquidity for our shareholders. Although the Company offers an annual redemption option, which we see as a very valuable commitment, the reality is that the vast majority of investor inflows and outflows will come via daily trading on the London Stock Exchange.

The more shares that are traded, the more likely that liquidity will be available for any investor at any given time. The mechanics of trading in the UK are such that larger companies attract more 'market makers', who offer prices to buy and sell shares. As the Company has grown, the number of market makers has increased from 3 to 6 and the bid/offer spread (which reflects the frictional cost of buying and then selling via these market makers) has declined from a median 1.4% of the share price in the first year of the Company's life to 0.9% of the share price in 2020.

In conclusion, there are multiple benefits to shareholders from the continued expansion of the Company's share capital. As long as we are satisfied this can be accomplished without diminution of the projected future shareholder returns, the Board is happy to recommend further issuance and we hope that you will support us with your votes at the AGM to enable this.

Dividends

The Company targets an annual dividend of 3.5% of preceding year-end NAV, paid out in two equal instalments. The Company paid out a final dividend of 2.425p in respect of the year ended 30 November 2019, on 9 April 2020 and an interim dividend of 2.50p in respect of the financial year ended 30 November 2020 on 28 August 2020.

The Board has proposed a final dividend of 2.50p per Ordinary Share in respect of the financial year ended 30 November 2020 and, if approved at the forthcoming Annual General Meeting, this will be paid to Shareholders in April 2021.

Regarding the financial year ending 30 November 2021; the Board is proposing a total dividend of 6.03p per Ordinary Share, composed of interim and final dividends of 3.015p per Ordinary Share, to be paid in August 2021 and April 2022 respectively, subject to shareholder approval.

In July 2019, the Company introduced a scrip dividend alternative, allowing Shareholders to elect for their cash dividend to be automatically subscribed on their behalf for new Ordinary Shares. Certificated Shareholders who have already joined the scrip dividend scheme through the Registrar's website need take no further action to continue in the scheme.

Certificated Shareholders who wish to elect for the scrip dividend alternative for the first time can do so online or by contacting the Company's Registrar. Further details can be found on page 96. Uncertificated Shareholders can make an election via the CREST system.

Outlook

This is the second year that in considering the outlook I have to mention both COVID-19 and the US Presidential election cycle.

The last twelve months have made extraordinary demands on healthcare systems and their staff, from top to bottom. It is humbling to see how dedicated frontline staff are, even at a risk to themselves. We owe them a debt of gratitude.

The focus on managing COVID-19 has inevitably created a backlog in other parts of medicine, particularly surgical procedures and cancer treatments. Hopefully, a stabilisation of the pandemic will mean that healthcare systems re-focus on these necessary, but more routine areas. This transition, which might take more than a year, will clearly influence the performance of different subsectors within healthcare.

That we can now successfully treat so many and vaccinate against a previously unknown pathogen stands as testament to humanity's innovation and collaboration capabilities. Amongst all the sorrow, there is much that we can be proud of, but it is also evident that the healthcare systems of the Western world must evolve and adapt to be fit for purpose moving forward.

For more detailed discussion on the 2021 outlook may I refer readers to the Investment Managers' discussion in this report? This year more than most it is dangerous to predict changes so I would emphasise, even more than usual, to read the monthly factsheets where our Investment Managers update you on their current thinking.

Previously I have stated on these pages my and the Board's longer term view that healthcare demand will continue, and that innovation and disruption will create investment opportunities. This remains true, although it is fair to say none of us expected disruption such as we have seen over the past year, nor the rate of innovation.

The single biggest driver of market sentiment in the next few months will be the success of mass vaccination programmes. The US, as the world's biggest economy clearly sets the pace in this context and hence the new President's focus in this area is so important. The UK has been an early leader in vaccine rollouts, a rare bright spot during the pandemic.

Annual General Meeting

The 2020 AGM took place just as COVID-19 restrictions were starting to be imposed and we were unable to allow investors to attend in person. We had intended to hold an in-person event for shareholders later in the year – little did we expect that the pandemic would have such a protracted impact on bringing people together.

As things stand, it seems very unlikely that we will be able to host an in-person event again this year. Our current plan is that the AGM will be held virtually via videoconference and shareholders will be able to attend the meeting virtually for a Q&A session, where questions from shareholders are encouraged. The Board welcomes full dialogue with shareholders. Should a shareholder have a question that they would like to raise

CHAIRMAN'S STATEMENT

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at the AGM, either of the Board or the Investment Manager, the Board would ask that they either ask the question in advance of the AGM by sending it by email to **shareholder_questions@bbhealthcaretrust.co.uk** or attend the AGM virtually and ask the question at the meeting at the appropriate time.

As the AGM will be virtual, shareholders should appoint the 'Chair of the meeting' to act as their proxy as any other named person will not be permitted to attend the meeting. Further details on the appointment of a proxy are included in the Notice of AGM. Shareholders should monitor London Stock Exchange announcements for arrangements regarding the virtual AGM.

Even when such events are permissible, we recognise it is not possible for many to attend an AGM hence I would encourage readers to make use of the dedicated email address to submit any enquiries or feedback they might have. In the meantime, we will continue to keep you informed on the Company's website providing updates from the Investment Manager of the portfolio's progress.

On behalf of the Board, may I wish you both a prosperous and healthy year ahead and thank you for your continued support of BB Healthcare Trust Plc.

Randeep Grewal
Chairman of the Board of Directors
26 February 2021

INVESTMENT MANAGER'S REPORT

Performance overview

We are pleased to report the Company meaningfully outperformed its comparator Index (the MSCI World Healthcare Index measured in GBP terms) during the financial year 2020 (Figure 1). In some ways, this financial year was ever more challenging than 2019; beset as it was by a rapid and aggressive market correction, baleful levels of volatility and a persistently pernicious and yet ever changing macro narrative: COVID-19. As if this wasn't enough, we also had to contend with a US Presidential election cycle and Brexit. Any hopes of a calm sea after the tumults of the prior year were long forgotten by January 2020 and a distant fantasy by March 2020.

Figure 1 below illustrates that the positive performance in 2020 modestly improved our rolling 3-year total return, on both a relative and absolute basis. This is our preferred metric for assessing the performance of the Company, as we aim to have a 3 to 5 year holding period for our investments.

So much has happened during this year that what follows is a somewhat more expansive review of sentiment for both healthcare and the wider market than we have compiled in previous annual reports. We feel this backdrop will be important in allowing readers to assess our thoughts on the outlook for 2021.

Total Return (GBP)	Financial Year 2020	Rolling 3 Year	Rolling 3 Year (annual equivalent)	Since Inception (from 2 December 2010)
BBH Share Price	**+22.5%**	+59.3%	+16.8%	+97.6%
BBH NAV	**+24.6%**	+64.7%	+18.1%	+97.6%
MSCI World Healthcare Index	**+10.3%**	+42.9%	+12.6%	+64.3%
Relative to MSCI World Healthcare Index				
BBH Share Price	**+12.2%**	+16.4%	+4.2%	+33.3%
BBH NAV	**+14.3%**	+21.8%	+5.5%	+33.3%
Performance of other comparator indices				
MSCI World Total Return Index	**+10.9%**	+32.9%	+12.0%	+56.6%
FTSE All Share Total Return Index	**-10.2%**	-1.9%	-0.6%	+17.0%

Source: Bloomberg. All performance figures are calculated as total return with dividends being reinvested in the relevant security, calculated in GBP and with the relevant year ended on 30 November 2020.

Healthcare very modestly underperformed the wider market (we use the MSCI World Total Return Index measured in GBP as a comparator for overall market sentiment) over the financial year (approximately 0.6%). True to its defensive growth attributes, the sector outperformed during the March 2020 sell-off and April 2020 recovery, but lost ground over the summer and underperformed in the October to November 2020 're-opening' trade, when investors eschewed defensives for more cyclical exposure ahead of the first approvals of SARS-CoV-2 vaccines.

Nonetheless, as Figure 1 illustrates, it is still the case that healthcare has materially outperformed the wider MSCI World Total Return Index and the UK market (FTSE All Share Index) on a three-year basis and since the Company's inception.

We remain firmly of the view that the demographic factors which underpin healthcare demand growth have not been adversely impacted by the SARS-CoV-2 pandemic. If anything, the attendant economic and social crises have served to highlight the structural challenges in the healthcare marketplace and the need for increased investment and new approaches to care delivery to make the system fit for purpose.

INVESTMENT MANAGER'S REPORT

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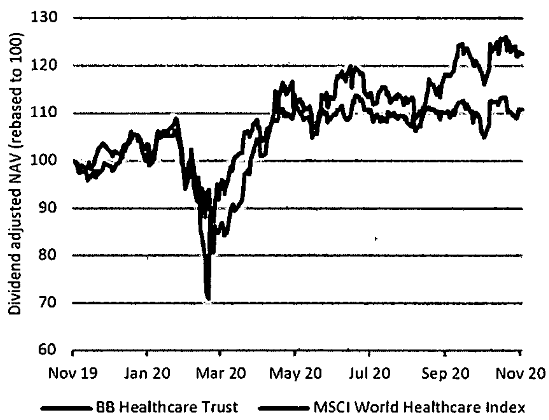
At the same time, healthcare providers have demonstrated their ability to cope with quite significant operational change over a short period of time, which is arguably a boon to those clamouring for reform but met with resistance from frontline staff. We think these factors may, in time, become additional medium-term positive growth drivers for our strategy and we continue to believe that healthcare will continue to outperform the wider market over the longer-term.

Macro environment

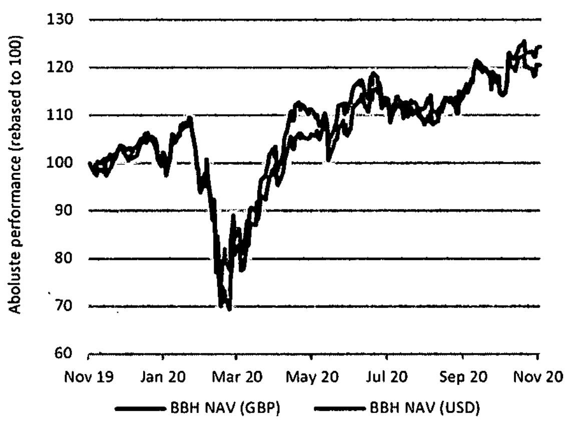
Figures 2 and 3 below illustrate the evolution of the share price total return across the year versus the comparator index, and the impact of currency on the evolution of the Net Asset Value.

Figure 2: BBH Share price total return vs. MSCI World Total Return Healthcare(GBP)



Source: Bellevue Asset Management, MSCI, Bloomberg

Figure 3: Impact of currency on NAV evolution



Source: Bellevue Asset Management, Bloomberg

The Company's investment strategy leads to a portfolio with certain inherent characteristics: dollar domination, mid-cap focus and low benchmark correlation. In ordinary times, these mere peccadillos are of no consequence, and more than offset by the superior returns on offer versus a benchmark dominated by backwardly successful behemoths.

However, these have not been ordinary times. The MSCI World Healthcare Index plunged 18.5% between 20 February and 23 March 2020. Although we had already begun to mitigate risk in the portfolio (through grossing down and re-allocating) from late January 2020 as the pandemic took hold, it was not enough.

This was a disorderly sell-off and the general trend in these volatile periods is for investors to pivot toward liquidity (i.e. they move up the market cap curve), which softens the blow for large-cap companies and also major indices as they are generally capitalisation-weighted. Given the inherent characteristics of our portfolio and prior periods with disorderly market conditions (e.g. Q4 2018), it is no surprise that we struggled on a relative basis during this period, as shown in Figure 2.

The short-term impact on investor returns (in both relative and absolute terms) was compounded by the Company briefly moving to trade at a discount to NAV. In the twelve months to 20 February 2020, the average premium to NAV was 0.86%. However, the Company's shares traded at a discount to NAV of approximately 14% on 19 March 2020. Fortunately, this was short-lived.

Although share prices were extremely volatile during this year, healthcare is not an economically sensitive industry; people get sick in recessions and booms alike. As such, we felt strongly that the medium-to-long term growth outlook was not adversely impacted by the unfolding pandemic and thus it was clear that the market dislocation offered a compelling opportunity for capital deployment. Again, prior experience gave us confidence that there is usually an over-reaction on the downside in the short-term and this creates a window to acquire assets at discounted valuations. We published a shareholder update to this effect on 20 March 2020 (this can be viewed on the BB Healthcare website).

The impact of increased gross market exposure (through the use of our debt facility) and the judicious addition to the portfolio of some long-watched and now beaten up medical device companies undoubtedly contributed to the rapid recovery in the NAV. The Company's Board did discuss share buybacks when BB Healthcare shares traded at a meaningful discount to NAV, but the Investment Manager proposed that higher returns would be made from investing more capital into the portfolio companies than buying back shares in the Company itself.

Whilst we were confident in the magnitude of the opportunity for positive returns in late March 2020, we did not expect such a mercurial market; the Company recovered to its pre-crisis NAV level (approximately 156p) by 11 May 2020 and this positive momentum continued throughout that month. The relentless onward march of the pandemic and wider rollover of almost every leading economic indicator militated against such a rapid recovery, and this made us rather nervous.

One can make various (perfectly reasonable) arguments why equities should continue to do well in the pandemic environment, the most powerful of which is a Hobsonian lack of compelling alternative asset pools:

Real-rates are close to zero, even for lower-rated sovereign bonds. For example, Italian 10-year bonds yielded only 0.62% at the end of November 2020, even though the country sat one notch above "non-investment grade" on the majority of credit ratings (wither credit spreads?).

Gold rallied 18.3% in 2019 and a further 17.1% to the end of November 2020, thus looking less compelling as a safe haven. Moreover, the now enshrined normal of home working plays havoc with commercial property values (roughly $33 trillion of invested value pre-crisis, or just over a third of the combined value of the global equity market).

All this at a time when COVID-related fiscal stimulus is likely to keep money flowing into the system and thus ultimately into equities as an asset class. A combination of the factors cited above and innate human optimism that the SARS-CoV-2 pandemic would be overcome sooner rather than later has meant that the market continued to push on since the initial recovery in sentiment during April 2020, with the MSCI World Index making new all-time highs in September, November, December 2020 and again in January 2021.

Index-level data is all well and good as a measure of wider sentiment to equities, but one should not under-estimate the extent to which this lurch higher has been led by the technology sector, as the data for the US market in Figure 4 illustrates.

Subsector exposure Allocation as at 30 November	**% Change**
S&P 500 excluding technology shares	+22.2%
S&P 500	+25.7%
S&P 500 Technology sub-sector (GICS L1)	+35.8%
NASDAQ Composite	+38.0%

Source: Bloomberg. *Data from 30-4-20 to 30-11-20.

INVESTMENT MANAGER'S REPORT

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This stellar performance leaves us in an interesting situation. As of the end of November 2020, the outperformance of the MSCI World Index has become very narrow. The top 5 companies were all technology stocks (Apple, Microsoft, Amazon, Facebook and Alphabet (Google)) and they accounted for more than 14.0% of the value of this near 1,600 stock global index. To put this in context, the top five companies accounted for 9.1% of the Index a year earlier and only four of them were 'Tech' (the fifth was JP Morgan, subsequently relegated to 11th spot).

The Software and Services plus Technology Hardware sub-sectors account for 17.7% of the MSCI World Index but this does not include Amazon (Retail), Facebook (Media) or Netflix (Media). These three stocks add a further 4.9% to the group most people would understand as "Tech", making the broadly defined group account for 22.6% of the most widely used global benchmark. We can also argue for Snap, Twitter, Pinterest etc. to be included and one can soon easily get north of 25.0% being "Tech".

Why is this important? History is not so much the best guide to markets, as the only one we have available, but seismic change can render it of little use as a datum. The more bearish investment commentator could rightly argue that absolute forward valuation metrics for the market as a whole are at all-time highs and a number of longer-term metrics for pricing equity market growth and risk (e.g. Tobin's Q, CAPE) are flashing 'red'.

On the other hand, one cannot divorce the distorting impact of this technology leadership from any analysis of market-level data. For instance, the forward (i.e. 2021) price/earnings ratio of the MSCI World Index stood at circa 45x at our year end, but the weighted average price earnings (PE) of 17.7% accounted for by the Software and Services and Technology Hardware sub-sectors is over 80x.

Thus, the "non Tech" Index P/E is a more reasonable sounding 37x for 2021, bearing in mind that the year 2021 will again have a degree of SARS-CoV-2 impact. Again, 37x is not 'cheap' in a historical context, but the lack of historical context for the times we are living in is also food for thought.

When looking forward into 2021, the investor must ponder two important questions. Firstly, is the market really as expensive as it looks, or is the picture severely distorted by the narrow 'Tech' leadership issue? Secondly, when assessing the impact of these technology stocks on the wider market, how relevant are traditional metrics? It is unarguable that the acquisition cost of new revenues and the cash conversion rates for these intangible entities is unlike anything that has previously happened. The only certainty is that the rules are different now. Is this, in fact, the 'new normal' about which we all heard so much in the early phase of the pandemic?

Even if one were to presume that valuations are aberrant, how long could this continue for? Many a Cassandra went bust shorting the 'imminent' tech crash in the late 1990s. It did finally come, but much later than many expected, and it was a far messier and protracted affair than previous corrections. We are very mindful of the adage: 'the trend is your friend until it comes to an end'.

Even within healthcare, we have seen valuation bubbles driven by thematic investing. This has not been limited to SARS-CoV-2 related themes such as testing or vaccines, which have both experienced bouts of dizzying revaluation (and devaluation as well), but to a wider trend toward thematic buckets, especially in the exchange traded fund ('ETF') category.

And where did the fiscal year end? For healthcare specifically, the market's vicissitudes have tended to return to the belief that all will be well sooner rather than later; the physical and temporal spacing necessitated during the pandemic will either cease to be an issue for doctors and patients alike, or that it will cease to be needed. 2021 will thus be a banner year and, in many cases little worse than what was expected for that year back in late 2019. In terms of revenue and profit forecasts, it is almost as if the pandemic never happened.

