

# BOUSSARD & GAVAUDAN HOLDING LIMITED

## OCTOBER 2009 REVIEW

### I. COMPANY INFORMATION

| General information |  |
|---------------------|--|
| Investment Manager  | Boussard & Gavaudan Asset Management, L.P.                     |
| Company Domicile    | Guernsey   |
| Website             | <a href="http://www.bgholdingltd.com">www.bgholdingltd.com</a> |
| Management fee      | 1.5% p.a.  |
| Performance fee     | 20%  |

|              | SEDOL   | ISIN         | Reuters | Bloomberg |
|--------------|---------|--------------|---------|-----------|
| EUR LSE      | B28ZZQ1 | GG00B1FQG453 | BGHLx.L | BGHL LN   |
| EUR Euronext | B1FQG45 | GG00B1FQG453 | BGHL.AS | BGHL NA   |
| 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 deliver an 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 will seek to achieve this by investing into Sark Fund Limited (“Sark 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 annualised return in excess of 10% (net of all fees).

### III. SHARE INFORMATION

| NAV                                | Euro Shares | Sterling Shares |
|------------------------------------|-------------|-----------------|
| Estimated NAV                      | €12.2548    | £11.6735        |
| Estimated Month to date return     | 1.46%       | 1.13%           |
| Estimated Year to date return      | 25.89%      | 20.15%          |
| Estimated Inception to date return | 22.55%      | 16.74%          |

| Euro Shares                         | Amsterdam (AEX) | London (LSE) |
|-------------------------------------|-----------------|--------------|
| Market close                        | €9.61           | -            |
| Premium / discount to estimated NAV | -21.58%         | -            |

| Sterling Shares                     | Amsterdam (AEX) | London (LSE) |
|-------------------------------------|-----------------|--------------|
| Market close                        | -               | GBX 950.00   |
| Premium / discount to estimated NAV | -               | -18.62%      |

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

|                           | Euro Shares       | Sterling Shares  |
|---------------------------|-------------------|------------------|
| Shares issued             | 60,347,836        | 1,688,474        |
| Shares held in treasury   | 5,446,527         | -                |
| <b>Shares outstanding</b> | <b>54,901,309</b> | <b>1,688,474</b> |

|  |              |
|--|--------------|
| Total value of the investments of BGHL based on the estimated NAV for the shares outstanding   | €695 million |
| Market capitalisation of BGHL based on the share price for the shares outstanding<br><i>Amsterdam (AEX) market close for the Euro Shares &amp; London (LSE) market close for the Sterling shares</i> | €546 million |

## IV. BGHL COMPOSITION

The proceeds of the initial and secondary public offerings have been invested into the Sark Fund (net of a certain amount retained by BGHL for working capital requirements and other requirements).

In addition to having substantially 100% of its assets under management invested into the Sark Fund, BGHL has one investment in private equity companies.

### A. SARK FUND LIMITED

Note that trade examples detailed in each strategy below are among the best and worst performances of the month.

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European equities markets turned down in October with the Eurostoxx 50 losing 4.5%. Volatility in the stock market started to increase: the VDAX index ended at 28.7% from 24.2% and the VSTOXX index at 31.3% from 26.8%, although this is mainly due to the sell-off of the market as volatility by strike remained stable. Credit spreads continued to tighten further this month with the iTraxx Europe Crossover index finishing at 517 from 570bps.

#### *Credit strategies*

Credit strategies returned 10bps\* in October.

We continued to monetise -fully or partially- several recovery stories. Indeed we completely closed our long Wendel credit risk at the beginning of the month. Also, we substantially reduced our exposure to Heidelberg Cement by taking profit on our CDS positions and decided to focus on the recent bond transactions (some of which trade below par and 110-130bps wider than the CDS curve).

We think credit markets will continue to see an unprecedented wave of supply, not only in IG, but also in HY. This will last well into year end, as demand for credit does not seem to abate.

We have nevertheless seen the first signs of weakness in the new issue market. Bonds issued by Lagardere (NR) and Havas (NR), came to market at tight levels (mid-swaps +220 and +280 respectively), have traded rather poorly in the secondary markets. Lagardere is even trading +60pbs wider than where it was priced. Equally, the Reynolds Packaging (BB-) EUR senior deal is not a big success as the USD.

