

# BOUSSARD & GAVAUDAN HOLDING LIMITED

## JANUARY 2017 NEWSLETTER

### I. COMPANY INFORMATION

General information	
Investment manager	Boussard & Gavaudan Investment Management LLP
Company domicile	Guernsey
Website	<a href="http://www.bgholdingltd.com">www.bgholdingltd.com</a>
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 31 January 2017

Net Asset Value (NAV)	Euro share	Sterling share
Estimated NAV*	€ 22.2638	£19.5434
Estimated month to date return*	0.54%	0.53%
Estimated year to date return*	0.54%	0.53%
Estimated inception to date return*	122.64%	95.43%

Euro share	Amsterdam (AEX)	London (LSE)
Market close	€ 17.91	-
Premium / discount to estimated NAV	-19.56%	-

Sterling share	Amsterdam (AEX)	London (LSE)
Market close	-	£15.80
Premium / discount to estimated NAV	-	-19.15%

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	€ 655 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	€ 527 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%	<b>5.15%</b>
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%	<b>11.00%</b>
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%	<b>-2.66%</b>
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%	<b>23.77%</b>
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%	<b>37.99%</b>
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%	<b>34.42%</b>
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%	<b>47.12%</b>
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%	<b>67.14%</b>
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%	<b>78.59%</b>
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%	<b>106.55%</b>
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%	<b>121.45%</b>
2017	0.54%*												0.54%*	<b>122.64%*</b>
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%	<b>-2.84%</b>
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%	<b>17.48%</b>
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%	<b>28.72%</b>
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%	<b>22.28%</b>
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%	<b>33.26%</b>
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%	<b>50.64%</b>
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%	<b>58.61%</b>
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%	<b>80.95%</b>
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%	<b>94.40%</b>
2017	0.53%*												0.53%*	<b>95.43%*</b>

\* 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 February 2017, BGHL is exposed to BG Fund up to approximately 105% 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

After the year-end rally, European equity markets were negative in January with realized and implied volatilities cooling down substantially. In this context, BG Fund ended the month up 0.57% for the USD share class, mainly driven by idiosyncratic gains in equity strategies. This positive performance was somewhat offset by volatility trading which suffered from the low volatility environment.

Eurostoxx 50 finished January down -1.8% on the month. VStoxx ended at 17.4%, down from 18.1%. iTraxx Crossover (S26) ended January at 301bps (13bps wider on the month).

### Volatility strategies

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

Mandatory convertible bonds contributed +12bps this month. Flows were muted except for the Bayer mandates. Changes in valuations were marginal.

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

Convertible bond contribution (excl. mandates) to the performance of the fund was +5bps in January.

As mentioned in previous newsletters, we sold a large portion of our CBs holdings during December. We continue to think that valuations remain high given the available cash in long-only funds is more limited. We have retained a few CB special situation positions where we believe current valuations represent an opportunity. The secondary market remained very quiet, a big issue for brokers and for liquidity in general.

The primary market was limited in January which helped to support valuations in the secondary market. Two out of the four new issues were non-dilutive CBs. As highlighted in our last newsletter, we believe that this arbitrage of creating synthetic zero and negative yield vanilla debt for the issuer is cannibalising the convertible bond market.

#### ***Volatility Trading***

Realized Vol	Spot level 30/12 (VIX / V2X)	Monthly realized Vol (ES1 / VG1)	Difference
US	14.0	6.4	-7.6
EUROPE	18.1	10.0	-8.1
Implied Vol	Fev. Vol Index Fut as of 30/12	Feb. Vol Index Fut as of 31/01	Vol move
US	16.6	13.3	-3.30
Europe	22.0	18.6	-3.40

Performance over January was poor (-34bps) due to very low realised volatilities on the major equity indices.

As an example the 1-month and 2-month realised volatilities reached a 10-year low in January. The low realised volatilities led to a decrease in implied volatilities across the term structure, most notably on the Eurostoxx 50. Some of the gains made over December on implied volatility had not been fully monetised and the move in January negated Decembers gains and more. Portfolio losses were 40% due to theta and 60% attributable to the implied

volatility move. The traditional hedges that we use to offset decreasing volatilities were not attractive enough and did not prove effective.

On the positive side, given the adverse move we saw several opportunities to increase a number of positions which we remain confident on. We were also pleased with the profit made on the FX portfolio.

Going into February our portfolio retains the same broad profile and main positions that we had at the beginning of January. We remain relatively long equity volatility (mainly through Eurostoxx 50) and have limited offsetting positions should volatilities decrease further.

## Equity strategies

Although we feel the environment remains uncertain, with big questions surrounding Donald Trump's next moves and the forthcoming elections in Europe (particularly France), equity markets were relatively stable in January, with extremely low realised volatility. Despite low volatility on the broad indices there was lot of dispersion within individual stocks which saw significant moves on idiosyncratic news.