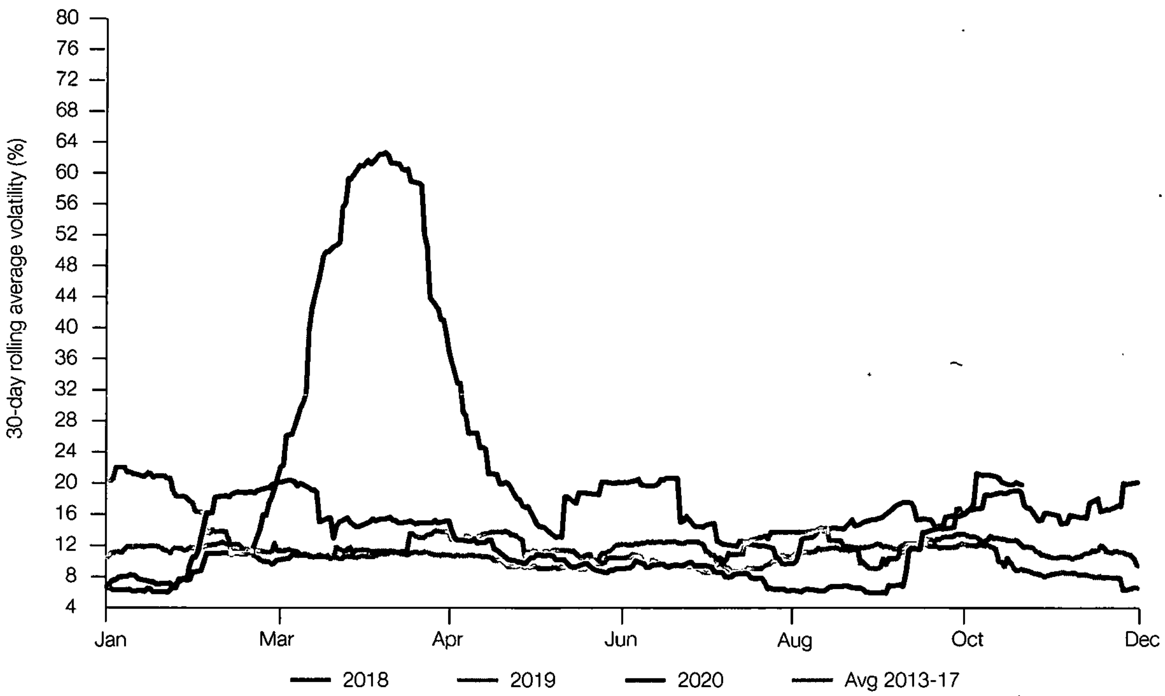
Simply put, anyone investing in the market today is playing economic recovery and social normalisation in the short-to-medium term. Getting comfortable with this premise, or rather remaining comfortable with it, whilst simultaneously absorbing the valuation consequences of a technology-led market in a zero yield world, will be the key to sentiment and thus to investor returns moving forward. This is a much easier thing to write about than to conclude upon at a personal level. It is even more of a conundrum for a portfolio manager, where managing risk is equally as important as seeking returns. Sailing through uncharted waters requires ever more vigilance.

With regard to the impact of foreign exchange ('FX') on the overall returns, this was not a significant factor for much of the year. SARS-CoV-2 does not discriminate and every economy suffered in its wake. The impact on the UK's service and leisure-oriented economy was arguably more significant than on the United States during 'wave one' and there was something of a tailwind from sterling weakening over the spring.

This fell away over summer, as 'wave two' was less well managed in the United States and, as the world's reserve currency, the greenback suffered as Asian economies recovered faster and alternative assets such as gold become more popular as a store of value. In addition, the Federal Reserve indicated that, as part of its stimulus programme, it would tolerate higher levels of inflation before considering interest rates rises.

The market thus moved to price in structurally lower longer-term US interest rates. In the final weeks of our fiscal year, the pound sterling began to strengthen again on positive Brexit-related sentiment, which looked premature. It will be sometime yet before we can really know if the EU/UK trade deal is all the Government hoped (and hyped) it to be. In aggregate, we estimate that foreign currency movements reduced the cumulative shareholder return by around 4% over the course of the fiscal year (as previously shown in Figure 3).

In conclusion, we have successfully navigated another period of almost unprecedented volatility (as shown in Figure 5) and macro-driven sentiment (can anyone remember what a 'normal' market feels like? 2017 seems a lifetime ago), but we are by no means complacent that the difficult times are now behind us.



INVESTMENT MANAGER'S REPORT

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Portfolio evolution

During the financial year 2020, the Company held positions in 41 companies (versus 35 in the prior period), one of which was the non-fungible Contingent Value Right ("CVR") that was issued as part consideration when Alder was acquired by Lundbeck in October 2019.

We began the year with 30 active positions (plus the Alder CVR) and ended the fiscal year with 29 active positions (plus the Alder CVR and our holding in NMC Health, the latter being valued at nil and no longer classed as an active holding).

The average across the year was 30 active positions, with eight additions and eight exits (plus the removal of NMC Health from the active category). Three of those exits were M&A related, with two portfolio companies acquired (Akcea, and Wright Medical) and one deal that had not yet closed (Fitbit) at our year end, but where we exited shortly after the announcement of the transaction given concerns on potential anti-Trust issues. Of the eight additions, two were securities of previously held companies.

As noted earlier, the rapid recovery in valuations during April and May 2020 reduced our level of comfort with the market in general, and certain areas of healthcare in particular; notably the ones that were more geared toward elective surgical procedures (namely lower acuity interventions that can easily be postponed without risk to the patient) and those companies that were deemed beneficiaries of the unfolding pandemic (e.g. telemedicine, testing).

Our discomfort was not solely due to valuations, but also to the general positive sentiment around 'normalisation' of activity levels in the overall healthcare system by Q4 2020, with 2021 being a 'normal' to even 'better than normal' year. With the inevitability of multiple waves of SARS-CoV-2 and the reality that winter respiratory diseases peak in January/February, this seemed faintly ridiculous to us.

We thus re-oriented the portfolio away from these areas toward essential medicines and services provided under long-term contracts over the May to July 2020 period. The evolution of the portfolio over the year is illustrated in Figure 6, with a general pattern of more Tools, Services and Therapeutics and less Dental, Med-Tech and Health Technology.

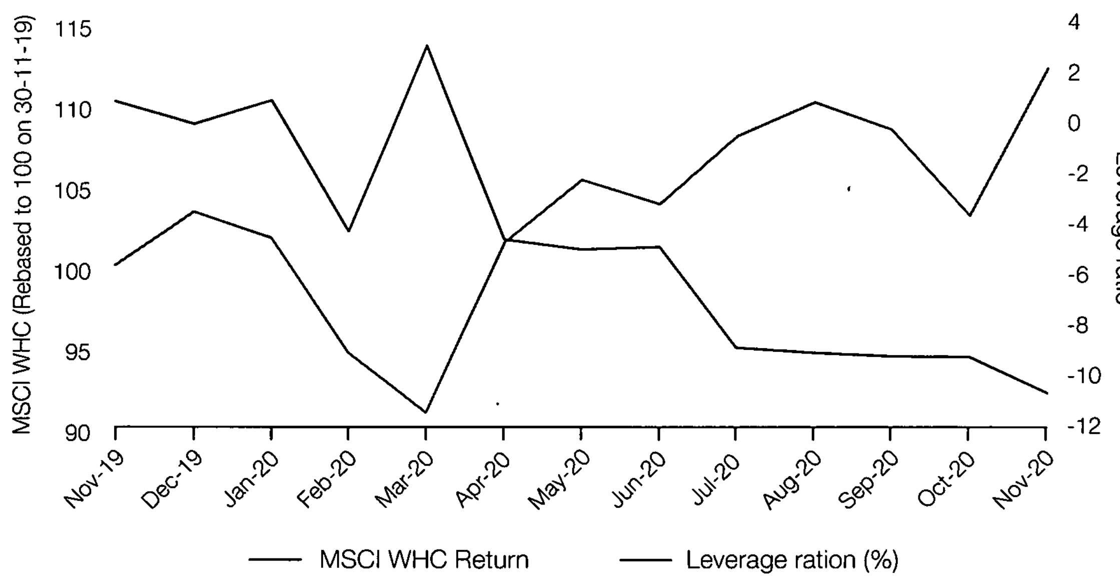
MSCI World Healthcare Index Performance by sub-sector.

Subsector Allocation as of 30 November	November 2020	May 2020	November 2019	% Change year on year
Dental	0.0%	0.9%	7.0%	-7.0%
Diagnostics	10.6%	12.4%	16.9%	-6.3%
Diversified Therapeutics	15.9%	14.0%	9.9%	+6.0%
Facilities	0.0%	0.0%	2.6%	-2.6%
Focused Therapeutics	37.0%	34.1%	24.2%	+12.8%
Healthcare IT	2.2%	5.5%	8.9%	-6.7%
Healthcare Technology	0.0%	0.0%	1.0%	-1.0%
Managed Care	12.9%	15.2%	14.4%	-1.5%
Medical Technology	12.6%	9.2%	10.2%	+2.4%
Services	5.4%	4.9%	2.9%	+2.5%
Tools	3.4%	3.8%	2.0%	+1.4%
Total	**100.0%**	**100.0%**	**100.0%**	

In addition to the re-orientation of the portfolio's sub-sector exposures, we took the decision to run a higher level of cash than would ordinarily be the case. Whilst we remain of the view that deploying leverage is a compelling way to enhance returns, this is only the case when one is confident that the overall direction of the market is positive. Following such a rapid recovery, we were worried that there may be another correction and that, at best, the wider sector would go sideways for some time; the latter prognostication proving prescient.

The portfolio's gearing versus the progression of the MSCI World Healthcare Index value across the year is illustrated in Figure 7. As the chart shows, we rapidly moved from modest leverage to net cash in January 2020, as the risks posed by the epidemic in Wuhan became clear. As noted above, we re-deployed gearing toward the end of March 2020 to take advantage of the opportunity created by the market correction but then adopted a cautious stance, returning to a modest net cash position. As the sector continued to make material upward progress, we further scaled back our gross exposure.

Figure 7



We are now some six months on from the decision to re-orient the portfolio and, generally speaking, the positioning has remained the same. We have a little bit more Medical-Technology exposure, but very much focused on the higher acuity/emergency end of the spectrum. Exposure to Tools and Diagnostics has come down, due mainly to profit taking amidst higher valuations, likewise Managed Care.

Our top five and bottom five performers in terms of contribution to the evolution of the NAV are summarised in Figure 8, along with their share price evolution in local currency and sterling over the fiscal year (which does not necessarily correspond to their performance for the Company, since the size and duration of our holding may differ).

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Figure 8

Top 5 Performers			Bottom 5 Performers		
Company	Performance (local currency) (%)	Performance (GBP) (%)	Company	Performance (local currency) (%)	Performance (GBP) (%)
CareDx	+178.6%	+169.8%	NMC Health	-100.0%	-100.0%
Teladoc	+137.4%	+129.9%	Esperion	-44.9%	-46.6%
Pacific Biosciences	+207.6%	+197.9%	Align Technology	+73.5%	+68.1%
Insmed	+69.2%	+63.9%	H Lundbeck	-26.5%	-22.5%
Evolent Health	+101.5%	+95.2%	Intuitive Surgical	+22.5%	+18.6%

The valuations of both Teladoc and Pacific Biosciences appreciated to levels that we were no longer comfortable with and we exited our holdings. Our decision to exit our positions in both Align Technology and Intuitive Surgical might, in hindsight, seem premature given their subsequent share price performance. However, this capital was deployed into other names and those contributed to our overall positive performance. Moreover, the doubts that we had regarding the consensus outlook for these companies' growth is still there.

Indeed, it is worth highlighting the increased impact of risk management related trading during this period. As noted previously, we view SARS-CoV-2 as a transient issue and, when all is said and done, there is little reason to change our expectations around the long-term growth expectations for the various sub-sectors of healthcare. Whilst we have gradually reflected the reality of risk-free rates being close to zero in our discount rates, this observation means that our overall long-term valuation parameters have not changed significantly either.

We have thus engaged in a much higher level of "topping and tailing" positions during the high levels of price volatility we witnessed during the year: taking profits at the higher edges of our acceptable valuation envelope and recycling that capital into positions at the lower end of that scale. Overall turnover (expressed as the percentage of gross value traded in a given month) has run at about 14% during fiscal 2020, versus 8% in the period from inception to the end of fiscal 2019. One should not underestimate the value of such activity in generating incremental alpha and also making sure that overall risk levels remain within our comfort level.

Esperion and Lundbeck share the dubious accolade of failing to manage a new product launch in SARS-CoV-2 times. Admittedly, this is a challenging backdrop, but some companies have overcome managed this and the situation is what it is. Regardless of the reason, the result is cuts to revenues and earnings and shares rarely perform during periods of negative estimates momentum. In both instances, we traded around these positions quite actively during the year and our losses were significantly smaller than the percentages above might otherwise suggest.

As many readers will be aware, NMC Health was subject to fraud and embezzlement on a grand scale (the group's indebtedness was grossly understated to the tune of $4.5 billion). Multiple criminal and civil probes are ongoing. We are obviously frustrated to have suffered losses, but the central tenet of any due diligence process begins with a company's audited regulatory filings, which contain a statement from the auditor attesting that they reflect a "true and fair view" of the entity. Unfortunately, this turned out not to be the case here. We have recommended to the Board a total write down of the value of the investment in the portfolio due to the uncertainty of ever receiving any value from the resolution of the sorry tale; a recommendation we would never have expected and one we hope we never have to make again.

The Company held a position in NMC since May 2019. We were aware of questions about governance and accounting then, and subsequently, but we felt these concerns were reflected in NMC's share price, making it a well-positioned play on expansion of developing market healthcare provision. We spent significant time on due diligence and with management, including its board members. The pertinent questions were asked but, alas, the information we received turned out to be very wrong. The extent to which any of the individuals concerned were complicit in this remains to be seen.

Our top 10 holdings as of the end of the financial year and other relevant portfolio metrics are illustrated in the figures 9 to 12. We have continued to operate a strategy with a very high active share versus the MSCI World Healthcare Index: our Active share was 92.9% at year end (versus 92.9% at end FY19).

Figure 9

TOP TEN HOLDINGS as at 30 November 2020	**% of net assets**
Bristol-Myers Squibb	6.7
GW Pharmaceuticals	6.0
Hill-Rom Holdings	5.4
Anthem	5.3
Insmed	4.7
Vertex Pharmaceuticals	4.6
Jazz Pharmaceuticals	4.3
CareDx	4.3
Alnylam Pharmaceuticals	4.0
Humana	3.6
Top ten holdings	**48.9**
Other net assets	51.1
Total	**100.0**

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Figure 10

Subsector exposure Allocation as at 30 November	2020 %	2019 %	% Change
Focused Therapeutics	37.0	–	+37.0
Diversified Therapeutics	15.9	–	+15.9
Managed Care	12.9	14.4	–1.5
Medical Technology	12.6	10.2	+2.4
Diagnostics	10.6	17.0	–6.4
Services	5.4	2.9	+2.5
Tools	3.4	2.0	+1.4
Healthcare IT	2.2	8.9	–6.7
Specialty Pharma	–	16.8	–16.8
Biotechnology	–	10.7	–10.7
Dental	–	7.0	–7.0
Pharmaceuticals	–	6.4	–6.4
Facilities	–	2.7	–2.7
Healthcare Technology	–	1.0	–1.0
Total	**100.0**	**100.0**	

Figure 11

Market Capitalisation Breakdown

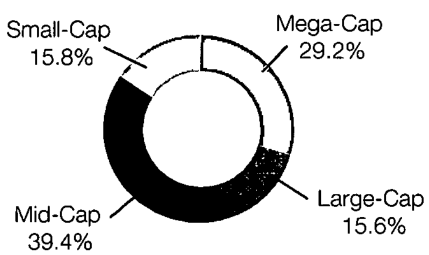
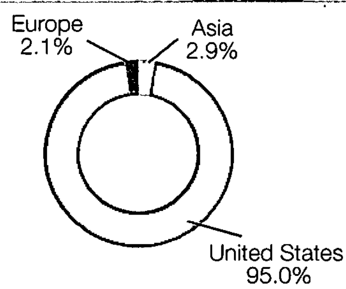


Figure 12

Geographical Breakdown (Operational HQ)



Source: Bellevue Asset Management.
Data as of 30 November 2020
Mega Cap >$50bn, Large Cap >$10bn, Small-Cap <$2bn.

Recent trading and sector outlook

The macro picture

At the time of writing (mid-February, 2021), the broad macro narrative continues to be dominated by waxing and waning views of the impact of the global pandemic, and various iterations of the potential consequences. Although the world is just beginning to feel the effect of a number of more transmissible variants on case growth that seemed to trigger a rapid escalation in infection rates here in the UK and elsewhere, the current viewpoint (from both a healthcare and broad economic perspective) seems to be that the US will ride this out much better than Europe.

As noted previously, the emerging macro narrative of late 2020 was "post vaccination re-opening" and we expect this to continue to be the case over the early part of 2021. Make no mistake, the next few weeks will still be challenging; the peak of the western hemisphere winter respiratory season is generally between December and February, making it reasonable to conclude that the current pressure on healthcare systems that has been exacerbated by COVID-19 is not yet over, even before any impact from these new variants is taken into account.

Vaccine rollouts are underway in many countries and, after a slowish start for the UK and the US, the pace has picked up to the extent that it may well be reasonable to think that large swathes of the most clinically vulnerable (the elderly and those with certain pre-existing conditions) will have received at least one shot by early Q2 and thus have a reasonable degree of protection. Nonetheless, the logistical challenges are significant; ramping up supply to meet demand will be almost impossible in the short-to-medium term and it looks like the EU will lag the US and UK in vaccinations over H1 2021.

The key economic question of course is when the overall balance of infections and vaccinations allows governments to relax restrictions and, more importantly, not to feel that they may once again need to be re-imposed in short order. From an economic point of view, the world has split into three regional pillars:

Asia is largely open, can it remain so? China's recovery from the initial pandemic, the attendant domestic economic recovery and its export growth are undeniably impressive and many other Asian nations (Taiwan, Singapore, Thailand, Vietnam etc.) have seen little population-level impacts from the crisis. This affords some luxury with slower vaccination rollouts whilst allowing Government to keep the economy open.

Despite the serious morbidity impact on a per-capita basis, the US economy has coped well and looks set to avoid a double-dip recession, in part due to the cultural wariness of government-level restrictions (which looks to be the case under the Biden Administration as well) and massive fiscal stimulus delivered at the both the corporate and individual level. State-by-State actions will have an economic impact, especially on the coasts, but the consensus view is that economic momentum will continue to build steadily.

Europe is much more challenging. The culture is more interventionist and the major role of Government in front-line health provision tends toward national and supranational-level decision-making. A double-dip recession appears difficult to avoid and open borders within the EU make containment all but impossible, with the new variant driving infections higher. At the margin, Brexit will not help the economic picture and political tensions between Eastern and Western EU members have slowed stimulus efforts until recently. The co-ordinated vaccine procurement programme has also fallen short of expectations. Can Europe avoid tripping over itself again?

Assuming that one accepts the premise that the approved vaccines prevent transmission to the same degree that they prevent symptomatic COVID-19 (and, as we went to press, the evidence here was still preliminary), the return to normality will depend on reaching a penetration of vaccination within the population that is sufficient to reduce hospitalisations and deaths to a level that society is willing to live with. Given the propensity of the media to conflate infection levels with morbidity risk for the wider population, this "acceptable level" could end up being quite a low number.

The reality that the majority of hospitalisations and deaths are amongst the very elderly and those with complex or serious medical conditions seems long ago lost, even if this demographic reality has actually become more stark in recent months rather than broadened: we have yet to see any robust data to support the premise these new variants increase morbidity in younger age groups.

Here in the UK, the inoculation of the very old and the vulnerable, frontline workers in health and social care and then everyone over 50 amounts to some 25 million people. Since these groups account for the vast majority of hospitalisations and deaths due to COVID-19, completion of this programme could allow the majority of restrictions to be eased.

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However, that would still leave some 23 million adults and 19 million children still susceptible to infection. Whilst the attendant morbidity is likely to be mild and self-limiting, testing, tracing and isolation requirements will probably need to remain in place for many months. Disruption will thus continue, as might the possibility of localised lockdowns if there are high caseloads in certain areas. Beyond the initial programmes, there is the question of the durability of protection and need for re-vaccination. One way or the other, we will be living with COVID-19 for quite some time to come.

