EDISON

BB Biotech

Optimistic about biotech's long-term prospects

Investment companies
Biotechnology equities

23 May 2025

During 2024 and early this year, the biotech sector began to show signs of a structural recovery, supported by positive clinical data, regulatory approvals, lower interest rates, commercial execution and Johnson & Johnson's acquisition of Intra-Cellular Therapies, one of BION's core holdings. However, more recently, the sector has been hit by uncertainties about the macroeconomic outlook, US tariffs and the regulatory policies of the new US administration. This has increased market volatility, especially in the small- and mid-cap companies that BION favours, and the company's performance has declined accordingly, even though BION's portfolio holdings are performing well, with several delivering regulatory and clinical milestones. BION's peers have also struggled in this challenging environment. Yet the news is not all bad. BION's manager has taken action to protect returns by reducing the number of holdings, increasing the focus on larger-cap names and enhancing risk management. Furthermore, lower valuations have created opportunities for BION to expand exposure to high-quality companies pursuing significant market opportunities via the development of breakthrough therapies. And, most importantly, the biotech sector still has a very positive long-term outlook, with commensurate rewards for those willing to wait out near-term volatility.

Exhibit 1: BION's performance versus Nasdaq Biotech Index (CHF), 10 years

Source: LSEG Data & Analytics, Edison Investment Research. Note: Total returns in CHF terms.

The analyst's view

- Recent performance has been disappointing. In the six months ended 30 April 2025, the company's net asset value (NAV) declined by 21.1% (in Swiss franc terms), lower than the 12.6% decline in its benchmark, the Nasdaq Biotechnology Index (NBI). This has dragged down longer-term performance.
- In our view, the recent concerns about US policy, which have been responsible for the downturn in sentiment, are likely to prove unwarranted. And the industry's longer-term prospects are supported by a number of factors. The most significant of these is that M&A, a major driver of value in the sector, is expected to rise significantly in the coming years as big pharma companies seek to refresh their drug pipelines and reinforce revenue streams as existing patents expire.
- These favourable long-term influences serve as a reminder that investors need to be patient while current uncertainties resolve, interest rates fall further and the irrefutable merits of this industry reassert themselves.

Price		**CHF29.05**
Market cap		**CHF1,604m**
Total assets		**CHF1,826m**
NAV		CHF33.1
Discount to NAV		12.2%
Current yield		5.0%
Shares in issue		55.2m
Code/ISIN		BION/CH0038389992
Primary exchange		SWX
AIC sector		N/A
Financial year end		31 Dec
52-week high/low	CHF41.9	CHF24.4
NAV high/low	CHF56.0	CHF36.0
Gross gearing		13.3%

Fund objective

BB Biotech, a Swiss-based investment company, targets long-term capital growth from biotech companies developing new drugs. At least 90% of the portfolio is held in listed companies, mainly those with products on the market or in advanced stages of development. BION is benchmarked against the Nasdaq Biotech Index (in CHF) but is managed on a bottom-up basis, with a focused c 20–35 stock portfolio.

Bull points

- BION's manager, Bellevue Asset Management, has 30 years' experience and expertise backing innovative companies, such as Moderna (bought pre-IPO).
- The long-term outlook for the biotech sector remains positive.
- BION makes unique use of AI to support the investment process.

Bear points

- Biotech stocks can be volatile, as the development process for new drugs and therapies is very uncertain.
- Recent political developments have raised concerns with some investors regarding tariffs and regulatory logjams.
- BION invests in foreign currencies, which brings a degree of currency risk.

Analysts

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Market update: Uncertainties quash new year momentum

The year began on a positive note for the biotech sector and BION, with pharmaceutical giant Johnson & Johnson (J&J) announcing plans to acquire Intra-Cellular Therapies, one of BION's core holdings, at a 40% premium. This news confirmed the long-term value potential of the company's high-conviction positions and provided a boost to BION's NAV.

However, since then the market environment has deteriorated due to geopolitical and regulatory uncertainties. The election of US President Trump was initially greeted with enthusiasm by investors, who expected the incoming administration to be pro-growth and anti-regulation, but subsequent management changes in the US Department for Health and Human Services and other government agencies, combined with comments from key players in the new administration, have raised concerns about its commitment to science-based decision-making and continuity in review timelines. In addition, President Trump has threatened to impose tariffs on pharmaceuticals, which have until now been exempt from such levies.

