

Ad hoc announcement pursuant to Art. 53 of the SWX Listing Rules

Zurich, July 27, 2023

Half-year results for 2023

Bellevue reports sharply lower net profit of CHF 8 mn for the first half due to falling markets – continued expansion of Private Markets as a source of future income

- **The prolonged very difficult environment for small and mid-cap growth stocks in the healthcare sector continues to curb Bellevue’s operating results**
- **Primarily market-induced contraction in assets under management of 14% to CHF 8.1 bn**
- **Operating income down 12% to CHF 41.3 mn due to lower average assets under management – targeted spending on investment expertise and infrastructure leads to 5% increase in costs – cost/income ratio climbs to 70.1%**
- **Group net profit down 44% year-on-year to CHF 8 mn – return on equity of 14.8%**
- **Growing product range of private market investments – proof of concept demonstrated, also thanks to first exit – attractive diversification potential consisting primarily of performance-based income (carry)**
- **Business model with tangible growth drivers once markets recover and interest rates stabilize**

André Rüegg, CEO of Bellevue, on the first-half results for 2023: “Although global financial markets were more constructive than expected during the first six months of the current year, the market segments relevant to Bellevue have still not shown any signs of a recovery. Small- and mid-cap growth stocks within the healthcare sector continue to underperform. In view of the weak performance, demand for specific healthcare investment strategies has remained soft. This situation has clearly put a damper on our operating results. Our systematic efforts to expand our private markets offering have been successful. We are establishing an increasingly distinct profile here and have demonstrated proof of concept: new ideas are being successfully sourced, our active equity investment activities are creating value and more exits are on the horizon. Our private markets activities will help us to grow and diversify our income streams. Bellevue’s business model as a specialist asset manager offers promising growth potential for generating sustained value over the long term. Healthcare remains a mega trend and a structural growth market with myriad investment opportunities. Our investment expertise in biotechnology and other segments is widely recognized and our international client base is very stable. We are well positioned to benefit in real time from better market conditions. However, it does not seem realistic to expect a strong recovery in our specific investment areas and the resumption of our historical growth dynamics before 2024/25.”

Market-induced decline in assets under management – net new inflows into successful strategies

The sub-par performance of Bellevue’s target market segments and the resulting weak performance of its healthcare strategies led to a decline in Bellevue’s assets under management. Besides reducing assets under management by CHF 800 mn, the adverse conditions in the healthcare space also led to a high level of redemption activity. Investors also took advantage of attractive entry points, especially in the Bellevue Digital Health and Bellevue Medtech & Services (Lux) funds, which absorbed inflows of more than CHF

330 mn thanks to their strong performance. Overall net outflow amounted to CHF 468 mn, which represented less than 5% of total assets under management, resulting in an overall decline of approximately 14% in assets under management to CHF 8.1 bn. Despite the prolonged weakness in its core investment area, Bellevue's international client base remained stable.

Earnings curbed by weak markets – selective expansion of investment expertise

The lower level of assets under management also had an impact on Group earnings for the period under review. Average assets under management were down by 18% compared to the first half of 2022, a period buoyed by the peak in assets under management reported at year-end 2021. Income from asset management services therefore declined by 20% to CHF 43.3 mn. Market-induced unrealized losses on investments in proprietary products and on financial assets amounted to CHF 2.5 mn, well below the corresponding prior-year figure of CHF 8.7 mn. Total operating income for the period amounted to CHF 41.3 mn, a decline of about 12%.

Bellevue continued to build its profile as a specialist asset manager by selectively strengthening its investment expertise. Besides recruiting additional investment specialists for its healthcare strategies, data scientists for AI/big data were hired along with medical experts for neurological diseases. The Private Markets business area was expanded with the recruitment of a private equity secondaries team and additional analysts as well as experienced direct equity management experts were recruited for the direct investment operations. Bellevue's sales teams in its core markets of Switzerland and Germany were strengthened as well. This led to an approximately 5% increase in personnel expenses. Other operating expenses rose by a similar amount in the wake of ongoing expenditure on infrastructure (core application upgrades among other items) and the deployment of next-generation technology (digitalization, introduction of AI solutions). As a result, total operating expenses increased by almost 5%. The cost/income ratio rose to 70.1% and is thus temporarily above the long-term target range of 60-65%. Group net profit amounted to CHF 8 mn, a decline of 44% from the prior-year period. Return on equity for the period stood at 14.8%.

