

BOUSSARD & GAVAUDAN HOLDING LIMITED

JUNE 2017 NEWSLETTER

I. COMPANY INFORMATION

General information	
Investment manager	Boussard & Gavaudan Investment Management LLP
Company domicile	Guernsey
Website	www.bgholdingltd.com
Management fee	1.5% p.a.
Performance fee	20% with HWM

	SEDOL	ISIN	Reuters	Bloomberg
EUR Euronext	B1FQG45	GG00B1FQG453	BGHL.AS	BGHL NA
EUR LSE	B28ZZQ1	GG00B1FQG453	BGHL.L	BGHL LN
GBX LSE	B39VMM0	GG00B39VMM07	BGHS.L	BGHS LN
GBX Euronext	B39VMM1	GG00B39VMM07	BGHS.AS	BGHS NA

II. OVERVIEW

Boussard & Gavaudan Holding Limited ("BGHL") is a Guernsey closed-ended investment company and is registered with the Dutch Authority for the Financial Markets as a collective investment scheme under article 1:107 of the Dutch Financial Markets Supervision Act. BGHL invests its assets in order to provide exposure to multiple alternative investment strategies managed by the Investment Manager. The investment objective is to seek to produce long-term appreciation of its assets. BGHL seeks to achieve this by investing in BG Fund ("the Fund"). In addition, 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 selected by the Investment Manager. BGHL aims to generate a target annualized return in excess of 10% (net of all fees).



III. SHARE INFORMATION as of 30 June 2017

Net Asset Value (NAV)	Euro share	Sterling share
Estimated NAV*	€ 23.7506	£20.9024
Estimated month to date return*	-0.07%	-0.06%
Estimated year to date return*	7.25%	7.52%
Estimated inception to date return*	137.51%	109.02%

Euro share	Amsterdam (AEX)	London (LSE)
Market close	€ 19.65	-
Premium / discount to estimated NAV	-17.27%	-

Sterling share	Amsterdam (AEX)	London (LSE)
Market close	-	£16.53
Premium / discount to estimated NAV	-	-20.94%

In the context of the current discount to NAV, the Company continues to purchase some of its own shares into treasury.

	Euro share	Sterling share
Shares issued	29,184,957	528,912
Shares held in treasury	322,842	-
Shares outstanding	28,862,115	528,912

	BGHL
Total value of the investments of BGHL based on the estimated NAV for the shares outstanding	€ 698 millions
Market capitalisation of BGHL based on the share price for the shares outstanding Amsterdam (AEX) market close for the Euro Share and London (LSE) market close for the Sterling share	€ 577 millions

