

The Montreux Healthcare Fund PLC

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Dear Investor,

The Montreux Healthcare Fund plc (the “**Fund**”) released an update in November 2023 regarding its operating asset, the Active Care Group (“**ACG**”), including its recovery plan for growth to FY26, EBITDA and an ultimate exit (the “**Nov’23 Business Update**”).

The Fund’s investment advisor, Montreux Capital Management (UK) Limited (“**MCM**”), now considers that it is an appropriate time to formally engage with investors of the Fund (“**Investors**”) to explore the next steps of the recovery plan, specifically those around short-term milestones for the Fund and funding in relation to the same.

As you will be aware, ACG has both equity and debt financing within its capital structure. This is standard practice within the private equity market and has provided a solid platform for ACG to expand from its domiciliary care origins to become one of the largest specialist platforms in the UK providing a complete care pathway nationally from Scotland to the South of England. ACG delivers life-changing care to thousands of vulnerable service users every year, with a residential property suite covering hospitals through to supported living single bed apartments and ancillary care divisions spreading its reach of care to the individual’s homes.

Throughout the aforementioned growth period, ACG’s debt providers have remained fully supportive of ACG’s ambitions and have been unwavering in their financial commitment. This commitment from ACG’s debt providers continued during the uncontrollable external macro-economic pressures experienced by most businesses during the last few years, as well as those pressures specifically outlined in the Nov’23 Business Update.

Notwithstanding the continuing support as described above, tranches of the debt are approaching their expected maturity, requiring ACG to focus on imminent cash requirements. As a consequence of the extended investment period, a proportion of the near-term maturing tranche is unable to be extended further, in spite of the continued support ACG receives from its debt providers. ACG is therefore exploring new funding sources to remain on target for its recovery, which includes offering existing Investors the opportunity to be involved in part of the ongoing funding requirements.

The Fund had not planned for its investment in ACG to have continued for as long as it has, and it is presumed that Investors are acutely aware of the fundamental, unpredictable severity and frequency of the macro-economic pressures that have affected not just the UK but the global economy since 2019. Despite the Fund endeavouring to complete a sale of ACG towards the end of 2022 (in line with the suspension of the Fund’s NAV), the situation

is now at a pivotal point. It is anticipated that a minimum of £50 million will be required by ACG in 2024 to both ensure the maturing tranches under the debt financing can be repaid, as well as provide additional working capital support through to operational breakeven. The first tranche of debt repayment due to be paid by the Fund in the amount of c.£15m is due by the end of April 2024. It is noted that the Fund is currently suspended (with regard to dealing in Participating Shares) and will likely remain so until the occurrence of a liquidity event.

In light of the above, MCM is of the view that, in addition to exploring other funding sources for the Fund, it would be preferable that Investors be given the option to increase their investment in the Fund, on the basis that Investors are likely to benefit the most from a long-term recovery plan. The Fund, MCM and the debt providers (especially those with facilities set to mature in 2025) remain fully supportive of ACG including its recovery plan detailed in the Nov'23 Business Update. On a positive note, much progress has been made to date on implementation of actions referred to in the Nov'23 Business Update, with encouraging improvements in key metric figures.

Concurrently with this circular, MCM and the Fund are also in open discussions with other potential funders in relation to alternative funding options to seek to ensure the best possible outcome, not just for ACG but importantly for Investors. However, all parties remain keen to discuss the above with existing Investors.

It is proposed that the Fund will create and issue a new class of preference shares ("**Preference Shares**"), which will rank in priority to the existing Participating Shares and Management Shares with regard to dividends, redemptions, any other return of capital, and on the winding up of the Fund. It is proposed that the Preference Shares carry a coupon, proposed to be 12%, which will be rolled up and compounded on an annual basis. The Preference Shares will be redeemed by the Fund on the occurrence of a liquidity event, at which time subscribers for Preference Shares will be entitled to receive back their original investment plus accrued dividends. A draft of the rights attaching to the Preference Shares has been included in the schedule to this circular.

It is proposed that 50,000,000 Preference Shares of £1.00 each will be offered to Investors in the form of a rights issue, whereby eligible Investors will be entitled (subject to applicable law) to subscribe for Preference Shares for cash consideration, pro rata to their economic interest in Participating Shares (the "**Rights Issue**"). Eligible Investors will also be given the opportunity (subject to applicable law) to subscribe for an over-allocation of Preference Shares to be satisfied pro rata to the extent that other Investors have not participated in the Rights Issue (the "**Over-Allocation**").