Considerable rebound potential for healthcare and niche strategies

Bellevue's product range comprises investment strategies in the areas of healthcare, selected niches and private markets. Bellevue's healthcare strategies are predominantly invested in small and mid-cap growth stocks with strong innovation profiles, and it has established a broad range of products covering various special themes in this segment. Its flagship product, attesting to its acknowledged investment expertise within the healthcare sector, is BB Biotech AG. The biotech sector has clearly lagged the total market during the past two years, so BB Biotech now has considerable rebound potential given the intact business fundamentals and attractive valuations of its portfolio companies. Another important pillar of the Group's healthcare investment expertise is Bellevue Healthcare Trust, an investment trust with a well-diversified portfolio that delivered a solid return during the first half despite the healthcare sector's overall weak performance. Other key strategies in Bellevue's diverse product range are the Bellevue Medtech & Services Fund and the Bellevue Digital Health Fund, both of which likewise delivered positive returns for the first half (+8.8% and +11.7%).

The niche strategies serve to identify and capture structural growth trends and related investment opportunities at an early stage. The carefully chosen portfolios of the Entrepreneur funds came under increasing pressure after the outbreak of the COVID-19 pandemic. These funds showed a clearly positive correction during the first half fueled by mostly robust earnings announcements. Other elements of the Group's product range must still demonstrate their long-term viability in today's competitive landscape and will be subject to an ongoing evaluation.

Expanded range of private markets solutions – proof of concept achieved

Bellevue has further strengthened its positioning as a specialist asset manager through the expansion of its Private Markets segment. By doing so, it is offering early access to an investment universe of successful, primarily owner-managed, companies that is not available to the general public. The structural growth market of direct equity investments is increasingly opening up to experienced private clients, a trend that is giving market growth an additional boost. The offering of Bellevue Private Markets now comprises the three niches of direct equity investing, co-investment funds and scalable special strategies, in particular secondary market transactions. In the direct investing niche, a deal-by-deal investor group now numbering about 30 members in total (entrepreneurs, families, and selected institutions) has been established during the past three years. It is helping to support the sustained growth of 15 small- and mid-sized enterprises in the DACH region with a total investment volume of more than CHF 240 mn. The first exit was realized during the first half of 2023, providing proof of concept, and more exits are anticipated in the near term. Bellevue effectively covers the entire spectrum of services and solutions in private markets, from direct engagement with potential investors and the identification of attractive investment targets to the competent management of direct equity investments and the arrangement of successful exits.

In May 2021 Bellevue launched Bellevue Entrepreneur Private I, a co-investment fund that offers a broader base of clients access to the above-mentioned deals arranged with the exclusive investor group as well as other exclusive direct investments. The fund has already invested more than 50% of committed capital and it has delivered a very good performance during its first two years of operation. In view of this positive development, Bellevue plans to launch a second co-investment fund in 2025.

Bellevue's offering of private markets solutions is rounded out with scalable special strategies. Bellevue Global Private Equity 2023, a niche strategy for private equity secondary transactions, was recently launched with a target volume of USD 150-200 mn and a first closing is planned for the third quarter so the fund's investment activity can commence. The current market environment for buying up high-quality private market assets at low valuations offers enticing investment opportunities.

Outlook – business model offers promising growth prospects

The dynamic growth of Bellevue's business prior to 2021 has, since the first half of 2021, been impeded by market developments. These prolonged market headwinds, characterized by stubborn inflation, rising interest rates and unresolved geopolitical tension, continued to blow during the first half of 2023. Although there have been some initial signs of relief on the inflation and interest-rate fronts in the near future, many investors are likely to stick to the sidelines and not add new positions to their portfolios because of the prevailing general conditions. Against this backdrop, any expectations of a significant recovery in the earnings base and earnings power of Bellevue Group during the second quarter of the current year must be dampened. In view of the currently lower baseline, it seems that a significant improvement is not realistic until the coming year.

Bellevue's business model as a specialist asset manager offers intact strategic growth prospects as well as tangible growth triggers that will enable the company to deliver lasting value for all stakeholders. Bellevue is underpinned by lean organization with an entrepreneurial mindset as well as a well-balanced risk culture and an exceptionally sturdy financial base.

Visit www.bellevue.ch and report.bellevue.ch/H12023 to view the half-year report and presentation for 2023.

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Bellevue

Bellevue is a specialized asset manager listed on the SIX Swiss Exchange with core competencies covering healthcare strategies, alternative investments (including private equity) and selected niche strategies. Established in 1993, Bellevue, a House of Investment Ideas staffed by 100 professionals, generates attractive investment returns and creates value added for clients and shareholders alike. Bellevue managed assets of CHF 8.1 bn at the end of June 2023.