* Estimated figures

IV. BGHL TRACK RECORD

BGHL Track Record – Historical NAV Returns Summary (Net of Fees)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
BGHL EUR NAV														
2006	-	-	-	-	-	-	-	-	-	-	2.27%	2.82%	5.15%	5.15%
2007	3.13%	1.45%	4.68%	0.73%	1.38%	-2.27%	0.85%	-2.21%	-0.32%	1.82%	-2.16%	-1.38%	5.56%	11.00%
2008	-2.10%	-0.01%	-2.32%	0.78%	1.29%	-2.98%	-1.19%	0.32%	-10.49%	1.67%	1.55%	1.09%	-12.30%	-2.66%
2009	3.34%	-0.17%	1.20%	5.01%	4.17%	0.92%	1.91%	2.63%	2.92%	1.47%	0.30%	0.69%	27.15%	23.77%
2010	1.35%	0.59%	1.62%	0.81%	-1.10%	1.00%	2.11%	-0.32%	0.79%	2.11%	0.04%	1.97%	11.49%	37.99%
2011	0.71%	0.57%	2.16%	0.01%	-0.05%	-0.85%	-0.80%	-0.20%	-2.17%	2.49%	-3.92%	-0.39%	-2.58%	34.42%
2012	3.90%	2.01%	-0.16%	0.54%	-0.61%	-0.32%	0.12%	1.29%	0.04%	0.83%	0.42%	1.08%	9.45%	47.12%
2013	0.89%	0.74%	-0.59%	0.24%	1.27%	0.83%	0.96%	0.47%	1.07%	1.57%	2.28%	3.14%	13.60%	67.14%
2014	2.81%	-0.01%	-0.74%	1.62%	1.53%	-0.58%	0.08%	0.52%	-1.08%	-0.93%	3.16%	0.37%	6.85%	78.59%
2015	2.96%	1.15%	-0.36%	1.12%	2.06%	-1.92%	3.56%	0.87%	-1.47%	0.80%	4.80%	1.25%	15.65%	106.55%
2016	0.48%	2.02%	1.18%	0.70%	1.68%	-0.59%	0.78%	0.47%	-0.01%	-1.08%	0.09%	1.32%	7.22%	121.45%
2017	0.59%	1.55%	0.08%	3.78%	1.16%	-0.07%*							7.25%*	137.51%*
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
BGHL GBP NAV														
2008	-	-	-	-	-	-	-1.45%	-0.08%	-9.09%	0.16%	4.51%	3.69%	-2.84%	-2.84%
2009	1.88%	0.16%	0.52%	3.86%	3.22%	0.52%	1.62%	2.72%	2.97%	1.09%	0.28%	0.40%	20.91%	17.48%
2010	1.22%	0.40%	1.58%	0.72%	-1.43%	0.76%	2.01%	-0.36%	0.65%	1.97%	-0.17%	1.89%	9.57%	28.72%
2011	0.68%	0.37%	1.99%	-0.10%	-0.11%	-1.31%	-0.93%	-0.27%	-2.71%	2.37%	-4.46%	-0.45%	-5.00%	22.28%
2012	3.87%	2.14%	-0.32%	0.58%	-0.66%	-0.33%	0.13%	1.01%	0.04%	0.81%	0.39%	1.05%	8.98%	33.26%
2013	0.93%	0.71%	-0.60%	0.22%	1.11%	0.85%	0.94%	0.46%	1.05%	1.45%	2.20%	3.06%	13.04%	50.64%
2014	2.73%	-0.05%	-0.81%	1.60%	1.43%	-0.65%	0.04%	0.43%	-1.08%	-1.00%	2.46%	0.14%	5.29%	58.61%
2015	2.85%	1.10%	-0.41%	1.12%	1.91%	-1.97%	3.04%	0.91%	-1.41%	0.79%	4.31%	1.17%	14.08%	80.95%
2016	0.09%	2.09%	1.24%	0.75%	1.70%	-0.49%	0.84%	0.54%	0.04%	-1.02%	0.07%	1.38%	7.44%	94.40%
2017	0.63%	1.58%	0.13%	3.77%	1.29%	-0.06%*							7.52%*	109.02%*

* Estimated figures

V. BGHL COMPOSITION

The proceeds have been invested in BG Fund (net of a certain amount retained by BGHL for working capital requirements and other requirements).

From 1 July 2017, BGHL is exposed to BG Fund up to approximately 107% of its net asset value. BGHL maximum possible exposure to BG Fund is 110% of its net asset value. In addition, BGHL has other investments.

A. BG FUND

Eurostoxx 50 finished June down -3.2% on the month. VStoxx ended June at 17.3%, up from 14.6%. iTraxx Crossover (S27) ended the month at 247bps (5bps tighter).

Against this market backdrop, BG Fund finished the month up very marginally (+0.05%) for the USD A share class. Performance from different buckets was mixed. The positive performance generated by equity strategies, convertible bond and mandatories arbitrage and credit strategies was offset to some extent by volatility trading, which continued to suffer from the low volatility environment, and also by other trading strategies.

Volatility strategies

Mandatory convertible bond arbitrage

Mandatory convertible bonds contributed +10bps this month thanks to mandatories trading higher in general. There were no new issues and flows in the secondary market remained limited.

Convertible bond arbitrage

Convertible bond contribution (excl. mandatories) to the performance of the fund was +9bps in June.

After several quiet months, the primary market was strong in June with €4.5bn being issued. Among 8 new issues, 3 jumbo deals counted for 2/3 of the total issued: STM, a repeat issuer, along with two exchangeable convertible bonds (Bayer into Covestro and Orange into BT). As we enter into the holiday season, we now expect the primary market to remain quiet as usual until September. Some long only funds sold few convertible bonds in order to re-invest into these new issues. As a consequence, the European convertible bond universe declined marginally: -0.6% at constant parameters.