These developments have robbed the biotech sector of the confidence and momentum inspired by the J&J deal. High hopes that the deal would be a catalyst for an immediate uptick in M&A activity dissipated, as potential buyers are reluctant to commit to new investments until the regulatory environment is more certain. However, there are good reasons to be optimistic about M&A activity in the next few years (see further discussion below).

Performance

Exhibit 2: Five-year discrete performance data

12 months ending	Total share price return (%)	Total NAV return (%)	NASDAQ Biotech TR CHF (%)	MSCI World Health Care TR CHF (%)	CBOE UK All Cos (%)
30/04/21	46	35	19	14	30
30/04/22	(27)	(31)	(17)	13	5
30/04/23	(18)	(4)	3	(4)	(2)
30/04/24	(5)	10	3	9	10
30/04/25	(24)	(20)	(8)	(9)	3

Source: LSEG Data & Analytics, Bloomberg. Note: All % on a total return basis in CHF. TR, total return.

The small- and mid-cap biotech stocks on which BION focuses were hit especially hard by the deterioration in market sentiment, and BION's recent performance has been disappointing. In the six months ended 30 April 2025, the company's NAV declined by 21.1% (in Swiss franc terms), lower than the 12.6% decline in its NBI benchmark. BION's share price declined 14.4%, narrowing the share price discount slightly. This performance mirrors the experience of BION's peers (see Exhibit 6) and has dragged down the company's longer-term performance (Exhibit 4). In the five years to end April 2025, BION made an average annual return of -4.8% in NAV terms, behind the benchmark decline of 0.7%. Over the 10-year period, the company's average annualised NAV return declined slightly (-1.0%) versus the modest annualised 1.3% rise in the benchmark.

Despite the recent performance, BION's lead portfolio manager, Dr Chris Koch, is seeing 'fundamental progress' in most portfolio companies. Several have recently delivered regulatory and clinical milestones, including:

- FDA approval for Vertex's JOURNAVX, a novel, non-addictive pain control treatment, expanding the drug's use beyond cystic fibrosis; and
- expanded FDA approval for Alnylam's Amvuttra, for the treatment of ATTR-CM, a coronary condition, making it the first and only FDA-approved RNAi therapy for both ATTR-CM and haTTR-PN, a hereditary heart disease. This approval significantly increases the drug's addressable market and commercial potential.

There have also been positive updates from Argenx and Wave Life Sciences (WLS). Argenx saw strong full-year sales and advanced a broad, late-stage pipeline, which bodes very well for the company's continued commercial and clinical expansion, while WLS demonstrated progress across multiple therapeutic areas, with the release of positive clinical data for its possible treatment for Duchenne muscular dystrophy and the initiation of a Phase I trial in a treatment for obesity.

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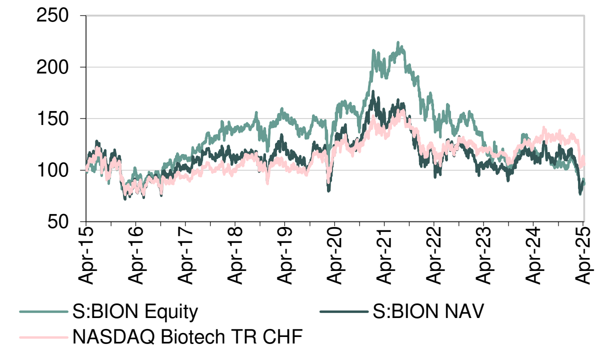
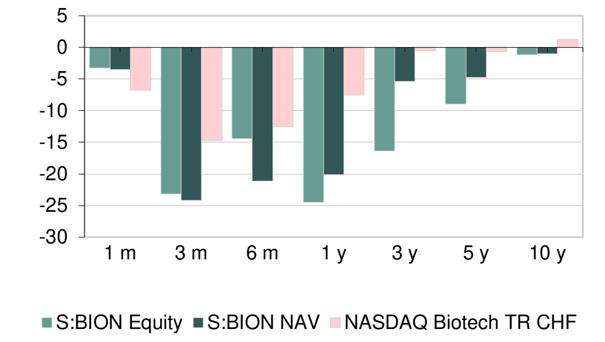
Exhibit 3: Price, NAV and benchmark total return performance, 10 years rebased



Source: LSEG Data & Analytics, Bloomberg, Edison Investment Research

Exhibit 4: Price, NAV and benchmark total return performance (%)



Source: LSEG Data & Analytics, Bloomberg, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

BION has limited exposure to US tariffs...