The market remains shaky nevertheless in the medium term given the combination of high coupon and consequently shorter duration HY will remain attractive to retail. The asset class still offers in general an attractive yield compared to the dividend yield one can expect on the equity side. However, as we have seen in the past, this component can be sometimes misleading.

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\* Estimated figures

## ***Equity Strategies***

Equity strategies contributed -21bps\* to the performance of the fund this month.

Small losses and profits were spread across the board. After having contributed positively previous months to the performance of the fund, our historical trades gave back some of the gains in October. On the positive side, we benefited this month from liquid pair trades recently initiated as well as from dividend trades which are trading higher and have been marked up subsequently while we made profits on their respective delta hedges. As we expect the market to become more volatile, we also decided to take profit and cut the few long-term short volatility trades we had in the portfolio. On the special situations side, we successfully participated in GVT bidding war where Telefonica came with a counter-bid outperforming Vivendi initial offer.

Corporate activity in the market has been subdued in October. On the back of the recent rally, investors are now careful. Whilst Corporates announced somewhat good 3Q 2009 results, those of the banks were much more mitigated; all of these companies remaining very cautious for the future with little visibility for year end.

## ***Volatility strategies***

### ***Convertible bond arbitrage***

Convertible bonds (excl. mandatories) returned +15bps\* for the Sark Fund in October. Most of our gains came from two convertible debt restructuring situations, which stand at very different stages in the typical restructuring spectrum: one is already in post restructuring phase, but remains very discounted - and therefore very attractive - despite the very strong credit improvement experienced by the company in the past 6 months, whilst the other is still in early stage (and trades at levels which clearly reflects the need for the Company to go through a complete debt restructuring) but is very promising we believe. We managed to increase our position in the former to a level we believe is appropriate in the current market environment, but did not find the liquidity to further increase the latter.

In the rest of our convertibles portfolio we experienced some modest price softening, on the back of increasingly cautious investor sentiment and very limited secondary market liquidity. Some of the higher delta names came under pressure (in terms of implied volatility) on the back of declining equity markets, which we believe is further evidence (if needed) that the European convertibles market is clearly driven by outright interests. Also, despite the increase in the number of sell-side market participants, and the renewal of the convertibles universe in Europe on the back of record primary issuance in 2009 YTD, secondary market liquidity remains thin and we perceive increasing reluctance from market makers to trade on a risk basis as we approach the end of the year.

New issuance continued at a sustained pace in October with 11 convertible bond deals raising in excess of €2.7bn. Most of the new deals were appropriately priced and well received by the market, but some of them were more difficultly placed, in particular the more credit sensitive transactions with a level of subordination, such as Renewable Energy Corp 6.5% 2014 (€320m) or FCC 6.50% 2014 (€450m).

### ***Mandatory convertible bond arbitrage***

Following last month's modest loss, mandatory convertible bonds contributed +112bps\* to the fund's performance. This was mainly the result of the extraction of the (quasi) full value of one of our long standing positions which we sold at a level very close to fair value. We had held this bond

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\* Estimated figures

since issuance and had managed to increase the position in the course of 2009. The bond had little performed since the beginning of 2009, but we manage to find an outright buyer which was ready to pay a level on the basis of which the expected return on equity was hardly above the return of cash (on an arbitrage basis).

This month also saw the first two mandatory new issues in Europe since last year's deal from Fresenius. Lottomatica issued €350m of 8.75% 2012 mandatory convertible bonds which we understand was mainly placed to Italian outright institutions (the repo is difficult in that name, and the equity is very illiquid - we believe this bond was placed with buy-and-hold investors and therefore expect extremely limited secondary market liquidity in this name). And Adecco issued a CHF 900m deeply subordinated 6.50% 2012 mandatory to fund the US\$ 1.3bn acquisition of MPS Goup in the US. We participated in the latter which priced at the cheap end of proposed terms.

The rest of our mandatory book behaved well as valuations were supported by renewed investor interest in the asset class following the Adecco new issue.

### *Gamma trading*

In spite of a mixed performance this month on the equity market, especially the second half where it stalled, realised volatilities failed to pick up significantly. The neutral performance this month (-1bp\*) reflects our willingness to keep our gamma exposure to modest levels.

