

BB Healthcare Trust PLC

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BB Healthcare Trust delivering capital growth and dividends

BB Healthcare Trust PLC (LON:BBH) is run by the management team behind the hugely successful BB Biotech Investment Trust, which has delivered a compound return of 15% annually since its inception 23 years ago.

The new trust has a more expansive remit than its bigger brother, but there is a very rigid internal discipline to stock-picking.

The fund has a cap of 35 companies in which it can invest. And while it takes stakes in specific businesses it does so to garner exposure to investment themes that are rigorously assessed to drive innovation and value.

BBH holds stock in 27 companies

Currently, it owns stock in 27 businesses after closing off positions in Amgen, Lundbeck, Mallinckrodt, Perrigo and Vectura.

The performances varied - the total return for Amgen was 21%, while Lundbeck's was 44%. Mallinckrodt by contrast lost more than 50%. Vectura and Perrigo were also disappointing investments.

The wider portfolio performed well. BBH's net asset value was up 2.31% in November and is ahead almost 16% in the year to date. The shares, up around 16% on their listing price back last December, are trading at a modest premium to the net asset value (NAV).

Many of BBH's investee companies are in the US, just because it is the global hub for the industry and the capital used to bankroll nascent technologies.

Large-caps off the menu

It eschews the big conglomerates such as AstraZeneca, GlaxoSmithKline and Pfizer because of their growth prospects and lack of focus, concentrating on the innovative, fleeter footed small- and mid-caps.

"Many of you will be very aware of our less-than-favourable views of large-cap pharma. This is a considered view, borne of the demonstrably low R&D productivity showed by these companies," BBH said in its latest newsletter.

"Most of the interesting new products are in-licensed or acquired and we prefer to own the biotechnology companies such products are typically sourced from."

While the multinationals are largely off the menu, the one thing the smaller firms don't traditionally provide is a steady dividend.

Dividend payments

BBH corrects that by making a payout from the company's net asset value.

Price: 140.248

Market Cap: £608.62 m

1 Year Share Price Graph



Share Information

Code: BBH

Listing: LSE

52 week High Low
147.5 113

Sector: Investments and investor services

Website: www.bbhealthcaretrust.com

Company Synopsis:

BB Healthcare Trust plc is a high conviction, long-only investment trust invested in listed or quoted global healthcare equities. It is unconstrained and able to invest regardless of market cap, sub sector or region, and the portfolio is concentrated with a maximum of 35 holdings. The target total dividend in the first financial period is 3.

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Earlier this month it set out its plans by saying it is targeting a total pay-out of 4p per share - with a 2p per share interim payment earmarked for July.

It paid out 1.75p per share as an interim dividend earlier this year, and a further 1.75p final dividend is due for the year ended 30 November.

The divi marks it out in the sector as does a mechanism called a redemption option under which BBH can efficiently return capital to investors if they desire it.

IN-DEPTH: Capital Network research on BBH

There are a number of advantages to operating this system. It means small investors aren't at the mercy of the market-makers and their often bafflingly wide spreads.

The redemption option also works well for the big, institutional investors, offering the chance to get into the stock in scale and exit without being murdered.

In other words it promotes liquidity. And while BBH isn't the first to offer this entry and exit, it is a trendsetter in the world of healthcare.

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