BB Healthcare Trust

BB Healthcare Trust plc

Annual Report and Accounts

For the year ended 30 November 2018

CONTENTS

INVESTMENT OBJECTIVE, FINANCIAL INFORMATION, PERFORMANCE SUMMARY AND ALTERNATIVE PERFORMANCE MEASURES

Investment objective

The investment objective of BB 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	2018	2017
Net asset value ("NAV") per Ordinary Share (cum income)	138.7p	115.4p
Ordinary Share price	140.0p	118.8p
Ordinary Share price premium to NAV[1]	0.9%	2.9%

Performance summary

	% change 2018[2,4]	% change 2017[3,4]
Share price total return per Ordinary Share[1,5]	21.6%	20.5%
NAV total return per Ordinary Share[1,5]	24.0%	17.2%
MSCI World Healthcare total return Index (GBP)	18.0%	14.4%

1 These are Alternative Performance Measures.
2 Total returns in sterling terms for the year to 30 November 2018.
3 Total returns in sterling terms from commencement of operation on 2 December 2016 to 30 November 2017.
4 Source: Bloomberg.
5 Including dividends reinvested in the period.

Alternative Performance Measures ("APMs")

The financial information and performance summary data highlighted in the footnote to above tables are considered to 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 18. Definitions of these APMs together with how these measures have been calculated can be found on pages 65 and 66.

CHAIRMAN'S STATEMENT

I am pleased to present the 2018 Annual Report for BB Healthcare Trust plc (the "Company"). It has been another successful year where the Company outperformed its benchmark despite very challenging market conditions in the final quarter of 2018. The Company has continued to grow its shareholder base, improving liquidity and helping to lower the expense ratio. 2019 has started positively and the fundamentals for the Company's holdings remain robust.

Review of investment performance

The Company's cum-income Net Asset Value ("NAV") per Ordinary Share increased from 115.4p at the prior year-end to 138.7p, an increase of 20.2%. In addition, the Company paid out dividends during the year of 3.75p. Therefore, the NAV total return for the year was 24.0%*. This represents an outperformance of 6.0% versus our benchmark (the MSCI World Healthcare Total Return Index measured in GBP).

The Company's share price increased from 118.75p at the start of the financial year to 140.0p at 30 November 2018. Thus, including the interim dividend, the total return for shareholders has been 21.6%*, again comfortably in excess of the benchmark, a 3.6% outperformance.

Share capital and other developments

At the financial year end, the Company's issued share capital had risen to 319.1 million shares, from 259.6 million at 30 November 2017. Shortly after the close of the period, a further 34.0m shares were issued through a primary issue and, with further tap issuances, the number of Ordinary Shares in issue stood at 362,560,819 as of 7 February 2019.

The updated prospectus published on 5 November 2018 gives the Company the capacity, subject to the requisite shareholder authorities, to issue up to a further 345 million shares over the 12 months from publication, subject to investor demand. The continued issuance has been possible because the Company's shares have consistently traded at a premium to NAV, averaging 1.2% over the year. As at 7 February 2019, the Company's market capitalisation was in excess of £496.7 million and the premium to NAV stood at 1.2%.

In July 2018, the Company appointed JP Morgan Cazenove as joint broker alongside Peel Hunt, who continue to do a sterling job for the Company. It is common for UK investment trusts to have more than one broker and the Board felt their international presence could help to open up additional potential pools of investors, further improving liquidity.

At the Company's forthcoming Annual General Meeting, shareholder authority will be sought for the issuance of up to 72,642,163 Ordinary Shares, equivalent to 20% of the issued and allotted Ordinary Shares at the date of approval of this Annual Report, with such shares being issued on a non-pre-emptive basis. Any Ordinary Shares pursuant to this authority will be issued at a premium to NAV, with such premium intended to cover the costs and expenses of the relevant issue. The benefits of the proposals include providing the Company with additional funds to take advantage of opportunities to make additional investments, further improving the liquidity of the Company's Ordinary Shares and spreading the Company's fixed costs over a larger capital base.

* Including dividends reinvested.

Dividends

The Company, as set out in the prospectus, targets an annual dividend of 3.5% of the preceding year end NAV, paid out in two equal instalments. As noted above, the Company paid out a final dividend of 1.75p per Ordinary Share in respect of the 2017 financial year on 29 March 2018 and an interim dividend of 2.00p per Ordinary Share in respect of the 2018 financial year on 24 August 2018. The Board proposes a final dividend of 2.00p per Ordinary Share in respect of the financial year ended 30 November 2018 and, if approved at the forthcoming Annual General Meeting, this will be paid to shareholders on 28 March 2019. The dividend will be largely funded from the Company's capital reserves.

Regarding the financial year ending 30 November 2019, the Board is proposing the total dividend to be 4.85p per Ordinary Share, this being 3.5% of the NAV per Ordinary Share of 138.7p (cum income) as at 30 November 2018. The Board intends to declare an interim dividend of 2.425p per Ordinary Share, in July 2019 and intends to pay this dividend in August 2019. The Board intends to propose a final dividend of 2.425p per Ordinary Share for the financial year ending 30 November 2019, in February / March 2020 and intends to pay this dividend in late March 2020.

Scrip option

Under the Articles of Association of the Company, the Company may, with the prior authority of an ordinary resolution of the Company, offer shareholders of the Company who have elected to receive them paid up Ordinary Shares instead of cash in respect of all or part of a dividend or dividends of the Company.

The Company is proposing to introduce a scrip dividend scheme with effect from the first interim dividend payment in respect of the year ending 30 November 2019 and is seeking shareholder approval for such a scheme at the Annual General Meeting to be held on 19 March 2019.

Under a scrip dividend scheme, shareholders who elect to do so will be able to receive Ordinary Shares in the Company in lieu of future cash dividends.

In addition to the benefit for shareholders of allowing them to increase their shareholdings in the Company without incurring costs (such as stamp duty or dealing costs), a scrip dividend scheme will allow the Company to retain the proceeds which would otherwise be paid out as dividends.

Under the Articles of Association, the Ordinary Shares to be issued pursuant to a scrip dividend scheme are to be valued at the average of the middle market quotations as derived from the Daily Official List of the London Stock Exchange, on the day on which the Ordinary Shares are first quoted "ex" the relevant dividend and the four subsequent dealing days or in such other manner as may be determined by ordinary resolution. The Directors are cognisant of the views of shareholders in relation to not issuing shares at a discount to net asset value and accordingly are also seeking approval at the Annual General Meeting for any Ordinary Shares to be issued pursuant to the proposed scrip dividend scheme to be issued at net asset value. The net asset value would be the last published net asset value per Ordinary Share at the latest practicable date prior to the payment date for any dividend and is currently expected to be that published on the deadline for elections under the scrip dividend scheme.

Voting in favour of this resolution will not prevent you, should you so wish, from electing to receive your dividends in cash.

If the resolution is approved at the Annual General Meeting, further information in relation to the scrip dividend scheme will be published in time for eligible shareholders to elect to receive new Ordinary Shares instead of cash in respect of the first interim dividend payment for the year ending 30 November 2019. In line with Investment Association guidelines, the authority contained in the resolution is sought for three years. Unless circumstances change, the Directors would expect to seek an extension of this authority at the Annual General Meeting of the Company to be held in 2022.

CHAIRMAN'S STATEMENT

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Investment strategy

The Company has a broad and largely unconstrained healthcare-oriented mandate that gives the Manager the freedom to invest anywhere within the public equity realm that offers compelling risk/reward over the Company's anticipated average holding period of three to five years. The Board keeps the investment strategy under review and sees no reason to make any changes to the investment guidelines at this stage; the Manager feels that it has the flexibility it needs. Moreover, although we are only two years from launch, the investment performance is satisfactory and, market volatility and macro-political factors aside (these are, after all, beyond anyone's control) we have not identified any structural or procedural factors that detracted from the overall performance.

Gearing, portfolio turnover and expenses

As of 30 November 2018, the aggregate amount drawn down from the Company's revolving credit facility ("RCF") was approximately £48 million, representing a gearing ratio of 10.2%. This is slightly above the anticipated long-run average of 5-10%, reflecting opportunities as a result of the volatile environment in equity markets over the last quarter of 2018. On 25 January 2019, the Company renegotiated and renewed its RCF with Scotiabank, which was approaching the end of its two-year term. Under the terms of the amended RCF, the Company may draw down loans up to an aggregate value of USD 100 million. The facility also has an uncommitted accordion option which, subject to the agreement of the lender, provides the Company with the flexibility to increase the facility by a further USD 50 million. The facility will expire on 25 January 2021.

Consistent with the planned 3-5 year holding period, the Company's average turnover (measured as traded value less capital inflows versus gross investment value) has remained around 6% per month since inception, but has been higher in the recent periods of volatility, as the Manager sought to take advantage of mispricing events. At this average rate, it would take around eighteen months to completely change the book of investments.

The Ongoing Charges Ratio ("OCR") was 1.21% for the financial year, as compared to 1.37% for 2017. In addition, the Board thanks the Manager for taking all third-party research costs onto its own profit and loss. All other factors being equal, we would expect the OCR to decline further in 2019 as the assets under management have risen.

Outlook for 2019

The calendar year 2018 was again somewhat challenging for healthcare investors, due to various macro-political uncertainties. Healthcare outperformed the wider market during the year, in part because of its perceived safe-haven status and the visibility over medium-term earnings irrespective of the economic cycle.

With macro-political uncertainties set to continue, healthcare should also remain a relative safe haven. Not only because the demand for services is not linked to the economic outlook, but also because the system has to change in order to remain viable for the longer-term.

We are investing in those changes and the trends that drive them. All other factors being equal, this should allow the portfolio to grow its sales and profits faster than the aggregate of a benchmark-aware strategy. We begin the year again hopeful that the healthcare sector's 2019 performance will be more driven by stock fundamentals.

Nonetheless, we always set out to follow an investment strategy guided by a medium to long-term approach and not waiver with the fashions of the moment or the whims of the market. This has served shareholders well to date and we continue to believe it is the right approach for generating continued performance into the future.

Annual General Meeting

The company will hold its Annual General Meeting at 11.00 a.m. on 19 March 2019, at the offices of our legal advisors, Stephenson Harwood – 1 Finsbury Circus, London, EC2M 7SH (the nearest tube station is Moorgate). Our Portfolio Managers; Paul Major, Daniel Koller and Brett Darke, will provide an update on the Portfolio and take questions at the end of the meeting. I do hope that you will come along.

That said, we do recognise that it is not possible for everyone to attend the AGM in London. Engaging with our shareholders is very important and we have a dedicated email address for shareholders to submit any questions that they might have: **shareholder_questions@bbhealthcaretrust.co.uk**. We would encourage you all to make use of this facility for questions and feedback at any time of the year and we will continue to post content from our Portfolio Manager onto the Company's website to keep you informed of the Company's progress.

On behalf of the Board, I wish you all a healthy and prosperous 2019 and thank you again for your continued support of BB Healthcare Trust Plc.

Professor Justin Stebbing
Chairman of the Board of Directors
14 February 2019

PORTFOLIO MANAGER'S PERFORMANCE REVIEW

Performance overview

As noted in the Chairman's Statement, the Company delivered another satisfactory performance during the financial year ("FY") ended 30 November 2018, outperforming its benchmark index, despite very challenging macro conditions in the last two months of the financial year. The Company's performance is summarised below:

	Annual Return (in GBP)	Difference vs. Benchmark
BB Healthcare Trust NAV (inc. dividends from capital)*	**+24.0%**	**+6.0%**
BB Healthcare Trust Total shareholder return*	**+21.6%**	**+3.6%**
MSCI World Healthcare Total Return Index (GBP)	+18.0%	n/a
MSCI World Total Return Index (GBP)	+6.1%	-11.9%
FTSE All Share Total Return Index	-1.5%	-19.5%

* Note: the stated total shareholder return assumes the reinvestment of dividends back into BB Healthcare Trust.

The healthcare sector again delivered a superior return to the UK's FTSE All Share Total Return Index, which declined 1.5% during the year, and the wider global marketplace, which delivered only a 6.1% positive return. The Company's total return for shareholders was lower than the NAV return because the shares were trading at a premium to NAV of 2.9% at the beginning of the year, versus 0.9% at the end, representing approximately a 2% drag on the total return. Over the year, the average premium to NAV was 1.2% (versus 2.4% over FY2017).

Figures 1 and 2 below illustrate the NAV evolution across the year versus the benchmark index, both in sterling and US dollars respectively (normalised to 100 at the start of the period). In our opinion, the year can be broken down into three periods; the challenging early months of calendar 2018 (BBH share price low of 101.5p), the six months from April to September (BBH share price high of 150.5p) and then another challenging period from the end of September. We outline these three epochs in more detail below.

Figure 1

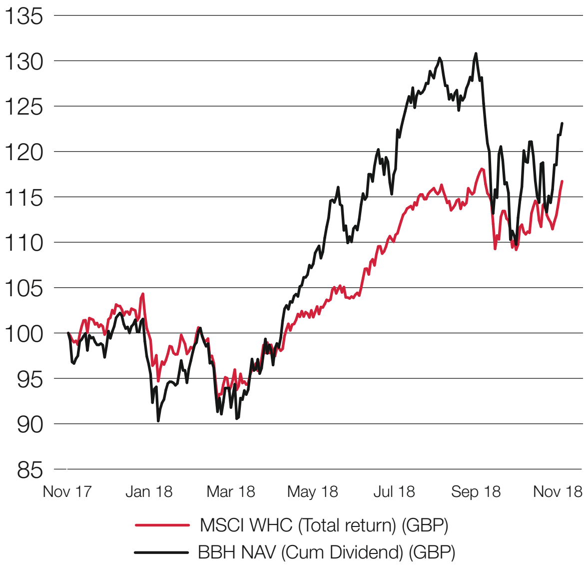

Figure 2

We were somewhat caught by surprise in the early part of the year. We had concerns over valuations and consensus expectations in certain areas following the third quarter of 2017 reporting season, particularly in Large-Cap Biotechnology and Specialty Pharmaceuticals. We thus exited a number of positions toward the end of calendar 2017 (spanning the end of the previous financial year and the beginning of this one). December 2017 saw a painful 'growth into value' transition that hurt some of our medical technology holdings and, as the chart above illustrates, early January unexpectedly saw a pronounced (but short-lived) rally in Large-Cap Biotechnology stocks, spurred by hopes of tax reform-fuelled mergers and acquisitions ("M&A"). This hurt our relative performance over this period.

