

# BB Biotech AG

## Taking opportunities after market correction

BB Biotech (BION) is a Switzerland-based investment company aiming to generate long-term capital growth from innovative biotechnology companies. BION has a concentrated investment portfolio of 20-35 holdings, built around a core of five to eight positions. At 30 September there were six core holdings (two large and four mid-cap) making up 52.7% of the portfolio. Reflecting the make-up of the biotech industry, the majority of holdings (87%) are US-based, with the balance in European stocks. The portfolio is diversified by clinical focus, with the largest portion (38.9%) in oncology. Following the late-summer correction in global markets, BION has been reinvesting its substantial cash balance in promising companies at more favourable valuations.

## Investment strategy: Profit from clinical innovation

BB Biotech aims to achieve annual average double-digit returns by investing in fast-growing biotech companies focused on developing and marketing innovative drugs and treatments to address unmet medical needs. The investment team at Bellevue Asset Management works closely with the board of directors – which has significant pharmaceutical industry experience – to identify potential holdings. There is a focus on listed companies that are already profitable rather than those at an earlier stage of development. Multi-stage due diligence is undertaken, with the team analysing financials, the competitive landscape, research pipelines and customer perceptions.

## Performance: Outperforming in up and down phases

After a stellar run for biotech stocks over the four years to August, the sector sold off amid late-summer market volatility. BION has outperformed the benchmark Nasdaq Biotech index both in the bull market (share price TR +504% vs benchmark +460% over four years to 5 August 2015) and in the sell-off (-17.7% vs -21.5% for the benchmark over two months to 5 October 2015). Positive performance has been driven by stock selection, and also by M&A activity: in Q215 takeover bids for two portfolio stocks generated CHF389m in cash for BION.

## Valuation: Discount close to average despite volatility

At 23 October, BION's shares stood at a 19.0% discount to cum-income NAV. While this is broadly in line with longer-term averages, 2015 has seen major moves in the discount, with a five-year low of 6.4% seen in March before widening to 24.7% in June. BION tends to trade on a wider discount than UK- or US-listed peers, although the strong long-term record along with capital distributions and share buybacks should provide some support if declines in biotech stocks continue.

12 months ending	Total share price return (%)	Total NAV return (%)	Total return NASBIOT Index (%)	Total return MSCI World HealthCare (%)	Total return DS World Pharma & Biotech (%)
30/09/12	75.6	78.2	59.0	31.2	30.8
30/09/13	40.2	52.2	42.1	22.0	22.4
30/09/14	52.4	38.6	38.3	32.6	33.9
30/09/15	44.5	27.0	13.7	5.5	3.3

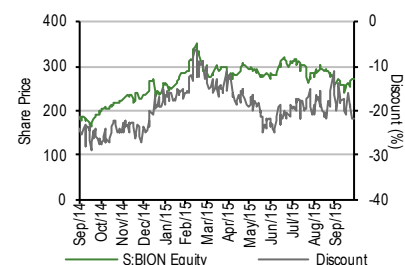
Source: Thomson Datastream

## Investment trusts

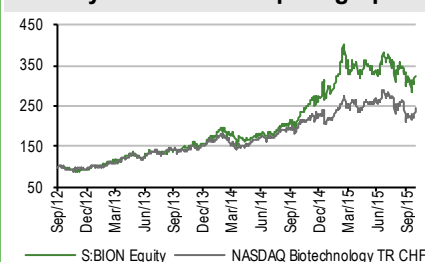
**Price** CHF267.0  
**Market cap** CHF3,164.0m  
**AUM** CHF3,905.8m

NAV\* CHF329.6  
Discount to NAV 19.0%  
Yield\* 4.3%

\*Including income. At 23 October 2015.



## Three-year cumulative perf. graph



## Share details

Code BION  
Listing Zurich, Frankfurt, Milan  
Shares in issue 11.85m

## Business description

BB Biotech (BION) is a Switzerland-domiciled investment company, targeting long-term capital growth from biotechnology companies that are developing and marketing innovative drugs. At least 90% of the portfolio is in listed companies, primarily large- and mid-cap names that are already profitable. It is benchmarked against the NASDAQ Biotech index.

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