

Media Release

Küsnacht, July 30, 2020

Results for the first half of 2020:

Bellevue Group increases operating profit by 15% to CHF 17.5 mn – strong demand for healthcare strategies

- **Total operating income rose more than 4% to CHF 49 mn on stable costs despite investments, resulting in a more than 15% increase in operating profit to CHF 17.5 mn**
- **Rapid recovery in assets under management to CHF 10.6 bn after pandemic-induced contraction at the end of Q1 2020**
- **Attractive healthcare strategies generated more than CHF 500 mn in new money, but largely offset by outflows from traditional investment strategies**
- **Sharply higher Group net profit from the continuing operations of CHF 11.8 mn was materially impacted by non-recurring impairment losses at StarCapital, resulting in a bottom-line of CHF 6.2 mn**
- **Sale of Bank am Bellevue successfully completed – bottom-line Group profit amounts to CHF 5.5 mn including the results of discontinued operations**
- **Leaner Group organization and revitalization of StarCapital initiated – Michael Hutter reassumes role as Group CFO**
- **Business model as a pure asset manager proved its resilience and offers a solid platform for future growth and sustained value creation for shareholders**

André Rüegg, CEO of Bellevue Group, on the first-half results for 2020: “Bellevue Group improved its operating performance in the first half of 2020 despite the COVID-19 pandemic. Our business model as a pure asset manager with internationally acknowledged core competencies in biotech and healthcare investing proved to be robust. Even in this unprecedented market environment, we managed to deliver first-class returns and generate value for our clients with almost every investment strategy we offer. Assets under management quickly recovered from the market trough. Together with our enlarged team of investment experts and the innovations in our product pipeline, this provides a promising basis for Bellevue Group’s sustained development.”

Stronger asset base, strong client demand for healthcare strategies

The pandemic-induced turmoil put an abrupt end to the positive momentum markets displayed early in the year and assets under management briefly lost nearly 20% of their value. Thanks to the market’s rapid recovery and strong inflow of new money, assets under management rose to CHF 10.6 bn by the end of the reporting period, slightly higher than at year-end 2019. Healthcare strategies attracted significant amounts of new money as the market began to recover in April. They were also buoyed by greater awareness of the healthcare sector. New money inflows into the healthcare strategies during the first half reached more than CHF 500 mn. BB Adamant Medtech & Services attracted the greatest inflows, and investors also showed increased interest in the BB Adamant Asia Pacific Healthcare as well as the BB Adamant Digital Health funds. The alternative investment strategies proved their worth in the period under review. However, as expected, the traditional equity, bond and multi-asset class funds came under pressure. Investors pulled approximately CHF 390 mn from these funds, but this outflow of low-margin assets had little impact on operating earnings. Total net new money for the period amounted to CHF 38 mn, but the overall margin mix improved.

Compelling product quality – more than 70% of assets under management outperform their benchmarks

Bellevue Group's investment strategies generated value for investors with compelling returns in absolute and relative terms even amid an extraordinary six-month period. The healthcare strategies stood out once again and almost every fund ended the period with a positive return.

Bellevue's two investment companies, BB Biotech and BB Healthcare Trust, advanced 11.4% and 16.0% and beat their benchmarks by 0.2% and 7.3%, respectively. The admission of BB Healthcare Trust to the FTSE 250 equity index attests to its impressive performance record.

The BB Adamant Emerging Markets Healthcare Fund was Bellevue's top performer in the first half, closing the period with a year-to-date gain of 30.9%, for an outperformance of 5.1%. It was closely followed by the BB Adamant Asia Pacific Healthcare Fund with a ytd gain of 30.0% (outperformance of 16.3%). The BB Adamant Global Biotech Fund and the BB Adamant Digital Health Fund, which was launched in 2018, showed a very positive development and their prospects for the full fiscal year are promising. More than 70% of all assets under management outperformed their benchmark in the first half of 2020 (75% over 3 years).

Operating profit increased by around 15% thanks to improved earnings power and cost discipline

The operating results of Bellevue's continuing business activities improved during the period under review despite the market turbulence. Total operating income for the first six months of 2020 reached nearly CHF 49 mn, an increase of more than 4% to prior-year. This renewed growth is entirely due to the higher average level of assets and the attractive new money inflows.

The share of asset-based and thus recurring income remained at the high level of 99%. Personnel expenses were slightly higher, which reflects the recruitment of additional talent, while other operating expenses declined by 14.1%. Despite considerable spending in various business areas and initiatives with high potential (healthcare, direct equity investments, infrastructure, etc.), total operating expenses were slightly lower at CHF 31 mn, which reflects ongoing efforts to reduce historical fixed costs.

Stronger earnings power coupled with the slight decline in operating expenses led to a 14.6% rise in earnings before interest, tax, depreciation and amortization (EBITDA) to CHF 17.5 mn (prior-year period: CHF 15.3 mn). There was also a significant improvement in the operating cost/income ratio to 64% compared to 67% in the prior-year period. A cost/income ratio of less than 60% is targeted over the medium term. Bellevue Group employed 99 people at the end of June 2020 (expressed as FTEs).

Consolidated net profit from continuing operations reached CHF 6.2 mn and was materially impacted by impairments and provisions in excess of CHF 7.0 mn, mostly pertaining to StarCapital, which is facing stiff competition with its traditional focus on global equity, bond and multi-assets strategies. Bank am Bellevue contributed a loss of CHF 0.7 mn during the period prior to deconsolidation end of April 2020. This led to a consolidated net profit of CHF 5.5 mn. The y-o-y decline is attributed to the opposing non-recurring effects from the two reporting periods.