With the provenance of hindsight, these changes to the portfolio were absolutely the right thing to do. The NASDAQ Biotechnology Index rose more than 11% in January 2018 but had fallen back nearly 15% by April 2018, as it became clear that the uncertain environment was dissuading boards from committing to widespread deal-making.

Compounding this unfavourable positioning, the period from January 2018 to mid-April 2018 saw the highest cumulative negative translation impact of our predominantly US dollar-denominated portfolio into a sterling NAV (the benchmark is composed of around 60% US dollar-denominated assets, versus our portfolio being consistently greater than 90% US dollar-denominated). Sterling hit a high of US dollar 1.43 in mid-April 2018, a level not seen since the European Union referendum in 2016. This appreciation in sterling was driven by some short-lived but ultimately forlorn hope of positive progress regarding Brexit.

Setting currency (and the dreaded B-word) aside, the period from April 2018 through September 2018 was relatively benign in terms of macro-political developments. Even though it was dominated by the looming US mid-term elections, global markets made slow, but steady upward progress. In such an environment, strong operational performance was well rewarded and the portfolio made steady progress through to the end of September 2018.

As we have noted in our factsheets, it was not our belief throughout this period that the valuations of our holdings felt elevated when considered against their medium-term growth prospects. Nonetheless, the market can often be both very short-term and much less fundamental/rational when it comes to the determining factors that drive sentiment toward individual stocks. October 2018 brought a significant market correction that has continued to haunt investor confidence since and the levels of volatility that we have seen in both our holdings and the relevant currencies has been unprecedented versus the prior two years of the Company's life.

Through the October-November 2018 period, the Company's NAV declined 6.1% in absolute terms, substantially underperforming the benchmark. The best performing healthcare assets during this period were the blue-chip large-cap pharmaceutical companies, which we are highly unlikely to own since they are antithetical to our strategy. The healthcare benchmark is highly weighted to such companies and this compounded our relative underperformance.

In general, the factors driving the market have been top-down (i.e. macro-driven) rather than bottom-up and stock picking has taken something of a back seat to sub-sector asset allocation. Put simply, the only thing (apart from hiding in cash) that really worked from the end of September 2018 was low beta and 'value' oriented approaches.

The table below shows the performance of the benchmark by sub-sector across our financial year. In many ways, the table epitomises the oddities of the year, in the sense that the more utility like sub-sectors with predictable demand drivers but less opportunity for accelerating returns (Managed Care, Services, Facilities and Tools) have fared the best. This is in contrast to Diagnostics, Healthcare Technology/IT, Biotechnology and Specialty Pharmaceuticals, which amongst our holdings we characterise as the innovative end of the spectrum and where we see the most opportunity for outsized returns in the longer-term.

PORTFOLIO MANAGER'S PERFORMANCE REVIEW

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MSCI World Healthcare Index performance by sub-sector

As at 30 November 2018	Weighting	USD Performance	GBP Performance
Facilities	1.1%	+34.8%	+42.7%
Other Healthcare	0.8%	+29.9%	+37.5%
Services	2.5%	+20.9%	+28.0%
Tools	3.8%	+20.1%	+27.2%
Managed Care	9.6%	+19.6%	+26.7%
Generics	0.6%	+16.3%	+23.2%
Medical Technology	13.0%	+12.7%	+19.4%
Diagnostics	1.7%	+12.6%	+19.2%
Pharmaceuticals	35.7%	+12.4%	+19.1%
Healthcare IT/Technology	1.2%	+1.7%	+7.7%
Specialty Pharmaceuticals	3.5%	+1.1%	+7.1%
Biotechnology	10.9%	+0.9%	+6.9%
Conglomerate	13.2%	+0.2%	+6.1%
Distributors	1.8%	-0.2%	+5.7%
Dental	0.6%	-13.4%	-8.3%
Total	**100.0%**	**+9.8%**	**+16.3%**

Indeed, we felt strongly that the market reaction through October and November 2018 in some of the more NASDAQ-linked sectors like Medical Devices, Biotechnology and Diagnostics was irrational and offered a significant opportunity. We thus instituted a formal equity raise that closed just after the financial year end and increased our use of leverage, to close the period with a gearing ratio of 10.2% (having had an average gearing ratio of 6.1% across the financial year). We also raised capital steadily across the year through tap issuance. During the financial year in review, we issued 59.5 million additional shares. As at 7 February 2019, the Company has 362.6 million shares in issue (34 million of which came from the capital raise that closed just after the financial year-end) and a market capitalisation of GBP 496.7 million.

Company-level summary

During the year under review, the Company held 40 companies (the same number as FY2017) and began and ended the year with 27 stocks in the portfolio, although the number in the portfolio peaked at 30 from February to April 2018. We exited 11 positions during the course of the year and made eight new investments. Three of our exits were M&A related (and in two of the three instances, we were reluctant sellers at valuations that we thought were disappointing and at time points that were opportunistic). One of the eight new investments was a re-entry into the portfolio (the biotechnology company Alnylam).

Our top five and bottom five performers in terms of contribution to the evolution of the NAV are summarised below, along with their share price evolution in local currency and sterling over the year (which does not necessarily correspond to their performance for the Company, since the size and duration of our investment may differ, not least because we do trade around our holdings to manage visible risks over time):

Top 5 Performers			Bottom 5 Performers		
Company	Performance (local currency)	Performance (GBP)	Company	Performance (local currency)	Performance (GBP)
Pacific Biosciences	+145.1%	+159.7%	Tesaro	-45.2%	-41.9%
Dexcom	+121.8%	+134.9%	Alnylam	-39.7%	-36.1%
Teladoc	+68.3%	+78.3%	Insmed	-42.6%	-39.2%
Illumina	+46.7%	+55.4%	Incyte	-35.1%	-31.3%
Anthem	+23.5%	+30.8%	Celgene	-28.4%	-24.1%

Not surprisingly, the largest positive returns came from our biggest holdings, as one would hope and expect from a concentrated, conviction-orientated strategy. Clearly the outlier in the table above is Celgene, which has been in our top 10 holdings since the inception of the Company and was also in the bottom 5 contributors last year, having fallen 21% in sterling terms. We stuck with the company on the basis that it seemed an impossibly cheap stock on any reasonable medium-term metrics.

In January 2019, Bristol-Myers Squibb took advantage of this fact and proposed to acquire the company in a cash and share transaction. Although we felt that the acquisition price was lower than we had hoped for, we can continue to participate in the upside potential via Bristol-Myers, which remains a significant holding for the Company. It is notable that all of the major detractors are Biotechnology/Specialty Pharmaceuticals stocks, reflecting the broad “risk off” sentiment that has become pervasive in recent weeks.

Our top 10 holdings as of the end of the financial year and other key portfolio characteristics are illustrated in the table below:

TOP TEN HOLDINGS As at 30 November 2018	% of net assets
Illumina	9.2
Anthem	8.3
Align Technology	8.1
Teladoc	8.0
Celgene	6.4
Lonza	5.6
Intuitive Surgical	4.4
Bristol-Myers Squibb	4.3
Esperion Therapeutics	3.9
AmerisourceBergen	3.9
Top ten holdings	**62.1**
Other net assets	37.9
Total	**100.0**

PORTFOLIO MANAGER'S PERFORMANCE REVIEW

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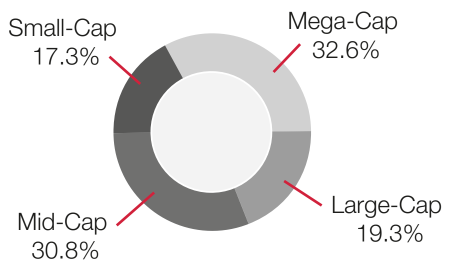
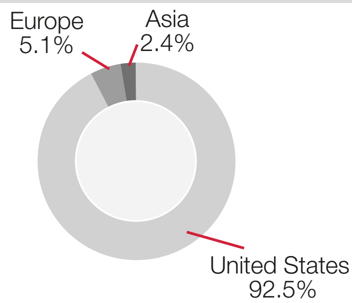
Subsector exposure Allocation as at 30 November	2018	2017	% Change
Biotechnology	20.6%	17.3%	+3.3%
Dental	7.3%	9.2%	-1.9%
Diagnostics	12.4%	7.3%	+5.1%
Distributors	3.5%	4.2%	-0.7%
Facilities	0.0%	2.1%	-2.1%
Generics	0.0%	2.0%	-2.0%
Health Technolgy	2.6%	5.9%	-3.3%
Healthcare IT	7.2%	0.0%	+7.2%
Managed Care	10.9%	7.3%	+3.6%
Medical Technology	12.3%	24.1%	-11.8%
Other Healthcare	3.0%	5.0%	-2.0%
Pharmaceuticals	3.9%	9.7%	-5.8%
Services	5.1%	0.0%	+5.1%
Specialty Pharmaceuticals	11.2%	5.9%	+5.3%
Total	**100.0%**	**100.0%**	

Market Capitalisation Breakdown



Geographical Breakdown (Operational HQ)



Source: Bellevue Asset Management, 30 November 2018.

Sub-sector level summary

During the fiscal year, the Company held positions in 14 categories (Biotechnology, Dental, Diagnostics, Distributors, Facilities, Generics, Healthcare IT, Healthcare Technology, Managed Care, Medical Technology, Pharmaceuticals, Services, Specialty Pharmaceuticals and Other Healthcare – the latter covering our investment in the retailer Walgreens Boots). The subsector exposure table above illustrates how the sub-sector allocation has evolved over the financial year.

At inception, we stated it was not our intention to 'hug' the benchmark in any way, rather to construct a bottom up portfolio of healthcare holdings that would accrete significant value over time and we can confirm this is indeed the case. At year end, over 31% of our gross exposure was composed of stocks that are not included in the MSCI World Healthcare Index and the Company's active share versus the Index again remained consistently above 90%. We recorded net capital losses in three categories: Biotechnology, Dental and Pharmaceuticals. All the other categories made a positive net contribution to the evolution of the NAV. The majority of the losses (almost 80%) came from our Biotechnology holdings.

Recent trading and Sector outlook

As at 7 February 2019, markets have remained very challenging. December was particularly tough, with the Company underperforming significantly in the worst year-end of the US market for more than 90 years. January has seen a continuation of the volatility that characterised the last quarter, albeit reversing much of what transpired in December 2018. Although we have seen something of a recovery in terms of valuations, we have yet to make up all the ground lost in the fourth quarter of 2018 and the market is still lacking a clear macro direction.

We classify healthcare investments into 16 different categories. Note: these are not the same as the GICS classification system used by MSCI and, sometimes, we re-classify stocks into different categories based on payor dynamics or similarity to peers – we used 13 classifications in 2017, but have since further sub-divided Healthcare Technology and separated Generics from the rest of Specialty Pharmaceuticals. In order to provide shareholders with some additional insights into our current thinking, we have summarised our high level thoughts on the outlook by sub-sector:

- **Biotechnology:** this sector continues to see surprising levels of volatility. In US dollar terms, the NASDAQ Biotechnology Index is currently around the level it finished in 2017 (and 2015), having declined almost 10% in 2018 and then making it all back again in a matter of days during 2019. If one takes a step away from all of the noise and focuses on fundamentals, it was another year of solid scientific progress in terms of novel therapeutic modalities and new products for unmet clinical needs (a record 55 novel drugs were approved by FDA in 2018, plus seven biosimilars).

  Biotech M&A was a much hoped for theme in early 2018, but it failed to materialise. Things do look different in 2019 though, with more Large-Cap Pharmaceuticals and Biotechnology struggling to convince the market they have adequate pipeline depth and relatively lower asset valuations (Small/Mid-Cap Specialty Pharmaceuticals and Biotechnology have lagged their Large-Cap brethren). This makes deals more easily NPV accretive over time and thus activity has picked up. In recent months, we have seen the oncology companies Tesaro, Loxo and even Large-Cap Celgene acquired by Large-Cap Pharmaceutical companies.

  At some point, one has to think the continued scientific progress will be more appropriately rewarded by the market and we continue to have material exposure here and have recycled a significant proportion of our previous Celgene holding into other Biotechnology stocks.

- **Conglomerates and Pharmaceuticals:** dreary old pharmaceuticals came into its own in the second half of 2018 as a safe haven, with the MSCI World Pharmaceuticals sub-index returning 3.8% versus 0.4% for the wider MSCI World Healthcare Index. We have written many times about the structural issues facing these large companies given their seemingly intractable Research and Development ("R&D") productivity issues, with returns persistently below any reasonable assessment of the cost of capital.

  We remain resolutely focused on a rolling 3-5 year investment time horizon and not really interested in chopping and changing with shorter-term market sentiment. We will only consider investing in such companies if we see valuation as being *in extremis* or where the market consensus is discounting a future cashflow outlook that looks overly conservative (we believe both are true for our singular Pharmaceuticals holding, Bristol-Myers Squibb).

  Despite many years of considered reflection on the topic, we are none the wiser as to how the R&D productivity conundrum can be solved. Until it is, we feel better served to make focused bets on specific drugs through small/mid-cap Specialty Pharmaceuticals and Biotechnology stocks.

PORTFOLIO MANAGER'S PERFORMANCE REVIEW

CONTINUED

- **Dental:** Align Technology has been one of our favourite ideas since the inception of the Company. The stock had returned 148% from inception to the end of November 2018, despite falling more than 40% in October 2018 (after which we significantly increased our exposure). Our views on Align and the opportunity before it are essentially unchanged.