Dr Koch acknowledges that tariffs on pharmaceuticals, if they eventuate, would adversely affect the broader pharmaceutical sector through rising supply chain costs and regulatory logjams. However, in his view, BION's portfolio has limited direct exposure to such risks, as many of the fund's portfolio holdings already manufacture locally for the US market or operate in rare diseases and other areas that have strong pricing power. In addition, valuations have reached historically depressed levels; many small-cap biotech companies are now trading below cash multiples, while mid-cap companies are priced at cash multiples last seen after the dot.com bubble.

...and lower valuations mean more opportunities

This valuation reset has created opportunities for Dr Koch to expand exposure to high-quality, innovative biotech companies. For example, he has opened a new position in Akero Therapeutics, following the company's promising Phase II data in patients with cirrhotic MASH, a severe form of liver damage. This is an area of high unmet medical needs and limited treatment options. Akero's positive fundamentals supported BION's participation in the company's follow-on capital raising. And the manager intends to take further advantage of the current attractive valuations to build exposure to both new and existing positions.

Dr Koch and his team are also positive about the prospects for BION's existing portfolio holdings. In addition to the recent regulatory approvals for Vertex and Alnylam, mentioned above, the manager expects several other portfolio companies to see approvals over the year, including Alnylam, for fitusiran for haemophilia (in conjunction with Sanofi), and Argenx, for prefilled syringes of Vyvgart for the treatment of myasthenia gravis and chronic inflammatory demyelinating polyneuropathy, chronic nerve disorders.

Dividend payments well ahead of competitors

As well as providing exposure to a rapidly growing, innovative sector, BION pays a dividend equivalent to 5% of the average share price during December each year. A dividend of CHF1.80 per share was paid with respect to the year ended 31 December 2024 (2023: CHF2.00 per share; 2022: CHF2.85 per share). This payment was made in March 2025. Although the dividend has declined in the past few years, it still compares favourably with BION's peers in the biotech and healthcare sectors, as all other investment companies in this group pay no, or very low, dividends. This is because many biotech companies are at a relatively early stage of development and thus prefer to reinvest cash to fund future growth.

However, BION's directors recognise shareholders' appetite for income and, in response, BION has adopted a different approach to that of its peers. This high distribution policy, which was introduced in 2013, appears to be appreciated by shareholders; it is arguably one of the factors underlying the share price move from discount to premium over the subsequent decade or so, although the share price has moved back into discount territory more recently. It is important for shareholders to be aware that the company's dividend payments may in part represent a return of their capital.

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Sector outlook: Offering long-term rewards for patient investors

Overall, the fundamentals within the biotech sector remain strong. The sector arguably remains one of the most structurally attractive long-term investment themes, due to the pace of scientific breakthroughs, growing unmet medical needs and favourable valuation entry points, which provide a strong foundation for long-term returns.

These favourable fundamentals have been reflected in a number of notable breakthroughs across the past 18 months. For example, Akeso Biopharma/Summit Therapeutics' ivonescimab is a novel antibody therapy that holds promise in non-small cell lung cancer. In our view, the drug candidate has the potential to dethrone Merck's blockbuster Keytruda (sales of c $29.5bn in 2024), having shown a 49% reduction in disease progression relative to Keytruda in the HARMONi-2 trial. Another recent breakthrough was Axsome's drug candidate AXS-05, which became the first non-antipsychotic to show benefit in the challenging indication of Alzheimer's disease agitation, having demonstrated a 3.6-fold lower risk of relapse compared to placebo. These two examples correspond to the therapeutic areas of oncology and neurology, respectively, which are the two largest segments within the sector.

