

Shareholder letter



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

Dear Shareholders,

After all the turbulence and challenges that marked the 2022 investment year, global financial markets generally displayed more constructive and positive developments during the first six months of 2023 than most experts had predicted. Leading equity indexes closed the first half in the green, although in some cases the gains were mostly attributed to a mere handful of mega-cap stocks. That performance must be viewed against a still challenging environment distinguished by monetary policy tightening, rising bond yields, high rates of inflation in some regions and persistent geopolitical uncertainty.

There were still no signs of a recovery in small- and mid-cap growth stocks within the healthcare sector – an investment area targeted by Bellevue. These stocks were unable to keep pace with the broader market advance and some even showed a negative return. Demand for healthcare investment solutions remained subdued given the sector's sub-par performance.

The specific circumstances of the primary investment universe targeted by Bellevue as a specialist asset manager distracted from the progress made towards expanding its position and profile in the private markets business.

Market-induced decline in assets under management – net new inflows into successful strategies

The sub-par performance of Bellevue's target market segments and the resulting very weak performance of its healthcare strategies led to a decline in assets under management. Besides reducing assets under management by CHF 800 mn, the adverse conditions in the healthcare space led to a high level of redemption activity. Investors also took advantage of attractive entry points, especially in the Bellevue Digital Health and Bellevue Medtech & Services (Lux) funds, which absorbed inflows of more than CHF 330 mn thanks to their strong performance. Overall net outflow amounted to CHF 468 mn, which represented less than 5% of total assets under management, resulting in an overall decline of approximately 14% in assets under management to CHF 8.1 bn. Clients continue to appreciate our healthcare investment expertise despite the segment's persistent weak performance. Our broad international client base remains stable.

Earnings curbed by weak markets – selective expansion of investment expertise

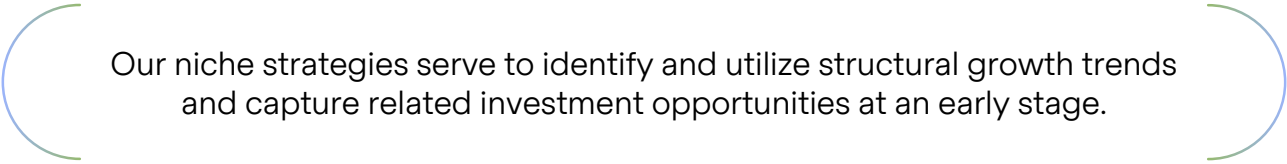
The lower level of assets under management also had an impact on Group earnings for the period under review. Average assets under management were down by 18% compared to the first half of 2022, a period buoyed by the peak in assets under management reported at year-end 2021. Income from asset management services therefore declined by 20% to CHF 43.3 mn. Market-induced unrealized losses on investments in proprietary products and on financial assets amounted to CHF 2.5 mn, well below the corresponding prior-year figure of CHF 8.7 mn. Total operating income for the period amounted to CHF 41.3 mn, a decline of about 12%.

We continued to build our profile as a specialist asset manager by selectively strengthening our investment expertise. Besides recruiting additional investment specialists for its healthcare strategies, data scientists for AI/big data were hired along with medical experts for neurological diseases. The Private Markets business area was expanded with the recruitment of a private equity secondaries team, and additional analysts as well as experienced direct equity management experts were recruited for the direct investment operations. More resources were also allocated to our sales teams in our core markets of Switzerland and Germany. These efforts to strengthen the very foundation of our business model – a highly qualified and motivated workforce – explain the approximately 5% increase in personnel expenses for the period. Other operating expenses rose by a similar amount in the wake of ongoing expenditure on infrastructure (core application upgrades among other items) and the deployment of next-generation technology (digitalization, introduction of AI solutions). As a result, total operating expenses increased by almost 5%. The cost/income ratio rose to 70.1% and is thus temporarily above our long-term target range of 60–65%. Group net profit amounted to CHF 8 mn, a decline of 44% from the prior-year period. Return on equity for the period stood at 14.8%.

The reported results for the first half of 2023 fell short of our ambitions, but we are confident that Bellevue is well positioned and that its business model as a specialist asset manager will deliver better results again as soon as the interest rate situation stabilizes, thus helping a recovery in healthcare stocks to take hold. The aforementioned investments will be supportive in this regard.

