

Shareholder letter



André Rüegg, Chief Executive Officer, and Veit de Maddalena, Chairman of the Board of Directors

Dear Shareholders,

The exceptionally difficult and progressively more challenging market environment witnessed during the first half of 2022 also created strong headwinds for Bellevue Group and left a mark on its operating performance. Innovative small and mid-sized companies in the healthcare sector – Bellevue’s primary investment focus – experienced initial, prolonged corrections already during the spring of last year, and the downward trend continued during the period under review on heightened fears about inflation and the end of loose monetary policy. Geopolitical developments resulting from the war in Ukraine and the anticipated but ultimately surprisingly sudden reversal in interest rates weakened sentiment in this investment segment even more.

High-growth companies with leading-edge innovative skills are an important focus of Bellevue’s business model and the negative developments mentioned above had an impact on the Group despite the active management of its investment strategies. Its earnings base experienced occasionally significant contractions in tandem with the widespread market losses. On the other hand, the Group’s cost base was quickly reduced by a material amount thanks in part to Bellevue’s entrepreneurial compensation model. Bellevue achieved an overall solid set of results for the first half of 2022, which, as expected, were well below the record results reported for the first half of 2021.

Assets under management significantly lower on market turmoil – very stable client base

Bellevue, an acknowledged active equity investment specialist with core competencies in healthcare, selected traditional niche strategies, and private market investing, a recently added area of competence, was affected by the widespread market turbulence in virtually every aspect of its business. This is reflected in the market related decline in assets under management of more than CHF 2.8 bn during the reporting period. Alone the rate hike announced by the Swiss National Bank on June 16 lowered the valuation of assets under management by more than CHF 400 mn.

Thanks to Bellevue's proven investment expertise and the long-term horizons of its loyal and long-standing investors, the broadly diversified client base has so far remained very stable. Despite the negative market performance, asset outflows were moderate at CHF 326 mn, which corresponds to 3% of the overall asset base. Bellevue's broad range of healthcare strategies accounted for approximately CHF 154 mn of this sum and other investment strategies for the remaining CHF 172 mn. The latter figure also includes outflows arising from the streamlining of the Group's product range in connection with the full integration of StarCapital, which was concluded during the period under review. Efforts to further differentiate and improve the product offering are under way.

Taking all factors into consideration, client assets under management declined by 25% from the year-end 2021 level to CHF 9.6 bn.

Earnings also impacted by unrealized losses

The negative developments in financial markets led to a significant drop in the average level of client assets under management and reduced the corresponding income by CHF 16.3 mn. The market downturn also resulted in unrealized losses of CHF 4.0 mn on investments in own products and in a CHF 4.7 mn net loss on financial investments in connection with employee compensation plans. The more than 36% decline in total operating income to CHF 46.8 mn compared with the record first-half results reported in 2021 therefore consists to more than 40% of unrealized losses.

The temporary erosion in Bellevue's earnings power was offset to some extent by its entrepreneurial compensation model, which made a significant reduction in personnel expenses possible, demonstrating the elasticity of its cost base. Operating expenses were reduced by 32% to CHF 27.6 mn. The cost/income ratio rose to 59.1%, which is at the upper end of the target range. Group net profit declined by 36% to CHF 14.3 mn. Return on equity for the period stood at 25.2%.

Successful establishment of Bellevue Private Markets – attractive earnings potential

The «Bellevue Private Markets» unit, established in 2019 with the acquisition of adbodmer AG, displayed pleasing developments during the reporting period. By offering private market investment solutions, Bellevue is targeting a structural growth market and raising its profile as a specialist asset manager. Careful, gradual expansion of this newly created business unit will reduce the dependence of Bellevue's business model on the stock market and boost its earnings power over time.



By offering private market investment solutions, Bellevue is targeting a structural growth market and raising its profile as a specialist asset manager

A «deal-by-deal» investor club consisting of wealthy individuals (business owners and families) and selected institutional investors has been formed in connection with the direct equity investment business. The focus here is on taking minority stakes in successful, privately owned mid-sized companies in the DACH region to actively support their business growth. During the first half of the year, new members joined the investor club and progress was made in developing the pipeline of promising new investment opportunities. Two to three new investment transactions should be successfully concluded during the second half of 2022 and initial, high-potential exits from 2023 onward are in the works.