Tying this all together, we think it can be summarised thus: if you are investing in equities today, you are exposed to this re-opening trade. Is this to a greater or a lesser extent? Is the risk to the widely accepted consensus on the upside or the downside? The picture changes constantly; the UK was behind schedule on vaccinations in late December, but is looking more on track since mid-January.

If one accepts the re-opening narrative at face value (that restrictions will begin to be banished from Q2 21), it should usher a broad-based economic recovery and potential tsunami of leisure-related spending as consumers exercise their pent up need to socialise and travel beyond the local supermarket; who doesn't want to visit Barnard Castle?

Within healthcare, the re-opening narrative would also suggest that consumer-centric areas like dental and elective surgical procedure exposures (medical equipment suppliers and hospital operators who make more money from planned minor procedures than managing overflowing ICUs) would do well, with more defensive areas such as Tools, Conglomerates, Services and Diversified Therapeutics underperforming these areas, as their 'safe haven' elements and tailwinds from testing services become less attractive and investors rotate away from them. If the re-opening narrative fades, then testing exposures, Tools and Services should once again come to the fore.

We have said little above with respect to vaccines. Our view on this subject is unchanged. In as much as we commend the rapidity of success in this area, we expect these products to become commoditised over time as other major vaccine suppliers such as J&J, Glaxo and Sanofi ultimately join the fray and the market is already assuming that annual booster vaccinations will be the reality. Efficacy of 95% vs 90% or even 80% is a technological tour de force, but is it worth paying a premium for? We doubt it. For logistical reasons, a combined Influenza +SARS-CoV-2 seasonal booster is the holy grail and these are in early development.

Your Manager's base case view

Little has changed for us since 30 November 2020. We continue to adopt a 'plan for the worst, hope for the best' approach to capital allocation within healthcare. Despite the pervasive re-opening narrative versus our more cautious stance and significant holding of cash. Thus far in fiscal 2021, the Company has delivered a total return of +11.7%, some 910bp more than the comparator MSCI World Healthcare Index (data as of 15 February 2021).

As things stand today, we are more concerned than relaxed. As noted above, the logistical/execution risks around a return to normal are not insignificant. It serves us all well to remember that science is the embracing of uncertainty: there are no absolute truths, only hypotheses that serve as received wisdom in respect of the available data unless or until a better hypothesis comes along or new data upends things. The dispassionate questioning of everything is the most important tenet of scientific progress.

Applying this to the COVID-19 pandemic, we can be certain there are several things that we do not know with any confidence: how quickly vaccinations will be rolled out on a globally relevant basis, how long protection will last, how quickly the virus might mutate to escape current vaccines or become more or less serious in terms of symptomatic disease. Nor do we know how low case numbers, morbidity or mortality need to fall in any given region for consumers to feel safe enough to behave as they did before, or how long such a drop needs to last to induce people to re-engage. If science is the embracing of uncertainty, then active fund management is the embodiment of educated guesswork.

Why are we concerned? The mantra of "don't worry about H1 21, it will all come good in H2" is rampant and seductive, but markets have a habit of looking through bad news, right up until the point that they don't.

These singular changes in mood are notoriously difficult to pin down with any confidence and usually arise when several small factors coalesce. The backdrop we observe is one where equity valuations are high in relative and absolute terms for many sub-sectors and consensus numbers imply some sort of a 'catch-up' in 2021 that is unprecedented in nature. Looking at some forecasts and comparing 2021 projections to 2019 actuals, it is almost as if this whole pandemic never happened. That does not feel right to us.

On the positive side, the sector's classical defensive characteristics remain intact. COVID-19 may continue to transiently suppress procedure volumes and patient visits to some extent, but overall demand levels do not vary in the same way as discretionary or cyclical sectors, so we still see solid medium and long-term absolute returns from our investments irrespective of the wider economic outlook. In the following pages, we summarise our initial thoughts on the outlook at a sub-sector level, in order to provide shareholders with some additional insights into our current thinking.

The artificer may argue that healthcare valuations on a relative basis have never looked more attractive, and we could certainly inflate the page count with multiple charts supporting this contention. Instead, we will offer an alternative viewpoint. Could it rather be that the rest of the market is very expensive relative to history, due to tech leadership and record low interest rates?

From an asset allocation perspective, the previous point is arguably moot. You could choose to allocate capital to healthcare because you think it is 'cheap' versus the rest of the market or because you think the rest of the market is too expensive or risky and you like the defensive growth attributes of the sector. Whichever camp you are in, we concur that allocating capital to healthcare despite the broader pro-cyclical narrative makes a lot of sense. However, that valuation question comes right back into focus when one starts to think about where within the broad church that is healthcare one should sit.

Sub-sector outlook

We classify healthcare investments into 15 different categories. Note: these are not the same as the GICS classification system used by MSCI and, sometimes, we re-classify stocks into different categories based on payor dynamics or similarity to peers. We exclude Animal Health from the review below, as the Company's focus is on human health. All weightings are as of 31 December 2020 and performance data relates to the calendar year (for reference, the MSCI World Healthcare Index delivered a value return of 8.7% in sterling terms during 2020):

- **Conglomerates and Diversified Therapeutics** (MSCI weighting: 11.8% for Conglomerates, 34.2% for Diversified Therapeutics, 2020 performance: +5.2% for Conglomerates, +1.8% for Diversified Therapeutics): We typically combine our comments on these two categories since investing in these sorts of companies is generally antithetical to our strategy. Nonetheless, they account for close to half of the MSCI World Healthcare Index and their performance is thus critical to sentiment for the sector overall. In addition, our largest single position at year end (the diversified therapeutics company Bristol-Myers Squibb) sits in this category.

  2020 was a challenging year as the pandemic pressured routine physician visits, limiting new patient starts and curtailing refill rates on non-essential medicines (e.g. statins). In addition, it was a Presidential election year in the United States and few things find common cause along the political spectrum than bashing the pharma industry. The spectre of drug pricing reform lingers wraith-like in the halls of Congress, but it was ever thus. As the principle store of value in the sector, it is an obvious place to source funds for capital redeployment and we expect another year of lagging performance versus the overall index. There are better places to be invested, from both a return potential and a regulatory risk perspective.

  The above having been said, we continue to see Bristol-Myers Squibb as a bright spot. Although the stock did not really work in 2020 (lagging the Index by around 1300bp on a total return basis), it is beguilingly inexpensive on both a relative and absolute basis and well positioned to exceed the markets modest expectations over the coming 2-3 years in terms of pipeline execution.

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- **Dental** (MSCI weighting: 0.7%, 2020 performance: +68.4%): To paraphrase the "Chairman of the Board" himself, we have only a few regrets from 2020, but not foreseeing the rapidity of the recovery in the dental sector was one of them. We correctly foresaw the procedure decline in the early stages of the pandemic (hence our exit) but not the rapidity of the recovery.

  We offer no excuses: one of our children was receiving Invisalign treatment at the height of the pandemic and the uninterrupted delivery of (very expensive) aligners, allied to video consults was a clue, as was the "Zoomification" of business life – those twisted tombstones have never been so obvious as when one is staring into Apple's virtual mirror for most hours of the working day.

  Having loved the Align story for so long, why then are we now zero weighted in Dental? A recurring theme of this section will probably be the observation that almost any stock that has the word technology in its name or can be reasonably be argued to be a "tech stock" enjoyed a vertiginous ascent during 2020 driven by a material re-rating. We continue to love many things about Align, but not its current valuation (70x forward earnings!).

- **Diagnostics** (MSCI weighting: 2.2%, 2020 performance: +27.9%): A strong contender for the Marmite award in 2021. Many companies have enjoyed windfall returns from the emergence of COVID testing. Whilst this will continue for some time, the need should fade significantly on a multi-year view, begging the question of what the correct forward P/E should be for such earnings. As logical as this debate seems, there is a more pressing structural change going on that we have long anticipated and now expect to reap rewards from.

  That trend is the shifting of diagnostic capabilities closer to the patient; in the physician's office or at the ward level in the hospital/clinic setting. The desire to ramp COVID testing capabilities has led to record placements of highly capable multiplex "boxes" during 2020. Even as COVID fades, these powerful tools have many other uses and the pull-though revenue opportunities are significant in our view.

  Rather like the all-powerful smartphone, you find these devices are not always used as initially intended by their purchasers but this does not matter to the likes of Apple. As long as these boxes are extant, they will drive some degree of consumables pull through. We continue to see increased usage of diagnostics as one of the key 'mega-trends' in the rapidly changing healthcare paradigm.

- **Distributors** (MSCI weighting: 1.2%, 2020 performance: +8.8%): The US distributors have battled multiple headwinds in recent years; the perception that they make margins on drug rebates (which Trump had been trying to curtail), their culpability in failing to police opioid over-use and the Damoclean risk of Amazon disintermediating them. These risks have all receded to a large extent and two of the "big three" (McKesson and AmerisourceBergen) have enjoyed a material re-rating.

  2021 should be a positive year, with volumes picking up as the pandemic recedes and renewed options to improve margins through further pivoting to more biologic and "specialty" drugs, which attract higher fees. However, this feels mostly priced in to us, but this sub-sector offers an interesting balance of optionality to normalisation and structural barriers to entry that creates defensive attributes (which is why we do not accept the "tech disintermediation" risk hypothesis). Overall though, there isn't enough here to pique our interest currently.

- **Facilities** (MSCI weighting: 1.1%, 2020 performance: +2.4%): Hospital operators are at the forefront of the pandemic and it has impacted their operations in an almost unprecedented manner. In the US, we have seen a gradual improvement in elective procedure capacity that has not been mirrored in Europe. These organisations should be commended for that.

  This is arguably the sub-sector most operationally geared to the normalisation theme, being as hospitals generally have low operating margins and high levels of fixed costs and financial indebtedness. Any improvement in the acuity mix toward more ambulatory care (literally 'walk-ins') would be positive for margins. However, consensus assumptions already factor in capacity utilisation at close to 2019 levels and the group overall looks fully valued in a historical context. We could only be more constructive on these companies at significantly lower valuation levels.

- **Focused Therapeutics** (MSCI weighting: 9.0%, 2020 performance: 40.1%): This broad church covers all manner of specialist drug providers and currently accounts for the largest proportion of the Company's portfolio. Our focus is very much toward 'essential medicines', i.e. those which are critical to maintaining a patient's wellbeing and where the drive to procure repeat prescriptions is obvious. These facets are attractive well beyond the pandemic ceasing to be the dominant macro narrative.

  Looking beyond the short-term narrative, we continue to see multitudinous opportunities to own R&D innovators whose products have the potential to improve or expand the therapeutic options for a wide range of serious diseases. Therapeutics continues to be one of the most obvious areas for dramatic improvements in the standard of care over the medium-term. Within this, we will maintain our selective approach but also expect active allocations toward other sub-sector opportunities to reduce our exposure to this area over the coming year.

- **Generics** (MSCI weighting: 0.6%, 2020 performance: -2.2%): this has been a tricky sub-sector to navigate for a number of years and, once again, we do not see that changing in 2021. A confluence of factors (negative pricing, litigation, over-capacity, pro-domestic policy in China) weigh on the growth outlook for multi-nationals. Consolidation is likely to continue, but the market structure is so fragmented that it will take many years before it can make a material difference to the business outlook. This still feels like somewhere to avoid to us.

- **Healthcare IT** (MSCI weighting: 1.9%, 2020 performance: +117.5%): Technology, in all its forms, was the place to be in 2020 and healthcare proved no exception. The opportunity for software to transform our staid industry cannot be overstated and we see this as a fertile ground for future holdings.

  However, one must remain grounded from a business model and valuation perspective and this is likely to be the major challenge to further progress in 2021. Revenue growth is all well and good, but at some point it must translate into real returns for investors. We continue to like this sub-sector and are actively seeking opportunities within it.

- **Healthcare Technology** (MSCI weighting: 0.7%, 2020 performance: +57.3%): In many ways, these innovative Medical Device companies are similarly caught between the positives of an attractive visible growth runway and truly staggering valuations.

  Rare is it that we have a list of companies that meet all of our broader investment criteria but would need to fall by more than half to create anything like a reasonable entry point on a PEG basis. In this sub-sector, such a situation is commonplace.

  This is intensely frustrating, but we will not yield to struthious tendencies and ignore fundamentals to fit a compelling narrative. That is the road to ruin. Inasmuch as our concerns are valid, this broader tech leadership narrative may yet continue, with these companies benefitting from support for their lofty ratings.

- **Managed Care** (MSCI weighting: 9.0%, 2020 performance: +10.6%): The US health insurers are another apparently controversial sector for investors moving into 2021. The ever-present risk of negative reform continues to worry some; especially with a Democrat in the White House who has control of both legislative branches. In addition, the 'windfall' from COVID-related treatment delays is expected to reverse as things normalise, offering a potentially challenging setup.

  We would offer an alternative perspective. The Democrats won the election but the nation is scarred and almost half of the country did not support their agenda. In addition, the balance in Congress is a fine one. Simply put, the appetite for far-reaching leftist reform is limited. Expanding Medicare and

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Medicaid is popular. Shoring up the ACA is popular. The "public option" (which the markets are wary of) is not.

We therefore see a modest and overall positive legislative backdrop for the Managed Care stocks and a slower than consensus return to normality, which makes for a positive overall setup given the very attractive valuations. We think this could be a surprise bright spot in 2021.

- **Medical Technology** (MSCI weighting: 15.7%, 2020 performance: +14.7%): Med-Tech currently is our most challenging sector from an intellectual and quantitative perspective. We are wrestling with a backdrop of an uncertain outlook for elective procedure volumes, valuations that are high in both relative and absolute terms and relative to any historical context.

  Consensus numbers are often higher than we would like and trading updates are mixed; with some companies much more positive than others, even within similar market segments such as orthopaedics or interventional cardiology. It is a Curate's egg.

  We would like to be more constructive on this group and continue to evaluate a number of opportunities to broaden the portfolio and increase our exposure. However, we are trying to balance the three pillars of personal clarity on the demand outlook, comfort with consensus expectations and valuation. We will not act unless all three are sufficiently positive in our view. We prefer higher acuity consumables and general equipment over more specialist 'big ticket' items and minor procedure consumables. Predicting the overall performance for 2021 feels very challenging.

- **Services** (MSCI weighting: 2.5%, 2020 performance: +48.6%): Many an investor has appreciated the attributes of this sector throughout the pandemic, and we are no exception. The compelling backdrop of predictable, contract-backed revenues during such broad uncertainty was obvious and worked very well. That has led to a backdrop of full valuations in a relative historical perspective.

  At their core, these attributes of dependable revenues and steady growth are attractive in any market scenario, as long as the price is right. We are more than happy to run our existing services exposures to some degree through 2021 but our watchlist stocks in this area again are trading at valuation levels that are too high for us to take any action. These high valuations and lack of consumer upswing exposure may mitigate outperformance in the coming year.

- **Tools** (MSCI weighting: 8.0%, 2020 performance: +45.7%): Much of the commentary for Services applies equally to Tools. Although revenues are less 'guaranteed' in the contractual sense, these companies enjoy high barriers to entry (both competitive and regulatory) and financially strong customers, being as they serve the research and development sector.

  Many companies have benefitted from the bolus of COVID-19 testing over the past year and accelerating research efforts and grants in various areas (e.g. massive vaccine manufacturing scale-up). This tailwind will fade in the coming years, but other customer areas that have been weaker through the pandemic (e.g. academia) will recover, offering some mitigation. There is scope for continued strong performance, but probably not on the same scale as in 2020.

Paul Major and Brett Darke
Bellevue Asset Management (UK) Ltd
26 February 2021

INVESTMENT POLICY, RESULTS AND KEY PERFORMANCE INDICATORS

Investment policy

The Company invests in a concentrated portfolio of listed or quoted equities in the global healthcare industry. The Company may also invest in 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. Any use of derivatives for investment purposes is made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described below, and such use is not expected in the normal course to form a material part of the Gross Assets.

The investable universe for the Company is the global healthcare industry including companies within industries such as pharmaceuticals, biotechnology, medical devices and equipment, healthcare insurers and facility operators, information technology (where the product or service supports, supplies or services the delivery of healthcare), drug retail, consumer healthcare and distribution.

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 will typically seek to maintain a high degree of liquidity in its portfolio holdings (such that 90 per cent of the portfolio may be liquidated in a reasonable number of trading days) 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 no restrictions on the constituents of the Company's portfolio by index benchmark, geography, market capitalisation or healthcare industry sub-sector. Whilst the MSCI World Healthcare Index (in sterling) will be used to measure the performance of the Company, the Company does not seek to replicate the index in constructing its portfolio. The portfolio may, therefore, diverge substantially from the constituents of this index (and, indeed, it is expected to do so). However, the portfolio is expected to be well diversified in terms of industry sub-sector exposures. 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. Although the base currency of the Company is sterling which creates a potential currency exposure, this will not be hedged using any sort of foreign currency transactions, forward transactions or derivative instruments.

The Company will not invest in any companies which are, at the time of investment, unquoted or untraded companies and has no intention of investing in other investment funds.

Borrowing policy

The Company may deploy borrowing to enhance long-term capital growth. 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 Net Asset Value. In the event that 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.

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution.

INVESTMENT POLICY, RESULTS AND KEY PERFORMANCE INDICATORS CONTINUED

Dividend policy

The Company will set a target dividend each financial year equal to 3.5% of Net Asset Value as at the last day of the Company's preceding financial year. The target dividend will be announced at the start of each financial year. This is a target only and not a profit forecast and there can be no assurance that it will be met.

Dividends will be financed through a combination of available net income in each financial year and other reserves. It is currently expected that most of the total annual dividend will be financed from other reserves. In order to increase the distributable reserves available to facilitate the payment of dividends, the Company cancelled the amount of £146,412,136 standing to the credit of its share premium account immediately following first admission of its Ordinary Shares to trading on the London Stock Exchange in order to create a special distributable reserve. The Company may, at the discretion of the Board, pay all or part of any future dividends out of this special distributable reserve, taking into account the Company's investment objective.

The Company intends to pay dividends on a semi-annual basis, by way of two equal dividends, with dividends declared in July and February/March and paid in August and March/April in each year.

In accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15 per cent. of its income (as calculated for UK tax purposes) in respect of an accounting period.

Results and dividend

The Company's revenue return after tax for the year amounted to a profit of £615,000 (2019: loss of £2,000). The Company made a capital return after tax of £157,348,000 (2019: £42,793,000). Therefore, the total return after tax for the Company was £157,963,000 (2019: £42,791,000).

The Company targeted a total dividend for the year ended 30 November 2020 of 5.0p per Ordinary Share.

- Interim dividend of 2.5p paid on 28 August 2020
- Final dividend of 2.5p to be paid on 30 April 2021 (to shareholders on the register at the close of business on 26 March 2021)

Target total dividend for the year ending 30 November 2021

As announced by the Company on 2 December 2020, for the financial year ending 30 November 2021, the target total dividend will be 6.03p per Ordinary Share, this being 3.5% of the audited net asset value per Ordinary Share of 172.51p (including current financial year revenue items) as at 30 November 2020. The Board intends to declare an interim dividend of 3.015p per Ordinary Share, being half of the target total dividend for the financial year ending 30 November 2021, in July 2021 and intends to pay this dividend in August 2021. The Board intends to propose a final dividend of 3.015p per Ordinary Share for the financial year ending 30 November 2021, in February/March 2022 and intends to pay this dividend in March/April 2022. At the Company's AGM in March 2019, a resolution was passed allowing shareholders the right to elect to receive their entitlement to the interim dividend in new Ordinary Shares instead of cash in respect of the whole or part of any dividend. The resolution was passed with 99.99% of the proxy votes cast (including discretionary votes) being in favour of the resolution. Shareholders can elect to receive their entitlement to the interim dividend in new Ordinary Shares instead of cash in respect of the whole or part of any dividend.