  We continue to like the structural dynamics of the dental marketplace and anticipate Align's strong growth will continue for many years yet, driven by the consumerisation of the market coupled with increasing penetration of aligner approaches that provide superior aesthetics and predictability of outcomes versus traditional solutions. The market is concerned (overly, in our view) about the emerging competitive dynamics and, inter alia, the potential impact this might have on Align's pricing. These fears have been compounded by a perception of Align being somewhat of a discretionary consumer play (i.e. one where a slowing economy might ameliorate demand) which we also take issue with.

  Firstly, Align's business is built around rewarding practitioner loyalty through volume-based discounts. If you are a high volume user, the disincentives to consider an alternative product are significant. Align continues to expand its palette of treatments and thus the market opportunity for its users. In contrast, competition is rather limited to a sub-set of the more simple cases. The case for switching if you are a major user, or for starting with an alternative system if you are not, is very weak in our opinion.

  Secondly, the majority of the opportunity and market growth for aligners is in the paediatric and teen setting. Whilst the notion of delaying treatment if you are an adult looking to address a long-standing (but likely minor) cosmetic issue is not unreasonable, this option is not wise when considering the crowded mouth of a growing teen. Waiting is likely to compound any problems and with it the cost of treatment.

- **Diagnostics:** compared to the year-end 2017, the two biggest changes in the composition of the portfolio have been the reduced exposure to Medical Technology and an increased exposure to Diagnostics. The latter sits at the centre of the axis of our core thesis for the evolution of the healthcare industry namely, that we must make better decisions to allocate capital more judiciously and intervene earlier before chronic conditions lead to acute episodes. This sub-sector typifies how technology can ultimately revolutionise the delivery of healthcare (alongside telemedicine, wearable diagnostics and population health).

  The patient must sit at the centre of this decision tree and the easier it is to identify the problem, the faster all the other pieces of the puzzle can come together. Genetics lies at the heart of this not just your inherited lifetime disease risks (genome sequencing) but also gene expression (the 'coding transcriptome', also known as mRNA sequencing) – the question of what is your body doing right now and why? Rather like computing, the rapidly falling cost of this diagnostic data is opening up ever greater usage. This is an almost unquantifiable growth opportunity finally coming of age.

  Nor is it just high tech sequencing that is growing. The emergence of multiple rapid point of care panel tests that can identify pathogens is another huge opportunity to speed up treatment decision-making. With potentially life-threatening conditions like sepsis or respiratory disease, this can save lives and reduce time in expensive high-dependency care settings. At the time of writing, we have four companies focused on such testing within the portfolio and have owned six over the Company's lifetime (the other two having been acquired).

- **Distributors:** 2018 saw a continuation of the three themes ailing this segment; potential disruption/disintermediation from new business models (Amazon/PillPack and alternative models from Pharmacy Benefit Managers ("PBMs") vis-a-vis pricing), legislation to curb drug price inflation and possibly even lower drug prices in the US and ongoing generic price deflation, which has a limited impact on some contracts and on inventory values. Let us consider the latter two (and arguably related) issues first.

Since a proportion of contracts for these distributors are still on a margin basis, it is a truism that any lowering of prices is a negative, as would lower price inflation be a drag on future earnings growth. The question though, is one of relevance. Our distributor holding, AmerisourceBergen, conducts 95% of its business on a fee-for-service basis and this figure is expected to continue to rise. As such, the extent to which the company can benefit from (or, more importantly, will cease to benefit from) a change in the pricing environment is limited.

And what about the threat of competitive disruption? It would be unfair to characterise the dominant companies as 'Luddites' with a poor grasp of the transformation power of IT systems to allow just-in-time inventory management and thus improve cash conversion. Indeed, when your core business has sub 1.5% operating margins, the quest for efficiency is unrelenting. As such, we find it difficult to accept the argument that the existing model is ripe for disintermediation.

Moreover, the requirements to meet customer needs in a timely fashion requires the holding of significant inventory, making this a business where scale becomes essential to effective service, creating high barriers to entry. Whilst the market frets, these companies are trading at valuation levels well below historical norms and we are happy to hold the shares until we feel that an appropriate re-rating has occurred.

- **Facilities:** the hospital and clinic setting remains challenging. All payors are striving to move patients down the acuity curve (the so-called 'in-patient to outpatient' shift) and, as a consequence, overall capacity is shrinking. Rather like shopping centres, the repurposing of hospital capacity is not easy. These are global issues (cf. the weakness in Fresenius SE's German hospitals business) but, in the US market, we have the additional complication of Republican meddling with the Affordable Care Act ("ACA") ('Obamacare') casting a shadow over the outlook for elective procedure volumes and the risks around uncompensated emergency care provided to uninsured people. The overhang relating to the Texas court ruling on the ACA exchanges and Medicare expansion is unlikely to be resolved in the coming year.

  The offsetting Democratic agenda to expand Medicare will not go anywhere whilst the Senate and White House are in Republican hands, but could be a positive on a 3-5 year view. However, we are not yet at a point where we are prepared to invest on such a basis. The direction of travel should become clearer from Q2 2019 as the various potential challenger candidates for the 2020 Presidential race emerge and set out their stalls. Clearly, we would favour a proposal based on the current public/private model.

- **Generics:** this remains the most fiercely competitive area of healthcare; volume producers living order-to-order, with buying groups playing off suppliers to secure the lowest possible prices. A multi-year backlog of generic approvals at the FDA is finally being cleared and the laws of supply and demand do not augur well as one moves from a dynamic of perhaps one or two suppliers of a product to five or six. Price deflation in the US market is showing signs of moderation, but this is merely the potential absence of a negative rather than a positive. Significant growth opportunities exist in markets like China, but we are unconvinced that multi-national companies will be allowed to compete fairly to take advantage of these opportunities. In China for instance, the government has piloted a centralised tendering process that has the potential to consolidate market share in domestic hands.

- **Healthcare Technology:** this is a sub-sector categorisation of our own making; defined in essence as a 'software as medical device', where it is the power of the algorithm that creates the product. Our investments in this area are selective, but compelling, and share the common feature that an ever-evolving continuum of patient data enables product innovation. The value here is very intangible (in the best possible sense of the word) and thus the barriers to entry are higher than perhaps appreciated – it's not so easy to copy algorithms and the more data one has showing something works, the more compelling a proposition it becomes (cf. Google search). The newly proactive FDA is seemingly supportive of the 'software as devices' concept, having approved two App-based products with medical claims in the past two years, with another two under review as we went to press. We continue to be very excited about this area and feel that we could be, if anything, a bit early into the opportunity.

PORTFOLIO MANAGER'S PERFORMANCE REVIEW

CONTINUED

- **Healthcare IT:** related to the above, this grouping covers 'software as a service' and is a very broad church, including interesting areas such as telemedicine, MIS systems for healthcare providers, through to programmes to deliver value based care and predict patient behaviour. Pareto's law applies as much in healthcare as to anything else in life, and it is generally the case that a small proportion of patients with complex chronic needs account for the bulk of healthcare costs.

  Identifying these patients and then prophylactically managing such patients is undoubtedly critical to the broader aims of lowering overall healthcare costs. We made our first investment in this area during 2018 and our second in early 2019. We continue to see Healthcare IT as a necessary piece of the jigsaw for a more efficient healthcare system and it is an area under active consideration for future investments.

- **Managed Care:** the corollary to our concerns over shifting payor requirements impacting the Facilities sub-sector is of course the potentially positive impact on the payors themselves, i.e. the Managed Care companies. Although many private and government schemes have capped returns that require improved management to be recycled into benefit design, the growing array of tools to better manage cost trends are allowing the bigger players to reap the rewards through improving the relative attractions of their products, driving market share gains as their offer becomes more compelling. With our holdings now largely inured to any ACA-related risks, we see managed care as an inexpensive and a serial compounder and, for these reasons, it remains a core exposure in our portfolio.

  The commercial health insurance industry is potentially at some risk from progress on the 'Medicare for all' agenda. As a worst (highly unlikely) case, the government cuts insurance providers out of the loop entirely (NHS-like model) and they essentially cease to exit. More likely is an expansion of the existing arrangements, where Medicare expansion gradually replaces the market for employer and individual policies (c.90m lives). We are aware of this possibility and feel that our two holdings are well placed to win share in such circumstances, being already materially exposed.

- **Medical Technology:** this is our broadest sub-sector in healthcare, covering everything from disposable single use items to $20m pieces of capital equipment. What do we like within the scientific smorgasbord? We tend to favour small, highly focused specialists that are leaders (in growth or market share terms) in their categories. We prefer smaller ticket procedural items to larger capital equipment given aforementioned constraints around hospital economics. Demographic trends globally favour continued procedure volume growth and pricing trends are already deflationary. We also try to focus only on market segments where we see the potential for continued innovation (such as complex joints, interventional cardiology, neurology, robotics and critical care).

  As noted previously, our exposure to Medical Technology has declined significantly versus a year ago. This is not so much a conscious decision to reduce our exposure to the sector (although the number of holdings has declined to four versus seven a year before) but really reflects the emergence of other opportunities in areas like Healthcare IT and the compelling valuations in Biotechnology and Specialty Pharmaceuticals. There continue to be attractive opportunities in this space on an absolute basis, we just find better ones right now on a relative basis.

- **Other Healthcare (Drug Retailers):** one consequence of having such a wide healthcare-oriented mandate is that we have to create a catch-all category for those investments that do not fit logically elsewhere within the healthcare universe and this is where we place our holding in Walgreens Boots. Why do we own a drug retailer? As we have described before, and as the recently-closed CVS-Aetna deal attests, the pharmacy is an obvious venue for low acuity care delivery on a cost effective basis. During 2018, Walgreens Boots found few friends as management stressed it was too early to commit to a CVS-like deal, with the company instead preferring to conduct multiple pilots with various third parties to explore and compare new business models (there is an area just outside Chicago where all these formats are evaluated back to back).

Some months on, what many saw as indecision may prove prescient given the pace of change in the industry. We do expect Walgreens Boots to make some sort of major strategic pivot in the coming years but we are reassured that management are not hurrying to make what will be a very important decision.

- **Services:** this is another broad category covering companies who serve the industry as suppliers (contract research, manufacturing or packaging, laboratories, PBMs etc.) or directly deal with patients (dialysis companies, emergency services etc.). On a GICS basis, this grouping would include Managed Care and the Distributors, which we split out. Even with a narrower definition, it is difficult to make generalisations about such a disparate group of companies.

  That said, we now have some exposure through our holding in the contract development and manufacturer Lonza. We also find some other areas of what we would characterise as the outsourced supply chain interesting and see a very positive longer-term trend for the providers of outsourced R&D and manufacturing capabilities. The future for drug innovation belongs to those who can think out of the box and move quickly. We expect to see more and more academic spin-outs and these companies need not waste time and money building up capabilities in these areas when they can effectively rent them.

  We are much less interested in the more directly patient-facing areas, which we see as facing many of the same challenges ascribed above to the facilities operators. The fast-paced race down the acuity curve offers lots of opportunity for new business models and does not bode well for those with substantial legacy tangible assets.

- **Specialty Pharmaceuticals (ex. Generics):** this is also somewhat of a catch-all category, and a much-maligned one at that. We would describe it as including non-diversified drug companies and those who tend not to do basic research (the ‘buy in, develop and promote’ model). Many of these would prefer to call themselves biotechnology companies and some are in the NASDAQ Biotechnology Index. In our classification system though, if it does not utilise recombinant genetic material to make its products then it is not a ‘true’ Biotechnology company.

  Our holdings are very much away from the ‘buy in, develop and promote’ model and toward the focused innovators, with strategies focusing on areas including cardiovascular, respiratory and neurology. In addition to having compelling products of and in themselves, we believe there are multiple strategic options to unlock value for these companies, as ‘big pharma’ is perennially on the hunt for new products to support growth.

- **Life Science Tools:** these are the companies supplying the equipment that enables research and development – the picks and shovels of R&D. Normally this group would include companies like Illumina, but we carve these out into our Diagnostics category. We have been zero weighted in this area since inception, feeling that the levels of growth implied by current valuations (ex. Diagnostics) are unsustainable in the longer-term. Whilst there has been some moderation in longer-term growth expectations over recent months, we still do not see a compelling risk/reward balance in this area.

We hope the preceding paragraphs give some colour around our thinking. The key message we would like readers to take away is that, despite the extreme volatility and macro-driven market drawdown through Q4 2018, we enter 2019 with an undiminished belief in the medium-to-long-term opportunity for change and innovation in healthcare to generate material investment returns for our shareholders. The market is famously fickle in the short-term and we are trying to look past the volatility and noise and remain focused on the fundamentals.

We wish you all a happy and successful year and thank you for your support of the Company.

Paul Major, Daniel Koller and Brett Darke
Bellevue Advisors Limited
14 February 2019

INVESTMENT POLICY, RESULTS AND OTHER INFORMATION

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 will be 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% 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% of the portfolio may be liquidated in a reasonable number of 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% 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 functional 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% 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% of Net Asset Value. In the event that the 20% 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 the Official List and 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% 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 £192,000 (2017: profit of £396,000). The Company made a capital return after tax of £74,108,000 (2017: £32,644,000). Therefore the total return after tax for the Company was £73,916,000 (2017: £33,040,000).

The Company targeted a total dividend for the year ended 30 November 2018 of 4.0 pence per Ordinary Share. The Company declared an interim dividend of 2.0p per Ordinary Share in July 2018 and this was subsequently paid in August 2018. The Board proposes a final dividend of 2.0p per Ordinary Share in respect of the financial year ended 30 November 2018 and, subject to approval at the Company's Annual General Meeting, this will paid on 28 March 2019 to shareholders on the register at the close of business on 1 March 2019.

