

BB Biotech

Turning milestones into momentum

BB Biotech (BION) delivered strong Q325 results, underpinned by its focus on innovative biotech companies with differentiated clinical pipelines and promising long-term potential. NAV increased 24.0% (in CHF terms) and its share price rose 20.0%, both comfortably outperforming BION's benchmark, the Nasdaq Biotech Index (15.7%). The most recent quarter benefited from improving macroeconomic conditions, including the Federal Reserve's first rate cut in September. The sector outlook remains favourable, with M&A expected to be a key performance driver as big pharmaceutical companies replenish their pipelines ahead of a looming patent cliff. Several core portfolio holdings achieved significant clinical and regulatory milestones, supporting BION's momentum, and others are anticipated before year-end, serving as potential near-term catalysts for portfolio performance.

BION's relative performance vs the Nasdaq Biotech Index (CHF), one year



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

The analyst's view

- BION's Q3 performance validates the quality of its portfolio construction and the manager's stock selection discipline. The outperformance over the NBI demonstrates that its concentrated, high-conviction approach can deliver meaningful results when portfolio companies perform well.
- The current discount to NAV (c 11%) appears disconnected from fundamentals, despite the fact that BION has historically traded at premiums, and sector dynamics are improving. The Pfizer-US government agreement has eased uncertainties around market concerns regarding US drug pricing controls, increasing policy visibility, which should restore investor confidence.
- Sentiment is improving after an extended period of weakness. Lower interest rates should benefit capital-intensive biotechs, at the same time that pharma players face major patent cliffs, spurring M&A. Further, biotech valuations remain near historic lows, despite having promising pipelines, creating opportunities for experienced managers to take advantage at attractive prices.
- During Q3, management exited three positions, while establishing a new holding in Avidity Biosciences. Post-period, Novartis announced the acquisition of Avidity Biosciences for \$12bn (a 46% premium), validating BION's decision.
- Overall, the leadership transition to Dr Christian Koch (from January 2025) has provided orderly succession with strong continuity of investment approach.

Investment companies
Biotechnology equities

28 October 2025

Price CHF41.05
Market cap CHF2,274m
Total assets CHF2,454m

NAV CHF46.3
Discount to NAV 11.0%
Current yield 5.0%
Shares in issue 55.4m
Code/ISIN BION/CH0038389992
Primary exchange SWX
AIC sector N/A
Financial year end 31 December
52-week high/low CHF41.7 CHF24.4
NAV high/low CHF56.0 CHF36.0
Gross gearing 13.3%

Fund objective

BB Biotech, a Swiss-based investment company (traded as a stock), 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 marketed products 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

- BB Biotech 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.

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BION: Strong Q3 performance signals momentum

Portfolio resilience, outperforms Nasdaq Biotech Index

BION delivered a strong Q325, with both its NAV and share price significantly outperforming the benchmark Nasdaq Biotech Index. The company's NAV increased 24.0% in Swiss franc terms (23.5% in US dollar terms) and was comfortably ahead of the Nasdaq Biotech Index's 15.7% gain. The share price rose 20.0% in Swiss franc terms, representing an outperformance of over 4pp compared to the benchmark. Following a volatile H125, the year-to-date picture shows the NAV up by c 8% and the share price up by c 5% at end-September 2025, with the discount to NAV remaining relatively stable at c 11%.

Q325 benefited from a convergence of positive factors. The Federal Reserve's first rate cut in September, lowering rates to 4.00–4.25%, provided a more supportive macroeconomic backdrop for growth-oriented sectors like the biotech industry. Most importantly, several core portfolio holdings achieved significant clinical and regulatory milestones (discussed in further detail below), driving meaningful stock price appreciation. The investment team maintained a disciplined approach to portfolio construction, reducing holdings from 23 companies to 21 companies, at an investment level of 96.6%, allowing the individual successes to have a more material effect on overall performance.

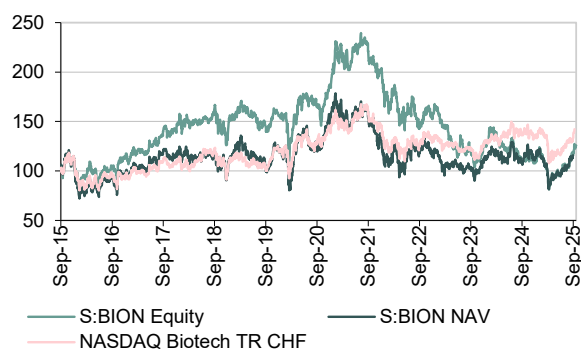
Despite a stronger recent performance, the longer-term performance relative to the benchmark shows a more comparable outcome, with BION achieving a 10-year annualised NAV return of 1.7%, slightly behind the Nasdaq Biotech Index's 3.0%. Overall, the 10-year picture more broadly reflects the difficult macroeconomic conditions that have prevailed across the biotech sector. However, the Q3 results suggest that the portfolio is well-positioned to capitalise on improving sector dynamics.