Considerable rebound potential for healthcare and niche strategies

Bellevue's product range comprises investment strategies in the areas of healthcare, selected niches, and private markets. Bellevue's healthcare strategies are predominantly invested in small and mid-cap growth stocks with strong innovation profiles, and it has established a broad range of products covering various special themes in this segment. Its flagship product, attesting to its acknowledged investment expertise within the healthcare sector, is BB Biotech AG, an investment company that has generated excess returns for investors for 30 years. The biotech sector has clearly lagged the total market during the past two years, so BB Biotech now has considerable rebound potential given the intact business fundamentals and attractive valuations of its portfolio companies. Another important pillar of our healthcare investment expertise is Bellevue Healthcare Trust, an investment trust with a well-diversified portfolio that delivered a solid return during the first half despite the healthcare sector's overall weak performance. Other key strategies in Bellevue's diverse product range are the Bellevue Medtech & Services Fund and the Bellevue Digital Health Fund, both of which likewise delivered positive returns for the first half (+8.8% and +11.7%).



Our niche strategies serve to identify and utilize structural growth trends and capture related investment opportunities at an early stage.

Our niche strategies serve to identify and utilize structural growth trends and capture related investment opportunities at an early stage. The carefully chosen portfolios of the Entrepreneur funds came under increasing pressure after the outbreak of the COVID-19 pandemic. These funds showed a clearly positive correction during the first half fueled by mostly robust earnings announcements. Other elements of the Group's product range must still demonstrate their long-term viability in today's competitive landscape and will be subject to an ongoing evaluation.

Expanded range of private markets solutions – proof of concept achieved

Our positioning as a specialist asset manager was further strengthened with the expansion of our Private Markets unit, the most recent addition to Bellevue's investment spectrum. Thanks to this expansion, clients can now take advantage of early access to the non-public investment universe of successful, and mostly owner-managed, companies. The structural growth market of direct equity investments is increasingly opening up to experienced private clients, a trend that is giving market growth an additional boost. The offering of Bellevue Private Markets now comprises the three niches of direct equity investing, co-investment funds, and scalable special strategies, specifically strategies for private equity secondary transactions. In the direct investing niche, we have built a deal-by-deal investor group that now numbers about 30 members in total (entrepreneurs, families and selected institutions). It is helping to support the sustained growth of 15 small- and mid-sized enterprises in the DACH region with a total investment volume of more than CHF 240 mn. We demonstrated proof of concept with the first exit that was realized during the first half of 2023, and more exits are on the horizon. Bellevue effectively covers the entire spectrum of services and solutions in private markets, from direct engagement with potential investors and the identification of attractive investment targets to the competent management of direct equity investments and the arrangement of successful exits.

The successive expansion of the Private Markets unit is intended to grow and further diversify the Group's recurring income streams.

In May 2021 Bellevue launched Bellevue Entrepreneur Private I, a co-investment fund that offers a broader base of clients access to the above-mentioned deals arranged with the exclusive investor group as well as other exclusive direct investments. The fund has already invested more than 50% of committed capital and it has delivered a very good performance during its first two years of operation. In view of this positive development, Bellevue plans to launch a second co-investment fund in 2025.

Bellevue's offering of private markets solutions is rounded out with scalable special strategies. Bellevue Global Private Equity 2023, a niche strategy for private equity secondary transactions, was recently launched with a target volume of USD 150–200 mn and a first closing is planned for the third quarter so the fund's investment activity can commence. The current market environment for buying up high-quality private market assets at low valuations offers enticing investment opportunities.

The successive expansion of the Private Markets unit is intended to grow and further diversify the Group's recurring income streams while creating a very attractive, supplementary source of performance-based income for Bellevue.

Business model offers promising growth prospects

The dynamic growth of Bellevue's business prior to 2021 has, since the first half of 2021, been impeded by market developments. These prolonged market headwinds, characterized by stubborn inflation, rising interest rates and unresolved geopolitical tension, continued to blow during the first half of 2023. Although there have been some initial signs of relief on the inflation and interest-rate fronts in the near future, many investors are likely to stick to the sidelines and not add new positions to their portfolios because of the prevailing general conditions. Against this backdrop, any expectations of a significant recovery in the earnings base and earnings power of Bellevue Group during the second quarter of the current year

must be dampened. In view of the currently lower baseline, we assume that a significant improvement is not realistic until the coming year.