Target total dividend for the year ending 30 November 2019

As announced by the Company on 4 December 2018, for the financial year ending 30 November 2019, the target total dividend will be 4.85p per Ordinary Share, this being 3.5% of the unaudited net asset value per Ordinary Share of 138.71p per Ordinary Share (including current financial year revenue items) as at 30 November 2018. The Board intends to declare an interim dividend of 2.425p per Ordinary Share, being half of the target total dividend for the financial year ending 30 November 2019, in July 2019 and intends to pay this dividend in August 2019. The Board intends to propose a final dividend of 2.425p per Ordinary Share for the financial year ending 30 November 2019, in February/March 2020 and intends to pay this dividend in March/April 2020.

	Interim dividend	Final dividend	Total dividend
Dividends paid/payable			
Period ended 30 Nov 2017	1.75p	1.75p	3.50p
Period ended 30 Nov 2018	2.0p	2.0p	4.0p
Target dividend*			
Year ending 30 Nov 2019	2.425p	2.425p	4.85p

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

INVESTMENT POLICY, RESULTS AND OTHER INFORMATION

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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 3 year period

The NAV total return from the Company's listing on 2 December 2016 to 30 November 2018 was 45.3%. The total return of the MSCI World Healthcare Index (in sterling terms) over the same period was 35.1%.

The Chairman's statement on pages 2 to 5 incorporates a review of the highlights during the financial year ended 30 November 2018. The Portfolio Manager's report on pages 6 to 15 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 3 year period

The NAV total returns from the Company's listing on 2 December 2016 to 30 November 2017 and for the year ended 30 November 2018 were 17.2% and 24.0% respectively.

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

The Company targeted a total dividend of 4p per Ordinary Share for the year ended 30 November 2018. The Company paid an interim dividend of 2.0p per Ordinary Share in August 2018 and proposes a final dividend in respect of the year to 30 November 2018 of 2.0p 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 Ordinary Share price traded at an average premium to NAV of 1.2% in the year ended 30 November 2018.

(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 2018, the Company's ongoing charges figure calculated in accordance with the Association of Investment Companies ("AIC") methodology was 1.21%. The Board expects the ongoing charges figure to reduce as the Company grows in size.

Principal risks and uncertainties

(i) Market risks

Economic conditions

Changes in general economic and market conditions including, for example, interest rates, cost increase, 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 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.

Management of risks

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

The Company is invested in a diversified portfolio of investments.

The Company's investment policy states that no single holding will represent more than 10% of gross assets at the time of investment and, when fully invested, the portfolio will have no more than 35 holdings.

(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.

There is 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.

Further details on financial risks can be found in note 17 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 Portfolio Manager monitors the currency risk of the Company's portfolio on a regular 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 17 to the financial statements.

(iii) Corporate governance and internal control risks (including cyber security)

The Board has contractually delegated to external agencies 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 main risk areas arising from the above contracts relate to allocation of the Company's assets by the Portfolio Manager, and the 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

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. The Company's key service providers report periodically to the Board on their procedures to mitigate cyber security risks.

INVESTMENT POLICY, RESULTS AND OTHER INFORMATION

CONTINUED

(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 Secretary, AIFM and Depositary report on regulatory matters to the Board on a quarterly basis. The assessment of regulatory risks forms part of the Board's risk assessment programme.

(v) UK exit from the European Union

A referendum was held on 23 June 2016 to decide whether the UK should remain in the EU and a vote was given in favour of the UK leaving the EU ("Brexit"). The extent of the impact on the Company will depend in part on the nature of the arrangements that are put in place between the UK and the EU following Brexit and the extent to which the UK continues to apply laws that are based on EU legislation. In addition, the macroeconomic effect of Brexit on the value of investments in the healthcare sector and, by extension, the value of investments in the Company's portfolio is unknown. As such, it is not possible to state the impact that Brexit will have on the Company and its investments. It could also potentially make it more difficult for the Company to raise capital in the EU and/or increase the regulatory compliance burden on the Company. This could restrict the Company's future activities and thereby negatively affect returns.

Management of risks

The Brexit vote is unlikely to significantly alter the risk profile of the Company, as substantially all the Company's investments are based outside the EU, and the majority of shareholders are UK based. The position is, however, being monitored as the exit negotiation proceeds and the impact on the Company will be reassessed accordingly.

Viability statement

The Directors have assessed the viability of the Company for the five years to 30 November 2023 (the "Period"), which the Directors consider to be an appropriate time horizon, taking into account the long-term nature of the Company's investment strategy and recommended by the Financial Reporting Council.

In reaching this conclusion, the Directors have considered each of the principal risks and uncertainties and the liquidity and solvency of the Company and five years is the period over which the investment policy and the principal risks are unlikely to change. 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, and any other costs likely to be faced by the Company over the period of their assessment.

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 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 2018, redemption requests in respect of 170,380 Ordinary Shares were received. All of the 170,380 Ordinary Shares, representing 0.05% of the then issued share capital, were matched with buyers and there was no change to the Company's share capital.

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.

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.

Employees

The Company has no employees. As at 30 November 2018 the Company had five Directors, four of whom are male and one is female. The Board's policy on diversity is contained in the corporate governance report (see page 30).

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.

Outlook

The outlook for the Company is discussed in the Chairman's Statement on page 4.

Strategic Report

The Strategic Report set out on pages 1 to 21 of this Annual Report was approved by the Board of Directors on 14 February 2019.

For and on behalf of the Board

Randeep Grewal
Director
14 February 2019

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 30 November 2018.

Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 21.

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 2018.

Alternative Investment Fund Manager ("AIFM")

Mirabella Financial Services LLP is the Company's AIFM. For the purposes of the AIFM Directive, the Company is subject to the overall control and supervision of the Board. The AIFM has delegated responsibility for the management of the Company's portfolio to the Portfolio Manager, by way of the Delegated Portfolio Management Agreement.

Under the terms of the AIFM Agreement, the AIFM shall be entitled to receive from the Company a monthly fee of £6,000 for the term of the agreement. In addition, the AIFM shall be entitled to fees for Annex IV reporting of £2,000 for each filing. The AIFM is also entitled to reimbursement of reasonable expenses incurred by it in the performance of its duties.

The AIFM Agreement is terminable by either the AIFM or the Company giving to the other not less than 6 months' written notice. The AIFM Agreement may be terminated with immediate effect on the occurrence of certain events, including insolvency, on a change of control of the AIFM or in the event of a material breach which fails to be remedied within 30 days of receipt of notice. The AIFM Agreement shall terminate immediately if the Delegated Portfolio Management Agreement is terminated for whatever reason.

Portfolio Manager

The Company's Portfolio Manager is Bellevue Asset Management AG (the "Portfolio Manager"). A Delegated Portfolio Management Agreement is in place between the Company, the AIFM and the Portfolio Manager, pursuant to which the Portfolio Manager is appointed to act as Portfolio Manager of the Company with responsibility to manage the assets of the Company and to advise the AIFM on a day to day basis in accordance with the investment policy of the Company and subject to the overall policies and communicated directions of the AIFM, which shall at all times be in accordance with the investment policy and investment restrictions of the Company. Under the terms of the Delegated Portfolio Management Agreement, the Portfolio Manager has discretion to buy, sell, retain, exchange or otherwise deal in investment assets for the account of the Company.

The Portfolio 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 to the Portfolio Manager.

The Delegated Portfolio Management Agreement may be terminated on 12 months' written notice, such notice to expire, in the case of notice given by the AIFM to the Portfolio Manager, on or at any time after the third anniversary of First Admission. The Delegated Portfolio Management Agreement may be terminated with immediate effect on the occurrence of certain events, including insolvency, on a change of control of the Portfolio Manager or in the event of a material breach which fails to be remedied within 30 days of receipt of notice.

The Delegated Portfolio Management Agreement shall terminate immediately if the AIFM Agreement is terminated for whatever reason. The Delegated Portfolio Management Agreement may also be terminated by the AIFM on not less than 6 months' notice in writing to the Portfolio Manager if, without the prior written consent of the Company, a Key Man Event occurs prior to the third anniversary of First Admission. For these purposes, a "Key Man Event" will be deemed to occur if: (a) either of Daniel Koller or Paul Major ceases to be employed full time by the Portfolio Manager or any member of its group; or (b) Daniel Koller ceases to be actively involved in respect of the Portfolio Manager's obligations under the Delegated Portfolio Management Agreement; or (c) Paul Major ceases to be actively involved in respect of the Investment Adviser's obligations under the Investment Advisory Agreement.

The Portfolio Manager has appointed Bellevue Advisors Limited, its UK subsidiary, to provide investment advisory services to it in relation to the Company and its portfolio.

Management engagement

The Directors are satisfied that the AIFM and the Portfolio Manager have the suitable skills and experience to manage the Company's investments and believe that the continuing appointment of the AIFM and the Portfolio Manager 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 (**www.bbhealthcaretrust.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 2018	110%	110%

DIRECTORS' REPORT

CONTINUED

Share issues

During the year ended 30 November 2018, the Company issued 59,538,526 Ordinary Shares and the number of Ordinary Shares in issue at 30 November 2018 was 319,107,794. A further 44,103,025 Ordinary Shares have been issued since the Company's year end.

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. In the Company's Annual Report for the period ended 30 November 2017, the Board reported that it was investigating the possibility of publishing a new prospectus during the year ended 30 November 2018. At the Annual General Meeting held on 22 March 2018, the Board sought authority from shareholders for the Company to issue up to a maximum of 200,000,000 Ordinary Shares and to disapply pre-emption rights when issuing those Ordinary Shares. This authority will expire at the conclusion of the forthcoming Annual General Meeting. Subsequently, the Company published a 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. Subject to the requisite shareholder authorities, the maximum size of the share issuance programme is 345 million Ordinary Shares.

The Board recommends that the Company is granted a new authority to issue up to a maximum of 72,642,163 Ordinary Shares (representing 20% 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 Annual General Meeting to be held on 19 March 2019.

The Company also intends to issue new Ordinary Shares in connection with its proposed scrip dividend scheme.

The Ordinary Shares to be issued pursuant to the scrip dividend will be issued at the last published net asset value per Ordinary Share at a date to be determined by the Directors.

Any Ordinary Shares issued for cash will be issued at a premium to (cum income) net asset value.

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) net asset value ("NAV") per existing Ordinary Share at the time of their sale. No Ordinary Shares were bought back during the year ended 30 November 2018.

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.

The Directors currently have the authority to make market purchases of up to 39,494,043 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 annual general meeting of the Company and authority for the Company to purchase up to 54,445,302 Ordinary Shares (subject to a maximum of 14.99% of the Ordinary Shares in issue at the date of the Annual General Meeting) will be sought at the forthcoming Annual General Meeting. 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 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.

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 Company announced on 5 November 2018 that valid redemption requests in respect of 170,380 Ordinary Shares were received for the 30 November 2018 redemption point.

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.

All of the 170,380 Ordinary Shares, representing 0.05% of the then issued share capital, were matched with buyers and sold at a calculated redemption price of 137.21 pence per share and all shareholders who validly applied to have shares redeemed received this redemption price per Ordinary Share.

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

During the year the Company had a multi-currency revolving credit facility with Scotiabank (Ireland) Designated Activity Company ("Scotiabank"). Under the terms of the facility, the Company could draw down up to an aggregate of £50 million. On 25 January 2019, the Company renewed and amended the facility with Scotiabank. Under the amended facility, loans of up to US$100 million may be drawn. There is also an uncommitted accordion option to increase the facility size by up to US$50 million which, subject to the agreement of Scotiabank, provides the Company with flexibility to increase the facility as the grows in size. The current facility will expire on 25 January 2021.

DIRECTORS' REPORT

CONTINUED

Brokers

In addition to Peel Hunt LLP as Company's broker, J.P. Morgan Cazenove were also appointed as the Company's joint broker as announced on 11 July 2018.

Depositary

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

Company Secretary and Administrator

PraxisIFM Fund Services (UK) Limited is the Company Secretary and Administrator of the Company, providing administration services including calculation of its daily net asset value.

Capital structure and voting rights

As at 30 November 2018 the Company's issued share capital comprised 50,001 Management Shares and 319,107,794 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.

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 2018, 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	%*
Schroders plc	15,482,819	4.85%
Quilter plc	15,375,614	4.82%
Erich Hunziker	14,750,000	4.62%
Heartwood Wealth Management Limited	13,256,667	4.15%
J.M. Finn & Co Ltd	10,995,350	3.45%

* Based on Ordinary Shares in issue as at 30 November 2018.

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. 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.

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 2018 were £442.7 million. As at 30 November 2018, the Company held £487.6 million in quoted investments, cash of £3.8 million and had a loan facility of £48 million. The total expenses (excluding finance costs and taxation) for the year ended 30 November 2018 were £4.2 million, which represented approximately 1.21% of average net assets during the year. The Company also incurred finance costs of £0.9 million.

At the date of approval of this document, 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.

Auditor information

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

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(ii) the Director has taken all steps that he ought to have taken as Director to make himself aware of any relevant information and to establish that the Company's auditors are 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 auditors will be put forward at the forthcoming Annual General Meeting.

By order of the Board

Anthony Lee
For and on behalf of
PraxisIFM Fund Services (UK) Limited
Company Secretary
14 February 2019

CORPORATE GOVERNANCE

Introduction

The Board of the Company has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. A copy of the AIC Code can be viewed on the AIC's website **www.theaic.co.uk**.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide more relevant information to Shareholders than solely reporting against the UK Corporate Governance Code.

The Financial Reporting Council ("FRC"), the UK's independent regulator for corporate reporting and governance responsible for the UK Corporate Governance Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and the AIC Guide meet fully their obligations under the UK Corporate Governance Code and the related disclosure requirements contained in the Listing Rules.

For the year ending 30 November 2018, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to: the role of the chief executive; executive Directors' remuneration; and the need for an internal audit function. For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company and the Company does not therefore comply with them.

The Board

Composition

The Board consists of five non-executive Directors including the Chairman and all the Directors have served during the entire year.