June performance was driven, as previous months, by various special situations which is the only catalyst generating value in our current environment; pure volatility trades are difficult to manage with the current low volatility regime while shorting convertible bonds is more difficult with convertible bond repo now more expensive than in previous months.

Date	Name	Ccy	Amount	Premium	CDS	Vol	Delta
06-Jun	Bayer / Covestro 0.05% 2020	EUR	1,000	30.00%	10 bps	27	30
07-Jun	Carrefour 0% 2023	USD	500	20.00%	80 bps	28.5	40
13-Jun	Symrise 0.2375% 2024	EUR	400	45.00%	125 bps	26.3	34
13-Jun	Orpar / Remy 0% 2024	EUR	200	40.00%	250 bps	27	52
14-Jun	Astaldi 4.875% 2024	EUR	140	35.00%	950 bps	32.5	53
19-Jun	Orange / BT 0.375% 2021	GBP	520	35.00%	40 bps	23	24
22-Jun	STM 0% 2022	USD	750	37.50%	75 bps	33.5	48
22-Jun	STM 0.25% 2024	USD	750	37.50%	100 bps	33.5	52
28-Jun	Korian 2.5% 2023	EUR	240	35.00%	550 bps	24	60

Volatility Trading

Realized Vol	Spot level 31/05 (VIX / V2X)	Monthly realized Vol (ES1 / VG1)	Difference
US	10.41	5.83	-4.58
EUROPE	14.55	11.72	-2.83
Implied Vol	July. Vol Index Fut as of 31/05	July. Vol Index Fut as of 30/06	Vol move
US	11.83	12.33	0.50
Europe	15.20	16.80	1.60

Volatility trading contributed -35bps in June. The past month saw equity indices generating low realised volatility again, but we started to see some green shoots of volatility at the end of the month, especially on European indices. This uptick in volatility was following a sector rotation initiated by moves in the US and also the perceived hawkish tilt from the ECB.

The long volatility bias of the book has suffered substantially. We lost money on short dated volatilities as our VIX June options expired worthless on June 21st as we got the lowest VIX fixing of the year at 10.71. The small VIX rebound over the last couple of days of the month only had a limited impact given the substantial decrease of the exposure after the June option expiry. We also lost money on longer dated expiries especially due to the Dec 18 fixed strike volatilities on Eurostoxx50 losing a full point while the index lost close to 5% over the last 10 days of the month. We also had a long European equities vs leveraged US equities short to balance our long European equity volatility vs US equity volatility. Unfortunately, this equity long/short position added to the loss instead of helping to offset the volatility positions.

Currency positions also suffered last month with the US dollar weakening and both the Euro and Sterling appreciating. The short-dated positions underperformed while the longer dated volatilities (EUR/USD and USD/JPY) barely increased from their low levels.

We think that the adverse mark-to-market on some positions will come back and start to perform, namely the Eurostoxx50 vs S&P500 Dec18 volatility spread. The other positions will likely continue to underperform if the volatility green shoots do not materialize into larger moves, however the risk-reward of these trades still seems attractive to us, particularly given the positions accumulated in the market on some systematic short volatility strategies.

Equity strategies

While European equity markets finished down on the month of June, reversing part of the year's rally, our equity portfolio returned a positive 34bps. The volatility of the equity market remained very low, with a slight pick-up in realised volatility at the end of the month following stress coming from rising interest rate expectations.

Some of the gains came from German utilities E.ON and RWE. The long awaited ruling from the German Federal Constitutional Court on the legality of the nuclear fuel tax came on 7 June: it ruled that the tax was unconstitutional and the utilities should be refunded. Following this decision, RWE bounced 10% and E.ON 12.5%. We were positioned through calls to benefit from the very binary outcome of this decision. We were more biased in positioning towards E.ON given the potential for a greater positive impact from the ruling to reduce concerns on its more leveraged balance sheet.

