

The Montreux Healthcare Fund PLC (the “Fund”)

Investment Background

(Capitalised terms not herein defined are as defined within a circular dated 12 July 2024 circulated to the Shareholders of the Fund (the “Circular”))

Dear Shareholders,

The following is a summary of the eligibility requirements that each Shareholder had to satisfy in order to invest in the Fund, along with certain risk warnings that were given to Shareholders as to the risk of their investment in the Fund.

Key Documentation

As you will be aware the Fund is a Qualifying Fund within the meaning of the Collective Investment Schemes (Qualifying Fund) Regulations 2010 (the “**Regulations**”). As such, there are various restrictions as to who can invest into the Fund.

Before a Shareholder invested into the Fund, they were provided with a copy of the offering document of the Fund (as updated from time to time) (the “**Offering Document**”) which set out in detail the eligibility requirements for investment into the Fund, along with the associated warnings as to the potential risk of said investment.

In addition to the Offering Document each Shareholder was also required to review, complete and return an application form (the “**Application Form**”) to formally apply to invest in the Fund, in which a qualifying fund declaration was required to be given (see further details below).

(The Offering Document and the Application Form, together being the “**Key Documentation**”)

Executive Summary

Without wishing to reiterate the entirety of the Key Documentation, we consider that in light of the current circumstances of the Fund, it would be of benefit to all parties to highlight certain provisions of the Key Documentation along with the relevant extracts of the Regulations in order to provide clarity around investment into the Fund and associated risks.

Offering Document

Set out in the cover page of the Offering Document is a summary of the Fund (the “**Summary**”), stating (amongst other matters) that investment into the Fund is only suitable for “Qualifying Investors”, such term being defined within the Regulations and set out full herein at Appendix 1.

The Offering Document also states in section IX (Permitted Investors), that investors must meet certain requirement as follows:

“An investor in the Fund, either by subscription or transfer, will only be accepted if (among other things):

- (a) he/she/it has completed and signed: (i) the Part 1 Certification set out in the Application Form in the terms prescribed by Schedule 6 to the Regulations; and (ii) if the applicant is investing on behalf of another person or is a life insurance company investing assets comprised within its long term business fund, the Part 2 Certification set out in the Application Form in the terms prescribed by Schedule 6 to the Regulations; and*
- (b) where the investor qualifies as a Qualifying Investor only by virtue of paragraph (h) of the definition of a Qualifying Investor as set out above, the regulated financial adviser who has advised the investor has completed and signed the Part 3 Certification set out in the Application Form in the terms prescribed by Schedule 6 to the Regulations.”*

Given the above, it was clearly communicated to Shareholders that the Fund was only open to investment from certain individuals/entities that meet strict eligibility requirements due to the risks involved in such investment.

As to the risks, attention of prospective investors were drawn to these under the "Qualifying Fund Risk Warning" as set out within the Offering Document and set out herein at Appendix 2. Within this Qualifying Fund Risk Warning is a specific warning that the Fund is only suitable for Qualifying Investors (as defined and as reiterated therein), along with the following warning:

"You are wholly responsible for ensuring that this Fund is acceptable to you. Investment in Qualifying Funds may involve special risks that could lead to a loss of all or a substantial portion of the investment. Unless you fully understand and accept the nature and the potential risks inherent in this Fund you should not invest in this Fund."

Within the Summary there is also a further warning as to the risk of investment which states as follows:

"An investment in the Fund involves a degree of risk and, in particular, your attention is drawn to section X of this document entitled 'Risk Factors'. All statements regarding the Fund's business, financial position, and prospects should be viewed in light of such risk factors. An investment in the Fund may not be suitable for all recipients of this document. Prospective Investors should consider carefully whether an investment in the Fund is suitable for them in light of their personal circumstances and the financial resources available to them."

Investors are not protected by statutory compensation arrangements and the IOMFSA does not vouch for the financial soundness of the Fund or for the accuracy of statements made or opinions expressed about it.

If you are in any doubt about the contents of this document you should consult your bank manager, stockbroker, solicitor, accountant, or other authorised financial adviser."