	Interim dividend	Final dividend	Total dividend
Dividends paid/payable			
Year ended 30 Nov 2019	2.425p	2.425p	4.85p
Year ended 30 Nov 2020	2.50p	2.50p	5.00p
Target dividend*			
Year ending 30 Nov 2021	3.015p	3.015p	6.03p

* This is a target and should not be taken to imply a profit forecast.

Key performance indicators ("KPIs")

The Board measures the Company's success in attaining its investment objective by reference to the following KPIs:

(i) To beat the total return of the MSCI World Healthcare Index (in Sterling) on a rolling 3 year period

The NAV total return from 1 December 2017 to 30 November 2020 was 18.1%. The total return of the MSCI World Healthcare Index (in sterling terms) over the same period was 12.6%.

The Chairman's statement on pages 2 to 6 incorporates a review of the highlights during the financial year ended 30 November 2020. The Investment Manager's report on pages 7 to 22 gives details on investments made during the year and how performance has been achieved.

(ii) To seek to generate a double-digit total shareholder return per annum over a rolling 3 year period

The NAV total returns from 1 December 2017 to 30 November 2020 was 18.1% annualised.

(iii) To meet its target total dividend in each financial year

The Company targeted a total dividend of 5.0p per Ordinary Share for the year ended 30 November 2020. The Company paid an interim dividend of 2.5p per Ordinary Share in August 2020 and proposes a final dividend in respect of the year to 30 November 2020 of 2.5p per Ordinary Share.

(iv) Discount/premium to NAV

The discount/premium relative to the NAV per Ordinary Share represented by the share price is monitored by the Board. The share price closed at a 0.3% discount to the NAV as at 30 November 2020 (2019: 1.3% premium). Due largely to the market dislocation in March 2020, the average premium during the fiscal year was 0.6%, compared to 1.6% in fiscal 2019.

(v) Maintenance of reasonable level of ongoing charges

The Board monitors the Company's operating costs. Based on the Company's average net assets during the year ended 30 November 2020, the Company's ongoing charges figure calculated in accordance with the Association of Investment Companies ("AIC") methodology was 1.10% (2019: 1.19%). The Board expects the ongoing charges figure to reduce slightly as the Company grows in size.

RISK AND RISK MANAGEMENT

Principal and emerging risks and uncertainties

The Board is responsible for the management of risks faced by the Company and delegates this role to the Audit and Risk Committee. The Audit and Risk Committee carries out, at least annually, a robust assessment of principal and emerging risks and uncertainties and monitors the risks on an ongoing basis. The Committee has a dynamic risk assessment programme in place to help identify key risks in the business and oversee the effectiveness of internal controls and processes, providing a visual reflection of the Company's identified principal and emerging risks.

During the year, the Audit and Risk Committee were particularly concerned with the risks posed by the COVID-19 pandemic which has had a significant impact in all risk categories. In addition to implementing more regular reviews of investment performance with the Investment Manager, the Audit and Risk Committee requested and received assurances from its key service providers that they would be able to maintain high standards of service whilst working remotely. Further information on how the Audit and Risk Committee has considered COVID-19 when assessing its effect on the Company's ability to operate as a going concern and the Company's longer-term viability can be found on pages 29.

The principal and emerging risks, together with a summary of the processes and internal controls used to manage and mitigate risks where possible are outlined below.

(i) Market risks

Economic conditions

Changes in general economic and market conditions including, for example, impact of pandemics on global economies and national responses to ameliorate such challenges, interest rates, 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.

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 while this is a manageable risk, 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.

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.

The impact on the portfolio from Brexit and other geopolitical changes including the trade war between the US and China are monitored and discussed regularly at Board meetings. While it is difficult to quantify the impact of such changes, it is not anticipated that they will fundamentally affect the business of the Company or make the Company's investment case any less desirable.

Management of risks

The Investment Manager has a well-defined investment objective and process which is regularly and rigorously reviewed by the independent Board of Directors and performance is reviewed at quarterly Board meetings. The Investment Manager is experienced and employs its expertise in selecting the stocks in which the Company invests.

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.

(ii) Financial risks

The Company's investment activities expose it to a variety of financial risks which include liquidity, currency, leverage, interest rate and credit risks.

There is a risk that the Company's holdings may not be able to be realised at reasonable prices in a reasonable timeframe. 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. The Company pays interest on its borrowings and as such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

Further details on financial risks can be found in note 19 to the financial statements.

Management of risks

The Company will typically seek to maintain a high degree of liquidity in its portfolio holdings. The Company's Investment Manager monitors the currency risk of the Company's portfolio on a regular basis. Prevailing interest rates are taken into account when deciding on borrowings. Further details on the management of financial risks can be found in note 19 to the financial statements.

(iii) Corporate governance and internal control risks (including cyber security)

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 external agencies are outlined on page 37 of the Directors' Report.

The main risk areas arising from the above contracts relate to allocation of the Company's assets by the Investment Manager, and the professional execution of their duties of 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. Cyber security risks could lead to breaches of confidentiality, loss of data records and inability to make investment decision.

Management of risks

Each of the contracts were 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. The Company's key service providers report periodically to the Board on their procedures to mitigate cyber security risks.

(iv) 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

RISK AND RISK MANAGEMENT CONTINUED

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.

(v) Key person risk

The Company depends on the diligence, skill and judgement of the Investment Manager's investment professionals and the information and ideas they generate during the normal course of their activities. The Company's future success depends on the continued service of key personnel. The departure of any of these individuals without adequate replacement may have a material adverse effect on the Company's business prospects and results of operations.

Management of risks

The Board meets regularly with other members of the wider team employed by the Investment Manager. The strength and depth of investment management team provides comfort that there is not over-reliance on one person with alternative investment managers available to act if needed.

(vi) Business interruption

Failure in services provided by key service providers, meaning information is not processed correctly or in a timely manner, resulting in regulatory investigation or financial loss, failure of trade settlement, or potential loss of investment trust status.

Management of risks

Each service provider has business continuity policies and procedures in place to ensure that they are able to meet the Company's needs and all breaches of any nature are reported to the Board.

Due to the COVID-19 pandemic and the restrictions on gatherings and travel introduced by the UK Government, the Audit and Risk Committee requested assurances from the Company's key service providers that business continuity plans had been enacted where necessary, with the majority of service providers enabling remote working arrangements. This provided a satisfactory level of assurance that there had not been, and there was no anticipation of any disruption to service quality.

VIABILITY STATEMENT

The Directors have assessed the viability of the Company for the five years to 30 November 2025 (the "Period"), which the Directors consider to be an appropriate time horizon, taking into account the long-term nature of the Company's investment objective and recommended by the Financial Reporting Council.

In reaching this conclusion, the Directors have considered each of the principal and emerging risks, uncertainties and the liquidity and solvency of the Company over the next five years. The Directors have considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities, which could, if necessary, be sold to meet the Company's funding requirements. Portfolio changes and market developments are discussed at quarterly Board meetings. The internal control framework of the Company is subject to a formal review on at least an annual basis.

The Directors do not expect there to be a material increase in the annual ongoing charges ratio of the Company over the Period. The Company's income from investments and cash realisable from the sale of its investments provide substantial cover to the Company's operating expenses under all stress test scenarios reviewed by the Directors.

The Company has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. The redemption point is the last business day of November. The Directors' assessment assumes that the number of shares redeemed will not affect the Company's ability to continue in operational existence. At the last redemption point of 30 November 2020, redemption requests in respect of 565,413 Ordinary Shares were received. All of the 565,413 Ordinary Shares, representing 0.12% of the issued share capital at that date, were matched with buyers and there was no change to the Company's share capital. The Company's redemption facility is subject to approval by the board.

The detailed review of the issues arising from the COVID-19 pandemic as discussed in the Chairman's Statement on page 5, the Investment Manager's Report on page 17 and in the principal and emerging risks section on page 28.

Based on their assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due in the Period.

SECTION 172 STATEMENT

This section of the Annual Report covers the Board's considerations and activities in discharging their duties under s.172(1) of the Companies Act 2006, in promoting the success of the Company for the benefit of its members as a whole.

This statement includes consideration of the likely consequences of the decisions of the Board in the longer term, how the Board has taken wider stakeholders' needs into account and the impact of the Company's operations on the environment.

The Board, together with the Investment Manager, sets an overall investment strategy and reviews this on an ongoing basis. In order to ensure good governance of the Company, the Board has set various limits on the investments in the portfolio, including the number of individual holdings and the level of gearing. These limits and guidelines are regularly monitored.

The Board is ultimately responsible for all stakeholder engagement. As an externally managed investment company, the Company does not have any employees; rather it employs external suppliers to fulfil a range of functions, including investment management, secretarial, administration, public relations, corporate brokering, depositary and banking services. All these service providers who are stakeholders in the Company themselves help the Board to fulfil its responsibility to engage with the Shareholders and other stakeholders.

The Board has identified the major stakeholders in the Company's business. On an ongoing basis the Board monitors both potential and actual impacts of the decisions it makes in respect of the Company upon those major stakeholders identified.

Shareholders: The Board's principal concern is the interests of the Company's shareholders and potential investors. As a public company listed on the London Stock Exchange, the Company is subject to the Listing Rules and the Disclosure Guidance and Transparency Rules. The Listing Rules include a listing principle that a listed company must ensure that it treats all shareholders of the same class of shares that are in the same position equally in respect of the rights attaching to such shares. With the assistance of regular discussions with and the formal advice of the Company's legal counsel, secretary and corporate broker; the Board abides by the Listing Rules at all times.

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 Board recently announced that for the financial year ending 30 November 2021, the target total dividend will be 6.03p per Ordinary Share, this being 3.5% of the unaudited net asset value per Ordinary Share of 172.51p (including current financial year revenue items) as at 30 November 2020. This is an increase of 20.6% compared to the previous year's dividend of 5.0p per ordinary share and the Board believes that this is a very attractive headline yield.

The Board maintains open dialogue between shareholders, the Investment Manager and other service providers. The Investment Manager along with the Company's corporate broker meets regularly with the Company's shareholders to provide Company updates and to foster regular dialogue. Feedback from meetings between the Investment Manager and shareholders is communicated with the Board. The Chairman and other members of the Board is available to support these meetings and to address Shareholder questions and consult major Shareholders at least on an annual basis.

The Board encourages shareholders to attend and participate in the Company's Annual General Meeting ("AGM") in normal circumstances and the Investment Manager attends, providing a presentation on the Company's performance during the year, challenges and outlook for the future. The Company values any feedback and questions it may receive from shareholders ahead of and during the AGM.

The Company's Annual and Interim Reports are made available on the Company's website and also circulated to shareholders as requested, providing shareholders with an in depth understanding of the Company's financial position and portfolio. This information is supplemented by the daily calculation and publication of the NAV per Ordinary Share and a monthly factsheet and portfolio data, which are announced via a Regulatory Information Service feed and are also available on the Company's website.

In addition, the Board oversees the maintenance and integrity of the corporate and financial information included on the Company's website. The Board has also engaged the services of an independent research consultancy, Kepler to ensure that information and news about the Company is regularly available for existing and potential Shareholders.

For more information on Shareholder engagement please see the Corporate Governance section of this report which contains further information on Shareholder engagement.

Investment Manager: The most significant service provider for the Company's long-term success is Bellevue Asset Management (UK) Limited, who have been engaged as the Company's Investment Manager. The Investment Manager is responsible for the management of the Company's portfolio in accordance with the Company's investment policy and the terms of the Investment Management Agreement. The Investment Manager has also been appointed as the Company's AIFM in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), for the purpose of providing investment advisory services to the Company. The Investment Manager has placed trust in the investee companies to respond appropriately to operational challenges and to ensure that high standards of corporate governance and regard for Shareholders are at the forefront of managerial decision making.

The Board monitors the Company's investment performance in relation to its objectives and investment policy and strategy. The Board regularly assesses the experience and resources of the Investment Management team and the commitment of the Investment Manager; to promote the Company and foster Shareholder relations and to ensure that the Company's objective of providing capital growth combined with dividend income for its investors are met. The Board receives and reviews regular reports and presentations from the Investment Manager. An open and active relationship is maintained with the Investment Manager at Board meetings and additional meetings when needed.

Suppliers: A list of the Company's key service providers can be found on page 37 of this Report. As an externally managed investment trust, the Company conducts all its business through its key service providers. Before the engagement of a service provider, the Board ensures that the Company's business outlook as well as values are similar. On an annual basis, the Board reviews the continuing appointment of each service provider to ensure re-appointment is in the best interests of the Company's Shareholders. The Board has strong working relationships with the Investment Manager, Broker, Company Secretary, Administrator and Depositary and receives reports on the performance of the key service providers by the Investment Manager and Company Secretary. Separately, the Auditor is invited to attend the Audit and Risk Committee meeting at least once per year. The Audit and Risk Committee Chair maintains regular contact with the Audit partner to ensure the audit process is undertaken effectively. During the year under review, the Board sought and received reassurance that all key service providers had appropriate business continuity plans in place. All key service providers have maintained a high standard of service and demonstrated operational resilience whilst working remotely during the lockdowns caused by the COVID-19 crisis.

Regulators: The Company and its appointed professional suppliers keep abreast of the rules and regulations affecting the investment company sector. The Board, Company Secretary and AIFM are responsible for ensuring that various regulatory and statutory obligations are met. As AIC members, the Board can draw on the resources available detailing any regulatory changes. During the year under review, the Board have considered emergency legislation brought in to help companies engage effectively with shareholders during periods of COVID-19 enforced social distancing. These include the ability to conduct virtual AGM's and extend publication of accounts where necessary.

SECTION 172 STATEMENT CONTINUED

Wider community and the Environment: The Investment Manager, as steward of the Company's assets engages with the investee companies to ensure high standards of governance. The investment strategy of the Company is predicated upon the commitment of investee companies to act in the interests of all stakeholders. In making investment decisions, the Investment Manager takes into account qualitative measures such as the environmental and social impact of a company as well as financial and operational measures.

In summary, the Directors are cognisant of their duties enshrined in Section 172 of the Companies Act 2006 to make decisions taking into account the long term consequences of all the Company's key stakeholders and reflect the Board's belief that the long term sustainable success of the Company is linked directly to its key stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") POLICY

It is undisputable that ESG considerations are of increasing importance to investors, both at the wealth/asset manager level and also in terms of the end clients in the retail marketplace. The Investment Manager has summarised their position on ESG, from both a Company perspective at the BB Healthcare Company level and at the appointed Investment Manager level from a Bellevue Asset Management UK Limited ("Bellevue") standpoint in the following section.

Bellevue launched its first ESG-focused healthcare fund in 2018 and became a signatory to the United Nations Principles of Responsible Investment (UN PRI) in 2019. PRI signatories must provide a report on their ESG approach and make changes where necessary. These are often made available for investors, allowing them to benchmark one asset manager against the other signatories. Bellevue intends to make its next PRI report public once it becomes available later in 2021.

Bellevue's formal ESG guidelines cover areas such as compliance with global norms (UN Global Compact and Guiding Principles for Business and Human Rights, ILO standards, etc.), value-based exclusions, corporate controversies, climate change factors and active ownership (management engagement, voting policies, etc.).

The assessment of ESG considerations is often over-simplified to the level of significant controversies or an aggregated ESG score provided by third party agencies. In the case of the Company, the Investment Manager uses the MSCI ESG reports for qualitative and quantitative input and Bellevue Asset Management has used both the MSCI and Sustainalytics platforms for this purpose. The Investment Manager must certify for each company in the portfolio that they have read the reports and evaluated companies on their environmental, social and governance attributes. The Investment Manager is committed to re-certifying their summaries on these points every six months.

ESG screening for controversies is an integral part of the investment process and the Investment Manager cannot hold companies that have been found to violate norms in areas such as human rights, environmental regulation and labour laws or that have been found guilty of serious corruption.

Beyond this, the Investment Manager does not apply specific scoring criteria for exclusion from the portfolio because they feel that an external rating or scoring approach has significant limitations and they view these more as tools to consider within a much more comprehensive and holistic approach. Both the Company Board and Bellevue are tracking the Investment Manager's engagement with portfolio companies, in terms of regular interactions with senior management and voting in relation to company meetings and corporate actions.

One cannot overstate the importance of engagement with company management teams – active fund management arguably derives a material proportion of its alpha generation opportunities through the ability to proactively consider and debate potential issues with company management teams, rather than merely reacting in hindsight to the market's assimilation of developments after the fact, which is the very definition of passive investing.

The Investment Manager is quite happy to exit positions when they lose confidence in management or strategy and several examples of such situations can be found in the Company's monthly factsheets. The Investment Manager aims to be firm but fair; believing that one should not be trying to be popular with companies, but rather respected for the robustness and quality of the interactions. Most importantly, there are no sacred cows.

Since both the Company and Bellevue are committed to ESG as a core principle, the visibility of the various ESG initiatives will be increased over time. However, the Investment Manager does not currently intend to publish any aggregated information on scores or ratings for the Company's portfolio. Their rationale for this is simple; as noted previously, they do not think the field has matured to the point where it is representative or fair to do so, creating various limitations to such a quantitative summary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") POLICY CONTINUED

Conceptually, making ESG comparisons between companies appears simple, but it is actually more complex. At their heart, the composite ESG ratings reflect how well a company compares to its peers. For healthcare, the environment element is limited in importance, but the social and Governance pillars each make up ~40% of the overall score.

It is a truism that larger companies can afford (in both monetary and temporal terms) to invest more in areas such as human capital development, charitable access, etc. Can you really compare a small R&D-led entity with tens of employees to a multi-national in these areas? Logically, the answer must be no, but the reality is, that is implicitly what such scores do. In addition, the covered universe from an ESG perspective is not yet at 100% and inevitably logically has started with the largest companies first, so coverage (i.e. the availability of a rating) can be patchier as one moves down the market cap range.

As a consequence, the Investment Manager sees very strong correlations between company size and maturity and overall scores. Since the Company's investment strategy leads the Investment Manager to own focused mid-sized companies in preference to the larger diversified ones that dominate all the recognised benchmarks, the portfolio's ESG score will be at an unflattering structural disadvantage and such a reductive snapshot would be unhelpful in accurately reflecting the Company's broad adoption of ESG as a core investment principle.

Environmental matters

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Employees

The Company has no employees. As at 30 November 2020 the Company had five Directors, four of whom are male and one is female. The Board's policy on diversity is contained in the Corporate Governance Report (see page 46).

Social, community and human rights issues

Having no employees, the Company, as an investment company, has no direct impact on social, community, environmental or human rights matters.

Modern slavery disclosure

Due to the nature of the Company's business, being a company that does not offer goods or services to consumers, the Board considers that it is not within the scope of modern slavery. The Board considers the Company's supply chains, dealing predominately with professional advisers and service providers in the financial service industry, to be low risk in relation to this matter.