Our portfolio overall returned +64bps for January. Our option hedges cost us, especially on indices, due to low volatility, however performance was helped by our long gamma on single names, particularly around earnings, and on stocks that were impacted by the market rotation/reflation trade.

In January, corporate activity picked up significantly: there was a bid on Actelion from Johnson & Johnson, Essilor and Luxotica announced a merger, British American Tobacco improved the terms of its offer on Reynolds American among several others. We benefited from this activity on a number of our positions and we believe this theme will remain a key driver of performance in the coming months.

## Credit strategies

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

Capital structure arbitrage was flat this month. The market has been very range bound and volatilities remained subdued in all asset classes. This quiet environment prevents us from trading actively around our existing positions and no new opportunities presented themselves. We continue to carefully monitor cross asset dynamics and in order to identify new idiosyncratic situations.

### ***Credit long / short***

Credit long / short trading contributed +8bps in January.

Despite underlying weakness in rates, credit markets outperformed this month. This was particularly true for high yield and subordinated financials given their lower sensitivity to rates than the investment grade bucket.

Inflows into credit combined with a fairly low volatility environment on the macro-front set the scene for an active primary market; issuance was mainly from investment grade corporates and financials taking the opportunity of an issuance window and bringing forward their 2017 refinancing programme. Our portfolio benefited in particular from the proactive refinancing by Groupama of its short dated subordinated instruments. The refinancing was to effect an optimisation of its capital structure for the Solvency 2 regulatory capital environment and an extension of its debt maturity profile.

Elsewhere in the book, secondary market levels rose due to the well-received primary issuance. This was particularly true in the Additional Tier 1 asset class. As a result, most of our long cash positions outperformed their hedges (CDS or stock).

Finally, the active primary market created some trading opportunities. For example, Rabobank's €1.5bn tap of its Core Tier 1 certificates outperformed in secondary markets, trading c. 3% above issuance pricing just a few days after placement.

## ***Credit special situations***

Credit special situations contributed -10bps in January. The negative contribution came mostly from CGG high yield bonds. The situation has continued to develop since the Q3 results last November when the company announced it intended to address the issues in its capital structure. CGG reiterated in January that they intend to implement a financial restructuring to improve the company balance sheet and restore its financial flexibility.

## **Trading**

Trading contributed +12bps of which +30bps came from quantitative equity trading, -2bps from systematic trend following and -17bps from others.

A new sub-strategy has been implemented in trading relying on artificial Intelligence. Investment and allocation decisions are based on ideas generated by a process designed and maintained by Arnaud de Servigny and his team at Bramham Gardens Investments Limited with whom BG has entered into an exclusive partnership.

In his last position, Arnaud was the Head of the Multi-Asset Group (MAG) and Wealth Management Chief Investment Officer (CIO) at Deutsche Asset & Wealth Management. Arnaud holds a PhD in Financial Economics from the Sorbonne University, an MSc in quantitative finance (DEA) from Dauphine University, and a Civil Engineering MSc from the Ecole Nationale des Ponts & Chaussées in Paris. Publications include many papers and articles as well as five books: the first on monetary policy and fixed income, the second and third on credit risk management, the fourth on structuring and the last on asset management and behavioural finance.

## **B. DIRECT INVESTMENTS OTHER THAN BG FUND**

On top of its investment in BG Fund, BGHL has other investments. As of 31 January 2017, the net asset value of these investments represents approximately 6% 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.

### **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 23 November 2015 Mannai Corporation ("Mannai"), together with Apax France (jointly with Altamir) and Boussard & Gavaudan, announced having entered exclusive negotiations for Mannai to purchase a 51 percent equity stake in GFI at a price of €8.50 per share. The press release is available at: [http://www.bgholdingltd.com/uploadImages/File/ACTUS-0-42198-151123\\_PR\\_Gfi\\_EN.pdf](http://www.bgholdingltd.com/uploadImages/File/ACTUS-0-42198-151123_PR_Gfi_EN.pdf).

On 8 April 2016 Mannai acquired from entities managed by Apax, including Infofin Participations Sàrl ("Infofin"), and Boussard & Gavaudan (the "Sellers") 25% of the GFI share capital and voting rights (on a fully diluted basis) at €8.50 per share. Mannai and the Sellers entered a shareholders' agreement providing that they will act in concert.

Following this transaction, BGHL received repayment of the Infofin bonds. On 19 April 2016 Mannai filed a cash tender offer on GFI which closed on 15 June 2016. On 20 June 2016 the Sellers completed a second block sale to Mannai at €8.50 per share so that Mannai holds 51% of the share capital and voting rights of GFI on a fully diluted basis.

## 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](http://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](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) (professionals > registers > notifications > price-sensitive press releases);
- the Company's website: [www.bgholdingltd.com](http://www.bgholdingltd.com) (Investor Relations > Financial announcements).