The Board believes that during the year ended 30 November 2018 its composition was appropriate for an investment company of the Company's nature and size. All of the Directors are independent of the Portfolio Manager. All of the Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

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

Professor Justin Stebbing (Chairman)

Justin is a clinical oncologist and has published over 500 peer-reviewed papers on cancer. He is a Fellow of the Royal College of Physicians, the American Board of Internal Medicine and the Royal College of Pathologists and sits on a number of advisory boards. He also has previous investment management experience as a healthcare analyst and also acts as a consultant to another UK-based asset management firm.

Josephine Dixon (Chair of the Audit Committee)

Josephine is a chartered accountant who sits on the boards of Aberdeen Standard Equity Income Trust plc, JP Morgan European Investment Trust plc, Ventus VCT plc, Strategic Equity Capital plc and BMO Global Smaller Companies Trust plc. Her executive experience includes finance, governance and general commercial roles in a number of sectors.

Randeep Grewal (Chair of the Management Engagement Committee)

Randeep is a London-based Fund Manager at Trium, with over 18 years of Healthcare investment experience, including F&C Asset Management, ICAP Equities and Tudor. Randeep trained as a Vascular and General Surgeon and read both Medicine and Computer Science at Cambridge University. He sits on the board of Tissue Regenix.

Paul Southgate

Paul is a London-based Portfolio Manager at Pictet Asset Management, with over 21 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.

Siddhartha Mukherjee

Siddhartha is a cancer physician and professor at Columbia University. In addition to his extensive academic publications, he has written several books, including The Emperor of All Maladies (winner of a Pulitzer Prize in 2011). He is a Rhodes scholar and graduated from Stanford University, University of Oxford, and Harvard University.

The Board recognises the benefits to the Company of having longer serving Directors together with progressive refreshment of the Board.

In line with corporate governance best practice, all of the Directors will retire and offer themselves for election at the Annual General Meeting of the Company to be held on 19 March 2019. The Board recommends all the Directors stand for 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 Committee which is chaired by Josephine Dixon and consists of all the Directors. The Company announced on 23 February 2018 that Josephine Dixon would temporarily step down as Chair of the Audit Committee due to health reasons and Randeep Grewal would become interim Chair of the Audit Committee. As of 18 October 2018 Josephine Dixon was reappointed as Audit Committee Chair.

A report of the Audit Committee is included in this Annual Report. The Board considers that the members of the Audit Committee have the requisite skills and experience to fulfil the responsibilities of the Audit Committee. The Audit 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.

CORPORATE GOVERNANCE

CONTINUED

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 Portfolio Manager and the AIFM and it annually reviews those appointments and the main terms of the Delegated Portfolio Management Agreement and the AIFM Agreement.

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

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 and the second number is the number of meetings that Director was eligible to attend.

	Quarterly Board	Audit Committee	Management Engagement Committee
Number held	**4**	**2**	**1**
Justin Stebbing	4/4	2/2	1/1
Josephine Dixon*	2/4	1/2	0/1
Randeep Grewal	4/4	2/2	1/1
Paul Southgate	4/4	2/2	1/1
Siddhartha Mukherjee*	3/4	1/2	1/1

* Josephine Dixon was unable to attend two of the Board meetings, one Audit Committee meeting and one Management Engagement Committee meeting due to health reasons. Siddhartha Mukherjee was unable to attend one Board and Audit Committee meeting due to other commitments.

There were also a number of Board and committee meetings to deal with administrative matters and approval of documents.

Board diversity

The Company's policy is that the Board should have a broad range of skills. Consideration is given to the recommendations of the AIC Code and other guidance on boardroom diversity.

Performance appraisal

A formal annual performance appraisal process is performed on the Board, the committees, the individual Directors and the Company's main service providers.

A programme consisting of open and closed ended questions was used as the basis for the appraisal. The results were reviewed by the Chairman and the Chairman of the Management Engagement Committee and discussed with the Board. A separate appraisal of the Chairman has been carried out by the other members of the Board and the results reported back by the Chairman of the Management Engagement Committee to the Chairman. The results of the performance evaluation were positive and demonstrated that the Directors showed the necessary commitment for the fulfilment of their duties.

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 external agencies the services the Company requires, but it is fully informed of the internal control framework established by the Portfolio Manager, the Administrator and the Company's custodian 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, supervision by Directors of the valuation of securities, 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 39 and a Statement of Going Concern is on page 27. The Report of the Independent Auditor is on pages 40 to 46.

Other aspects of internal control

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

The Board has agreed policies with the Portfolio Manager on key operational issues. The Portfolio Manager and/or the AIFM reports in writing to the Board on operational and compliance issues. The Portfolio Manager reports directly to the Audit 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 Corporate Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

CORPORATE GOVERNANCE

CONTINUED

This contact with the AIFM, Portfolio Manager, 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 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 is set out in the Strategic Report.

Shareholder relations

The Company encourages all shareholders to attend the Annual General Meeting and seeks to provide a minimum of twenty working days' notice of that meeting. 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. The Portfolio Manager has a programme of meetings with shareholders and reports back to the Board on its findings. The Chairman and the Board welcome direct feedback from shareholders.

Annual General Meeting voting update

As stated in the announcement made by the Company on 22 March 2018, the Board has noted the significant vote against the resolution put forward at the Annual General Meeting held on 22 March 2018 to provide authority to allot new Ordinary Shares on a non pre-emptive basis. Whilst the resolution was passed, the votes against represented 22.9% of votes cast. Shareholder views have been sought and the Company will continue to engage with shareholders going forward. The Board continues to believe that the Company having the flexibility to issue shares at a premium to NAV on a non pre-emptive basis is in the best interests of the Company and of shareholders as a whole.

Exercise of voting powers and stewardship code

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

Environmental, social and governance ("ESG") policy

The Company has no staff, premises, manufacturing or other operations. The Portfolio Manager incorporates ESG issues into its analysis and decision making processes.

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 Annual General Meeting.

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 law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures are audited they are indicated as such. The auditor's opinion is on page 40.

Remuneration

The Company currently has five non-executive Directors.

As detailed in the Company's prospectus dated 5 November 2018, Directors' fees are payable at the rate of £27,500 per annum for each Director other than the Chairman, who is entitled to receive £40,000. The Chairman of the Audit Committee is entitled to additional fees of £5,000 per annum and the Chairman of the Management Engagement Committee is entitled to additional fees of £2,500 per annum. Net fees payable to the Directors (other than the US resident Director) are settled in Ordinary Shares.

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

The Board reviews the fees payable to the Directors on an annual basis and following the year end, a review has been completed. The Board has approved that with effect from 1 April 2019, annual Directors' fees will be increased by £1,250 per annum per Director. The Board believes that these fees appropriately reflect prevailing market rates for an investment trust of the Company's complexity and size, and will also enable the Company to attract appropriately experienced additional Directors in the future.

Directors' 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.

DIRECTORS' REMUNERATION IMPLEMENTATION REPORT

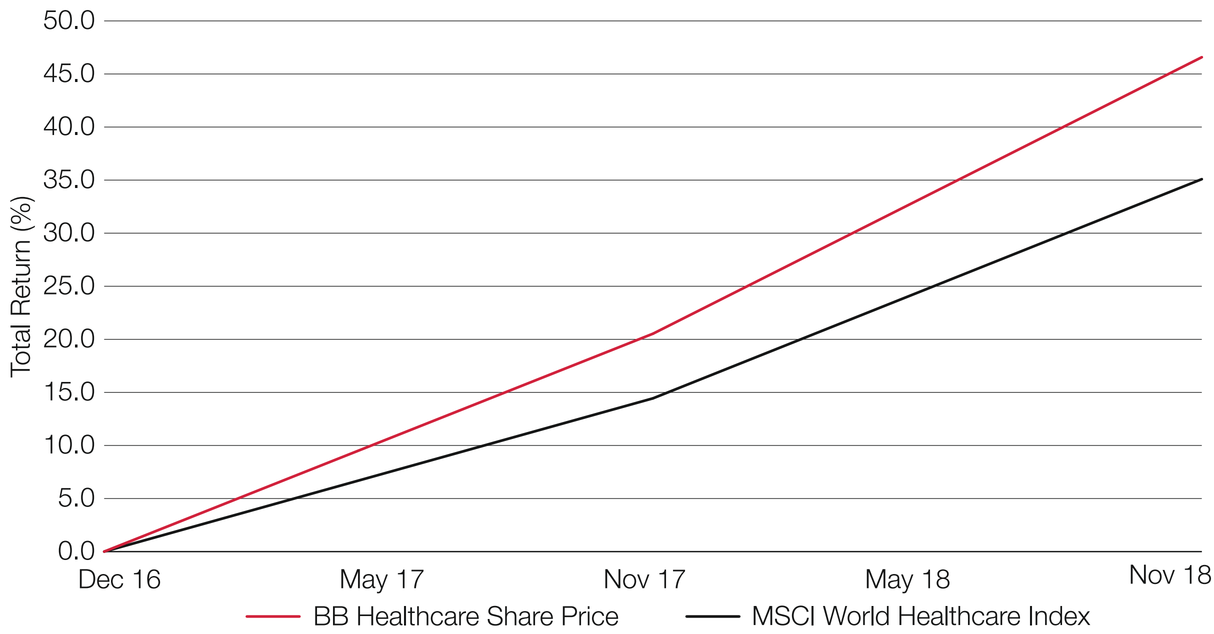
CONTINUED

Director search and selection fees

No Director search and selection fees were incurred during the year to 30 November 2018.

Performance

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



Directors' emoluments for the year ended 30 November 2018 (Audited)

The Directors who served during the year received the following remuneration for qualifying services.

	Fees and taxable benefits to 30 November 2018 £'000	Fees and taxable benefits to 30 November 2017 £'000
Professor Justin Stebbing	40.0	40.0
Josephine Dixon*	29.3	32.5
Randeep Grewal*	33.2	30.0
Paul Southgate	27.5	27.5
Siddhartha Mukherjee	27.5	27.5
	157.5	157.5

* Randeep Grewal was temporarily appointed as Audit Committee Chairman while Jo Dixon was absent due to health reasons.

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 was paid to third parties.

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the period ended 30 November 2017 was put forward at the Annual General

Meeting held on 11 March 2018. The resolution was passed with 99% of the proxy votes cast (including discretionary votes) being in favour of the resolution.

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the year ended 30 November 2018 will be put forward for approval at the Company's Annual General Meeting to be held on 19 March 2019.

The Directors' Remuneration Policy was last put forward at the Annual General Meeting held on 22 March 2018. The resolution was passed with over 99% 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 Annual General Meeting to be held in March 2021.

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, the management fees and other expenses incurred by the Company.

Year ended 30 November	2018 £'000	2017 £'000
Income	1,770	1,919
Directors' fees	158	158
Management fees and other expenses	4,188	2,876
Dividends paid and payable to shareholders	12,747	7,993

Directors' holdings (Audited)

The Directors held the following shareholdings at 30 November 2018 and as at the date of this report. Net fees payable to the Directors, other than the resident US Director, are settled in Ordinary Shares quarterly.

The Board consists of 1 female and 4 male Directors.

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

	Ordinary Shares as at 30 November 2018	Ordinary Shares as at date of this report	Ordinary Shares as at 30 November 2017
Professor Justin Stebbing	31,056	34,923	14,833
Josephine Dixon	49,544	52,592	37,318
Randeep Grewal	49,857	52,851	36,418
Paul Southgate	46,449	48,830	35,567
Siddhartha Mukherjee	25,000	25,000	25,000

DIRECTORS' REMUNERATION IMPLEMENTATION REPORT

CONTINUED

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 2018:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the financial year to 30 November 2018; and

(c) the context in which the changes occurred and decisions have been taken.

Randeep Grewal
Director
14 February 2019

REPORT OF THE AUDIT COMMITTEE

Role of the Audit Committee

The AIC Code of Corporate Governance (the "Code") recommends that Boards should establish audit committees consisting of at least three, or in the case of smaller companies, two independent non-executive Directors. The Board is required to satisfy itself that at least one member of the audit committee has recent and relevant financial experience. The main role and responsibilities of the audit committee should be set out in written terms of reference covering certain matters described in the Code. The Company complies with the Code.

The Audit 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 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. The Audit Committee has considered the non-audit work of the auditor this year and does not consider that this compromises its independence.

Composition

All of the Directors of the Company are members of the Audit Committee. The Audit 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 Committee as a whole has recent and relevant financial experience. The Audit 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 Committee keeps the needs for an internal audit function under periodic review.

Earlier in the financial year, Jo Dixon temporarily stepped down as Chair of the Audit Committee due to health reasons and was replaced by interim Chair Randeep Grewal. Jo Dixon has since fully recovered and resumed her position as Chair of the Audit Committee as of 19 October 2018.

Meetings

There have been two Audit Committee meetings in the year to 30 November 2018.

Financial statements and significant accounting matters

The Audit Committee considered the following significant accounting issues in relation to the Company's Financial Statements for the year ended 30 November 2018.

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 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 Committee has reviewed the Administrator's procedures for recognition of income and is comfortable that these are appropriate. The Audit Committee reviews the treatment of any special dividends receivable in the period to ensure that these have been treated appropriately.

REPORT OF THE AUDIT COMMITTEE

CONTINUED

Conclusion with respect to the Annual Report and financial statements

The Audit Committee has concluded that the Annual Report for the year ended 30 November 2018, 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 Committee has reported its conclusions to the Board of Directors. The Audit 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.

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 appointment of the external auditor will be reviewed annually by the Audit 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.

Effectiveness of external audit

The Audit Committee is responsible for reviewing the effectiveness of the external audit process. The Audit Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing. The Audit Committee performed a review of the external auditor following the presentation of the results of the audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. Following the above review, the Audit Committee has agreed that the re-appointment of the Auditors should be recommended to the Board and the Shareholders of the Company.

Provision of non-audit services

The Audit 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 2018. The Auditor performed reporting accountant services in connection with the Company's new prospectus and fees of £26,000 were payable post year end in respect of these services. These fees are non-recurring and the independence of the Auditor was considered prior to the provision of these services.