Exhibit 1: 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 (%)	MSCI World CHF (%)
30/09/21	31.1	24.4	22.1	21.0	36.1	31.4
30/09/22	(33.7)	(22.8)	(21.1)	(4.4)	(15.7)	(14.8)
30/09/23	(17.1)	(13.1)	(1.7)	3.6	16.4	13.9
30/09/24	(8.1)	5.2	12.1	12.0	14.8	22.7
30/09/25	5.3	7.9	(2.7)	(12.8)	10.5	11.1

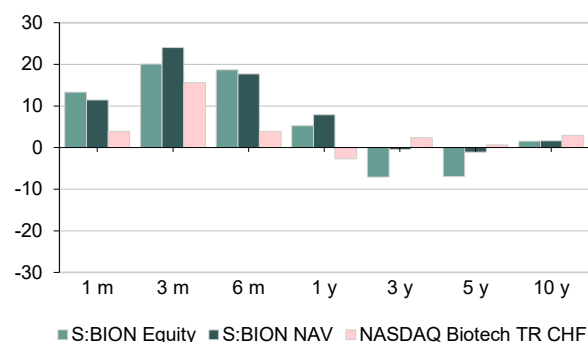
Source: LSEG Data & Analytics, Bloomberg. Note: All % on a total return bases in Swiss Francs.

Exhibit 2: Price, NAV and benchmark total return performance, 10 years rebased



Source: Source: LSEG Data & Analytics, Bloomberg, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised. As at 30 September 2025.

Exhibit 3: Price, NAV and benchmark total return performance (%)



Source: Source: LSEG Data & Analytics, Bloomberg, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised. As at 30 September 2025.

Clinical and regulatory milestones underpin recent conviction

During Q325, BION saw solid operational execution across many portfolio holdings, with several core positions achieving significant clinical and regulatory milestones that validate its investment theses:

- The most substantial contributor to performance was Ionis Pharmaceuticals, which delivered positive Phase III results for Olezarsen in patients with severe hypertriglyceridemia, as well as encouraging Phase I/II data for

Zilganersen in Alexander disease. Furthermore, in August, the FDA approved Donidalorsen for the treatment of hereditary angioedema, marking another important milestone for the company's broad RNA-targeted therapeutics platform.

- Revolution Medicines also contributed strongly following encouraging early-stage data for Daraxonrasib and Zoldonasib, its RAS-inhibitor programmes that had previously received breakthrough therapy designation from the FDA. The high response rates observed in these studies support the potential for these assets to address significant unmet needs in oncology.
- argenx continued to see robust commercial uptake of VYVGART, with both the intravenous and subcutaneous formulations gaining traction. The company is also progressing other regulatory submissions globally, expanding the addressable market for this differentiated therapy.
- Alnylam Pharmaceuticals reported strong commercial momentum for AMVUTTRA, alongside positive interim data from its next-generation pipeline candidates, reinforcing its position as a leading RNA-interference therapeutics company.
- VerxteX Pharmaceuticals also progressed favourably, with the encouraging post-launch performance of Journavx (VX-548) and the progression of its autoimmune kidney disease programmes.
- Agios Pharmaceuticals moved closer to expected approval of mitapivat in thalassemia, with regulatory submissions on track.
- Scholar Rock is preparing to resubmit apitegromab following a complete response letter from the FDA, with the management team expressing confidence in addressing the agency's concerns.

Portfolio rotation reflects disciplined approach

As mentioned above, BION's investment team demonstrated disciplined capital allocation during the quarter, reducing the number of holdings from 23 to 21. Complete exits included Moderna (where the uncertain outlook for vaccine revenues amid changing public health priorities and regulatory scrutiny prompted a reassessment), Black Diamond Therapeutics (which offered limited differentiation versus peers) and Blueprint Medicines (following completion of the Sanofi acquisition). A new position was established in Avidity Biosciences, whose antibody-oligonucleotide conjugate platform is addressing muscle and rare genetic conditions. The company has reported clinical progress in myotonic dystrophy and facioscapulohumeral muscular dystrophy, with a differentiated approach that the managers believe offers substantial promise, further enhancing its exposure to next-generation RNA therapeutics. The portfolio rotation reflects BION's clear focus on innovative biotech companies with differentiated clinical pipelines and strong long-term potential, while gradually expanding its scope toward earlier clinical-stage investments under a risk-adjusted allocation framework.