In connection with the activities of the investor club, Bellevue launched its first co-investment fund, Bellevue Entrepreneur Private LP. This collective investment vehicle offers a wider range of investors access to an attractive portfolio of exclusive shareholdings in hidden champions that have been proprietarily sourced by Bellevue and that are only offered to the investor club as an investment proposition. This fund was successfully closed in June 2022 with investment capital of CHF 63 mn and already has five attractive investments in its portfolio. Given the solid pipeline of investment opportunities, investment holding periods should be rather short, which would also facilitate the launch of a second co-investment fund.

Besides the targeted expansion of the existing direct equity operations, which are organizationally grouped under the Zug-based Bellevue Private Markets AG, the range of related products and services will be enhanced with scalable special strategies by the end of the year. A team of experts for this new business unit have already been successfully recruited.

Integration of StarCapital completed – expanded market reach and presence in Germany thanks to bundling of resources

The integration of StarCapital was successfully completed. In Germany, the Group's most important foreign market accounting for approximately one-third of its base business, Bellevue relocated all of its activities in the country to a new location in Frankfurt, where they now operate under the name Bellevue Asset Management (Deutschland), effective July 1. Gerit Heinz has been recruited to strengthen the management of Bellevue's operations in Germany. Heinz has many years of experience in asset and wealth management and most recently served as Chief Strategist at Deutsche Bank Wealth Management. The organizational unity of Bellevue's activities in Germany will simplify the deployment of the entire Group's investment expertise and speed up the execution of market penetration campaigns in the country.

The integration of StarCapital was successfully completed

Number of Group Executive Board members reduced to accelerate the development of Private Markets

In order to take full advantage of the considerable growth and earnings potential that the direct equity investment market offers, Jan Kollros, CEO of Bellevue Private Markets, will now be fully focused on the operational management of this newly established business unit. It was against this backdrop that the Board of Directors and the Executive Board jointly decided to release Jan Kollros from his duties on the Group Executive Board as of September 1, 2022. The targeted expansion of our private market investment business should further diversify and strengthen the Group's earnings capacity while further reducing its previously high exposure to the stock market.

Growth fueled by existing products and selective market campaigns – continuous strengthening of talent pool and infrastructure

Within the scope of its defined growth strategy, Bellevue is concentrating on expanding its capabilities and solutions in its Private Markets segment, further improving quality, and growing existing products.

After successfully recruiting new specialists for its general healthcare strategies in 2021, the core competencies of the investment team at our flagship product BB Biotech AG will likewise be strengthened with the recruitment of highly qualified experts during the second half of 2022. These new talents are focused on the increasingly important fields of clinical data science and data analytics as well as on the area of neurology. Additional investment in specific tools and infrastructure will be made to specifically support these professionals.

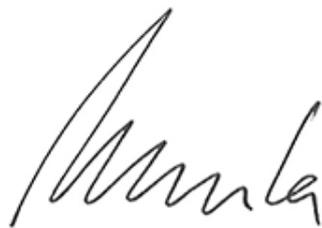
In our core markets of Switzerland, Germany, and the UK, we aim to improve the market penetration of the relevant business segments while also taking advantage of the good growth momentum in strategic secondary markets such as Austria, Spain and Italy. Our newly established Singapore hub will enable us to address growing momentum in Asian markets. We also continue to pursue new business activities in Latin America, primarily in Chile and Peru. The pension fund markets in these select countries are structurally interesting and based on a system that is similar to that of Switzerland. Having access to these markets enables us to meet the needs of institutional investors in Chile and Peru ideally through our Luxemburg-based funds.

Healthcare remains a mega trend – early sector recovery depends on inflation and interest rate levels

Bellevue expects the general market environment to remain very volatile. Inflation, which varies widely across different economies, and the possibility of further interest rate hikes will continue to keep investors worried. We are nevertheless confident that health and healthcare investments will remain a mega trend and that Bellevue is excellently positioned as a specialist asset manager in the attractive healthcare sector.