Diversified investment competencies – with quality and innovation – are a significant advantage

As an independent, entrepreneurial "multi-boutique", Bellevue Group has steadily diversified its investment capabilities in recent years. This broad range of investment expertise enables Bellevue to profile itself as a "House of Investment Ideas" and it served the company well during the COVID-19 pandemic. Its three pillars of healthcare strategies, alternative investment strategies and traditional investment strategies cover a well-focused investment spectrum. They create a good balance between "growth" and "protection". What's more, Bellevue's extensive and very distinctive range of healthcare strategies captures today's zeitgeist and is generating greater resonance with clients.

The ongoing expansion of alternative investing capabilities is taking shape. Initial rewards of the Group's growing activities in the direct equity investment business, focusing on "healthcare" and "entrepreneurial" investment themes, have materialized: BB Pureos Bioventures has received commitments from top-tier institutional and strategic investors and has already made several investments; final closing is expected in the second half of 2020.

In the entrepreneurial private equity growth capital financing business for SMEs, Bellevue's subsidiary adbodmer is making good headway. A number of highly regarded entrepreneurs and families were added to its already very attractive group of select investors and the deal flow rose rapidly. Two more attractive transactions were closed in July 2020 and the pipeline for Q4 2020 and Q1 2021 is full. Building on this promising base, a specialized private equity fund is scheduled for launch in the second half of 2020. Bellevue has selectively expanded its teams with highly qualified specialists to manage this momentum.

The traditional investment strategies with specialized growth strategies, defensive equity strategies, and bond as well as multi-asset strategies remain under pressure from both a market and structural standpoint. The range of products and services is being adjusted and new innovative ideas were introduced to give it new growth opportunities.

Further progress on sustainability

Sustainability is an integral part of Bellevue's business operations and it is playing an increasingly important role in its investment practices and solutions. After implementation of an ESG integration process, Bellevue began to systematically screen all of its investment portfolios on the basis of sustainability risks, violations of basic human rights and norms, carbon emission levels and other ESG criteria. The BB Adamant Sustainable Healthcare Fund, the world's first healthcare fund managed in accordance with strict sustainability standards, showed strong customer interest and doubled its volume to more than CHF 120 mn during the first half of 2020.

Leaner Group structure and revitalization of StarCapital

The sale of Bank am Bellevue announced last year was successfully closed at the end of April 2020 amid the market turmoil and lockdowns. The strategic focus on asset management has clearly simplified Bellevue Group's entire organization.

The Group-level roles will be streamlined during the second half of 2020 and most of the previously centralized services (such as IT Infrastructure & Services, Compliance) will be transferred to the operating units. This will provide synergy benefits and allow the operating units to better manage their growth and development.

As part of this change, Michael Hutter, the long-standing CFO of Bellevue Asset Management AG and ad interim Group CFO until the end of 2019, who has also managed strategic Group projects and served in management roles at various subsidiaries, will assume the role of CFO of Bellevue Group as of August 1, 2020.

Patrik Gilli, who was instrumental in the successful sale of the equity interest in SIX and of Bank am Bellevue in his roles as CFO of Bank am Bellevue and Group, will leave Bellevue Group once ongoing projects have been completed. The Board of Directors and the Group Executive Board thank Patrik Gilli for his tremendous, results-focused efforts and wish him all the best for his future career.

Bellevue's StarCapital subsidiary has been increasingly challenged by relentless structural competitive pressure in the area of traditional investment products, particularly bond and multi-asset products. Falling business volume has forced the Management Board of StarCapital to take ongoing cost-cutting action to address this situation. Bellevue Group and StarCapital's Board have launched further-reaching initiatives to reposition and revitalize the company and ensure its sustained, successful development.

The effect of all these measures will become more visible in 2021.

Strong positioning enables a solid performance despite challenging environment

The transformation to a "pure play" asset manager was successfully completed. A solid organization, a highly talented and motivated workforce and an attractive market positioning contributed to Bellevue Group's steadfast resilience during the period under review.

The highly distinct focus of its business model as a "pure play" asset manager naturally heightens its dependency on the stock market and the healthcare sector in particular. There is no viable alternative to equities due to structural financial market developments, but caution is called for in view of today's rich valuations and political uncertainty. The overall situation remains somewhat fragile given the uncertain

course of the pandemic and, in particular, the not yet accurately quantifiable collateral damage it will inflict on the real economy.

The Group's strong positioning and extremely solid financial base allow it to look to the future with confidence. A stable income base with a very high share of recurring revenue streams makes its business more predictable and the recent reduction in organizational complexity will lead to further efficiency gains. The straightforward and debt-free balance sheet gives it a solid financial footing. Bellevue Group's strong capital structure puts it in a comfortable position to create further value (organic and/or inorganic) and offers its shareholders attractive dividend potential.

The half-year report for the 2020 fiscal year is available at www.bellevue.ch

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Bellevue Group

Bellevue Group is an independent Swiss financial boutique specializing in asset management. Established in 1993 and listed on the SIX Swiss Exchange, the standalone asset manager has about 100 employees and is focused on a diverse, award-winning range of investment solutions in the three areas of specialized healthcare strategies, alternative investment strategies and traditional investment strategies.