

**BOUSSARD &  
GAVAUDAN  
H O L D I N G  
L I M I T E D**

**Boussard & Gavaudan Holding Limited**  
**A closed-ended investment company incorporated with limited liability under the laws of**  
**Guernsey, with registration number 45582.**

**Interim Management Statement**  
**For the Quarter ended 30 September 2015**

**I. PRINCIPAL ACTIVITIES**

Boussard & Gavaudan Holding Limited (“BGHL” or “the Company”), a closed-ended investment company incorporated under the laws of Guernsey, announces its interim management statement for the period from 1 July to 30 September 2015 (“the period”).

The Company is registered with the Dutch Authority for Financial Markets and is listed on the NYSE Euronext Amsterdam, and the London Stock Exchange.

During the period, BGHL has invested indirectly in BG Master Fund Plc (“BG Fund” or “the Fund”), a Europe-focused multi-strategy hedge fund established in Ireland and authorised by the Central Bank as a Qualified Investor Fund (QIF), through a dedicated share class of the feeder fund, BG Umbrella Fund Plc. The Fund aims primarily at arbitraging instruments with linear or non-linear pay-offs on equities and credit markets. The overall investment objective of the Fund is to provide investors with consistent absolute returns, primarily through investing and trading in financial instruments of companies incorporated in, or whose principal operations are, in Europe.

In addition, a proportion of the net assets of BGHL may be invested in other hedge funds and/or other financial assets.

Boussard & Gavaudan Investment Management LLP (“BGIM” or “the Investment Manager”) is the Investment Manager for both the Company and the Fund.

## II. HIGHLIGHTS

	30-Sep-15	30-Jun-15
Assets under management (€m)	604	608
Market capitalisation (€m)	476	492
Shares outstanding	31,201,989	32,261,776

	NAV per Share		Share price*		Discount to NAV	
	€ shares	£ shares	€ shares	£ shares	€ shares	£ shares
30-Sep-15	€ 19.31	£17.01	€ 15.21	£13.00	-21.23%	-23.58%
30-Jun-15	€ 18.76	£16.59	€ 15.20	£12.58	-18.97%	-24.22%
Performance	2.93%	2.51%	0.07%	3.38%		

\* Amsterdam (AEX) market close for the Euro Share and London (LSE) market close for the Sterling share

## III. PERFORMANCE

### 1. BG Fund

As at 1 October 2015, the Company had approximately 104% of its assets invested in BG Fund. BGHL maximum exposure to BG Fund is 110% of its net asset value.

From 1 July to 30 September 2015, BG Fund (Euro A share class) posted a +2.33% performance.

#### 1.1. Volatility strategies

##### **Convertible Bond Arbitrage**

Despite the drop in equity markets this quarter, convertible bonds did not experience forced-selling pressure. Nevertheless, market flows were overall negative and affected almost all valuations. Some convertible bonds succeeded in performing nevertheless, either thanks to specific news (ratchet event) or because they were already trading at a discounted level.

With this backdrop, convertible bonds (excl. mandatories) contributed positively to the performance of the Fund this quarter, mainly due to GFI Informatique and Theolia. The negative performance of some positions was offset by the positive contribution from Alcatel 2018 and Nokia convertible bonds, both linked to an M&A situation.

##### **Mandatory Convertible Bond Arbitrage**

Mandatory convertible bonds contributed negatively this quarter due to the Volkswagen mandatory following the announcement in September that the company cheated on its diesel emission tests. The news drove the stock down 37% on the month when negative gamma on the mandatory convertible was at a maximum. The Fund was fully protected from this effect with options, however a proportion of the hedges expired on Friday 18 September, just a few hours before the news came out. Nevertheless, with a substantial amount of

remaining options expiring in October and December hedging the crash risk, the damage on this position was limited.

On the positive side, the Telefonica mandatory contributed positively thanks to the long gamma position and to option hedging.

As a final point of note, there was a new exchangeable issuance on America Movil in KPN for €750m this quarter. Decent protections were built into the prospectus: KPN shares are pledged and dividends are protected at 85%, however the pricing offered limited upside opportunity and so the Fund's position is largely symbolic.

### ***Volatility Trading***

The third quarter has been interesting and challenging given the very different volatility regimes experienced. From mid July to mid August, the portfolio performed quite well thanks to some short upside volatility positions on European and US equity markets on the August expiry. These gains however were erased a week before the expiry with the severe correction that occurred and were only marginally offset by some longer dated long volatility positions.

September has been profitable as the Investment Manager has been able to exploit several dislocations in the volatile markets. These were most notable on S&P500 and Eurostoxx 50 volatility where the Investment Manager was able to capture arbitrage opportunities while avoiding downside tail risk. The large market moves have also enabled them to be very proactive in management of these positions and to quickly take profits on most of the trades.

## **1.2. Equity Strategies**

In a volatile market which was down almost 10% during the quarter, equity strategies succeeded in performing well.

Firstly equity strategies benefited from good positioning going into the earnings season and positive contribution was spread across numerous positions (Alcatel and Nokia, Smith & Nephew, TUI ...).

Further, the strategy was positioned with a long gamma profile which was increased during the quarter as the Investment Manager believed the market and the stocks in which the Fund was invested in could remain volatile. Thanks to this bias, the Investment Manager was in a position to selectively increase some of the highest conviction positions, find buying opportunities to capitalise on at the peak of the market stress.

The Investment Manager will continue to maintain a long gamma profile in the coming months as they believe there remain many catalysts for continued volatility in the market.

## **1.3. Credit Strategies**

### ***Credit Long / Short***

Credit long / short performed poorly this quarter, in particular towards September.