History has shown that the healthcare sector can be viewed to some extent as a leading indicator of broader financial market trends. Healthcare stocks began to correct early last year, long before geopolitical tension spiked and central banks began to reverse their monetary policy. It is conceivable that the sector will be the first to recover, too, but when that may happen is not clear. Healthcare subsectors that corrected early on are now displaying clear signs of an upward trend, also in Asia. A sustained recovery will certainly depend on the future path of inflation and interest rates as well as geopolitical developments. In this environment, Bellevue, as a «House of Investment Ideas», will maintain its agility and seize investment opportunities as they present themselves in the interests of its clients. Against this background, we reiterate our long-term targets for Bellevue.

In today's challenging and rapidly shifting environment, the loyalty of both our clients and shareholders and the exceptional commitment of our employees are highly appreciated constants that bolster our confidence that we can and will master the coming challenges together and deliver on Bellevue's claim to create value for its clients and shareholders. On behalf of the Board of Directors and the Group Executive Board, we thank our employees for their first-class commitment. We also thank our clients and shareholders for their trust.



Veit de Maddalena
Chairman of the Board of Directors



André Rüegg
Chief Executive Officer

At a glance

	1.1.–30.6.2022	1.1.–30.6.2021	Change
Consolidated income statement (in CHF 1'000)			
Revenues from asset management services	54 119	70 395	– 23.1%
Total operating income	46 784	73 633	– 36.5%
Total operating expenses	– 27 638	– 40 665	+32.0%
Total operating profit	19 146	32 968	– 41.9%
Group net profit	14 276	22 459	– 36.4%
Cost/Income ratio ¹⁾	59.1%	55.2%	–
Undiluted/Diluted earnings per share (in CHF)	+1.07	+1.69	– 36.7%
	30.6.2022	31.12.2021	Change
Asset under management (in CHF million)			
Total managed assets	9 618	12 793	– 24.8%
Net new money (1.1. to 30.6.)	– 326	682	– 147.8%
Consolidated balance sheet (in CHF 1'000)			
Total assets	167 525	226 622	– 26.1%
Total liabilities	41 190	80 032	– 48.5%
Total shareholders' equity	126 335	146 590	– 13.8%
Equity per share (in CHF)	9.38	9.71	– 3.4%
Return on equity annualized (1.1. to 30.6.) ²⁾	25.2%	39.6%	–
Staff (FTE)			
Number of staff at cutoff date	93.2	94.0	– 0.9%
Share price			
Share price of Bellevue Group registered shares (in CHF)	32.35	40.00	– 19.1%
Low / High (in CHF, 1.1. to 30.6.) ³⁾	30.80 / 43.70	30.40 / 43.00	
Market capitalization (in CHF million)	435	538	– 19.1%

¹⁾ Defined as: operating expenses / operating income

²⁾ Based on group net profit and average shareholders' equity after deduction of the respective dividend

