

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
**Boussard & Gavaudan Holding Limited**

For the year ended 31 December 2018

# Boussard & Gavaudan Holding Limited

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For the year ended 31 December 2018

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# **Boussard & Gavaudan Holding Limited**

## **Management and Service Providers**

**For the year ended 31 December 2018**

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### **Directors**

Andrew Henton (Chairman)  
Nicolas Wirz (resigned on 29 June 2018)  
Andrew Howat

Sylvie Sauton (since 29 June 2018)

*(Directors are non-executive and independent for the purpose of LR15.2.12-A)*

### **Investment Manager**

Boussard & Gavaudan Investment Management LLP  
One Vine Street  
London, W1J 0AH  
United Kingdom

### **Legal Advisors**

#### **(English and United States law)**

Herbert Smith Freehills LLP  
Exchange House, Primrose Hill  
London EC2A 2HS

### **Legal Advisors**

#### **(Dutch law)**

Stibbe N.V.  
Strawinskylaan 2001  
1077 ZZ Amsterdam  
The Netherlands

### **Administrator and Corporate Secretary**

JTC Fund Solutions (Guernsey) Limited  
Ground Floor  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey GY1 2HT

### **Registrar and CREST Service Provider**

Anson Registrars Limited, P.O. Box 426,  
Anson House, Havilland Street,  
St Peter Port, Guernsey  
GY1 3WX

### **Legal Advisors**

#### **(Guernsey law)**

Carey Olsen  
Carey House  
Les Banques, St Peter Port  
Guernsey GY1 4BZ

### **Independent Auditor**

Ernst & Young LLP  
Royal Chambers  
St Julian's Avenue  
St. Peter Port  
Guernsey GY1 4AF

### **Sub-Administrator**

SS&C Financial Services LLC  
One South Road, Harrison  
NY 10528  
USA

### **Euroclear Nederland**

**Paying, Issuing, Transfer,  
Proxy & Conversion Agent**  
F. Van Lanschot Bankiers N.V

#### **Listing Agent**

**Kempen & Co N.V.**  
Beethovenstraat 300  
1077 WZ Amsterdam  
The Netherlands

### **Custodian**

BNP Paribas Securities Services  
PO Box 158  
Liberte House  
19-23 La Motte Street, St Helier  
Jersey JE4 5RL

For the latest information: <https://www.bgholdingltd.com/index.php>

# Boussard & Gavaudan Holding Limited

## Glossary of Terms

For the year ended 31 December 2018

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Described below are the legal entities underlying funds, management companies, as well as some other commonly used terms and their acronyms or defined terms used within this report.

### Management companies

BGIM/Investment Manager	Boussard & Gavaudan Investment Management LLP
BGAM	Boussard & Gavaudan Asset Management, LP
BGPL	Boussard & Gavaudan Partners Limited

### Funds

BGHL	Boussard & Gavaudan Holding Limited
Umbrella Fund	BG Umbrella Fund PLC
BGF	BG Fund (a sub-fund of the Umbrella Fund)
Master Fund	BG Master Fund ICAV

### Commonly used terms

AIFMD	The Alternative Investment Fund Managers Directive, Directive 2011/61/EU
AIFM	Alternative Investment Fund Manager for the purposes of the AIFMD
AIF	Alternative Investment Fund for the purposes of the AIFMD
AIFMD Regulations	The Alternative Investment Fund Managers Regulations 2013 made by H.M. Treasury in the United Kingdom
Board	The Board of Directors
Code	The UK Corporate Governance Code published by the UK's Financial Reporting Council
Companies Law	The Companies (Guernsey) Law, 2008, as amended
Exane	Exane BNP Paribas
NAV	Net asset value
Year	The year ended 31 December 2018
IFRS	International Financial Reporting Standards (as adopted by the European Union)
AFM	Authority for the Financial Markets
AUM	Assets Under Management
Financial Statements	Financial Statements for the year ended 31 December 2018

# **Boussard & Gavaudan Holding Limited**

## **Chairman's Statement**

**For the year ended 31 December 2018**

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Dear Shareholders,

I am pleased to present to you the Annual Report and Audited Financial Statements of BGHL for the Year.

From 1 January to 31 December 2018, BGHL's NAVs for the Euro and Sterling shares decreased by 6.1% and 5.1% respectively, whilst the market price decreased by 10.8% and 14.0% respectively.

The determinants of share price are the NAV, reflecting the performance of BGF and the underlying Master Fund, and the degree of discount or premium to NAV at which BGHL's shares trade, which in turn is driven by supply and demand in the market place, the liquidity of the underlying shares and general market sentiment.

