

# **BELLEVUE HEALTHCARE TRUST PLC**

**Annual Report and Accounts for the year ended 30  
November 2022**

**Company Number: 10415235**

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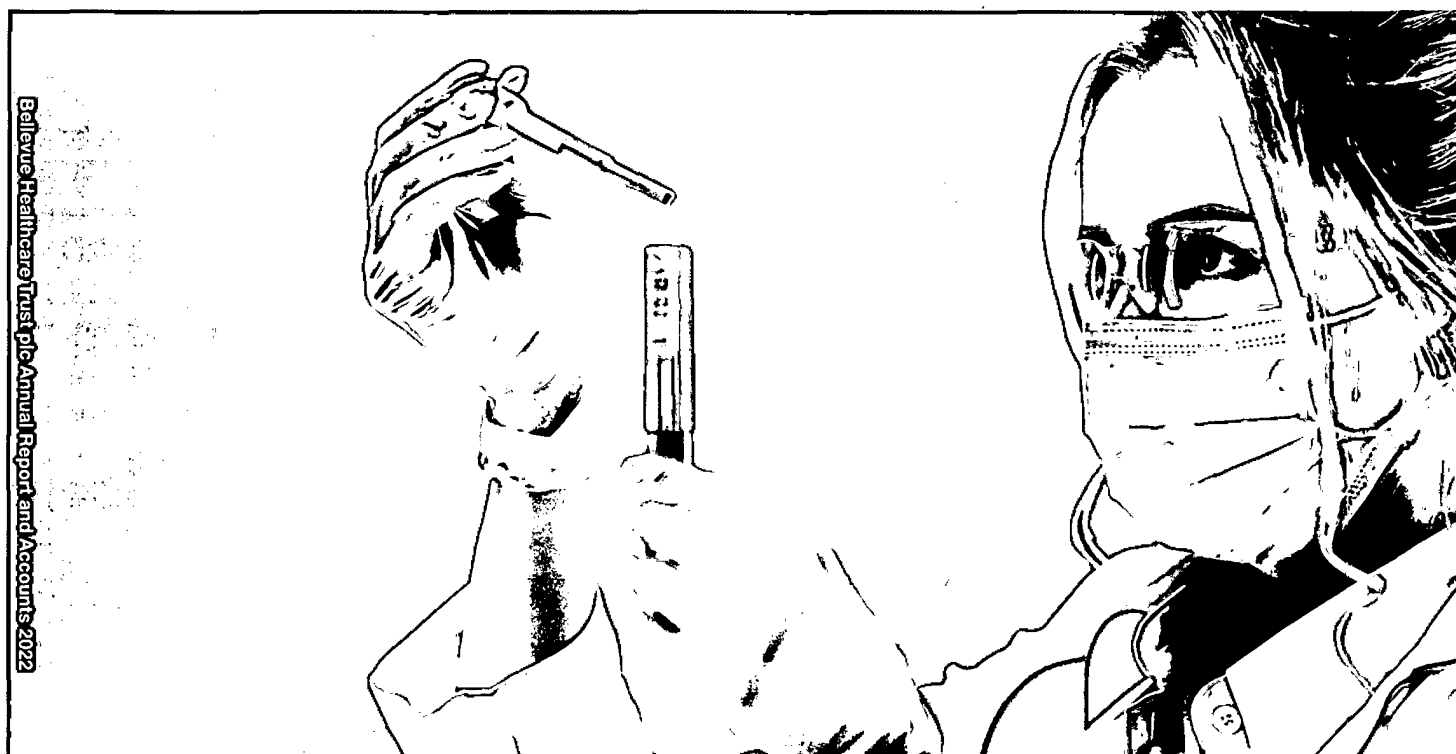
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Bellevue Healthcare Trust plc Annual Report and Accounts 2022

# Annual Report and Accounts

for the year ended 30 November 2022

# Excellence in Specialty Investments

## Bellevue – one of the largest healthcare investors

### INDEPENDENT - ENTREPRENEURIAL - COMMITTED

Bellevue 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. Bellevue Healthcare Trust is managed by Bellevue Asset Management (UK) Ltd, regulated by the FCA, who have built a successful track record in this sector.



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### CONTENTS

#### Strategic Report

Investment Objective, Financial Information, Performance Summary and Alternative Performance Measures.....	1
Chairman's Statement .....	2
Investment Manager's Report .....	6
Investment Policy, Results and Key Performance Indicators.....	14
Risk and risk management .....	17
Viability statement.....	21
Stakeholder Engagement .....	22
Environmental, Social and Governance ("ESG") Policy .....	25
Other Information.....	32

#### Governance

Directors' Report .....	34
Corporate Governance .....	40
Directors' Remuneration Implementation Report..	46
Report of the Audit and Risk Committee.....	50
Statement of Directors' Responsibilities .....	53
Independent Auditor's Report .....	54

#### Financials

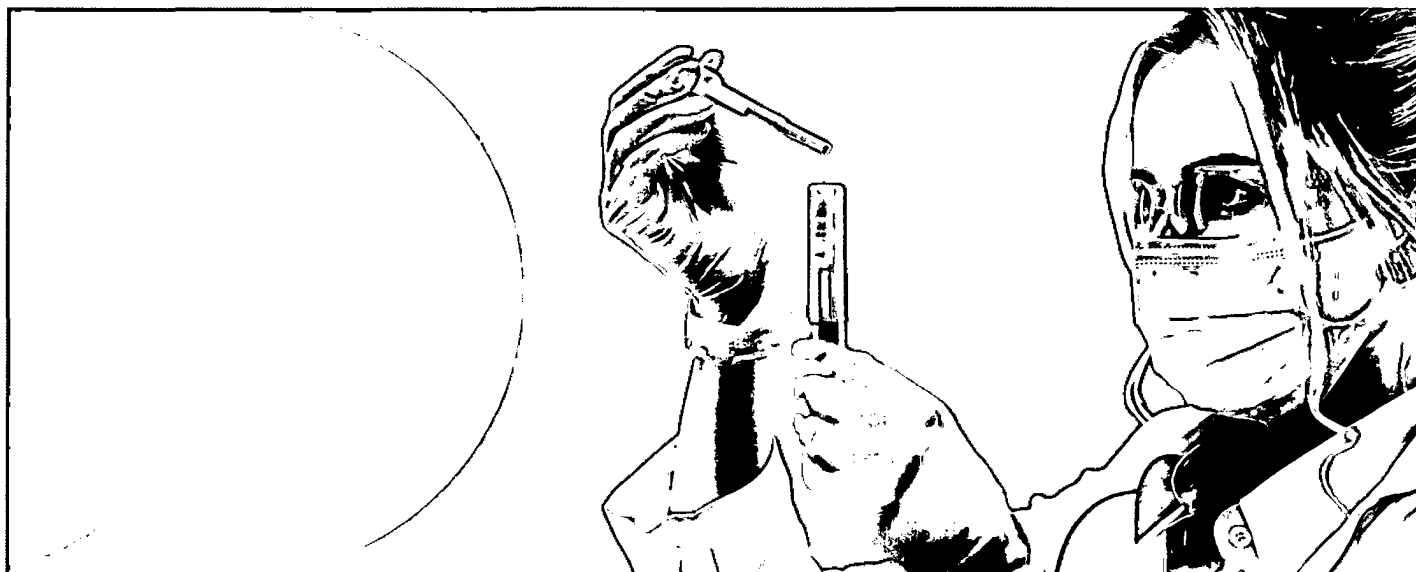
Statement of Comprehensive Income.....	62
Statement of Financial Position.....	63
Statement of Changes in Equity.....	64
Statement of Cash Flows.....	65
Notes to the Financial Statements .....	66

#### Other Information

Alternative Performance Measures.....	81
Glossary .....	83
Notice of Annual General Meeting.....	85
Notes to Notice of Annual General Meeting .....	87
Form of Proxy.....	91
Directors, Investment Manager and Advisers .....	IBC



# Overview



## INVESTMENT OBJECTIVE

The investment objective of Bellevue Healthcare Trust plc ("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 are: (i) to beat the total return of the MSCI World Healthcare 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.

## FINANCIAL INFORMATION

	As at 30 November 2022	As at 30 November 2021
Net asset value ("NAV") per Ordinary Share (cum income)	171.16p	184.91p
Ordinary Share price	158.20p	186.20p
Ordinary Share price (discount)/premium to NAV <sup>1</sup>	(7.6)%	0.7%
Ongoing charges ratio ("OCR") <sup>1</sup>	1.04%	1.08%

## PERFORMANCE SUMMARY

	% change <sup>2</sup> 30 November 2022	% change <sup>3</sup> 30 November 2021
Share price total return per Ordinary Share <sup>1,4</sup>	-11.9%	+11.4%
NAV total return per Ordinary Share <sup>1,4</sup>	-4.1%	+10.3%
MSCI World Healthcare Index total return (GBP) <sup>4</sup>	+14.1%	+16.3%

<sup>1</sup> These are Alternative Performance Measures.

<sup>2</sup> Total returns in sterling terms for the year ended 30 November 2022.

<sup>3</sup> Total returns in sterling terms for the year ended 30 November 2021.

<sup>4</sup> Including dividends reinvested in the year.

Source: Bloomberg.

## ALTERNATIVE PERFORMANCE MEASURES ("APMs")

The financial information and performance summary data highlighted in the footnote to the above tables represent APMs of the Company. In addition to these APMs other performance measures have been used by the Company to assess its performance; these can be found in the key performance indicators section of the Annual Report, on page 16. Definitions of these APMs together with how these measures have been calculated can be found on pages 81 and 82.

# Chairman's Statement

**Randeep Grewal**  
Chairman



Dear Shareholders

This is the sixth annual report of your Company. And this is the first one in what has hopefully become the post-Covid era (outside of China).

Whilst not everything has yet returned to pre-pandemic norms, I remain satisfied that both as a Board and a Company we have continued to operate effectively alongside our service providers. Our Managers also report that pandemic-era disruptions are no longer an issue.

## Cumulative & annualised performance

	Cumulative						Annualised			
	1 Year	2 Years	3 Years	4 Years	5 Years	Since inception	1 Year	3 Years	5 Years	Since inception
Share Price	-11.9%	-1.8%	20.3%	28.6%	56.4%	88.5%	-11.9%	6.3%	9.4%	11.1%
NAV (inc.dividend reinvested)	-4.1%	5.8%	31.8%	40.5%	74.2%	104.2%	-4.1%	9.6%	11.7%	12.6%
MSCI World Healthcare Index (GBP)	14.1%	32.2%	45.8%	57.5%	85.9%	112.8%	14.1%	13.4%	13.2%	13.4%

This is the second annual report where I have to acknowledge underperformance of the Company against the index and the first where the absolute total return was negative. As per last year, I will refer readers to the longer term track record. However, this is not to minimise any potential concerns that investors may have; I will seek to address those below.

Nevertheless, some of my comments from last year's statement bear repeating in what has remained a challenging macro environment for active equity managers: "Short term variations should never change an investment process"; the "Investment Manager remains true to its investment process" and "continues to focus on bottom-up fundamental analysis to drive stock selection predicated on superior long-term returns."

## PERFORMANCE

Over the financial year, the Company's total NAV return (i.e. including reinvestment of dividends) was -4.1%. In contrast the MSCI World Healthcare total return Index produced a positive total return of 14.1%, representing an underperformance of 18.2% over the year.

The returns are summarised in the following table:

## BOARD COMPOSITION AND EVALUATION

The Board remains unchanged from last year. Though we have no immediate plans for recruiting new Board members, succession planning and maintaining competencies and skills is paramount and considered regularly by the Board. The current Board composition complies with the recommendations of the Hampton-Alexander and Parker reviews.

Per the AIC Code's recommendations, the Board undertakes an annual evaluation of its performance and that of its committees and individual Directors. This year an internal review process was undertaken and the results were positive. The next external review will take place within the next 12 months.



## FEES AND CHARGES

The Board undertook its annual review of fees and ongoing charges. Our OCR improved to 1.04% (2021: 1.08%) as the Manager absorbed the Company's marketing costs within the existing management fee. However, there are a number of fixed costs in our cost base, thus reduction in AUM (discussed below) may adversely impact OCR.

## PORTFOLIO POSITIONING

The portfolio remains US centric, with particular exposure to the Small/Mid Cap end of the market capitalisation spectrum. The Investment Mandate has few constraints beyond liquidity (at both the portfolio and individual company level), giving the Investment Manager free reign to pursue a 'best ideas' approach and optimise the risk/return potential of the Company's concentrated investment portfolio over the long term, in line with the Company's stated investment objectives.

Our active share versus the comparator Index at the end of November 2022 was 95.9% and has averaged 93.4% since inception. Such a highly active strategy will inevitably result in a return profile that does not correlate to that comparator in the short-to-medium term, for better and for worse.

For more detailed stock and sub-sector commentary I refer readers to the Investment Manager's report in the following pages and also the monthly factsheets, which remain the best resource for timely updates on the portfolio and the healthcare sector's performance.

The portfolio's substantial exposure to American companies leaves the Company exposed to moves in exchange rates. We do not hedge currency risk, albeit we match the borrowing currency to the assets held. The 2022 financial year saw significant sterling volatility.

Some readers may wonder why we do not hedge this currency exposure. Having run currency hedged portfolios myself, I can attest to the complexities of its execution. For a portfolio with a long-term focus, we remain of the view hedging adds complexity, distraction and operational risk

without sufficient offsetting benefit. That having been said, the Board regularly reviews its position on this topic with the Investment Manager.

## GEARING

The Company has access to a multi-currency revolving credit facility ("RCF") with The Bank of Nova Scotia, that allows it to borrow up to USD \$280million. The facility is 'committed' through to December 2024; i.e. the Investment Manager has guaranteed access to this borrowing (within limits agreed by the Board) should it see attractive opportunities. As of 30 November 2022, the Company's leverage ratio (under the "gross method") was 4.0% and our aim is to run a mid-single digit average over the long run (the average gearing since inception is 2.8%).

## RESPONSIBLE INVESTING

Both the Company and the Appointed Manager, Bellevue Asset Management are committed to Environmental, Social & Governance issues ("ESG") being an important part of the decision making process. More details around this topic can be found on pages 25 to 31 of the Report.

## SHARE CAPITAL AND ISSUANCE

The Company's issued share capital was 586,783,083 Ordinary Shares as of 30 November 2022 (30 November 2021: 558,910,904).

In the first half year to 31 May 2022, the Company issued 27,872,179 new Ordinary Shares. Thereafter, share issuance was not possible because the shares were trading at a discount to NAV. During the year ended 30 November 2022, the Company's average discount was 1.6%. In November we received redemption notices for 30.6 million shares, more than offsetting the issuance during the year.

At the AGM, we will be seeking authority to issue c. 55m new Ordinary Shares to meet potential investor demand and to fulfil the scrip dividend commitment. Any new tap issuance can only be done at a premium to NAV and continued issuance will only be possible if the Company's shares again trade at a premium to NAV.

### **BUYBACK AUTHORITY**

The Company has authority to buyback 86,904,879 Ordinary Shares (14.99% of the shares outstanding at the last AGM on 22 April 2022). The buyback is managed on an arm's-length basis by our broker, under a framework set by the Board. This may change depending on market circumstances and regulatory requirements; however, it is always undertaken at a discount to NAV and is thus accretive to shareholders. At the forthcoming AGM, we will be seeking to renew the buyback authority.

### **PERFORMANCE, REDEMPTIONS AND BUYBACKS**

The Company holds a concentrated portfolio of focused, high growth healthcare companies and eschews the highly diversified leviathans that dominate the comparator Index (the combined market value of the top 10 companies in the 142 stock MSCI World Healthcare Index is greater than the combined value of the 121 "smallest" companies within it).

Generally speaking, the valuations ascribed to such companies can be more sensitive to interest rates, assumed growth rates and market sentiment than larger, more pedestrian companies. Short term, however the biggest driver of stock prices is not theoretical valuation, but the balance between buy and sell orders (as the investment manager highlighted in the interim report).

Where does this demand originate? A lot of asset allocators have historically followed variants of the '60:40' portfolio model – i.e. 60% equities and 40% bonds, particularly in the US. Calendar 2022 was one of the few years on record where both equities and fixed income fell. Inevitably such a situation leads to 'de-risking', where investors hoard cash and allocate more conservatively in terms of what securities they hold. This often means a pivot from smaller to larger companies (and more 'index hugging').

Combine the above with central banks moving to a tighter monetary policy, and governments reversing pandemic largesse, and we have market conditions where liquidity is less abundant than it was. In such an environment, selling pressure on smaller companies leads to disproportionate moves and reconfirms Benjamin Graham's adage that 'In the short run, the market is a voting machine, but in the long run, it is a weighing machine'. Graham also described the market as a 'manic-depressive' which, in the depths of despondency, offers the intelligent investor attractive opportunities at discounted prices.

The first consequence of all of the previously described market dynamic is that our portfolio, more exposed to innovation and growth and so concurrently more exposed to smaller companies, did less well than the wider market or our comparator index.

A second, perhaps less than surprising, consequence is that a combination of reweighting by asset allocators, and relative underperformance led to some investors availing themselves of the opportunity to redeem shares via the annual redemption option. The redemptions represented 5.2% of the outstanding share capital at the time. For a variety of reasons, some investors did not take up the redemption opportunity, and chose to sell in the market instead. This 'selling pressure' led to our shares trading at a larger discount, which in turn triggered the buyback programme.

The objective of a buyback is to provide some blunting of extreme market moves when there is a mismatch of buying and selling. As we only execute buybacks at a discount, the procedure is accretive to shareholders. We hope that the New Year will bring improved performance that in turn will attract buyers and contribute to a narrowing of the discount and ultimately share price appreciation.

### **DIVIDEND**

The Company targets an annual dividend of 3.5% of preceding year-end NAV, paid out in two equal instalments. The Company paid out a final dividend of 3.015p in respect of the year 2021, in April 2022 and an interim dividend of 3.235p in respect of the financial year 2022 in September 2022.



The Board has proposed a final dividend of 3.235p per Ordinary Share in respect of the financial year 2022 and, if approved at the forthcoming Annual General Meeting, this will be paid to Shareholders in May 2023.

For the financial year 2023, the Board is proposing a total dividend of 5.990p per Ordinary Share, composed of interim and final dividends of 2.995p per Ordinary Share, to be paid in August 2023 and April 2024 respectively, subject to shareholder approval. This will be the first year that the Company's dividend pay-out will be reduced, reflecting the lower year-end NAV.

The Company introduced a scrip dividend alternative in 2019, allowing Shareholders to elect for their cash dividend to be automatically subscribed on their behalf for new Ordinary Shares. Certificated Shareholders who have already joined the scheme through the Registrar's website need take no further action to continue with it. Certificated Shareholders who wish to elect for the scrip dividend alternative for the first time can do so online or by contacting the Company's registrar. Further details can be found on page 89. Uncertificated Shareholders can make an election via the CREST system.

Uptake of the scrip dividend has not been as high as we had hoped and has declined in recent years, which appears due to a number of insurmountable technical issues relating to the administration of nominee accounts. The Board is monitoring the cost-effectiveness of the scrip programme; but the proposal this year will be for it to continue.

## ANNUAL GENERAL MEETING & SHAREHOLDER COMMUNICATION

The next AGM will be on 28 April 2023. Last year, we eschewed a formal presentation in favour of a very interesting and engaging Q&A session between investors and the investment management team. We plan to do the same again this year and hope to see more investors participate, and that the discussion is similarly engaging.

We recognise it is not possible for everyone to attend an AGM hence may I remind readers that we have a dedicated email address for investors to submit any enquiries or feedback they might have: [shareholder\\_questions@bellevuehealthcaretrust.com](mailto:shareholder_questions@bellevuehealthcaretrust.com). I encourage you to make use of this facility. In the meantime, we will continue to post content from the Investment Manager onto the Company's website to keep you informed of the Company's progress.

On behalf of the Board, may I wish you both a prosperous and healthy year ahead and thank you for your continued support of Bellevue Healthcare Trust Plc.

*Randeep Grewal*

**Randeep Grewal**

Chairman of the Board of Directors

3 March 2023



# Investment Manager's Report

## PERFORMANCE SUMMARY – MACRO THOUGHTS

Bellevue Healthcare Trust plc is now more than six years old. In historical terms, this is a mere snippet of time, but our epoch has included more than its fair share of macroeconomic and geopolitical turmoil.

We saw the end of the greatest bull market run in US stock market history (US S&P500 rose 671% from Mar 09 – Dec 21) amidst the return of positive real interest rates and double-digit inflation. The multi-decade trend of supply chain globalisation and offshoring looks to have gone into reverse; the fashionable mantra of "just in time" lean inventory is now "just in case" working capital investment.

Britain has endured four prime ministers in this six year period, compared to one in the prior six years. America has seen a reality TV star ascend to the most powerful political position in the world; after losing it he appears to have tried to foment an insurrection in a fit of pique (a trick recently copied in Brazil). Congress remains fractious, infested with in-fighting and division. Any meaningful legislative progress looks very unlikely over the next two years.

We have lived through a global pandemic that is estimated to have cost more than 20m lives and counting, and that triggered an economic tsunami which continues to reverberate to this day.

We have another war in Eastern Europe (although you could argue this started in 2014 rather than 2021, and Russia's irredentist tendencies have been on display since 2004's intervention in Georgia). North Korea and Iran have joined the ranks of unfriendly states with apparent offensive nuclear capabilities. Democracy has receded across the world, notably in Asia and Latin America and autocrats are notably on the ascendency.

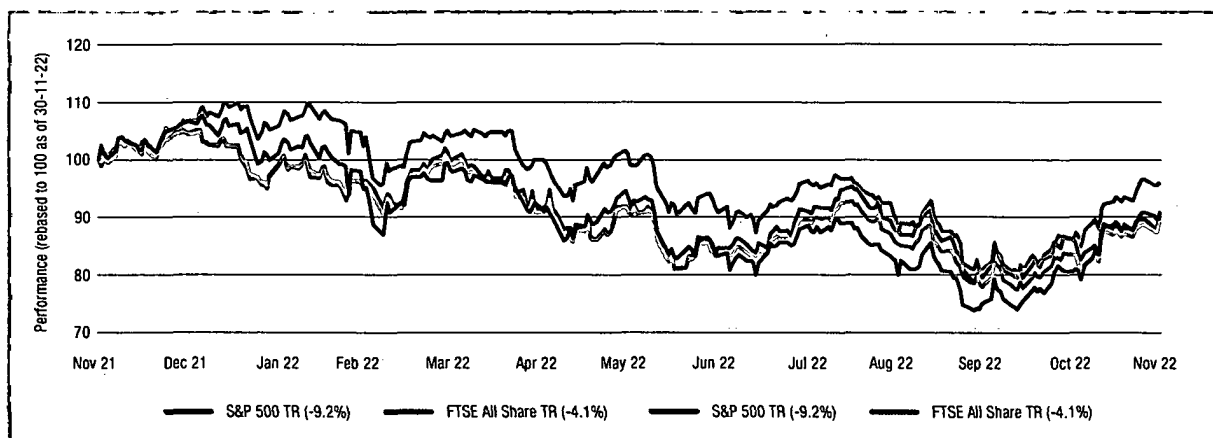
Human casualties aside, all of these geopolitical and economic uncertainties raise the perceived "risk premium" and elevate market volatility, which was already rising due to human disintermediation (in the 15 years from 2003-2018, the proportion of shares traded algorithmically rose from ~15% to ~75%). It is perhaps no surprise that stock markets have become less predictable in recent years.

As we noted in last year's Annual Report, 2021 was a very challenging period for active investment managers as market sentiment vacillated from pricing in a lockdown "stay at home" dynamic to "the great re-opening". As we have now witnessed via the unwind in the share prices of many technology companies, the "stay at home" winners were hugely over-bought and the "great re-opening" has been more of a whimper than a bang amidst persistent inflation and pressure on the consumer discretionary wallet.

If one were to scan the platitudinous prognostications of Wall Street's panjandrums as we exited 2021, most people got most things wrong (and we do not seek to exclude ourselves here). Seldom has a high active share been so unhelpful. Within this, we have seen a persistent and fundamentally unjustifiable size factor bias that leaves small cap indices much cheaper relative to historical norms than the rest of the market.

Over the financial year in review, most broad regional and global indices were down in dollar terms (Figure 1 below) and, on a calendar year basis, this was one of the worst annual performances in decades. Value outperformed growth and GDP forecasts were cut almost in half.

Figure 1 FY2022 Total Return Data – Key Broad Indices





Most of the negative performance from equity indices came from de-rating. Indeed, the resilience of corporate earnings (and margins) in the face of declining consumer sentiment, broad inflation, a doubling of interest rates and markedly higher energy costs has been one of the most surprising things about the year overall.

Hindsight is informative and irritating in equal measure. We can look back and muse "If only we had done XYZ instead of ABC", but of course we did not know then what we know now, so one must be careful when retrospectively assessing the usefulness of various alternative approaches.