Oncology has long been the largest therapeutic area within biotech and pharma (c 25% share), primarily driven by ongoing unmet medical needs in the space, with sales estimated to reach c $356bn in 2030, up from c $189bn in 2023 (according to Evaluate Pharma). Historically, cancer patients were reliant on surgery, radiation therapy and/or chemotherapy to manage disease. However, the growth in the area has seen numerous new technologies emerge. These include cell therapies, antibody-drug conjugates, bispecific antibodies, personalised treatment regimens, radiopharmaceuticals and cancer vaccines. There has also been a rise in new screening technologies and diagnostics, as well as patient genetic sequencing to identify diseases more effectively.

Neurology follows oncology in terms of market share (c 10% share), and experiencing a resurgence, in terms of both innovation and sector interest. There were four multi-billion-dollar acquisitions in this field in the last 18 months: Intra-Cellular Therapies (by J&J for $14.6bn, as mentioned above); Karuna Therapeutics (by Bristol Myers Squibb for $14.0bn); Cerevel Therapeutics (by AbbVie for $8.7bn); and Longboard Pharmaceuticals (by Lundbeck for $2.6bn). While neurology is considered one of the most complex areas of drug development, the rate of advancements in recent months and years highlights the field as one that is ripe for innovation, and since it is considered somewhat less competitive than oncology, it presents ample opportunity for value creation.

Regulatory and political concerns seem overdone

Despite widespread concerns, in our view the outlook for the US FDA regulatory environment remains positive, with the Trump administration seemingly keen to expedite the drug approval process. There have been c 450 new approvals in the last eight years. The rate of approvals began to increase from 2017 (the beginning of President Trump's first term in office), and 2024 saw the approval of 50 drugs and nine biologics. Encouragingly, 48% of the new drug approvals were first-in-class (those with novel pharmacological effects), up from 36% in 2023. Given that smaller biotech companies are often the originators of the drugs that lead to such breakthroughs, this trend illustrates the innovation and strong fundamentals within the sector, and we do not expect the current momentum to be lost under the new administration. While budget cuts will reduce the FDA's headcount, there is no intention to cut the number of reviewers, so cuts should not affect the pace of approvals.

Similarly, while the US political environment more generally has generated some uncertainties for biotech investors, the reaction to these uncertainties seems excessive to us, and any possible negatives are likely to be outweighed by the potential benefits of President Trump's second term. Aside from concerns about approvals, adverse influences on sentiment have included the appointment of Robert F Kennedy Jr as US Secretary of Health, but his vaccine scepticism is unlikely to influence drug development. In addition, investors' concerns about mooted tariff increases are more likely to affect larger pharma companies than biotech firms.

M&A set to increase over the coming years

In contrast, positive influences on the biotech sector include a likely increase in M&A. This activity serves as the beating heart of the biotech sector. While there has been a pause in M&A activity in recent months, we expect deals to increase over the coming years, and this should provide some tailwinds to the biotech sector. Our view is based on the fact that big pharma companies face a major patent cliff for their blockbuster drugs over the remainder of this decade. It is estimated that there is over $200bn in annual revenue at risk as these patents expire, and, hence, big pharma companies are in dire need of new drugs to replenish their clinical pipelines and revenue streams. In addition, the recent

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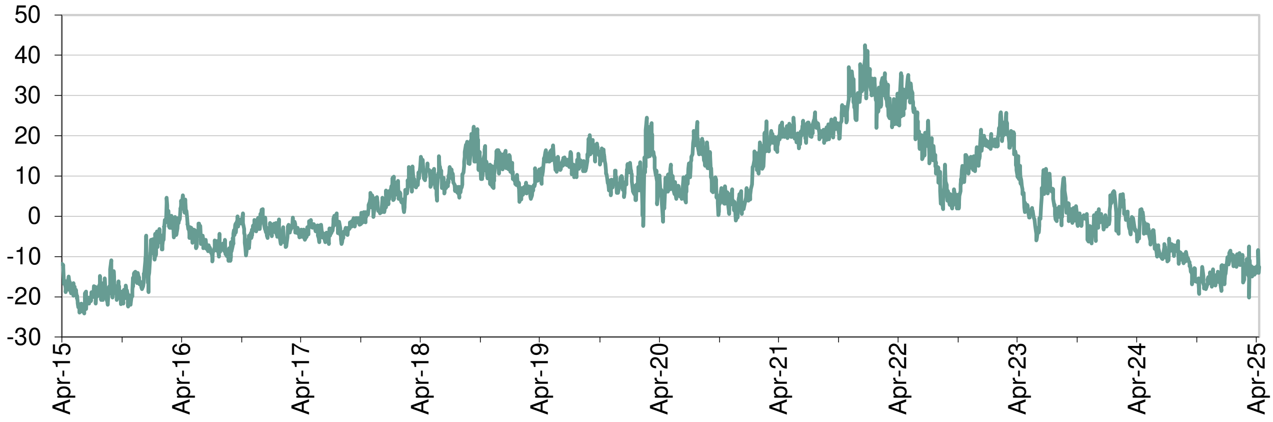
departure of Lina Khan, the former head of the Federal Trade Commission, weakens the constraints on M&A activity. (For a more detailed discussion on this, we direct readers to our thematic piece.)