Following the transaction in Playtech mentioned in our March Newsletter, on 27 June, Teddy Sagi further reduced his stake in the company from 17.8% to 6.3% in a share placement. We used this opportunity to further increase our position, as our investment thesis is still fully valid and the stock is trading at a discount to the sector despite strong cash generation and strong growth prospects. We currently own more than 8% of the company across various funds managed by BG.

More generally, levels of corporate activity are still elevated in Europe and we continue to benefit from it. As a specific example, our position in Berendsen contributed positively to fund performance: the board recently agreed to a take-over by Elis on improved terms having rejected an initial approach in May.

Credit strategies

Capital Structure Arbitrage

Capital structure arbitrage was flat this month.

Market volatility remained subdued in June while there was a slight outperformance of credit vs equities primarily due to technical reasons due to some forthcoming CDS definition changes on financials. This impacted mostly investment grade names. Overall the general tone has not changed a lot: price moves were still subdued and equity/credit correlation did not create significant discrepancies.

We traded marginally around existing positions especially on Rallye.

Credit long / short

Credit long / short was +4bps in June. Credit markets continued to be well orientated with limited volatility. In particular, the reaction of credit spreads to the month-end sharp move in rates was pretty muted. Our portfolio benefited from the clear outperformance of the financial sector both in cash and synthetic markets. Financials reacted positively to the resolution of distressed situations in Spain (Banco Popular) and Italy (Popolare di Vicenza, Veneto Banca) protecting senior bondholders. Financial and peripheral spreads in Europe rallied on the back of those announcements as those situations were perceived as potential tail risks for the market.

In corporate high-yield, primary markets continued to offer some interesting trading opportunities.

Credit special situations

Credit special situations contributed positively this month (+5bps). CGG announced on 2 June that a financial restructuring agreement in principle has been reached amongst various stakeholders to address its capital structure constraints. The agreement includes an ad hoc committee of the senior notes representing 52.4% of the aggregate principal amount of the notes. BG Fund is part of this ad hoc committee. The implementation of the plan will require various steps, in particular the approval of the necessary resolutions by creditors and shareholders. Based on an indicative timetable, the restructuring plan is expected to be implemented by the end of February 2018 with the creditors committee votes by end of July and the shareholders' meeting by end of October.

Trading

Trading contributed net -21bps; +7bps came from quantitative equity trading, -23bps from systematic trend following and -5bps from others.

B. DIRECT INVESTMENTS OTHER THAN BG FUND

On top of its investment in BG Fund, BGHL has other investments. As of 30 June 2017, the net asset value of these investments represents less than 5% of the net asset value of BGHL.

Rasaland Investors ("RLI")

RLI is a Malta-based holding company structured as a private equity fund in terms of fees and organisation and managed by BK Partners. RLI is dedicated to investing in land, hotels and high-end resort developments in Mexico. RLI has invested and is developing the Mandarin, Xala & Seramai resorts in Mexico. 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 in 2012 a stake in one of its land projects to a large Mexican institutional pension fund, raising USD 80 million with the National Infrastructure Fund and by listing (IPO) in November 2015 RLI's hotel subsidiary on Mexico's exchange, raising a total of USD 27 million. The subsidiary is the owner of the Four Seasons hotel in Mexico City acquired in May 2013.

In February 2015 BK Partners entered into an agreement with Kerzner International Holdings Limited to develop and operate two new One&Only resorts in Mandarin and Xala, on the Pacific Coast of Mexico. RLI is currently focused

on the development of the One&Only hotel of the Mandarin project. This development is likely to accelerate the liquidity to RLI's investment in Mandarin through the sale of land parcels as well as private residential estates.

The position was marked down by 50% in May 2017.

GFI Informatique ("GFI")

BGHL holds GFI shares. GFI is a major player in value-added IT services and software in Europe. GFI is listed on the Paris Euronext, NYSE Euronext (Compartment B) - ISIN Code: FR0004038099.

On 10 May 2017, Mannai Corporation ("Mannai") announced an agreement for the acquisition by Mannai of the remaining stakes held by Boussard & Gavaudan and Apax. The announcement is available here: http://www.altamir.fr/news/press-releases.html?LANG=EN&langue=EN&LangUser=EN&RefACT=ACTUS-0-351&ACT_Type1=2&ID=ACTUS-0-48598&CLIENT=ACTUS-0-351.