³⁾ End of day prices

Investor presentation

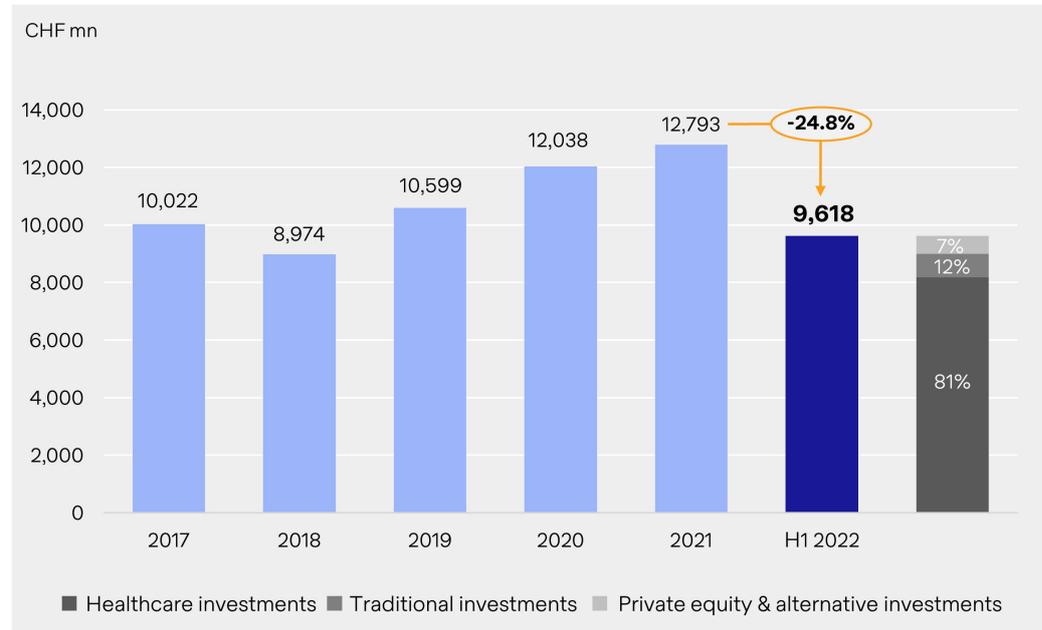
The exceptionally difficult and progressively more challenging market environment witnessed during the first half of 2022 also created strong headwinds for Bellevue Group and left a mark on its operating performance. The detailed figures on the half year results can be found in the presentation.

Download presentation



Market related decline in AuM base amplified by distinctive positioning

Development in assets under management 2017 – H1 2022



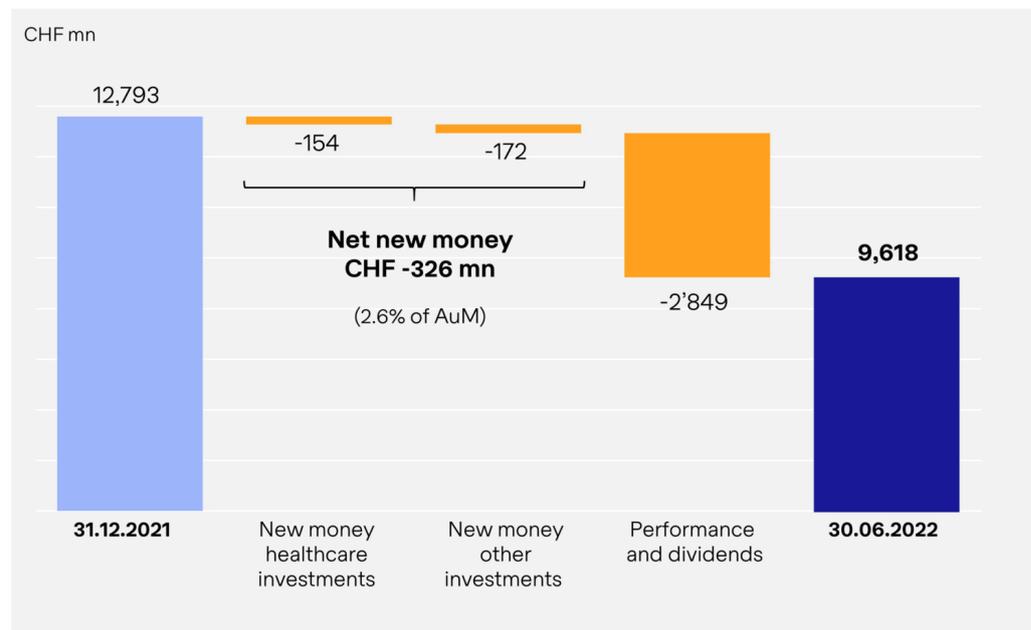
Source: Bellevue Group, as at June 30, 2022

AuM temporarily dips to average level of 2019

- Significant decline in AuM of approx. CHF 3.2 bn or 25% in H1
- More than CHF 2.8 bn or almost 90% of the overall decline is attributable to lower market valuations
- The rate hike announced by the SNB on June 16, 2022, briefly lowered the market value of AuM by more than CHF 400 mn
- Despite the considerable market turbulence, the client base has remained extremely stable
- Overall well-balanced asset base, margin remains attractive