Section X of the Offering Document outlines in further detail the specific risk factors associated with investing in the Fund, specifying some (but not all) of the risks that may be material to the performance of the Fund. It should be noted that in addition to those detailed, there is also a general warning which states:

"The Fund is only suitable for investment by Permitted Investors who understand the risks involved and who are able and willing to withstand the total loss of their investment. Shareholders should ensure that they fully understand the contents of this Offering Document. In addition to all other information in this document the following specific risks should be considered when deciding whether to make an investment. The risks set out below are those which are considered to be material but are not the only risks. Additional risks and uncertainties of which the Fund is presently unaware or which the Fund currently believes are immaterial may also adversely affect its business, financial condition and the value of Shares."

Prospective Investors should consider the risks attached to an investment in the Fund including but not limited to those set out in this document. Consideration should be given to whether such risks are suitable for them and prospective investors in any doubt about the contents of this document or the nature of an investment in the Fund should seek independent financial advice."

Further to the above, section VII of the Offering Document (relating to Fund Investments) also specially advises as to the risk profile of the Fund and states:

"The Fund may hold directly or indirectly alternative investment funds operating in niche investment areas. Therefore, investors may see the value of their investment fall as well as rise over time; investors may also receive less than their original investment. Investors should also be aware that the Fund is exposed to the collective economic risks in a global market,

which although providing the potential of higher returns and greater diversification, also adds further potential for negative impact on the specialised themes within the Fund.

Investors may see the value of their investment fall as well as rise over time; Investors may also receive a return that is less than their original investment. The Fund is a medium to long term investment and is only suitable for investment into by Permitted Investors who understand the risks involved and who are able and willing to withstand the total loss of their investment.”

Application Form

Within the Application Form each Shareholder was required (under the Qualifying Investor Status) to “declare, warrant, represent that it/he/she is sufficiently experienced to understand the risks associated with an investment into the Fund” and that as at the date of the Application Form that they fell within one of the specified categories set out therein.

Each Shareholder was also required to complete Part 1 of the Application Form confirming:

- They were a qualifying investor as defined within the Offering Document;
- They were sufficiently experienced to understand the features and risks attendant to investing in an unauthorised and unapproved Fund of the type of the Fund;
- They have read and fully understood the Offering Document, including in particular the information on the risks associated with the Fund before deciding to invest in the Fund;
- They have taken independent advice on the suitability of the investment within their overall investment portfolio; and
- They have personally accepted all the risks associated with the investment into the Fund and that their investment involves risks that could result in a loss of a significant proportion or all the sum invested.

Conclusion

Given the above, risk of loss of investment was always a risk in investing in the Fund as noted within the Key Documentation and this is why each Shareholder had to meet certain criteria in order to confirm that they understood the risks involved.

APPENDIX 1

Meaning of Qualifying Investor

A Qualifying Investor is a person or body who has certified that they are sufficiently experienced to understand the risks associated with an investment in the Fund and who, at the time of the initial investment in the Fund, falls into one of the following categories:

- (a) a person, body corporate, partnership, trust or other unincorporated association whose ordinary business or professional activity includes acquiring, underwriting, managing, holding or disposing of investments, whether as principal or agent, or giving advice about investments;
- (b) any director or partner of or consultant to a person referred to in paragraph (a);
- (c) a functionary, or an associate of a functionary, to a qualifying fund;
- (d) an employee, director or shareholder of, or consultant to a person in (c), who is acquiring the investment as part of his remuneration, or an incentive arrangement or by way of co-investment;
- (e) a trustee of a family trust settled by or for the benefit of, one or more persons referred to in paragraphs (c) or (d);
- (f) a trustee or operator of any employment benefit or executive incentive scheme, or trust established for the benefit of persons referred to in paragraphs (c) or (d), or their dependants;
- (g) a government, local authority, public authority or supra-national body in the Isle of Man or elsewhere; or
- (h) a person whose expertise, experience and knowledge to adequately appraise the investment is certified in accordance with Schedule 6 Part 3 of the Regulations.

Schedule 6 – Part 3 outlines as follows:

Part 3 Certification - This certification is to be completed by the financial adviser who has advised the investor where that investor qualifies as a qualifying investor only by virtue of Schedule 1 paragraph (h) —

“I confirm that —

- (a) I am the appointed financial adviser for the above named client; and
- (b) I have discussed the features and risks attendant to an investment in a nonregulated fund of this type with the client; and
- (c) I have discussed the specific risks attendant to an investment in the [name of qualifying fund] as set out in the offering document dated []; and
- (d) the client has confirmed that they understand these risks and wish to proceed with the investment. I am not aware of any information that would lead me to believe that the client does not understand and accept these risks.