In the end of the month, implied volatilities started rising and we may build up our long gamma exposure again.

Although VIX jumped at the end of the month with the spot declining, strike-to-strike volatilities remained stable.

### *Trading*

Trading was flat this month.

As of 1 November 2009, Sark Master Fund Limited's assets under management were approximately €1.17 billion.

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\* Estimated figures

## ANNEX 1: SARK FUND GREEKS

| Greeks                                |          |                                       |
|---------------------------------------|----------|---------------------------------------|
| Delta                                 | 2.5%     | 2.5 bps P&L variation for market +1%  |
| Gamma                                 | 0.9%     | Delta variation for market +1%        |
| Vega                                  | 14.0 bps | By vol point                          |
| Vega with maturity weight (1/sqrt(T)) | 11.2 bps | By vol point                          |
| Theta                                 | 16.8 bps | By day                                |
| Rho                                   | 0.1 bps  | For 1 bp of interest rates increasing |
| Credit sensitivity                    | -0.6 bps | For 1 bp of credit spreads widening   |

## ANNEX 2: SARK FUND PERFORMANCE ATTRIBUTION

| Contribution to the performance*     |                |
|--------------------------------------|----------------|
| <b>Credit strategies</b>             | <b>10 bps</b>  |
| Credit                               | 15 bps         |
| Capital Structure Arbitrage          | -5 bps         |
| <b>Equity strategies</b>             | <b>-21 bps</b> |
| Risk Arbitrage / Special Situations  | 19 bps         |
| Value with Catalyst / Value          | -40 bps        |
| <b>Volatility strategies</b>         | <b>128 bps</b> |
| Mandatory Convertible Bond Arbitrage | 112 bps        |
| Convertible Bond Arbitrage           | 15 bps         |
| Gamma Trading                        | -1 bps         |
| Warrant Arbitrage                    | 3 bps          |
| <b>Trading</b>                       | <b>0 bps</b>   |
| <b>TOTAL</b>                         | <b>116 bps</b> |

## ANNEX 3: SARK FUND EQUITY AT RISK

| Equity at Risk               |              |
|------------------------------|--------------|
| <b>Credit Strategies</b>     | <b>17.7%</b> |
| Credit                       | 7.2%         |
| Capital Structure Arbitrage  | 0.6%         |
| Restructurings               | 9.9%         |
| <b>Equity Strategies</b>     | <b>19.9%</b> |
| Risk Arbitrage               | 0.3%         |
| Special Situations           | 0.6%         |
| Value with Catalyst          | 17.4%        |
| Value                        | 1.6%         |
| <b>Volatility Strategies</b> | <b>19.4%</b> |
| Mandatory Arbitrage          | 13.9%        |
| Convertible Bond Arbitrage   | 4.1%         |
| Gamma Trading                | 1.4%         |
| Warrants Arbitrage           | 0.0%         |
| <b>Trading</b>               | <b>1.3%</b>  |
| Trading                      | 1.3%         |
| <b>TOTAL</b>                 | <b>58.3%</b> |

\* Estimated figures

## ANNEX 4: SARK FUND GROSS EXPOSURE

|   | In M€        |              |
|---|--------------|--------------|
| <b>Credit strategies</b>                          |              |              |
|   | Long         | 378          |
|   | Short        | 260          |
| <b>Equity strategies &amp; Trading</b>            |              |              |
|   | Long         | 445          |
|   | Short        | 316          |
| <b>Convertible bond &amp; Mandatory arbitrage</b> |              |              |
|   | Long         | 781          |
|   | Short Equity | 514          |
|   | Short Credit | 30           |
| <b>Gamma trading</b>                              |              |              |
|   | Long         | 82           |
|   | Short        | 82           |
| <b>Warrant arbitrage</b>                          |              |              |
|   | Long         | 2            |
|   | Short        | 0            |
| <b>Gross Exposure</b>                             |              | <b>2,890</b> |