Very stable client base – marginal outflow

Change in AuM in H1 2022



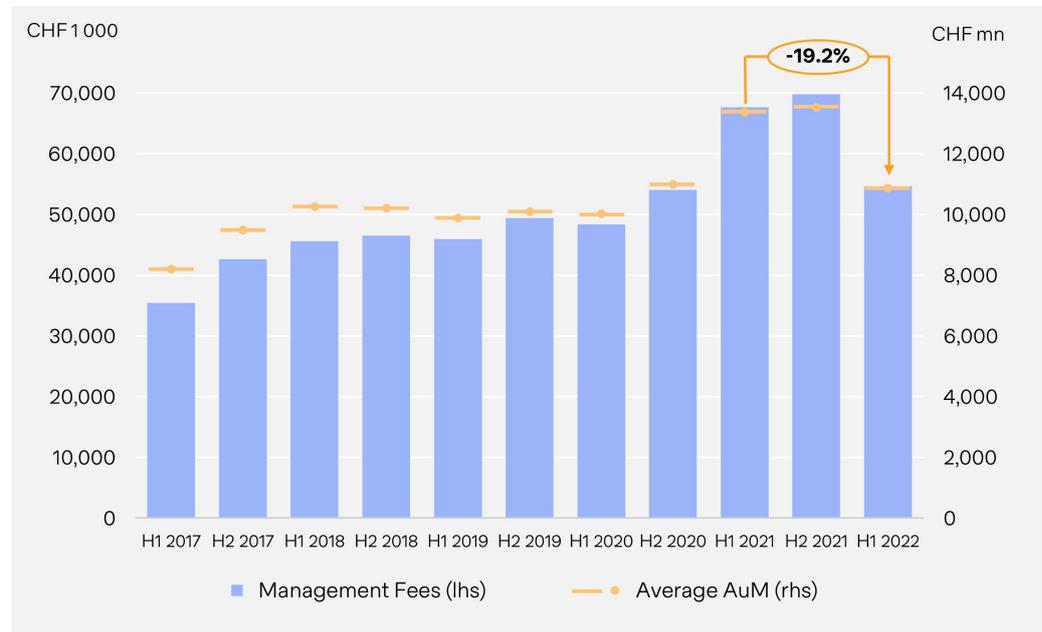
Source: Bellevue Group, as at June 30, 2022

Solid client base reflects high level of trust and long-term orientation

- Significant decline in AuM base largely attributable to negative performance
- Negligible asset outflow (<3% of the AuM base) compared to major market impact
- Part of the net outflow stemmed from ongoing product realignment (virtually completed now)

Mixed earnings power in tandem with market trend

Management fees and average AuM, H1 2017 – H1 2022

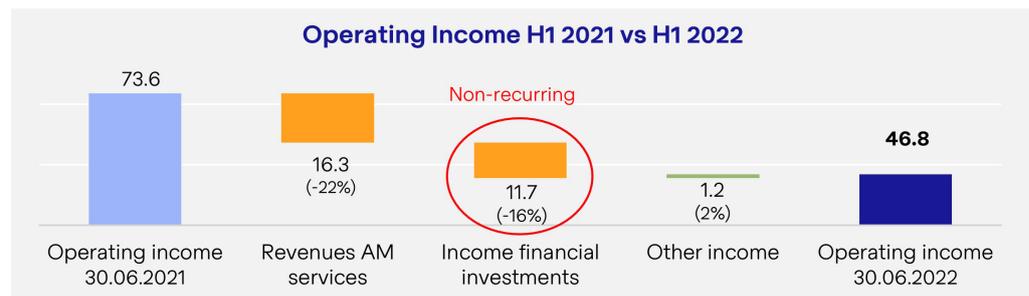
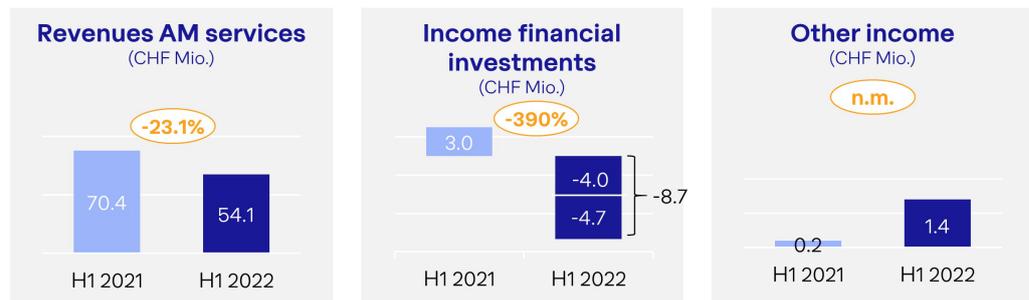