Josephine Dixon
Audit Committee Chair
14 February 2019

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 International Financial Reporting Standards as adopted by the European Union. 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 and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable 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 and enable them to ensure that the accounts comply with the Companies Act 2006. 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.bbhealthcaretrust.com**, which is maintained by the Company's Portfolio Manager. The work carried out by the auditors does not involve consideration of the maintenance and integrity of these websites and, accordingly, the auditors accept 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:

(a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

(b) 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 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
Director
14 February 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BB HEALTHCARE TRUST PLC

Opinion

We have audited the financial statements of BB Healthcare Trust plc (the 'Company') for the period from 1 December 2017 to 30 November 2018, which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 November 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 below. 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 Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 18-20 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on pages 22-27 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on pages 22-27 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on pages 20-21 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income. • Incorrect valuation and defective title of the investment portfolio, including incorrect application of exchange rate movements or failure to assess stock liquidity.
Materiality	• Overall materiality of £4.43m (2017: £2.99m) which represents 1% of Net Asset Value (NAV).

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 Committee
Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income *Refer to the Audit Committee Report (pages 37-38); the accounting policies (pages 52-53) and the notes to the financial statements (note 5).* As can be seen in note 5 to the financial statements, the Company has reported investment income for the period to 30 November 2018 of £1.77m (2017: £1.92m). Income is received primarily in the form of dividends from UK and overseas investments in quoted companies. Overseas dividends are recorded gross of withholding tax. Special dividends by their nature require the exercise of judgement as to whether the income receivable should be classified as 'revenue' or 'capital' for the purposes of s1158 Corporation Tax Act 2010 ("CTA"). The revenue column of the Income Statement is the main driver of the minimum dividend calculation. There is therefore a risk that an incorrect classification could potentially result in an under distribution of income and put the Company's status as an investment trust at risk.	We performed the following procedures: • Obtained an understanding of Bellevue Asset Management AG's (the 'Manager') and PraxisIFM Fund Services (UK) Limited's (the 'Administrator') processes and controls surrounding revenue recognition and identification and allocation of special dividends by performing a walkthrough to evaluate the design and effectiveness of controls. • Reviewed the Company's Income Report to identify special dividends received in the period and noted that the Administrator had not identified any special dividends. To assess the completeness of special dividends, for a sample of investments reviewed the investee company announcements per an independent source to test that dividends announced during the year by the investee companies have been recognised in the income report, and to identify if there were additional special dividends that should have been recorded.	The results of our procedures identified no issues with the accuracy or completeness of income receipts. We did not identify any special dividends receivable by the Company during the period. Based on the work performed we had no matters to report to the Audit Committee.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BB HEALTHCARE TRUST PLC

CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
There is also a risk that inappropriate journal entries applied to the income account could result in a manipulation of the Company's revenue to support performance and dividend targets.	• Agreed a sample of dividends from the income report to the corresponding announcement made by the investee company and agreed the holdings of the investment at that date to the transactions report. We then recalculated the dividend amount received and agreed cash received to bank statements. • Agreed a sample of dividends paid on investments held from an independent source to the income recorded by the Company. • Agreed 100% of accrued dividends to an independent source to assess whether the dividend obligation arose prior to 30 November 2018. We agreed the dividend rate to corresponding announcements made by the investee company and agreed the holdings of the investment at that date to the transactions report. We then recalculated the dividend amount receivable and agreed cash received to post period end bank statements, where possible. • Tested a sample of manual journal entries posted to the income account during the period for their appropriateness and reviewed journal entries either side of the year end to ensure that correct cut-off of income had been applied.	
Incorrect valuation and defective title of the investment portfolio, including incorrect application of exchange rate movements or failure to assess stock liquidity *Refer to the Audit Committee Report (page 37); the accounting policies (page 52) and the notes to the financial statements (note 3).* The Company holds a portfolio of quoted investments both in the UK and overseas valued at £487.63m at 30 November 2018 (2017: £312.24m). In accordance with the requirements of IFRS, the Company's accounting policy is to value the investment portfolio at its fair value in the statutory financial statements. Fair value is measured as the bid price at the close of business on the relevant date on the exchange on which the investment is listed. There is a risk of incorrect valuation of the investment portfolio, including incorrect application of exchange rate movements or failure to assess stock liquidity appropriately that could result in the Statement of Financial Position and Statement of Comprehensive Income being materially misstated. Investments are held in custody by CACEIS Bank (UK Branch) ('the Depositary'). There is a risk of assets being misappropriated and the ownership of investments being unsecured.	We performed the following procedures: • Obtained an understanding of the Manager's and Administrator's processes and controls surrounding investment pricing and trade processing by performing a walkthrough to evaluate the effectiveness of the design of controls. • For all investments in the portfolio, we compared the market values and exchange rates to an independent source. • We agreed all investments to independent confirmations received from the Company's custodian and depositary as at 30 November 2018.	Based on the work performed we had no matters to report to the Audit Committee.

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, including controls 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.

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 £4.43m (2017: £2.99m), which is 1% (2017: 1%) of NAV. We derived our materiality calculation from a proportion of NAV as we consider that to be the most important financial metric on which shareholders 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 for the Company was 75% (2017: 50%) of our planning materiality, namely £3.32m (2017: £1.49m). In prior year we set the performance materiality at a lower threshold as it was the first year of the Company.

Given the importance of the distinction between revenue and capital for the Company, we have also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £221k, being the greater of; 5% of the net revenue return on ordinary activities before taxation and our reporting threshold which is set at 5% of planning materiality.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £221k, 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 39, including the Strategic Report set out on pages 1 to 21 and the Governance section set out on pages 22 to 39, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BB HEALTHCARE TRUST PLC

CONTINUED

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 38** – the statement given by the directors that they consider 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, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting set out on pages 37-38** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 28** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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 period 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 39, 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

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BB HEALTHCARE TRUST PLC

CONTINUED

- 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 incomplete or inaccurate revenue recognition through incorrect classification of special dividends. 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 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

- We were appointed by the Company in 2017 to audit the financial statements for the year ending 30 November 2017 and subsequent financial periods. We were appointed as Auditors by the Audit Committee and signed an engagement letter on 1 February 2018 which was subsequently revised on 29 June 2018.

- The period of total uninterrupted engagement including previous renewals and reappointments is 2 years, covering the years ending 30 November 2017 and 30 November 2018.

- 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.

- The audit opinion is consistent with the additional report to the audit 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.

James Beszant (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor,
London
14 February 2019

Notes:

1. The maintenance and integrity of the BB Healthcare Trust plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 November 2018			Period from 7 October 2016 to 30 November 2017		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	4	–	79,404	79,404	–	33,960	33,960
(Losses)/gains on currency movements		–	(1,876)	(1,876)	–	522	522
Net investment gains		**–**	**77,528**	**77,528**	**–**	**34,482**	**34,482**
Income	5	1,770	–	1,770	1,919	–	1,919
Total income		**1,770**	**77,528**	**79,298**	**1,919**	**34,482**	**36,401**
Portfolio management fees	6	(661)	(2,643)	(3,304)	(417)	(1,668)	(2,085)
Other expenses	7	(884)	–	(884)	(791)	–	(791)
Profit before finance costs and taxation		**225**	**74,885**	**75,110**	**711**	**32,814**	**33,525**
Finance costs	8	(196)	(777)	(973)	(43)	(170)	(213)
Operating profit before taxation		**29**	**74,108**	**74,137**	**668**	**32,644**	**33,312**
Taxation	9	(222)	–	(222)	(272)	–	(272)
Profit for the year		**(193)**	**74,108**	**73,915**	**396**	**32,644**	**33,040**
Return per Ordinary Share	**10**	**(0.07)p**	**26.75p**	**26.68p**	**0.21p**	**17.42p**	**17.63p**

There is no other comprehensive income and therefore the '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.

STRATEGIC REPORT GOVERNANCE FINANCIALS OTHER INFORMATION

The notes on pages 51 to 64 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2018

	Note	30 November 2018 £'000	30 November 2017 £'000
Non-current assets			
Investments held at fair value through profit or loss	4	487,630	312,238
Current assets			
Cash and cash equivalents		3,802	842
Dividend receivable		137	228
Other receivables		81	–
		4,020	**1,070**
Total assets		**491,650**	**313,308**
Current liabilities			
Purchase of investments for future settlement		–	484
Bank loans payable	11	48,138	12,786
Other payables		831	425
Total liabilities		**48,969**	**13,695**
Net assets		**442,681**	**299,613**
Equity			
Share capital	13	3,204	2,609
Share premium account		199,625	120,934
Special distributable reserve		133,293	143,355
Capital reserve		106,752	32,644
Revenue reserve		(193)	71
Total equity		**442,681**	**299,613**
Net asset value per Ordinary Share	14	**138.72p**	**115.43p**

Approved by the Board of Directors on 14 February 2019 and signed on its behalf by:

Randeep Grewal
Director

Registered in England and Wales with registered number 1015235.

The notes on pages 51 to 64 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 NOVEMBER 2018

	Note	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening balance as at 1 December 2017		2,609	120,934	143,355	32,644	71	299,613
Profit for the year		–	–	–	74,108	(193)	73,915
Dividend paid	12	–	–	(10,062)	–	(71)	(10,133)
Issue of Ordinary Shares	13	595	79,392	–	–	–	79,987
Share issue costs	13	–	(701)	–	–	–	(701)
Closing balance as at 30 November 2018		**3,204**	**199,625**	**133,293**	**106,752**	**(193)**	**442,681**

FROM THE PERIOD OF INCORPORATION ON 7 OCTOBER 2016 TO PERIOD ENDING 30 NOVEMBER 2017

	Note	Share capital £'000	Share premium account £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening balance as at 7 October 2016		–	–	–	–	–	–
Profit for the period		–	–	–	32,644	396	33,040
Dividend paid	12	–	–	(3,057)	–	(325)	(3,382)
Transfer to special distributable reserve		–	(146,412)	146,412	–	–	–
Issue of Ordinary Shares	13	2,596	271,014	–	–	–	273,610
Issue of Management Shares	13	13	–	–	–	–	13
Share issue costs	13	–	(3,668)	–	–	–	(3,668)
Closing balance as at 30 November 2017		**2,609**	**120,934**	**143,355**	**32,644**	**71**	**299,613**

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

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

The notes on pages 51 to 64 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Year ended 30 November 2018 £'000	Period from 7 October 2016 to 30 November 2017 £'000
Cash flows from operating activities		
Income*	1,861	1,690
Management expenses	(4,150)	(2,520)
Foreign exchange losses	(1,876)	(204)
Taxation	(222)	(272)
Net cash flow used in operating activities	**(4,387)**	**(1,306)**
Cash flows from investing activities		
Purchase of investments	(315,283)	(371,220)
Sale of investments	218,811	93,426
Net cash flow used in investing activities	**(96,472)**	**(277,794)**
Cash flows from financing activities		
Bank loans drawn	35,352	13,512
Finance costs paid	(686)	(130)
Dividend paid	(10,133)	(3,382)
Proceeds from issue of shares	79,987	273,610
Share issue costs	(701)	(3,668)
Net cash flow from financing activities	**103,819**	**279,942**
Increase in cash and cash equivalents	**2,960**	**842**
Cash and cash equivalents at start of year	842	–
Cash and cash equivalents at end of year	**3,802**	**842**

* Cash inflow from dividends for the financial year was £1,827,000 (2017: £1,688,000).

The notes on pages 51 to 64 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

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 Mermaid House, 2 Puddle Dock, London EC4V 3DB. 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 2017 to 30 November 2018.

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 International Financial Reporting Standards 'IFRS', and the Disclosure Guidance and Transparency Rules ('DTRs') of the UK's Financial Conduct Authority.

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 November 2014 and updated in February 2018 is consistent with the requirements of 'IFRS', 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.

The Directors have a reasonable expectation that the Company has adequate operational resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

Use of estimates and judgements

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 period in which the estimates are revised and in any future periods affected. There have been no estimates, judgements or assumptions, which have had a significant impact on the financial statements for the year.

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.

Comparatives

The comparative period to 30 November 2017, being fourteen months is not directly comparable to the year ended 30 November 2018, which is twelve months.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3. Accounting policies

(a) Investments

Upon initial recognition investments are designated 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, 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 "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 on currency movements".

(c) Income from investments

Dividend income from shares is accounted for on the basis of 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.

(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 so as to create a new 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.

Following approval by the Court, the cancellation became effective on 3 May 2017 and an amount of £146,412,136 was transferred to the above special reserve at that time.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are recognised through the Statement of Comprehensive Income as revenue items except as follows:

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 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 accruals 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.

(h) Financial liabilities

Bank loans and overdrafts are classified as loans and are measured at amortised cost. They are initially recorded at the proceeds received net of direct issue costs.

(i) New standards and interpretations effective in the current financial year

In the opinion of the Directors, there are no new standards that became effective during the year that had a material impact on the financial statements. At the date of approval of these financial statements, the following standard, which has not been applied in these financial statements, was in issue but not yet effective:

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2018, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

The Board is currently considering the impact of the above standard. Based on the initial assessment, the standard is not expected to have a material impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3. Accounting policies continued

(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. Although both share classes are subordinate to other share classes, the Ordinary Shares are further subordinate to the Management Shares. The Management Shares are not redeemable but the Ordinary Shares are subject to an annual redemption option at the discretion of the Directors. Ordinary Shares participate in dividends and any other profits of the Company.

4. Investment held at fair value through profit or loss

(a) Summary of valuation

	30 November 2018 £'000	30 November 2017 £'000
Investments held at fair value through profit or loss		
– Quoted in UK	–	15,984
– Quoted overseas	487,630	296,254
Closing valuation	**487,630**	**312,238**

(b) Movements in valuation

	£'000	£'000
Opening valuation	312,238	–
Opening unrealised gains on investments	(18,591)	–
Opening book cost	293,647	–
Additions, at cost	314,799	371,704
Disposals, at cost	(179,958)	(78,057)
Closing book cost	428,488	293,647
Closing unrealised gains on investments	59,142	18,591
Closing valuation	**487,630**	**312,238**

Transaction costs on investment purchases for the year ended 30 November 2018 amounted to £140,000 (2017: £343,000) and on investment sales for the year to 30 November 2018 amounted to £106,000 (2017: £24,000).