|  | <i>Long</i>                        | <i>Short</i>                          |
|--|------------------------------------|---------------------------------------|
| <i>Credit strategies</i>                           | $\sum$ market value long           | $\sum$ Abs(market value short)        |
|  | $\sum$ Abs(notional short for CDS) | $\sum$ notional long for CDS          |
| <i>Equity strategies &amp; trading</i>             | $\sum$ delta long                  | $\sum$ Abs(delta short)               |
| <i>Convertible bonds &amp; Mandatory arbitrage</i> | $\sum$ market value long           | Abs( $\sum$ [delta equity + options]) |
| <i>Gamma trading</i>                               | $\sum$ Abs(delta equity)           | $\sum$ Abs(delta equity)              |
| <i>Warrant arbitrage</i>                           | $\sum$ delta long                  | $\sum$ Abs(delta short)               |

## ANNEX 5: SARK FUND HISTORICAL RETURNS SUMMARY

### Sark Fund Euro share class

| Year        | Jan    | Feb    | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep     | Oct    | Nov    | Dec    | YTD     | ITD            |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|--------|---------|----------------|
| <b>2003</b> | -      | -      | 0.75%  | 0.76%  | 0.82%  | 1.04%  | 0.93%  | 1.06%  | 1.18%   | 1.55%  | 1.05%  | 0.17%  | 9.69%   | <b>9.69%</b>   |
| <b>2004</b> | 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%   | <b>12.77%</b>  |
| <b>2005</b> | 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%   | <b>22.58%</b>  |
| <b>2006</b> | -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%  | <b>45.85%</b>  |
| <b>2007</b> | 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%   | <b>54.38%</b>  |
| <b>2008</b> | -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% | <b>25.69%</b>  |
| <b>2009</b> | 1.92%  | -0.28% | 0.90%  | 4.88%  | 4.10%  | 0.73%  | 1.99%  | 3.21%  | 3.48%   | 1.16%* |        |        | 24.29%* | <b>56.23%*</b> |

### Sark Fund US Dollar share class

| Year        | Jan    | Feb    | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep     | Oct    | Nov    | Dec    | YTD     | ITD            |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|--------|---------|----------------|
| <b>2003</b> | -      | -      | 0.67%  | 0.70%  | 0.77%  | 0.94%  | 0.84%  | 0.97%  | 1.15%   | 1.46%  | 1.01%  | 0.15%  | 9.00%   | <b>9.00%</b>   |
| <b>2004</b> | 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%   | <b>11.27%</b>  |
| <b>2005</b> | 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%   | <b>21.79%</b>  |
| <b>2006</b> | -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%  | <b>47.72%</b>  |
| <b>2007</b> | 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%   | <b>58.02%</b>  |
| <b>2008</b> | -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% | <b>28.69%</b>  |
| <b>2009</b> | 1.71%  | -0.31% | 0.84%  | 4.87%  | 4.29%  | 0.72%  | 2.01%  | 3.26%  | 3.48%   | 1.15%* |        |        | 24.18%* | <b>59.81%*</b> |