As we will discuss in more detail later, the most notable thing for us about fiscal 2022 was how little the investment portfolio changed. Why was this the case? Simply put, the answer is that very little has changed in the world of healthcare, unlike most other aspects of society; it is a complex industry with long development cycles but also a simple demand driver. The more people there are, especially older people, the more demand there is for healthcare services. This demographic multiplier will not change in the foreseeable future and that is a large part of the reason why we saw no need to significantly alter the investment portfolio.

## PERFORMANCE SUMMARY – HEALTHCARE HIGHLIGHTS

It is a truism that investors abhor uncertainty and the healthcare sector's classical defensive attributes were much favoured by generalists during the year and, in general, the duller the better. Managed Care (US health insurers) and

Mega-Cap Pharmaceuticals, especially the US ones, were the preferred hiding place. As a consequence, healthcare outperformed the wider market by 15% in sterling terms over the course of FY2022.

As we discussed in detail in the 2022 interim report, the overwhelming dynamic within the healthcare sector over the past 18 or so months has been a size factor bias favouring larger, liquid names as well as preference for much more defensive characteristics (and also away from growth and more toward value), leading the US S&P Pharmaceutical and Managed Care sub-sector indices to make new highs in Q4 2022, whilst the wider S&P 500 Healthcare Index peaked in April 2022.

Figure 2 below illustrates the contribution of the overall positive healthcare sector performance by sub-sector. One could describe this as a tabulation of tediousness, since the four best-performing subsectors also equates to a list of the most predictable (and thus dull) sub-sectors within healthcare. The same top four also includes three of the most liquid and highest weighted sectors in the MSCI World Healthcare Index, our preferred comparator.

Nothing could more succinctly encapsulate the power of the "safety trade" during the period in review. Put another way, it seems reasonable to conclude that the majority of generalist ownership of healthcare was indeed a place to park some cash during a period of wider macro-economic and geopolitical uncertainty.

**Figure 2 FY2022 MSCI World Healthcare Index sub-sector performance data**

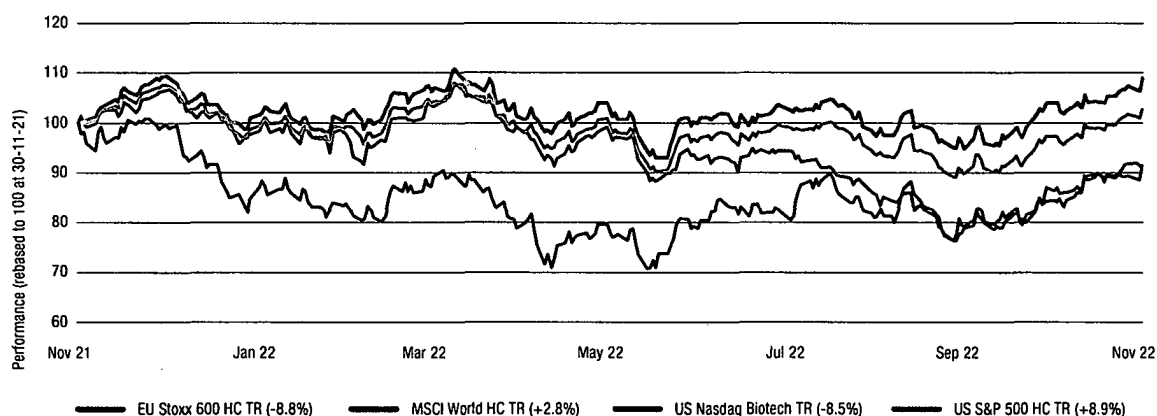
	Weighting	Performance (USD)	Performance (GBP)
Distributors	1.0%	56.2%	73.5%
Managed Care	9.6%	29.7%	44.0%
Diversified Therapeutics	32.7%	15.9%	28.8%
Conglomerate	11.6%	4.3%	15.9%
Focused Therapeutics	8.0%	3.3%	14.7%
Facilities	1.3%	-2.6%	8.2%
Generics	0.4%	-10.4%	-0.4%
Healthcare Technology	1.1%	-12.0%	-2.2%
Tools	9.5%	-16.1%	-6.8%
Med-Tech	15.2%	-17.8%	-8.7%
Healthcare IT	1.5%	-29.2%	-22.9%
Other HC	1.6%	-31.0%	-24.2%
Diagnostics	2.4%	-33.9%	-28.8%
Services	3.3%	-35.5%	-28.8%
Dental	0.9%	-61.2%	-57.0%
Index performance (ex. Dividends)		1.5%	12.7%

Figure 3 below illustrates the impact of these trends on the dispersion of US dollar returns between various healthcare indices by composition and by geography. The US S&P500 Healthcare Index has the highest weighting toward Mega-Cap Pharma, Distributors and Managed Care. Conversely, the European Index has little exposure to Distributors and zero to Managed Care and fared less well. Finally, one can see the US Nasdaq Biotech Index, which is where most of the innovation

(and thus growth) claimed by the Mega-Cap Pharma companies actually originates, fared poorest of all.

It is worth noting also that most of the European companies within the Stoxx 600 and many of the non-US companies in the MSCI World Healthcare will have benefitted earnings-wise from the strengthening of the dollar.

**Figure 3 FY2022 Total Return Data – Key Healthcare Indices**



To summarise: in what is generally a stable sector from a regulatory perspective, with very visible long-term demand growth drivers, the macro demand picture seldom changes quickly. As a consequence, stock-picking wins out over sub-sector allocations and the best long-term strategy has been to own the true innovators or the stocks where any future success has been fully discounted by the market for some reason or otherwise where one can get comfortable that this is the wrong conclusion. However, these approaches did not work well in 2022 and few active managers were able to beat the index. Generally speaking, the more tilted you were toward innovation and growth, the worse the performance.

The important question for any healthcare investor is whether or not this dynamic represents a 'new normal' (after all, it has persisted for some fifteen months) or is simply an aberration. As noted previously, such things can only really be determined in hindsight, when one looks back at a situation after it has changed or reverted to historical norms.

Ahead of any obvious inflection, one can only really ponder the question as to whether or not a revised dynamic would be appropriate. We all know the cost of equity has risen due to higher risk free rates. However, as we discussed in the May 2022 factsheet, the market's multiple compression went far beyond anything that could be justified by the application of a higher discount rate; the reverse discount rates implied by share prices between different sub-sectors and also between companies in the same sub-sectors suggest that the multiple compression was rather arbitrary and even capricious.

Has the regulatory or payor landscape changed in a way that merits lower valuations/higher risk premia on top of that risk-free rate increase? The simple answer is no. What about funding for non-commercial and non-profitable entities? The oft-touted biotech funding crisis (i.e. the risk that companies will not be able to raise money to continue operations) is a canard. Bad companies (of which the post-COVID IPO and SPAC boom created many) struggle and deservedly so. The good ones do not.



During 2022, we actually had quite a low level of exposure to companies that we expected would need or want to raise money on a 1-2 year view (six of 37 owned during the period), and five companies actually raised money through additional equity issuance during the year, but that low exposure still didn't help performance-wise.

In conclusion, 2022 feels like an aberration to us and we continue to expect our investors to be handsomely rewarded for their patience in the fullness of time. To paraphrase (and misquote) Hemingway, these sorts of things happen slowly at first and then very quickly, so you need to stick to your knitting rather than try to rotate into these things when the timing feels right. The cream rises to the top eventually, even if the milk is sour.

## PERFORMANCE SUMMARY – BELLEVUE HEALTHCARE TRUST

It bears repeating that the stated investment strategy leads to a portfolio with certain inherent characteristics: dollar dominance, mid-cap focus and low benchmark correlation and it must be obvious from the comments in the previous section that such factor characteristics have been negatively correlated with wider market performance over the past year and 2022 again saw an underperformance versus our key comparator index, the MSCI World Healthcare Index (Figure 4).

**Figure 4 Bellevue Healthcare Trust – FY2022 Financial Performance Summary**

Total Return (GBP)	Fiscal year 2022	Rolling 3 Year	Rolling 3 Year (annual eq.)	Since Inception (1-12-16)
Company Share Price	-11.9%	+20.3%	+6.3%	+88.5%
Company NAV	-4.1%	+31.8%	+9.6%	+104.2%
MSCI World Healthcare Index	+14.1%	+45.8%	+13.4%	+112.8
<b>Relative to MSCI World Healthcare Index</b>				
Company Share Price	-26.0%	-25.5%	-7.1%	-24.3%
Company NAV	-18.2%	-14.0%	-3.8%	-8.6%
<b>Performance of other comparator indices</b>				
MSCI World Total Return Index	-1.0%	+34.6%	+10.4%	+86.1%
FTSE All Share Total Return Index	+2.8%	+12.2%	+3.9%	+39.5%

Source: Bloomberg. All performance figures are calculated as total return with dividends being reinvested in the relevant security, calculated in GBP and with the relevant period ending on 30 November 2022.

The poor investment return performance in late FY2021 and FY2022 has taken us behind the benchmark for our performance since inception when measured to the end of FY2022. When considering the total shareholder return, the emergence of a discount rating on the Company's share price during the year has compounded the negative performance. The shares flirted with a discount rating at some point during every month of 2022 but the discount became entrenched in late June.

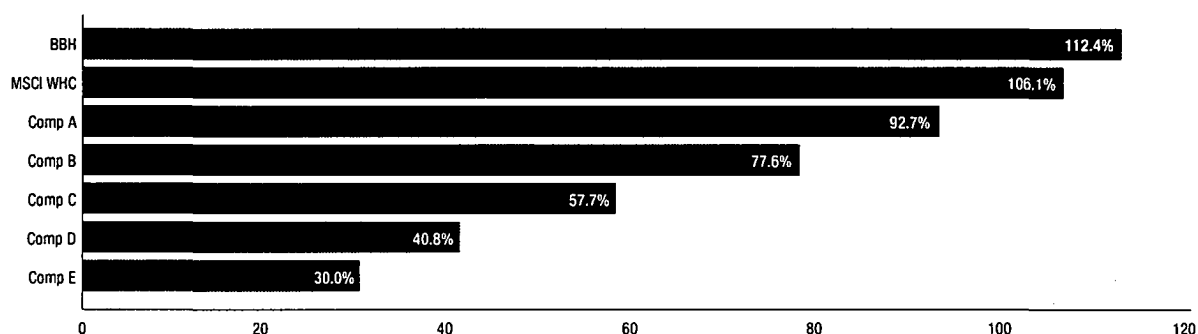
Thereafter, the discount mainly hovered around the 3-5% level until late November when we saw a material seller emerge, pressuring the shares through the end of November 2022

to January 2023, sending the discount to 7.6% at the end of the fiscal year and 9% at the end of the calendar year, compared to a premium of 0.7% and 0.8% respectively for the same points in 2021. The performance since inception has recovered materially during the first three months of FY2023. However, the discount persists, in line with our sector peers.

It is of little consolation to us that, since the inception of the company, the Bellevue Healthcare Trust remains the best performing UK-listed healthcare-oriented Investment Trust<sup>1</sup>; we have very little interest in what other people are doing; our focus is on making money for our investors and our aim to deliver material outperformance over the longer-term.

<sup>1</sup> Source: Bloomberg. All performance figures are calculated from the inception date of the Trust (1 December 2016) as total return with dividends being reinvested in the relevant security, calculated in GBP and with the relevant period ending on last practicable date before publication (17 January 2023). The UK Healthcare peer group consists of Worldwide Healthcare Trust, Polar Capital Global Healthcare Trust, Biotech Growth Trust, Syncona and International Biotech Trust.

**Figure 5 Total Return (NAV) since inception of Bellevue Healthcare Trust vs. UK listed comparables**



## PORTFOLIO SUMMARY

During fiscal 2022, the Company held positions in 37 companies (compared to 40 in FY2021) and we began the year with 31 positions and ended the year with 29 (i.e. four additions and six exits). As noted previously, this was a more consistent portfolio than in 2021; where we saw 19 changes over the year, versus 10 during FY2022.

The portfolio constituents as of November 2022 were unchanged since June 2022. Two of the six additions during the year were reinvestments in companies that had been in the portfolio previously (Intuitive Surgical and Pacific Biosciences). Of the six exits, only one was due to M&A, whereas four were M&A-related in FY2021.

Of the remaining five exits, two were due to the companies reaching our fair values and us seeing insufficient further upside to justify continued ownership and the remainder were cases where the investment thesis failed or the company changed its strategic direction in a manner that we did not find compelling.

The evolution of the portfolio at a sub-sector level is illustrated in Figure 6 below. Investors can find commentary on the month-by-month evolution of the sub-sector exposure in the monthly factsheets. The table illustrates a few broad trends that were driven by a combination of relative performance and valuation (generally speaking, we exited outperforming sectors to rotate into those with a more compelling risk/reward profile). This is exemplified by the evolution of our holdings in diversified Therapeutics, Managed Care and Healthcare IT. On the opposite side, we have re-entered the Dental market and increased our exposure to Services, Med-Tech and Diagnostics on the re-emergence of compelling valuation opportunities.



Figure 6 Portfolio sub-sector evolution

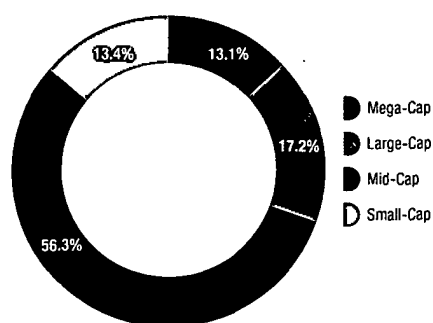
Subsector Allocation as of	November 2021	May 2022	November 2022	Change (year-on-year, bp)
Conglomerates	0.0%	0.0%	0.0%	n/a
Dental	0.0%	0.7%	1.2%	+122bp
Diagnostics	9.5%	11.9%	10.5%	+101bp
Distributors	0.0%	0.0%	0.0%	n/a
Diversified Therapeutics	10.9%	8.1%	6.4%	-454bp
Facilities	0.0%	0.0%	0.0%	n/a
Focused Therapeutics	28.7%	24.5%	24.3%	-434bp
Generics	0.0%	0.0%	0.0%	n/a
Healthcare IT	8.2%	4.9%	5.4%	-279bp
Healthcare Technology	4.3%	3.5%	3.9%	-41bp
Managed Care	14.7%	9.8%	7.0%	-774bp
Medical Technology	10.0%	15.2%	19.3%	+932bp
Services	11.5%	15.8%	15.3%	+387bp
Tools	2.1%	5.6%	6.5%	+440bp
Other Healthcare	0.1%	0.0%	0.2%	n/a
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

With regard to the portfolio breakdown by market capitalisation and geography, the previous comments regarding a rotation from outperforming sectors toward those with more compelling valuations and growth prospects are similarly reflected in a slight downward drift in the median market capitalisation. We had around 600bp less exposure to Mega-Cap companies, with around 300bp more in both the Small-Cap and Mid-Cap categories.

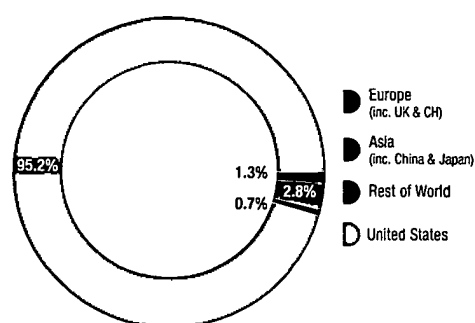
The Company's portfolio liquidity parameters are unchanged. The portfolio remained highly liquid; we estimate 90% of the portfolio could be liquidated within eight days at a participation rate of 20%. The strong geographical bias to the United States continued, although exposure to Europe and Rest of World has risen mainly because valuations in China came under significant pressure due to COVID-19 disruptions, lowering the relative contribution of this region.

Figure 7

## Market capitalisation breakdown



## Geographical breakdown (operational HQ)



Our top five and bottom five contributors to the evolution of the NAV are summarised in Figure 8 below, along with their share price development in sterling over the fiscal year (which does not necessarily correspond to their performance for the Company, since the size and duration of our holdings

may vary over the year). We would note that none of the top performers were M&A targets, which is a contrast to 2021, when the top three performers were all acquired during the year.

**Figure 8 FY2022 Top and Bottom performers**

Top 5 Performers		
Company	Sub-sector	Performance (GBP)
Jazz Pharmaceuticals	Diversified Therapeutics	+45.4%
Sarepta Pharmaceuticals	Focused Therapeutics	+68.8%
Vertex Pharmaceuticals	Focused Therapeutics	+88.0%
United Healthcare	Managed Care	+37.0%
Elevance Health	Managed Care	+45.7%

Bottom 5 Performers		
Company	Sub-sector	Performance (GBP)
Insméd	Focused Therapeutics	-25.4%
Hutchmed	Focused Therapeutics	-60.2%
Accolade	Healthcare IT	-61.8%
Tandem Diabetes Care	Healthcare Technology	-63.4%
CareDx	Diagnostics	-66.7%

Insméd and Accolade were in the bottom five performers in 2021, as were Vertex and Jazz; nothing really changed for either of these latter companies during the year. Both Vertex and Jazz delivered on their pipeline as expected and were re-rated by the market and we sit on substantial positive IRRs over our ownership period (2.3 and 6.1 years respectively). To our minds, this serves to highlight the fickle nature of market sentiment and the costs and opportunities that are created by it. We do not hold on to "losing" stocks out of belligerence or intellectual arrogance, but because sometimes the market is too short-term or just plain wrong; there would be no opportunities to outperform the market if this were not the case.

Insméd seemingly panicked into what we consider to be an ill-judged multi-faceted financing round. However, the business has continued to hit its marks and so we have elected to remain substantial owners of what we consider to be a very undervalued asset. Tandem Diabetes Care confused the market with comments on the outlook in Q3 22 that raised some justifiable concerns with respect to management's visibility over the business. However, its new product cycle is strong and it trades at a depressed valuation both relative to peers, its own history and on an absolute basis.

Hutchmed suffered a regulatory setback (based on FDA protocol revisions rather than a drug not working) and has been caught up in the wider China-COVID negative sentiment and concerns over potential US de-listing due to a US-China spat over audit data that was resolved in December 2022.

Accolade supplies benefit navigation software to help employees optimise their use of available healthcare benefits. Sentiment toward the company turned negative due to perceived concerns about the impact of such "premium" services and wider employment trends in the event of a US recession and the loss of the company's first 'cornerstone' customer, compounded by cautious guidance. This has all proven to be misplaced; the business outlook remains very robust and we remain committed long-term holders of a company that has demonstrated it adds tangible value to its clients with respect to optimising its clients' employee healthcare provision.



### Full investment portfolio as of 30 November 2022

	Company	Sub-sector classification	% Portfolio
1	SAREPTA THERAPEUTICS	Focused Therapeutics	6.8
2	JAZZ PHARMACEUTICALS	Diversified Therapeutics	6.4
3	AXONICS	Med-Tech	5.9
4	OPTION CARE HEALTH	Services	5.8
5	CHARLES RIVER	Services	5.7
6	INSMED	Focused Therapeutics	4.9
7	APELLIS PHARMACEUTICALS	Focused Therapeutics	4.4
8	SILK ROAD MEDICAL	Med-Tech	4.3
9	UNITEDHEALTH GROUP	Managed Care	4.0
10	TANDEM DIABETES CARE	Health Tech	3.9
<b>Total Top 10</b>			<b>52.1</b>
11	AMEDISYS	Services	3.9
12	EXACT SCIENCES	Diagnostics	3.8
13	BIO-RAD LABORATORIES	Tools	3.6
14	EVOLANT HEALTH	Healthcare IT	3.4
15	VERTEX PHARMACEUTICALS	Focused Therapeutics	3.1
16	CAREDX	Diagnostics	3.1
17	ELEVANCE HEALTH	Managed Care	3.0
18	INTUITIVE SURGICAL	Med-Tech	3.0
19	OUTSET MEDICAL	Med-Tech	2.9
20	PACIFIC BIOSCIENCES	Tools	2.8
21	AXSOME THERAPEUTICS	Focused Therapeutics	2.6
22	ATRICURE	Med-Tech	2.3
23	ACCOLADE	Healthcare IT	2.0
24	ADAPTIVE BIOTECHNOLOGIES	Diagnostics	1.9
25	HUTCHMED	Focused Therapeutics	1.9
26	CASTLE BIOSCIENCES	Diagnostics	1.7
27	STRAUMANN HOLDINGS	Dental	1.2
28	VENUS MEDTECH	Med-Tech	0.9
29	AURINIA PHARMACEUTICALS	Focused Therapeutics	0.8
<b>Total portfolio</b>			<b>100.0</b>
<b>Gross exposure</b>			<b>£1,043.3 million</b>
<b>Net value of assets</b>			<b>£1,004.3 million</b>

### Recent trading and outlook

In these fast moving and macro-oriented times, we continue to recommend that investors rely upon the detailed and discursive monthly factsheets for an up-to-date view on the outlook. These can be found on the Company's website<sup>2</sup>.

As noted previously, we are pleased to report that the Company's performance in the three months to the end of February 2023 has been positive on a relative and absolute basis.

### Paul Major and Brett Darke

Bellevue Asset Management (UK) Ltd

3 March 2023

<sup>2</sup> [www.bellevuehealthcaretrust.com/uk/en/private/portfolio-strategy/performance-and-portfolio/bellevue-healthcare-trust-lse-gbp](https://www.bellevuehealthcaretrust.com/uk/en/private/portfolio-strategy/performance-and-portfolio/bellevue-healthcare-trust-lse-gbp)



# Investment Policy, Results and Key Performance Indicators

## INVESTMENT POLICY

The Company invests in a concentrated portfolio of listed or quoted equities in the global healthcare industry. The Company may also invest in ADRs, or convertible instruments issued by such companies and may invest in, or underwrite, future equity issues by such companies. The Company may utilise contracts for differences for investment purposes in certain jurisdictions where taxation or other issues in those jurisdictions may render direct investment in listed or quoted equities less effective. Any use of derivatives for investment purposes is made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described below, and such use is not expected in the normal course to form a material part of the Gross Assets.

The investable universe for the Company is the global healthcare industry including companies within industries such as pharmaceuticals, biotechnology, medical devices and equipment, healthcare insurers and facility operators, information technology (where the product or service supports, supplies or services the delivery of healthcare), drug retail, consumer healthcare and distribution.

No single holding will represent more than 10 per cent. of Gross Assets at the time of investment and, when fully invested, the portfolio will have no more than 35 holdings. The Company will typically seek to maintain a high degree of liquidity in its portfolio holdings (such that 90 per cent of the portfolio may be liquidated in a reasonable number of trading days) and as a consequence of the concentrated approach, it is unlikely that a position will be taken in a company unless a minimum holding of 1.0 per cent. of Gross Assets at the time of investment can be achieved within an acceptable level of liquidity.

There are no restrictions on the constituents of the Company's portfolio by index benchmark, geography, market capitalisation or healthcare industry sub-sector. Whilst the MSCI World Healthcare Index (in sterling) will be used to measure the performance of the Company, the Company does not seek to replicate the index in constructing its portfolio. The portfolio may, therefore, diverge substantially from the constituents of this index (and, indeed, it is expected to do so). However, the portfolio is expected to be well diversified in terms of industry sub-sector exposures. Given the nature of the

wider healthcare industry and the geographic location of the investable universe, it is expected that the portfolio will have a majority of its exposure to stocks with their primary listing in the United States and with a significant exposure to the US dollar in terms of their revenues and profits. Although the base currency of the Company is sterling which creates a potential currency exposure, this will not be hedged using any sort of foreign currency transactions, forward transactions or derivative instruments.

The Company will not invest in any companies which are, at the time of investment, unquoted or untraded companies and has no intention of investing in other investment funds.

## BORROWING POLICY

The Company may deploy borrowing to enhance long-term capital growth. Gearing will be deployed flexibly up to 20 per cent. of the Net Asset Value, at the time of borrowing, although the Portfolio Manager expects that gearing will, over the longer term, average between 5 and 10 per cent. of Net Asset Value. In the event that the 20 per cent. limit is breached as a result of market movements, and the Board considers that borrowing should be reduced, the Portfolio Manager shall be permitted to realise investments in an orderly manner so as not to prejudice shareholders.

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution.

## DIVIDEND POLICY

The Company will set a target dividend each financial year equal to 3.5% of Net Asset Value as at the last day of the Company's preceding financial year. The target dividend will be announced at the start of each financial year. This is a target only and not a profit forecast and there can be no assurance that it will be met.

Dividends will be financed through a combination of available net income in each financial year and other reserves. It is currently expected that most of the total annual dividend will be financed from other reserves. In order to increase the distributable reserves available to facilitate the payment of dividends, the Company cancelled the amount of £146,412,136 standing to the credit of its share premium account immediately following first admission of its Ordinary



Shares to trading on the London Stock Exchange in order to create a special distributable reserve. The Company may, at the discretion of the Board, pay all or part of any future dividends out of this special distributable reserve, taking into account the Company's investment objective.