(c) Gains on investments

	£'000	£'000
Realised gains on disposal of investments	38,853	15,369
Unrealised gains on investments held	40,551	18,591
Total gains on investments	**79,404**	**33,960**

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:

	As at 30 November 2018			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit and loss – Quoted	487,630	–	–	487,630

	As at 30 November 2017			
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit and loss – Quoted	312,238	–	–	312,238

There were no transfers between levels during the year ending 30 November 2018 (2017: 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.

5. Income

	Year ended 30 November 2018 £'000	**Period from 7 October 2016 to 30 November 2017 £'000**
Income from investments		
Overseas dividends	1,612	1,778
UK dividends	124	139
Other income	34	2
Total income	**1,770**	**1,919**

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

6. Portfolio management fee

	Year ended 30 November 2018 Revenue £'000	Capital £'000	Total £'000	Period from 7 October 2016 to 30 November 2017 Revenue £'000	Capital £'000	Total £'000
Management fee	661	2,643	**3,304**	417	1,668	**2,085**

The Company's Portfolio Manager is Bellevue Asset Management AG (the 'Portfolio Manager'). The Portfolio 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 Portfolio Manager.

7. Other expenses

	Year ended 30 November 2018 £'000	Period from 7 October 2016 to 30 November 2017 £'000
Administration & secretarial fees	214	172
AIFM fees	97	104
Auditor's remuneration*		
– Statutory audit fee	39	37
– Non-audit fee	–	29
Broker fees	36	36
Custody services	109	82
Directors' fees	158	158
Printing and public relations	10	10
Registrar fees	51	24
Other expenses	170	139
Total	**884**	**791**

* Auditor's remuneration includes VAT of £6,000 (2017: £11,000).

8. Finance costs

	Year ended 30 November 2018 Revenue £'000	Capital £'000	Total £'000	Period from 7 October 2016 to 30 November 2017 Revenue £'000	Capital £'000	Total £'000
Loan interest	179	715	**894**	37	150	**187**
Other finance costs	17	62	**79**	6	20	**26**
Total	**196**	**777**	**973**	**43**	**170**	**213**

9. Taxation

(a) Analysis of charge:

	Year ended 30 November 2018 Revenue £'000	Capital £'000	Total £'000	Period from 7 October 2016 to 30 November 2017 Revenue £'000	Capital £'000	Total £'000
Withholding tax expense	222	–	**222**	272	–	**272**
Total tax charge for the year (note 9b)	**222**	**–**	**222**	**272**	**–**	**272**

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

The effective UK corporation tax rate for the year is 19.00% (2017: 19.33%). 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:

	2018 Total £'000	2017 Total £'000
Operating profit before taxation	74,137	33,312
UK Corporation tax at 19.00% (2017: 19.33%)	14,086	6,439
Effects of:		
Gains on investments not taxable	(14,730)	(6,665)
UK dividends not taxable	(24)	(27)
Overseas dividends not taxable	(306)	(344)
Withholding tax expense	222	272
Unutilised excess expenses	974	597
Total tax charge	**222**	**272**

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 £1,360,000 (2017: £586,000) based on the prospective UK corporation tax rate of 17% (2017: 19%). This asset has accumulated because deductible expenses exceeded taxable income for the year ended 30 November 2018. 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.

10. Return per share

Return per share is based on the weighted average number of Ordinary Shares in issue during the year ending 30 November 2018 of 277,060,711 (2017: 187,377,682).

	As at 30 November 2018 Revenue	Capital	Total	As at 30 November 2017 Revenue	Capital	Total
Profit for the year (£'000)	(193)	74,108	**73,915**	396	32,644	**33,040**
Return per Ordinary Share	(0.07)p	26.75p	**26.68p**	0.21p	17.42p	**17.63p**

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

11. Bank loans

The Company agreed a multi-currency revolving credit facility with Scotiabank (Ireland) Designated Activity Company on 23 February 2017. Under the terms of the facility, the Company may draw down up to an aggregate of £50 million (2017: £30 million). A replacement facility was agreed with Scotiabank in January 2019 under which the Company may draw down loans up to an aggregate value of USD $100 million. The replacement facility will expire in January 2021.

As at 30 November 2018, the Company's aggregate loans outstanding was £48,138,000. The table below shows the breakdown of the loans at 30 November 2018.

Currency of loans	Local currency amount	£'000	Interest rate per annum (%)	Maturity date
GBP loan	£500,000	500	2.09863	22 Feb. 2019
GBP loan	£1,700,000	1,700	2.09863	22 Feb. 2019
GBP loan	£4,500,000	4,500	2.07249	22 Feb. 2019
USD loan	$5,600,000	4,391	3.70278	22 Feb. 2019
USD loan	$4,000,000	3,136	3.71045	22 Feb. 2019
USD loan	$4,700,000	3,685	3.73050	04 Feb. 2019
USD loan	$8,000,000	6,273	3.70969	07 Jan. 2019
USD loan	$8,300,000	6,508	3.71017	22 Feb. 2019
USD loan	$6,500,000	5,096	3.71483	22 Feb. 2019
USD loan	$5,500,000	4,312	3.71308	22 Feb. 2019
USD loan	$10,250,000	8,037	3.77988	22 Feb. 2019
Total		**48,138**		

As at 30 November 2017

Currency of loans	Local currency amount	£'000	Interest rate per annum (%)	Maturity date
GBP loan	£500,000	500	1.60575	23 Feb. 2018
GBP loan	£1,700,000	1,700	1.60575	23 Feb. 2018
USD loan	$5,600,000	4,145	2.65389	28 Feb. 2018
USD loan	$4,000,000	2,961	2.68000	22 Mar. 2018
USD loan	$4,700,000	3,480	2.65167	02 Feb. 2018
Total		**12,786**		

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

12. Dividend

	Total for year ended 30 November 2018 Pence per Ordinary Share	Special reserve £'000	Revenue reserve £'000	Total £'000	Total for year ended 30 November 2017 Pence per Ordinary Share	Special reserve £'000	Revenue reserve £'000	Total £'000
Interim dividend – 2017	–	–	–	–	1.75p	3,057	325	**3,382**
Final dividend – 2017	1.75p	4,579	71	**4,650**	–	–	–	–
Interim dividend – 2018	2.00p	5,483	–	**5,483**	–	–	–	–
Total	**3.75p**	**10,062**	**71**	**10,133**	**1.75p**	**3,057**	**325**	**3,382**

The dividend relating to the year ended 30 November 2018, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered is detailed below:

	Total for year ended 30 November 2018 Pence per Ordinary Share	Special reserve £'000	Revenue reserve £'000	Total £'000	Total for year ended 30 November 2017 Pence per Ordinary Share	Special reserve £'000	Revenue reserve £'000	Total £'000
Interim dividend – paid	2.00p	5,483	–	**5,483**	1.75p	3,057	325	**3,382**
Final dividend – payable/paid	2.00p	7,264	–	**7,264**	1.75p	4,579	71	**4,650**
Total	**4.00p**	**12,747**	**–**	**12,747**	**3.50p**	**7,636**	**396**	**8,032**

The Directors recommend the payment of a final dividend for the year of 2.0p per share. Subject to approval at the Company's Annual General Meeting, the dividend will have an ex-dividend date of 28 February 2019 and will be paid on 28 March 2019 to shareholders on the register at 1 March 2019. The dividend will be funded from the Company's distributable reserves as per the table above.

13. Share capital

	As at 30 November 2018 No. of shares	£'000	As at 30 November 2017 No. of shares	£'000
Allotted, issued and fully paid:				
Redeemable Ordinary Shares of 1p each ('Ordinary Shares')	319,107,794	3,191	259,569,268	2,596
Management Shares of £1 each	50,001	13	50,001	13
Total	**319,157,795**	**3,204**	**259,619,269**	**2,609**

Share movement

During the year to 30 November 2018, 59,538,526 Ordinary Shares (2017: 259,569,268) were issued with an aggregate proceeds of £79,987,000 (2017: £273,610,000).

Since 30 November 2018, a further 44,103,025 Ordinary Shares have been issued with an aggregate proceeds of £59,383,564.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

14. Net assets per Ordinary Share

Net assets per Ordinary Share as at 30 November 2018 is based on £442,669,000 (2017: £299,613,000) of net assets of the Company attributable to the 319,107,794 (2017: 259,569,268) Ordinary Shares in issue (excluding treasury shares) as at 30 November 2018. At 30 November 2018 £12,500 (2017: £12,500) of net assets was attributable to the Management Shares.

15. Related party transactions

Fees payable to the Portfolio Manager are shown in the Statement of Comprehensive Income. As at 30 November 2018, the fee outstanding to the Portfolio Manager was £345,000 (2017: £237,000).

Since commencement of operations on 2 December 2016 fees have been payable at an annual rate of £40,000 to the Chairman, £32,500 to the Chair of the Audit Committee, £30,000 to the Chair of the Management Engagement Committee and £27,500 to the other Directors. Net fees payable to the Directors, other than the US resident Director, Siddhartha Mukherjee, are settled in Ordinary Shares quarterly, using the prevailing market price per share at the relevant quarter end. Directors' fees outstanding as 30 November 2018 was £26,250 (2017: £26,250).

16. Post balance sheet events

There are no post balance sheet events, other than those disclosed in this report.

17. Financial instruments and capital disclosures

(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 2018 comprised:

	Year ended 30 November 2018			Period from 7 October 2016 to 30 November 2017		
Investments	**Interest bearing £'000**	**Non-interest bearing £'000**	**Total £'000**	**Interest bearing £'000**	**Non-interest bearing £'000**	**Total £'000**
Sterling	–	–	**–**	–	15,984	**15,984**
Euro	–	–	**–**	–	9,262	**9,262**
Swiss franc	–	24,716	**24,716**	–	–	**–**
US dollar	–	462,914	**462,914**	–	286,992	**286,992**
Total investment	**–**	**487,630**	**487,630**	**–**	**312,238**	**312,238**
Floating rate						
Cash at bank	3,802	–	**3,802**	842	–	**842**
Short term receivables	–	218	**218**	–	228	**228**
Short term payables	(48,138)	(831)	**(48,969)**	(12,786)	(909)	**(13,695)**
Total	**(44,336)**	**(613)**	**(44,949)**	**(11,944)**	**(681)**	**(12,625)**

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 £48,763,000 (2017: £31,224,000) in the investments held at fair value through profit or loss at the year end, which is equivalent to 11.0% (2017: 10.4%) in the net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

(ii) Liquidity risks

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:

	Year ended 30 November 2018 £'000	Period from 7 October 2016 to 30 November 2017 £'000
Within one month	831	909
Between one and three months	48,138	9,825
Between three months and one year	–	2,961
More than one year	–	–
Total	**48,969**	**13,695**

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 a company unless a minimum holding of 1.0% of gross 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 11 for the maturity profiles of the loans. Other payables are typically settled within a month.

(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 2018.

	Year ended 30 November 2018 % change*	Period from 7 October 2016 to 30 November 2017 % change*
Danish kroner	(0.5%)	(4.0%)
Euro	(0.8%)	(3.8%)
Swiss franc	(4.2%)	4.3%
US dollar	(5.6%)	7.3%

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

17. Financial instruments and capital disclosures continued

Foreign currency risk profile

	Year ended 30 November 2018			Period from 7 October 2016 to 30 November 2017		
	Investment exposure £'000	Net monetary exposure £'000	Total currency exposure £'000	Investment exposure £'000	Net monetary exposure £'000	Total currency exposure £'000
Danish kroner	–	3	**3**	–	3	**3**
Euro	–	6	**6**	9,262	(477)	**8,785**
Swiss franc	24,716	19	**24,735**	–	–	**–**
US dollar	462,914	401	**463,315**	286,992	(10,420)	**276,572**
Total investment	**487,630**	**429**	**488,059**	**296,254**	**(10,894)**	**285,360**

Based on the financial assets and liabilities at 30 November 2018 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 2018 would have been as follows:

	Year end 30 November 2018 £'000	Period from 7 October 2016 to 30 November 2017 £'000
Euro	1	879
Swiss franc	2,474	–
US dollar	46,332	27,657

Management of currency risks

The Company's Portfolio 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 Portfolio 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 10.2% (2017: 3.9%), 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% 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% of the Net Asset Value. In the event the 20% 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 are disclosed in note 11.

(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 0.25% in interest rates would increase/(decrease) annual profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant:

	Loans at 30 November 2018 £'000	Profit or loss 0.25% decrease £'000	Profit or loss 0.25% increase £'000	Loans at 30 November 2017 £'000	Profit or loss 0.25% decrease £'000	Profit or loss 0.25% increase £'000
USD loan	41,438	104	(104)	10,586	26	(26)
GBP loan	6,700	17	(17)	2,200	6	(6)
Total	**48,138**	**121**	**(121)**	**12,786**	**32**	**(32)**

(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 as its depositary. The credit rating of CACEIS was reviewed at the time of appointment and will be reviewed on a regular basis by the Portfolio 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

17. Financial instruments and capital disclosures continued

At 30 November 2018, the Company's maximum credit risk exposure was £487,630,000 (2017: £312,238,000) in respect of quoted investments and £3,802,000 (2017: £842,000) in respect of cash held by the Depositary 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 £442,681,000 (2017: £299,613,000).

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 recent redemption point for the Ordinary Shares was 30 November 2018 and will be annual thereafter.

The Portfolio 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 Directors' Report on page 16.

Use of distributable reserves is disclosed in the footnotes on the Statement of changes in equity on page 49.