Our business model's strategic growth prospects remain intact. Thanks to our distinctive positioning and tangible growth drivers, we are in a position to generate sustained added value over the long term. Healthcare remains a mega trend and a structural growth market that has delivered a wide range of innovation and corresponding investment opportunities. We are well positioned in biotechnology and other subsectors of the healthcare industry to profit from a more favorable market environment and realize a sudden upturn in assets under management. Our margin structure is solid. The high scalability of our business model will contribute to the dynamic growth of our earnings power. We are also pleased with the positive developments at our Private Markets unit, especially with respect to our growing and mature portfolio of direct investments. We expect an increasing number of exits and attractive performance-based income (so-called carry income) that will support our overall earnings.

Underpinned by an entrepreneurial, lean organization with a well-balanced risk culture and our above-average financial strength, our business model remains attractive and will create value added for all stakeholders.

A business model can only be successful thanks to the loyalty and trust of the company's clients and shareholders and the acknowledged competence and extraordinary support of all employees. On behalf of the Board of Directors and the Group Executive Board, we thank our employees for their untiring work. We also thank our clients and shareholders. Meeting their needs, expectations and wants is what inspires us every day.



Veit de Maddalena
Chairman of the Board of Directors



André Rüegg
Chief Executive Officer

At a glance

	01.01.-30.06.2023	01.01.-30.06.2022	Change
Consolidated income statement (in CHF 1'000)			
Revenues from asset management services	43 330	54 119	- 19.9%
Total operating income	41 253	46 784	- 11.8%
Total operating expenses	- 28 921	- 27 638	- 4.6%
Total operating profit	12 332	19 146	- 35.6%
Group net profit	8 008	14 276	- 43.9%
Cost/Income ratio ¹⁾	70.1%	59.1%	-
Undiluted/Diluted earnings per share (in CHF)	+0.60	+1.07	- 43.9%
	30.06.2023	31.12.2022	Change
Asset under management (in CHF million)			
Total managed assets	8 132	9 413	- 13.6%
Net new money (1.1. to 30.6.)	- 469	- 326	- 43.9%
Consolidated balance sheet (in CHF 1'000)			
Total assets	145 584	185 211	- 21.4%
Total liabilities	29 323	51 324	- 42.9%
Total shareholders' equity	116 261	133 887	- 13.2%
Equity per share (in CHF)	8.64	9.95	- 13.2%
Return on equity annualized (1.1. to 30.6.) ²⁾	14.8%	25.2%	-
Staff (FTE)			
Number of staff at cutoff date	101.5	96.9	+4.7%
Share price			
Share price of Bellevue Group registered shares (in CHF)	26.55	37.40	- 29.0%
Low / High (in CHF, 1.1. to 30.6.) ³⁾	25.30 / 40.90	30.80 / 43.70	
Market capitalization (in CHF million)	357	503	- 29.0%

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 2023 half-year results in brief: Overview, capital market environment, business results, update and outlook.