Encouragingly, post-quarter, on 26 October 2025, Novartis announced an agreement to acquire Avidity for \$72.00 per share in cash, representing a 46% premium to the pre-announcement share price, valuing the company at \$12bn. The transaction, expected to close in H126, validates both the quality of Avidity's platform and BION's investment thesis. The acquisition also demonstrates the strategic value that large pharmaceuticals companies place on differentiated RNA therapeutic platforms. Avidity represented 3.4% of BION's NAV as of 30 September 2025, making it one of its largest new investments this year.

Selective position increases were made in Revolution Medicines, Akero Therapeutics and Scholar Rock (and other mid-cap innovators). The announcement in early October of Novo Nordisk's acquisition of Akero Therapeutics illustrates the continued strategic buyer interest in differentiated assets, validating BION's focus on high-quality science addressing significant market opportunities.

Catalysts on the horizon

Near-term catalysts for BION's portfolio include upcoming pivotal data readouts are anticipated for Agios Pharmaceuticals' mitapivat in sickle cell disease, alongside Wave Life Sciences' WVE-006 in alpha-1 antitrypsin deficiency, Neurocrine Biosciences' NBI-1070770 in major depressive disorder and Edgewise Therapeutics' EDG-7500 in hypertrophic cardiomyopathy. Regulatory approvals are also anticipated for Agios Pharmaceuticals' mitapivat in thalassemia, Biohaven's Troriluzole in spinocerebellar ataxia and the potential resubmission of Scholar Rock's Apitegromab for spinal muscular atrophy.

Sector outlook: Fundamentals support continued sector expansion

Looking ahead, BION's managers identified several factors that should support the biotech sector's performance. The macroeconomic backdrop has improved, with the Federal Reserve cutting interest rates, representing the first reduction in the current cycle, signalling a gradual normalisation of financing conditions. Further easing is anticipated throughout 2026, which should benefit capital-intensive sectors such as biotech, where valuations are particularly sensitive to discount rates. Lower borrowing costs may also encourage increased risk appetite amongst investors, potentially driving capital inflows into growth-oriented sectors.

The policy environment has shown signs of stabilisation. Recent developments in US healthcare legislation, the Pfizer agreement on drug pricing and trade dynamics have provided constructive precedents, while the FDA strives to maintain consistent review timelines. The introduction of the Commissioner's National Priority Voucher programme should support therapies addressing high unmet medical needs and provide additional incentives for innovation.

M&A activity remains a key theme. Large pharmaceutical companies currently face a sizeable patent cliff, with over \$200bn in annual revenue at risk as key patents expire over the coming years. This should drive strategic acquisitions as these pharma players look to replenish their pipelines. The announcement in late-October of Novartis's \$12bn acquisition of Avidity Biosciences provides compelling validation of this thesis. Combined with the earlier acquisition of Akero Therapeutics by Novo Nordisk, these transactions illustrate the premium valuations that strategic buyers are willing to pay for differentiated science and robust clinical pipelines. BION's portfolio, concentrated in companies with differentiated science and long-term commercial potential, should be well-positioned to benefit from this theme.

Scientific innovation continues to accelerate across various disease areas and therapeutic modalities, including RNA medicines, next-generation biologics, targeted small molecules and AI-assisted drug design. Biotech valuations remain near historic lows despite these improving fundamentals, creating attractive entry points for experienced investors with long-term perspectives.

Strengthening analytical capabilities

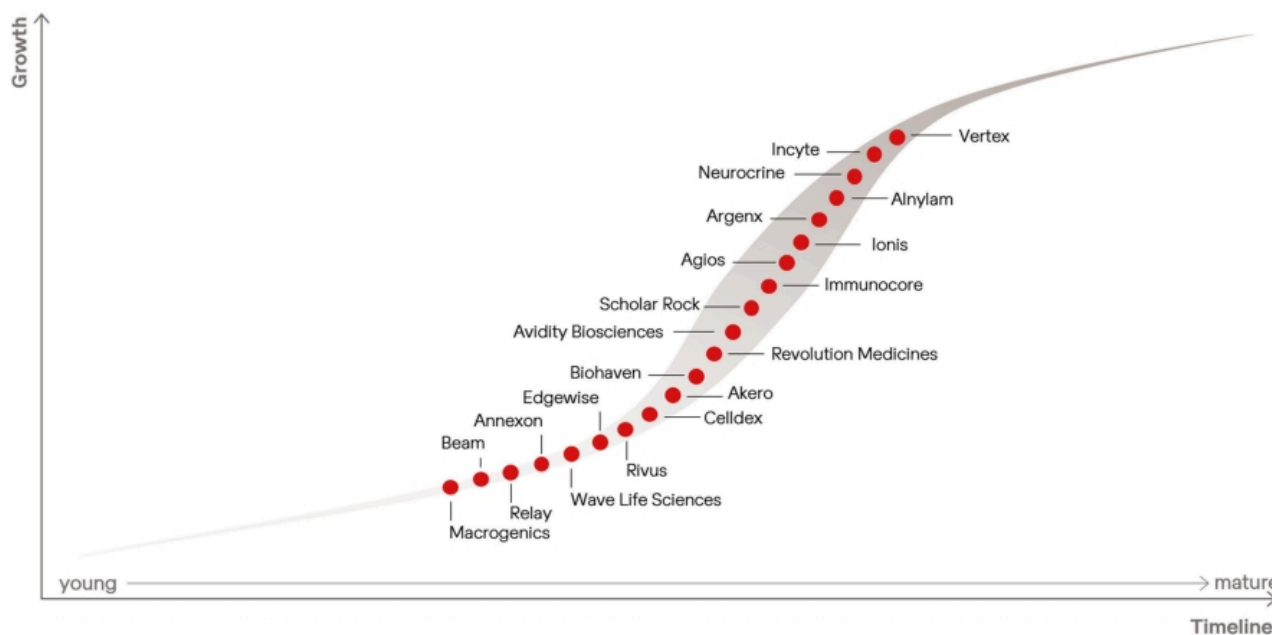
BION's investment approach continues to evolve, with the management team at Bellevue Asset Management enhancing its analytical capabilities through progressive digitalisation and the integration of AI-assisted research tools. These developments support a more systematic approach to opportunity identification and risk assessment, while expanding US research capabilities provides broader coverage of the biotech landscape.