Source: Bellevue Group, as at June 30, 2022

Business model clearly dependent on general stock market environment

- Linear decline in management fees compared to market developments
- Management fees are calculated based on average AuM, which “smooths out” periods of high volatility
- Earnings power in H1 2022 comparable to level from H2 2020
- Profitability is largely driven by recurring income (management fees)
- Ongoing adjustment and optimization of product mix has stabilized margin quality at a high level

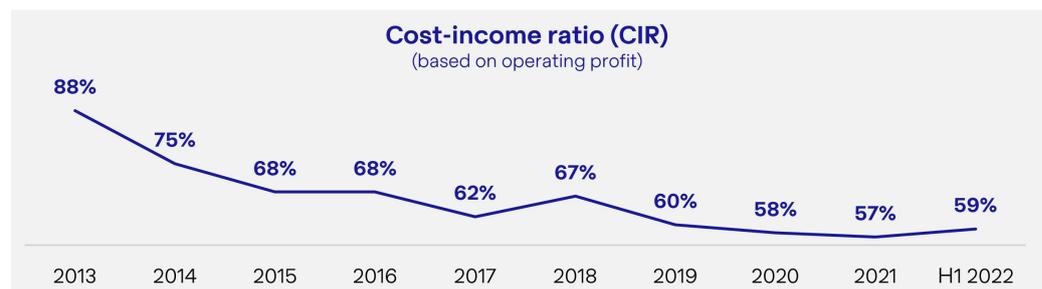
Consolidated results



Source: Bellevue Group, as at June 30, 2022

- Reduction of asset management services is driven by lower AuM; no significant change in performance fees and other net commission income
- The negative stock market trend resulted in unrealized and non-recurring losses of CHF 4.0 mn on investments in own products and a CHF 4.7 mn net loss on financial investments in connection with employee compensation plans
- Absolute decline in total operating income of CHF 26.8 mn is mainly attributable to:
 - Income from core asset management services business declined CHF 16.3 mn (22% vs. prior-year figure) because of lower average level of AuM
 - Change in non-recurring financial income totaling CHF 11.7 million (16% vs prior-year figure)

Operating expenses at a glance



Source: Bellevue Group, as at June 30, 2022

- Bellevue's entrepreneurial compensation model led to lower performance-related compensation in the wake of lower operating income
- Headcount unchanged vs prior-year period
- Other operating expenses stable vs prior-year period
- Slight increase in cost-income ratio (CIR) to 59% due to unrealized losses on financial investments
- The entrepreneurial compensation model smooths out CIR during adverse market conditions and confirms the positive downward trend
- Steady efficiency gains possible thanks to scalable business model