We continue to monitor closely the discounts to the NAVs at which both classes of share trade. Every reasonable and cost-effective endeavour will continue to be made to narrow those discounts to the NAV and to increase the liquidity of the shares.

The Board is wholly independent of the Investment Manager. Its Directors are focused on keeping the interest of the shareholders. At each of its quarterly Board meetings the Board holds extended discussions with the Investment Manager and the dialogue is open regarding performances, risk management, areas of developments and BGHL stock performance.

In particular the Board has been kept updated on the potential consequences and actions taken by the Investment Manager regarding a Hard Brexit.

With regard to the review of the business, performance, allocation and risk analysis, I refer you to the Investment Manager's Report and Financial Highlights. In addition, I refer you to the Directors' Report, which describes BGHL's corporate governance systems.

For your continuing information, BGHL publishes on its website ([www.bgholdingltd.com](http://www.bgholdingltd.com)) daily and monthly NAVs and monthly newsletters based on data provided to it by the Sub-Administrator and the Investment Manager.

On behalf of the Board, I would like to thank you once again for your continued support.



Andrew Henton  
Chairman

17 April 2019



# Boussard & Gavaudan Holding Limited

## Investment Manager's Report and Financial Highlights

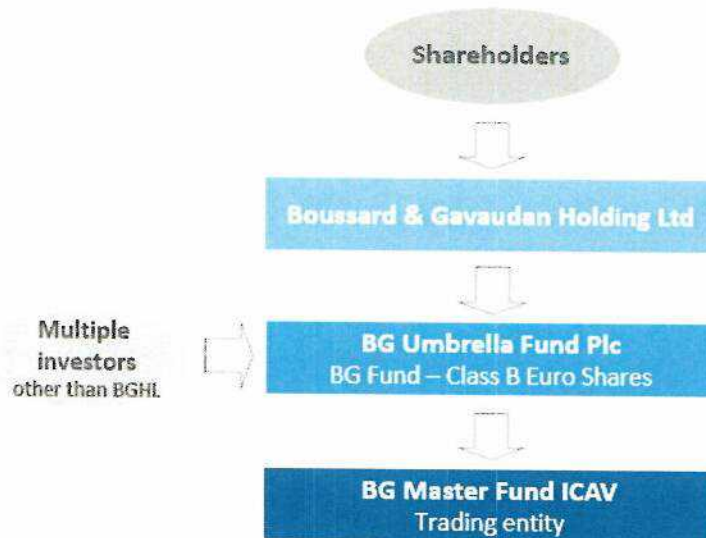
### For the year ended 31 December 2018

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## 1. Background and Structure

Boussard & Gavaudan Investment Management LLP is the Investment Manager of BGHL, the Umbrella Fund and of the Master Fund.

*The Umbrella Fund, BGF and the Master Fund structure.*



BGHL invests in Class B Euro shares which are a separate Euro-denominated share class of BGF. BGF is a sub fund of the Umbrella Fund, predominantly owned by investors other than BGHL. BGHL is not subject to management fees and performance fees at BGF level in order to avoid multiple layering of fees. The Investment Manager receives management fees and performance fees in respect of its role as Investment Manager of BGHL.

The Umbrella Fund was incorporated under the laws of Ireland as a public company with limited liability on 16 November 2011 under the Companies Act 1990 with registration number 506116. The Umbrella Fund is authorised by the Central Bank of Ireland (the "Central Bank") as a designated investment company pursuant to Part XIII of the Companies Act, 1990 and also as a qualifying investor alternative investment fund (QIAIF). The Umbrella Fund is structured as an umbrella fund with segregated liability between sub-funds. Each sub-fund of the Umbrella Fund maintains a single pool of assets subject to any allocations made to a class in accordance with the requirements of the Central Bank. The assets of each sub-fund are segregated from one another and are invested in accordance with the investment objectives and investment policies applicable to each such sub-fund and as set out in the relevant supplement to the Umbrella Fund's prospectus.

BGF is a sub-fund of the Umbrella Fund, launched on 3 January 2012, which invests substantially all of its assets into the Master Fund. BGHL is therefore exposed to the strategies offered by the Master Fund.

The Master Fund is an open-ended Irish collective asset-management vehicle (ICAV) with variable capital incorporated under the laws of Ireland under the Irish Collective Asset-management Vehicles Act 2015 with registration number C154515. The Master Fund is also authorised by the Central Bank of Ireland as a QIAIF. The Master Fund, which is the trading entity, maintains a single pool of assets subject to any allocations made to a share class in accordance with the requirements of the Central Bank.