In accordance with this agreement, BGHL is expected to sell two thirds of its position in July 2017 at a price of €8.00 per share, and to sell the remaining third in June 2018 at a price of €8.50 per share.

VI. BOUSSARD & GAVAUDAN INVESTMENT MANAGEMENT UPDATE

A. TRANSACTION IN THE COMPANY'S SECURITIES

Please note that transactions in the Company's securities that have been performed by officers, directors and persons referred to in the section 5:60 of the Financial Supervision Act ("Wft") are reported:

- directly on the AFM website: www.afm.nl (professionals > registers > notifications > insider-transactions 5:60 wft);
- on the Company's website through a link to the AFM notification: www.bgholdingltd.com (Investment Manager > Regulatory information).

Transactions in the Company's own securities are also reported on:

- the AFM website: www.afm.nl (professionals > registers > notifications > price-sensitive press releases);
- the Company's website: www.bgholdingltd.com (Investor Relations > Financial announcements).

B. BGIM'S AUM

As of 1 July 2017, BG Fund assets under management are €2.53bn.

At last, we would like to inform you that BG Fund will not accept subscriptions on Trade date 1 August, 2017.

Sincerely,

E. Boussard and E. Gavaudan

Investment Manager
Boussard & Gavaudan Investment Management LLP 1 Vine Street, London W1J 0AH, United Kingdom
Emmanuel Gavaudan ☎ +44 20 3751 5389 ✉ eg@bgam-uk.com
François-Xavier Baud ☎ + 44 20 3751 5395 ✉ fx.baud@bgam-uk.com



VII. ANNEXES ON BG FUND

Annex 1: Greeks		
Delta	-0.2%	-0.2 bps P&L variation for market +1%
Gamma	2.4%	delta variation for market +1%
Vega	19 bps	by vol point
Theta	-33 bps	by 30 days
Optional theta	-38 bps	by 30 days
Rho	-1 bps	for 1 bp of interest rates increasing
Credit sensitivity	-1 bps	for 1% of credit spreads widening (in relative)

Annex 2: Performance Attribution *	
Volatility Strategies	-16 bps
Mandatory convertible bond arbitrage	10 bps
Convertible bond arbitrage (incl. credit convertible bonds)	9 bps
Volatility trading	-35 bps
Equity Strategies	34 bps
Risk arbitrage / Special situations	7 bps
Long / short trading with short-term catalyst & Value	27 bps
Credit Strategies	9 bps
Credit long / short	4 bps
Capital structure arbitrage	0 bps
Credit special situations	5 bps
Trading	-21 bps
Quantitative equity trading	7 bps
Systematic trend following	-23 bps
Trading using A.I	0 bps
Other	-5 bps
Total	5 bps

Annex 3: Equity at Risk	
Volatility Strategies	13.3%
Mandatory convertible bond arbitrage	9.0%
Convertible bond arbitrage (incl. credit convertible bonds)	2.2%
Volatility trading	2.0%
Equity Strategies	33.8%
Risk arbitrage / Special situations	12.3%
Long / short trading with short-term catalyst & Value	21.5%
Credit Strategies	3.0%
Credit long / short	0.8%
Capital structure arbitrage	0.0%
Credit special situations	2.2%
Trading	5.0%
Quantitative equity trading	2.4%
Systematic trend following	1.9%
Trading using A.I	0.2%
Other	0.5%
Cash Equivalents	1.0%
Total	56.2%

* Estimated figures for USD A share class

Annex 4: Gross Exposure (in % of AUM) *		
Volatility Strategies		
Mandatory convertible bond arbitrage	Long	87.5%
	Short equity	75.8%
	Short credit	0.0%
Convertible bond arbitrage (incl. credit convertible bonds)	Long	6.1%
	Short equity	3.4%
	Short credit	0.0%
Volatility trading	Long	71.4%
	Short	74.9%
Equity Strategies		
Risk Arbitrage / Special Situations	Long	29.9%
	Short	18.8%
Long / Short trading with short-term catalyst / Value	Long	90.8%
	Short	88.3%
Credit Strategies		
Credit long / short	Long	10.1%
	Short	5.6%
Capital structure arbitrage	Long	0.6%
	Short	0.9%
Credit special situations	Long	1.5%
	Short	0.6%
Trading		
Quantitative equity trading	Long	12.2%
	Short	12.0%
Systematic trend following	Long	43.9%
	Short	72.3%
Trading using A.I	Long	1.7%
	Short	0.7%
Other	Long	1.2%
	Short	6.0%
Gross Exposure		716.2%