\* Estimated figures

## ANNEX 6: SARK FUND MACROECONOMIC RISKS THROUGH STRESS TESTS

### ◇ General stress tests

|    | Scenario                      | Description  | Impact<br>% of NAV |
|----|-------------------------------|--|--------------------|
| 1  | Delta - spot up               | Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0%         | 0.95%              |
| 2  | Delta - spot down             | Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%        | 0.00%              |
| 3  | Vega - vol up                 | Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%         | 0.43%              |
| 4  | Vega - vol down               | Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%        | -0.49%             |
| 5  | Credit spread widen           | Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%         | -2.37%             |
| 6  | Credit spread tighten         | Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%        | 2.34%              |
| 7  | Market crash 1                | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%      | -3.08%             |
| 8  | Market crash 2                | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%      | -3.57%             |
| 9  | Market crash 3                | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%     | -3.46%             |
| 10 | Market crash, rates down 1    | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -12.5%  | -3.17%             |
| 11 | Market crash, rates down 2    | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -12.5%  | <b>-3.67%</b>      |
| 12 | Market crash, rates down 3    | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -12.5% | -3.56%             |
| 13 | Market crash, rates up 1      | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 12.5%   | -2.99%             |
| 14 | Market crash, rates up 2      | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 12.5%   | -3.47%             |
| 15 | Market crash, rates up 3      | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 12.5%  | -3.35%             |
| 16 | Equity Credit decorrelation 1 | Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%         | -1.93%             |
| 17 | Equity Credit decorrelation 2 | Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%        | -1.34%             |
| 18 | Equity Credit decorrelation 3 | Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%       | -2.49%             |
| 19 | Equity Credit decorrelation 4 | Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%      | 2.66%              |
| 20 | Equity Credit decorrelation 5 | Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%     | 1.92%              |
| 21 | Equity Credit decorrelation 6 | Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%        | -1.84%             |
| 22 | Equity Credit decorrelation 7 | Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%       | -2.87%             |
| 23 | Market rally 1                | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%      | 2.18%              |
| 24 | Market rally 2                | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%        | 2.64%              |
| 25 | Market rally 3                | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%       | 3.11%              |
| 26 | Market rally 4                | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%     | 2.74%              |
| 27 | Market rally 5                | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%       | 3.23%              |
| 28 | Market rally 6                | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%      | 3.75%              |
| 29 | Market rally, Inflation 1     | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%   | 2.18%              |
| 30 | Market rally, Inflation 2     | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%     | 2.64%              |
| 31 | Market rally, Inflation 3     | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%    | 3.12%              |
| 32 | Market rally, Inflation 4     | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%  | 2.75%              |
| 33 | Market rally, Inflation 5     | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%    | 3.24%              |
| 34 | Market rally, Inflation 6     | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%   | 3.76%              |
| 35 | Market rally, Inflation 7     | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 25%     | 2.18%              |
| 36 | Market rally, Inflation 8     | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 25%       | 2.64%              |
| 37 | Market rally, Inflation 9     | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 25%      | 3.12%              |
| 38 | Market rally, Inflation 10    | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 25%    | 2.76%              |
| 39 | Market rally, Inflation 11    | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 25%      | 3.25%              |
| 40 | Market rally, Inflation 12    | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 25%     | 3.76%              |
|    | <b>Worst</b>                  |  | <b>-3.67%</b>      |

## ❖ Stress tests with small and mid caps adjustments

In certain market conditions, small and mid caps beta may become much higher than 1 and thus the hedging of such positions may not be effective. To address this kind of circumstances we apply a corrective factor to the beta of small and mid caps.

|    | Scenario                      | Description  | Impact<br>% of NAV |
|----|-------------------------------|--|--------------------|
| 1  | Delta - spot up               | Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0%         | 1.82%              |
| 2  | Delta - spot down             | Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%        | -0.91%             |
| 3  | Vega - vol up                 | Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%         | 0.43%              |
| 4  | Vega - vol down               | Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%        | -0.49%             |
| 5  | Credit spread widen           | Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%         | -2.37%             |
| 6  | Credit spread tighten         | Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%        | 2.34%              |
| 7  | Market crash 1                | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%      | -4.12%             |
| 8  | Market crash 2                | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%      | -5.61%             |
| 9  | Market crash 3                | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%     | -6.42%             |
| 10 | Market crash, rates down 1    | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -12.5%  | -4.21%             |
| 11 | Market crash, rates down 2    | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -12.5%  | -5.70%             |
| 12 | Market crash, rates down 3    | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -12.5% | <b>-6.52%</b>      |
| 13 | Market crash, rates up 1      | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 12.5%   | -4.04%             |
| 14 | Market crash, rates up 2      | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 12.5%   | -5.52%             |
| 15 | Market crash, rates up 3      | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 12.5%  | -6.33%             |
| 16 | Equity Credit decorrelation 1 | Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%         | -1.38%             |
| 17 | Equity Credit decorrelation 2 | Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%        | -0.79%             |
| 18 | Equity Credit decorrelation 3 | Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%       | -1.94%             |
| 19 | Equity Credit decorrelation 4 | Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%      | 2.28%              |
| 20 | Equity Credit decorrelation 5 | Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%     | 1.56%              |
| 21 | Equity Credit decorrelation 6 | Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%        | -1.84%             |
| 22 | Equity Credit decorrelation 7 | Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%       | -2.87%             |
| 23 | Market rally 1                | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%      | 2.58%              |
| 24 | Market rally 2                | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%        | 3.04%              |
| 25 | Market rally 3                | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%       | 3.53%              |
| 26 | Market rally 4                | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%     | 3.57%              |
| 27 | Market rally 5                | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%       | 4.07%              |
| 28 | Market rally 6                | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%      | 4.60%              |
| 29 | Market rally, Inflation 1     | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%   | 2.58%              |
| 30 | Market rally, Inflation 2     | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%     | 3.04%              |
| 31 | Market rally, Inflation 3     | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%    | 3.53%              |
| 32 | Market rally, Inflation 4     | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%  | 3.58%              |
| 33 | Market rally, Inflation 5     | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%    | 4.08%              |
| 34 | Market rally, Inflation 6     | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%   | 4.61%              |
| 35 | Market rally, Inflation 7     | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 25%     | 2.59%              |
| 36 | Market rally, Inflation 8     | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 25%       | 3.05%              |
| 37 | Market rally, Inflation 9     | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 25%      | 3.54%              |
| 38 | Market rally, Inflation 10    | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 25%    | 3.59%              |
| 39 | Market rally, Inflation 11    | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 25%      | 4.10%              |
| 40 | Market rally, Inflation 12    | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 25%     | 4.63%              |
|    | <b>Worst</b>                  |  | <b>-6.52%</b>      |