To enable the Fund to carry out the Rights Issue, the memorandum and articles of association of the Fund will be required to be amended to allow for the issue of up to 50,000,000 Preference Shares at a price of £1.00 each, and to detail the specific rights attaching to the Preference Shares. The proposed amendments to the memorandum and articles will require the approval of a Special Resolution of the Fund, and a separate Special Resolution of the holders of Participating Shares to approve the variation of the rights attaching to the Participating Shares (together, the "**Resolutions**"). Accordingly, if you are in favour of the proposed issuance of the Preference Shares you should vote in favour of the

Resolutions, whether or not you intend to add to your investment by subscribing for Preference Shares.

As noted above, the proposed new investment of up to £50m in Preference Shares will rank for repayment (together with the accrued coupon) ahead of any redemptions of existing Participating Shares.

As a first step, should you wish to register your interest to vote in favour of the Rights Issue and Over-Allocation and/or support the Fund with an additional investment in Preference Shares, please complete your **non-binding** indicative commitment in the form below to be returned to Montreux@suntera.com by 15 February 2024.

If the Fund receives material non-binding indicative commitments to support and participate in the Rights Issue and Over-Allocation by 15 February 2024, then a circular in respect of the Rights Issue and Over-Allocation will be dispatched to Investors enclosing full details as to how eligible Investors can apply to subscribe for Preference Shares, together with (among other things) formal notice of the members' meeting and class meeting to consider the Special Resolutions to approve the necessary amendments to the Fund's memorandum and articles of association.


Your engagement is important. If the Fund does not receive material non-binding indicative commitments to support and participate in the Rights Issue and Over-Allocation by 15 February 2024 then the Directors of the Fund will not seek to proceed with the Rights Issue and the Over-Allocation, and MCM and the Fund will continue to seek alternative sources of funding.

This circular does not constitute an offer to subscribe for Preference Shares. This circular has been prepared for the sole purpose of soliciting non-binding indicative commitments from Investors to assist the Directors of the Fund in making a decision whether or not to seek to proceed with the Rights Issue and Over-Allocation, subject to the Resolutions being duly passed. Notwithstanding the foregoing, the decision whether or not to seek to proceed with the Rights Issue and Over-Allocation remains in the absolute discretion of the Directors of the Fund.

If you are in any doubt as to what action you should take in relation to this letter, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor/legal adviser, accountant or other appropriately authorised independent financial adviser.

Investors who have any queries should contact MCM by email at info@montreuxcm.com or your Montreux representative.

Signed for and on behalf of
The Montreux Healthcare Fund Plc


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Schedule

Proposed Preference Share rights

1. Interpretation

Accrual Date: the anniversary of the date on which a Preference Share is issued;

Act: means the Companies Act 2006, including any statutory modification or re-enactment of it for the time being in operation;

Business Day: means a day on which banks are open for foreign currency exchange dealing in the Isle of Man;

Company: The Montreux Healthcare Fund Plc;

Investments: means any freehold or leasehold property or any interest therein or any share, stock, bond, debenture or other security (whether ordinary, common, preferred, redeemable and/or convertible or otherwise), limited partnership interest, debenture stock, warrant, convertible bond, loan stock, unit or sub-unit or a unit trust, share or stock option or futures contract, currency or interest rate swap, repurchase agreement, certificate of deposit, bill, note or security of any kind whatsoever issued by, or any loan (or participation therein) made to any person, body (whether or not incorporated), fund, trust, government or agency or any country, state or territory in the world and any participation in a collective investment scheme, mutual fund or similar scheme;

Issue Price: the amount paid up (or credited as paid up) in respect of a Preference Share;

Liquidity Event: means a disposal of Investments owned by the Company and/or one or more subsidiaries of the Company representing all or substantially all of the assets of the Company (and/or its subsidiaries, as the case may be) to a third party for cash consideration;

Preference Shares: the 12% cumulative redeemable preference shares of £1.00 each in the capital of the Company;

Solvency Test: means the solvency test referred to in Section 49 of the Act which the Company satisfies if it is able to pay its debts as they become due in the normal course of the Company's business and the value of its assets exceeds the value of its liabilities.

2. Preference shares

2.1 Preferential Dividend

- (a) The Company shall, without resolution of the board or of the Company and before application of any profits to reserve or for any other

purpose, declare in respect of each Preference Share a fixed cumulative preferential dividend at the annual rate of 12% of the Issue Price of each Preference Share (**Preferential Dividend**).

- (b) The Preferential Dividend shall accrue daily, as well after as before the commencement of a winding up, and shall be calculated on the basis of a 365-day year and the number of days elapsed.
- (c) The Preferential Dividend shall be compounded annually on the Accrual Date. The Preferential Dividend shall also accrue on such compounded amount from that date, and shall be payable on redemption.