Outlook

The outlook for the Company is discussed in the Chairman's Statement on page 5.

Strategic Report

The Strategic Report set out on pages 1 to 35 of this Annual Report was approved by the Board of Directors on 26 February 2021.

For and on behalf of the Board

Randeep Grewal
Chairman
26 February 2021

DIRECTORS' REPORT

The Directors present their annual report and accounts for the year ended 30 November 2020.

Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 35.

Legal and taxation status

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company conducts its affairs in order to meet the requirements for approval as an investment trust under section 1158 of the Corporation Tax Act 2010. The Company has received initial approval as an investment trust and the Company must meet eligibility conditions and ongoing requirements in order for investment trust status to be maintained. In the opinion of the Directors, the Company has met the conditions and requirements for approval as an investment trust for the year ended 30 November 2020.

Alternative Investment Fund Manager ("AIFM")

Bellevue Asset Management (UK) Ltd ("BAM UK") is authorised and regulated by the Financial Conduct Authority ("FCA") to undertake the regulated activities as defined in the Alternative Investment Fund Managers Directive (2011/611/EU) ("AIFMD").

On 1 April 2020, it was announced that BAM UK had been appointed as Alternative Investment Fund Manager ("AIFM") to the Company, subject to the overall control and supervision of the Board. Under the terms of the AIFM agreement, BAM UK performs the activity of portfolio management in accordance with the investment policy of the Company and has discretion to buy, sell, retain, exchange or otherwise deal in investment assets for the account of the Company.

The Investment 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 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 Shares, respectively, in issue on the last business day of the relevant calendar month excluding any Ordinary Shares held in treasury. There is no performance fee payable.

As allowed under the AIFMD, BAM UK has delegated the activity of Risk Management to Bellevue Asset Management AG (the "Delegated Risk Manager").

The AIFM agreement may be terminated on 12 months' written notice and may be terminated with immediate effect on the occurrence of certain events, including insolvency, on a change of control of the Investment Manager or in the event of a material breach which fails to be remedied within 30 days of receipt of notice.

As an AIFM, BAM UK must ensure that it, together with the Company, is fully compliant with the terms of the AIFMD. In order to accomplish this, the required regulatory obligations are met through the cooperation of both parties as well as with significant input from the Delegated Risk Manager.

BAM UK has agreed with the Delegated Risk Manager, and in full compliance with the AIFMD, a Risk Framework in respect of the Company. The Risk Framework seeks to govern the investment and operational risks as well as ensuring that all risk limits are complied with. All required risk reporting is completed by the Delegated Risk Manager.

The Delegated Risk Manager monitors the Company on a daily basis in order to ensure that BAM UK is operating within the risk limits contained in the risk policy and seeks to identify breaches. If BAM UK breaches a risk management limit, then it is required to notify the Delegated Risk Manager of the breach as soon as possible, and by the day after the infraction occurred at the latest. In addition to providing details of the breach, BAM UK confirm how and when the breach was resolved or when and how it is intended that the breach will be resolved.

The AIFMD Annex IV reporting requirements are undertaken by the AIFM, Administrator and other selected service providers.

Brokers

In addition to J.P. Morgan Cazenove as the Company's broker, following the year end Alvarium Securities were also appointed as the Company's joint broker as announced on 18 January 2021.

Depositary

CACEIS Bank, UK Branch has been appointed as the Company's depositary.

Company Secretary and Administrator

PraxisIFM Fund Services (UK) Limited is the Company Secretary and Administrator of the Company, providing accounting, administration services including calculation of the daily net asset value.

Management engagement

The Directors are satisfied that the AIFM has the suitable skills and experience to manage the Company's investments and believe that the continuing appointment of the AIFM is in the interests of shareholders as a whole.

Alternative Investment Fund Portfolio Managers' Directive ("AIFMD")

In accordance with the AIFMD, the AIFM must ensure that an annual report containing certain information on the Company is made available to investors for each financial year. The investment funds sourcebook of the FCA (the "Sourcebook") details the requirements of the annual report. All the information required by those rules are included in this Annual Report or is or will be made available on the Company's website (**www.bbhealthcaretrust.com**).

The AIFM is required to make certain disclosures on its remuneration in respect of the AIFM's relevant reporting period. These disclosures are available on request from the AIFM.

Leverage (under AIFMD)

The AIFM is required to set leverage limits as a percentage of net assets for the Company utilising methods prescribed under AIFMD. These methods are known as the gross method and the commitment method. Under both methods the AIFM has set current maximum limits of leverage for the Company of 120%.

DIRECTORS' REPORT

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A leverage percentage of 100% equates to nil leverage. The Company's leverage under each of these methods at its year end is shown below:

	Gross method	Commitment method
Maximum leverage limit	120%	120%
Actual leverage at 30 November 2020*	100%	100%

* Definitions of this APM together with how these measures have been calculated can be found on pages 87 and 88.

Share issues

During the year ended 30 November 2020, the Company issued 54,762,627 Ordinary Shares, through the ongoing share issuance programme. The number of Ordinary Shares in issue at 30 November 2020 was 488,719,689.

The authority to issue new shares pursuant to the placing programme, detailed in the Company's prospectus dated 10 November 2016, expired on 9 November 2017. The Company published a new prospectus on 5 November 2018, for the issuance of up to 345 million Ordinary Shares by way of an Initial Placing, Offer for Subscription and Intermediaries Offer, and pursuant to a new share issuance programme. A supplementary prospectus was issued on 20 February 2019.

At the Annual General Meeting held on 23 March 2020, the Board sought authority from Shareholders for the Company to issue up to a maximum of 43,605,706 Ordinary Shares and to disapply pre-emption rights when issuing those Ordinary Shares. This authority will expire at the conclusion of the forthcoming Annual General Meeting.

A Circular and Notice of General Meeting was sent to Shareholders on 21 July 2020 to seek approval for authority to allot and to disapply pre-emption rights of up to 46,430,000 Ordinary Shares, in addition to Company's existing authority. The General Meeting was held on 1 September 2020 and both resolutions put forward at the meeting were passed. The authorities have been used to carry out a series of tap issues, providing the Company with the ability to issue new Ordinary Shares over a period of time, to meet investor demand and help with managing the premium at which the Ordinary Shares typically trade.

The Board recommends that the Company is granted a new authority to issue up to a maximum of 50,734,545 Ordinary Shares (representing 10% of the shares in issue at the date of this document) and to disapply pre-emption rights when issuing those Ordinary Shares. Resolutions to this effect will be put to shareholders at the Annual General Meeting to be held on 23 April 2021.

This authority would be used to fulfil demand for the scrip dividend alternative and to carry out a series of placings or tap issues, providing the Company with the ability to issue new Ordinary Shares over a period of time to meet investor demand and help with managing the premium that the shares typically trade at.

Any New Ordinary Shares issued through placings or tap issues under this non pre-emptive authority will be issued at a premium to the prevailing NAV per Ordinary Share (cum income) at the time of issue, to cover issuance costs, so no existing shareholders will suffer any dilution to the value of their holdings as there should be no negative impact on the Company's NAV per Ordinary Share.

Scrip dividend

At the Company's AGM in March 2019, a resolution was passed allowing shareholders the right to elect to receive new Ordinary Shares instead of cash in respect of the whole or part of any dividend (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme is advantageous to shareholders because it enables shareholders to increase their shareholding in the Company in a simple manner without paying dealing costs. The Scrip Dividend Scheme is advantageous to the Company (and therefore to the shareholders in general) since the relevant cash dividend amounts payable to shareholders who have elected to participate in the Scrip Dividend Scheme are reinvested in the Company as additional share capital.

On 21 July 2020, the Board declared an interim dividend for the six months ended 31 May 2020 of 2.5p per Ordinary Share and offered shareholders the opportunity to participate in the Scrip Dividend Scheme. Accordingly, the Company posted to shareholders a Circular setting out details of the Scrip Dividend Scheme.

On 18 August 2020, the Company announced a scrip dividend reference price of 157.24p for the interim dividend, payable on 28 August 2020. The scrip dividend reference price was the unaudited net asset value per Ordinary Share as at close of business on 14 August 2020.

On 28 August 2020, in line with the Company's Scrip Dividend Scheme, 518,240 Ordinary Shares were allotted and issued to shareholders who elected for their interim dividend to be automatically subscribed on their behalf for new Ordinary Shares. Any Ordinary Shares issued for cash were issued at a premium to (cum income) net asset value.

Shareholders who do not elect to participate in the Scrip Dividend Scheme receive their dividends in cash.

Treasury shares

The Companies Act allows companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. This would give the Company the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. Ordinary Shares will not be sold from treasury at a price less than the (cum income) (cum income) NAV per existing Ordinary Share at the time of their sale. No Ordinary Shares were bought back during the year ended 30 November 2020. There are no shares held in treasury.

Discount management

The Company may seek to address any significant discount to NAV at which its Ordinary Shares may be trading by purchasing its own Ordinary Shares in the market on an ad hoc basis. As outlined above, no Ordinary Shares have bought back by the Company.

The Directors currently have the authority to make market purchases of up to 65,364,953 Ordinary Shares. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share must not be more than the higher of: (i) 5% above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares. Ordinary Shares will be repurchased only at prices below the prevailing NAV per Ordinary Share, which should have the effect of increasing the NAV per Ordinary Share for remaining shareholders.

It is intended that a renewal of the authority to make market purchases will be sought from shareholders at each annual general meeting of the Company and authority for the Company to purchase up to 76,051,083 Ordinary Shares (subject to a maximum of 14.99% of the Ordinary Shares in issue at the date of the Annual General Meeting) will be sought at the forthcoming Annual General Meeting. Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company. Ordinary Shares purchased by the Company may be held in treasury or cancelled.

DIRECTORS' REPORT

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Purchases of Ordinary Shares may be made only in accordance with the Companies Act, the Listing Rules and the Disclosure Guidance and Transparency Rules.

Investors should note that the repurchase of Ordinary Shares is entirely at the discretion of the Board and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of Ordinary Shares that may be repurchased.

Redemption facility

The Company has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. The redemption facility is entirely at the discretion of the Directors.

The Company announced on 3 November 2020 that valid redemption requests in respect of 565,413 Ordinary Shares were received for the 30 November 2020 redemption point. The process for the redemption of Ordinary Shares, including the calculation of redemption price, is set out in Part 3 of the Securities Note as part of the prospectus published by the Company on 5 November 2018.

All of the 565,413 Ordinary Shares, representing 0.12% of the then issued share capital, were matched with buyers and sold at a calculated redemption price of 172.66 pence per Share and all shareholders who validly applied to have shares redeemed received this redemption price per Ordinary Share.

Life of the Company

The Company has no fixed life.

Market information

The Company's share capital is admitted to the Premium Segment of the Official List of the FCA and is admitted to trading on the London Stock Exchange. The NAV per share is calculated in sterling for each business day that the London Stock Exchange is open for business. The daily NAV per Share is published through a regulatory information service.

Revolving credit facility ("RCF")

During the year, the Company had a multi-currency revolving credit facility with Scotiabank (Ireland) Designated Activity Company ("Scotiabank"). Under the terms of the facility, the Company could draw down loans up to an aggregate value of USD $100 million. The facility also had an uncommitted accordion option which, subject to the agreement of Scotiabank, provided the Company with the flexibility to increase the facility by a further USD $50 million. The facility expired in January 2021 and on 26 January 2021 the Company announced that it had renewed and amended its multi-currency RCF. The lender was novated from Scotiabank to The Bank of Nova Scotia, London Branch. Under the terms of the amended RCF, the Company may draw down loans up to an aggregate value of USD $150 million. The new facility is due to expire in January 2022.

As at 30 November 2020, the aggregate of loans draw down was nil (2019: £58,393,000)

Capital structure and voting rights

As at 30 November 2020 the Company's issued share capital comprised 50,001 Management Shares and 488,719,689 Ordinary Shares of 1p nominal value. Each Ordinary Share held entitles the holder to one vote and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of Meeting and

Form of Proxy and are in accordance with the Companies Act 2006. Management Shares shall not carry any right to receive notice of nor to attend or vote at any general meeting of the Company.

There are no restrictions on the transfer of Ordinary Shares, nor are there any limitations or special rights associated with the Ordinary Shares.

Significant shareholders

As at 30 November 2020, the Company had been formally notified of the following shareholdings comprising 3% or more of the issued share capital of the Company.

Name	Number of Ordinary Shares held	% of voting rights*
Brewin Dolphin Wealth Management	28,953,376	5.92
Quilter plc	20,671,091	4.23
Schroders plc	15,482,819	3.17

* Based on Ordinary Shares in issue as at 30 November 2020.

Settlement of Ordinary Share transactions

Ordinary Share transactions in the Company are settled by the CREST share settlement system.

Anti-bribery and corruption

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company's policy and the procedures that implement it are designed to support that commitment.

Notice of general meetings

At least twenty-one days' notice shall be given to all the members and to the auditors of an Annual General Meeting. All other general meetings shall also be convened by not less than twenty-one days' notice to all those members and to the auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen days has been passed, in which case a general meeting may be convened by not less than fourteen days' notice in writing. A special resolution will be proposed at the Annual General Meeting to reduce the period of notice for general meetings other than the Annual General Meeting to not less than fourteen days.

Going concern

The Directors have adopted the going concern basis in preparing the accounts. The following is a summary of the Directors' assessment of the going concern status of the Company.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. The Company's net assets at 30 November 2020 were £843.1 million (2019: £621.0 million).

DIRECTORS' REPORT

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As at 30 November 2020, the Company held £753.4 million (2019: £626.4 million) in investments, cash of £92.8 million (2019: £59.6 million) and bank loans of £nil (2019: £58.4million). Further details on the Company's Bank loans are detailed in note 12. The total expenses (excluding finance costs and taxation) for the year ended 30 November 2020 were £7.7 million (2019: £5.9million), which represented approximately 1.10% (2019: 1.19%) of average net assets during the year. The Company also incurred finance costs of £1.1 million (2019: £2.1 million).

At the date of approval of this report, based on the aggregate of investments and cash held, the Company has substantial asset cover against its loan facility and also substantial operating expenses cover.

In light of the COVID-19 pandemic, the Directors have fully considered and assessed the Company's portfolio of investments. A prolonged and deep market decline could lead to falling values in the Company's investments or interruptions to cashflow. However, the Company currently has readily realisable investments to meet any future obligations, under all stress test scenarios reviewed by the Directors. During the year, the Directors are satisfied that the Company was in compliance with all key financial covenants of the loan facility.

The market and operational risks associated with the COVID-19 pandemic, and the ongoing economic impact of measures introduced to combat its spread were discussed and are continually monitored by the Board. The Investment Manager, Administrator and other key service providers are providing regular updates on operational resilience in light of the COVID-19 pandemic. The Board is satisfied that the key service providers have the ability to continue their operations efficiently in a remote or virtual working environment.

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal risks and other matters, including the impact of the COVID-19 pandemic, that the Company will continue in operational existence for a period of at least 12 months.

Auditor information

Each of the Directors at the date of the approval of this report confirms that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditor are unaware; and

(ii) the Director has taken all steps that he or she ought to have taken as Director to make himself/herself aware of any relevant information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put forward at the forthcoming Annual General Meeting.

By order of the Board

Brian Smith
For and on behalf of
PraxisIFM Fund Services (UK) Limited
Company Secretary
26 February 2021

CORPORATE GOVERNANCE

Introduction

The Board of the Company has considered the Principles and Provisions of the 2019 Association of Investment Companies ("AIC") Code of Corporate Governance. The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council ("FRC"), provides more relevant information to shareholders. AIC members who report against the AIC Code and the AIC Guide fully meet their obligations under The UK Corporate Governance Code and the related disclosure requirements contained in the Listing Rules.

The Company has complied with the Principles and Provisions of the AIC Code.

The AIC Code is available on the AIC website (**www.theaic.co.uk**). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

During the financial year ended 30 November 2020, the Company has complied with the recommendations of the AIC Code and the relevant provisions of The UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

(i) the role of the chief executive;

(ii) executive Directors' remuneration; and

(iii) the need for an internal audit function.

The Board considers that these provisions are not relevant to this externally managed investment company. The Company has no employees and all the day-to-day management and administrative functions are outsourced to third parties.

The Board

Composition, independence and succession planning

At the date of this report, the Board consists of five non-executive Directors, including the Chairman. All have served since the Company's inception, with the exception of Professor Tony Young. Having placed an open advertisement on the Company's website and following several interviews, Professor Tong Young was recommended to the Board and duly appointed as a Director of the Company on 23 September 2020.

All of the Directors are independent of the Investment Manager. All of the Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

The Board believes that during the year ended 30 November 2020 its composition was appropriate for an investment company of the Company's nature and size. As part of the Company's ongoing succession planning, the Board are considering adding one new potential non-executive director to augment and strengthen the existing Board. The Board's policy for the appointment of non-executive directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including but not limited to gender diversity. The Board is committed to making meaningful progress towards the target of at least 33% female representation on Boards.

The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are given below.

CORPORATE GOVERNANCE

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Randeep Grewal (Chairman and Chair of the Management Engagement Committee)
Randeep is an ex-Fund Manager, with over 19 years of Healthcare investment experience, including Trium Capital, F&C Asset Management, ICAP Equities, Hox Therapeutics, Tissue Regenix and Tudor. Randeep trained as a Vascular and General Surgeon and read both Medicine and Computer Science at Cambridge University.

Josephine Dixon (Chair of the Audit and Risk Committee and Senior Independent Director)
Josephine is a chartered accountant who sits on the boards of JP Morgan European Investment Trust plc, Ventus VCT plc, Strategic Equity Capital plc, Alliance Trust plc and BMO Global Smaller Companies plc. Her executive experience includes finance, governance and general commercial roles in a number of sectors.

Professor Justin Stebbing
Justin is a clinical oncologist and has published over 500 peer-reviewed papers on cancer. He is a Fellow of the Royal College of Physicians, the American Board of Internal Medicine and the Royal College of Pathologists and sits on a number of advisory boards. He also has previous investment management experience as a healthcare analyst and also acts as a consultant to another UK-based asset management firm.

Paul Southgate
Paul is a London-based Portfolio Manager at Pictet Asset Management, with over 23 years' investment experience. Before joining Pictet, he was a Managing Partner at Eisenstat Capital Partners (ECAP) and managed European Equities for both Deephaven Capital and Fortress Investments Group. He began his career with UBS Asset Management.

Professor Tony Young OBE
Tony is a practicing frontline NHS Consultant Urological Surgeon, Director of Medical Innovation at Anglia Ruskin University, President of the Institute of Decontamination Sciences, and National Clinical Director for Innovation for the NHS. He has founded four Med-Tech start-ups and also co-founded the £500m Anglia Ruskin Med-Tech Campus. Tony was previously a member of the Royal College of Surgeon's Commission on the Future of Surgery (2017 – 2018). In the 2019 New Year's Honours list, Professor Young was awarded the OBE for services to clinical leadership.

Responsibilities of the Chairman, the Board, and its Committees

The Chairman leads the Board and is responsible for its overall effectiveness in directing the affairs of the Company. The Company has adopted a document setting out the responsibilities of the Chairman, which is available on the website: www.bbhealthcaretrust.com

Director tenure

The Board recognises the benefits to the Company of having longer serving Directors together with progressive refreshment of the Board. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the requirements of the AIC Code. The Board has adopted corporate governance best practice and has a succession plan in place. No Director of the Company has served for nine years or more and all Directors remain independent of the Company's Investment Manager.