Half-year results 2023

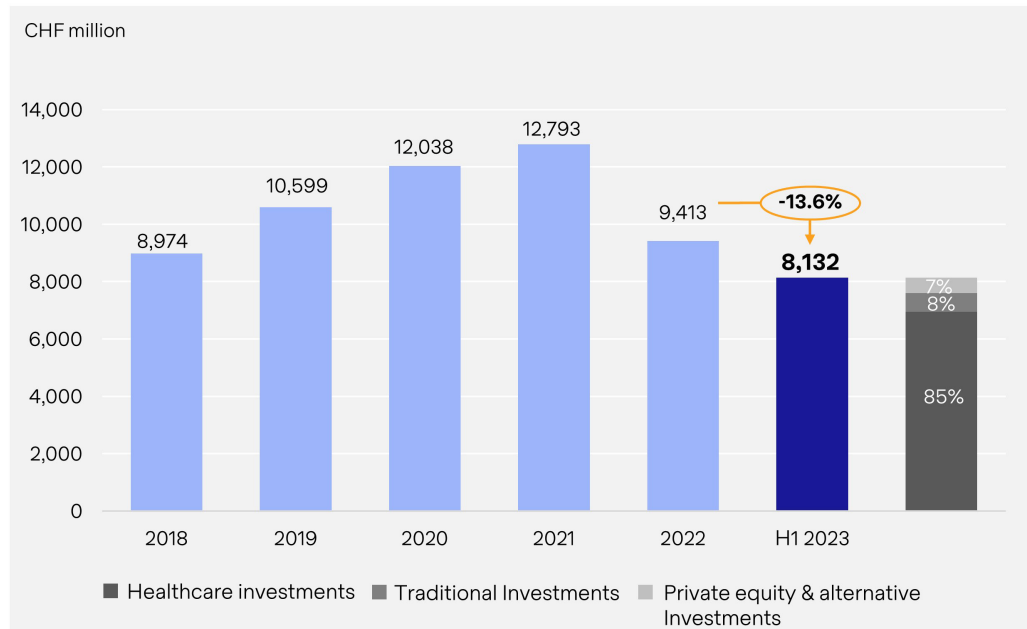


Company profile & strategy



Contraction in AuM base accentuated by positioning

Development in assets under management 2018 – H1 2023



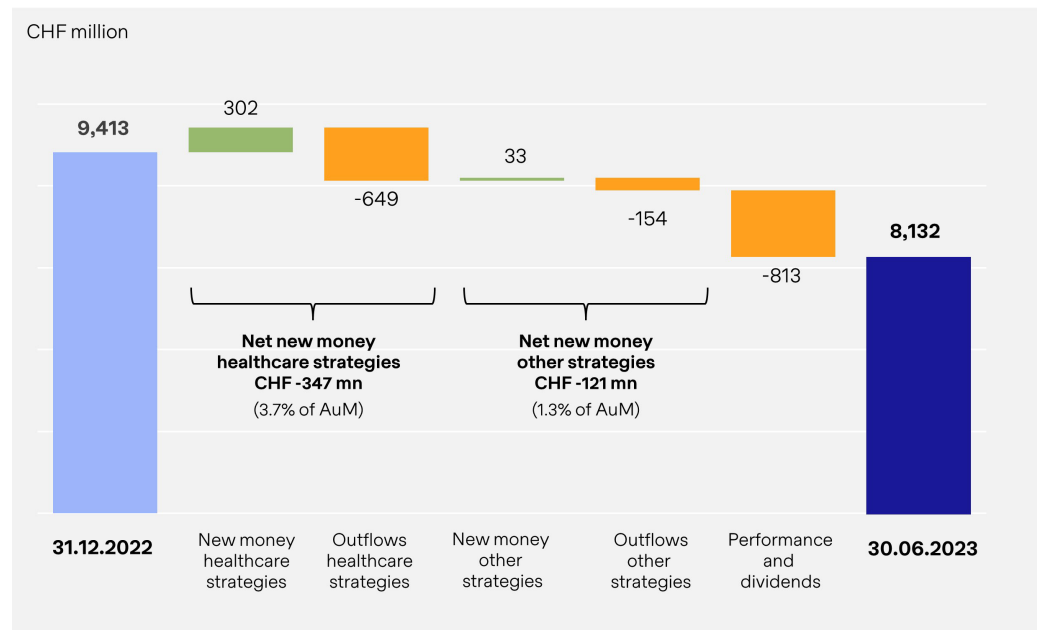
Source: Bellevue Group, as at June 30, 2023

Sustainable growth path until 2021 interrupted due to adverse market conditions since H1 2022

- Renewed decline in AuM of approx. CHF 1.3 bn or 14% in the first half of 2023
- More than CHF 0.8 bn or almost two-thirds of the overall decline attributable to lower market valuations
- Situation with interest rates and inflation remains unfavorable for our product offering
- Despite considerable market distortions, customer base remains stable so far, first signs of recovery in the healthcare sector are visible
- Well-diversified AuM base with steadily attractive margins