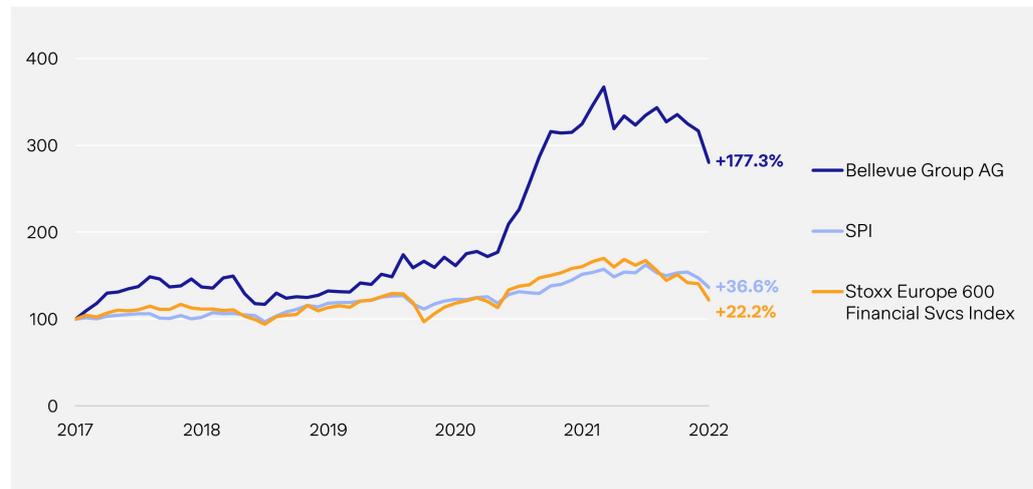
Share performance

Bellevue Group share (BBN SW)

Compelling performance compared to relevant indexes

Total return in CHF (5 years)

Indexed to 100 (in %)



Source: Bloomberg, Bellevue Group, as at June 30, 2022

Market capitalization

(in mn CHF)

435

as of 30.06.2022

Dividend for 2021

(in CHF)

2.70

Dividend yield

(in %)

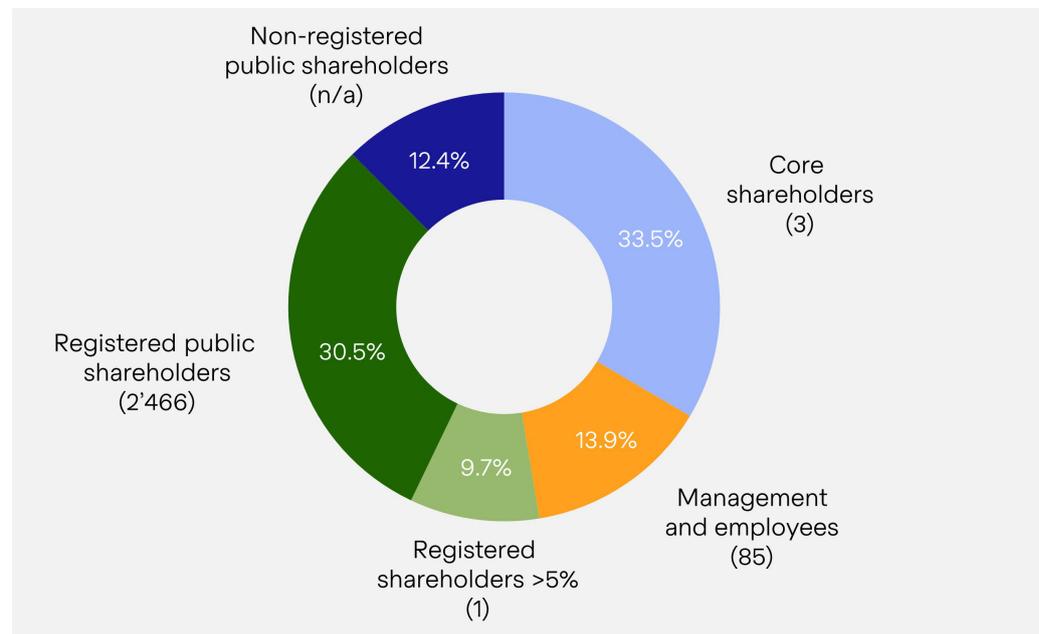
6.6¹⁾

as of 31.12.2021

¹⁾ Based on ordinary dividend of CHF 2.70 and share price on December 31, 2021

Structure of the shareholder base

Structure of the shareholder base as of June 30, 2022



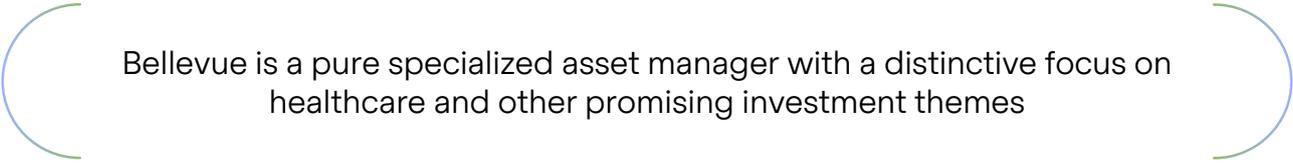
Source: Bellevue Group, as at June 30, 2022