In line with corporate governance best practice, all of the Directors will retire and offer themselves for election at the Annual General Meeting of the Company to be held on 23 April 2021. The Board recommends all the Directors stand for election for the reasons highlighted above and in the performance appraisal section of this report.

The Directors have appointment letters which do not provide for any specific term. They are subject to re-election by shareholders at a maximum interval of three years. Copies of the Directors' appointment letters are available on request from the Company Secretary. Upon joining the Board, any new Directors receive an induction and relevant training is available to Directors on an ongoing basis.

A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

A policy of insurance against Directors' and officers' liabilities is maintained by the Company.

Board committees

The Company has established an Audit and Risk Committee which is chaired by Josephine Dixon and consists of all the Directors.

A report of the Audit and Risk Committee is included in this Annual Report. The Board considers that the members of the Audit and Risk Committee have the requisite skills and experience to fulfil the responsibilities of the Audit and Risk Committee. The Audit and Risk Committee examines the effectiveness of the Company's risk management and internal control systems. It reviews the half-yearly and annual reports and other financial information. It also reviews the scope, results, cost effectiveness, independence and objectivity of the external auditor.

The Company has established a Management Engagement Committee which is chaired by Randeep Grewal and consists of all the Directors. The Management Engagement Committee's principal duties are to consider the terms of appointment of the AIFM and it annually reviews those appointments and the main terms of the AIFM Agreement.

The Board as a whole fulfils the function of the Remuneration Committee and Nomination Committee.

Meeting attendance

The actual number of formal meetings of the Board and Committees during the year under review is given below, together with individual Director's attendance at those meetings. The first number in the table is the meetings attended by the individual Director and the second number is the number of meetings that Director was eligible to attend.

	Quarterly Board	Audit and Risk Committee	Management Engagement Committee
Number held	**4**	**3**	**1**
Randeep Grewal	4/4	3/3	1/1
Josephine Dixon	4/4	3/3	1/1
Justin Stebbing	4/4	3/3	1/1
Paul Southgate	4/4	3/3	1/1
Tony Young*	1/1	1/1	n/a

* Tony Young was appointed to the Board on 23 September 2020

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CORPORATE GOVERNANCE

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Board diversity

The Company's policy is that the Board should have an appropriate level of diversity in the boardroom, taking into account relevant skills, gender, social and ethnic backgrounds, cognitive and personal strengths. Consideration is given to the recommendations of the AIC Code and the Company supports the recommendations of the Hampton-Alexander Review.

Performance appraisal

The Board recognise the importance of the AIC Code's recommendation in respect of evaluating the performance of the Board as a whole, the Committees of the Board and individual Directors.

During the year, Lintstock Limited were appointed as an external independent consultant to undertake a review of the Board, its Committees, the Directors individually and the Investment Manager. The Board opted to conduct the 2020 performance evaluation through formal questionnaires and the results of the evaluation were reviewed by the Chairman and discussed with the Board. The conclusions of the performance evaluation were positive and demonstrated that the Board and Investment Manager were operating effectively and showed the necessary commitment to the effective fulfilment of their duties.

A formal annual performance appraisal process was performed on the Company's main service providers. A programme consisting of open and closed ended questions was used as the basis for the appraisal. The results were reviewed by the Chairman and the Chairman of the Management Engagement Committee and discussed with the Board. The results of the service provider performance evaluation were positive and demonstrated that the service providers were fulfilling their duties effectively.

Internal control

Prior to the Company's listing a detailed review was carried out on the financial position, prospects and procedures applicable to the Company.

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. By these procedures the Directors have kept under review the effectiveness of the internal control system throughout the year and up to the date of this report.

Financial aspects of internal control

The Directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. As stated above, the Board has contractually delegated to external agencies the services the Company requires. The Board receives and reviews reports on the internal control environments of key suppliers, in order to provide reasonable assurance on the effectiveness of internal financial controls.

The key procedures include review of management accounts and net asset value and monitoring of performance at quarterly Board meetings, segregation of the administrative function from that of securities and cash custody and from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures. In addition, procedures have been put in place for authorisation of all expense payments.

The Statement of Directors' Responsibilities in respect of the accounts is on page 58 and a Statement of Going Concern is on page 41. The Report of the Independent Auditor is on pages 59 to 66.

Other aspects of internal control

The Board holds quarterly meetings, plus additional meetings as required. Between these meetings there is regular contact with the Investment Manager, the Company Secretary and the Administrator.

The Board has agreed policies with the Investment Manager on key operational issues. The Investment Manager and/or the AIFM reports in writing to the Board on operational and compliance issues. The Investment Manager reports directly to the Audit and Risk Committee concerning the internal controls.

The Directors review detailed management accounts from the Administrator, including holdings in the portfolio, transactions and other aspects of the financial position of the Company. The Depositary provides oversight reports for the quarterly Board meetings. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Corporate Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

This contact with the AIFM, Administrator and the other key service providers enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. The effectiveness of the Company's risk management and internal controls systems is monitored and a formal review, utilising a detailed risk assessment programme has been completed. This included consideration of the Administrator's, the Depositary and the Registrar's internal controls report. There are no significant findings to report from the review.

Principal risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed are set out in the Strategic Report.

Annual General Meeting

The Company seeks to provide a minimum of twenty-one days' notice of the AGM and in normal circumstances the Company would encourage all shareholders to attend the Annual General Meeting.

The well-being and safety of shareholders and service providers is a primary concern for the Directors of the Company and under the regulations and guidance issued by the UK Government relating COVID-19 the Directors have (pursuant to powers granted to them by the Company's Articles of Association) determined that shareholders should not attend the AGM in person. Shareholders attempting to attend the AGM in person will be refused entry.

In light of these measures, the AGM will be held virtually via videoconference and shareholders will be able to attend the meeting virtually. Shareholders should monitor London Stock Exchange announcements for arrangements regarding the virtual AGM.

CORPORATE GOVERNANCE

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Should a shareholder have a question that they would like to raise at the AGM, either of the Board or the Investment Manager, the Board would ask that they either ask the question in advance of the AGM by sending it by email to **shareholder_questions@bbhealthcaretrust.co.uk** or attend the AGM virtually and ask the question at the meeting at the appropriate time. Answers to all questions will be published on the Company's website **www.bbhealthcaretrust.com** after the AGM.

The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue. The Investment Manager has a programme of meetings with any available shareholders and reports back to the Board on its findings. The Chairman and the Board welcome direct feedback from all Shareholders.

All other general meetings shall be convened by not less than twenty-one days' notice to all those members and to the auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen days prior to the general meeting, in which case a general meeting may be convened by not less than fourteen days' notice in writing. A special resolution will be proposed at the Annual General Meeting to reduce the period of notice for general meetings, other than the Annual General Meeting, to not less than fourteen days.

Exercise of voting powers and stewardship code

The Company and the Investment Manager support the UK Stewardship Code issued by the Financial Reporting Council.

DIRECTORS' REMUNERATION POLICY REPORT

This policy report provides details of the remuneration for the Directors of the Company (the "Remuneration Policy"). The Remuneration Policy will be put forward for approval by shareholders at the AGM to be held on 23 April 2021. The provisions set out in this policy apply until they are next put forward for shareholder approval. The Remuneration Policy must be put forward for shareholder approval at a maximum interval of three years. In the event of any proposed material variation to the policy, shareholder approval will be sought for the proposed new policy prior to its implementation.

All the Directors are non-executive directors, and the Company has no employees.

Service contracts

The Directors do not have service contracts with the Company. The Directors have appointment letters and, following initial election by shareholders, are subject to re-election by shareholders at a maximum interval of three years.

Fees

The Directors' fees are determined within the limits set out in the Company's Articles of Association and they are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits. The Directors' fees will be paid at fixed annual rates and do not have any variable elements. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company.

The non-executive Directors shall be entitled to fees at such rates as determined by the Board.

The Directors shall also be entitled to be reimbursed for all expenses incurred in performance of their duties. These expenses are unlikely to be of a significant amount.

Fees are payable from the date of appointment as a Director of the Company and cease on date of termination of appointment. The Directors are not entitled to compensation for loss of office.

The Board will not pay any incentive fees to any person to encourage them to become a Director of the Company. The Board may, however, pay fees to external agencies to assist the Board in the search and selection of Directors.

DIRECTORS' REMUNERATION POLICY REPORT

CONTINUED

Current and future policy

Component	Director	Annual fee	Purpose of reward	Operation
Annual fee	Chairman of the Board	See note 1 below	For services as Chairman of a plc	Determined by the Board
Annual fee	Other Directors	See note 1 below	For services as non-executive Directors of a plc	Determined by the Board
Additional fee	Chairman of the Audit and Risk Committee	See note 1 below	For additional responsibility and time commitment	Determined by the Board
Additional fee	Chairman of the Management Engagement Committee	See note 1 below	For additional responsibility and time commitment	Determined by the Board
Additional fee	Senior Independent Director	See note 1 below	For additional responsibility and time commitment	Determined by the Board
Expenses	All Directors	Not Applicable	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate supporting documentation

[1] Annual rates are determined by the Board subject to the limit set out in the Company's Articles of Association.

Statement of consideration of conditions elsewhere in the Company

As stated above the Company has no employees therefore the process of consulting with employees on the setting of the Remuneration Policy is not applicable.

Review of the Remuneration Policy

The Directors' remuneration will be reviewed on an annual basis by the Board and any changes are subject to approval by the Board. The remuneration payable to the Directors will take into account a number of factors, inter alia, the experience of the Directors, demands of the Company on the time to be spent by directors on the proper performance of their duties, the complexity of the Company and prevailing market rates for the investment trust sector.

Effective date

This Remuneration Policy will be put forward for shareholder approval at the Annual General Meeting to be held on 23 April 2021 and, if approved by shareholders, will be effective from that date.

DIRECTORS' REMUNERATION IMPLEMENTATION REPORT

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An ordinary resolution for the approval of this report will be put forward at the forthcoming Annual General Meeting.

The Directors' Remuneration Implementation Report is put forward for approval by shareholders on an annual basis. The result of the shareholder resolution on the Implementation Report is non-binding on the Company, although it gives shareholders an opportunity to express their views, which will be taken into account by the Board.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures are audited they are indicated as such. The auditor's opinion is on page 59.

Remuneration

The Company currently has five non-executive Directors.

Directors' fees with effect from 1 January 2020, are payable at the rate of £42,600 for the Chairman of the Company, £34,800 for the Chair of the Audit and Risk Committee, and £29,600 per annum for the other Board members. An additional £1,500 per annum is payable to the Senior Independent Director and an additional £2,500 per annum is payable to the Chair of the Management Engagement Committee. Net fees payable to the Directors are settled in Ordinary Shares.

The current aggregate remuneration that can be paid to Directors under the Company's Articles of Association is £500,000 per annum.

The Board reviews the fees payable to the Directors on an annual basis and following the year end, a review has been completed. The Board believes that these fees appropriately reflect prevailing market rates for an investment trust of the Company's complexity and size and will also enable the Company to attract appropriately experienced additional Directors in the future.

In accordance with the Shareholder Rights Directive. The Board confirms that there were no variable pay awards made to the Directors and there were no deferral periods. The annual percentage change in remuneration in respect of the financial years prior to the current year in respect of each Director role is as follows:

Financial year to	30 Nov 2017	30 Nov 2018	30 Nov 2019**	30 Nov 2020***
Chair	–	–	3.1%	3%
Non-executive Director	–	–	4.5%	3%
Chair of the Audit and Risk Committee Supplement	–	–	3.8%	3%
Chair of the Management Engagement Committee Supplement	–	–	4.1%	3%
Senior Independent Director ("SID")Supplement*	–	–	–	100%

* SID fee of £1,500 p.a. payable from 14 July 2020.
** With effect from 1 April 2019, the Board approved an increase to annual Directors' fees of £1,250.
*** With effect from 1 January 2020, the Board approved a three percent increase to annual Directors' fees.

DIRECTORS' REMUNERATION IMPLEMENTATION REPORT

CONTINUED

Directors' service contracts

The Directors do not have service contracts with the Company. The Directors are not entitled to compensation on loss of office. The Directors have appointment letters which do not provide for any specific term. However, they are subject to re-election by shareholders at a maximum interval of three years. There are no restrictions on transfers of the Company's shares held by the Directors, or any special rights attached to such shares.

Directors' indemnities

Subject to the provisions of the Companies Act 2006, the Company may indemnify any person who is a Director, secretary or other officer (other than an auditor) of the Company, against (a) any liability whether in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any associated company or (b) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/ or otherwise in relation to or in connection with his duties, powers or office; and purchase and maintain insurance for any person who is a Director, secretary, or other officer (other than an auditor) of the Company in relation to anything done or omitted to be done or alleged to have been done or omitted to be done as Director, Secretary or Officer.

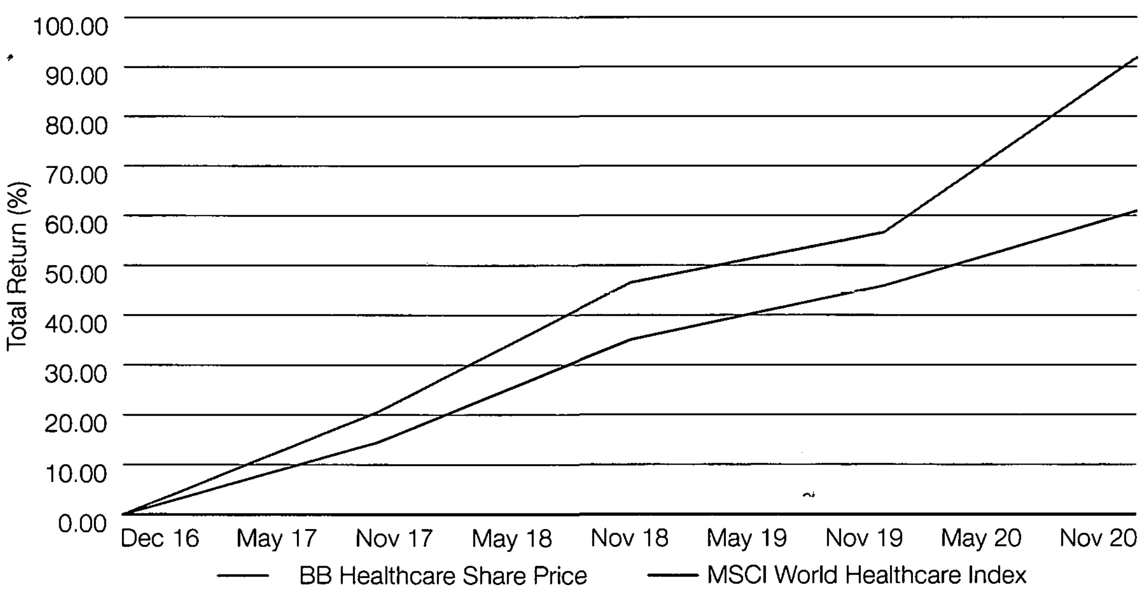
A policy of insurance against Directors' and officers' liabilities is maintained by the Company.

Director search and selection fees

No Director search and selection fees were incurred during the year to 30 November 2020.

Performance

The following chart shows the performance of the Company's share price by comparison to the MSCI World Healthcare Index (GBP), on a total return basis.



Directors' emoluments for the year ended 30 November 2020 (Audited)

The Directors who served during the year received the following remuneration for qualifying services.

	Fees and taxable benefits to 30 November 2020 £'000	Fees and taxable benefits to 30 November 2019 £'000
Randeep Grewal	45.8	35.6
Josephine Dixon	36.1	33.3
Justin Stebbing	30.4	36.2
Paul Southgate	30.4	28.3
Tony Young*	5.6	–
Total	**148.3**	**133.4**

*Appointed on 23 September 2020.

There are no other taxable benefits payable by the Company other than certain expenses which may be deemed to be taxable. None of the above fees was paid to third parties.

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the period ended 30 November 2019 was put forward at the Annual General Meeting held on 23 March 2020. The resolution was passed with 99.73% of the proxy votes cast (including discretionary votes) being in favour of the resolution.

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the year ended 30 November 2020 will be put forward for approval at the Company's Annual General Meeting to be held on 23 April 2021.

The Directors' Remuneration Policy was last put forward at the Annual General Meeting held on 22 March 2018. The resolution was passed with over 99% of the proxy votes cast (including discretionary votes) being in favour of the resolution. The Directors' Remuneration Policy will next be put forward for approval at the Annual General Meeting to be held in April 2021.

Relative importance of spend on pay

The following table sets out the total level of Directors' remuneration compared to the distributions to shareholders by way of dividends and share buybacks, and the management fees and other expenses incurred by the Company.

Year ended 30 November	2020 £'000	2019 £'000
Income	3,664	2,669
Directors' fees	148	162
Management fees and other expenses	7,672	5,966
Dividends paid and payable to shareholders	24,349	20,600

DIRECTORS' REMUNERATION IMPLEMENTATION REPORT

CONTINUED

Directors' holdings (Audited)

The Directors held the following shareholdings at 30 November 2020 and as at the date of this report. Net fees payable to the Directors, are settled in Ordinary Shares quarterly.

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

	Ordinary Shares as at 30 November 2020	Ordinary Shares as at date of this report	Ordinary Shares as at 30 November 2019
Randeep Grewal	80,926	85,117	62,521
Josephine Dixon	74,957	77,167	62,226
Justin Stebbing	56,460	58,894	45,717
Paul Southgate	65,699	67,439	56,121
Tony Young	–	3,316	–

Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the financial year to 30 November 2020;

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the financial year to 30 November 2020; and

(c) the context in which the changes occurred and decisions have been taken.

Randeep Grewal
Director
26 February 2021

REPORT OF THE AUDIT AND RISK COMMITTEE

Role of the Audit and Risk Committee

The AIC Code of Corporate Governance (the "Code") recommends that Boards should establish audit and risk committees consisting of at least three, or in the case of smaller companies, two independent non-executive Directors. The Board is required to satisfy itself that at least one member of the audit and risk committee has recent and relevant financial experience. The main role and responsibilities of the audit and risk committee should be set out in written terms of reference covering certain matters described in the Code. The Company complies with the Code.

The Audit and Risk Committee meets formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and objectivity, and remuneration of the auditor and to review the annual accounts and half-yearly financial report. The Audit and Risk Committee also reviews the Company's internal financial controls and its internal control and risk management systems. Where non-audit services are provided by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement are considered before proceeding.

Composition

All of the Directors of the Company are members of the Audit and Risk Committee. The Audit and Risk Committee has formal written terms of reference and copies of these are available on the Company's website or on request from the Company Secretary. The Audit and Risk Committee as a whole has recent and relevant financial experience. The Audit and Risk Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. The Audit and Risk Committee keeps the needs for an internal audit function under periodic review.

Meetings

There have been three Audit and Risk Committee meetings in the year to 30 November 2020. Meeting attendance is shown on page 45 of this Annual Report. Meetings held since March 2020 have changed somewhat due to the restrictions in place in relation to the COVID-19 pandemic and work has largely been completed remotely using technology, such as video conferencing. Committee members have operated effectively and there has been no break in service from the Company's service providers.