2.2 Capital

- (a) On a return of capital on liquidation, reduction of capital or otherwise (except on a redemption or purchase by the Company of any of its own shares), the holders of the Preference Shares shall be entitled, in priority to any return of capital on any other class of shares, to repayment of the amount paid up or credited as paid up on each Preference Share, together with a sum equal to any arrears and accruals of the Preferential Dividend on each such share calculated down to and including the date of the return of capital.
- (b) If, upon any return of capital on liquidation, the amounts available for payment are insufficient to cover the amounts payable in full on the Preference Shares, the holders of the Preference Shares shall share rateably in the return of capital pro rata to the aggregate amounts to which they are respectively entitled.

2.3 Voting

- (a) The holders of the Preference Shares shall not, in such capacity, be entitled to receive notice of, or to attend or vote at, any members' meeting of the Company in respect of the Preference Shares held by them, unless there is to be proposed at the members' meeting a resolution for the winding up of the Company or a resolution for any resolution varying any rights attaching to the Preference Shares, in which case the holders of the Preference Shares shall be entitled to attend the whole of the members' meeting and vote only on any such winding up and/or variation of rights resolutions (as the case may be).
- (b) Whenever the holders of the Preference Shares are entitled to vote on a resolution at a members' meeting of the Company, every such holder who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy shall, on a show of hands, have one vote and, on a poll, every such holder shall have one vote for each Preference Share held by them.

2.4 Redemption

- (a) Subject to the Solvency Test, the Company shall redeem the Preference Shares immediately prior to a Liquidity Event.
- (b) Where Preference Shares are to be redeemed in accordance with article 2.4(a), the Company shall give to the holders of the Preference Shares falling to be redeemed prior notice in writing of the redemption (**Redemption Notice**). The Redemption Notice shall specify the Preference Shares to be redeemed and the date fixed for redemption (which shall be the expected date for redemption) and shall be given not less than 10 Business Days prior to the date fixed for redemption. In the case of a redemption pursuant to article 2.4(a), the redemption of those shares specified in a Redemption Notice shall be conditional on the Liquidity Event occurring within one month of the date fixed for redemption, failing which the Redemption Notice shall be revoked.
- (c) If, as a result of not having sufficient monies that may be lawfully applied for redemption, the Company is unable to redeem in full the relevant number of Preference Shares on a date fixed for redemption, the Company shall redeem as many of such Preference Shares as can lawfully and properly be redeemed and the Company shall redeem the balance as soon as it is lawfully and properly able to do so.
- (d) If the Company is at any time redeeming fewer than all of the Preference Shares from time to time in issue, the number of shares to be redeemed shall be apportioned between the holders of the Preference Shares then in issue pro rata according to the number of Preference Shares held by each of them respectively on the date fixed for redemption.
- (e) On the redemption of each Preference Share, the Company shall pay an amount equal to:
 - (i) the Issue Price; and
 - (ii) all accruals and/or unpaid amounts of Preferential Dividend on such Preference Share, calculated down to and including the date of actual payment,being together the "**Redemption Amount**", and such aggregate amount shall, subject to the Act, at that time automatically become a debt due from and immediately payable by the Company to the holders of such Preference Shares. If and to the extent that the debt so constituted is not paid in full on the due date, the unpaid Redemption Amount shall carry interest at the annual rate of 12% in respect of the period from and including the due date down to and including the date of actual payment.
- (f) If the Company does not satisfy the Solvency Test and is unable to pay the amounts referred to in article 2.4(e) in full on a date fixed for redemption, then the unpaid Redemption Amount on each Preference

Share shall be increased by an amount equal to the interest that would have accrued had interest on the unpaid Redemption Amount been charged at the annual rate of 12% in respect of the period from and including the due date down to and including the date of actual payment and shall be paid as soon after the due date as, and to the extent that, monies that may lawfully be applied for such redemption have arisen.

- (g) If the Company fails or is unable to redeem in full the relevant number of Preference Shares on a date fixed for redemption for any reason whatsoever, all monies that may be lawfully applied for the purpose of redeeming shares shall be applied in the following order of priority:
 - (i) first, in or towards paying off all accruals and/or unpaid amounts of Preferential Dividend; and
 - (ii) second, in or towards redeeming all Preference Shares that have not been redeemed on or by the due date for redemption in accordance with Article 2.4.

Non-binding indicative commitment in respect of the proposed Rights Issue and Over-Allocation

I am / We are *in favour/ *not in favour of the proposed Rights Issue and Over-Allocation and I/we intend to vote our Participating Shares *in favour/*not in favour of the Resolutions at the meetings to be held to approve the necessary amendments to the Fund's memorandum and articles of association.

If the Rights Issue and Over-Allocation are approved I / We would propose *to subscribe for our pro rata entitlement to Preference Shares / *to invest _____ (insert amount) in Preference Shares / *not to subscribe for Preference Shares under the Rights Issue and Over-Allocation.

Signed: _____

Name: _____

Position: _____

Company: _____

Investor number found on monthly NAV statement: M_____

Date: _____