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

ALTERNATIVE PERFORMANCE MEASURES

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 2018		Page	£'000
Total assets less cash/cash equivalents	**a**	48	487,848
Net assets	**b**	48	442,681
Gearing (net)	**(a÷b)-1**		**10.2%**

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 2018		Page	£'000
Average NAV	**a**	n/a	344,936,000
Annualised expenses	**b**	n/a	4,188,000
Ongoing charges	**(b÷a)**		**1.21%**

Premium

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

As at 30 November 2018		Page	£'000
NAV per Ordinary Share (pence)	**a**	1	138.72
Share price (pence)	**b**	1	140.00
Premium	**(b÷a)-1**		**0.9%**

ALTERNATIVE PERFORMANCE MEASURES

CONTINUED

Total return

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 2018		Page	Share price	NAV
Opening at 1 December 2017 (p)	**a**	n/a	118.75	115.43
Closing at 30 November 2018 (p)	**b**	1	140.00	138.72
Dividend adjustment factor	**c**	n/a	1.03139	1.03178
Adjusted closing (d = b x c)	**d**	n/a	144.39	143.13
Total return	**(d÷a)-1**		**21.6%**	**24.0%**

GLOSSARY

American Depositary Receipt or "ADR"	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.
AIC	Association of Investment Companies
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or "AGM"	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.
Custodian	An entity that is appointed to safeguard a company's assets.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Depositary	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary's duties include, inter alia, safekeeping of the Company's assets and cash monitoring. Under AIFMD the depositary is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Gearing	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
Gross assets	The Company's total assets adjusted for any leverage amount (outstanding bank loan).
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment Trust	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.
Large Cap	A Company with a market capitalisation above $10 billion.

GLOSSARY

CONTINUED

Leverage	An alternative word for "Gearing". 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.
Liquidity	The extent to which investments can be sold at short notice.
Management Shares	Non-redeemable preference shares of £1.00 each in the capital of the Company.
Mega Cap	A Company with a market capitalisation above $50 billion.
Net assets	An investment company's assets less its liabilities
Net asset value (NAV) per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury)
Ongoing charges ratio	A measure, expressed as a percentage of *average net assets*, of the regular, recurring annual costs of running an investment company.
Ordinary Shares	The Company's redeemable Ordinary Shares of 1p each.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Premium	The amount, expressed as a percentage, by which the share price is more than the *net asset value* per share.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Small Cap	A Company with a market capitalisation less than $2 billion.
Total return	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.
Treasury shares	A company's own shares which are available to be sold by a company to raise funds.
Volatility	A measure of how much a share moves up and down in price over a period of time.

DIRECTORS, PORTFOLIO MANAGER AND ADVISERS

Directors
Professor Justin Stebbing (Chairman)
Josephine Dixon
Randeep Grewal
Paul Southgate
Siddhartha Mukherjee

Joint Broker
Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Joint Broker
J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Depositary
CACEIS Bank, UK Branch
Broadwalk House
5 Appold Street
London EC2A 2DA

Registrar
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Legal Adviser
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Portfolio Manager
Bellevue Asset Management AG
Seestrasse 16
CH-8700 Kusnacht / Zurich
Switzerland

Investment Adviser
Bellevue Advisors Limited
32 London Bridge Street
25th Floor
London SE1 9SG

Secretary & Administrator
PraxisIFM Fund Services (UK) Limited
Mermaid House
2 Puddle Dock
London EC4V 3DB

Auditors
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

AIFM
Mirabella Financial Services LLP
Norfolk House
31 St James's Square
London SW1Y 4JJ

Registered Office*
Mermaid House
2 Puddle Dock
London EC4V 3DB

* Registered in England and Wales No. 10415235.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of BB Healthcare Trust plc will be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH on on 19 March 2019 at 11.00 a.m. for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 12 will be proposed as ordinary resolutions and resolutions 13 to 15 will be proposed as special resolutions.

1. To receive the Company's Annual Report and Accounts for the year ended 30 November 2018, with the reports of the Directors and auditors thereon.
2. To approve the Directors' Remuneration Implementation Report included in the Annual Report for the year ended 30 November 2018.
3. To re-elect Justin Stebbing as a Director of the Company.
4. To re-elect Josephine Dixon as a Director of the Company.
5. To re-elect Randeep Grewal as a Director of the Company.
6. To re-elect Paul Southgate as a Director of the Company.
7. To re-elect Siddhartha Mukherjee as a Director of the Company.
8. To re-appoint Ernst & Young LLP as auditors to the Company.
9. To authorise the Directors to fix the remuneration of the auditors until the conclusion of the next Annual General Meeting of the Company.
10. To approve a final dividend of 2.0p per Ordinary Share of the Company in respect of the year ended 30 November 2018.
11. That the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (in substitution for all subsisting authorities to the extent unused) to exercise all the powers of the Company to allot up to 72,642,163 Ordinary Shares of 1p each in the capital of the Company ("Ordinary Shares"), such authority to expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2020 or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired;
12. That, subject to the passing of Resolution 11 and in accordance with Article 173 of the Company's Articles of Association (the "Articles"), the Directors be and are hereby authorised to offer to any holder of Ordinary Shares in the Company, the right to elect to receive new Ordinary Shares credited as fully paid, instead of cash in respect of the whole (or part, to be determined by the Directors) of any dividend which may be declared or paid in the period prior to the conclusion of the annual general meeting to be held in 2022 on such terms as the Directors shall determine (subject to the terms provided in the Articles of Association of the Company) from time to time and that, for the purposes of Article 173.2 of the Articles, the relevant value of the entitlement to be received by relevant shareholders shall be calculated by reference to the last published net asset value per Ordinary Share at a date to be determined by the Directors for such purpose.
13. That, subject to the passing of resolution 11, in substitution for any existing power under sections 570 and 573 of the Companies Act 2006 but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered (pursuant to sections 570 and 573 of the Companies Act 2006) to allot Ordinary Shares of 1p each and to sell Ordinary Shares of 1p each from

treasury for cash pursuant to the authority referred to in Resolution 11 above as if section 561 of the Act did not apply to any such allotment or sale, such power to expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2020 or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted or sold from treasury after the expiry of such power, and the Directors may allot or sell from treasury equity securities in pursuance of such an offer or an agreement as if such power had not expired;

14. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares of 1p each, provided that:

    (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 54,445,302 (representing 14.99% of the Company's issued Ordinary Share capital (excluding shares held in Treasury) at the date of the notice of this meeting);

    (b) the minimum price (exclusive of any expenses) which may be paid for an Ordinary Share is 1p;

    (c) the maximum price (excluding expenses) which may be paid for an Ordinary Share is not more than the higher of (i) 5% above the average of the middle market quotations for the Ordinary Shares for the five business days immediately before the day on which it purchases that share and (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares;

    (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2020 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

    (e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

15. That a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution.

Registered Office:
Mermaid House
Puddle Dock
London EC4V 3DB

By order of the Board
Anthony Lee
For and on behalf of
PraxisIFM Fund Services (UK) Limited
Company Secretary

14 February 2019

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

NOTES TO NOTICE OF ANNUAL GENERAL MEETING

Website address

1. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from www.bbhealthcaretrust.com

Entitlement to attend and vote

2. Only those holders of Ordinary Shares registered on the Company's register of members at 6.00 p.m. on 17 March 2019 or, if this meeting is adjourned, at close of business on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.

Appointment of Proxies

3. Members entitled to attend, speak and vote at the meeting (in accordance with Note 2 above) are entitled to appoint one or more proxies to attend, speak and vote in their place. If you wish to appoint a proxy please use the Form of Proxy enclosed with this document or follow the instructions at note 7 below if you wish to appoint a proxy through the CREST electronic proxy appointment service. In the case of joint members, only one need sign the Form of Proxy. The vote of the senior joint member will be accepted to the exclusion of the votes of the other joint members. For this purpose, seniority will be determined by the order in which the names of the members appear in the register of members in respect of the joint shareholding. The completion and return of the Form of Proxy will not stop you attending and voting in person at the meeting should you wish to do so. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. If you choose to appoint multiple proxies use a separate copy of this form (which you may photocopy) for each proxy, and indicate after the proxy's name the number of shares in relation to which they are authorised to act (which, in aggregate, should not exceed the number of Ordinary Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned in the same envelope.

4. You can appoint the Chairman of the Meeting, or any other person, as your proxy. If you wish to appoint someone other than the Chairman, cross out the words "the Chairman of the Meeting" on the Form of Proxy and insert the full name of your appointee.

5. You can instruct your proxy how to vote on each resolution by ticking the "For" and "Against" boxes as appropriate (or entering the number of shares which you are entitled to vote). If you wish to abstain from voting on any resolution please tick the box which is marked "Vote Withheld". It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you do not indicate on the Form of Proxy how your proxy should vote, he/she can exercise his/her discretion as to whether, and if how so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.

   A company incorporated in England and Wales or Northern Ireland should execute the Form of Proxy under its common seal or otherwise in accordance with Section 44 of the Companies Act 2006 or by signature on its behalf by a duly authorised officer or attorney whose power of attorney or other authority should be enclosed with the Form of Proxy.

Appointment of Proxy using Hard Copy Form

6. The Form of Proxy and any power of attorney (or a notarially certified copy or office copy thereof) under which it is executed must be received by Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU at 11.00 a.m. on 17 March 2019 in respect of the meeting. Any Forms of Proxy received before such time will be deemed to have been received at such time. In the case of an adjournment, the Form of Proxy must be received by Link Asset Services no later than 48 hours before the rescheduled meeting.

   On completing the Form of Proxy, sign it and return it to Link Asset Services at the address shown on the Form of Proxy in the envelope provided. As postage has been pre-paid no stamp is required.

Appointment of Proxy through CREST

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy's appointee through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

   All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 11.00 a.m. on 17 March 2019 in respect of the meeting. Any such messages received before such time will be deemed to have been received at such time. In the case of an adjournment, all messages must be lodged with Link Asset Services no later than 48 hours before the rescheduled meeting.

Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company. Please send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU.

   In the case of a member which is a company, the revocation notice must be executed under its common seal or otherwise in accordance with section 44 of the Companies Act 2006 or by signature on its behalf by an officer or attorney whose power of attorney or other authority should be included with the revocation notice.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified in note 2 above then, subject to the paragraph directly below, your proxy will remain valid.

   Completion of a Form of Proxy will not preclude a member from attending and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.

   If you submit more than one valid proxy appointment in respect of the same Ordinary Shares, the appointment received last before the latest time for receipt of proxies will take precedence.

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

Nominated Persons

9. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights:

   - You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the meeting.

   - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.

   - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

   If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in the notes to the form of proxy.

Questions at the Meeting

10. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:

    - answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

    - the answer has already been given on a website in the form of an answer to a question; or

    - it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Issued Shares and total voting rights

11. As at the date of this Notice, the total number of shares in issue is 363,210,819 Ordinary Shares of 1p each. The total number of Ordinary Shares with voting rights is 363,210,819. On a vote by a show of hands, every holder of Ordinary Shares who (being an individual) is present by a person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll every holder of Ordinary Shares who is present in person or by proxy shall have one vote for every Ordinary Share held by him.

Communication

12. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

    - calling Link Asset Services' shareholder helpline (lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday, excluding public holidays):

      (i) From UK: 0871 664 0300 (calls cost 12p per minute plus network extras);

      (ii) From Overseas: +44 371 664 0300 (calls from outside the UK are charged at applicable international rates); or

    - in writing to Link Asset Services.

You may not use any electronic address provided either in this notice of meeting or in any related documents (including the Form of Proxy for this meeting) to communicate with the Company for any purposes other than those expressly stated.

FORM OF PROXY

I/We ....

of ....
(BLOCK CAPITALS PLEASE)

being (a) member(s) of BB Healthcare Trust plc appoint the Chairman of the meeting, or ....

(see note 1) ....

of ....

as my/our proxy and, on a poll, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the offices of Stephenson Harwood, 1 Finsbury Circus, London, EC2M 7SH on 19 March 2019 at 11.00 a.m. and any adjournment thereof.

Please indicate with an 'X' in the spaces provided how you wish your votes to be cast on the resolutions specified.

	Resolution	For	Against	Withheld	Discretionary
1.	To receive and adopt the Annual Report and Accounts for the period ended 30 November 2018.				
2.	To approve the Directors' remuneration implementation report.				
3.	To re-elect Justin Stebbing as a Director of the Company.				
4.	To re-elect Josephine Dixon as a Director of the Company.				
5.	To re-elect Randeep Grewal as a Director of the Company.				
6.	To re-elect Paul Southgate as a Director of the Company.				
7.	To re-elect Siddhartha Mukherjee as a Director of the Company.				
8.	To re-appoint Ernst & Young LLP as auditors to the Company.				
9.	To authorise the Directors to fix the remuneration of the auditors.				
10.	To approve a final dividend of 2.0p per Ordinary Share for the period ended 30 November 2018.				
11.	To give authority to allot new shares.				
12.	To authorise the Directors to offer a scrip dividend alternative.				
13.	To give authority to allot new shares free from pre-emption rights.				
14.	To give authority for the Company to purchase its own shares.				
15.	To authorise calling general meetings (other than Annual General Meetings) on 14 clear days' notice.				

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he may think fit.

Signature ....Dated this............................ day of............................... 2019

NOTES

1. If any other proxy is preferred, strike out the words "Chairman of the Meeting" and add the name and address of the proxy you wish to appoint and initial the alteration. The proxy need not be a member.
2. If the appointer is a corporation this form must be completed under its common seal or under the hand of some officer or attorney duly authorised in writing.
3. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for or against a resolution.
4. The signature of any one of joint holders will be sufficient, but the names of all the joint holders should be stated.
5. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
6. To be valid, this form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power, must reach the registrars of the Company, Link Asset Services not less than forty-eight hours before the time appointed for holding the General Meeting or adjournment as the case may be.
7. The completion of this form will not preclude a member from attending the Meeting and voting in person.
8. Any alteration of this form must be initialled. Your completed and signed proxy form should be posted, in the enclosed reply paid envelope, to the Company's Registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF, so as to arrive before 11.00 a.m. on 17 March 2019.