Financial statements and significant accounting matters

The Audit and Risk Committee considered the following significant accounting issues in relation to the Company's Financial Statements for the year ended 30 November 2020. The Audit and Risk Committee has reviewed the impact of market volatility related to the COVID-19 pandemic on the Company's portfolio and has received regular updates on portfolio performance from the Investment Manager. The Audit and Risk Committee has also reviewed the ability of key service providers (including the Investment Manager, the Depositary, the Administrator, the Brokers and the Registrar) to maintain business continuity and continue to provide appropriate service levels. The Audit and Risk Committee is satisfied that the key service providers have the ability to continue their operations efficiently in a remote or virtual working environment.

Internal controls and risk management

The Directors have a dynamic risk register in place to help identify key risks and ensure there are measures in place to manage and mitigate risk; and oversee the effectiveness of internal controls and processes. The risk assessment programme provides a visual reflection of the Company's identified principal and emerging risks. The Audit and Risk Committee carries out, at least annually, a robust assessment of the principal and emerging risks and uncertainties and monitors the risks on an ongoing basis.

REPORT OF THE AUDIT AND RISK COMMITTEE

CONTINUED

The Board has overall responsibility for the Company's risk management and systems of internal controls and for reviewing their effectiveness. In common with most investment trusts, investment management, accounting, company secretarial, registrar and depositary services have been delegated to third parties. The effectiveness of the internal controls is assessed on a continuing basis and the Committee receives regular reports. During the year ended 30 November 2020, committee members were particularly concerned to ensure that the internal controls environments of all third party providers remained robust during the extraordinary circumstances of the global pandemic. The Committee is satisfied that internal controls and processes remained resilient during this time of remote working, and that appropriate systems are in place.

Valuation and existence of investments

The Company holds the majority of its assets in quoted investments. The valuation and existence of these investments is the most material matter in the production of the financial statements. Investments are valued using independent pricing sources and the holding quantities at the year end were agreed to the Depositary's records. The Audit and Risk Committee has reviewed the Administrator's procedures in place for ensuring accurate valuation and existence of investments and is comfortable that these are appropriate.

Recognition of income

The Audit and Risk Committee has reviewed the Administrator's procedures for recognition of income and is comfortable that these are appropriate. The Audit and Risk Committee reviews the treatment of any special dividends receivable in the period to ensure that these have been treated appropriately as revenue or capital. Revenue recognition accounting policy are disclosed page 72 of this Annual Report.

COVID-19

The COVID-19 pandemic which has engulfed the global economy and financial markets commenced in the months prior to the Company's half year end and the Committee gave in-depth consideration to the potential effects on the Company, specifically the market and operational risks associated with the pandemic. The long term effect of the pandemic on the global economy will become clearer in time and the Committee will continue to monitor how COVID-19 (which is captured in our risk assessment programme) develops.

Conclusion with respect to the Annual Report and financial statements

During the year ended 30 November 2020, the Audit and Risk Committee received reports from service providers, including the depository, which gives comfort that the operations throughout the year were in accordance with the reported statements.

The Audit and Risk Committee has concluded that the Annual Report for the year ended 30 November 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business model, strategy and performance. The Audit and Risk Committee has reported its conclusions to the Board of Directors. The Audit and Risk Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report.

Audit tenure

Ernst & Young LLP has been appointed as the Company's auditor since the Company's launch in October 2016 following a competitive process and review of the Auditor's credentials. The re-appointment of the external auditor will be reviewed annually by the Audit and Risk Committee and the Board and is subject to approval by shareholders. In accordance with the FRC guidance, the audit will be put out to tender within ten years of the initial appointment of Ernst & Young LLP.

Effectiveness of external audit

The Audit and Risk Committee is responsible for reviewing the effectiveness of the external audit process. The Audit and Risk Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing. The Audit and Risk Committee performed a review of the external auditor following the presentation of the results of the audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. Having reviewed the performance of the external auditors, including assessing the quality of work, the Audit and Risk Committee has agreed that the re-appointment of the Auditors should be recommended to the Board and the shareholders of the Company.

Provision of non-audit services

The Audit and Risk Committee has put a policy in place on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent.

No non-audit fees were payable to the Auditor in the year ended 30 November 2020 (2019 : Nil).

Josephine Dixon
Audit and Risk Committee Chair
26 February 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the financial statements under International Financial Reporting Standards in conformity with the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of the year and of the net return for the year. In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether IFRS in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the Company's website at **www.bbhealthcaretrust.com**, which is maintained by the Company's Investment Manager. The work carried out by the auditor does not involve consideration of the maintenance and integrity of these websites and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the accounts since being initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmation statement

The Directors each confirm to the best of their knowledge that:

(a) the accounts, prepared in accordance with IFRS in conformity with the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

(b) this Annual Report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit and Risk Committee, the Directors consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board

Randeep Grewal
Director
26 February 2021

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

Opinion

We have audited the financial statements of BB Healthcare Trust plc (the 'Company') for the year ended 30 November 2020 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, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 November 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 26 to 28 that describe the principal and emerging risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 47 in the Annual Report that they have carried out a robust assessment of the principal and emerging risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 41 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

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

CONTINUED

- the Directors' explanation set out on page 41 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital in the Statement of Comprehensive Income • Incorrect valuation or ownership of the investment portfolio • Failure to adequately disclose the impact of COVID-19
Materiality	• Overall materiality of £8.43m (2019: £6.21m) which represents 1% of the Company's Net Asset Value

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital in the Statement of Comprehensive Income *Refer to the Report of the Audit and Risk Committee (pages 55 and 56); Accounting policies (pages 72 to 74); and Note 5 of the Financial Statements.* The Company has reported investment income for the year ended 30 November 2020 of £3.67m (2019: £2.67m), consisting of dividend income from listed equity investments. There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment. In addition to the above, the Directors may be required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Statement of Comprehensive Income. The Company did not receive any special dividends during the year (2019: none).	We performed the following procedures: • We obtained an understanding of the processes and controls surrounding revenue recognition by performing walkthrough procedures; • For 100% of dividends received and receivable, we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share, which was agreed to an independent data vendor. We agreed 100% of dividends received to bank statements and, where applicable, we also agreed the exchange rates to an external source; • We reviewed the income report and acquisitions and disposals report to identify special dividends, above our testing threshold, that have been received and accrued during the period. Our procedures did not identify any special dividends received or receivable during the year; • To test completeness of recorded income, for a sample of investee companies we agreed that each of the dividends announced for a sample of investee companies had been recorded as income. We did so with reference to investee company announcements obtained from an independent data vendor; • For 100% of dividends accrued at the year end, we agreed the dividend entitlement to an independent data vendor and agreed the amount receivable to post year-end bank statements.	The results of our procedures identified no material misstatement in relation to incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital in the Statement of Comprehensive Income.

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

CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Incorrect valuation or ownership of the investment portfolio *Refer to the Report of the Audit and Risk Committee (pages 55 and 56); Accounting policies (pages 72 to 74); and Note 4 of the Financial Statements.* The Company's investment portfolio consists of listed equity investments valued at £753.37m at 30 November 2020 (2019: £626.38m). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of listed investments is determined using quoted market bid prices at close of business on the reporting date.	We performed the following procedures: • We obtained an understanding of the processes and controls surrounding investment title and pricing of listed securities by performing walkthrough procedures; • For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end; • We inspected the stale pricing reports produced by the Administrator to identify prices that have not changed around the year end and verified whether the listed price is a valid fair value; and • We compared the Company's investment holdings at 30 November 2020 to independent confirmation received directly from the Company's Depositary, testing any reconciling items to supporting documentation.	The results of our procedures identified no material misstatement in relation to incorrect valuation or ownership of the investment portfolio.
Failure to adequately disclose the impact of COVID-19 *As described on pages 5 to 17 in the Strategic Report, page 56 in the Audit and Risk Committee Report and as per the accounting policy set out on page 71.* The COVID-19 pandemic has adversely impacted global commercial activity and contributed to significant volatility in global equity and debt markets. As of the date of our audit report, the longer-term impact remains uncertain. This uncertainty had an impact on our risk assessment and, as a result, on our audit of the financial statements. The COVID-19 pandemic had the most significant impact on our audit of the financial statements in the following areas: **Going concern** There is increased uncertainty in certain of the assumptions underlying the Directors' assessment of future prospects, which includes the ability of the Company to fund ongoing costs. **Financial statements disclosures** There is a risk that the impact of COVID-19 is not adequately described in the financial statements.	We performed the following procedures: **Going concern** • We inspected the Directors' assessment of going concern, which includes consideration of the impact of COVID-19, and challenged the assumptions made in the preparation of the revenue and expense forecast. We have agreed the inputs and assumptions used in the assessment to our historically observed results of the Company, where relevant. **Financial statements disclosures** • We reviewed the adequacy of the COVID-19 and going concern disclosures by evaluating whether they were consistent with the Directors' assessment. We reviewed the disclosures for compliance with the applicable reporting requirements.	As a result of our procedures, we have determined that the Directors' conclusion to adopt the going concern basis of accounting is appropriate. We have reviewed the disclosures relating to COVID-19 and going concern and determined that they are appropriate.

We re-assessed the risks determined in the prior year and due to the uncertainty in global markets caused by the COVID-19 pandemic, we have included a key audit matter titled 'Impact of COVID-19". Our other key audit matters are unchanged from the prior year.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £8.43m (2019: £6.21m), which is 1% (2019: 1%) of the Company's Net Asset Value. We believe that Net Asset Value is the most important financial metric on which shareholders would judge the performance of the Company.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £6.32m (2019: £4.65m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for investment trusts, we have also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.42m (2019: £0.31m) being the greater of the reporting threshold and 5% of the net revenue return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.42m (2019: £0.31m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 87 to 99, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

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

CONTINUED

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 56** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit and Risk Committee reporting set out on page 55** – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee is materially inconsistent with our knowledge obtained in the audit; or

- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 46** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 58, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are International accounting standards in conformity with the requirements of the Companies Act 2006, the Companies Act 2006, AIC SORP, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.

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

CONTINUED

- We understood how the Company is complying with those frameworks through discussions with the Audit and Risk Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate revenue recognition through incorrect classification of special dividends between revenue and capital. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee, we were appointed by the Company on 27 November 2017 to audit the financial statements for the year ending 30 November 2017 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 30 November 2017 to 30 November 2020.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

DocuSigned by:
Ernst & Young LLP
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James Beszant (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 February 2021

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 November 2020			Year ended 30 November 2019		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	4	–	163,630	163,630	–	50,660	50,660
Losses on currency movements		–	(62)	(62)	–	(2,114)	(2,114)
Net investment gains		**–**	**163,568**	**163,568**	**–**	**48,546**	**48,546**
Income	5	3,664	–	3,664	2,669	–	2,669
Total income		**3,664**	**163,568**	**167,232**	**2,669**	**48,546**	**51,215**
Investment management fees	6	(1,342)	(5,368)	(6,710)	(1,009)	(4,036)	(5,045)
Other expenses	7	(962)	–	(962)	(921)	–	(921)
Profit before finance costs and taxation		**1,360**	**158,200**	**159,560**	**739**	**44,510**	**45,249**
Finance costs	8	(216)	(852)	(1,068)	(429)	(1,717)	(2,146)
Operating profit before taxation		**1,144**	**157,348**	**158,492**	**310**	**42,793**	**43,103**
Taxation	9	(529)	–	(529)	(312)	–	(312)
Profit for the year		**615**	**157,348**	**157,963**	**(2)**	**42,793**	**42,791**
Return per Ordinary Share	**10**	**0.14p**	**34.60p**	**34.74p**	**0.00p**	**10.79p**	**10.79p**

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

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 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 71 to 86 form and integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	30 November 2020 £'000	30 November 2019 £'000
Non-current assets			
Investments held at fair value through profit or loss	4	753,375	626,383
Current assets			
Cash and cash equivalents		92,789	59,654
Sales of investments for future settlement		2,040	–
Dividends receivable		158	–
Other receivables	11	107	551
		95,094	**60,205**
Total assets		**848,469**	**686,588**
Current liabilities			
Purchases of investments for future settlement		4,554	6,028
Bank loans payable	12	–	58,393
Other payables	13	813	1,131
Total liabilities		**5,367**	**65,552**
Net assets		**843,102**	**621,036**
Equity			
Share capital	14	4,900	4,352
Share premium account		437,213	351,331
Special distributable reserve		93,676	116,003
Capital reserve		306,893	149,545
Revenue reserve		420	(195)
Total equity		**843,102**	**621,036**
Net asset value per Ordinary Share	16	**172.51p**	**143.11p**

Approved by the Board of Directors on 26 February 2021 and signed on their behalf by:

Randeep Grewal
Director

Registered in England and Wales with registered number 10415235.

The notes on pages 71 to 86 form and integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 NOVEMBER 2020

	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 2019		4,352	351,331	116,003	149,545	(195)	621,036
Profit for the year		–	–	–	157,348	615	157,963
Issue of Ordinary Shares	14	548	86,538	–	–	–	87,086
Dividend paid	15	–	–	(22,327)	–	–	(22,327)
Ordinary Share issue costs		–	(656)	–	–	–	(656)
Closing balance as at 30 November 2020		**4,900**	**437,213**	**93,676**	**306,893**	**420**	**843,102**

FOR THE YEAR ENDED 30 NOVEMBER 2019

	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 2018		3,204	199,625	133,293	106,752	(193)	442,681
Profit/(loss) for the year		–	–	–	42,793	(2)	42,791
Issue of Ordinary Shares	14	1,148	153,745	–	–	–	154,893
Dividend paid	15	–	–	(17,290)	–	–	(17,290)
Ordinary Share issue costs		–	(2,039)	–	–	–	(2,039)
Closing balance as at 30 November 2019		**4,352**	**351,331**	**116,003**	**149,545**	**(195)**	**621,036**

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

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

The notes on pages 71 to 86 form and integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Note	Year ended 30 November 2020 £'000	Year ended 30 November 2019 £'000
Cash flow from operating activities			
Income*		3,468	2,806
Management expenses		(6,986)	(6,287)
Foreign exchange gains/(losses)		1,231	(2,577)
Taxation		(529)	(312)
Net cash flow used in operating activities		**(2,816)**	**(6,370)**
Cash flows from investing activities			
Purchase of investments		(571,632)	(408,929)
Sale of investments		604,753	326,864
Net cash flow from/(used in) investing activities		**33,121**	**(82,065)**
Cash flows from financing activities			
Bank loans (repaid)/drawn		(59,686)	10,718
Finance costs paid		(1,587)	(1,995)
Dividend paid		(22,327)	(17,290)
Proceeds from issue of Ordinary Shares	14	87,086	154,893
Ordinary Shares issue costs		(656)	(2,039)
Net cash flow from financing activities		**2,830**	**144,287**
Increase in cash and cash equivalents		**33,135**	**55,852**
Cash and cash equivalents at start of year		59,654	3,802
Cash and cash equivalents at end of year		**92,789**	**59,654**

* Cash inflow from dividends for the financial year was £2,843,000 (2019: £2,571,000). Bank deposits interest income received during the year was £134,000 (2019: £235,000).

	Year ended 30 November 2020 £'000	Year ended 30 November 2019 £'000
Opening balance	58,393	48,138
Repayment of bank loans	(59,686)	–
Proceeds from bank loans	–	10,718
Foreign exchange movements	1,293	(463)
Closing balance	–	58,393

The notes on pages 71 to 86 form and 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 1st Floor, Senator House, 85 Queen Victoria Street, London, EC4V 4AB. Business operations commenced on 2 December 2016 when the Company's Ordinary Shares were admitted to trading on the London Stock Exchange. The financial statements of the Company are presented for the year from 1 December 2019 to 30 November 2020.

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

These financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirement of Companies Act 2006.

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 October 2019 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.

Details of the Directors assessment of the going concern status of the Company, which considered the adequacy of the Company's operational resources to continue in operational existence for at least twelve months from the date of approval of these financial statements and the impacts of the COVID-19 pandemic, are given on page 41.

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 year in which the estimates are revised and in any future periods affected. Except Company's investment in contingent variable right, there have been no estimates, judgements or assumptions, which have had a significant impact on the financial statements for the year.

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 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 sterling as are dividends. All financial information presented in sterling have been rounded to the nearest thousand pounds.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3. Accounting policies

(a) Investments

Upon initial recognition investments are classified 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 valuation of Company's holding in a contingent variable right is detailed in note 4.

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.

(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 year 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 investments'.

(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.

(d) Reserves

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.

Special distributable reserve

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 at the time 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.

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

Share premium

The share premium account arose from the net proceeds of sale of new shares. The excess of the issue price of a share over its nominal value.

Revenue reserves

The revenue reserve reflects all income and expenditure recognised in the revenue column of the income statement and is distributable by way of dividends.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses directly related to the acquisition or disposal of an investment (transaction costs) are taken to the income statement as a capital item.

Expenses are recognised through the Statement of Comprehensive Income as revenue items except as follows:

Investment 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 on demand deposits. Cash equivalents 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 tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

(h) Financial liabilities

Bank loans and overdrafts are classified as financial liabilities at amortised cost. They are initially recorded at the proceeds received, net of direct issue costs, and subsequently recorded at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3. Accounting policies continued

(i) Adoption of new IFRS standards

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2020 and have not been applied in preparing these financial statements as detailed below. None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company.

IFRS 17 – Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. This standard is not applicable to the Company.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. This amendment is unlikely to have any impact on the financial statements of the Company.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. These amendments have no impact on the financial statements of the Company.

(j) Equity shares

The Company has treated the Ordinary Shares and Management Shares as equity in accordance with IAS 32 Financial Instruments: Presentation, which classifies financial instruments into financial assets, financial liabilities and equity instruments. Both share classes have an entitlement to the residual interest in the assets of the Company after deducting liabilities, suffice that the Management Shares have no participation in any surplus beyond their paid up capital. The Management Shares are not redeemable but the Ordinary Shares are subject to an annual redemption option at the discretion of the Directors. Ordinary Shares participate in dividends and any other profits of the Company.

4. Investments held at fair value through profit or loss

(a) Summary of valuation

As at	30 November 2020 £'000	30 November 2019 £'000
Investments held at fair value through profit or loss		
– Quoted in UK	–	26,176
– Quoted overseas	753,375	600,207
Closing valuation	**753,375**	**626,383**

(b) Movements in valuation

	£'000	£'000
Opening valuation	626,383	487,630
Opening unrealised gains on investments	(58,177)	(59,142)
Opening book cost	568,206	428,488
Additions, at cost	569,881	414,700
Disposals, at cost	(444,282)	(274,982)
Closing book cost	693,805	568,206
Revaluation of investments	59,570	58,177
Closing valuation	**753,375**	**626,383**

Transaction costs on investment purchases for the year ended 30 November 2020 amounted to £276,000 (30 November 2019: £257,000) and on investment sales for the year ended 30 November 2020 amounted to £227,000 (30 November 2019: £139,000).

(c) Gains on investments

	£'000	£'000
Realised gains on disposal of investments	162,237	51,625
Movement in unrealised gains/(losses) on investments held	1,393	(965)
Total gains on investments	**163,630**	**50,660**

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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

	30 November 2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss – Quoted	752,780	–	595	**753,375**

The level 3 investment comprises a contingent variable right ("CVR") received as a partial consideration when the Company's investment in Alder Biopharmaceuticals was acquired by Lundbeck in 2019, which offered to buy the holdings in Alder Biopharmaceuticals for a cash bid of $18 and $2 cash contingent value rights. The Investment Manager valued the CVR at a price of $0.92 per share as at 30 November 2020 (2019: $0.92 per share). The total value of the CVR as at 30 November 2020 was £595,000 (30 November 2019: £614,000).