There also seems to be political support for innovation, as, generally speaking, President Trump is pro-innovation and appears to want the industry to thrive, unencumbered by excessive red tape, as the new administration has a longer-term goal to reduce regulatory hurdles and expedite the drug approval process. Interest rates are a further key determinant to activity in the sector and their current downward trajectory should be supportive over time.

Collectively, these factors paint a positive long-term outlook for the biotech sector. They also serve as a reminder of the longer time horizon associated with such investments, compared to other sectors. While recent events have led to some volatility, overall, associated uncertainties should eventually be offset by the biotech sector's attractive and supportive fundamentals. Investors will therefore need to exercise patience until these fundamentals prevail over nearer-term market fluctuations.

Discount

Exhibit 5: Premium/discount over 10 years (%)



Source: LSEG Data & Analytics, Bloomberg, Edison Investment Research

For the past 10 years, BION's shares have traded at an average premium of around 5%, arguably underpinned by strong investor interest in the biotech sector, buying by passive investors following index inclusion and BION's high distribution policy (discussed above). BION reached a record-high premium to NAV of c 40% in January 2022, but the share price subsequently dipped into discount territory in 2023 as high interest rates took their toll on the sector, especially small- and mid-cap companies. The shares are currently trading at a discount of c 12%, due no doubt to the recent decline in sentiment and the toll this has taken on performance.

With BION's shares now trading well below their longer-term average premium, interest rates on a downward trajectory and good reasons to be positive about the longer-term outlook for biotech, investors may see value in BION's shares at this level. However, it seems that the share price discount is unlikely to close until the current uncertainties related to US regulatory and trade policies diminish.

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Peer group

Exhibit 6: Selected peer group at 22 May 2025 (in Swiss francs)

Group/Investment	Latest Market Capitalisation	1 year NAV TR (Cumulative)	3 year NAV TR (Cumulative)	5 year NAV TR (Cumulative)	10 year NAV TR (Cumulative)	Latest Ongoing Charge Ex Perf Fee	Performance Fee	Latest Discount (Cum Fair)	Latest Net Gearing (Ex Par)	Income Only Yield (NAV) - UK
BB Biotech AG Ord	1,609	(16)	(11)	(17)	2	1	No	(12)	113	5
Bellevue Healthcare	267	(19)	(26)	(10)		1	No	(2)	100	0
Biotech Growth Ord	211	(24)	(17)	(31)	(20)	1	Yes	(7)	103	0
HBM Healthcare Inv	1,185	(6)	(8)	22	150	1	Yes	(26)	103	0
International Biotech	224	1	8	9	31	1	Yes	(8)	106	0
Polar Capital Glb He	430	(13)	(3)	28	57	1	Yes	(6)	99	1
RTW Biotech Oppor	331	(11)	14	37		2	Yes	(31)	99	0
Syncona Ord	578	(9)	(17)	(13)	18	2	No	(53)	100	0
Worldwide Healthca	1,542	(16)	(9)	(3)	40	1	Yes	(11)	92	1
Simple average	**709**	**(12)**	**(8)**	**2**	**40**	**1**		**(17)**	**102**	**1**
Weighted average		**(13)**	**(9)**	**0**	**49**	**1**		**(18)**	**102**	**3**
Rank	1	7	6	8	6	5		6	1	1

Source: Morningstar, Bloomberg, Edison Investment Research. Note: Performance at 30 April 2025. TR, total return.