* Some trades initially in Credit long / short are now reported in Credit special situations

Annex 5: Investment Manager's Track Record – Historical Returns Summary (Net of Fees)

USD A Share Class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD ⁽⁴⁾
Sark Fund														
2003	-	-	0.67%	0.70%	0.77%	0.94%	0.84%	0.97%	1.15%	1.46%	1.01%	0.15%	9.00%	9.00%
2004	1.00%	-0.17%	0.96%	0.13%	0.07%	-0.35%	-0.47%	-0.47%	-0.24%	-0.59%	1.16%	1.06%	2.08%	11.27%
2005	1.66%	1.08%	1.09%	-0.64%	0.31%	1.30%	1.22%	0.62%	1.06%	-0.32%	0.81%	0.89%	9.45%	21.79%
2006	-0.01%	1.64%	1.78%	1.08%	-0.29%	1.49%	0.56%	1.74%	2.83%	3.06%	2.64%	3.01%	21.29%	47.72%
2007	3.19%	1.58%	4.82%	0.89%	1.45%	-2.15%	0.97%	-2.12%	-0.22%	1.92%	-2.13%	-1.17%	6.97%	58.02%
2008	-2.12%	-0.07%	-2.57%	1.02%	0.98%	-2.52%	-1.50%	0.21%	-10.63%	0.16%	-2.97%	0.22%	-18.56%	28.69%
2009	1.71%	-0.31%	0.84%	4.87%	4.29%	0.72%	2.01%	3.26%	3.48%	1.11%	0.21%	0.46%	24.96%	60.81%
BG Fund														
2010	1.24%	0.36%	1.58%	0.73%	-1.41%	0.77%	2.16%	-0.33%	0.67%	2.05%	-0.15%	1.88%	9.92%	76.77%
2011	0.65%	0.35%	1.93%	-0.15%	-0.12%	-1.35%	-1.00%	-0.30%	-2.72%	2.56%	-4.41%	-0.40%	-5.04%	67.86%
2012	4.03%	2.13%	-0.23%	0.49%	-0.66%	-0.26%	0.14%	1.08%	0.01%	0.87%	0.46%	0.20%	8.49%	82.12%
2013	0.84%	0.65%	-0.69%	0.28%	1.19%	0.73%	1.02%	0.48%	1.16%	1.23%	1.97%	2.17%	11.56%	103.17%
2014	2.41%	0.06%	-1.01%	0.60%	1.18%	-1.07%	0.20%	0.85%	-0.69%	-0.34%	1.76%	0.25%	4.23%	111.75%
2015	2.10%	0.87%	-0.20%	1.01%	1.76%	-1.72%	2.60%	0.81%	-0.97%	0.51%	2.47%	1.12%	10.77%	134.56%
2016	0.05%	2.04%	1.35%	0.86%	1.64%	-0.55%	1.16%	0.52%	0.14%	-0.81%	0.03%	1.35%	8.03%	153.39%
2017	0.63%	1.59%	0.38%	3.93%	1.42%	0.05%*							8.23%*	174.25%*

* Estimated figures

⁽⁴⁾ Inception to date figures starting 2010 combine Sark Fund, Boussard & Gavaudan Fund and BG Fund performances.

