

Media Release

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Bellevue Group reports net profit of CHF 20 mn for 2018 – Perpetuation of results due to high quality of revenues

- Revenues of CHF 98.1 mn nearly at year-ago level despite lack of revenues from transaction and performance fees
- Recurring, asset-based revenues above 97%
- Operating profit down 16% to CHF 24.7 mn due to adverse market conditions and investment spending – Group net profit down 7% to CHF 20.0 mn
- Client assets under management, pressured by market turmoil, declined to CHF 10.8 bn
- Asset Management remains the Group's main source, delivering a record operating profit of CHF 36.9 mn
- Bank am Bellevue fell well short of expectations with an operating loss of CHF 8.2 mn
- Steady payout of CHF 1.10: dividend of CHF 0.85 and cash distribution of CHF 0.25 proposed

André Rüegg, CEO of Bellevue Group, comments on the 2018 results: “Bellevue Group performed well as a pure asset and wealth manager in 2018 in the face of a very challenging environment. The high percentage of recurring, asset-based revenues enables the Group's ongoing steady development. Severe market turmoil, especially towards the end of 2018, put a temporary halt to our new money momentum and the growth of assets under management. Our broad and innovative investment expertise cushioned some of the effects of the market turbulence. This is most evident in the results achieved by Asset Management, which continues to dominate the Group's overall performance. Substantial improvements and adjustments are imperative at the Bank and Wealth Management units. Bellevue Group is in a strong position to profit quickly from improving market conditions.”

Growth of assets under management prevented by market sell-off

Bellevue Group, an internationally active asset management boutique, nearly tripled its assets under management since 2013 through a combination of organic growth and selective acquisitions in Asset Management and reported a record level of assets under management at the mid-year mark of 2018. The subsequent market turmoil that came to a head in the fourth quarter, lowered total assets under management in the second half by about 15% to CHF 10.8 bn. Assets under management already bounced back to CHF 11.8 bn in January of 2019. The significant corrections on global financial markets led on the one hand to a negative performance impact of about CHF 1.3 bn in the second half and clearly reduced investor risk appetite on the other hand. Many investors adopted a risk-off stance and redeployed their investment assets, which led to a net outflow of about CHF 600 mn in assets during the second half. That, in turn, negated the positive inflow of new money in the first half (CHF 552 mn) and resulted in a net outflow for the year of CHF 49 mn.

Market environment in late 2018 narrowed the outperformance

The stark contrast between the two half-year periods is also reflected in the performance of the investment vehicles over the year. As an active asset and wealth manager, Bellevue Group was able to take advantage of the constructive market environment in the first half and about 70% of its stock-market strategies even delivered an excess performance but only a handful of its strategies were able to sustain their successful

performance throughout the second half of 2018. Most of the positive performers for the year were in the healthcare space, led by the BB Adamant Medtech & Services Fund, which gained 17.4% (in EUR) and 15.9% (in CHF), the new BB Adamant Digital Health Fund (15.3% in USD), the BB Healthcare Trust (4.9% in GBP), and the BB Adamant Global Healthcare Index Fund (0.4% in CHF). Bellevue's flagship product BB Biotech AG outperformed its benchmark by 3.4%, but still ended 2018 with a negative performance of 5.1% (in CHF).

Operating performance remained steady thanks to the stability and high quality of revenues

As in the preceding years, Bellevue Group continued to improve the quality of its earnings power during the past year despite the obvious challenges. Net fee and commission revenues, the Group's most important source of income, rose by 2%-plus to CHF 96.9 mn. Meanwhile recurring, asset-based revenues sprang 18% higher to CHF 94.8 mn and now accounts for 97% (previous year: 82%) of total operating revenues, which attests to the high quality of the Group's earnings power.

Total operating revenues for Bellevue Group in 2018 amounted to CHF 98.1 mn, close to the level achieved in the previous year, although revenues in the amount of CHF 14.3 mn from transaction and performance fees did not recur in 2018. Asset Management continues to account for almost all of the operating revenues, although the Bank did make a larger contribution of CHF 5.7 mn to the revenues in 2018. Total operating expense rose by nearly 6% to CHF 73.4 mn, mainly due to higher operating expenses at Asset Management, while personnel expenses were roughly unchanged. This resulted in an operating profit – for the first time as a pure asset and wealth manager – of CHF 24.7 mn, a decline of 16% from the previous year. The cost/income ratio rose to 74.8% and is within the medium-term targeted range of 70-75%. Bellevue Group's consolidated net profit declined by nearly 7% to CHF 20.0 mn. At the end of 2018, 119 people were employed at Bellevue.