The Company intends to pay dividends on a semi-annual basis, by way of two equal dividends, with dividends declared in July and February/March and paid in August and March/April in each year.

In accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15 per cent. of its income (as calculated for UK tax purposes) in respect of an accounting period.

## RESULTS AND DIVIDEND

The Company's revenue return after tax for the year amounted to a loss of £1,655,000 (2021: profit of £357,000). The Company's capital return after tax for the year amounted to a loss of £36,769,000 (2021: profit of £86,893,000). Therefore, the total return after tax for the Company was a loss of £41,424,000 (2021: profit of £87,250,000).

The Company targeted a total dividend for the year ended 30 November 2022 of 6.47p per Ordinary Share.

- Interim dividend of 3.235p paid on 2 September 2022

- Final dividend of 3.235p to be paid on 5 May 2023 (to Shareholders on the register at the close of business on 17 March 2023), subject to Shareholder approval at the 2023 AGM.

## TARGET TOTAL DIVIDEND FOR THE YEAR ENDING 30 NOVEMBER 2023

As announced by the Company on 21 December 2022, for the financial year ending 30 November 2023, the target total dividend will be 5.99p per Ordinary Share, this being 3.5% of the audited net asset value per Ordinary Share of 171.16p (including current financial year revenue items) as at 30 November 2022. The Board intends to declare an interim dividend of 2.995p per Ordinary Share, being half of the target total dividend for the financial year ending 30 November 2023, in July 2023 and intends to pay this dividend in August/September 2023. The Board intends to propose a final dividend of 2.995p per Ordinary Share for the financial year ending 30 November 2023, in February/March 2024 and intends to pay this dividend in March/April 2024. At the Company's AGM in March 2022, a resolution was passed allowing Shareholders the right to elect to receive their entitlement to the interim dividend in new Ordinary Shares instead of cash in respect of the whole or part of any dividend. The resolution was passed with 99.96% of the proxy votes cast (including discretionary votes) being

in favour of the resolution. Shareholders can elect to receive their entitlement to the interim dividend in new Ordinary Shares instead of cash in respect of the whole or part of any dividend.

	Interim dividend	Final dividend	Total dividend
<b>Dividends paid/payable</b>			
Year ended 30 November 2021	3.015p	3.015p	6.03p
Year ended 30 November 2022	3.235p	3.235p	6.47p
<b>Target dividend*</b>			
Year ending 30 November 2023	2.995p	2.995p	5.99p

\* This is a target and should not be taken to imply a profit forecast.

### **KEY PERFORMANCE INDICATORS ("KPIs")**

The Board measures the Company's success in attaining its investment objective by reference to the following KPIs:

**(i) To beat the total return of the MSCI World Healthcare Index (in Sterling) on a rolling three year period**

The NAV total return from 1 December 2019 to 30 November 2022 was 31.8%. The total return of the MSCI World Healthcare Index (in sterling terms) over the same period was 45.8%.

The Investment Manager's report on pages 6 to 13 incorporates a review of the highlights during the financial year ended 30 November 2022. The Investment Manager's report on pages 6 to 13 gives details on investments made during the year and how performance has been achieved.

**(ii) To seek to generate a double-digit total Shareholder return per annum over a rolling three year period**

The NAV total returns from 1 December 2019 to 30 November 2022 was 31.8.

**(iii) To meet its target total dividend in each financial year**

The Company targeted a total dividend of 6.47p per Ordinary Share for the year ended 30 November 2022. The Company paid an interim dividend of 3.235p per Ordinary Share in September 2022 and proposes a final dividend in respect of the year to 30 November 2022 of 3.235p per Ordinary Share.

**(iv) Discount/premium to NAV**

The discount/premium relative to the NAV per Ordinary Share represented by the share price is monitored by the Board.

The share price closed at a 7.6% discount to the NAV as at 30 November 2022 (2021: 0.7% premium).

**(v) Maintenance of reasonable level of ongoing charges**

The Board monitors the Company's operating costs. Based on the Company's average net assets during the year ended 30 November 2022 the Company's ongoing charges figure calculated in accordance with the Association of Investment Companies ("AIC") methodology was 1.04% (2021: 1.08%).



# Risk and Risk Management

## PRINCIPAL AND EMERGING RISKS AND UNCERTAINTIES

The Board is responsible for the management of risks faced by the Company and delegates this role to the Audit and Risk Committee (the "Committee"). The Committee carries out, at least annually, a robust assessment of principal and emerging risks and uncertainties and monitors the risks on an ongoing basis. The Committee has a dynamic risk assessment programme in place to help identify key risks in the business and oversee the effectiveness of internal controls and processes, providing a visual reflection of the Company's identified principal and emerging risks. The Committee considers both the impact and the probability of each risk occurring and ensures appropriate controls are in place to reduce risk to an acceptable level.

During the year under review the Committee was particularly concerned with the increase in geopolitical risk following the outbreak of war in the Ukraine. The subsequent rise in global energy prices, inflation and rising interest rates worldwide have led to a more uncertain investment environment. The Committee continues to review the processes in place to mitigate risk; and to ensure that these are appropriate and proportionate in the current market environment.

The principal and emerging risks, together with a summary of the processes and internal controls used to manage and mitigate risks where possible are outlined below.

## (I) MARKET RISKS

### Economic conditions

Changes in general economic and market conditions including, for example, impact of pandemics on global economies and national responses to ameliorate such challenges, interest rates, rates of inflation, industry conditions, competition, political events and trends, tax laws, national and international conflicts and other factors could substantially and adversely affect the Company's prospects and thereby the performance of its Ordinary Shares.

### Healthcare companies

The Company invests in global healthcare equities. There are many factors that could adversely affect the performance of investee companies. The healthcare sector may be affected by government regulations and government healthcare programs, increases or decreases in the cost of medical

products and services and product liability claims, among other factors. Many healthcare companies are heavily dependent on patent protection, and while this is a manageable risk, the expiration of a company's patent may adversely affect that company's profitability. Healthcare companies are subject to competitive forces that may result in price discounting and may be thinly capitalised and susceptible to product obsolescence. The market prices for securities of companies in the healthcare sector may be highly volatile.

### Sectoral diversification

The Company has no limits on the amount it may invest in the healthcare sector and is not subject to any sub-sector investment restrictions. Although the portfolio is expected to be well diversified in terms of industry sub-sector exposures, the Company may have significant exposure to portfolio companies from certain sub-sectors from time-to-time. Greater concentration of investments in any one sub-sector may result in greater volatility in the value of the Company's investments and consequently its NAV and may materially and adversely affect the performance of the Company and returns to Shareholders.

The impact on the portfolio from Brexit and other geopolitical changes, including the trade war between the US and China and the war in Ukraine are monitored and discussed regularly at Board meetings. While it is difficult to quantify the impact of such changes, it is not anticipated that they will fundamentally affect the business of the Company or make the Company's investment case any less desirable.

### Management of risks

The Directors acknowledge that market risk is inherent in the investment process. The Company invests in the healthcare sector and has a concentrated high conviction portfolio. It has a well-defined investment policy that states that no single holding will represent more than 10 per cent. of gross assets at the time of investment and, when fully invested, the portfolio will have no more than 35 holdings.

The Investment Manager also has a well-defined investment objective and process which is regularly and rigorously reviewed by the independent Board of Directors and performance is reviewed at quarterly Board meetings. The Investment Manager is experienced and employs its expertise in selecting the stocks in which the Company invests.

The Board closely monitors the Company's share price relative to NAV and the Company's discount / premium relative to their peer group, and recognises the importance that investors attach to the ordinary shares not trading at a significant discount or premium to the prevailing NAV. Should the Company's shares trade at a significant discount to the prevailing NAV, the Board has a discount management programme that will be considered, to determine whether the Company should purchase its own ordinary shares, pursuant to the general authority renewed at each AGM. Conversely, the Board will issue new Ordinary Shares should the shares trade at a premium to their prevailing NAV, pursuant to the general authority renewed at each AGM. Extensive marketing is carried out by the Company's Investment Manager, Broker and a specialist PR company. An investment research consultant is engaged to provide independent research for retail shareholders.

In addition to regular market updates from the Investment Manager and reports at Board meetings, the Board convenes more often as required.

### (II) FINANCIAL RISKS

The Company's investment activities expose it to a variety of financial risks which include liquidity, currency, leverage, interest rate and credit risks.

The Company invests in equities, with equities subject to strong price fluctuations and specifically healthcare equities, which can be subject to sudden substantial price movements owing to market, sector or company factors. There is therefore a risk that the Company's holdings may not be able to be realised at reasonable prices in a reasonable timeframe. Although the Company's performance is measured in sterling, a high proportion of the Company's assets may be either denominated in other currencies or be in investments with currency exposure. The Company pays interest on its borrowings and as such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates. The Company may take a leverage, which may lead to higher price movements compared to the underlying market.

The increasing levels of inflation worldwide and the rising interest rates has contributed to investment risk.

Further details on financial risks can be found in note 19 to the financial statements.

### Management of risks

The Company will typically seek to maintain a high degree of liquidity in its portfolio holdings. The Company's Investment Manager monitors these financial risks to the Company's portfolio on a continuous basis. Prevailing interest rates are taken into account when deciding on borrowings.

Further details on the management of financial risks can be found in note 19 to the financial statements.

### (III) CORPORATE GOVERNANCE AND INTERNAL CONTROL RISKS

The Board has contractually delegated to service providers the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services, and the accounting and company secretarial requirements. The service providers are outlined on page 35 of the Directors' Report.

The main risk areas arising from the above contracts relate to allocation of the Company's assets by the Investment Manager, and the professional execution of their duties of performance of administrative, registration and custodial services. These could lead to various consequences including the loss of the Company's assets, inadequate returns to Shareholders and loss of investment trust status. Cyber security risks could lead to breaches of confidentiality, loss of data records and inability to make investment decisions.

### Management of risks

The Board has appointed experienced service providers. Each of the contracts were entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company.

All of the above services are subject to ongoing oversight of the Board and the performance of the principal service providers is reviewed on a regular basis.

All key service providers produce annual internal control reports for review by the Audit and Risk Committee. These reviews include consideration of their business continuity plans and the associated cyber security risks. The Company's key service providers report on cyber risk mitigation and management on a quarterly basis. This includes confirmation of business continuity capability in the event of a cyber-attack and each service provider is reminded of their duty to disclose any cyber



security breaches to the Company Secretary at least annually. Penetration testing is carried out by the Investment Manager and key service providers at least annually.

#### **(IV) REGULATORY RISKS**

Breaches of Section 1158 of the Corporation Tax Act could result in loss of investment trust status. Loss of investment trust status would lead to the Company being subject to tax on any gains on the disposal of its investments. Breaches of the FCA's rules applicable to listed entities could result in financial penalties or suspension of trading of the Company's shares on the London Stock Exchange. Breaches of the Companies Act 2006, The Alternative Investment Fund Managers' Directive, accounting standards, the Listing Rules, Disclosure Guidance and Transparency Rules, and Prospectus Rules could result in financial penalties or legal proceedings against the Company or its Directors.

##### **Management of risks**

The Company has contracted out relevant services to appropriately qualified professionals. The Investment Manager, Depositary and Administrator provide regular reports to the Audit and Risk Committee on their monitoring programmes. The Investment Manager monitors investment positions and the Investment Manager and Administrator monitor the level of forecast income and expenditure. Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representations would be made to seek to ensure that the special circumstances of investment trusts are recognised.

#### **(V) KEY PERSON RISK**

The Company depends on the diligence, skill and judgement of the Investment Manager's investment professionals and the information and ideas they generate during the normal course of their activities. The Company's future success depends on the continued service of key personnel. The departure of any of these individuals without adequate replacement may have a material adverse effect on the Company's business prospects and results of operations.

##### **Management of risks**

The strength and depth of investment management team provides comfort that there is not over-reliance on one person with alternative investment managers available to act if needed. The Board meets regularly with other members of the wider team employed by the Investment Manager.

#### **(VI) BUSINESS INTERRUPTION**

Failure in services provided by key service providers, meaning information is not processed correctly or in a timely manner, resulting in regulatory investigation or financial loss, failure of trade settlement, or potential loss of investment trust status.

The failure or breach of information security could potentially lead to breaches of confidentiality, data records being compromised and the inability to make investment decisions. The failure or breach of physical security could lead to damage or loss of equipment, with consequential negative results.

##### **Management of risks**

Each service provider has comprehensive business continuity policies and procedures in place which facilitate continued operation of the business in the event of a service disruption or a major disruption event. Breaches of any nature are reported to the Board.

The Committee receives the Administrator's report on internal controls and the reports by other key third-party providers are reviewed by the Investment Manager and Company Secretary on behalf of the Committee. The Depositary reports on custody matters, including the continued safe custody of the Company's assets.

Cyber security risks are considered and continually monitored by the Investment Manager as these threats evolve and become increasingly sophisticated. The integrity of the Company's information security is closely monitored by the Board, with each of the key service providers providing a regular report through its internal audit function which covers information technology security and provides comfort to the Board that appropriate safeguards are in place. All physical locations have security in place and all third-party service providers have disaster recovery plans.

The failure or breach of information security could potentially lead to breaches of confidentiality, data records being compromised and the inability to make investment decisions. The failure or breach of physical security could lead to damage or loss of equipment, with consequential negative results.

### **(VII) GEOPOLITICAL RISK**

The Russian invasion of Ukraine and the subsequent impact on global economies and international relations combined with increasing levels of inflation worldwide and the potential for rising interest rates has raised investment risk. The extent and impact of military action, resulting sanctions and further market disruptions is difficult to predict which increases uncertainty and challenges confidence in financial markets. This could lead to a recession if the conflict were to move towards a broader regional or global conflict.

#### **Management of risks**

The Board has considered the impact of the continued uncertainty on the Company's investment objectives, portfolio and stakeholders and, continues to monitor the situation closely to both assess and mitigate any impact. The Company does not have any direct or indirect exposure to investments in Ukraine or Russia. There are also no direct business relationships with counterparties from these countries.

### **(VIII) ESG AND CLIMATE CHANGE RISK**

The financial risks from climate change are typically classified as physical or transitional risks. Physical risks are those arising from specific weather events and transitional risks are those arising from the changes to regulations, such as the move to net-zero carbon. The Company could suffer potential reputational damage from non-compliance with regulations or incorrect disclosures or as a result of increased investor demand for products which promote ESG investments.

#### **Management of risks**

The portfolio is well diversified to mitigate against physical risks. Changes in climate change focused regulation, governing both the Company and investee companies, will create some uncertainty. In comparison to the broader economy, the portfolio has a relatively low carbon footprint and the Investment Manager's parent company is currently deploying a CO<sub>2</sub> reduction strategy. This strategy encompasses measures such as an independent audit of its CO<sub>2</sub> footprint according to ISO14064-1 and GHG protocols, implementation of

corporate CO<sub>2</sub> reduction and offsetting of excess emissions with high-quality climate projects. Bellevue Group is targeting a reduction in CO<sub>2</sub> emissions per FTE of at least 30% by 2030. Moreover, the Bellevue Group was certified as carbon neutral by Swiss Climate in late 2021.

The Board encourages the Investment Manager to consider ESG factors when selecting and retaining investments and this has been a major topic of discussion in the past year. The Investment Manager's formal ESG guidelines cover areas such as compliance with global norms (UN Global Compact, Guiding Principles for Business and Human Rights, ILO standards), value-based exclusions, controversies, climate change factors and active ownership (management engagement, voting policies, etc.).

The Company's ESG statement is updated annually and is available on the AIC website and on pages 25 to 31 of this report. Investment trusts are currently exempt from Task Force on Climate-Related Financial Disclosures ("TCFD"), but the Board will continue to monitor the situation.



# Viability Statement

The Directors have assessed the viability of the Company for the five years to 30 November 2027 (the "Period"), which the Directors consider to be an appropriate time horizon, taking into account the long-term nature of the Company's investment objective and recommendation by the Financial Reporting Council.

In reaching this conclusion, the Directors have considered each of the principal and emerging risks, including climate change and the liquidity and solvency of the Company over the next five years. The Directors have considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities, which could, if necessary, be sold to meet the Company's funding requirements. Portfolio changes and market developments are discussed at quarterly Board meetings. The internal control framework of the Company is subject to a formal review on at least an annual basis.

The Directors do not expect there to be a material increase in the annual ongoing charges ratio of the Company over the Period. The Company's income from investments and cash realisable from the sale of its investments provide substantial cover to the Company's operating expenses under all stress test scenarios reviewed by the Directors.

The Company has a redemption facility through which Shareholders are entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. The redemption point is the last business day of November. The Directors' assessment assumes that the number of shares redeemed will not affect the Company's ability to continue in operational existence. At the last redemption point of 30 November 2022, redemption requests in respect of 30,577,550 Ordinary Shares were received, all of the Ordinary Shares were redeemed and cancelled by the Company. All shareholders who validly applied to have shares redeemed received a Redemption Price of 164.34 pence per share. The Company's redemption facility is subject to approval by the Board.

Based on their assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due in the Period.



# Stakeholder Engagement

This section of the Annual Report covers the Board's considerations and activities in discharging their duties under s.172(1) of the Companies Act 2006, in promoting the success of the Company for the benefit of its members as a whole.

This statement includes consideration of the likely consequences of the decisions of the Board in the longer term, how the Board has taken wider stakeholders' needs into account and the impact of the Company's operations on the environment.

The Board is ultimately responsible for all stakeholder engagement. As an externally managed investment company,

the Company does not have any employees; rather it employs external suppliers to fulfil a range of functions, including investment management, secretarial, administration, public relations, corporate brokering, depositary and banking services. All of these service providers who are stakeholders in the Company themselves help the Board to fulfil its responsibility to engage with the Shareholders and other stakeholders.

The Board has identified the major stakeholders in the Company's business. On an ongoing basis the Board monitors both potential and actual impacts of the decisions it makes in respect of the Company upon those major stakeholders identified.

Importance of Engagement	Examples of Engagement and Key Decisions
<p><b>Shareholders</b></p> <p>The Board's principal concern is the interests of the Company's Shareholders and potential investors. As a public company listed on the London Stock Exchange, the Company is subject to the Listing Rules and the Disclosure Guidance and Transparency Rules. The Listing Rules include a listing principle that a listed company must ensure that it treats all Shareholders of the same class of shares that are in the same position equally in respect of the rights attaching to such shares.</p> <p>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.</p> <p>The Board maintains open dialogue between Shareholders, the Investment Manager and other service providers.</p> <p>The Investment Manager and Chairman, along with the Company's corporate broker meets regularly with the Company's Shareholders to provide Company updates and to foster regular dialogue.</p> <p>Feedback from meetings between the Investment Manager and Shareholders is communicated with the Board.</p>	<p>With the assistance of regular discussions with and the formal advice of the Company's legal counsel, secretary and corporate broker; the Board abides by the Listing Rules at all times.</p> <p>The Board recently announced that for the financial year ended 30 November 2023, the target total dividend will be 5.99p per Ordinary Share, this being 3.5% of the audited net asset value per Ordinary Share of 171.16p (including current financial year revenue items) as at 30 November 2022.</p> <p>The Board encourages Shareholders to attend and participate in the Company's AGM and the Investment Manager attends to answer any questions Shareholders may have. The Company values any feedback and questions it may receive from Shareholders ahead of and during the AGM. The Board recognises that it is not possible for everyone to attend the AGM and therefore encourage Shareholders to submit any enquiries or feedback to the dedicated email address: <a href="mailto:info@bellevuehealthcaretrust.com">info@bellevuehealthcaretrust.com</a></p> <p>The Company's Annual and Interim Reports are made available on the Company's website and are also circulated to Shareholders as requested. This information is supplemented by the daily calculation and publication of the NAV per Ordinary Share and a monthly factsheet, which are announced via a Regulatory Information Service feed and are also available on the Company's website.</p> <p>The Board has appointed a professional PR company, Maitland, and an independent research consultancy, Kepler, to ensure that information and news about the Company is regularly available for existing and potential Shareholders.</p> <p>The Chairman and Directors are available to meet with Shareholders with or without the Broker or the Investment Manager present. During the year the Chairman, the Company's Broker and Investment Manager held regular discussions with larger Shareholders. The Board appreciate that Shareholders vary by size and resources but the Company's investor relations team, Investment Manager and Board of Directors are pleased to engage with Shareholders, whatever their size.</p>



Importance of Engagement	Examples of Engagement and Key Decisions
<p><b>Investment Manager</b></p> <p>The most significant service provider for the Company's long term success is Bellevue Asset Management (UK) Limited, who have been engaged as the Company's Investment Manager. The Investment Manager is responsible for the management of the Company's portfolio in accordance with the Company's investment policy and the terms of the Investment Management Agreement.</p> <p>The Investment Manager has also been appointed as the Company's AIFM in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), for the purpose of providing investment advisory services to the Company. The Investment Manager has placed trust in the investee companies to respond appropriately to operational challenges and to ensure that high standards of corporate governance and regard for Shareholders are at the forefront of managerial decision-making.</p>	<p>The Board monitors the Company's investment performance in relation to its objectives and investment policy and strategy. The Board regularly assesses the experience and resources of the Investment Management team and the commitment of the Investment Manager; to promote the Company and foster Shareholder relations and to ensure that the Company's objective of providing capital growth combined with dividend income for its investors are met.</p> <p>The volatile market environment caused by the Ukraine war, increasing energy prices and rising global inflation was discussed in detail by the Board at meetings.</p> <p>The Board receives and reviews regular reports and presentations from the Investment Manager.</p> <p>An open and active relationship is maintained with the Investment Manager at Board meetings and additional meetings when needed.</p> <p>The Management Engagement Committee met during the year and unanimously endorsed the continued appointment of the Company's Investment Manager.</p>
<p><b>Service Providers</b></p> <p>As an externally managed investment trust, the Company conducts all its business through its key service providers. Before the engagement of a service provider, the Board ensures that the Company's business outlook as well as its values are similar to those of the service provider.</p> <p>A list of the Company's key service providers can be found on page 35 of this Report.</p> <p>On an annual basis, the Board reviews the continuing appointment of each service provider to ensure reappointment is in the best interests of the Company's Shareholders. The Board has strong working relationships with the Investment Manager, Broker, Company Secretary, Administrator and Depositary and receives reports on the performance of the key service providers by the Investment Manager and Company Secretary.</p>	<p>The Board has strong working relationships with the Investment Manager, Broker, Company Secretary, Administrator and Depositary. The Board receives internal control reports from the service providers and the Investment Manager.</p> <p>The continuance, or otherwise, of the engagement of the service providers are reviewed by the Board on an annual basis to ensure that the Company continues to receive high quality service at a competitive cost.</p> <p>During the year the Fund Services Division of PraxisIFM, the Company's Company Secretary and Administrator was acquired by Sanne Group plc, which was subsequently acquired by Apex Group. The Board have worked closely with the Company Secretary and Administrator to ensure continuity of relationships, a smooth transition and no interruption to the service.</p> <p>The Auditor is invited to attend the Audit and Risk Committee meeting twice a year. The Audit and Risk Committee Chair maintains regular contact with the Audit partner to ensure the audit process is undertaken effectively.</p>

Importance of Engagement	Examples of Engagement and Key Decisions
<p><b>Wider community and environment</b></p> <p>The Company and its appointed professional suppliers keep abreast of the rules and regulations affecting the investment company sector.</p> <p>The Investment Manager, as steward of the Company's assets engages with the investee companies to ensure high standards of governance. The Board, Company Secretary and AIFM are responsible for ensuring that various regulatory and statutory obligations are met.</p>	<p>In making investment decisions, the Investment Manager takes into account qualitative measures such as the environmental and social impact of a company as well as financial and operational measures.</p> <p>The Company Secretary and AIFM regularly report to the Board any changes in the regulatory environment and as AIC members, the Board can draw on the resources available detailing any regulatory changes.</p> <p>The Company has articulated its ESG statement, outlining factors involved in the investment decision making and evidence of constructive engagement with investee companies. See pages 25 to 31.</p> <p>The ESG policy is available on both the Company's website and the AIC's website.</p> <p>The Company has given shareholders the option to receive electronic copies of annual reports and other information.</p> <p>The Board reviews the governance engagement reports setting out the reasons why the Investment Manager has voted against investee company management recommendations or against the recommendations of third party proxy advisors.</p>

In summary, the Directors are cognisant of their duties enshrined in Section 172 of the Companies Act 2006 to make decisions taking into account the long-term consequences of all the Company's key stakeholders and reflect the Board's belief that the long-term sustainable success of the Company is linked directly to its key stakeholders.



