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Bellevue Healthcare Trust PLC
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BELLEVUE HEALTHCARE TRUST PLC (the "Company")
LEGAL ENTITY IDENTIFIER ('LEI'): 213800HQ3J3H9YF2UI8

2 December 2024

NOTICE OF GENERAL MEETING TO SEEK SHAREHOLDER APPROVAL TO REPLACE ANNUAL REDEMPTION FACILITY WITH CONDITIONAL TENDER OFFERS AND CONTINUATION VOTE

The Board of Bellevue Healthcare Trust plc has published a circular (the "Circular") incorporating a Notice of General Meeting which proposes changes to: (i) the articles of association covering the Redemption Facility and to introduce a Continuation Vote; and (ii) the Company's investment policy and return goals.

The Board recently consulted shareholders about the Redemption Facility by which shareholders can redeem all or part of their shareholding annually, regardless of the performance of the Company. Taking into account the views of shareholders, the Board believes that the future viability of the Company will be stronger if the Redemption Facility is replaced with annual performance-related conditional tender offers and a continuation vote. The Circular published today details proposed changes to the articles of association to this effect. These changes require shareholder approval.

The Board is also seeking shareholder approval to change the Company's investment policy to raise the upper limit of the number of holdings from 35 to 45, to reduce volatility, and in addition proposes to simplify the Company's specific return objectives that form part of the Company's investment objective.

The Directors of Bellevue Healthcare Trust plc recommend shareholders vote in favour of these changes.

Background

Currently shareholders can redeem all or part of their shareholding annually, subject to the Board's discretion. The Directors have absolute discretion to operate the annual Redemption Facility, and to accept or decline in whole or in part any redemption request.

At the most recent redemption point on 22 November 2024, 163,834,887 shares were redeemed, which was over 36% of shares in issue. At the previous redemption point on 30 November 2023, 77,428,034 shares were redeemed - over 14% of shares then in issue. 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, where 241,262,921 shares in total were redeemed, shows that the Redemption 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.

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 of shareholders as a whole will be better served by replacing the Redemption Facility entirely with the Conditional Tender Offers and the Continuation Vote.

Benefits of the proposals

- Ending the Redemption Facility should help minimise the risk that the Company's NAV is reduced to such an extent that the viability of the Company's investment strategy and its ability to generate returns for long-term investors, and the future of the Company, are prejudiced.

- The Directors have absolute discretion to operate the Redemption Facility on any given redemption point, and to accept or decline in whole or in part any redemption request. A Conditional Tender Offer, if triggered, would be made available to all eligible shareholders and would be for up to 10% of the then issued share capital (excluding shares held in treasury).

- The Conditional Tender Offers will give shareholders the opportunity to tender some or all of their shares if the performance of the Company is not in line with its specific return objective.

- A Continuation Vote will allow shareholders to consider the future of the Company at a fixed time in the future, and may also help to minimise any discount at which the shares trade.

- The proposed amendment to the investment policy offers a more flexible approach to managing the volatility of the Company's portfolio.

Details of the proposed Conditional Tender Offers and Continuation Vote

Conditional Tender Offers

Under the proposals, the Board is undertaking to introduce annual performance-related conditional tender offers (the "**Conditional Tender Offers**"), with the first such tender offer to be in early 2028, and in each year thereafter, if the Company's NAV total return fails to exceed the MSCI World Health Care Index over a three-year assessment period (the "**Assessment Period**").

The Assessment Period for the first Conditional Tender Offer will be from 1 January 2025 to 31 December 2027 (with the Assessment Period for the second Conditional Tender Offer to run from 1 January 2026 to 31 December 2028).

To the extent that the Company's NAV total return (in sterling terms) exceeds the MSCI World Health Care Index (on a net total return basis in sterling terms) over an Assessment Period there will be no tender offer. However, should the Company's NAV total return (in sterling terms) fail to exceed the MSCI World Health Care Index (on a net total return basis in sterling terms) over an Assessment Period, then the Board will put forward proposals to shareholders to undertake a tender offer to enable them to realise a proportion of their investment for cash.

The size of each Conditional Tender Offer will be for up to 10% of the then issued share capital of the Company (excluding shares held in treasury). It is expected that any tender offer would be made within three months of the end of the relevant Assessment Period. Each Conditional Tender Offer will be subject to shareholder approval of the requisite tender authority in due course. If any Conditional Tender Offer is triggered, a circular will be sent to shareholders setting out the full terms and conditions of the tender offer, the procedure for tendering shares and seeking any required shareholder authority for the purchase of the shares.