BION is not included in the AIC's Biotechnology & Healthcare sector as its primary listing is in Switzerland, but in Exhibit 6 we present it and another Swiss company, HBM Healthcare Investments (HBMN), alongside members of the AIC peer group, to provide a relevant comparison. The table includes four funds (BION, Biotech Growth Trust, International Biotechnology Trust and the relatively recently launched RTW Biotech Opportunities) that focus primarily on biotech stocks, and four funds (BB Healthcare, HBMN, Polar Capital Global Healthcare and Worldwide Healthcare Trust) that focus on healthcare more broadly and generally include some biotech stocks alongside stocks from other sectors. Syncona is a venture capital/growth capital investor focused on backing and building early-stage companies, mainly in the biotech space.

BION remains the largest fund in this group. Its recent performance has lagged due to its mid- and small-cap bias, as these sectors have underperformed the market, and this has proved a drag on its long-term performance relative to peers. BION now ranks sixth among its peers for performance over 10 years, compared to a third place ranking this time last year. One key differentiator for BION is that it is the only company among its peers to pay a substantial dividend, which is set at 5% of the average share price over December each year. The company's ongoing charge aligns with the average of its peers and, unlike most of its peers, it is not subject to a performance fee. These factors may help account for the fact that BION's share price discount is below the average of its peers.

Portfolio allocation

BION is differentiated from its NBI benchmark by its concentrated portfolio. At end March 2025 the company's top 10 holdings comprised 81% of its NAV (Exhibit 7). The company also differs from the NBI by being able to hold up to 10% of its assets in private equity, although at present it only holds a small position in one unlisted company, Rivus Pharmaceuticals.

Aside from the acquisition of Akero Therapeutics, mentioned above, the main portfolio changes over recent months have been disposals. The portfolio now comprises 23 positions, down from 29 at the same time last year, as the manager has eliminated exposure to names in which he no longer has a strong conviction and increased the focus on larger-cap companies, as these have displayed resilience in the volatile market conditions. At end March 2025, large-cap stocks (>$30bn) comprised the largest share of the portfolio, at 35.0%, significantly higher than the weighing of 13.5% a year earlier. This increase has come at the expense of mid-cap stocks ($5–30bn), which represented 25.0% of the portfolio at end March this year, down from 47.3% in March 2024. Smaller-cap stocks (up to $5bn) comprise the remaining 40% of the portfolio, almost unchanged from last year (see Exhibit 8).

Recent complete sales include Intra-Cellular Therapies, following regulatory approval of its acquisition by J&J. BION also closed positions in Fate Therapeutics, due to significant contraction of its development pipeline; Sage Therapeutics, following Biogen's unsolicited bid; and Arvinas, after mixed Phase III results that significantly constrained the broader commercial potential of one of its pipeline drugs. The manager has also trimmed exposure to Argenx to limit position

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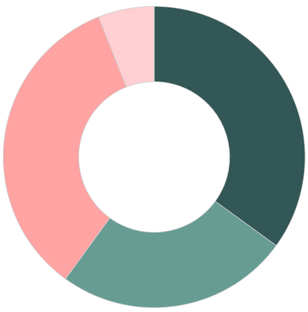
size after the stock's recent strong run. However, Argenx remains BION's largest holding (as at end April 2025) as the manager sees scope for further upside over the medium term.

Exhibit 7: Top 10 holdings (%)

Company	Country	Main clinical focus	Portfolio weight 30-Apr-25	Portfolio weight 30-Apr-24	Change in portfolio weight
Argenx (ADR)	Netherlands	Orphan diseases	16	10	7
Ionis Pharmaceuticals	US	Genetic diseases	11	11	(0)
Alnylam Pharmaceuticals	US	Genetic diseases	10	4	6
Neurocrine Biosciences	US	Neurological diseases/women's health	10	9	1
Vertex Pharmaceuticals	US	Orphan diseases	9	8	2
Revolution Medicines	US	Oncology	7	5	2
Incyte	US	Oncology	6	4	2
Agios	US	Cellular metabolism	5	N/A	N/A
Scholar Rock Holding	US	Protein growth factors	4	N/A	N/A
Celldex Therapeutics	US	Therapeutic antibodies	3	N/A	N/A
Top 10 (% of holdings)			**81**	**68**	