Attractive value creation leads to stable shareholder base

- Strong commitment of core shareholders
- Substantial increase in management/employee shareholders (31.12.2021: 13.7%)
- Hansjörg Wyss, a long-term oriented shareholder (9.7%) could be won in 2020
- Very transparent shareholder base: >87% registered (2'555 shareholders)
- Shareholder-friendly dividend policy unchanged, strengthening sense of continuity

Business model and strategy

A proudly independent company founded in 1993, Bellevue Group and its approximately 100 employees offer access to attractive and innovative investment ideas that generate value for investors and the company's shareholders. We employ highly qualified investment specialists with many years of experience in the areas that are relevant to us – with a particular focus on healthcare and other growth strategies. As a «House of Investment Ideas», we know that quality and innovation are vital for creating value. We are constantly exploring and exploiting promising opportunities for value growth. Our teams are guided by an entrepreneurial mindset distinguished by mutual trust and creative autonomy at all points of interaction. Our strong convictions in the investment decisions we make is why we also have an active stake in our investments – and thus in the success of the clients we serve.



Bellevue is a pure specialized asset manager with a distinctive focus on healthcare and other promising investment themes

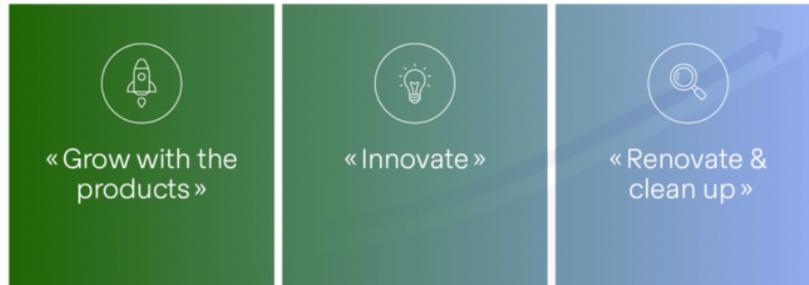
At a glance

- Bellevue is a pure play, highly specialized asset manager with a distinctive focus on healthcare and other attractive growth strategies
- Expertise and innovation are what make us unique
- Creating value for clients and shareholders is our mission
- Our business model is straightforward, transparent and highly scalable
- Our financial profile is robust and low on risk
- Responsibility towards all employees, business partners and the environment is non-negotiable



A forward- and growth-oriented strategy focused on profitability

Future growth will primarily be fueled by the investment performance of existing products, the development of interesting new products and the acquisition of new clients. We have a sound platform and clear strategy to grow on all three fronts.



Growing with our established products is a priority. Our existing products offer us substantial growth potential and the best returns. «Grow with the products» is only possible by maintaining and innovating top-quality products. Continuous investment in modern platforms and infrastructure ensures our ability to meet that goal.

A steady expansion of the underlying client base is also needed to grow with the products. Here we are pursuing various strategies to expand already strong positions in existing markets and to establish new positions in strategic secondary markets.

Reliable quality and strong innovation are the basic prerequisites for generating high value for our stakeholders

Besides quality, innovation is another key growth driver. The development of innovative concepts for non-traditional and traditional products enables us to take full advantage of our business model's growth potential. We therefore strive to expand «Bellevue Private Markets» in the area of Entrepreneur Investments and in other specialized areas.

The pipeline of ideas and products for the coming years is well-filled. At the same time, existing products or services that no longer have a truly distinctive or sharp competitive edge will be re-positioned or discontinued. We are not seeking growth in and of itself, but rather sustained, quality earnings potential with an attractive cost/income ratio.