

## Media Release

Küsnacht, July 26, 2019

Results for the first half of 2019:

### **Bellevue Group increased net profit 23% to CHF 14.2 mn – strategic development and execution on course**

- **Operating profit up 32% to CHF 17.9 mn due to growing income and special dividend from SIX Group**
- **Assets under management plus 8% from year-end 2018 to CHF 11.7 bn**
- **Asset Management as the core business improved its operating performance and contributed CHF 18.8 mn to operating profit**
- **Bank am Bellevue closed the period with a profit due to operating improvements and SIX special dividend**
- **Establishment of the new Direct Equity Investment segment after acquiring adbodmer AG further diversifies the Group's income base – Jan Kollros joins the Group Executive Board**
- **Sale of equity interest in SIX Group to advance ongoing strategy development and execution**

André Rüegg, CEO of Bellevue Group, on the Group's 2019 half-year results: "Bellevue Group demonstrated its growing earnings power during the first half of 2019 by reporting higher bottom-line profits. Amid a challenging and volatile market environment, we took advantage of investment opportunities and created value for the client through the good performance of our investment solutions. We also grew assets under management, which are a sustainable source of earnings as we pursue Bellevue Group's ongoing development. We intend to sustain our renewed growth momentum and the newly created Direct Equity Investment segment will help us to achieve that goal. The inflow of new money at our successful investment strategies underscores Bellevue's growing profile as a house of innovative investment ideas."

#### **Growing client assets a source of sustainable income**

After a brief pause in the Group's positive development that can largely be blamed on market turmoil towards the end of 2018, Bellevue Group's growth momentum from earlier reporting periods was again on display in the first half of 2019. Assets under management increased by more than 8% or CHF 903 mn to CHF 11.7 bn. Asset Management was most successful in growing its client asset base as the market environment improved. Its successful, innovative investment strategies attracted about CHF 520 mn in new client money. This pleasing inflow was largely offset by redemption activity in fixed-income and multi-asset class strategies, resulting in net new money of CHF 104 mn, which for once did not meet the given expectations. Bank am Bellevue's foremost achievement during the first half was the improvement in the earnings quality of its assets under management, but the inflow of new money from entrepreneurial private clients was not yet able to fully offset the outflows from low-margin advisory mandates. More broadly, what the first half of 2019 clearly revealed is that investors in Switzerland and abroad are receptive to innovative investment ideas and products while showing less interest in conventional asset classes.

#### **Creating value for clients amid an improving market environment**

Bellevue Group's ability to create value for clients across its diversified franchise by selectively taking advantage of positive market developments was again on display during the reporting period. All of Bellevue Group's investment products ended the first half with a positive return. Topping the performance list for the

period were the investment companies – BB Biotech AG and BB Healthcare Trust – which achieved above-average gains of 18.2% and 16.7%, respectively, for their clients. The BB Adamant Medtech & Services Fund and the BB Adamant Digital Health Fund, launched in April of last year, were also strong performers and ended the first half with gains of 17.0% and 15.5%. The Entrepreneur strategies also delivered double-digit returns, led by the BB Entrepreneur Switzerland and BB Entrepreneur Europe Small funds, which advanced 17.6% and 16.3% over the period. The balanced BB Global Macro Fund returned 5.2%.

StarCapital's funds also profited from the positive market environment. StarCapital Strategy 1 advanced 5.6% while the global bond fund StarCapital Argos gained 4.0%. Discretionary investment management mandates at Bank am Bellevue delivered good gains. Its balanced multi-asset mandates achieved returns ranging between 6% and 7.3%, depending on the reference currency.

### **Operating income increased 32% due to stronger earnings power, cost discipline and attractive dividend from equity interest in SIX**

The higher level of assets under management led to a renewed improvement in the Group's earnings power. Bellevue Group increased its operating income by about 3% year-on-year to CHF 51.0 mn. Including the extraordinary dividend from SIX upon the divestment of the stock exchange's Payment Services business to Wordline, consolidated operating income climbed even higher to CHF 54.8 mn, an increase of 10%. Net fee income excluding performance fees remains the primary source of the Group's operating income. At CHF 47.7 mn for the period under review, the Group almost matched the year-ago level despite beginning the year with a significantly lower asset base. That figure represents 86% of total Group income. Asset Management continues to generate the bulk of the Group's revenues and its income for H1 almost reached the record-high level reported at mid-year 2018. Due to the extraordinary SIX dividend, Bank am Bellevue's income for the period quadrupled from the previous year's period, and its recurring revenues were only slightly lower year-on-year despite the ongoing efforts to build a more sustainable client base.

Operating expenses rose by slightly less than 2% to CHF 37.0 mn despite higher performance-related pay and slightly lower general expenses. A new IFRS standard resulted in another reduction of general expenses of about CHF 1.0 mn while increasing impairments.

Due to the above factors, operating profit for the period increased by 4% to CHF 14.0 mn. The normalized cost/income ratio amounted to 73%, which is within the targeted range of 70-75%. Including the special SIX dividend, operating profit amounted to CHF 17.9 mn, an increase of 32%, and the cost/income ratio was 67%. Non-operating items had opposing effects on Group results. On the negative side, the Asset Management segment's results were impacted by a loss on its treasury portfolio and intangible asset impairments, while the sale of Bank am Bellevue's interest in SIX Group led to the restatement of tax-loss carryforwards. Factoring in the combined effect of these items, Group net profit increased 23% to CHF 14.2 mn. Return on equity was a good 14%. Bellevue Group employed 119 people at the end of June 2019 (prior year: 115).