[Signed].....[Dated]

[Business name]

[Regulated status]”

APPENDIX 2

QUALIFYING FUND RISK WARNING

The Fund is a Qualifying Fund which is only suitable for “Qualifying Investors” as defined in the Regulations.

All Qualifying Funds are required to register with the IOMFSA in accordance with the Regulations. Accordingly, the Fund must be registered with the IOMFSA in accordance with the Regulations. In granting registration, the IOMFSA has not reviewed this document but has relied upon the statement of compliance provided by the Fund’s governing body filed in accordance with the Regulations. Details of registration will be available at www.iomfisa.im

The Fund’s manager, SFSIOM, and its governing body are subject to ongoing filing and reporting obligations in accordance with the Regulations.

Investors are not protected by statutory compensation arrangements, and the IOMFSA does not vouch for the financial soundness of the Fund or for the accuracy of statements made or opinions expressed about it.

Requirements which may be deemed necessary to protect retail or non-qualifying investors do not apply to Qualifying Funds. By signing the declaration in the Application Form, you confirm you are a Qualifying Investor and accept the reduced requirements, or absence of requirements, accordingly.

You are wholly responsible for ensuring that this Fund is acceptable to you. Investment in Qualifying Funds may involve special risks that could lead to a loss of all or a substantial portion of the investment. Unless you fully understand and accept the nature and the potential risks inherent in this Fund you should not invest in this Fund.

If you are investing on behalf of someone else, the IOMFSA expects you to be satisfied that person is a Qualifying Investor who understands the risks associated with this type of investment.

If you are a life assurance company investing assets within your long-term business fund, the IOMFSA expects that relevant policyholders have had the opportunity to read this document and as such to have information about risks associated with an investment in this Fund.

Meaning of Qualifying Investor

A Qualifying Investor is a person or body who has certified that they are sufficiently experienced to understand the risks associated with an investment in the Fund and who, at the time of the initial investment in the Fund, falls into one of the following categories:

- (a) a person, body corporate, partnership, trust or other unincorporated association whose ordinary business or professional activity includes acquiring, underwriting, managing, holding or disposing of investments, whether as principal or agent, or giving advice about investments;*
- (b) any director or partner of or consultant to a person referred to in paragraph (a);*
- (c) a functionary, or an associate of a functionary, to a qualifying fund;*
- (d) an employee, director or shareholder of, or consultant to a person in (c), who is acquiring the investment as part of his remuneration, or an incentive arrangement or by way of co-investment;*
- (e) a trustee of a family trust settled by or for the benefit of, one or more persons referred to in paragraphs (c) or (d);*
- (f) a trustee or operator of any employment benefit or executive incentive scheme, or trust established for the benefit of persons referred to in paragraphs (c) or (d), or their dependants;*
- (g) a government, local authority, public authority or supra-national body in the Isle of Man or elsewhere; or*
- (h) a person whose expertise, experience and knowledge to adequately appraise the investment is certified in accordance with Schedule 6 Part 3 of the Regulations.*

Shares are only available to persons whom the Manager considers to be Qualifying Investors and who are willing to make an initial investment equal to or greater than the minimum subscription stated in the relevant Appendix to this document, being the appropriate minimum subscription for the relevant Class and currency of Share determined jointly by the Directors and the Manager in accordance with the Regulations.

No application to invest in the Fund shall be accepted, and no subscription for, or transfer of, an interest in the Fund shall be effected, unless and until the investor has signed the certifications(s) required by Regulation 17 of the Regulations and (where the investor is a Qualifying Investor only by virtue of paragraph (h) of the definition of a Qualifying Investor) the regulated financial adviser who advised the investor has signed the required Part 3 certificate, as set out in the Application Form.

The Fund's annual consolidated financial statements are required to be audited by an appropriate auditor and the audited consolidated financial statements are required to be issued to investors within 6 months from the end of the Fund's financial year, which is 30 September.