# Environmental, Social and Governance ("ESG") Policy

## OVERVIEW

The section that follows summarises the incorporation of ESG factors from both a company perspective at the Bellevue Healthcare Trust level ('the Company' or 'the Trust') and from the Bellevue Asset Management ('Bellevue') perspective, as the appointed investment manager of the Trust. 'We' and 'Our' refer to Bellevue Asset Management (UK) Ltd. and its staff.

For a number of years, Bellevue has integrated ESG considerations into the investment process for all its products and has been a signatory to the United Nations Principles of Responsible Investment (UN PRI) since 2019. PRI signatories must report externally on their ESG approach and the latest PRI document can be found on the Bellevue Group website.

At a corporate level, the Bellevue Group has deployed a CO<sub>2</sub> reduction strategy, encompassing measures such as an independent audit of its CO<sub>2</sub> footprint according to ISO14064-1 and GHG protocols, implementation of corporate CO<sub>2</sub> reduction and offsetting of excess emissions with high-quality climate projects. Bellevue Group is targeting a reduction in CO<sub>2</sub> emissions per FTE of at least 30% by 2030 and has been certified as carbon neutral by Swiss Climate since late 2021.

At the portfolio management level, Bellevue continues to refine and adapt its investment processes with respect to ESG integration and reporting. Our intent is to remain at the forefront of what is a rapidly developing field, in terms of what investors consider to be best practice and evolving UK and European regulations covering implementation and disclosure.

## ADDITIONAL DEVELOPMENTS DURING THE PRIOR YEAR

Since the publication of last year's Annual Report, two key pieces of regulation have come into effect that apply to the Trust: The EU Sustainable Finance Disclosure Regulation (SFDR) and related amendments to the Commission Delegated Regulation (EU) to MiFID II (Sustainability Preferences) in relation to reporting compliance for all funds, even those that do not have specific sustainability objectives.

The intent of implementing SFDR was to improve transparency for investors with respect to products marketed as sustainable investments and qualify any sustainability claims made by fund managers about their products, to prevent greenwashing.

As well as defining measurable parameters against which to benchmark any claims, SFDR classifies funds touting environmental and/or social objectives as either 'Article 9' (a fund that has sustainable investment or a reduction in

carbon emissions as its objective) or 'Article 8' (a fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices).

Any fund not classified as Article 8 or 9 defaults to being 'Article 6' (Funds that neither have a sustainable investment objective, nor do they embrace investment in assets with environmental or social benefits). The Bellevue Healthcare Trust is thus an Article 8 product since it does not include any sustainability claims in its investment objectives but does take ESG factors and thresholds into account when making investment decisions. All of Bellevue Asset Management's equity funds are classified as Article 8. In accordance with SFDR requirements, Bellevue introduced additional ESG criteria ("minimum thresholds") for the Trust and these are discussed in more detail below.

Both Bellevue Asset Management (UK) Ltd. and the Trust remain out of the current scope for both the UK Climate related reporting requirements and the EU Corporate Sustainability Reporting Directive. These are initially focused on larger asset managers and listed companies. However, we expect all asset managers and listed companies to be required to comply in due time.

## MANAGEMENT OF ESG FACTORS WITHIN THE BELLEVUE HEALTHCARE TRUST INVESTMENT PORTFOLIO

As noted previously, the consideration of ESG factors is a core part of the initial stages of the investment process to screen out companies that would not meet Bellevue's criteria as early as possible. These formal ESG guidelines cover areas such as compliance with global norms (UN Global Compact, Guiding Principles for Business and Human Rights, ILO standards), value-based exclusions, controversies, climate change factors and active ownership (management engagement, voting policies, etc.). Bellevue's high-level exclusion criteria can be summarised in two guiding principles:

- Companies that are involved in serious violations of internationally recognised norms regarding the environment, human rights and business ethics are excluded from all portfolios.
- Companies with controversial business activities that exceed Bellevue's stated revenue thresholds as set forth by norms-based criteria are excluded from all portfolios (these exclusion thresholds are detailed at the end of the ESG chapter).

Generally speaking, the Trust's healthcare focus makes it very unlikely that any excluded companies would ever fall into our screening processes in the first place. That said, there have been a number of investment opportunities since the inception of the Trust where we have decided not to progress into detailed due diligence because they have failed to meet our broader ESG hurdles. The most common reasons for negative screen-outs continue to be governance structure and/or reporting quality.

The assessment of ESG considerations is often over-simplified to the level of significant controversies or an aggregated ESG score provided by third party agencies. We remain firmly of the view that the process must reflect the pitfalls of an over-simplified "one size fits all" approach, especially in an industry as diverse and complex as human healthcare. Bellevue continues to use MSCI ESG reports for qualitative and quantitative external data.

The scope and quality of external ESG assessments remain variable in our view, although the situation continues to improve. Where the available MSCI data is not comprehensive, we rely on other third-party data providers and internal evaluations. In FY2022, 100% of the companies that we were invested in received a detailed rating from MSCI during the period. Two of the 29 companies in the portfolio as of 30 November 2022 were not rated at all by MSCI as of 30 November 2021. Although coverage has improved, it was still not the case that MSCI met with the management team of all of the companies reviewed during the period.

Moreover, we continue to come across vexing levels of incomprehension as to the nature of the business being assessed. These issues will get better over time, not least because investors are encouraging companies to engage with these third party agencies to address such misunderstandings.

As the disclosure of data regarding ESG factors becomes more regulated and engagement between rating agencies and companies improves, we expect the various approaches taken by reviewing agencies to converge on an approach that encompasses the current variations in standards between the US and UK/EU and better meets the needs of investors.

As noted above, MSCI reports are only part of the process; we have our own internally-generated qualitative criteria as well that form the basis of decision-making so we are not solely reliant on third-party data or adherence to a singular industry standard as the basis of our approach. We do not apply specific scoring criteria for exclusion from our portfolio because we feel that an external rating or scoring approach has significant limitations and we see these more as tools to consider within a much more comprehensive and holistic approach.

## ABSOLUTE AND RELATIVE DATA METRICS

We have cautioned previously that relative and absolute assessments of quantitative ESG parameters must be considered carefully, since there are all manner of numerator and denominator issues that confound comparisons. We have reproduced the portfolio level data in Figure 9 below to illustrate the caution that must be applied when analysing such data.

At face value, the relative position of our portfolio compared to the benchmark looks to have worsened from 2020 to 2022, with a materially worse overall quality score leading to a much lower rating (A vs. AAA) when compared to the MSCI World Healthcare Index, which is our internal comparator.

However, ESG Quality Score and the Governance Score of the portfolio have risen and the overall sustainable impact (which is driven by the social impact score on major diseases) remains very high. We would note that the individual outputs in the table are outputs from MSCI and we do not target any specific thresholds for these individual items in our ESG assessment process.

**Figure 9 Headline ESG metrics**

	November 30, 2020		November 30, 2021		November 30, 2022	
	Portfolio	MSCI WHC	Portfolio	MSCI WHC	Portfolio	MSCI WHC
<b>ESG Rating</b>	<b>BBB</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>A</b>	<b>AAA</b>
Proportion not rated	12%	1%	0%	0%	0%	0%
<b>ESG Quality Score</b>	<b>5.0</b>	<b>6.3</b>	<b>6.4</b>	<b>6.2</b>	<b>6.5</b>	<b>10.0</b>
Environmental Score	5.7	7.0	5.3	7.1	5.4	7.1
Social Score	4.9	5.0	4.9	5.0	4.5	5.2
Governance Score	5.2	5.2	5.6	5.2	6.1	5.8
<b>Overall Sustainable Impact</b>	<b>33.5%</b>	<b>17.7%</b>	<b>37.0%</b>	<b>16.0%</b>	<b>34.1%</b>	<b>17.3%</b>

Our conclusions thus remain the same as in prior years: reducing these complex issues to single level datapoints is unhelpful and confusing, and it remains the case that the larger companies that dominate benchmark indices are able to devote more resources to providing data or simply score better since some of the measurement approaches display an inherent size bias. This bias is acknowledged by the rating agencies and we are hopeful that scoring methodologies will ultimately be adjusted to better aid comparability across the company size spectrum.

For now though, the rating industry remains immature and unsophisticated and it will probably take many years for the structural disadvantages facing smaller and early stage companies to be fully addressed. Bellevue seeks to interact with companies that it feels have been misunderstood during this rating process and offers guidance on how to communicate more effectively around the issues deemed contentious by external ESG rating agencies.

In accordance with the implementation of SFDR, Bellevue introduced a minimum threshold of 50% "Investments with Sustainable Characteristics" for the Trust portfolio, which is primarily defined by sufficient ESG research coverage and a

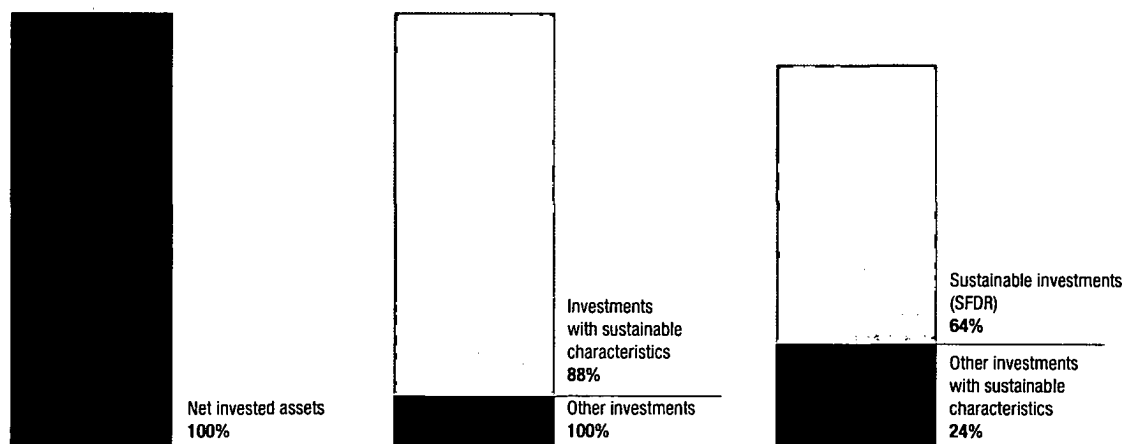
minimum ESG Rating of BB or higher and compliance with global norms as previously stated.

In addition, the Trust must have a minimum of 25% of the portfolio qualifying as "Sustainable investments". SFDR defines a "Sustainable Investment" as an investment in an economic activity that contributes to the achievement of an environmental and/or a social objective while not significantly harming any of these objectives. Furthermore, the invested companies must apply practices of good corporate governance ("Good Governance").

For an investment to qualify as a "Sustainable Investment", Bellevue applies the 17 UN Sustainable Development Goals (SDGs). These sustainable development goals are general, universal goals for all UN member states, which were adopted in September 2015 as the successor to the Millennium Goals.

MSCI measures the target contribution of companies to each of the SDGs and categorizes them as "strongly aligned", "aligned", "neutral", "misaligned" and "strongly misaligned". As of 30 November 2022, 64% of the investment portfolio met the definition of "Sustainable investments", which is well above the 25% minimum threshold.

**Figure 10**



More detailed information on the approach and methodology applied can be found on our website.<sup>3</sup>

<sup>3</sup> <https://www.bellevuehealthcaretrust.com/uk-en/private/investor-relations/legal-documents>

## RESPONSIBLE STEWARDSHIP

Responsible investing does not end with the due diligence process and portfolio creation; the importance of ongoing engagement with management teams cannot be overstated. Active fund management arguably derives a material proportion of its longer-term alpha generation opportunities through the ability to proactively consider, debate and influence (via the exercising of voting powers) potential issues at investee companies.

Bellevue takes its voting obligations very seriously and there are multiple structures in place to ensure that we vote in all shareholder meetings. Whilst we use external proxy agency reports to consider how we might vote, we do not outsource our voting to these agencies and are happy to go against their recommendations and against the wishes of management when we consider it important to do so. Over the period in review, we took part at 33 votable meetings (covering 266 resolutions) and the tables below summarise how we voted in these meetings:

### Meeting Overview

Category	Number	Percentage
Number of votable meetings	33	
Number of meetings voted	33	100.00%
Number of meetings with at least 1 vote Against, Withhold or Abstain	12	36.36%

### Ballot Overview

Category	Number	Percentage
Number of votable ballots	33	
Number of ballots voted	33	100.00%

### Proposal Overview

Category	Number	Percentage
Number of votable items	266	
Number of items voted	266	100.00%
Number of votes FOR	209	78.57%
Number of votes AGAINST	8	3.01%
Number of votes ABSTAIN	0	0.00%
Number of votes WITHHOLD	18	6.77%
Number of votes on MSOP	31	11.65%
Number of votes With Policy	264	99.25%
Number of votes Against Policy	2	0.75%
Number of votes With Management	234	87.97%
Number of votes Against Management	32	12.03%
Number of votes on Shareholder Proposals	7	2.63%

Engagement with voting is only part of the process. One must recognise that we are but one of many shareholders and that it may be the case that even after a multi-year engagement with management and exercising our voting power we have not been able to elicit change. In such a situation, we would consider divesting our holding, depending on the materiality of the issue under discussion. We would argue the fact we

have yet to divest a holding due to ESG factor considerations stands as evidence that the initial screening approach at the beginning of the investment process is robust in helping us to avoid potentially controversial investments.

Although we want to be supportive of investee management teams and their plans to grow their businesses, we are



quite happy to exit positions when we lose confidence in management or strategy and several examples of such situations can be found in our monthly factsheets, which remain the best source of up-to-date information on the evolution of the portfolio and any insights into why changes may have taken place.

## TRUST-SPECIFIC EXCLUSION CRITERIA AND TOLERANCE THRESHOLDS

It would be very easy to claim that one has a blanket ban on investing in everything that's bad or that all one's investments are sustainable. However, some points of view are subjective and some things are what they are: every human healthcare company is involved in supporting animal testing to some degree and you cannot rationally penalise an industry for a regulatory requirement that is designed to save human lives.

Finally, one must recognise that rarely are matters so clear cut as to be able to definitively state a company has zero involvement or exposure to a controversial area; one can easily take exposures off balance sheet via outsourcing (animal testing is often outsourced, for example).

With these realities in mind, it makes more sense to operate by a set of guiding principles based on data that can be simply ascertained from management and that are realistically achievable for the portfolio overall.

Bellevue selected and agreed an expansive list of thresholds with the Board of the Company that came into effect from 1 January 2022. These are aligned with, or go further than, the criteria enshrined by Bellevue Asset Management's group-wide policies.

The table below serves as much as a documentary 'terms of reference' for people compiling such reports on behalf of underlying investors as it does to inform shareholders about what we are doing in respect of running the portfolio.

The list is largely unchanged from last year save for removing any quantifiable measurement around the use of embryonic stem cells since the Board determined this to be impossible to track in a definitive way, although several investee companies confirm that they use such material for research purposes.

Potential Issue/controversy	Comment	Exclusion Criteria (max % revenues)
<b>Environmental considerations</b>		
<b>Thermal coal</b>	The company would not knowingly invest in a holding involved in the production of any fossil fuels.	2%
<b>Other fossil fuels</b>	The company would not knowingly invest in a holding involved in the exploration for, or production of, any fossil fuels. This encompasses fracking and other unconventional oil sources.	2%
<b>Nuclear power</b>	The company would not knowingly invest in a holding involved in the production of nuclear energy	2%
<b>Palm oil</b>	Palm oil and derivatives such as tocopherol are widely used excipients in biomedical preparations and unlikely to be avoidable within the investment mandate. We try to ensure that investee companies are committed to sustainable sourcing of such products and are thus not promoting deforestation.	5%
<b>Responsible mineral sourcing</b>	To the extent that it is relevant, we aim to ensure that investee companies source raw materials such as minerals from responsible suppliers who comply with relevant global standards around the environmental and social impact (e.g. no forced labour, conflict minerals etc.) of mining activities.	2%
<b>Environmentally damaging agricultural chemicals (insecticides, herbicides etc.)</b>	The investment focus of the Company is on human healthcare and so we would not intentionally invest into companies manufacturing or supplying agricultural products that may have an environmental impact. However, there is a long-standing historical linkage between the chemical, pharmaceutical and agrochemical industries and it is possible that such legacy business tie-ups do persist, therefore we apply a higher threshold.	10%



## Environmental, Social and Governance (“ESG”) Policy continued

Potential Issue/controversy	Comment	Exclusion Criteria (max % revenues)
<b>Social considerations</b>		
<b>Alcohol production (beverages)</b>	The Company would not knowingly invest in a holding involved in the production of alcoholic beverages, but alcohol is a common constituent of medicinal products and sterilisation solutions.	2%
<b>Tobacco production</b>	The Company would not knowingly invest in a holding involved in the production of tobacco products.	2%
<b>Tobacco sales</b>	Indirect exposure to tobacco sales through retail outlets or peripheral activities is hard to fully discount, hence we allow for a higher threshold versus other considerations.	10%
<b>Cannabis-based products</b>	The Company can invest, and has invested, into holdings that offer therapeutic products derived from, or containing cannabinoids. However, the Company would not knowingly invest into a holding involved in the production or supply of recreational cannabis products.	n/a
<b>Pornography</b>	The Company would not knowingly invest in a holding involved in the production or sale of pornographic material/content.	2%
<b>Gambling</b>	The Company would not knowingly invest in a holding involved in the provision of gambling services or the operation of gambling venues.	2%
<b>Predatory lending practices and price gouging</b>	We seek to ensure that, where applicable, investee companies do not supply products under terms that would constitute unfair, deceptive or predatory terms to customers or engage intentionally in price gouging during periods of tight supply.	2%
<b>Animal testing and related animal welfare issues</b>	The use of animal disease models in pharmaceutical R&D and the undertaking of pre-clinical testing in animal species are integral parts of the regulatory pathway for approving new medicines. We therefore limit our focus to ensuring that investee companies adhere to the highest standards of welfare in respect of the animals that are used for such purposes.	n/a
<b>Genetic research</b>	Whilst we appreciate that some investors find the manipulation of genetic material in animals or human cell lines to be controversial, it has the potential to greatly enhance our understanding of human disease and, via gene therapy, gene editing and gene silencing to be directly deployed as a therapeutic intervention, particularly in areas of high unmet need. As such, we do not consider this to be controversial, as long as research follows accepted ethical guidelines and is appropriately supervised.	n/a
<b>Use of embryonic stem cells</b>	Whilst the utilisation of embryonic stem cells (gathered historically from aborted fetuses, more commonly today from unwanted IVF embryos that are donated with informed consent or taken from similarly donated umbilical cord material) is undoubtedly controversial, it also has the potential to greatly enhance our understanding of human disease and there are not currently viable alternatives in many cases. There are ethics guidelines (most notably those of the US National Institutes of Health, 2009) and our focus is to ensure that, where such research is undertaken, it is performed in line with these guidelines.	n/a



Potential Issue/controversy	Comment	Exclusion Criteria (max % revenues)
<b>Conventional weapons &amp; military contracts</b>	The Company would not knowingly invest in a holding involved primarily in the provision of armaments. We would note that, as large employers in many countries with their own dedicated healthcare infrastructure, many investee companies will have contracts to supply the military forces of a country with healthcare products and/or services. Military personnel are just as entitled to good healthcare as anyone else, so we do not see this as an issue.	2%
<b>Unconventional weapons</b>	Bellevue Group maintains a list of companies connected with the supply of unconventional weapons and investment into such companies is prohibited.	0%
<b>Governance considerations</b>		
<b>Dealing with oppressive regimes</b>	Whilst it may be unpalatable to deal with corrupt or oppressive regimes, it would only compound the misery and suffering of the oppressed people if they were also denied access to healthcare products and services. As such, we do not judge our companies on who they chose to supply life-saving products and services to.	n/a
<b>Bribery &amp; Corruption</b>	The managers are committed to investigating serious allegations of bribery or corruption made against investee companies and discussing these with management.	n/a
<b>Equitable access to products for developing countries</b>	Within the healthcare sector, affordable access to products for less developed countries is rightly highlighted as a controversial area and an important topic. We do engage with management teams around this topic. However, you cannot supply regulated products into markets where those products have not yet been approved and this point is often misunderstood in certain external ESG ratings, with smaller companies unfairly penalised when they only have approvals in a handful of developed countries.	n/a
<b>Human capital development and diversity</b>	It is laudable that external rating agencies focus on human capital development and diversity. However, one must be pragmatic and take into account the size and geographic focus of a company. A small, research stage entity based in one location is simply not going to be able to match the diversity of a broad-based multi-national, nor will it be at a stage where it is hiring inexperienced people with a view to training them up. We see inappropriate comparisons being made in these areas all too frequently.	n/a

# Other Information

## ENVIRONMENTAL MATTERS

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. Investment trusts are currently exempt from TCFD disclosure, but the Board will continue to monitor the situation.

## EMPLOYEES

The Company has no employees. As at 30 November 2022 the Company had five Directors, three of whom were male (60%) and two of whom were female (40%). The Board's policy on diversity is contained in the Corporate Governance Report (on page 42).

## SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

Having no employees, the Company, as an investment company, has no direct impact on social, community, environmental or human rights matters.

## MODERN SLAVERY DISCLOSURE

Due to the nature of the Company's business, being a company that does not offer goods or services to consumers, the Board considers that it is not within the scope of modern slavery.

The Board considers the Company's supply chains, dealing predominately with professional advisers and service providers in the financial service industry, to be low risk in relation to this matter.

## CONSUMER DUTY

The Company and Investment Manager are fully cognisant of the rules coming into force on 31 July 2023 and have taken the necessary steps to ensure compliance.

## OUTLOOK

The outlook for the Company is discussed in the Chairman's Statement on page 5.

## STRATEGIC REPORT

The Strategic Report set out on pages 1 to 32 of this Annual Report was approved by the Board of Directors on 3 March 2023.

*Randeep Grewal*

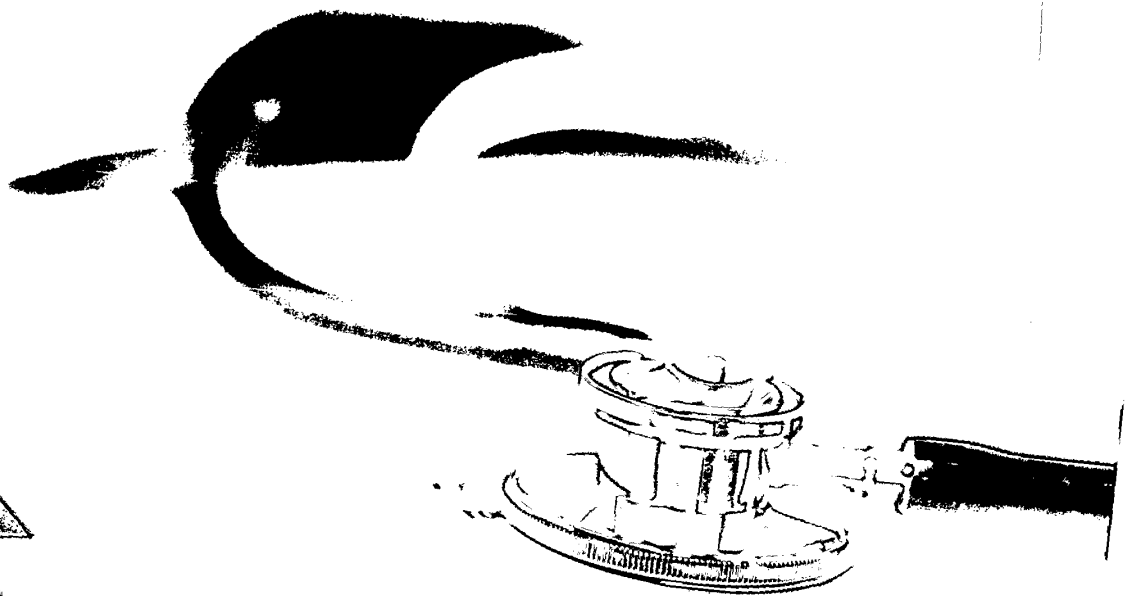
For and on behalf of the Board

**Randeep Grewal**

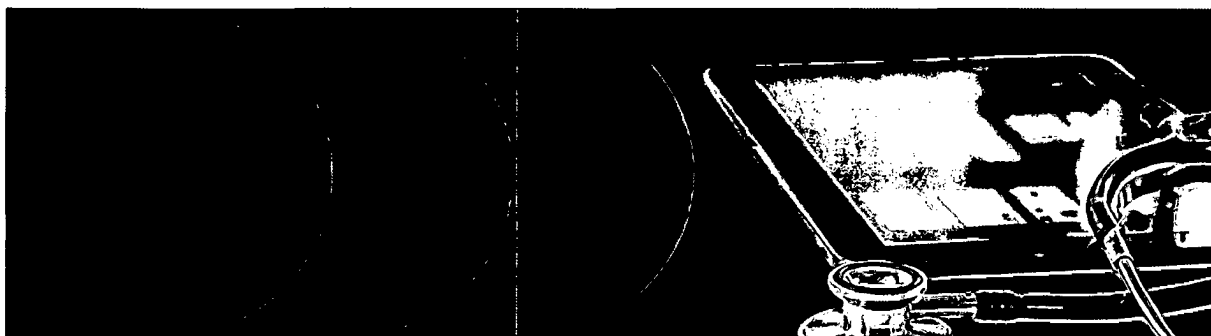
Chairman

3 March 2023

# Governance



# Directors' Report



The Directors present their annual report and accounts for the year ended 30 November 2022.