## 2 Investment policies

### 2.1 BGHL's investment policy

BGHL invests its assets in order to deliver an exposure to multiple alternative investment strategies. The Investment Manager is responsible for the day-to-day management of BGHL's investments. BGHL seeks to achieve its investment objective by investing the proceeds of any fund raising, net of any amounts retained to be used for working capital requirements, into BGF. BGF in turn invests in the Master Fund and, by utilising its borrowing powers, makes leveraged investments.

Over time, a proportion of the net assets of BGHL may, at the discretion of the Investment Manager, be invested in other hedge funds and/or other financial assets within the limits set out under the heading "Asset Allocation" below and subject to the limit on the leverage set out under the heading "Gearing" below, provided that, where such hedge funds are managed by the Investment Manager, BGHL will invest through a share class which will not be subject to management or performance fees at the level of the underlying hedge fund.

The Investment Manager may use BGHL's borrowing facilities at its discretion within the limits set out under the heading "Asset Allocation" below. The Investment Manager's ability to use borrowings is subject to the limit on

# **Boussard & Gavaudan Holding Limited**

## **Investment Manager's Report and Financial Highlights**

### **For the year ended 31 December 2018**

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leverage set out under the heading "Gearing" below. Such investments may include the acquisition of minority or majority interests in unlisted companies or listed companies ("Direct Investments"). The Investment Manager may also make private equity investments through investing in funds that have a private equity investment focus ("Indirect Private Equity Investments").

With the possible application of leverage and when taken with the returns achieved from BGF, investments other than the investment in BGF as described above are intended to allow BGHL to achieve an attractive return. BGHL's investments in assets other than BGF are expected to consist of investment opportunities that are identified by the Investment Manager in connection with its, and its affiliates, current activities but which are not pursued by BGF due to risk profiles or liquidity profiles inconsistent with those of BGF.

#### *Gearing*

BGHL uses its borrowing facilities to allow it to have a gross investment exposure of up to 200 percent of its NAV at the time of investment. BGHL has power under its Articles of Incorporation to borrow up to an amount equal to 100 percent of its NAV as at the time of borrowing. Leverage is used by BGHL for the purposes of (i) managing day to day cash flow, i.e. for meeting expenses of BGHL and for funding repurchases of its own shares and (ii) leveraging investments made by BGHL, including its investment in BGF or in other hedge funds managed by the Investment Manager (hereafter, "Manager Funds"), always in compliance with the exposure limitations set out under the heading "Asset Allocation" below.

#### *Asset Allocation*

##### *Investments in Manager Funds*

Substantially all of the net assets of BGHL are currently invested in BGF and it is anticipated that a significant proportion of BGHL's net assets will remain invested in BGF. Over time, no less than 80 percent of the NAV and no more than 110 percent of the NAV will be invested in Manager Funds, with at least 80 per cent of the NAV invested in BGF.

##### *Investments in assets other than Manager Funds*

In relation to those investments in assets other than Manager Funds, the Directors have determined that such investments shall not exceed certain limits, namely:

- Other Hedge fund investments. The Directors have determined that BGHL's investments in hedge funds (other than Manager Funds) when aggregated may not exceed an amount equal to 25 percent of its NAV at the time of making any such investment.
- Indirect Private Equity Investments. The aggregate value of Indirect Private Equity Investments may not exceed an amount equal to 25 percent of BGHL's NAV at the time of making any such investment. In addition, BGHL will not make any single Private Equity Investment representing in excess of an amount equal to 10 percent of its NAV as at the time that investment is made. Private Equity Investments made in linked transactions will be aggregated for the purposes of this calculation.
- Other Investments (Direct Investments). The aggregate value of Direct Investments may not exceed an amount equal to 50 percent of BGHL's NAV at the time of making any such investment.

## **2.2 The Master Fund's investment policy**

The investment objective of the Master Fund, in which BGF is mainly invested, is to seek to achieve an attractive return on capital consistent with principals designed to manage risk of capital loss. The Master Fund arbitrages linear and non-linear instruments that can be exchange traded or traded over the counter. The Investment Manager may use derivative financial instruments for investment purposes or to hedge against fluctuations in the relative values of the Master Fund's portfolio positions. The investments are subject to normal market fluctuations and to the risks inherent to investment in securities. There can be no assurances that appreciation will occur. The value of financial instruments can increase as well as decrease and the Master Fund may not realise its initial investment on the disposal of its investments.

The Master Fund carries the following strategies and sub-strategies:

#### *Volatility strategies:*

- mandatory convertible bond arbitrage
- convertible bond arbitrage
- volatility trading

#### *Equity strategies:*

- merger arbitrage & special situations
- long / short trading with short-term catalyst & value