## Stress tests assuming a third of risk arbitrage trades breaks in case market drops by more than 10%

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.

|    | Scenario                      | Description  | Impact<br>% of NAV |
|----|-------------------------------|--|--------------------|
| 1  | Delta - spot up               | Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0%         | 1.25%              |
| 2  | Delta - spot down             | Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%        | -0.40%             |
| 3  | Vega - vol up                 | Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%         | 0.43%              |
| 4  | Vega - vol down               | Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%        | -0.49%             |
| 5  | Credit spread widen           | Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%         | -2.37%             |
| 6  | Credit spread tighten         | Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%        | 2.34%              |
| 7  | Market crash 1                | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%      | -3.50%             |
| 8  | Market crash 2                | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%      | -4.48%             |
| 9  | Market crash 3                | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%     | -4.81%             |
| 10 | Market crash, rates down 1    | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -12.5%  | -3.59%             |
| 11 | Market crash, rates down 2    | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -12.5%  | -4.58%             |
| 12 | Market crash, rates down 3    | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -12.5% | <b>-4.92%</b>      |
| 13 | Market crash, rates up 1      | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 12.5%   | -3.41%             |
| 14 | Market crash, rates up 2      | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 12.5%   | -4.38%             |
| 15 | Market crash, rates up 3      | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 12.5%  | -4.71%             |
| 16 | Equity Credit decorrelation 1 | Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%         | -1.74%             |
| 17 | Equity Credit decorrelation 2 | Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%        | -1.15%             |
| 18 | Equity Credit decorrelation 3 | Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%       | -2.29%             |
| 19 | Equity Credit decorrelation 4 | Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%      | 2.49%              |
| 20 | Equity Credit decorrelation 5 | Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%     | 1.76%              |
| 21 | Equity Credit decorrelation 6 | Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%        | -1.84%             |
| 22 | Equity Credit decorrelation 7 | Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%       | -2.87%             |
| 23 | Market rally 1                | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%      | 2.34%              |
| 24 | Market rally 2                | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%        | 2.79%              |
| 25 | Market rally 3                | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%       | 3.27%              |
| 26 | Market rally 4                | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%     | 3.04%              |
| 27 | Market rally 5                | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%       | 3.53%              |
| 28 | Market rally 6                | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%      | 4.05%              |
| 29 | Market rally, Inflation 1     | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%   | 2.34%              |
| 30 | Market rally, Inflation 2     | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%     | 2.79%              |
| 31 | Market rally, Inflation 3     | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%    | 3.27%              |
| 32 | Market rally, Inflation 4     | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%  | 3.05%              |
| 33 | Market rally, Inflation 5     | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%    | 3.54%              |
| 34 | Market rally, Inflation 6     | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%   | 4.06%              |
| 35 | Market rally, Inflation 7     | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 25%     | 2.34%              |
| 36 | Market rally, Inflation 8     | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 25%       | 2.79%              |
| 37 | Market rally, Inflation 9     | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 25%      | 3.27%              |
| 38 | Market rally, Inflation 10    | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 25%    | 3.05%              |
| 39 | Market rally, Inflation 11    | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 25%      | 3.55%              |
| 40 | Market rally, Inflation 12    | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 25%     | 4.07%              |
|    | <b>Worst</b>                  |  | <b>-4.92%</b>      |

## PRIVATE EQUITY INVESTMENTS

On top of its investment in the Sark Fund, BGHL may enter into private equity investments. BGHL has one investment in the portfolio.