	30 November 2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss – Quoted	625,769	–	614	**626,383**

The movement on the Level 3 unquoted investments during the year is shown below:

	30 November 2020 £'000	30 November 2019 £'000
Opening balance	614	–
Additions during the year	–	614
Foreign exchange movements	(19)	–
Closing balance	**595**	**614**

Fair values of financial assets and financial liabilities

All financial assets and liabilities are recognised in the financial statements at fair value, with the exception of short-term assets and liabilities, which are held at nominal value that approximates to fair value, and loans that are initially recognised at the fair value of the consideration received, less directly attributable costs, and subsequently recognised at amortised cost. The carrying value of the loans approximates to the fair value of the loans.

5. Income

	2020 £'000	2019 £'000
Income from investments		
Overseas dividends*	3,530	2,375
UK dividends	–	59
Bank interest on deposits	134	235
Total income	**3,664**	**2,669**

* No special dividend included within dividend income.

6. Investment management fees

	2020			2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment Management fee	1,342	5,368	**6,710**	1,009	4,036	**5,045**

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 Share, 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 Shares, in issue on the last business day of the relevant calendar month excluding any Ordinary Shares held in treasury.

7. Other expenses

	2020 £'000	2019 £'000
Administration & secretarial fees	254	223
AIFM fees	39	102
Audit fees	40	33
Broker fees	30	30
Consultancy fees	40	29
Custody services	163	176
Directors' fees	148	162
Printing	20	24
Public relations	36	32
Registrar fees	65	56
Other expenses	127	164
VAT recoverable*	–	(110)
Total	**962**	**921**

* This is in relation to the partial VAT recoverable on the Company's expenses since inception to 30 November 2018.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

8. Finance costs

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Loan interest	189	754	**943**	400	1,599	**1,999**
Other finance costs	27	98	**125**	29	118	**147**
Total	**216**	**852**	**1,068**	**429**	**1,717**	**2,146**

9. Taxation

(a) Analysis of charge:

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Withholding tax expense	529	–	**529**	312	–	**312**
Total tax charge for the year	**529**	**–**	**529**	**312**	**–**	**312**

(b) Factors affecting the tax charge for the year:

The effective UK corporation tax rate for the year is 19.00% (2019: 19.00%). The tax charge differs from the charge resulting from applying the standard rate of UK corporation tax for an investment trust company. The differences are explained below:

	2020 Total £'000	2019 Total £'000
Operating profit before taxation	158,492	43,103
UK Corporation tax at 19.00% (2019: 19.00%)	30,113	8,190
Effects of:		
Gains on investments not taxable	(31,078)	(9,224)
UK dividends not taxable	–	(11)
Overseas dividends not taxable	(671)	(451)
Withholding tax expense	529	312
Unutilised excess expenses	1,636	1,496
Total tax charge	**529**	**312**

The Company is not liable to tax on capital gains due to its status as an investment trust. The Company has an unrecognised deferred tax asset of £4,651,000 (2019: £2,699,000) based on the prospective UK corporation tax rate of 19%. This asset has accumulated because deductible expenses exceeded taxable income for the year ended 30 November 2020. No asset has been recognised in the accounts because, given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

10. Return per Ordinary Share

Return per Ordinary Share is based on the weighted average number of Ordinary Shares in issue during the year ended 30 November 2020 of 454,706,111 (30 November 2019: 396,695,325).

	As at 30 November 2020			As at 30 November 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
Profit for the year (£'000)	615	157,348	**157,963**	(2)	42,793	**42,791**
Return per Ordinary Share	0.14p	34.60p	**34.74p**	0.00p	10.79p	**10.79p**

11. Other receivables

	As at 30 November 2020 £'000	As at 30 November 2019 £'000
Prepayments	34	179
VAT receivables	35	372
Reclaimable tax on dividend	38	–
Total	**107**	**551**

12. Bank loans

The Company agreed a multi-currency revolving credit facility (RCF) 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 £50 million (2019: £50 million). A replacement facility was agreed with Scotiabank in January 2019 under which the Company may draw down loans up to an aggregate value of USD $100 million. The facility also has an uncommitted accordion option which, subject to the agreement of Scotiabank, provides the Company with the flexibility to increase the facility by a further USD $50 million.

Subsequent to the year end, the Company announced that it has renewed and amended its mutli-currency revolving credit facility. The lender has been novated from Scotiabank (Ireland) Designated Activity Company to The Bank of Nova Scotia, London Branch. The Company's borrowing policy is unchanged.

Under the terms of the amended RCF, the Company may draw down loans up to an aggregate value of USD 150 million. The new facility will expire in January 2022.

As at 30 November 2020, the aggregate of loans draw down was nil (2019: £58,393,000, comprising £6,700,000 and USD $66,850,000 equivalent of £51,693,000). The table below shows the breakdown of the loans.

As at 30 November 2020				
Currency of loans	Local currency amount	£'000	Interest rate per annum (%)	Maturity date
n/a	Nil	Nil	n/a	n/a
Total loans in GBP		**Nil**		

NOTES TO THE FINANCIAL STATEMENTS

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12. Bank loans continued

As at 30 November 2019				
Currency of loans	**Local currency amount**	**£'000**	**Interest rate per annum (%)**	**Maturity date**
GBP loan	£500,000	500	1.89888	24 Feb. 2020
GBP loan	£1,700,000	1,700	1.89888	24 Feb. 2020
GBP loan	£4,500,000	4,500	1.89888	24 Feb. 2020
USD loan	$4,700,000	3,634	3.32688	5 Feb. 2020
USD loan	$48,150,000	37,233	3.12363	24 Feb. 2020
USD loan	$14,000,000	10,826	3.30488	30 Jan. 2020
Total loans in GBP		**58,393**		

A commitment fee is calculated at 0.35 per cent per annum, if the unutilised amount equals or exceeds 50 per cent of the total commitment; or 0.45 per cent per annum if the unutilised amount is less than 50 per cent 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. Unamortised arrangement fees as at 30 November 2020 is nil (30 November 2019: £31,000).

13. Other payables

	As at 30 November 2020 £'000	As at 30 November 2019 £'000
Loan interest payable	–	519
Accrued expenses	813	612
	813	**1,131**

14. Share capital

	As at 30 November 2020 No. of shares	As at 30 November 2020 £'000	As at 30 November 2019 No. of shares	As at 30 November 2019 £'000
Allotted, issued and fully paid:				
Redeemable Ordinary Shares of 1p each ('Ordinary Shares')	488,719,689	4,887	433,957,062	4,339
Management Shares of £1 each	50,001	13	50,001	13
Total	**488,769,690**	**4,900**	**434,007,063**	**4,352**

The Company has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. This redemption is entirely at the discretion of the Directors.

Share movement

During the year to 30 November 2020, 54,762,627 Ordinary Shares (30 November 2019: 114,849,268) were issued with gross aggregate proceeds of £87,086,000 (30 November 2019: £154,893,000).

Since 30 November 2020, a further 18,625,766 Ordinary Shares have been issued with aggregate proceeds of £34.3 million.

During the year Ordinary Shares issues includes, the Company's scrip dividend issue of 952,263 Ordinary Shares. These Ordinary Shares were allotted and issued with aggregate proceeds of £1,312,000.

15. Dividend

	Year ended 30 November 2020 Pence per Ordinary Share	Special reserve £'000	Revenue reserve £'000	Total £'000	Year ended 30 November 2019 Pence per Ordinary Share	Special reserve £'000	Revenue reserve £'000	Total £'000
Final dividend – 2018	–	–	–	–	2.000p	7,264	–	**7,264**
Interim dividend – 2019	–	–	–	–	2.425p	10,026	–	**10,026**
Final dividend – 2019	2.425p	10,662	–	**10,662**	–	–	–	–
Interim dividend – 2020	2.500p	11,665	–	**11,665**	–	–	–	–
Total	**4.925p**	**22,327**	**–**	**22,327**	**4.425p**	**17,290**	**–**	**17,290**

The dividend relating to the year ended 30 November 2020, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered is detailed below:

	Year ended 30 November 2020 Pence per Ordinary Share	Special reserve £'000	Revenue reserve £'000	Total £'000	Year ended 30 November 2019 Pence per Ordinary Share	Special reserve £'000	Revenue reserve £'000	Total £'000
Interim dividend – paid	2.500p	11,665	–	**11,665**	2.425p	10,026	–	**10,026**
Final dividend – payable/ paid	2.500p	12,684	–	**12,684**	2.425p	10,574	–	**10,574**
Total	**5.000p**	**24,349**	**–**	**24,349**	**4.850p**	**20,600**	**–**	**20,600**

The Directors recommend the payment of a final dividend for the year of 2.50p per Ordinary Share. Subject to approval at the Company's Annual General Meeting, the dividend will have an ex-dividend date of 25 March 2021 and will be paid on 30 April 2021 to shareholders on the register at 26 March 2021. The dividend will be funded from the Company's distributable reserves.

16. Net assets per Ordinary Share

Net assets per Ordinary Share as at 30 November 2020 is based on £843,089,500 (2019: £621,023,500) of net assets of the Company attributable to the 488,719,689 (2019: 433,957,062) Ordinary Shares in issue as at 30 November 2020. At 30 November 2020, £12,500 (2019: £12,500) of net assets was attributable to the Management Shares.

17. Related party transactions

Fees payable to the Investment Manager are shown in the Statement of Comprehensive Income. As at 30 November 2020, the fee outstanding to the Investment Manager was £670,000 (2019: £450,000).

Directors' fees paid during the year are disclosed within the Directors Remuneration Policy Report on page 49. Fees payable as at 30 November 2020 were £29,340 (2019: £26,950). The Directors' shareholdings are disclosed in the Director's Remuneration Implementation Report on page 51.

NOTES TO THE FINANCIAL STATEMENTS

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18. Post balance sheet events

On 1 January 2021, the Bristol Myers Squibb CVR Agreement was terminated automatically and the Bristol Myers Squibb CVRs are no longer eligible for payment. Subsequently, the Company sold Bristol Myers Squibb CVR at a realised value of $0.5.

19. Financial instruments and capital disclosures

(i) Market risks

The Company is subject to a number of market risks in relation to economic conditions and healthcare companies. Further details on these risks and the management of these risks are included in the Directors' report.

The Company's financial assets and liabilities at 30 November 2020 comprised:

	2020			2019		
Investments	**Interest bearing £'000**	**Non-interest bearing £'000**	**Total £'000**	**Interest bearing £'000**	**Non-interest bearing £'000**	**Total £'000**
Sterling	–	–	**–**	–	16,623	**16,623**
Swiss franc	–	–	**–**	–	11,418	**11,418**
Danish krone	–	15,782	**15,782**	–	–	**–**
US dollar	–	737,593	**737,593**	–	598,342	**598,342**
Total investment	**–**	**753,375**	**753,375**	**–**	**626,383**	**626,383**
Floating rate						
Cash at bank	92,789	–	**92,789**	59,654	–	**59,654**
Short term debtors	–	2,305	**2,305**	–	551	**551**
Bank loans payable – US dollar	–	–	**–**	(51,693)	–	**(51,693)**
Bank loans payable – sterling	–	–	**–**	(6,700)		**(6,700)**
Short term creditors	–	(5,367)	**(5,367)**	–	(7,159)	**(7,159)**
Total	**92,789**	**(3,062)**	**89,727**	**1,261**	**(6,608)**	**(5,347)**

Market price risk sensitivity

The effect on the portfolio of a 10.0% increase or decrease in market prices would have resulted in an increase or decrease of £75,338,000 (2019: £62,638,000) in the investments held at fair value through profit or loss at the period end, which is equivalent to 8.9% (2019: 10.1%) in the net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

(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.

Financial liabilities by maturity at the year end are shown below:

	30 November 2020 £'000	30 November 2019 £'000
Within one month	5,367	7,159
Between one and three months	–	58,393
Total	**5,367**	**65,552**

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.

The Company's Investment Manager monitors the liquidity of the Company's portfolio on a regular basis. See note 12 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.

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 30 November 2020.

	30 November 2020 % change	30 November 2019 % change
Danish kroner	(5.2)	4.2
Euro	(4.8)	4.1
Swiss franc	(6.4)	1.5
US dollar	3.1	1.3

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

19. Financial instruments and capital disclosures continued

Foreign currency risk profile

	30 November 2020			30 November 2019		
	Investment exposure £'000	Net monetary exposure £'000	Total currency exposure £'000	Investment exposure £'000	Net monetary exposure £'000	Total currency exposure £'000
Danish kroner	15,782	59	**15,841**	11,418	54	**11,472**
Euro	–	4	**4**	–	3	**3**
Swiss franc	–	1	**1**	–	304	**304**
US dollar	737,593	262	**737,855**	598,342	54,002	**652,344**
Total investment	**753,375**	**326**	**753,701**	**609,760**	**54,363**	**664,123**

Based on the financial assets and liabilities at 30 November 2020 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 30 November 2020 would have been as follows:

	30 November 2020 £'000	30 November 2019 £'000
Danish kroner	1,584	1,147
Swiss franc	–	30
US dollar	73,786	65,234

Management of currency risks

The Company's Investment Manager monitors the currency risk of the Company's portfolio on a regular basis. Foreign currency exposure is regularly reported to the Board by the Investment Manager.

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

(iv) Leverage risks

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 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. As a result, the use of borrowings by the Company may increase the volatility of the Net Asset Value per Ordinary 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). 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.

As at the year end, the Company's gearing ratio was 0.0% (2019: 0.9%), based on the drawn down loans as a percentage of gross asset value.

As at the year 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 Investment 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 Investment 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 12.

(v) Interest rate risks

Interest is accrued on cash balances at a rate linked to the UK base rate. 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

The benchmark rate which determines the interest payments received on cash balances is the Bank of England base rate. The interest earned from cash balances are not significant as such no sensitivity is required.

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 year. The loan interest is based on a variable rate. Based on the loans outstanding at the year 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 oth-er variables remain constant:

	Loans at 30 November 2020 £'000	Profit or loss 0.25% decrease £'000	Profit or loss 0.25% increase £'000	Loans at 30 November 2019 £'000	Profit or loss 0.25% decrease £'000	Profit or loss 0.25% increase £'000
USD loan	–	–	–	51,693	129	**(129)**
GBP loan	–	–	–	6,700	17	**(17)**
Total	**–**	**–**	**–**	**58,393**	**146**	**(146)**

(vi) Credit risks

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

Management of credit risks

The Company has appointed CACEIS Bank as its depositary. The credit rating of CACEIS Bank was re-viewed at the time of appointment and will be reviewed on a regular basis by the Investment Manager and/or the Board.

The Investment Manager monitors the Company's exposure to its counterparties on a regular basis and trades in equities are performed on a delivery versus payment basis.

The Company's assets are segregated from those of the Depositary or any of its sub-custodians.

NOTES TO THE FINANCIAL STATEMENTS

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At 30 November 2020, the Depository held £753,375,000 (2019: £626,383,000) in respect of quoted investments and £92,789,000 (2019: £59,654,000) in respect of cash on behalf of the Company.

(vii) Capital management policies and procedures

The Company considers its capital to consist of its share capital of Ordinary Shares of 1p each, Management Shares of £1 each, and reserves totalling £843,102,000 (2019: £621,036,000) and bank loans payable £nil (2019: £58,393,000).

The Company has a redemption facility through which Shareholders will be entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. The first redemption point for the Ordinary Shares was 30 November 2020 and will be annual thereafter. The Redemption facility is entirely at the discretion of the Directors.

The Investment 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 is detailed in the Director's Report on page 40.

Use of distributable reserves is disclosed in the footnote on the Statement of changes in equity on page 69.

The Company regularly monitors, and has complied, with the externally imposed capital requirements arising from the borrowing facility.

ALTERNATIVE PERFORMANCE MEASURES

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 30 November 2020		Page	£'000
Total assets less cash/cash equivalents	a	68	755,680
Net assets	b	68	843,102
Gearing (net)*	**(a÷b)-1**		**0.0%**

* Net assets are higher than total assets less cash/cash equivalents as such net gearing, which is not be disclosed as a negative figure is nil.

As at 30 November 2019		Page	£'000
Total assets less cash/cash equivalents	a	68	626,934
Net assets	b	68	621,036
Gearing (net)	**(a÷b)-1**		**0.9%**

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.

Ongoing charges

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

Year ended 30 November 2020 (Audited)		Page	£'000
Average NAV	a	n/a	697,788,448
Annualised expenses	b	n/a	7,672,000
Ongoing charges	**(b÷a)**		**1.10%**

Year ended 30 November 2019 (Audited)		Page	£'000
Average NAV	a	n/a	520,823,165
Annualised expenses*	b	n/a	6,174,000
Ongoing charges	**(b÷a)**		**1.19%**

* Annualised expenses excluding non-recurring VAT recovered amount of £208,000, which is the revenue element of the total VAT recoverable of £372,000.

ALTERNATIVE PERFORMANCE MEASURES

CONTINUED

(Discount)/premium

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

As at 30 November 2020 (Audited)		Page	£'000
NAV per Ordinary Share (pence)	a	1	172.51
Share price (pence)	b	1	172.00
Discount	**(b÷a)-1**		**(0.3%)**

As at 30 November 2019 (Audited)		Page	£'000
NAV per Ordinary Share (pence)	a	1	143.11
Share price (pence)	b	1	145.00
Premium	**(b÷a)-1**		**1.3%**

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.

Year ended 30 November 2020 (Audited)		Page	Share price	NAV
Opening at 1 December 2019 (p)	a	n/a	145.00	143.11
Closing at 30 November 2020 (p)	b	1	172.00	172.51
Price movement (b÷a)-1	c	n/a	18.6%	20.5%
Dividend reinvestment	d	n/a	3.9%	4.1%
Total return	**(c+d)**		**22.5%**	**24.6%**

Year ended 30 November 2019 (Audited)		Page	Share price	NAV
Opening at 1 December 2018 (p)	a	n/a	140.00	138.70
Closing at 30 November 2019 (p)	b	1	145.00	143.11
Price movement (b÷a)-1	c	n/a	3.6%	3.2%
Dividend reinvestment	d	n/a	3.3%	3.4%
Total return	**(c+d)**		**6.9%**	**6.6%**

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 is classified as an AIF.
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 and remains in force post BREXIT.
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. COVID-19 restrictions are temporarily removing the ability to attend meetings in person.
CFD or Contract for Difference	A financial instrument, which provides exposure to an underlying equity with the provider financing the cost to the buyer with the buyer receiving the difference of any gain or paying for any loss.
Custodian	An entity that is appointed to safeguard a company's assets.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share. The discount is calculated on the closing share price.
Depositary	Under AIFMD the depositary is appointed under a strict liability regime to oversee inter alia, those charged with safekeeping of the Company's assets and cash monitoring.
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.
Gearing	A term used to describe the extent that a portfolio has increased in size as a way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
Gross assets	The Company's total assets adjusted for any leverage amount (outstanding bank loan).
Index	An independent Market tool which is used to compare performance across different investment companies and funds. It quantifies performance of 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.