EUR A Share Class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD ⁽⁴⁾
Sark Fund														
2003	-	-	0.75%	0.76%	0.82%	1.04%	0.93%	1.06%	1.18%	1.55%	1.05%	0.17%	9.69%	9.69%
2004	1.07%	-0.12%	1.03%	0.22%	0.14%	-0.29%	-0.42%	-0.42%	-0.19%	-0.49%	1.18%	1.07%	2.81%	12.77%
2005	1.70%	1.06%	1.09%	-0.69%	0.27%	1.27%	1.16%	0.50%	1.00%	-0.44%	0.71%	0.77%	8.70%	22.58%
2006	-0.18%	1.56%	1.64%	0.86%	-0.47%	1.35%	0.40%	1.56%	2.73%	2.90%	2.34%	2.91%	18.99%	45.85%
2007	3.14%	1.46%	4.67%	0.74%	1.39%	-2.24%	0.87%	-2.20%	-0.31%	1.83%	-2.15%	-1.24%	5.85%	54.38%
2008	-2.08%	-0.01%	-2.35%	1.10%	1.13%	-2.33%	-1.39%	0.21%	-10.93%	-0.44%	-2.86%	0.18%	-18.58%	25.69%
2009	1.92%	-0.28%	0.90%	4.88%	4.10%	0.73%	1.99%	3.21%	3.48%	1.13%	0.22%	0.48%	25.13%	57.27%
2010	1.26%	0.37%	1.60%	0.74%	-1.49%	0.74%	2.01%	-0.34%	0.62%	2.02%	-0.14%	1.85%	9.56%	72.31%
2011	0.65%	0.38%	1.94%	-0.09%	-0.07%	-1.27%	-0.95%	-0.24%	-2.86%	2.47%	-4.50%	-0.49%	-5.08%	63.56%
2012	4.01%	2.12%	-0.28%	0.47%	-0.71%	-0.26%	0.10%	1.03%	-0.01%	0.84%	0.43%	0.17%	8.12%	76.84%
2013	0.80%	0.65%	-0.71%	0.25%	1.19%	0.71%	0.99%	0.48%	1.11%	1.22%	1.97%	2.14%	11.31%	96.85%
2014	2.47%	0.05%	-1.01%	0.61%	1.21%	-1.06%	0.20%	0.86%	-0.71%	-0.36%	1.75%	0.27%	4.29%	105.30%
2015	2.22%	0.85%	-0.21%	0.93%	1.79%	-1.73%	2.58%	0.78%	-1.01%	0.47%	2.59%	0.96%	10.60%	127.06%
2016	0.00%	1.98%	1.21%	0.79%	1.62%	-0.65%	1.07%	0.43%	0.03%	-0.92%	-0.03%	1.21%	6.91%	142.74%
2017	0.51%	1.53%	0.26%	3.75%	1.24%	-0.06%*							7.42%*	160.74%*

GBP A Share Class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
BG Fund														
2016	-	-	-	-	-	-	-	-	-	-	0.03%	1.26%	1.29%	1.29%
2017	0.57%	1.57%	0.32%	3.74%	1.37%	-0.01%*							7.75%*	9.14%*

* Estimated figures

⁽⁴⁾ Inception to date figures starting 2010 combine Sark Fund, Boussard & Gavaudan Fund and BG Fund performances.

General Stress Tests

	Scenario	Description	Impact % of NAV
1	Delta - spot up	Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	1.74%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	0.27%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.34%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.32%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.28%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.34%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	0.22%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	0.80%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	2.49%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	4.90%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -50%	1.05%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -50%	2.79%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -50%	5.23%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 50%	0.57%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 50%	2.22%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 50%	4.30%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	0.28%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.62%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.05%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	0.67%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.06%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.06%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.60%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.57%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.90%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.24%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	1.76%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	2.07%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	2.39%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 50%	0.42%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 50%	0.74%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 50%	1.08%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 50%	1.64%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 50%	1.83%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 50%	2.13%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 100%	0.28%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 100%	0.59%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 100%	0.64%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 100%	1.34%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 100%	1.62%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 100%	1.91%
Worst			-0.60%

* We changed our methodology for bumping rate curve to be more in line with the market reality

Hedge Funds Liquidation Stress Tests

Stress tests' scenarios have been improved in order to take into account liquidity issues. This scenario aims at reflecting, to some extent, how the fund would react in distressed market environment (as was the case in late 2008). These stress tests combine the three following adjustments:

- Small and mid caps adjustment

In certain market conditions, small and mid caps beta may become much higher than its level in normal market conditions and thus the hedging of such positions may not be effective. To address this kind of circumstance we apply a corrective factor to the beta of small and mid caps. The factor applied on mid caps is 1.5 and 2 on small caps.