### Rasaland

The Company entered into a private equity investment in Rasaland in June 2008 for \$10 million. This investment represents approximately 1% of the assets under management.

## V. BOUSSARD & GAVAUDAN ASSET MANAGEMENT UPDATE

### Organisation update

We are pleased to welcome Manuel Kalbreier and Sébastien Demole.

Manuel joins our London office to be in charge of distribution along with Emmanuel Gavaudan. Previously, Manuel worked for 13 years at Citigroup (originally Salomon Brother). He spent the first 11 years in Convertible Bonds sales, lately running the desk. From 2007, Manuel was in charge of Prime Finance Sales for continental Europe. He graduated from Edhec Business School and is a CFA and CAIA charter holder.

Sébastien joins the trading team. In 2002, Sébastien worked at Royal Bank of Scotland where he spent 3 years in London as a junior trader. Then in 2005, he arrived in Hong Kong as a trader and actively took part in setting up RBS Equity Derivatives Desk. Sébastien holds a Bachelor of Science in Economics from Queen Mary University and obtained an MBA at INSEAD.

We are sorry to announce that Anastasia Shiach has left BG. We wish her luck for the future.

### Result of Conversion

The Company announces the result of the facility to convert existing holdings of:

- Euro Shares in the Company ("Euro Shares") into Sterling Shares in the Company (the "Sterling Shares"); and
  - Sterling Shares into Euro Shares,
- (together, the "Conversion") for the 30 September 2009 conversion calculation date (the "September Conversion Calculation Date").

### Conversion requests

The aggregate number of shares for which conversion request forms were received for the September Conversion Calculation Date was:

25,000 Euro shares  
24,548 Sterling shares

### Conversion ratios

| The net asset values per share as at the September Conversion Calculation date were: | The spot currency conversion rates as at the September Conversion Calculation Date were: | On the basis of the above, the conversion ratios are as follows: |
|--|--|--|
| Euro Shares: <b>12.0779</b>  | Euro GBP: 0.91436  | <b>0.9567560</b> Sterling Shares for every one Euro Share        |
| Sterling Shares: £ <b>11.5427</b>  | Euro GBP: 0.91436  | <b>1.0451980</b> Euro Shares for every one Sterling Share        |

### Cancellation

As a result of the Conversion, the number of Euro Shares will be increased by 657 shares.  
As a result of the Conversion, the number of Sterling Shares will be reduced by 630 shares.

### Results of conversion

With effect from Conversion, the issued share capital of B&G Holding was on 30 September 2009.

60,347,836 Euro Shares  
1,688,474 Sterling Shares

### Admission of new shares

Application has been made for:

25,657 Euro Shares to be admitted to listing and trading on Euronext Amsterdam,  
23,918 Sterling Shares to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange plc's main market for listed securities.

### Next conversion

The next conversion calculation date will be 31 December 2009 (the "December Conversion Calculation Date"). Shareholders wishing to convert between share classes should complete the appropriate conversion request form, which is available from the Company's website [www.bgholdingltd.com](http://www.bgholdingltd.com)

### **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](http://www.afm.nl) (public database > notification > insider-transactions 5:60 wft);
- on the Company's website through a link to the AFM notification: [www.bgholdingltd.com](http://www.bgholdingltd.com) (Investment Manager > Regulatory information).

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

- the AFM website: [www.afm.nl](http://www.afm.nl) (public database > notification > price-sensitive press releases);
- the Company's website: [www.bgholdingltd.com](http://www.bgholdingltd.com) (Investor Relations > Financial announcements).

Sincerely,

E. Boussard & E. Gavaudan

### **Contact information**

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## **Disclaimer**

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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 Company is listed on Euronext Amsterdam and on the London Stock Exchange ("LSE").

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 the Sark Fund Limited have 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.