Although there is no formal requirement for shareholders to vote on the proposed introduction of the Conditional Tender Offers, and the operation of the Redemption Facility is entirely at the discretion of the Board, the Board considers it appropriate to ask shareholders to approve a resolution at the General Meeting to approve amendments to the Articles to remove the detailed provisions relating to the operation of the Redemption Facility. The introduction of the Conditional Tender Offers is conditional on the passing of that resolution.

The introduction of the Conditional Tender Offers will 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 NAV at which the shares may be trading by purchasing shares in the market on an ad hoc basis.

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

Continuation Vote

Following the consultation with shareholders referred to above, and given the proposal to replace the Redemption Facility with the Conditional Tender Offers, the Board believes that it would be appropriate for shareholders to be given the opportunity in the future to vote on the continuation of the Company as an investment company.

Accordingly, it is proposed that at the annual general meeting of the Company to be held in 2030, the Directors shall propose an ordinary resolution to shareholders that the Company continues in existence as an investment company (the "**Continuation Vote**"). If that resolution is not passed, then the Directors shall, within six months of the date on which the resolution is not passed, put forward to shareholders proposals for the reconstruction, reorganisation, or winding-up of the Company.

Amendments to the investment policy and return objectives

Investment policy

At present the maximum number of stocks the Company's portfolio can hold is 35. The Board proposes changing the investment policy so the portfolio can have up to 45 stocks, to reduce volatility of the portfolio.

One of the key aspects to the investment proposition is the selection of a core, high conviction portfolio driven by the Investment Manager's fundamental analysis. The fundamental strategy remains unchanged, and the Company will continue to invest in a relatively concentrated portfolio of listed or quoted equities in the global healthcare industry. This strategy has tended to result in a portfolio of small and mid-cap healthcare companies, and eschewed ownership of the mega-cap companies that dominate the weightings within major healthcare benchmark indices. The Board agrees with the Investment Manager that such an approach continues to be the most attractive option on a fundamental basis.

However, there has been a widespread dislocation in financial markets since the world exited the COVID-19 pandemic, which has led to a significant concentration of investor returns in a limited number of mega-cap companies, and healthcare is no exception to this. One consequence of this has been a material increase in volatility for small and mid-cap stocks versus large and mega-cap stocks. Over the past year, the Investment Manager has been seeking to mitigate the impact of this trend through a different approach to the concentration of the positions held by the Company, and this has been successful in reducing volatility.

Following further discussions with the Investment Manager, the Board now considers it beneficial for the Company's portfolio to be able to consist of up to 45 stocks at any one time to enable this approach to be taken further.

The actual number of investments in the Company's portfolio may vary from time to time depending on the availability of opportunities in the market.

The full text of the investment policy, showing the proposed change, is set out in the Circular.

Return objectives

Since its launch in 2016, the investment objective of the Company has been to provide shareholders with capital growth and income over the long term, through investment in listed or quoted global healthcare companies.

The Company's current specific return objectives are: (i) 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); and (ii) to seek to generate a double-digit total shareholder return per annum over a rolling 3 year period.

The Board is proposing an amendment to update and simplify these to one simple, clear target against which to measure performance and to determine whether any Conditional Tender Offers would be triggered.

The Company's return objectives (which form part of its investment objective) will be amended as follows (with the proposed new wording shown as underlined text and the proposed deletions shown as struck through text):

"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 objective~~s are~~ <u>shall be</u>

for its NAV per share (on a total return basis)~~: (i)~~ 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)~~; and (ii) to seek to generate a double-digit total shareholder return per annum over a rolling 3 year period~~."

General Meeting

The Directors are convening the General Meeting to seek the approval of shareholders for the proposals. The General Meeting will be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH on 19 December 2024 at 9:00 a.m.

The Resolutions to be proposed at the General Meeting are as follows:

- Resolution 1 - to approve the amendments to the Articles to delete the detailed provisions relating to the Redemption Facility and to include the Continuation Vote.

- Resolution 2 - to approve the proposed change to the investment policy.

Further details on the Resolutions, including what action should be taken by shareholders, are contained in the Circular.

Expected timetable

Publication of the Circular and Notice of General Meeting	2 December 2024
Latest time and date for receipt of proxy appointments	9.00 a.m. on 17 December 2024
General Meeting	9.00 a.m. on 19 December 2024

Copies of the Circular will be uploaded to the National Storage Mechanism and will shortly be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism in compliance with Listing Rule 6.4.1R. Copies can also be viewed on the Company's website at https://www.bellevuehealthcaretrust.com/uk-en/private/.

Defined terms in this announcement have the same meaning as set out in the Circular.

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