Stable client base – marginal outflows

Development of AuM base in H1 2023



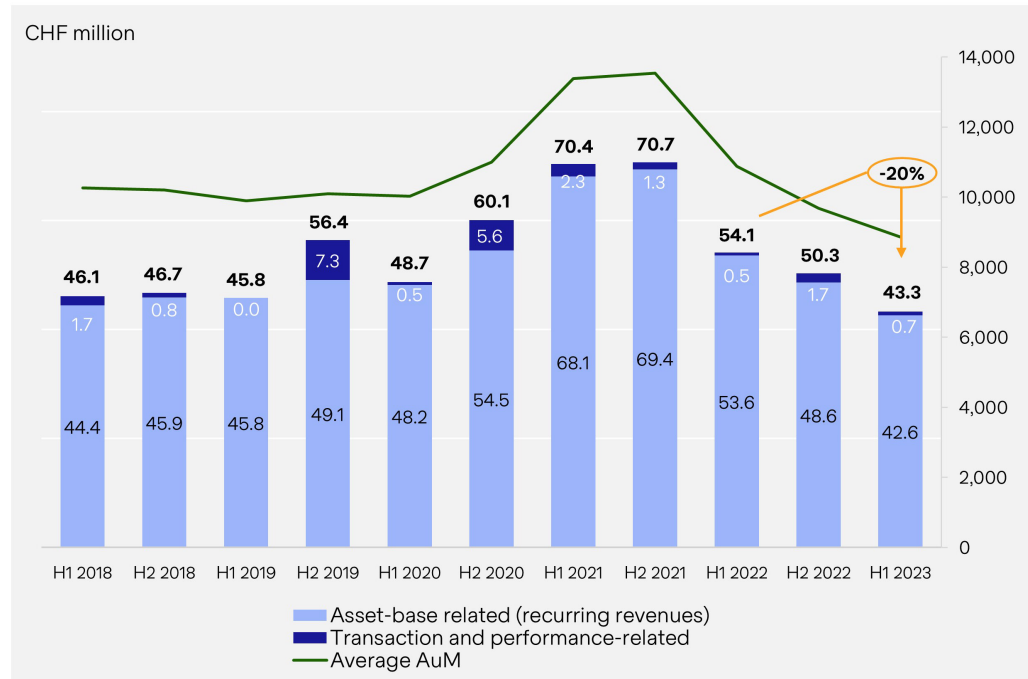
Source: Bellevue Group, as at June 30, 2023

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

- Sharp decline in AuM base largely attributable to negative performance
- Sustained tension in the healthcare sector has triggered substantial outflows – but attractive entry points have also led to new inflows
- Other business areas remains stable despite difficult market environment
- Net money outflow comparatively low given adverse market conditions in our specific investment areas (<5% of AuM base)

Earnings power in step with AuM base

Development of income from asset management activities,
2018 – H1 2023

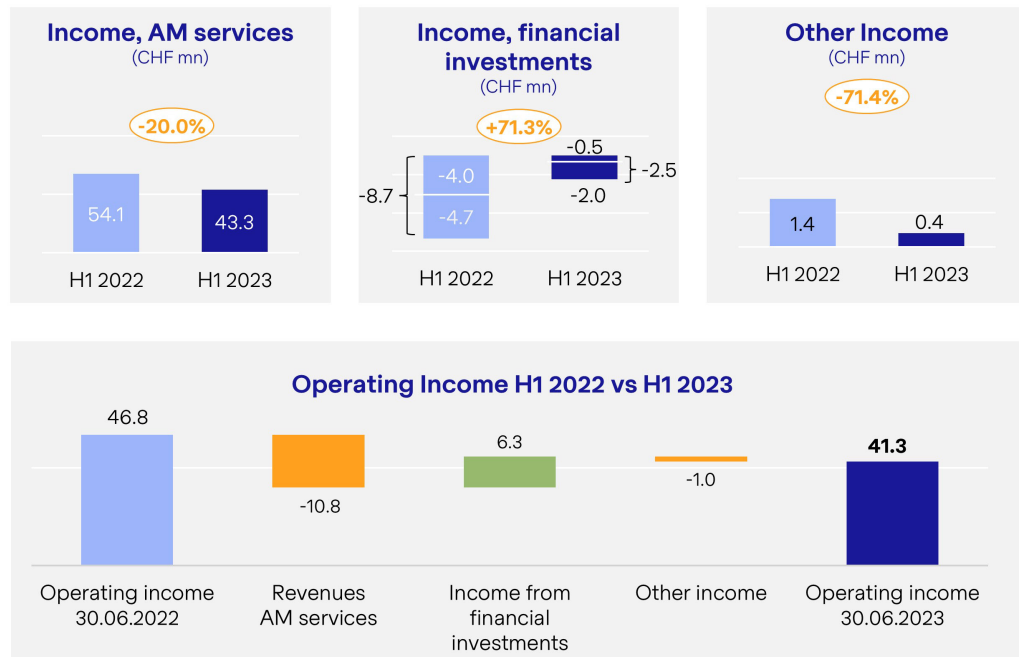


Source: Bellevue Group, as at June 30, 2023

Traceable period-on-period decline in profitability of 20%, in step with Ø AuM base

