Bellevue
Excellence in Specialty Investments

December 2024

Bellevue Healthcare Trust plc
Circular and Notice of General Meeting

Q&A

Shareholders are encouraged to read the Circular in full. Defined terms have the meaning given to them in the Circular.

1. Why has the Company published a Circular?

The Board has recently carried out a shareholder consultation about the annual redemption facility, by which shareholders can request to redeem, subject to the Board's discretion, all or part of their shareholding in the Company. The background to this is the significant redemptions in 2023 and 2024 which saw 241,262,921 shares in total redeemed. The significant discount at which the shares trade compared to the net asset value (“NAV”) per share played a role here. While this is a sector-wide issue for UK-listed investment companies, it allowed certain investors to buy into the Company at a discount, knowing they can, each year, redeem at close to the prevailing NAV.

The intention of the redemption facility was to provide liquidity to shareholders and to help control the discount to NAV. However, the experience of the 2023 and 2024 redemptions shows that the facility is incompatible with the interests of shareholders who invested on the basis of the Company's investment objective, which is to provide shareholders with capital growth and income over the long term. This use of the redemption facility impacts the long-term viability of the Company as it greatly reduces the size of the Company. It also increases the ongoing charges as the fixed costs are spread over a smaller Net Asset Value. Further, significant redemptions reduce the number of shares in issue and so may adversely affect the secondary market liquidity of the shares.
The Board is therefore proposing that the redemption facility be replaced with annual performance-related conditional tender offers and a continuation vote.

The Board is proposing changes to the articles of association of the Company, to remove the detailed provisions relating to redemption and to incorporate the continuation vote, for which shareholder approval is needed.
The Board is also taking this opportunity to seek shareholder approval to change to the Company's investment policy to increase the upper limit of the number of holdings in the Company's portfolio, from 35 to 45, to reduce volatility.
The Board is also proposing to simplify the Company’s specific return objectives.

The circular gives shareholders details of these proposals, and gives notice of a General Meeting to seek the required shareholder approvals.

2. Why remove the redemption facility?

The most recent redemption was on 22 November 2024, when 163,834,887 shares were tendered for redemption. This was a significant proportion of the Company's share capital, representing 36.3 per cent. of the shares then in issue. That followed the redemption on 30 November 2023, when 77,428,034 shares were tendered, representing 14.3 per cent. of shares then in issue.

The background to these significant redemptions is the discount at which the shares have continued to trade compared to the net asset value per share. While this is a sector-wide issue for UK-listed investment companies, it has presented an opportunity for certain investors to buy into the Company at a discount, in the knowledge they can redeem at close to the prevailing net asset value per share every year, regardless of the performance of the Company. As mentioned above, the redemption facility as currently offered is incompatible with the interests of shareholders who invested on the basis of the Company's investment objective, which is to provide shareholders with capital growth and income over the long term.

This level of redemptions impacts the long-term viability of the Company as it reduces the size of the Company. It also increases the ongoing charges as the fixed costs of the Company are spread over a smaller net asset value. Further, significant redemptions reduce the number of shares in issue and so may impact the secondary market liquidity of the shares.

Taking into account the views of shareholders, and although the operation of the annual redemption facility is at the discretion of the Board, the Board believes that the interests of the Company and shareholders will be better served by replacing the redemption facility entirely with the conditional tender offers and a continuation vote.

3. What are the conditional annual tender offers?

The Board proposes introducing an annual performance-related conditional tender offer, with the first in early 2028, and in each year thereafter, if the Company's net asset value in total return (in sterling) fails to exceed the MSCI World Health Care Index (on a net total return basis in sterling) over a three-year period (the first of which will start on 1 January 2025).

If the net asset value return is above the MSCI World Health Care Index there will be no tender offer. If the return is below the index the Board will put forward proposals to shareholders for a tender offer to enable them to realise a proportion of their investment for cash.

The size of each tender will be for up to 10 per cent. of the then issued share capital of the Company.

The Directors believe that providing shareholders with the option to tender a proportion of their shares for cash if the Company underperforms is a pragmatic and attractive initiative, particularly if the shares were to be trading at a material discount at the time.

4. And the continuation vote?

It is proposed that at the annual general meeting of the Company to be held in 2030, the Directors shall propose a resolution that the Company continues in existence as an investment company. If that resolution is not passed, then the Directors shall put forward proposals for the reconstruction, reorganisation, or winding-up of the Company.

5. Will the Company continue to buy back shares in the market?

These proposals do not affect the Board's current approach to discount management in terms of share buy-backs. The Board will continue to seek authority at each annual general meeting to buy-back shares with a view to addressing any significant discount to net asset value at which the shares may be trading by buying shares in the market on an ad hoc basis.

6. What is changing in the Company's investment policy?

Currently the maximum number of stocks that can be held in the Company's portfolio is 35. The Board is taking the opportunity to amend the Company's investment policy to enable the Company's portfolio to comprise up to 45 stocks at any one time, which should reduce volatility of the portfolio.

7. What is changing in the Company's return objective?

The Company's return objectives (which form part of its investment objective) will be simplified to provide one simple, clear target against which to measure performance and to determine whether any conditional tender offers would be triggered. The change to the return objective is shown in struck-through text below:

> The investment objective of the Company is to provide Shareholders with capital growth and income over the long term, through investment in listed or quoted global healthcare companies. The Company's specific return objectives shall be for its NAV per share (on a total return basis) to beat the total return of the MSCI World Health Care Index (in sterling) on a rolling 3 year period (the index total return including dividends reinvested on a net basis)

8. What action do I need to take?

You are encouraged to read the Circular in its entirety before deciding what action you should take.

The Board recommends you vote IN FAVOUR of the proposals.

Question 8 continued.

If you hold your shares via a nominee, you will need to instruct the nominee on how you wish to vote. Your nominee will provide you details of how to do this.

If you wish to attend and vote in person at the General Meeting and hold your shares through a nominee, you will need to provide us with a letter of representation from the nominee through which you hold your shares.

If you hold shares through an investment platform, detailed information on how to attend and/or vote can be found on the AIC website (https://www.theaic.co.uk/how-to-vote-your-shares).

The deadline for proxy voting is 9.00 a.m. on 17 December 2024, though if held through a nominee they may have earlier deadlines.

Further information on action to be taken and key deadlines can be found on page 11 of the Circular.