### **Growing payback from diversified Asset Management expertise**

The deliberate expansion of investment expertise in Asset Management in recent years has led to its stable business performance even in a tough market environment. Asset Management's consistently high revenue base rose to CHF 47.4 mn in the first half of 2019, a slight improvement of 2% from the prior-year period. Its operating income for the period reflected the effects of higher variable employee compensation and the overall 7% yoy increase in operating expenses to CHF 28.5 mn. Profit before tax amounted to CHF 18.8 mn, which almost matched the record-high figure from the first half of the previous year.

Assets under management are the foundation of Asset Management's success. They rose by about CHF 1.0 bn from year-end 2018 to CHF 10.0 bn at mid-year 2019 and much of this growth was fueled by market developments and investment performance. As in the prior-year period, most of the total new money of CHF 520 mn for the period flowed into the segment's wide range of healthcare investment solutions and its

absolute return strategies – the BB Global Macro Fund and the recently introduced BB Europe Equity Market Neutral Fund launched in collaboration with StarCapital. Conversely, other regional equity strategies and the fixed-income and multi-asset strategies were again confronted with a challenging capital market cycle and investors showed little appetite for these strategies, leading to an overall outflow of CHF 402 mn. Net new money was therefore low at CHF 104 mn.

### **Progress at Bank am Bellevue – solutions for a sustainable future are being reviewed**

The strategic reorientation of Bank am Bellevue initiated two years ago has remained a very challenging undertaking so far this year in spite of tremendous efforts and the promising progress that has been made. The Bank's new products and services enabled it to attract new money of CHF 53.0 mn notwithstanding the difficult environment. In the wake of the ongoing optimization of the client base and client-side decisions, however, approximately CHF 370 mn in client assets was withdrawn, most of which reflected advisory and administrative mandates with a clearly lower-than-average margin. Thanks to the strong investment performance, the Bank's assets under management of CHF 1.8 bn at the mid-year mark were only slightly lower than at the beginning of the reporting period. An increase in ordinary operating income (excluding the SIX dividend) combined with a reduced cost base led to a CHF 1.3 mn increase in the segment's profit before tax compared to the prior-year period. Including the extraordinary dividend from SIX, the Bank achieved an operating profit of CHF 1.5 mn compared to a loss of CHF 3.3 mn in the prior-year period.

In recent months, the Board of Directors has reviewed and assessed various strategic options for the Bank with the aim of securing its longer-term survival and sustainable development in the interests of all stakeholders. Besides strengthening and executing its growth strategy for the Bank within Bellevue Group, selling the Bank to a strong partner who might be able to offer better prospects for the future may also be an option.

### **Proceeds from the sale of interest in SIX largely earmarked for ongoing corporate development**

The equity interest in SIX, which goes back to 2007 and was valued at CHF 53.4 mn in Bellevue Group's balance sheet on December 31, 2018 (excluding deferred taxes), had another exceedingly positive impact on reported results in the first half of 2019. Besides the dividend payment of CHF 4.8 mn, there was a significant increase in value of this interest.

The Board of Directors decided to take advantage of an opportunity and sell this non-strategic interest. The proceeds from the disposal exceed the previously stated carrying value.

This capital will be used to fund the organic and inorganic development of the Group's business activities. Depending on future events, surplus capital may also be returned to shareholders.

### **Strategic development of Bellevue Group – organic and inorganic**

Besides deciding which course of action offers the most viable path forward for Bank am Bellevue, attention will be focused on Bellevue Group's overall development.

Asset Management's priority has not changed – "grow with the products and innovate". Its business model offers substantial scale potential. More innovative solutions will be developed to help clients benefit from global growth opportunities and trends. Besides the recent promising launch of the new BB Europe Equity Market Neutral Fund in collaboration with StarCapital, attention here is also focused on the new private equity fund BB Pureos Bioventures. Thanks to existing investor commitments of some CHF 100 mn, this innovative venture fund was already able to make three promising investments this year. Final closing volume is expected to range between CHF 150-200 mn.

The previously announced acquisition of private equity specialist adbodmer AG was concluded as planned on July 19. As an independent subsidiary of Bellevue Group AG, adbodmer AG is an ideal vehicle for addressing growing demand from wealthy private clients for entrepreneurial and exclusive direct investment opportunities in privately held businesses. The existing team of specialists under the management of Jan

Kollros will selectively expand the newly created business segment “Direct Equity Investment” and increasingly engage with international investors as well. Jan Kollros joined the Group Executive Board on July 19.

The half-year report for the 2019 fiscal year is available at [www.bellevue.ch](http://www.bellevue.ch)

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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 100 professionals are mainly active in the areas of asset management, wealth management and direct equity investment. The Asset Management segment offers a select 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. adbodmer specializes in developing, facilitating and managing private market investments, with a focus on SMEs in German-speaking Europe (DACH region). It builds bridges between promising growth companies and an exclusive group of investors.