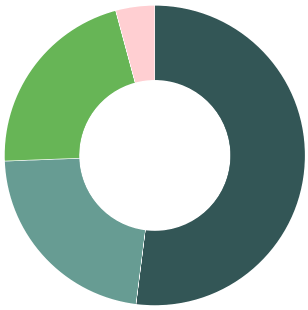
Source: BB Biotech, Edison Investment Research. Note: *N/A where not in end-April 2024 portfolio.

Exhibit 8: Portfolio breakdown by market cap



Source: BB Biotech. Note: As at 31 March 2025.

Exhibit 9: Portfolio breakdown by technology



Source: BB Biotech. Note: As at 31 March 2025.

While the portfolio now has a greater emphasis on larger-cap stocks, recent portfolio changes have not had a dramatic impact on portfolio structure at the stock level. The company still has relatively large core holdings in around eight companies (Exhibit 7), with diversification provided by smaller positions. Except for the departure of Intra-Cellular Therapies, BION's top 10 holdings are largely unchanged over the year to end April 2025, a strong indicator of the manager's high conviction in the portfolio's key positions. As shown in Exhibit 9, BION's portfolio exposure by technology is still led by the small molecule category, followed by RNA and antibody, and then gene and cell therapy.

Investment process

A growing team...

BION's lead portfolio manager, Dr Chris Koch, assumed responsibility for the portfolio at the beginning of 2025, following the retirement of Dr Daniel Koller, after 20 years in the company's investment management team. Dr Koch heads a team that now includes investment professionals based in New York and Zurich, with a variety of scientific and medical specialities, along with three data scientists. Dr Koch is the longest-serving member of the management team, having been involved with the fund since 2014. The scientific backgrounds of the manager and his team are fundamental to their understanding of the clinical landscape, and they keep their knowledge up to date through meetings with clinicians and biotech company executives, monitoring medical journals and attending industry conferences.

… supported by world-class AI resources...

The investment team is supported in its work by a three-strong team of data scientists, who have experience working for large pharmaceutical companies. The team is focused on using AI and big data to enhance BION's investment process. To this end, the team has developed proprietary analytical systems to synthesise a broad range of data published by pharmaceutical companies and other sources, to monitor and analyse the global medical landscape and industry trends. The team's work helps characterise the complex and rapidly evolving biotech sector, giving BION's managers greater

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insight into their investment universe. The team is forward-looking, aiming to identify new investment opportunities and help the managers better assess risks associated with existing positions. Their work also provides the managers with independent second opinions on the results published by biotech companies, and information that feeds into company valuation estimates. The team continues to develop its system capabilities to further enhance the quality of its inputs into BION's investment process. BION's managers believe the data scientists' work is unique among its European competitors, and among the global leaders in the field, giving BION a valuable competitive advantage over its peers.

...and close scrutiny of the fundamentals

The universe of established and developing biotech companies globally, from which BION's managers construct the portfolio, has grown to more than 1,000 stocks, so a variety of filters are employed to arrive at the final concentrated portfolio of c 20–35 companies. The investment team begins by focusing on clinical areas where advances in science and technology co-exist with strong market potential, looking at factors such as indication and mechanism of action. This brings the opportunity set down to c 300–400 companies, which is further refined to a 'long list' of c 100 stocks by applying a variety of quantitative and qualitative screens. These candidate stocks are modelled and analysed by the investment team, assessing factors such as innovation, quality of company management, intellectual property (the team prefers wholly owned assets), potential commerciality and company financials. The team also conducts extensive dialogue with the management of target companies to assess the quality of the target's management team. This dialogue is maintained after investment.

While the clinical side is the main driver of investment decisions, companies considered for inclusion in the portfolio should also have the potential to achieve above-average sales and profit growth. The investment team produces an investment proposal for each potential holding that passes through the due diligence process, which is then presented to BION's executive board. The proposal includes a financial model, clinical data, recommendations on purchase price and position size (new positions tend to come into the portfolio at 0.5–4.0% of NAV) and estimates of potential upside and downside. The executive board signs off on all new positions, complete exits and major changes in weightings.