The primary market was active in the beginning of the quarter with the June backlog being cleared post Q2 results season. Most of the deals were well received by the market, overall largely over-subscribed and with supportive secondary trading. The primary market slowed from mid-August as market conditions deteriorated. Secondary flows were more limited although the Investment Manager saw some repricing alongside other risky asset classes due to further weakness in emerging markets and commodities. Names exposed to emerging markets and commodities clearly underperformed.

In September, beside macro themes (China, FED), micro stories added stress into the market. In particular the unfolding of the Volkswagen story had a strong negative impact, Volkswagen being one of the most active issuers in the European investment grade senior and corporate hybrids market. As a result of this negative backdrop, strong outflows materialised in both investment grade and high yield in September. The market

stress was particularly acute towards the end of the Period with dealers flattening books ahead of the end of quarter.

Most of the negative performance of the portfolio came from the long position in the high yield USD bonds of the French geophysical service company CGG, down alongside the broader high yield energy space. To a lesser extent, the Fund also suffered from the long position in Solocal 8.875% high yield bonds. At a time when the market is becoming much more sensitive to idiosyncratic risks, the market reacted negatively to growing concerns voiced by both equity and credit sell-side around the company's capital structure, in particular its ability to roll its debt on good terms and maintain compliance with banking covenants.

### ***Capital Structure Arbitrage***

Capital structure arbitrage posted a positive performance this quarter.

Whilst the beginning of the Period was relatively muted for this sub-strategy, September was characterized by persistent volatility, enabling active trading. The positive contribution of the strategy was mainly due to this trading around existing positions rather than partial normalization of credit/equity relationship the Investment Manager was playing. The Investment Manager saw general weakness in commodity related sectors and emerging market exposed names both on the credit and equity side, without creating any specific new discrepancies.

During the Period, the portfolio remained well balanced.

### **1.4. Trading**

Trading contributed positively this quarter.

## **2. Investments Other Than BG Fund**

As at 1 October 2015, the net asset value of the other investments outside BG Fund represented approximately 8% of the net asset value of BGHL.

From 1 July to 30 September 2015, the contribution of investments other than BG Fund was almost flat.

### **2.1. Rasaland**

BGHL entered into Rasaland (RLI) in June 2008 for \$10 million. The EUR/USD exposure is hedged by an FX forward which is rolled on a three-month basis.

RLI is a Maltese company structured as a private equity fund in terms of fees and organisation, dedicated to investing in land, hotels and high-end resort developments in Mexico. The value of RLI reported by its administrator has remained almost unchanged, slightly above cost, since BGHL made its investment. RLI's initial business was, soon after launch, affected by several adverse events which have changed the exit solution and the time schedule considered initially. RLI has mitigated the risk of running out of cash by selling a stake in one of its land projects to a large Mexican institutional Pension Fund and raising Us\$80M with the National Infrastructure Fund. The Company also acquired the Four Seasons hotel in Mexico in May 2013 and is exploring to acquire additional operating hotel, which complements the land portfolio with cash generating assets. The listing of RLI's hotel subsidiary on Mexico's exchange, the direct sale of the hotels and the sale of land parcels (once the anchor hotels are built) are the more likely exit option currently envisaged by RLI. The listing of the subsidiary could be followed by the listing of RLI.

## **2.2. GFI Informatique**

BGHL owns GFI listed shares as well as bonds issued by Infofin secured by, and exchangeable into GFI shares. BGHL hold a directional exposure which is not hedged.

BGHL signed on 7 June 2013 a shareholders' agreement in order to act in concert with the two main shareholders of GFI. GFI is one of the leading IT services firms in France and Southern Europe. In compliance with applicable regulations, the concert through Infofin (an entity created for this purpose) filed a mandatory public tender offer with the French Autorité des Marchés Financiers (AMF) for all of the outstanding shares and bonds giving access to GFI's share capital or voting rights not yet held by the concert. Under the shareholders' agreement BGHL agreed to invest - after completion of the public offer - in bonds to be issued by Infofin and exchangeable into GFI shares. On 29 August 2013, BGHL subscribed to the Infofin exchangeable bonds for an amount of €20,364,030.72.

BGHL's direct equity investment in GFI Informatique (FR0004038099) represented approximately €10.1 million as of 30 September 2015.

## **IV. OUTLOOK**

Financial prospects for the coming months will be linked to the level of opportunity created across the Company's strategies in the European corporate environment.

The Investment Manager continues to be fully committed to the strategies of the Company.

As of 1 October 2015, BG Group assets under management are at €2.24bn.

For further information contact:

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## **Disclaimer**

*The Company is established as a closed-ended investment company domiciled in Guernsey. The Company has received the necessary approval of the Guernsey Financial Services Commission and the States of Guernsey Policy Council. The Company is registered with the Dutch Authority for the Financial Markets as a collective investment scheme pursuant to article 2:73 in conjunction with 2:66 of the Dutch Financial Supervision Act (Wet op het financieel toezicht). The shares of the Company (the "Shares") are listed on Euronext Amsterdam. The Shares are also listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange plc's main market for listed securities.*

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*Neither the Company nor BG Fund has been, and neither will be, registered under the US Investment Company Act of 1940, as amended (the "Investment Company Act"). In addition the securities referenced in this announcement have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"). Consequently any such securities may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, US persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the issuer of such securities to register under the Investment Company Act. No public offering of any securities will be made in the United States.*

*You should always bear in mind that:*

- *All investment is subject to risk;*
- *Results in the past are no guarantee of future results;*
- *The investment performance of BGHL may go down as well as up. You may not get back all of your original investment; and*
- *If you are in any doubt about the contents of this communication or if you consider making an investment decision, you are advised to seek expert financial advice.*

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