## STRATEGIC REPORT

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 32.

## LEGAL AND TAXATION STATUS

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company conducts its affairs in order to meet the requirements for approval as an investment trust under section 1158 of the Corporation Tax Act 2010. The Company has received initial approval as an investment trust and the Company must meet eligibility conditions and ongoing requirements in order for investment trust status to be maintained. In the opinion of the Directors, the Company has met the conditions and requirements for approval as an investment trust for the year ended 30 November 2022.

## ALTERNATIVE FUND INVESTMENT MANAGERS ("AIFM")

Bellevue Asset Management (UK) Ltd ("Bellevue") is authorised and regulated by the Financial Conduct Authority ("FCA") to undertake the regulated activities as defined in the Alternative Investment Fund Managers Directive (2011/611/EU) ("AIFMD").

On 1 April 2020, it was announced that Bellevue had been appointed as AIFM to the Company, subject to the overall control and supervision of the Board. Under the terms of the AIFM agreement, Bellevue performs the activity of portfolio management in accordance with the investment policy of the Company and has discretion to buy, sell, retain, exchange or otherwise deal in investment assets for the account of the Company.

The Investment Manager is entitled to receive a management fee payable monthly in arrears and calculated at the rate of one-twelfth of 0.95% per calendar month of market capitalisation. Market capitalisation means the average of the mid-market prices for an ordinary share, respectively, as derived from the daily official list of the London Stock

Exchange on each business day in the relevant calendar month multiplied by the number of Ordinary Shares, respectively, in issue on the last business day of the relevant calendar month excluding any Ordinary Shares held in treasury. There is no performance fee payable.

As allowed under the AIFMD, Bellevue has delegated the activity of Risk Management to Bellevue Asset Management AG (the "Delegated Risk Manager").

The AIFM agreement may be terminated on 12 months' written notice and may be terminated with immediate effect on the occurrence of certain events, including insolvency, on a change of control of the Investment Manager or in the event of a material breach which fails to be remedied within 30 days of receipt of notice.

As an AIFM, Bellevue must ensure that it, together with the Company, is fully compliant with the terms of the AIFMD. In order to accomplish this, the required regulatory obligations are met through the cooperation of both parties as well as with significant input from the Delegated Risk Manager.

Bellevue has agreed with the Delegated Risk Manager, and in full compliance with the AIFMD, a Risk Framework in respect of the Company. The Risk Framework seeks to govern the investment and operational risks as well as ensuring that all risk limits are complied with. All required risk reporting is completed by the Delegated Risk Manager.

The Delegated Risk Manager monitors the Company on a daily basis in order to ensure that Bellevue is operating within the risk limits contained in the risk policy and seeks to identify breaches. If Bellevue breaches a risk management limit, then it is required to notify the Delegated Risk Manager of the breach as soon as possible, and by the day after the infraction occurred at the latest. In addition to providing details of the breach, Bellevue confirm how and when the breach was resolved or when and how it is intended that the breach will be resolved.

The AIFMD Annex IV reporting requirements are undertaken by the AIFM, Administrator and other selected service providers.



## BROKER

The Company's sole broker is J.P. Morgan Cazenove.

## DEPOSITARY

CACEIS Bank, UK Branch has been appointed as the Company's depositary.

## COMPANY SECRETARY AND ADMINISTRATOR

Apex Listed Companies Services (UK) Limited provide company secretarial and administration services to the Company, including calculation of its daily Net Asset Value. Sanne Group acquired the PraxisIFM Funds business in December 2021 and Sanne Group was subsequently acquired by the Apex Group in August 2022. However, the personnel servicing the Company's business remain largely unchanged including the continuing appointment of the Company Secretary.

The Board has had continuous direct access to the advice and services of the Company Secretary who is responsible for ensuring that the Board and Committee procedures are followed, and that applicable rules and regulations are complied with.

The Company Secretary provides full company secretarial services to the Company, ensuring that it complies with all legal, regulatory, and corporate governance requirements and officiating at Board meetings and Shareholders' meetings. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that the statutory obligations of the Company are met. Finally, the Company Secretary is responsible for advising the Board through the Chairman on all governance matters.

## MANAGEMENT ENGAGEMENT

The Directors are satisfied that the AIFM has the suitable skills and experience to manage the Company's investments and believe that the continuing appointment of the AIFM is in the interests of Shareholders as a whole.

## ALTERNATIVE INVESTMENT FUND PORTFOLIO MANAGERS' DIRECTIVE ("AIFMD")

In accordance with the AIFMD, the AIFM must ensure that an annual report containing certain information on the Company is made available to investors for each financial year. The investment funds sourcebook of the FCA (the "Sourcebook") details the requirements of the annual report. All the information required by those rules are included in this Annual Report or is or will be made available on the Company's website (<https://www.bellevuehealthcaretrust.com>).

The AIFM is required to make certain disclosures on its remuneration in respect of the AIFM's relevant reporting period. These disclosures are available on request from the AIFM.

## LEVERAGE (UNDER AIFMD)

The AIFM is required to set leverage limits as a percentage of net assets for the Company utilising methods prescribed under AIFMD. These methods are known as the gross method and the commitment method.

Under both methods the AIFM has set current maximum limits of leverage for the Company of 120%.

A leverage percentage of 100% equates to nil leverage. The Company's leverage under each of these methods at its year end is shown below:

	Gross method	Commitment method
Maximum leverage limit	120%	120%
Actual leverage at 30 November 2022*	104%	108%

\* Definitions of this APM together with how these measures have been calculated can be found on pages 81 and 82.

## SHARE ISSUES

During the year ended 30 November 2022, the Company issued 27,872,179 Ordinary Shares, through the ongoing share issuance programme. The number of Ordinary Shares in issue at 30 November 2022 was 586,783,083 Ordinary Shares.

The authority to issue new shares pursuant to the placing programme, detailed in the Company's prospectus dated 10 November 2016, expired on 9 November 2017. The Company published a new prospectus on 5 November 2018, for the issuance of up to 345 million Ordinary Shares

by way of an Initial Placing, Offer for Subscription and Intermediaries Offer, and pursuant to a new share issuance programme. A supplementary prospectus was issued on 20 February 2019.

At the AGM of the Company held on 22 April 2022, the Directors were granted authority to allot up to 57,975,236 Ordinary Shares on a non-pre-emptive basis. This authority will expire at the conclusion of the forthcoming AGM.

The authorities have the following benefits for Shareholders:

- Enable the Company to continue to take advantage of opportunities to make further investments in accordance with its investment objective and policy;
- Increase the market capitalisation of the Company, helping to make the Company attractive to a wider investor base;
- A greater number of Ordinary Shares in issue should improve liquidity in the secondary market for the Ordinary Shares and make the Ordinary Shares more attractive to a wider range of investors; and
- Grow the Company, thereby spreading the Company's fixed running costs across a larger equity capital base which should reduce the level of ongoing expenses per Ordinary Share.

It must be noted that the price at which any new Ordinary Shares are issued to satisfy market demand is never less than the prevailing Net Asset Value (cum-income) per Ordinary Share at the time of issue plus a premium to cover the expenses of such issue, therefore Shareholders will not suffer any dilution to the Net Asset Value (cum-income) per Ordinary Share as a result of any such issue.

The Board recommends that the Company is granted a new authority to issue up to a maximum of 55,047,500 Ordinary Shares (representing 10% of the shares in issue at the date of this document) and to disapply pre-emption rights when issuing those Ordinary Shares. Resolutions to this effect will be put to Shareholders at the AGM to be held on 28 April 2023.

This authority would be used to fulfil demand for the scrip dividend alternative and to carry out a series of placings or tap issues, providing the Company with the ability to issue new Ordinary Shares over a period of time to meet investor demand and help with managing the premium that the shares typically trade at.

## SCRIP DIVIDEND

At the Company's AGM in March 2019, a resolution was passed allowing Shareholders the right to elect to receive new Ordinary Shares instead of cash in respect of the whole or part of any dividend (the "Scrip Dividend Scheme"). For good corporate governance purposes, a resolution was put to Shareholders at the Company's AGM on 22 April 2022 to renew the Scrip Dividend Scheme, this resolution passed by 99.96%, renewing the authority for Shareholders to elect to receive new Ordinary Shares instead of cash in respect of the whole or part of any dividend.

The Scrip Dividend Scheme may be advantageous to Shareholders because it enables Shareholders to increase their shareholding in the Company in a simple manner without paying dealing costs. The Scrip Dividend Scheme may be advantageous to the Company (and therefore to the Shareholders in general) since the relevant cash dividend amounts payable to Shareholders who have elected to participate in the Scrip Dividend Scheme are reinvested in the Company as additional share capital.

On 7 July 2022, the Board declared an interim dividend for the six months ended 31 May 2022 of 3.235p per Ordinary Share and offered Shareholders the opportunity to participate in the Scrip Dividend Scheme. Accordingly, the Company posted to Shareholders a Circular setting out details of the Scrip Dividend Scheme.

On 8 August 2022, the Company announced a scrip dividend reference price of 183.54p for the interim dividend, payable on 2 September 2022. The scrip dividend reference price was the unaudited net asset value per Ordinary Share as at close of business on 5 August 2022.

On 10 August 2022, in line with the Company's Scrip Dividend Scheme, 158,894 Ordinary Shares were allotted and issued to Shareholders who elected for their interim dividend to be automatically subscribed on their behalf for new Ordinary Shares. Any Ordinary Shares issued for cash were issued at a premium to (cum income) net asset value.

Shareholders who do not elect to participate in the Scrip Dividend Scheme receive their dividends in cash.

## TREASURY SHARES

The Companies Act allows companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. This would give the Company the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. Ordinary Shares will not be sold from treasury at a price less than the (cum income) NAV per existing Ordinary Share at the time of their sale. No Ordinary Shares were bought back during the year ended 30 November 2022, however following the year end and as at 1 March 2023, 5,730,528 Ordinary Shares were bought back to be held in treasury.

## DISCOUNT MANAGEMENT

The Company may seek to address any significant discount to NAV at which its Ordinary Shares may be trading by purchasing its own Ordinary Shares in the market on an ad hoc basis. As outlined above, no Ordinary Shares have bought back by the Company during the year to 30 November 2022.

The Directors currently have the authority to make market purchases of up to 86,904,879 Ordinary Shares. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share must not be more than the higher of: (i) 5% above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares. Ordinary Shares will be repurchased only at prices below the prevailing NAV per Ordinary Share, which should have the effect of increasing the NAV per Ordinary Share for remaining Shareholders.

It is intended that a renewal of the authority to make market purchases will be sought from Shareholders at each AGM of the Company and authority for the Company to purchase up to 82,516,203 Ordinary Shares (subject to a maximum of 14.99% of the Ordinary Shares in issue at the date of the AGM) will be sought at the forthcoming AGM. Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company. Ordinary Shares purchased by the Company may be held in treasury or cancelled.

Purchases of Ordinary Shares may be made only in accordance with the Companies Act, the Listing Rules, and the Disclosure Guidance and Transparency Rules.

Investors should note that the repurchase of Ordinary Shares is entirely at the discretion of the Board and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of Ordinary Shares that may be repurchased.

No shares were bought back in the financial year, however since the year end and as at 1 March 2023, 5,730,528 ordinary shares were repurchased for holding in treasury.

## REDEMPTION FACILITY

The Company has a redemption facility through which Shareholders are entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. The redemption facility is entirely at the discretion of the Directors.

The Company announced on 3 November 2022 that valid redemption requests in respect of 30,577,550 Ordinary Shares were received for the 30 November 2022 redemption point, all of the Ordinary Shares were redeemed and cancelled by the Company. All shareholders who validly applied to have shares redeemed received a Redemption Price of 164.34 pence per share. The Company's redemption facility is subject to approval by the Board. The process for the redemption of Ordinary Shares, including the calculation of redemption price, is set out in Part 3 of the Securities Note as part of the prospectus published by the Company on 5 November 2018.

## LIFE OF THE COMPANY

The Company has no fixed life.

## MARKET INFORMATION

The Company's share capital is admitted to the Premium Segment of the Official List of the FCA and is admitted to trading on the London Stock Exchange. The NAV per share is calculated in sterling for each business day that the London Stock Exchange is open for business. The daily NAV per Share is published through a regulatory information service.



## REVOLVING CREDIT FACILITY ("RCF")

The Company has a multi-currency revolving credit facility RCF with The Bank of Nova Scotia, London Branch. On 16 June 2022, the Company renewed and amended its RCF. Under the terms of the amended RCF, the Company may draw down loans up to an aggregate value of USD 280 million. The increased facility will expire in December 2024. The Company's borrowing policy and the terms of the facility are unchanged.

As at 30 November 2022, the aggregate of loans draw down was £83.7 million (2021: £67.8 million).

## CAPITAL STRUCTURE AND VOTING RIGHTS

As at 30 November 2022, the Company's issued share capital comprised 50,001 Management Shares and 586,783,083 Ordinary Shares of 1p nominal value. Each Ordinary Share held entitles the holder to one vote and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of Meeting and Form of Proxy and are in accordance with the Companies Act 2006. Management Shares shall not carry any right to receive notice of, nor to attend or vote at any general meeting of the Company.

There are no restrictions on the transfer of Ordinary Shares, nor are there any limitations or special rights associated with the Ordinary Shares.

## SIGNIFICANT SHAREHOLDERS

As at 30 November 2022, the Company had been formally notified of the following shareholdings comprising 3% or more of the issued share capital of the Company.

Name	Number of Ordinary Shares held	% of voting rights
Brewin Dolphin Wealth Management	27,588,863	5.00
Tilney Smith & Williamson Limited	27,767,503	5.01
Handelsbanken Wealth & Asset Management Limited	27,609,176	4.97
Quilter plc	20,671,091	4.23
Schroders plc	15,482,819	3.17

Following the year end, the Company has not been formally notified of any significant shareholdings comprising 3% or more of the issued share capital of the Company.

## SETTLEMENT OF ORDINARY SHARE TRANSACTIONS

Ordinary Share transactions in the Company are settled by the CREST share settlement system.

## ANTI-BRIBERY AND CORRUPTION

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company's policy and the procedures that implement it are designed to support that commitment.

## NOTICE OF GENERAL MEETINGS

At least twenty-one days' notice shall be given to all the members and to the auditors of an Annual General Meeting. All other general meetings shall also be convened by not less than twenty-one days' notice to all those members and to the auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen days has been passed, in which case a general meeting may be convened by not less than fourteen days' notice in writing. A special resolution will be proposed at the Annual General Meeting to reduce the period of notice for general meetings other than the Annual General Meeting to not less than fourteen days.

## GOING CONCERN

The Directors have adopted the going concern basis in preparing the accounts. The following is a summary of the Directors' assessment of the going concern status of the Company, which should be read in conjunction with the viability statement on page 21.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this document. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. The Company's net assets at 30 November 2022 were £1,004.3 million (2021: £1,033.5 million).



As at 30 November 2022, the Company held £1,043.3 million (2021: £1,083.6 million) in investments, cash of £46.4 million (2021: £28.0 million) and bank loans of £83.7 million (2021: £67.8 million). Further details on the Company's Bank loans are detailed in note 12. The total expenses (excluding finance costs and taxation) for the year ended 30 November 2022 were £10.5 million (2021: £10.8 million), which represented approximately 1.04% (2021: 1.08%) of average net assets during the year. The Company also incurred finance costs of £3.1 million (2021: £0.5 million). At the date of approval of this report, based on the aggregate of investments and cash held, the Company has substantial asset cover against its loan facility and also substantial operating expenses cover.

In reaching this conclusion, the Directors have also taken account of the war in Ukraine, the ongoing impact of the Covid-19 pandemic and climate change. These uncertainties have created supply chain disruption and exacerbated inflationary pressures worldwide. The Company's principal risks are market-related and the current extreme market conditions have demonstrated the resilience of the Company and its investment objective and policy. An explanation of the market, liquidity and credit risks and how they are managed is contained in note 19 to the financial statements. Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal risks and other matters, that the Company will continue in operational existence for a period of at least 12 months from the date of approval of this document.

## AUDITOR INFORMATION

Each of the Directors at the date of the approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor are unaware; and
- the Director has taken all steps that he or she ought to have taken as Director to make himself/ herself aware of any relevant information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put forward at the forthcoming AGM.

By order of the Board

**Ciara McKillop**

For and on behalf of

**Apex Listed Companies Services (UK) Limited**

Company Secretary

3 March 2023

# Corporate Governance

## INTRODUCTION

The Board of the Company has considered the Principles and Provisions of the 2019 Association of Investment Companies Code of Corporate Governance (the "AIC Code"). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code 2018 (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company, as an investment trust. The AIC Code is available on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)).

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council ("FRC"), provides more relevant information to Shareholders. AIC members who report against the AIC Code fully meet their obligations under The UK Code and the related disclosure requirements contained in the Listing Rules.

During the financial year ended 30 November 2022, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive Directors' remuneration; and
- the need for an internal audit function.

The Board considers that these provisions are not relevant to this externally managed investment company. The Company has no employees and the day-to-day management and administrative functions are outsourced to third parties.

## THE BOARD COMPOSITION, INDEPENDENCE AND SUCCESSION PLANNING

As at 30 November 2022, the Board consisted of five non-executive Directors, including the Chairman. All Directors have served since the Company's inception, with the exception of Professor Tony Young and Ms Kate Bolsover, who were appointed to the Board on 23 September 2020 and 2 July 2021 respectively.

The Board's current composition comprises 40% female members and 60% male members and one member of an ethnic minority. Hence, the Board are compliant with the recommendations of the Hampton-Alexander review and the Parker review.

All of the Directors are independent of the Investment Manager. All of the Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

The Board believes that during the year ended 30 November 2022 its composition was appropriate for an investment company of the Company's nature and size. The Board's policy for the appointment of Non-Executive Directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds, including but not limited to gender diversity.

The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are given below.

### RANDEEP GREWAL (CHAIRMAN AND CHAIR OF THE MANAGEMENT ENGAGEMENT COMMITTEE)

Randeep is an ex-Fund Manager, with over 20 years of Healthcare investment experience, including Trium Capital, F&C Asset Management, ICAP Equities, Hox Therapeutics, Tissue Regenix and Tudor. Randeep trained as a Vascular and General Surgeon and read both Medicine and Computer Science at Cambridge University.

### JOSEPHINE DIXON (CHAIR OF THE AUDIT AND RISK COMMITTEE AND SENIOR INDEPENDENT DIRECTOR)

Josephine is a chartered accountant who sits on the boards of Strategic Equity Capital plc, Alliance Trust plc and The Global Smaller Companies Trust plc. Her executive experience includes finance, governance and general commercial roles in a number of sectors.

### PAUL SOUTHGATE (NON-EXECUTIVE DIRECTOR)

Paul is a London-based Portfolio Manager at Pictet Asset Management, with over 24 years' investment experience. Before joining Pictet, he was a Managing Partner at Eisenstat Capital Partners (ECAP) and managed European Equities for both Deephaven Capital and Fortress Investments Group. He began his career with UBS Asset Management.



### **PROFESSOR TONY YOUNG OBE (NON-EXECUTIVE DIRECTOR)**

Tony is a practicing frontline NI IS Consultant Urological Surgeon, Director of Medical Innovation at Anglia Ruskin University, President of the Institute of Decontamination Sciences, and National Clinical Director for Innovation for the NHS. He has founded four Med-Tech start-ups and also co-founded the £500 million Anglia Ruskin Med-Tech Campus. Tony was previously a member of the Royal College of Surgeons' Commission on the Future of Surgery (2017 – 2018). In the 2019 New Year's Honours list, Professor Young was awarded the OBE for services to clinical leadership.

### **KATE BOLSOVER (NON-EXECUTIVE DIRECTOR)**

Kate Bolsover worked in the City of London for over 25 years, initially as an analyst and thereafter running the mutual fund businesses of both Baring Asset Management and Cazenove Fund Management. Latterly, she was appointed Director of Corporate Communications for JPMorgan Cazenove. Kate is Chairman of Fidelity Asian Values and is an independent director at Invesco Bond Income Plus, TR Property Investment Trust, and Baillie Gifford & Co Limited.

### **RESPONSIBILITIES OF THE CHAIRMAN, THE BOARD, AND ITS COMMITTEES**

The Chairman leads the Board and is responsible for its overall effectiveness in directing the affairs of the Company. The Company has adopted a document setting out the responsibilities of the Chairman, which is available on the website: <https://www.bellevuehealthcaretrust.com>

### **DIRECTOR TENURE**

The Board recognises the benefits to the Company of having longer serving Directors together with progressive refreshment of the Board. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the requirements of the AIC Code. The Board has adopted corporate governance best practice and has a succession plan in place. No Director of the Company has served for nine years or more and all Directors remain independent of the Company's Investment Manager.

In line with corporate governance best practice, all of the Directors will offer themselves for election/re-election at the AGM of the Company to be held on 28 April 2023. The Board recommends all the Directors stand for re-election for the reasons highlighted above and in the performance appraisal section of this report.

The Directors have appointment letters which do not provide for any specific term. They are subject to re-election by Shareholders at a maximum interval of three years. Copies of the Directors' appointment letters are available on request from the Company Secretary. Upon joining the Board, any new Directors receive an induction and relevant training is available to Directors on an ongoing basis.

A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

A policy of insurance against Directors' and officers' liabilities is maintained by the Company.

### **BOARD COMMITTEES**

The Company has established an Audit and Risk Committee which is chaired by Josephine Dixon and consists of all the Directors.

A report of the Audit and Risk Committee is included in this Annual Report. The Board considers that the members of the Audit and Risk Committee have the requisite skills and experience to fulfil the responsibilities of the Audit and Risk Committee. The Audit and Risk Committee examines the effectiveness of the Company's risk management and internal control systems. It reviews the half-yearly and annual reports and other financial information. It also reviews the scope, results, cost effectiveness, independence and objectivity of the external auditor.

The Company has established a Management Engagement Committee which is chaired by Randeep Grewal and consists of all the Directors. The Management Engagement Committee's principal duties are to consider the terms of appointment of the AIFM and it annually reviews those appointments and the main terms of the AIFM Agreement.

The Board as a whole fulfils the function of the Remuneration Committee and Nomination Committee.

## BOARD DIVERSITY

The Company's policy is that the Board should have an appropriate level of diversity in the boardroom, taking into account relevant skills, experience, gender, social and ethnic backgrounds, cognitive and personal strengths. Brief biographies of the Directors are shown on pages 40 and 41. The policy is to ensure that the Company's Directors bring a wide range of knowledge, experience skills, backgrounds and perspectives to the Board. There will be no discrimination on the grounds of gender, religion, race, ethnicity, sexual orientation, age or physical ability. The overriding aim of the policy is to ensure that the Board is composed of the best combination of people for ensuring effective oversight of the Company and constructive support and challenge to the Investment Manager. Consideration is given to the recommendations of the AIC Code and the Board supports the recommendations of the Hampton Alexander Review.

The Board appraises its collective set of cognitive and personal strengths, independence and diversity on an annual basis, and especially during the recruitment process, so as to ensure it is aligned with the Company's strategic priorities. The performance appraisal process is described below. The Board believes its composition is appropriate for the

Company's circumstances. However, in line with the Board's succession planning and tenure policy, or should strategic priorities change, the Board will review and, if required, adjust its composition.

As at date of this Report, the Board comprises two female and three male Board members.

The Board will take account of the targets set out in the FCA's Listing Rules, which are set out below. The Board voluntarily discloses the following information in relation to its diversity. As an externally managed investment company, the Board employs no executive staff, and therefore does not have a chief executive officer (CEO) or a chief financial officer (CFO) – both of which are deemed senior board positions by the FCA. However, the Board considers the Chair of the Audit and Risk Committee and Senior Independent Director (SID) to be senior board positions and the following disclosure is made on this basis. Other senior board positions recognised by the FCA are Chair of the Board. In addition, the Board has resolved that the Company's year end date be the most appropriate date for disclosure purposes. The following information has been provided by each Director. There have been no changes since 30 November 2022.

## BOARD AS AT 30 NOVEMBER 2022

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
Men	3	60%	1
Women	2	40%	1
Prefer not to say	-	-	-

	Number of Board members	Percentage of the Board	Number of senior positions on the Board
White British or Other White (including minority-white groups)	4	80%	1
Asian/Asian British	1	20%	1
Prefer not to say	-	-	-

## MEETING ATTENDANCE

The actual number of formal meetings of the Board and Committees during the year under review is given below, together with individual Director's attendance at those meetings. The first number in the table is the meetings attended by the individual Director.