- Earnings power down to 2017/2018 levels
- High percentage of recurring revenues reflects high-quality AuM base at stable margins
- Contribution from transaction at low level, but solid pipeline provides room to the upside
- Well developed and mature portfolio of private equity direct investments creates potential for performance fees on exit (carried income)

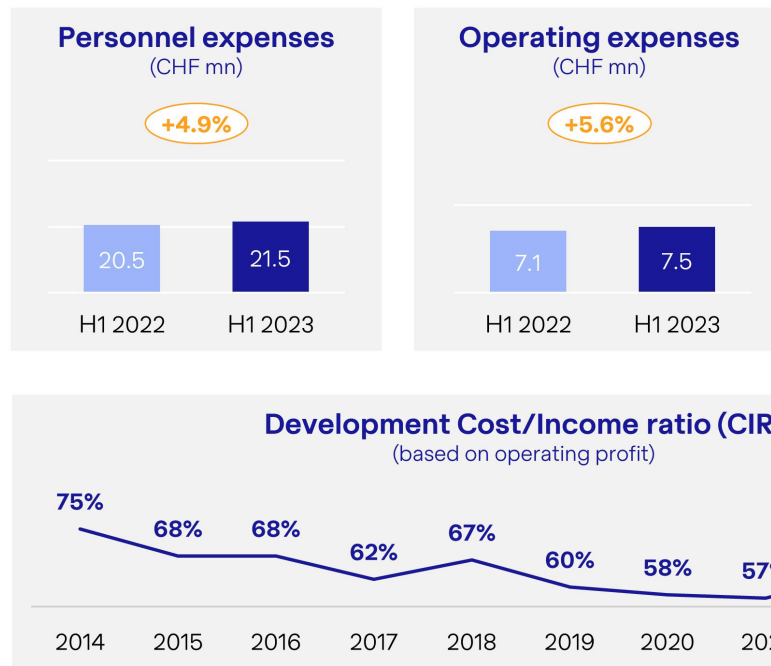
Consolidated results



Source: Bellevue Group, as at June 30, 2023

- Reduction in income from AM services attributable to lower AuM
- Unrealized loss of CHF 0.5 mn on investments in proprietary products and CHF 2.0 mn on financial investments substantially lower compared to previous period
- Deviating in total income of CHF 5.5 mn in absolute terms driven by:
 - Decline of management of CHF 10.8 mn due to lower average level of AuM (with unchanged margins)
 - Reduction of unrealized loss from financial investments of CHF 6.3 mn compared to previous period
 - Decrease in other income due to currency translation losses and lower dividend income