Asset Management the central pillar

Bellevue Asset Management remained the Group's central pillar in 2018 thanks to its extensive investment expertise. Average assets under management for the year were higher year-on-year until the fourth quarter and this fueled the renewed 10% increase in the segment's operating revenues to a record high of CHF 92.5 mn. At the same time, a 14% increase in the headcount and higher research costs under MiFID II led to an increase in total operating expenses to CHF 55.6 mn. Operating profit thus rose 5% to CHF 36.9 mn. Assets under management declined to just under CHF 9 bn at year-end because of the market sell-off.

The various product lines showed differing trends. Domestic and foreign investors continued to display considerable interest in the promising healthcare equity strategies, which attracted a total of CHF 700 mn in new client assets. The three innovative funds launched in 2018, BB Adamant Digital Health, BB Pureos Bioventures and BB Adamant Sustainable Healthcare, had a good start and attracted aggregate assets of about CHF 190 mn. Regional equity and bond strategies and multi-asset strategies were less appealing in the current market environment, as reflected in their aggregate net outflows of CHF 726 mn. An additional factor here was the succession plan executed at StarCapital, which induced some investors to reassess their engagements.

Bank am Bellevue – challenging repositioning in the face of challenging headwinds

Bank am Bellevue acquired CHF 290 mn in new client assets from entrepreneurial private clients while giving up CHF 309 mn in assets under low-margin advisory mandates. At the end of 2018 the Bank was entrusted with client assets of CHF 1.8 bn. Revenues from client-related trading activities and performance-related fees was largely absent for last year, which was also the first full year without any revenues from the discontinued Brokerage and Corporate Finance activities. Due to absence of revenues from those operations, CHF 7.7 mn in 2017, the Bank's operating revenues will be much lower for the foreseeable future. The likewise significant reduction in the Bank's personnel expenses was unable to offset all of the reduction

on the income side. Obviously, the operating loss of CHF 8.2 mn does not match management's ambitions for the Bank.

Continuation of shareholder-friendly dividend policy

The Group's solid equity base allows to maintain a stable, shareholder-friendly dividend policy. The Board of Directors proposes a steady payout of CHF 1.10 per share for the general meeting of shareholders, consisting of a dividend of CHF 0.85 per share plus a cash distribution from capital contribution reserves of CHF 0.25 per share. With a CET1 ratio of 15.9% (previous year: 16.6%), the Group's eligible capital and reserves will remain well above the minimum regulatory capital requirements after the proposed dividend payout.

The value of Bellevue Group's interest in SIX Group was increased by CHF 22.7 mn to CHF 43.8 mn (incl. deferred taxes) following the divestment of SIX Payment Services. This upward adjustment in value was recognized directly in equity as other comprehensive income.

Changes in the Board of Directors

As announced on January 30, 2019, the currently serving director Veit de Maddalena will be proposed as new board chairman at the Annual General Meeting on March 19, 2019. He will be the successor to Thomas von Planta, who has decided not to stand for re-election. Mirjam Staub-Bisang is also not standing for re-election. Katrin Wehr-Seiter and Urs Schenker will be proposed as new members of the Board of Directors. The currently serving directors Veit de Maddalena, Daniel Sigg and Rupert Hengster will be standing for re-election at the AGM and Katrin Wehr-Seiter and Urs Schenker will be standing for election as new members of the board.

Outlook

The Asset Management segment will continue to pursue its "grow with the products and innovate" strategy. Its broad investment skills and capabilities enable it to achieve excess returns for clients in constructive market environments. Focussed product innovation will create new ways and means of investing in growth opportunities and trends at the global level.

Management attention is currently concentrated on strengthening the Wealth Management business and significantly improving the Bank's operating performance. An acceleration of business activity and the broadening of the asset base and revenue streams – be it through organic growth or selective acquisitions – are crucial for our success on these fronts. Bellevue Group stands by its stated goal of addressing the needs of entrepreneurial private clients through active investment strategies.

The full report for the 2018 fiscal year is available at www.bellevue.ch

Events calendar

March 19, 2019	Annual General Meeting
July 26, 2019	Publication of half-year results for 2019

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Bellevue Group

Bellevue Group is an independent Swiss financial boutique listed on the SIX Swiss Exchange. Established in 1993, the company and its approximately 120 professionals are largely active in the areas of asset management and wealth management. The Asset Management segment offers a selected range of active equity strategies in fast-growing markets, the healthcare sector and in other special themes such as owner-managed companies, as well as successful holistic investment strategies across all traditional asset classes. Bank am Bellevue offers first-class wealth and investment advisory services with a special focus on entrepreneurial private clients. The Group's offering of investment-related solutions is rounded out by other services. These include the establishment, management and consultation of Investment Offices, trading and custody services, and selected credit facilities for affluent private clients as well as institutional clients.