While the investment universe is global, BION has a bias towards the US, as this is where the majority of the world's biotech companies are based. The portfolio tends to focus away from the largest 'evergreen' stocks that dominate the NBI, preferring companies that still have growth potential but are not necessarily higher risk, as many already have products on the market and may be less exposed to the expiry of patents.

The team actively manages the fund, trimming positions to lock in gains and keep them from becoming too large, and topping up holdings if valuations become more attractive. Complete exits may occur where a stock has reached its valuation target, or if poor clinical data or regulatory outcomes call the original investment thesis into question.

Sustainability and engagement are key to investment decisions

BB Biotech has a business-driven approach to sustainability. It has a more than 30-year history of acting as an engaged and responsible investment company, focused on delivering long-term value to investors and society as a whole. The company has strict exclusion criteria related to activities that violate universal norms regarding the environment, human rights and good corporate governance practices, and ESG factors are integrated into the fundamental analysis of every company. ESG ratings compiled by MSCI ESG Research, a global leading ESG research provider, are referenced in this process.

The managers also strive to have an active and constructive dialogue with the management and other stakeholders of portfolio companies regarding ESG considerations. BION has a sustainability and governance committee and at its behest BION continues to evolve its ESG processes, gradually introducing new and meaningful ESG initiatives. Most recently the team has implemented new policies regarding diversity, human rights, data privacy, political involvement, responsible marketing, anti-bribery and corruption, tax, health and safety and anti-money laundering.

BION's manager, Bellevue Asset Management, is a signatory of the UN Principles for Responsible Investment. In 2023 BB Biotech was selected by the Swiss Stock Exchange to be included in the SPI ESG Index. The index measures the development of Swiss equities based on an ESG rating metric provided by ratings agency Inrate. BION strives to keep all board members updated on recent developments regarding ESG.

Fund profile

Launched in 1993, BION is one of the largest specialist funds investing in the fast-growing sector of biotechnology. It is

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managed by Bellevue Asset Management, a healthcare investment manager headquartered in Switzerland, and has an executive board of industry experts who oversee major investment decisions. BION has a strong focus on innovation and aims to achieve capital growth for its investors, while also paying a 5% dividend (based on the average share price during December each year). Returns can be volatile, as biotech companies' share prices can move significantly following positive or negative clinical developments.

BION is incorporated and listed in Switzerland and has listings on German and Italian exchanges. The fund measures its performance against the NBI (in Swiss franc terms), although its concentrated portfolio (between 20–35 stocks) and greater focus on mid-cap companies means its performance is likely to differ significantly from that of the benchmark. The portfolio blends earlier-stage biotech companies with those that already have products on the market and are profitable. BION's manager has scope to use gearing to enhance returns.

Capital structure

BION is a Switzerland-incorporated, closed-end investment company with one class of share. Its primary Swiss franc-denominated stock market listing is on the SIX Swiss Exchange, and it also has euro-denominated listings in Germany and Italy. Since September 2018 it has been a constituent of the SMIM Index in Switzerland, made up of the 50 largest and most liquid companies after the 20 blue-chip constituents of the Swiss Market Index (SMI). There are currently 55.2m shares in issue. BION had authority to repurchase up to 10% of its shares (5,540,000 shares) over a period of 36 months from April 2022. Over the past year, the company repurchased 250,750 shares under this share buyback programme. This authority was not renewed at the Annual General Meeting held in March 2025. The shareholder base is broadly diversified with few significant holders.

The board

BION's board members are all renowned and highly experienced practitioners within the biotech sector. At the AGM held in March 2024, Dr Thomas von Planta, former member of the board of directors, was elected as the new chair of the board, succeeding Dr Erich Hunziker, who did not stand for re-election. In addition, Camilla Soenderby was elected as a new director of the board. Current members of the board, who include Dr Clive Meanwell, Laura Hamill, Dr Pearl Huang and Professor Mads Krogsgaard Thomsen, were re-elected for further one-year terms at the company's March 2025 AGM.

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