- Risk arbitrage adjustment

The risk of risk arbitrage positions is taken into account differently in case the market drops by more than 10%. We consider that one third of risk arbitrage positions will collapse.

- Liquidity adjustment

An average discount (realized in 2008) is applied to bond, convertible bond (including mandatory convertible bond) and loan prices in case credit spreads widen by more than 25%.

Mandatories: Adj. price = $\text{Max}(\text{Shifted Price} - 5\% * \text{Max}(\text{Credit spread shift} - 25\%, 0), \text{Parity})$

Others : Adj. price = $\text{Max}(\text{Shifted Price} - 5\% * \text{Max}(\text{Credit spread shift} - 25\%, 0), 0)$

	Scenario	Description	Impact % of NAV
1	Delta - spot up	Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	2.61%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	-0.57%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.34%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.32%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.28%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.34%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	-0.22%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	-0.50%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	-1.24%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	-0.70%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -50%	-0.24%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -50%	-0.94%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -50%	-0.37%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 50%	-0.73%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 50%	-1.51%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 50%	-1.31%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	0.71%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	1.05%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	0.38%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	0.23%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	-0.37%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.06%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.60%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	1.00%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	1.33%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.67%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	2.63%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	2.94%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	3.26%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 50%	0.85%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 50%	1.17%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 50%	1.51%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 50%	2.51%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 50%	2.70%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 50%	3.01%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 100%	0.71%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 100%	1.02%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 100%	1.08%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 100%	2.22%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 100%	2.50%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 100%	2.78%
	Worst		-1.51%

Annex 7: IFRS 13 Classification as of 31 May 2017

	% of NAV	Number of positions
Assets		
Level 1	57.1%	215
Level 2	58.9%	1216
Level 3	2.6%	15
Cash & cash equivalents	50.2%	3
Total Assets	168.8%	1449
Liabilities		
Level 1	-62.1%	154
Level 2	-6.7%	72
Total Liabilities	-68.8%	226
Total Assets + Liabilities	100.00%	1675

	% of NAV
• Encumbered cash and cash equivalents	
– Cash - Derivatives Clearing Organisation	8.3%
– Cash - Counterparties	2.6%
– Money market fund	2.9%
– Cash covering a short market value	0.0%
• Unencumbered cash and cash equivalents	
– Cash covering a short market value	36.5%
– Short-term papers < 90 days	0.0%
– Excess cash	0.0%
Total Cash and cash equivalents	50.2%

In compliance with AIFMD, BGIM will report in the newsletter the information hereafter:

- The percentage of assets which are subject to special arrangements arising from their illiquid nature:

Nothing to report

- Any new arrangements for managing the liquidity of the AIF:

Nothing to report

- The current risk profile of the AIF and a description of the risk management systems employed by BGIM to manage market risk, liquidity risk, counterparty risk and other risks, including operational risk:

Please refer to this newsletter for the current risk profile of the Fund.

The backbone of the portfolio and risk management systems at BGIM relies on several components all interfaced together to ensure a full Straight Through Processing. The main system is FusionInvest provided by Mysis used for position keeping and risk management. FusionInvest is interfaced to a real time market data vendor for real time P&L and risk calculation. Another key system is Trade Smart, the Execution Management System provided by Trading Screen that is interfaced to an in-house implemented Order Management System, itself connected in real time to FusionInvest. All figures used for qualitative and quantitative risk management are produced out of FusionInvest.

- The gross investment exposure of the Company at any time may represent a maximum of 2 times the Net Asset Value at the time of investment.

	Maximum limit	Current usage
Commitment method	200%	106%
Gross method	200%	115%

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.

This is not an offer to sell or a solicitation of any offer to buy any securities in the United States or in any other jurisdiction. This announcement is not intended to and does not constitute, or form part of, any offer or invitation to purchase any securities or the solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this announcement in any jurisdiction in contravention of applicable law.

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.

This communication is for information purposes only and the information contained in this communication should not be relied upon as a substitute for financial or other professional advice.

VC 06.11.12.02