	Quarterly Board	Audit and Risk Committee	Management Engagement Committee
<b>Number held</b>	<b>4</b>	<b>3</b>	<b>1</b>
Randeep Grewal	4	3	1
Josephine Dixon	4	3	1
Paul Southgate	4	3	1
Tony Young	4	3	1
Kate Bolsover	4	3	1

There were several other ad hoc Board and Committee meetings to deal with administrative matters, market updates and approve documentation.

## PERFORMANCE APPRAISAL

The Board recognise the importance of the AIC Code's recommendation in respect of evaluating the performance of the Board as a whole, the Committees of the Board and individual Directors.

Following the Company's year end an internal review was conducted of the Board, its Committees, the Directors individually and the Investment Manager, through formal questionnaires and the results of the evaluation were reviewed by the Chairman and discussed with the Board. The conclusions of the performance evaluation were positive and demonstrated that the Board and Investment Manager were operating effectively and showed the necessary commitment to the effective fulfilment of their duties. To note, an external valuation was conducted for the year ended 30 November 2020 and is expected to be conducted for the year ending 30 November 2023.

A formal annual performance appraisal process was performed on the Company's main service providers. The results were reviewed by the Chairman of the Management Engagement Committee and discussed with the Board. The results of the service provider performance evaluation were positive and demonstrated that the service providers were fulfilling their duties effectively.

## INTERNAL CONTROL

Prior to the Company's listing a detailed review was carried out on the financial position, prospects and procedures applicable to the Company.

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the guidance and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. By these procedures the Directors have kept under review the effectiveness of the internal control system throughout the year and up to the date of this report.

## FINANCIAL ASPECTS OF INTERNAL CONTROL

The Directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting

records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. As stated above, the Board has contractually delegated to service providers the services the Company requires. The Board receives and reviews reports on the internal control environments of key suppliers, in order to provide reasonable assurance on the effectiveness of internal financial controls.

The key procedures include review of management accounts and net asset value and monitoring of performance at quarterly Board meetings, segregation of the administrative function from that of securities and cash custody and from investment management, maintenance of appropriate insurance, and adherence to physical and computer security procedures. In addition, procedures have been put in place for authorisation of all expense payments.

The Statement of Directors' Responsibilities in respect of the accounts is on page 53 and a Statement of Going Concern is on pages 38 and 39. The Report of the Independent Auditor is on pages 54 to 61.

## OTHER ASPECTS OF INTERNAL CONTROL

The Board holds quarterly meetings, plus additional meetings as required. Between these meetings there is regular contact with the Investment Manager, the Company Secretary and the Administrator.

The Board has agreed policies with the Investment Manager on key operational issues. The Investment Manager and/or the AIFM reports in writing to the Board on operational and compliance issues. The Investment Manager reports directly to the Audit and Risk Committee concerning the internal controls. The Directors review detailed management accounts from the Administrator, including holdings in the portfolio, transactions and other aspects of the financial position of the Company. The Depositary provides oversight reports for the quarterly Board meetings. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

This contact with the AIFM, Administrator and the other key service providers enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks

involved. The effectiveness of the Company's risk management and internal controls systems is monitored and a formal review, utilising a detailed risk assessment programme has been completed. This included consideration of the Administrator's, the Depositary and the Registrar's internal controls report. There are no significant findings to report from the review.

## PRINCIPAL RISKS

The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed are set out in the Strategic Report on pages 17 to 20.

## RELATIONS WITH SHAREHOLDERS

The Board places great importance on communication with Shareholders. The Company's Investment Manager meets with larger Shareholders and reports to the Board. The Chairman also meets with Shareholders both with the Investment Manager and on his own. Shareholders wishing to communicate with the Chairman or any other Director may do so by writing to the Company Secretary at the registered office of the Company which is shown on page 91 or sending an email to [info@bellevuehealthcaretrust.com](mailto:info@bellevuehealthcaretrust.com).

Information is provided to all Shareholders via the annual and half-yearly accounts and also by the publication of daily NAVs and monthly factsheets.

The Company's Annual General Meeting provides a forum for communication with all Shareholders. The level of proxies lodged for each resolution is announced at the meeting and is published on the Company website, [www.bellevuehealthcaretrust.com](http://www.bellevuehealthcaretrust.com), subsequent to the meeting. Shareholders and potential investors may obtain up-to-date information on the Company from the website.

In line with governance recommendations, if 20% or more of votes cast are against any resolution, the Company would announce what action it intended to take to consult Shareholders views and would provide a summary of the outcome and actions it intended to take within six months of the date at which the vote was held. The Board confirms that none of the resolutions put to Shareholders at the AGM in 2022 received 20% or more of the votes cast against.



## ANNUAL GENERAL MEETING

The Company seeks to provide a minimum of twenty-one days' notice of the AGM and in normal circumstances the Company would encourage all Shareholders to attend the AGM.

In line with the requirements of the Companies Act 2006, the Company will hold an Annual General Meeting ("AGM") of Shareholders to consider the resolutions laid out in the Notice of Meeting on page 85. The Board encourages Shareholders to attend and participate in the Company's forthcoming AGM on 28 April 2023 at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH.

We recognise it is not possible for everyone to attend the AGM and I would remind Shareholders that any questions relating to the business of the AGM can be sent by email to [info@bellevuehealthcaretrust.com](mailto:info@bellevuehealthcaretrust.com).

If Shareholders are unable to attend the meeting in person, they are strongly encouraged to vote by proxy and to appoint the "Chairman of the AGM" as their proxy. Details of how to vote, either electronically, by proxy form or through CREST, can be found in the Notes to the Notice of AGM on pages 87 to 89. The lodging of a form of proxy (or an appointment of a proxy through CREST) will not however prevent a Shareholder from attending the AGM and voting in person if they so wish.

The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue.

All other general meetings shall be convened by not less than twenty-one days' notice to all those members and to the auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen days prior to the general meeting, in which case a general meeting may be convened by not less than fourteen days' notice in writing. A special resolution will be proposed at the AGM to reduce the period of notice for general meetings, other than the AGM, to not less than fourteen days.

## EXERCISE OF VOTING POWERS AND STEWARDSHIP CODE

The Company and the Investment Manager support the UK Stewardship Code issued by the Financial Reporting Council.



# Directors' Remuneration Implementation Report

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An ordinary resolution for the approval of this report will be put forward at the forthcoming AGM.

The Directors' Remuneration Implementation Report is put forward for approval by Shareholders on an annual basis. The result of the Shareholder resolution on the Implementation Report is non-binding on the Company, although it gives Shareholders an opportunity to express their views, which will be taken into account by the Board.

The Directors' Remuneration Policy was approved by Shareholders at the 2021 AGM. In accordance with statute, the policy must be put to Shareholders for approval every three years and the Board must only operate in accordance with the approved policy during the three-year cycle, unless Shareholder approval is sought to amend the policy. Accordingly, unless amended, the remuneration policy will next be put to Shareholders at the AGM to be held in 2024.

The Board has complied with the policy during the year ended 30 November 2022.

The law requires the Company's auditor to audit certain disclosures provided. Where disclosures are audited they are indicated as such. The auditor's opinion is on page 54.

## REMUNERATION

The Company currently has five Non-Executive Directors.

Directors' fees with effect from 1 December 2021, were payable at the rate of £65,000 per annum for the Chairman of the Board; £48,000 per annum for the Chair of the Audit and Risk Committee and £38,000 per annum for the other Board members. An additional £1,000 per annum was payable to the Senior Independent Director and an additional £1,000 per annum was payable to the Chair of the Management Engagement Committee. Net fees payable to the Directors are settled in Ordinary Shares.

Following the year end and with effect from 1 December 2022, annual fees were increased, resulting in Directors' fees of £67,000 per annum for the Chairman of the Board; £49,550 per annum for the Chair of the Audit and Risk

Committee and £39,250 per annum for the other Board members. An additional £1,000 per annum is payable to the Senior Independent Director and an additional £1,000 per annum is payable to the Chair of the Management Engagement Committee. Net fees payable to the Directors are settled in Ordinary Shares.

The Board believes that the level of increase and resulting fees appropriately reflects, the level of demands on the individual Directors that have been developing over the last number of years, prevailing market rates for an investment trust of the Company's size and complexity, the increasing complexity of regulation and resultant time spent by the Directors on matters, and it will also enable the Company to continue to attract appropriately experienced Directors in the future. The increase in the Chairman and Audit and Risk Committee Chair's remuneration reflected the Board's recognition of the additional workload undertaken by them as a result of the increase size of the Company, the increased regulatory and reporting requirements and the consequent increased demands on their time. The Board also takes into consideration RPI, CPI and other inflationary measures and the impact to the Company's ongoing charges following a rise in fees. Board fees are not considered against any performance measure. The Board agreed Directors' fees would only increase by the level of inflation over the next two years.

Due to the size and nature of the Company, it was not deemed necessary to use a remuneration consultant although the Board did take into consideration views from external search consultants on the level of the Company's fees against prevailing market rates, and took these into account in its deliberations.

The Board reviews the fees payable to the Directors on an annual basis and has agreed to align the review of Board fees and any related changes to the Company's year end, as opposed to reviewing them after the year has already commenced.

The current aggregate remuneration that can be paid to Directors under the Company's Articles of Association is £500,000 per annum.

In accordance with the Shareholder Rights Directive, the Board confirms there were no variable pay awards made to the Directors and there were no deferral periods. The annual

percentage change in remuneration in respect of the financial years prior to the current year in respect of each Director role is as follows:

Financial year to	30 Nov 2019	30 Nov 2020	30 Nov 2021	30 Nov 2022
Chairman	3.1%	3%	4.5%	48.2%
Non-executive Director	4.5%	3%	4.7%	24.4%
Chair of the Audit and Risk Committee Supplement	3.8%	3%	5.8%	85.2%
Chair of the Management Engagement Committee Supplement	4.1%	3%	Nil	-60.0%
Senior Independent Director ("SID") Supplement*	-	100%	Nil	-33.3%

\*The Company appointed a Senior Independent Director in 2020.

\*\*The Company reviewed and refreshed the Committee supplement fees for the year ended 30 November 2022.

## DIRECTOR SERVICE CONTRACTS

The Directors do not have service contracts with the Company. The Directors are not entitled to compensation on loss of office. The Directors have appointment letters which do not provide for any specific term. However, they are subject to re-election by Shareholders at a maximum interval of three years. There are no restrictions on transfers of the Company's shares held by the Directors, or any special rights attached to such shares.

## DIRECTORS' INDEMNITIES

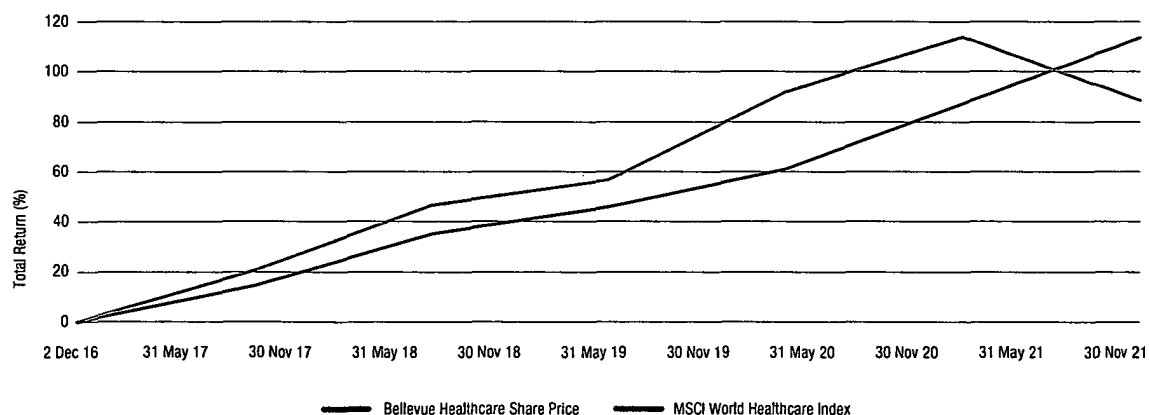
Subject to the provisions of the Companies Act 2006, the Company may indemnify any person who is a Director, secretary or other officer (other than an auditor) of the Company, against (a) any liability whether in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any associated company

or (b) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office; and purchase and maintain insurance for any person who is a Director, secretary, or other officer (other than an auditor) of the Company in relation to anything done or omitted to be done or alleged to have been done or omitted to be done as Director, secretary or officer.

A policy of insurance against Directors' and officers' liabilities is maintained by the Company.

## PERFORMANCE

The following chart shows the performance of the Company's share price by comparison to the MSCI World Healthcare Index (GBP), on a total return basis.



## DIRECTORS' EMOLUMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022

	Fees and taxable benefits to 30 November 2022 £'000	Fees and taxable benefits to 30 November 2021 £'000
Randeep Grewal	66.0	46.4
Josephine Dixon	49.0	37.4
Paul Southgate	38.0	30.5
Tony Young	38.0	30.5
Kate Bolsover	38.0	12.9
Justin Stebbing*	2	30.5
<b>Total</b>	<b>231.0</b>	<b>188.2</b>

\*resigned on 21 December 2021.

There are no other taxable benefits payable by the Company other than certain expenses which may be deemed to be taxable. None of the above fees were paid to third parties.

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the year ended 30 November 2021 was put forward at the AGM held on 22 April 2022. The resolution was passed with 99.91% of the proxy votes cast (including discretionary votes) being in favour of the resolution.

A non-binding ordinary resolution to approve the Directors' Remuneration Policy contained in the Annual Report for the year ended 30 November 2021 was also put forward for approval at the Company's AGM held on 23 April 2021. The resolution was passed with 99.91% of the proxy votes cast (including discretionary votes) being in favour of the resolution.

The Directors' Remuneration Policy will next be put forward for approval at the AGM to be held in 2024.

## RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out the total level of Directors' remuneration compared to the distributions to Shareholders by way of dividends and share buybacks, and the management fees and other expenses incurred by the Company.

Year ended 30 November 2022	2022 £'000	2021 £'000
Income	2,186	4,265
Directors' fees	231	188
Management fees and other expenses	10,456	10,838
Dividends paid and payable to Shareholders	36,780	33,876

**DIRECTORS' HOLDINGS (AUDITED)**

The Directors held the following shareholdings at 30 November 2022 and as at the date of this report. Net fees payable to the Directors, are settled in Ordinary Shares quarterly.

The Directors had the following shareholdings in the Company, all of which are beneficially owned.

	Ordinary Shares as at 30 November 2022	Ordinary Shares as at date of this report	Ordinary Shares as at 30 November 2021
Randeep Grewal	119,693	125,921	97,247
Josephine Dixon	98,466	102,286	84,489
Paul Southgate	83,084	85,724	73,041
Tony Young	20,018	22,658	9,507
Kate Bolsover	14,232	16,872	3,116

**STATEMENT**

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the financial year to 30 November 2022;

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the financial year to 30 November 2022; and
- the context in which the changes occurred and decisions have been taken.

*Randeep Grewal*

**Randeep Grewal**

Chairman

3 March 2023

# Report of the Audit and Risk Committee

## ROLE OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee meets formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and objectivity, and remuneration of the auditor and to review the annual accounts and half-yearly financial report. The Audit and Risk Committee also reviews the Company's internal financial controls and its internal control and risk management systems. Where non-audit services are provided by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement are considered before proceeding.

## COMPOSITION

All of the Directors of the Company are members of the Audit and Risk Committee. The Audit and Risk Committee has formal written terms of reference and copies of these are available on the Company's website or on request from the Company Secretary. The Audit and Risk Committee as a whole has recent and relevant financial experience. The UK Code recommends that the Chairman of the Board should not be a member of the Audit and Risk Committee. However, as permitted by the AIC Code, the Directors believe that membership of the Audit and Risk Committee of the independent Chair of the Board, Randeep Grewal is appropriate, and welcome his contribution.

## INTERNAL AUDIT

The Audit and Risk Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. The Audit and Risk Committee keeps the needs for an internal audit function under periodic review.

## MEETINGS

There have been three Audit and Risk Committee meetings in the year to 30 November 2022. Meeting attendance is shown on page 43 of this Annual Report. Meetings held during the year have continued to be held via a combination of in-person and remote means, such as video conferencing. Committee members have operated effectively and there has been no break in service from the Company's service providers.

## INTERNAL CONTROLS AND RISK MANAGEMENT

The Directors have a dynamic risk register in place to help identify key risks and ensure there are measures in place to manage and mitigate risk; and oversee the effectiveness of internal controls and processes. The risk assessment programme provides a visual reflection of the Company's identified principal and emerging risks, including climate change and the war in Ukraine and their potential impact on the Company's future development and prospects. The risk assessment programme also provides the mitigation measures which key service providers, including the Investment Manager, have in place to maintain operational resilience and business continuity. The Audit and Risk Committee carries out, at least annually, a robust assessment of the principal and emerging risks and uncertainties and monitors the risks on an ongoing basis.

The Board has overall responsibility for the Company's risk management and systems of internal controls and for reviewing their effectiveness. As is the case with most investment trusts, the investment management, accounting, company secretarial, registrar and depositary services have been delegated to third parties. The effectiveness of the internal controls is assessed on a continuing basis and the Committee receives regular reports. The Committee is satisfied that internal controls and processes remained satisfactory, and that appropriate systems are in place.

## FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING MATTERS

The Audit and Risk Committee reviewed the financial statements and considered the following significant accounting issues in relation to the Company's financial statements for the year ended 30 November 2022.

## VALUATION AND EXISTENCE OF INVESTMENTS

The Company holds the majority of its assets in quoted investments. The valuation and existence of these investments is the most material matter in the production of the financial statements. Investments are valued using independent pricing sources and the holding quantities at the year end were agreed to the Depositary's records. The Audit and Risk Committee has reviewed the Administrator's procedures in place for ensuring accurate valuation and existence of investments and is comfortable that these are appropriate.



## RECOGNITION OF INCOME

The Audit and Risk Committee has reviewed the Administrator's procedures for recognition of income and is comfortable that these are appropriate. The Audit and Risk Committee reviews the treatment of any special dividends receivable in the period to ensure that these have been treated appropriately as revenue or capital. During the year no special dividends were received by the Company. Revenue recognition accounting policy are disclosed page 67 of this Annual Report.

## COVID-19 AND GEO-POLITICS

The Russian invasion of Ukraine at the beginning of this year, and the subsequent hike in global energy prices has further shaken a fragile investment environment. During the year, the Board has paid particular attention to the sensitivity of income received from investee companies to volatility in the Sterling/USD foreign exchange rate. Committee members have also sought reassurance that external providers were not in breach of sanctions implemented against Russia following the invasion of Ukraine.

## EUROPEAN SINGLE ELECTRONIC FORMAT ("ESEF")

The ESEF regulations which require the Company to publish their annual financial statements in a common electronic format apply to the Company for this accounting year ended 30 November 2022.

## MATTERS CONSIDERED IN THE YEAR

The UK Corporate Governance Code requires the Company to describe any significant issues considered in relation to the financial statements and how those issues were addressed. While there were no significant issues, two matters of particular focus at the balance sheet date were the Company's Annual Redemption facility and the implementation of the Company's share buyback programme. Both events were discussed in detail by the Committee, with support from the Company's service providers and reporting included in the year end auditor's report. No issues were discovered.

## GOING CONCERN AND VIABILITY STATEMENTS

Having reviewed the Company's financial position, liabilities, principal/emerging risks and uncertainties, the Committee recommended to the Directors that it was appropriate for the Directors to prepare the financial statements on the going concern basis. The viability and going concern statements can be found on pages 21 and 38 to 39 respectively.

## AUDIT TENURE

Ernst & Young LLP has been appointed as the Company's auditor since the Company's launch in October 2016 following a competitive process and review of the auditor's credentials. The re-appointment of the external auditor will be reviewed annually by the Audit and Risk Committee and the Board and is subject to approval by Shareholders. In accordance with the FRC guidance, the audit will be put out to tender within ten years of the initial appointment of Ernst & Young LLP.

In accordance with auditor rotation best practice, the previous Audit Partner, James Beszant was replaced by Ahmer Huda for the year ended 30 November 2022. The appointment of the auditor is reviewed annually by the Audit and Risk Committee and the Board and is subject to approval by Shareholders.

## PROVISION OF NON-AUDIT SERVICES

The Audit and Risk Committee has put a policy in place on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent.

No non-audit fees were payable to the Auditor in the year ended 30 November 2022 (2021: Nil).

The audit fees (excluding VAT) incurred during the year amounted to £50,500 (2021: £45,000). These fees represent an increase over the prior year. The Committee reviewed the audit fees being paid by similar comparative companies and concluded that the increase is in line with audit fee rises experienced across the investment trust sector. Audit firms generally have increased the fees that they charge to investment trusts in order to reflect the increased level of work that they have been required to perform, in the context of more rigorous levels of audit scrutiny and regulation.

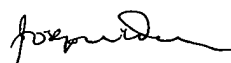
### **AUDITOR INDEPENDENCE**

The Audit and Risk Committee considered the independence of the auditor and the objectivity of the audit process and is satisfied that Ernst & Young LLP has fulfilled its obligations to Shareholders and as independent auditor to the Company for the year. I spoke to Ahmer Huda and his team during the year to discuss feedback from the external audit and am pleased to report that no significant issues arose during the process. The Committee is satisfied that Ernst & Young LLP has provided effective independent challenge in carrying out its responsibilities.

After due consideration, the Audit and Risk Committee recommends the re-appointment of Ernst & Young LLP and their re-appointment will be put forward to the Company's Shareholders at the 2023 AGM.

### **CONCLUSION WITH RESPECT TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS**

The Audit and Risk Committee has concluded that the Annual Report for the year ended 30 November 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's business model, strategy and performance. The Audit and Risk Committee has reported its conclusions to the Board of Directors. The Audit and Risk Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report.



**Josephine Dixon**

Audit and Risk Committee Chair  
3 March 2023



# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the financial statements under UK adopted International Accounting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of the year and of the net return for the year. In preparing these accounts, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- make judgements and estimates which are reasonable and prudent;
- state whether UK adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts are published on the Company's website at [www.bellevuehealthcaretrust.com](http://www.bellevuehealthcaretrust.com), which is maintained by the Company's Investment Manager. The work carried out by the auditor does not involve consideration of the maintenance and integrity of these websites and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the accounts since being initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## DIRECTORS' CONFIRMATION STATEMENT

The Directors each confirm to the best of their knowledge that:

- the accounts, prepared in accordance with UK adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- this Annual Report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Having taken advice from the Audit and Risk Committee, the Directors consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy. For and on behalf of the Board.