The investment process remains guided by the s-curve model, which focuses capital on companies at different stages of maturity from research through clinical development to commercialisation (Exhibit 4). This framework enables the portfolio to be balanced along the S-curve, combining earnings stability from established commercial-stage holdings with pipeline-driven growth from mid-stage development companies, and selective exposure to early innovation platforms. The approach allows BION to benefit from the cash generation and reduced volatility of mature biotech businesses, while capturing the substantial value-creation potential that occurs as promising therapies progress through the clinical development process. Portfolio construction under this model is complemented by a gate-based approach to managing risk, exposure and time horizons, with capital allocation reflecting both the stage of development and the quality of scientific differentiation.

Portfolio construction reflects genuine conviction, with 21 holdings currently positioned at the lower end of the 20–35 company target range. The top 10 positions represent approximately 80% of NAV, demonstrating a concentrated approach that allows meaningful impact from individual successes. The permanent capital structure enables the team to maintain positions through periods of volatility, avoiding forced selling during market dislocations.

BION's inclusion in the SPI ESG Index in September recognises its commitment to responsible investing, with environmental, social and governance factors integrated into the investment process alongside fundamental financial and scientific analysis.

Exhibit 4: BION's s-curve model



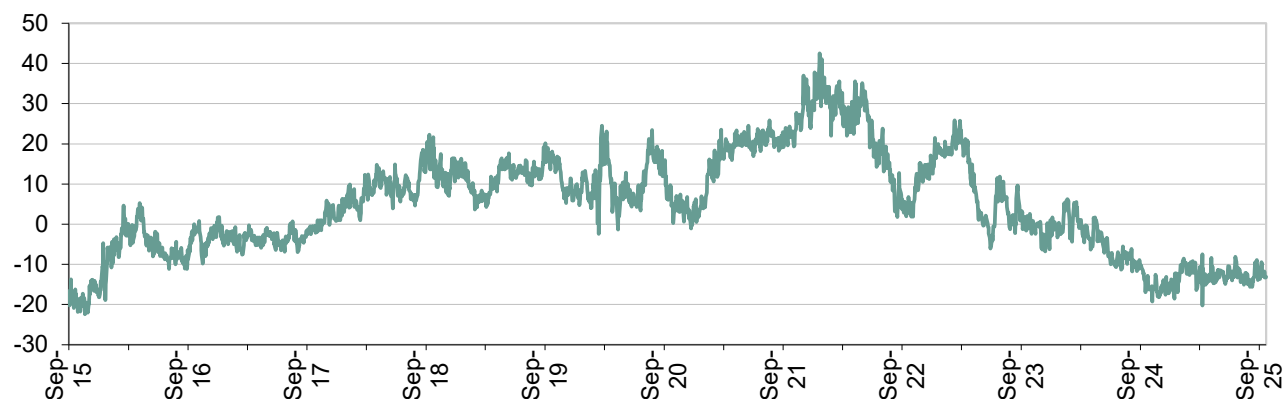
Source: BION Q325 report

Discount

For the past 10 years, BION's shares have traded at an average premium of c 5%, driven by strong investor interest in the sector, with buying by passive investors often tied to index inclusion and its high distribution policy (it is one of few healthcare-focused investment companies that pays a dividend). 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 11%, despite the strong recent performance and the fact that sector dynamics appear to be improving.

With BION's shares 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.

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



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

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