Operating expenses



Source: Bellevue Group, as at June 30, 2023

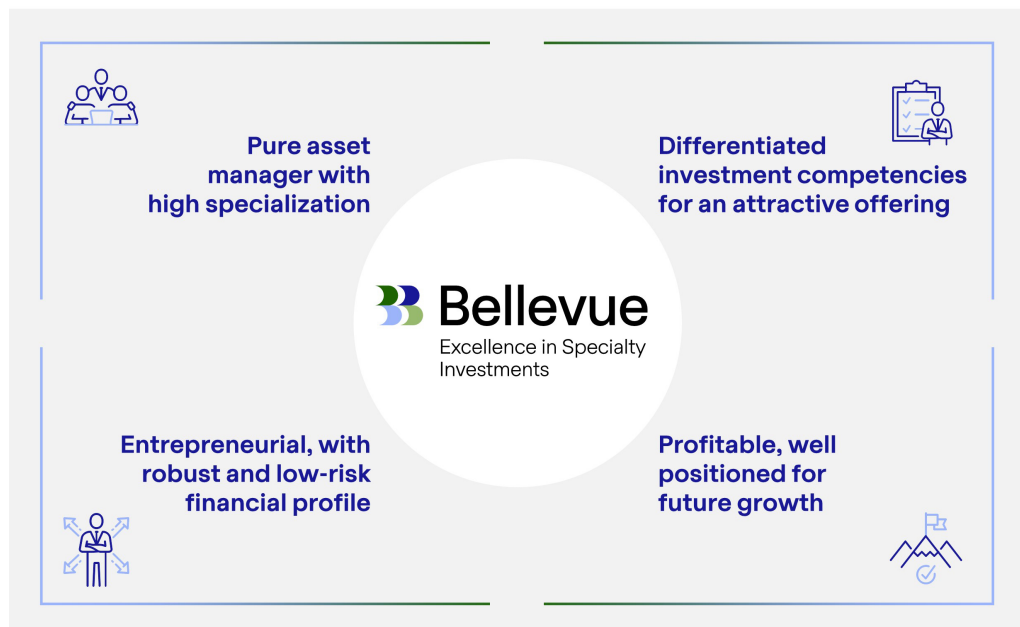
- Entrepreneurial compensation model leads to significantly lower compensation as a result of lower earnings
- This reduction was offset by an increase in costs for share programme plans and by deferred compensation payments from previous year (service conditions)
- Investments in new talent lead to y-o-y increase in fix personnel expenses
- Only slight increase in non-personnel expenses despite substantial investments in technology and infrastructure, thanks to other cost savings
- Temporary increase in cost/income ratio (CIR) to 70% due to lower earnings base
- Entrepreneurial compensation model helps to smooth out the CIR during difficult periods
- Ongoing increase in efficiency possible thanks to scalable business model

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.

At a glance

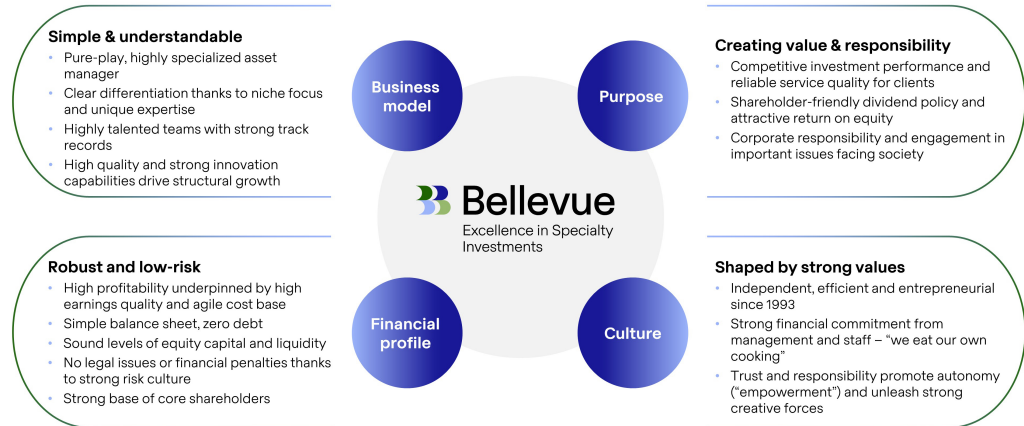
- Bellevue is a pure play, highly specialized asset manager with a distinctive focus on healthcare and other attractive growth strategies
- Expertise and innovation are what make us unique
- Creating value for clients and shareholders is our mission
- Our business model is straightforward, transparent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



Source: Bellevue Group, as of June 30, 2023

Clear-cut strategy and distinctive business profile

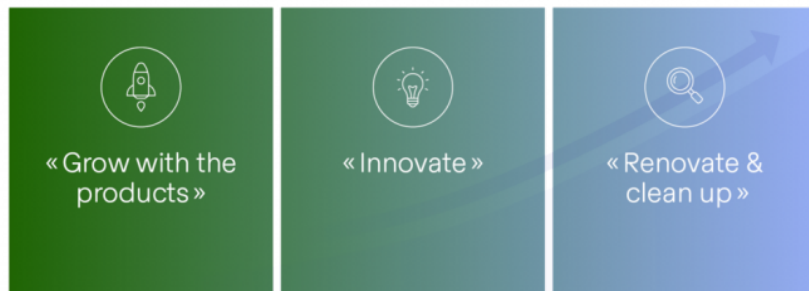
Robust, time-tested foundation engenders trust and confidence during uncertain times



Source: Bellevue Group, as of June 30, 2023

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.