*Randeep Grewal*

**Randeep Grewal**

Chairman

3 March 2023



# Independent Auditor's Report

## OPINION

We have audited the financial statements of Bellevue Healthcare Trust PLC (the 'Company') for the year ended 30 November 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 November 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## INDEPENDENCE

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

## CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's

ability to continue to adopt the going concern basis of accounting included:

- Confirmation of our understanding of the Company's going concern assessment process and engaging with the Directors and the Company Secretary to determine if all key factors were considered in their assessment. We considered whether the factors taken account of in the Directors' assessment addressed those matters which we considered important.
- Inspection of the Directors' assessment of going concern, including the revenue and expense forecast, for the period to 3 March 2024 which is at least twelve months from the date these financial statements were authorised for issue. In preparing the revenue and expense forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- Reviewing of the factors and assumptions, including the impact of the current economic environment and other significant events that could give rise to market volatility, as applied to the revenue and expense forecast. We considered the appropriateness of the methods used to calculate the forecast and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment of going concern for the Company.
- Consideration of the mitigating factors included in the revenue and expense forecast that are within the control of the Company, including a review of the Company's assessment of the liquidity of investments held and evaluating the Company's ability to sell investments in order to cover the working capital requirements should its revenue decline significantly. Reviewing of the Director's assessment of the impact on going concern in respect of the annual redemption facility.
- In relation to the Company's borrowing arrangements, assessing the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We calculated the Company's compliance with debt covenants and reviewed reverse stress testing in order to identify what factors would lead to the Company breaching the financial covenants. Reviewing the Company's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 3 March 2024, which is at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors'

statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

## OVERVIEW OF OUR AUDIT APPROACH

<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>• Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Statement of Comprehensive Income</li> <li>• Risk of incorrect valuation or ownership of the investment portfolio</li> </ul>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>• Overall materiality of £10.04m which represents 1% of the Company's Net Asset Value</li> </ul>

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

### Climate change

Stakeholders are increasingly interested in how climate change will impact the Company. The Company has determined that the impact of climate change could affect the Company's investments and their valuations and potentially shareholder returns. These are explained on page 20 in the principal and emerging risks section, which form part of the "Other information," rather than the audited Financial Statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the Financial Statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the Financial Statements as set out in Note 2 and the conclusion that there was no further impact of climate change to be taken into account. In line with UK adopted International Accounting

Standards investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the balance sheet date. All investments therefore reflect the market participants view of climate change risk on the investments held by the Company. We also challenged the Directors' considerations of climate change in their assessment of viability and going concern and associated disclosures. Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p><b>Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Statement of Comprehensive Income</b></p> <p><i>Refer to the Report of the Audit and Risk Committee (page 51); Accounting policies (page 67); and note 5 of the Financial Statements</i></p> <p>The Company has reported investment income for the year ended 30 November 2022 of £1.90m (2021: £4.27m), consisting of dividend income from listed equity investments.</p> <p>There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment.</p> <p>In addition to the above, the Directors are required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Statement of Comprehensive Income.</p> <p>The Company did not receive any special dividends during the year (2021: none).</p>	<p><b>We performed the following procedures:</b></p> <ul style="list-style-type: none"> <li>• Walked through the revenue recognition and classification of special dividends processes and obtained an understanding of the design and implementation of the controls.</li> <li>• For all dividends received and accrued, we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend rate per share, which was agreed to an independent data vendor. We agreed amounts received to bank statements and where applicable, agreed the exchange rates to an external source.</li> <li>• We reviewed the investee company announcement to assess whether the dividend obligation arose prior to 30 November 2022. We did not identify any dividends which needed to be accrued as at the year-end.</li> <li>• To test completeness of recorded income, for a sample of investee companies, we verified that expected dividends during the year had been recorded as income with reference to investee company announcements obtained from an independent data vendor.</li> <li>• For a sample of investments held during the year, we reviewed the type of dividends paid with reference to an external data source to identify those which were special.</li> <li>• Through enquiry we confirmed with management that no special dividends had been received during the year. Our procedures did not identify any special dividends.</li> </ul>	<p>The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital in the Statement of Comprehensive Income.</p>



Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p><b>Risk of incorrect valuation or ownership of the investment portfolio</b></p> <p><i>Refer to the Report of the Audit and Risk Committee (page 50); Accounting policies (page 67); and note 4 of the Financial Statements.</i></p> <p>The Company's investment portfolio consists of listed equity investments valued at £1,043.35m at 30 November 2022 (2021: £1,083.60m).</p> <p>The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders.</p> <p>The fair value of listed investments is determined using quoted market bid prices at close of business on the reporting date.</p>	<p><b>We performed the following procedures:</b></p> <ul style="list-style-type: none"> <li>• Walked through the investment valuation and legal title process to obtain an understanding of the design and implementation of the controls.</li> <li>• For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end.</li> <li>• We inspected the stale pricing report produced by the Administrator to identify prices that have not changed and verified whether the listed price is a valid fair value through review of trading activity.</li> <li>• We compared the Company's investment holdings at 30 November 2022 to independent confirmation received directly from the Company's Custodian.</li> </ul>	<p>The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio.</p>

## OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £10.04 million (2021: £10.33 million), which is 1% (2021: 1%) of the Company's Net Asset Value. We believe that Net Asset Value provides us with the most important financial metric on which shareholders would judge the performance of the Company.

### Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an

appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £7.53m (2021: £7.75m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for investment trusts, we have also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.50m (2021: £0.52m) being the greater of the reporting threshold and 5% of the net revenue return on ordinary activities before taxation.

### Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.50m (2021: £0.52m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 1 to 53, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



## CORPORATE GOVERNANCE STATEMENT

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 38;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 39;
- Directors' statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 39;
- Directors' statement on fair, balanced and understandable set out on page 52;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 50;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 50; and
- The section describing the work of the Audit and Risk Committee set out on page 50.

## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' responsibilities set out on page 50, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate

the Company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are UK adopted International accounting standards, the Companies Act 2006, AIC SORP, the Listing Rules, the UK Corporate Governance Code, Section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks through discussions with the Audit and Risk Committee and Company Secretary and review of Board minutes.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the Company Secretary's reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- Following the recommendation from the Audit and Risk Committee, we were appointed by the Company on 27 November 2017 to audit the financial statements for the period ended 30 November 2017 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the years ending 30 November 2017 to 30 November 2022.

- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

## USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Ernst & Young LLP

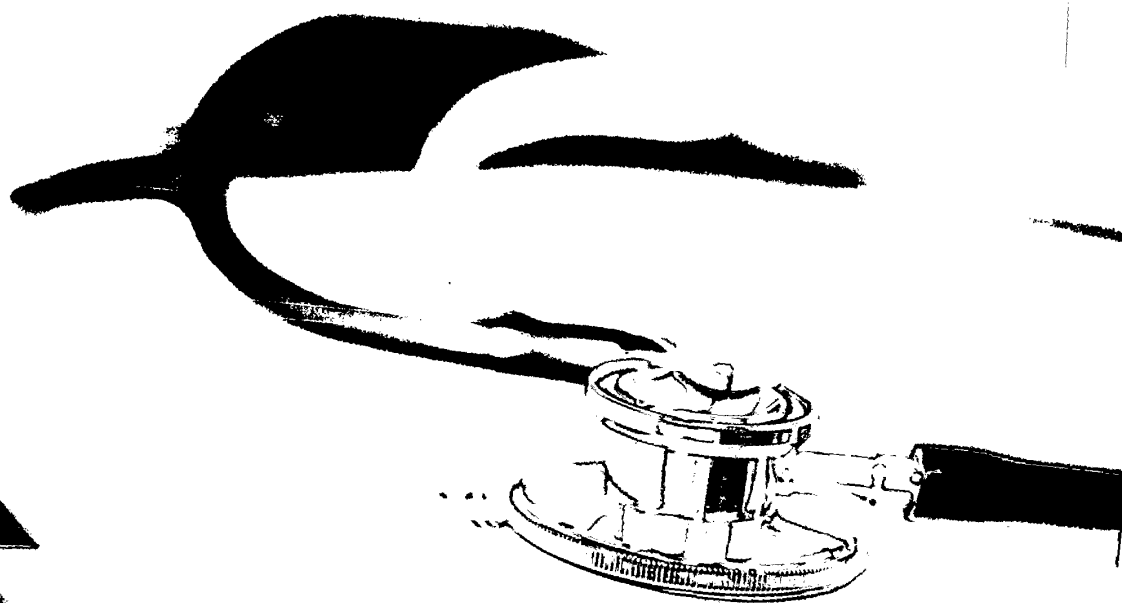
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**Ahmer Huda** (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

3 March 2023

# Financial Statements





# Statement of Comprehensive Income

for the year ended 30 November 2022

	Note	Year ended 30 November 2022			Year ended 30 November 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	4	-	(19,980)	(19,980)	-	98,796	98,796
Losses on currency movements		-	(9,839)	(9,839)	-	(3,805)	(3,805)
<b>Net investment (losses)/gains</b>		<b>-</b>	<b>(29,819)</b>	<b>(29,819)</b>	<b>-</b>	<b>94,991</b>	<b>94,991</b>
Income	5	2,186	-	2,186	4,265	-	4,265
<b>Total income</b>		<b>2,186</b>	<b>(29,819)</b>	<b>(27,633)</b>	<b>4,265</b>	<b>94,991</b>	<b>99,256</b>
Investment management fees	6	(1,877)	(7,510)	(9,387)	(1,923)	(7,691)	(9,614)
Other expenses	7	(1,069)	-	(1,069)	(1,224)	-	(1,224)
<b>(Loss)/profit before finance costs and taxation</b>		<b>(760)</b>	<b>(37,329)</b>	<b>(38,089)</b>	<b>1,118</b>	<b>87,300</b>	<b>88,418</b>
Finance costs	8	(610)	(2,440)	(3,050)	(102)	(407)	(509)
<b>Operating (loss)/profit before taxation</b>		<b>(1,370)</b>	<b>(39,769)</b>	<b>(41,139)</b>	<b>1,016</b>	<b>86,893</b>	<b>87,909</b>
Taxation	9	(285)	-	(285)	(659)	-	(659)
<b>(Loss)/profit for the year</b>		<b>(1,655)</b>	<b>(39,769)</b>	<b>(41,424)</b>	<b>357</b>	<b>86,893</b>	<b>87,250</b>
<b>Return per Ordinary Share</b>	10	<b>(0.28)p</b>	<b>(6.84)p</b>	<b>(7.12)p</b>	<b>0.07p</b>	<b>16.44p</b>	<b>16.51p</b>

There is no other comprehensive income and therefore the '(Loss)/profit for the year' is the total comprehensive income for the year.

The total column of the above statement is the statement of comprehensive income of the Company. The supplementary revenue and capital columns, including the earnings per Ordinary Shares, are prepared under guidance from the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

The notes on pages 66 to 80 form and integral part of these financial statements.



# Statement of Financial Position

as at 30 November 2022

	Note	30 November 2022 £'000	30 November 2021 £'000
<b>Non-current assets</b>			
Investments held at fair value through profit or loss	4	1,043,349	1,083,590
<b>Current assets</b>			
Cash and cash equivalents		46,368	27,994
Sales for future settlement		855	-
Other receivables	11	392	167
		<b>47,615</b>	<b>28,161</b>
<b>Total assets</b>		<b>1,090,964</b>	<b>1,111,751</b>
<b>Current liabilities</b>			
Purchases for future settlement		(1,395)	(9,326)
Bank loans payable	12	(83,731)	(67,850)
Other payables	13	(1,512)	(1,108)
<b>Total liabilities</b>		<b>(86,638)</b>	<b>(78,284)</b>
<b>Net assets</b>		<b>1,004,326</b>	<b>1,033,467</b>
<b>Equity</b>			
Share capital	14	5,881	5,602
Share premium account		617,371	568,910
Special distributable reserve		28,347	64,392
Capital reserve		354,017	393,786
Revenue reserve		(1,290)	777
<b>Total equity</b>		<b>1,004,326</b>	<b>1,033,467</b>
<b>Net asset value per Ordinary Share</b>	16	<b>171.16p</b>	<b>184.91p</b>

Approved by the Board of Directors on and authorised for issue on 3 March 2023 and signed on their behalf by:

*Randeep Grewal*

**Randeep Grewal**  
Chairman

Registered in England and Wales with registered number 10415235.

The notes on pages 66 to 80 form and integral part of these financial statements.

# Statement of Changes in Equity

for the year ended 30 November 2022

	Notes	Share Capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening balance as at 01 December 2021		5,602	568,910	64,804	393,786	365	<b>1,033,467</b>
Loss for the year		-	-	-	(39,769)	(1,655)	<b>(41,424)</b>
Issue of Ordinary Shares	14	279	48,887	-	-	-	<b>49,166</b>
Ordinary Share issue costs		-	(426)	-	-	-	<b>(426)</b>
Dividend paid	15	-	-	(36,457)	-	-	<b>(36,457)</b>
<b>Closing balance as at 30 November 2022</b>		<b>5,881</b>	<b>617,371</b>	<b>28,347</b>	<b>354,017</b>	<b>(1,290)</b>	<b>1,004,326</b>

for the year ended 30 November 2021

	Notes	Share Capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening balance as at 01 December 2020		4,900	437,213	93,676	306,893	420	<b>843,102</b>
Prior year dividends reallocation		-	-	412	-	(412)	-
Profit for the year		-	-	-	86,893	357	<b>87,250</b>
Issue of Ordinary Shares	14	702	132,562	-	-	-	<b>133,264</b>
Ordinary Share issue costs		-	(865)	-	-	-	<b>(865)</b>
Dividend paid	15	-	-	(29,284)	-	-	<b>(29,284)</b>
<b>Closing balance as at 30 November 2021</b>		<b>5,602</b>	<b>568,910</b>	<b>64,804</b>	<b>393,786</b>	<b>365</b>	<b>1,033,467</b>

The Company's distributable reserves consist of the special distributable reserve, capital reserve attributable to realised profit and revenue reserve.

The Company can use its distributable reserves to fund dividends, redemptions of Ordinary Shares and share buy backs.



# Statement of Cash Flows

for the year ending 30 November 2022

	Year ended 30 November 2022 £'000	Year ended 30 November 2021 £'000
<b>Operating activities Cash flows</b>		
Income*	2,186	4,425
Management expenses	(10,794)	(10,649)
Taxation	(285)	(659)
<b>Net cash flow used in operating activities</b>	<b>(8,893)</b>	<b>(6,883)</b>
<b>Investing activities Cash flows</b>		
Purchase of investments	(599,039)	(864,728)
Sale of investments	610,527	640,120
<b>Net cash flow from/(used in) investing activities</b>	<b>11,488</b>	<b>(224,608)</b>
<b>Financing activities Cash flows</b>		
Bank loans drawn	45,174	65,663
Bank loans repaid	(44,885)	-
Finance costs paid	(2,546)	(465)
Dividend paid	(36,457)	(29,284)
Proceeds from issue of Ordinary Shares	49,166	133,264
Ordinary Share issue costs	(426)	(865)
<b>Net cash flow from financing activities</b>	<b>10,026</b>	<b>168,313</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>12,621</b>	<b>(63,178)</b>
Cash and cash equivalents at start of year	27,994	92,789
Effect of foreign currency movements	5,753	(1,617)
<b>Cash and cash equivalents at end of year</b>	<b>46,368</b>	<b>27,994</b>

\* Cash inflow from dividends for the financial year was £1,618,000 (2021: £3,764,000). Bank deposits interest income received during the year was £283,000 (2021: £nil).

The table below shows the movement in borrowings during the year.

	Year ended 30 November 2022 £'000	Year ended 30 November 2021 £'000
<b>Opening balance</b>	<b>67,850</b>	-
Repayment of bank loans	(44,885)	-
Proceeds from bank loans drawn	45,174	65,663
Foreign exchange movements	15,592	2,187
<b>Closing balance</b>	<b>83,731</b>	<b>67,850</b>

The notes on pages 66 to 80 form and integral part of these financial statements.

# Notes to the Financial Statements

## 1. REPORTING ENTITY

Bellevue Healthcare Trust plc, formerly BB Healthcare Trust plc, is a closed-ended investment company, registered in England and Wales on 7 October 2016. The Company's registered office is 6th Floor, 125 London Wall, London, EC2Y 5AS. Business operations commenced on 2 December 2016 when the Company's Ordinary Shares were admitted to trading on the London Stock Exchange. The financial statements of the Company are presented for the year from 1 December 2021 to 30 November 2022.

The Company invests in a concentrated portfolio of listed or quoted equities in the global healthcare industry. The Company may also invest in American Depositary Receipts (ADRs), or convertible instruments issued by such companies and may invest in, or underwrite, future equity issues by such companies. The Company may utilise contracts for differences for investment purposes in certain jurisdictions where taxation or other issues in those jurisdictions may render direct investment in listed or quoted equities less effective.

## 2. BASIS OF PREPARATION

### Statement of compliance

These financial statements have been prepared in accordance with UK adopted International Accounting Standards.

In preparing these financial statements the directors have considered the impact of climate change as a risk as set out on page 20, and have concluded that there was no further impact of climate change to be taken into account. In line with IAS investments are valued at fair value, which for the Company is quoted bid prices for investments in active markets at the Statement of Financial Position date and therefore reflect market participants' view of climate change risk on the investments we hold.

When presentational guidance set out in the Statement of Recommended Practice ('SORP') for Investment Companies issued by the Association of Investment Companies ('the AIC') in July 2022 is consistent with the requirements of UK adopted International Accounting Standards, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

### Going concern

The Directors have adopted the going concern basis in preparing the financial statements.

In forming this opinion, the directors have considered the adequacy of the Company's operational resources, liquidity of the investment portfolio, debt covenants and any potential impact of the ongoing COVID-19 pandemic as well as the war in Ukraine may have on the going concern and viability of the Company. In making their assessment, the Directors have reviewed income and expense projections and the liquidity of the investment portfolio, and considered the mitigation measures which key service providers, including the Investment Manager, have in place to maintain operational resilience.

The Company's ability to continue as a going concern for the period assessed by the Directors, being the period to 30 November 2024 which is at least 18 months from the date the financial statements were authorised for issue.

### Significant accounting estimates, judgements and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected. Except for the Company's investment in the Alder contingent variable right (CVR), there have been no estimates, judgements or assumptions, which have had a significant impact on the financial statements for the year. The Company had no holdings in the CVR as at the year end.

**Basis of measurement**

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

**Functional and presentation currency**

The financial statements are presented in sterling, which is the Company's functional currency. The Company's investments are denominated in multiple currencies. However, the Company's shares are issued in sterling and the majority of its investors are UK based. In addition, all expenses are paid in GBP as are dividends. All financial information presented in sterling have been rounded to the nearest thousand pounds.

**3. ACCOUNTING POLICIES****(a) Investments**

Upon initial recognition investments are classified by the Company "at fair value through profit or loss". They are accounted for on the date they are traded and are included initially at fair value which is taken to be their cost. Subsequently, quoted investments are valued at fair value, which is the bid market price, or if bid price is unavailable, the last traded price on the relevant exchange. Unquoted investments are valued at fair value by the Board which is established with regard to the International Private Equity and Venture Capital Valuation Guidelines by using, where appropriate, latest dealing prices, valuations from reliable sources and other relevant factors.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the capital column of the Statement of Comprehensive Income within "(Losses)/gains on investments".

Investments are derecognised on the trade date of their disposal, which is the point where the Company transfers substantially all the risks and rewards of the ownership of the financial asset.

**(b) Foreign currency**

Transactions denominated in foreign currencies are translated into sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities, and non-monetary assets held at fair value denominated in foreign currencies are translated into sterling using London closing foreign exchange rates at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss to capital or revenue in the Statement of Comprehensive Income as appropriate. Foreign exchange movements on investments are included in the Statement of Comprehensive Income within Gains/Losses on Investments.

**(c) Income from investments**

Dividend income from shares is recognised on ex-dividend dates. Overseas income is grossed up at the appropriate rate of tax.

Special dividends are assessed on their individual merits and may be credited to the Statement of Comprehensive Income as a capital item if considered to be closely linked to reconstructions of the investee company or other capital transactions. All other investment income is credited to the Statement of Comprehensive Income as a revenue item. Interest receivable is accrued on a time apportionment basis.

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### **(d) Reserves**

##### **Capital reserves**

Profits achieved in cash by selling investments and changes in fair value arising upon the revaluation of investments that remain in the portfolio are all charged to the capital column of the Statement of Comprehensive Income and allocated to the capital reserve.

##### **Special distributable reserve**

Following admission of the Company's Ordinary Shares to trading on the London Stock Exchange, the Directors applied to the Court to cancel the share premium account at the time to create a special distributable reserve which may be treated as distributable reserves and out of which tender offers and share buybacks may be funded. This reserve may also be used to fund dividend payments.

The Company's distributable reserves consist of the special distributable reserve, capital reserve attributable to realised profit and revenue reserve.

##### **Share premium**

The share premium account arose from the net proceeds of sale of new shares. The excess of the issue price of a share over its nominal value.

##### **Revenue reserves**

The revenue reserve reflects all income and expenditure recognised in the revenue column of the income statement and is distributable by way of dividends.

#### **(e) Expenses**

All expenses are accounted for on an accruals basis. Expenses directly related to the acquisition or disposal of an investment (transaction costs) are taken to the income statement as a capital item.

Expenses are recognised through the Statement of Comprehensive Income as revenue items except as follows:

##### **Investment management fees**

In accordance with the Company's stated policy and the Directors expectation of the split of future returns, 80% of investment management fees are charged as a capital item in the Statement of Comprehensive Income.

##### **Finance costs**

Finance costs include interest payable and direct loan costs. In accordance with Directors' expectation of the split of future returns, 80% of finance costs are charged as capital items in the Statement of Comprehensive Income. Loan arrangement costs are amortised over the term of the loan.

#### **(f) Cash and cash equivalents**

Cash comprises cash at hand and on-demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risks of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.



### (g) Taxation

Irrecoverable taxation on dividends is recognised on an accrual basis in the Statement of Comprehensive Income.

#### Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains in UK.

### (h) Financial liabilities

Bank loans and overdrafts are classified as financial liabilities at amortised cost. They are initially recorded at the proceeds received, net of direct issue costs, and subsequently recorded at amortised cost using the effective interest method.

### (i) Adoption of new IFRS standards

#### New standards, interpretations and amendments adopted from 1 January 2022

A number of new standards, amendments to standards are effective for the annual periods beginning after 1 January 2022. None of these have a significant effect on the measurement of the amounts recognised in the financial statements of the Company.

#### New standards and amendments issued but not yet effective

The relevant new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. These standards are not expected to have a material impact on the entity in future reporting periods and on foreseeable future transactions.

#### Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

#### Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

#### Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023.

### (j) Equity shares

The Company has treated the Ordinary Shares and Management Shares as equity in accordance with IAS 32 Financial Instruments: Presentation, which classifies financial instruments into financial assets, financial liabilities and equity instruments. Both share classes have an entitlement to the residual interest in the assets of the Company after deducting liabilities, suffice that the Management Shares have no participation in any surplus beyond their paid up capital. The Management Shares are not redeemable, but the Ordinary Shares are subject to an annual redemption option at the discretion of the Directors. Redemption requests are matched with buyers in the market or cancelled by the Company. Ordinary Shares participate in dividends and any other profits of the Company.



## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### Segmental reporting

The Board has considered the requirements of IFRS 8 – "Operating Segments". The Company has entered into an Investment Management Agreement with the Investment Manager under which the Investment Manager is responsible for the management of the Company's investment portfolio, subject to the overall supervision of the Board of Directors. Accordingly, the Board is deemed to be the "Chief Operating Decision Maker" of the Company.

The Directors are of the opinion that the Company is engaged in a single segment of business being that of an investment trust, as disclosed in note 1.

#### 4. INVESTMENT HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

As at	30 November 2022 £'000	30 November 2021 £'000
Investments held at fair value through profit or loss		
– Quoted overseas	1,043,349	1,083,590
<b>Closing valuation</b>	<b>1,043,349</b>	<b>1,083,590</b>

#### (b) Movements in valuation

	£'000	£'000
Opening valuation	1,083,590	753,375
Opening unrealised losses/(gains)	7,839	(59,570)
Opening book cost	1,091,429	693,805
Additions, at cost	590,922	869,203
Disposals, at cost	(507,626)	(471,579)
Closing book cost	1,174,725	1,091,429
Revaluation of investments	(131,376)	(7,839)
<b>Closing valuation</b>	<b>1,043,349</b>	<b>1,083,590</b>

In respect of the investments sold during the year, they have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Transaction costs on investment purchases for the year ended 30 November 2022 amounted to £186,000 (30 November 2021: £299,000) and on investment sales for the financial year to 30 November 2022 amounted to £198,000 (30 November 2021: £201,000). The above transaction costs are calculated in line with the AIC SORP.

#### (c) Gains on investments

	£'000	£'000
Realised gains on disposal of investments	103,557	166,205
Movement in unrealised losses on investments held	(123,537)	(67,409)
<b>Total (losses)/gains on investments</b>	<b>(19,980)</b>	<b>98,796</b>

Under IFRS 13 'Fair Value Measurement', an entity is required to classify investments using a fair value hierarchy that reflects the significance of the inputs used in making the measurement decision.



The following shows the analysis of financial assets recognised at fair value based on:

**Level 1**

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

**Level 2**

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

**Level 3**

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The classification of the Company's investments held at fair value is detailed in the table below:

	30 November 2022			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss – Quoted	1,043,349	-	-	1,043,349

	30 November 2021			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss – Quoted	1,082,991	-	599	1,083,590

The Company had no Level 3 investment as at the year ended 30 November 2022. The level 3 investment for 2021 comprises a contingent variable right ("CVR") received as a partial consideration when the Company's investment in Alder Biopharmaceuticals was acquired by Lundbeck in 2019, which offered to buy the holdings in Alder Biopharmaceuticals for a cash bid of \$18 and \$2 cash contingent value rights.

The movement in the Level 3 unquoted investments during the year is shown below:

	30 November 2022 £'000	30 November 2021 £'000
Opening balance	599	595
Foreign exchange gains	66	4
Proceeds on disposal	(1,305)	-
Realised gains on disposal	640	-
<b>Closing balance</b>	<b>-</b>	<b>599</b>

There were no transfers between levels during the year ended 30 November 2022 (2021: nil).

**Fair values of financial assets and financial liabilities**

All financial assets and liabilities are recognised in the financial statements at fair value, with the exception of short-term assets and liabilities, which are held at nominal value that approximates to fair value, and loans that are initially recognised at the fair value of the consideration received, less directly attributable costs, and subsequently recognised at amortised cost. The carrying value of the loans approximates to the fair value of the loans.

NOTES TO THE FINANCIAL STATEMENTS  
CONTINUED

## 5. INCOME

	Year ended 30 November 2022 £'000	Year ended 30 November 2021 £'000
<b>Income from investments</b>		
Overseas dividends	1,903	4,265
Bank interest on deposits	283	-
<b>Total income</b>	<b>2,186</b>	<b>4,265</b>

## 6. PORTFOLIO MANAGEMENT FEE

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	1,877	7,510	<b>9,387</b>	1,923	7,691	<b>9,614</b>

The Company's Investment Manager is Bellevue Asset Management (UK) Ltd (the 'Investment Manager'). The Investment Manager is entitled to receive a management fee payable monthly in arrears and calculated at the rate of one-twelfth of 0.95% per calendar month of market capitalisation. Market capitalisation means the average of the mid-market prices for an Ordinary Share, as derived from the daily official list of the London Stock Exchange on each business day in the relevant calendar month multiplied by the number of Ordinary Shares, in issue on the last business day of the relevant calendar month excluding any Ordinary Shares held in treasury.

There is no performance fee payable to the Investment Manager.

## 7. OTHER EXPENSES

	2022 £'000	2021 £'000
Administration & secretarial fees	257	250
Auditor's remuneration – statutory audit	50	45
Broker fees	4	48
Consultancy fees	26	66
Custody services	203	230
Directors' fees	231	188
Printing	28	18
Public relations	2	48
Registrar fees	72	81
Marketing fees	-	46
Other expenses	196	204
<b>Total</b>	<b>1,069</b>	<b>1,224</b>



## 8. FINANCE COSTS

	Year ended 30 November 2022		
	Revenue £'000	Capital £'000	Total £'000
Loan interest	597	2,389	<b>2,986</b>
Other finance costs	13	51	<b>64</b>
<b>Total</b>	<b>610</b>	<b>2,440</b>	<b>3,050</b>

	Year ended 30 November 2021		
	Revenue £'000	Capital £'000	Total £'000
Loan interest	98	391	<b>489</b>
Other finance costs	4	16	<b>20</b>
<b>Total</b>	<b>102</b>	<b>407</b>	<b>509</b>

## 9. TAXATION

### (a) Analysis of charge:

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Withholding tax expense	285	-	<b>285</b>	659	-	<b>659</b>
<b>Total tax charge for the year</b>	<b>285</b>	<b>-</b>	<b>285</b>	<b>659</b>	<b>-</b>	<b>659</b>

### (b) Factors affecting the tax charge for the year:

The effective UK corporation tax rate for the year is 19% (2021: 19%). The tax charge differs from the charge resulting from applying the standard rate of UK corporation tax for an investment trust company. The differences are explained below:

	2022 Total £'000	2021 Total £'000
Operating (loss)/profit before taxation	(41,139)	87,909
UK Corporation tax at 19% (2021: 19%)	(7,816)	16,703
Effects of:		
Losses/(gains) on investments not taxable	5,666	(18,048)
Overseas dividends not taxable	(362)	(810)
Withholding tax expense	285	659
Unutilised excess expenses	2,512	2,155
<b>Total tax charge</b>	<b>285</b>	<b>659</b>

The Company is not liable to tax on capital gains due to its status as an investment trust. The Company has an unrecognised deferred tax asset of £11,190,000 (2021: £6,806,000) based on the prospective UK corporation tax rate of 25%. This asset has accumulated because deductible expenses exceeded taxable income for the year ended 30 November 2022. No asset has been recognised in the accounts because, given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 10. RETURN PER SHARE

Return per share is based on the weighted average number of Ordinary Shares in issue during the year ended 30 November 2022 of 581,357,335 (30 November 2021: 509,593,031). Management Shares do not participate in the profits of the Company, hence they are not included in the calculation below.

	As at 30 November 2022		
	Revenue	Capital	Total
Loss for the year (£'000)	(1,655)	(39,769)	<b>(41,424)</b>
Losses per Ordinary Share (basic & diluted)	(0.28)p	(6.84)p	<b>(7.12)p</b>

	Year ended 30 November 2021		
	Revenue	Capital	Total
Profit for the period (£'000)	357	86,893	<b>87,250</b>
Return per Ordinary Share (basic & diluted)	0.07p	16.44p	<b>16.51p</b>

### 11. OTHER RECEIVABLES

	As at 30 November 2022 £'000	As at 30 November 2021 £'000
Prepayments	124	52
VAT recoverable	231	79
Recoverable tax on dividend	37	36
<b>Total</b>	<b>392</b>	<b>167</b>

### 12. BANK LOANS

The Company has a multi-currency revolving credit facility RCF with The Bank of Nova Scotia, London Branch. On 16 June 2022, the Company renewed and amended its RCF. Under the terms of the amended RCF, the Company may draw down loans up to an aggregate value of USD 280 million. The increased facility will expire in December 2024.

As at 30 November 2022, the aggregate of loans draw down was £83,731,000 (2021: £67,850,000).

The table below shows the breakdown of the loans.

#### As at 30 November 2022

Currency of loans	Local currency amount	GBP equivalent £'000	Interest rate per annum (%)	Maturity date
USD loan	\$20,000,000	16,746	3.8	28 Dec. 2022
USD loan	\$20,000,000	16,746	2.26	27 Jan. 2023
USD loan	\$20,000,000	16,746	2.26	27 Mar. 2023
USD loan	\$20,000,000	16,746	2.26	30 May. 2023
USD loan	\$20,000,000	16,747	2.26	27 Jul. 2023
<b>Total loans in GBP</b>		<b>83,731</b>		



### As at 30 November 2021

Currency of loans	Local currency amount	GBP equivalent £'000	Interest rate per annum (%)	Maturity date
USD loan	\$55,000,000	41,464	1.03088	31 Jan. 2022
USD loan	\$35,000,000	26,386	1.32060	31 Jan. 2022
<b>Total loans in GBP</b>		<b>67,850</b>		

A commitment fee is calculated at 0.35 per cent per annum, if the unutilised amount equals or exceeds 50 per cent of the total commitment; or 0.45 per cent per annum if the unutilised amount is less than 50 per cent of the total commitment.

In the opinion of the Directors, the fair value of the bank loans is not materially different to their amortised costs.

### 13. OTHER PAYABLES

	As at 30 November 2022 £'000	As at 30 November 2021 £'000
Loan interest payable	528	44
Accrued expenses	984	1,048
Broker commission payable - Alvarium	-	16
<b>Total</b>	<b>1,512</b>	<b>1,108</b>

### 14. SHARE CAPITAL

	As at 30 November 2022		As at 30 November 2021	
	No. of shares	£'000	No. of shares	£'000
<b>Allotted, issued and fully paid:</b>				
Redeemable Ordinary Shares of 1p each ('Ordinary Shares')	586,783,083	5,868	558,910,904	5,589
Management Shares of £1 each	50,001	13	50,001	13
<b>Total</b>	<b>586,833,084</b>	<b>5,881</b>	<b>558,960,905</b>	<b>5,602</b>

#### Share Movement

27,872,179 Ordinary Shares were issued during the year to 30 November 2022 (30 November 2021: 70,191,215) with aggregate proceeds of £49,167,000 (30 November 2021: £133,264,000). As at 30 November 2022, the total number of Ordinary Shares in issue is 586,783,083 (30 November 2021: 558,960,905) with a total share capital value of £5,881,000 (30 November 2021: 5,602,000).

Since 30 November 2022 no further shares were issued, however as at 1 March 2023, 5,730,528 Ordinary Shares were bought back into treasury through the Company's share buyback programme and 30,577,550 Ordinary Shares were redeemed and cancelled by the Company, in line with the Company's annual redemption facility.

The redemption point is the last business day of November and redemption price is announced the following day. The Company announced on 1 December 2022 that 30,577,550 Ordinary Shares would be redeemed, with Shareholders receiving a Redemption Price of 164.34 pence per share.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 15. DIVIDEND

	Year ended 30 November 2022				Year ended 30 November 2021			
	Pence per Ordinary Share	Special reserve £'000	Revenue reserve £'000	Total £'000	Pence per Ordinary Share	Special reserve £'000	Revenue reserve £'000	Total £'000
Final dividend - 2020		-	-	-	2.500p	12,476	412	<b>12,888</b>
Interim dividend - 2021		-	-	-	3.015p	16,396	-	<b>16,396</b>
Final dividend - 2021	3.015p	17,480	-	<b>17,480</b>	-	-	-	-
Interim dividend - 2022	3.235p	18,977	-	<b>18,977</b>	-	-	-	-
<b>Total</b>	<b>6.250p</b>	<b>36,457</b>	<b>-</b>	<b>36,457</b>	<b>5.515p</b>	<b>28,872</b>	<b>412</b>	<b>29,284</b>

The dividend relating to the year ending 30 November 2022, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered is detailed below:

	Year ended 30 November 2022				Year ended 30 November 2021			
	Pence per Ordinary Share	Special reserve £'000	Revenue reserve £'000	Total £'000	Pence per Ordinary Share	Special reserve £'000	Revenue reserve £'000	Total £'000
Interim dividend – paid	3.235p	18,977	-	<b>18,977</b>	3.015p	16,369	-	<b>16,369</b>
Final dividend – payable/paid	3.235p	17,803	-	<b>17,803</b>	3.015p	17,480	-	<b>17,480</b>
<b>Total</b>	<b>6.470p</b>	<b>36,780</b>	<b>-</b>	<b>36,780</b>	<b>6.030p</b>	<b>33,849</b>	<b>-</b>	<b>33,849</b>

The Directors recommend the payment of a final dividend for the year of 3.235p per share. Subject to approval at the Company's Annual General Meeting, the dividend will have an ex-dividend date of 16 March 2023 and will be paid on 5 May 2023 to shareholders on the register at 17 March 2023. The dividend will be funded from the Company's distributable reserves as per the table above.

### 16. NET ASSETS PER ORDINARY SHARE

Net assets per Ordinary Share as at 30 November 2022 is based on £1,004,326,000 of net assets of the Company attributable to the 586,783,083 Ordinary Shares in issue as at 30 November 2022. £12,500 of net assets as at 30 November 2022 is attributable to the Management Shares as they are a quarter paid up.

### 17. RELATED PARTY TRANSACTIONS

Fees payable to the Investment Manager are shown in the Statement of Comprehensive Income. As at 30 November 2022, the fee outstanding to the Investment Manager was £744,000 (2021: £858,000).

Directors' fees paid during the year are disclosed within the Directors Remuneration Report on page 48. Fees payable as at 30 November 2022 were £37,667 (2021: £35,185). The Directors' fees and shareholdings are disclosed in the Directors' Remuneration Implementation Report on pages 46 to 49 in this Annual Report and in note 7 to the financial statements.

### 18. POST BALANCE SHEET EVENTS

On 1 December 2023, the Company announced that 30,577,550 Ordinary Shares would be redeemed, with Shareholders receiving a Redemption Price of 164.34 pence per share.

On 13 February 2023, Alvarium Securities Limited ceased to be the Company's joint broker, with J.P. Morgan Securities plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove) retained as the Company's sole corporate broker.



## 19. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURE

### (i) Market risks

The Company is subject to a number of market risks in relation to economic conditions and healthcare companies. Further details on these risks and the management of these risks are included in the Directors' report.

The Company's financial assets and liabilities at 30 November 2022 comprised:

	2022			2021		
	Interest bearing £'000	Non-interest bearing £'000	Total £'000	Interest bearing £'000	Non-interest bearing £'000	Total £'000
<b>Investments</b>						
Swiss franc	-	12,269	<b>12,269</b>	-	-	-
Hong Kong	-	9,724	<b>9,724</b>	-	19,866	<b>19,866</b>
US dollar	-	1,021,356	<b>1,021,356</b>	-	1,063,724	<b>1,063,724</b>
<b>Total investment</b>	-	<b>1,043,349</b>	<b>1,043,349</b>	-	<b>1,083,590</b>	<b>1,083,590</b>
Cash at bank	46,368	-	<b>46,368</b>	27,994	-	<b>27,994</b>
Short term receivables	-	1,247	<b>1,247</b>	-	167	<b>167</b>
Bank loans payable-US dollar	(83,731)	-	<b>(83,731)</b>	(67,850)	-	<b>(67,850)</b>
Short term payables	-	(2,907)	<b>(2,907)</b>	-	(10,434)	<b>(10,434)</b>
<b>Total</b>	<b>(37,363)</b>	<b>(1,660)</b>	<b>(39,023)</b>	<b>(39,856)</b>	<b>(10,267)</b>	<b>(50,123)</b>

### Market price risk sensitivity

The effect on the portfolio of a 10.0% increase or decrease in market prices would have resulted in an increase or decrease of £104,335,000 (2021: £108,359,000) in the investments held at fair value through profit or loss at the period end, which is equivalent to 10.4% (2021: 10.1%) in the net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

### (ii) Liquidity risks

Liquidity risk is the risk that the Company will not be able to meet its obligations when due. There is a risk that the Company's holdings may not be able to be realised at reasonable prices in a reasonable timeframe.

Financial liabilities by maturity at the year-end are shown below:

	30 November 2022 £'000	30 November 2021 £'000
Within one month-purchases due for settlement and other payables	(2,907)	(10,434)
Between one and three months – Bank loans payable	(83,731)	(67,850)
<b>Total</b>	<b>(86,638)</b>	<b>(78,284)</b>

### Management of liquidity risks

The Company will typically seek to maintain a high degree of liquidity in its portfolio holdings (such that a position could typically be exited within 1 to 5 trading days, with minimal price impact) and as a consequence of the concentrated approach, it is unlikely that a position will be taken in an investee company unless a minimum holding of 1.0 per cent of the Company's assets at the time of investment can be achieved within an acceptable level of liquidity.

The Company's Portfolio Manager monitors the liquidity of the Company's portfolio on a regular basis. See note 12 for the maturity profiles of the loans. Other payables are typically settled within a month.



NOTES TO THE FINANCIAL STATEMENTS  
CONTINUED

**(iii) Currency risks**

Although the Company's performance is measured in sterling, a high proportion of the Company's assets may be either denominated in other currencies or be in investments with currency exposure.

**Currency sensitivity**

The below table shows the strengthening/(weakening) of sterling against the local currencies over the financial year for the Company's financial assets and liabilities held at 30 November 2022.

	30 November 2022 % change	30 November 2021 % change
Swiss franc	(7.0%)	0.9%
Hong Kong Dollar	(9.8%)	-
US dollar	(10.2%)	(0.2%)

**Foreign currency risk profile**

	30 November 2022			30 November 2021		
	Investment exposure £'000	Net monetary exposure £'000	Total currency exposure £'000	Investment exposure £'000	Net monetary exposure £'000	Total currency exposure £'000
Swiss franc	12,269	-	12,269	-	-	-
Hong Kong Dollar	9,724	-	9,724	19,866	-	19,866
US dollar	1,021,356	35,637	1,056,993	1,063,724	18,686	1,082,410
<b>Total</b>	<b>1,043,349</b>	<b>35,637</b>	<b>1,078,986</b>	<b>1,083,590</b>	<b>18,686</b>	<b>1,102,276</b>

Based on the financial assets and liabilities at 30 November 2022 and all other things being equal, if sterling had weakened against the local currencies by 10%, the impact on the Company's net assets at 30 November 2022 would have been as follows:

	30 November 2022 £'000	30 November 2021 £'000
Swiss franc	1,227	-
Hong Kong Dollar	972	1,987
US dollar	105,699	108,241

**Management of currency risks**

The Company's Investment Manager monitors the currency risk of the Company's portfolio on a regular basis. Foreign currency exposure is regularly reported to the Board by the Investment Manager.

Currency risk will not be hedged using any sort of foreign currency transactions, forward transactions or derivative instruments.



#### (iv) Leverage risks

The Company may use borrowings to seek to enhance investment returns. While the use of borrowings should enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is rising at a lower rate than the cost of borrowing or falling, further reducing the total return on the Ordinary Shares. As a result, the use of borrowings by the Company may increase the volatility of the Net Asset Value per Ordinary Share.

Any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its Net Asset Value (which is likely to adversely affect the price of an Ordinary Share). Any reduction in the number of Ordinary Shares in issue (for example, as a result of buy backs or redemptions) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing.

To the extent that a fall in the value of the Company's investments causes gearing to rise to a level that is not consistent with the Company's gearing policy or borrowing limits, the Company may have to sell investments in order to reduce borrowings, which may give rise to a significant loss of value compared to the book value of the investments, as well as a reduction in income from investments.

The Company will pay interest on its borrowings. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

As at the year end, the Company's gearing ratio was 4.0% (2021: 4.9%), based on the drawn down loans as a percentage of gross asset value.

As at the year end, the Company did not hold any derivative instruments.

#### Management of leverage risks

Gearing will be deployed flexibly up to 20 per cent of the Net Asset Value, at the time of borrowing, although the Investment Manager expects that gearing will, over the longer term, average between 5 and 10 per cent of the Net Asset Value. In the event the 20 per cent limit is breached as a result of market movements, and the Board considers that borrowing should be reduced, the Portfolio Manager shall be permitted to realise investments in an orderly manner so as not to prejudice Shareholders.

Further details of the Company's bank loans is disclosed in note 12.

#### (v) Interest rate risks

The Company pays interest on its borrowings. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

#### Management of interest rate risks

Prevailing interest rates are taken into account when deciding on borrowings.

The Company had bank loans denominated in GBP and USD in place during the year. The loan interest is based on a variable rate. Based on the loans outstanding at the year end a change of 1.00% (2021: 0.25%) in interest rates would increase/ (decrease) annual profit or loss by the amounts shown below. 1.00% was used for 2022 given the volatility in rates during 2022. The analysis assumes that all other variables remain constant:

	Loans at 30 November 2022 £'000	Profit or loss 1.00% decrease £'000	Profit or loss 1.00% increase £'000	Loans at 30 November 2021 £'000	Profit or loss 0.25% decrease £'000	Profit or loss 0.25% increase £'000
USD loan	83,731	837	(837)	67,850	170	(170)
<b>Total</b>	<b>83,731</b>	<b>837</b>	<b>(837)</b>	<b>67,850</b>	<b>170</b>	<b>(170)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### CONTINUED

#### **(vi) Credit risks**

Cash and other assets that are required to be held in custody will be held by the depositary or its sub-custodians. Where the Company utilises derivative instruments, it is likely to take a credit risk with regard to the parties with whom it trades and may also bear the risk of settlement default.

#### **Management of credit risks**

The Company has appointed CACEIS Bank as its depositary. The Standard & Poor's credit rating of CACEIS is A+ (2021: A+). The credit rating of CACEIS was reviewed at the time of appointment and is reviewed on a regular basis by the Investment Manager and/or the Board.

The Portfolio Manager monitors the Company's exposure to its counterparties on a regular basis and trades in equities are performed on a delivery versus payment basis.

The Company's assets are segregated from those of the Depositary or any of its sub-custodians.

At 30 November 2022, the Depositary held £1,043,349,000 (2021: £1,083,590,000) in respect of quoted investments and £46,368,000 (2021: £27,994,000) in respect of cash on behalf of the Company.

#### **(vii) Capital management policies and procedures**

The Company considers its capital to consist of its share capital of Ordinary Shares of 1p each, Management Shares of £1 each, and reserves totalling £1,004,326,000 (2021: £1,033,467,000) and bank loans payable £83,731,000 (2021: £67,850,000).

The Company has a redemption facility through which Shareholders will be entitled to request the redemption of all or part of their holding of Ordinary Shares on an annual basis. The redemption point for the Ordinary Shares was 30 November 2022 and will be annual thereafter. The Redemption facility is entirely at the discretion of the Directors.

The Investment Manager and the Company's broker monitor the demand for the Company's shares and the Directors review the position at Board meetings.

The Company's policy on borrowings is detailed in the Director's Report on page 14.

Use of distributable reserves is disclosed in the footnote on the Statement of changes in equity on page 64.

The Company regularly monitors, and has complied, with the externally imposed capital requirements arising from the borrowing facility.

# Alternative Performance Measures

## DISCOUNT

The amount, expressed as a percentage, by which the share price is less than the Net Asset Value per Ordinary Share.

As at 30 November 2022		Page	£'000
NAV per Ordinary Share (pence)	<b>a</b>	1	171.16
Share price (pence)	<b>b</b>	1	158.20
<b>Discount</b>	<b>(b÷a)-1</b>		<b>-7.6%</b>

The Company's average discount for the year ended 30 November 2022 was 1.6%.

## GEARING

A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.

As at 30 November 2022		Page	£'000
Total assets less cash/cash equivalents	<b>a</b>	n/a	1,044,596
Net assets	<b>b</b>	63	1,004,326
<b>Gearing (net)*</b>	<b>(a÷b)-1</b>		<b>4.0%</b>

## LEVERAGE

An alternative word for "Gearing".

(See gearing for calculations).

Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions.

Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

## ONGOING CHARGES

A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.

Year ended 30 November 2022 (Audited)		Page	£
Average NAV	<b>a</b>	n/a	1,005,507,648
Annualised expenses	<b>b</b>	n/a	10,453,000
<b>Ongoing charges</b>	<b>(b÷a)</b>		<b>1.04%</b>

## ALTERNATIVE PERFORMANCE MEASURES CONTINUED

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into the Ordinary Shares of the Company on the ex-dividend date.

Year ended 30 November 2022 (Audited)		Page	Share price	NAV
Opening at 1 December 2021 (pence)	<b>a</b>	n/a	186.20	184.91
Closing at 30 November 2022 (pence)	<b>b</b>	1	158.20	171.16
Price movement (b÷a)-1	<b>c</b>	n/a	-15.0%	-7.4%
Dividend reinvestment	<b>d</b>	n/a	3.1%	3.3%
<b>Total return</b>	<b>(c+d)</b>		<b>-11.9%</b>	<b>-4.1%</b>

n/a = not applicable.

# Glossary

<b>AIC</b>	Association of Investment Companies.
<b>Alternative Investment Fund or "AIF"</b>	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
<b>Alternative Investment Fund Managers Directive or "AIFMD"</b>	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK and remains in force post BREXIT.
<b>American Depositary Receipt or "ADR"</b>	A negotiable certificate issued by a U.S. bank representing a specified number of shares in a foreign stock traded on a U.S. exchange.
<b>Annual General Meeting or "AGM"</b>	A meeting held once a year which Shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask Directors questions about the company in which they are invested.
<b>CFD or Contract for Difference</b>	A financial instrument, which provides exposure to an underlying equity with the provider financing the cost to the buyer with the buyer receiving the difference of any gain or paying for any loss
<b>Custodian</b>	An entity that is appointed to safeguard a company's assets.
<b>Discount</b>	The amount, expressed as a percentage, by which the share price is less than the net asset value per share. The discount is calculated on the closing share price.
<b>Depository</b>	Under AIFMD the depository is appointed under a strict liability regime to oversee <i>inter alia</i> , those charged with safekeeping of the Company's assets and cash monitoring.
<b>Dividend</b>	Income receivable from an investment in shares.
<b>ESG</b>	Environmental, social and governance.
<b>Ex-dividend date</b>	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to Shareholders.
<b>Financial Conduct Authority or "FCA"</b>	The independent body that regulates the financial services industry in the UK.
<b>Gearing</b>	A term used to describe the extent that a portfolio has increased in size as a way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
<b>Gross assets</b>	The Company's total assets adjusted for any leverage amount (outstanding bank loan).
<b>Index</b>	An independent Market tool which is used to compare performance across different investment companies and funds. It quantifies performance of a basket of stocks which is considered to replicate a particular stock market or sector.
<b>Investment company</b>	A company formed to invest in a diversified portfolio of assets.
<b>Investment Trust</b>	An investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. The Company is an investment trust.
<b>Large-Cap</b>	A Company with a market capitalisation above \$10 billion.

## GLOSSARY CONTINUED

<b>Leverage</b>	<p>An alternative word for "Gearing".</p> <p>Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions.</p> <p>Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.</p>
<b>Liquidity</b>	The extent to which investments can be sold at short notice.
<b>Management Shares</b>	Non-redeemable preference shares of £1.00 each in the capital of the Company.
<b>Mega-Cap</b>	A Company with a market capitalisation above \$50 billion.
<b>Mid-Cap</b>	A Company with a market capitalisation between \$2 and \$10 billion.
<b>Net assets</b>	An investment company's assets less its liabilities.
<b>Net asset value ("NAV") per Ordinary Share</b>	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury).
<b>Ongoing charges ratio</b>	A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.
<b>Ordinary Shares</b>	The Company's redeemable Ordinary Shares of 1p each.
<b>Portfolio</b>	A collection of different investments held in order to deliver returns to Shareholders and to spread risk.
<b>Premium</b>	The amount, expressed as a percentage, by which the share price is more than the net asset value per share.
<b>Share buyback</b>	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
<b>Share price</b>	The price of a share as determined by a relevant stock market.
<b>Small-Cap</b>	A Company with a market capitalisation less than \$2 billion.
<b>Total return</b>	A measure of performance that takes into account both income and capital returns. This may take into account capital gains, dividends, interests and other realised variables over a given period of time.
<b>Treasury shares</b>	A company's own shares which are available to be sold by a company to raise funds.
<b>Volatility</b>	A measure of how much a share moves up and down in price over a period of time.