### B. BGIM'S AUM

As of 1 February 2017, BG Group assets under management are at €3.5bn.

Sincerely,

E. Boussard and E. Gavaudan

Investment Manager
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## VII. ANNEXES ON BG FUND

Annex 1: Greeks		
Delta	-5.5%	-5.5 bps P&L variation for market +1%
Gamma	6.5%	delta variation for market +1%
Vega	22 bps	by vol point
Theta	-73 bps	by 30 days
Optional theta	-82 bps	by 30 days
Rho	0 bps	for 1 bp of interest rates increasing
Credit sensitivity	-2 bps	for 1% of credit spreads widening (in relative)

Annex 2: Performance Attribution *	
<b>Volatility Strategies</b>	<b>-17 bps</b>
Mandatory convertible bond arbitrage	12 bps
Convertible bond arbitrage (incl. credit convertible bonds)	5 bps
Volatility trading	-34 bps
<b>Equity Strategies</b>	<b>64 bps</b>
Risk arbitrage / Special situations	45 bps
Long / short trading with short-term catalyst & Value	18 bps
<b>Credit Strategies</b>	<b>-2 bps</b>
Credit long / short	8 bps
Capital structure arbitrage	0 bps
Credit special situations	-10 bps
<b>Trading</b>	<b>12 bps</b>
Quantitative equity trading	30 bps
Systematic trend following	-2 bps
Trading using A.I	1 bps
Other	-17 bps
<b>Total</b>	<b>57 bps</b>

Annex 3: Equity at Risk	
<b>Volatility Strategies</b>	<b>14.7%</b>
Mandatory convertible bond arbitrage	9.3%
Convertible bond arbitrage (incl. credit convertible bonds)	3.9%
Volatility trading	1.5%
<b>Equity Strategies</b>	<b>30.6%</b>
Risk arbitrage / Special situations	15.8%
Long / short trading with short-term catalyst & Value	14.8%
<b>Credit Strategies</b>	<b>5.1%</b>
Credit long / short	2.2%
Capital structure arbitrage	0.0%
Credit special situations	2.8%
<b>Trading</b>	<b>4.8%</b>
Quantitative equity trading	2.7%
Systematic trend following	1.4%
Trading using A.I	0.3%
Other	0.4%
<b>Cash Equivalents</b>	<b>2.3%</b>
<b>Total</b>	<b>57.4%</b>

\* Estimated figures for USD A share class



Annex 4: Gross Exposure (in % of AUM) *		
<b>Volatility Strategies</b>		
Mandatory convertible bond arbitrage	Long	95.0%
	Short equity	77.5%
	Short credit	0.0%
Convertible bond arbitrage (incl. credit convertible bonds)	Long	7.2%
	Short equity	3.9%
	Short credit	0.0%
Volatility trading	Long	93.8%
	Short	93.1%
<b>Equity Strategies</b>		
Equity strategies	Long	89.5%
	Short	76.2%
<b>Credit Strategies</b>		
Credit long / short	Long	8.8%
	Short	7.8%
Capital structure arbitrage	Long	0.0%
	Short	0.1%
Credit special situations	Long	4.3%
	Short	0.7%
<b>Trading</b>		
Quantitative equity trading	Long	13.1%
	Short	13.0%
Systematic trend following	Long	32.8%
	Short	41.2%
Trading using A.I	Long	1.9%
	Short	0.9%
Other	Long	3.0%
	Short	5.1%
<b>Gross Exposure</b>		<b>668.9%</b>

\* 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 <sup>(4)</sup>
<b>Sark Fund</b>														
2003	-	-	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>
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%	<b>11.27%</b>
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%	<b>21.79%</b>
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%	<b>47.72%</b>
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%	<b>58.02%</b>
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%	<b>28.69%</b>
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%	<b>60.81%</b>
<b>BG Fund</b>														
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%	<b>76.77%</b>
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%	<b>67.86%</b>
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%	<b>82.12%</b>
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%	<b>103.17%</b>
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%	<b>111.75%</b>
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%	<b>134.56%</b>
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%	<b>153.39%</b>
2017	0.57%*												0.57%*	<b>154.84%*</b>

\* Estimated figures

<sup>(4)</sup> 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 <sup>(4)</sup>
<b>Sark Fund</b>														
2003	-	-	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>
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%	<b>12.77%</b>
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%	<b>22.58%</b>
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%	<b>45.85%</b>
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%	<b>54.38%</b>
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%	<b>25.69%</b>
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%	<b>57.27%</b>
<b>BG Fund</b>														
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%	<b>72.31%</b>
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%	<b>63.56%</b>
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%	<b>76.84%</b>
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%	<b>96.85%</b>
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%	<b>105.30%</b>
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%	<b>127.06%</b>
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%	<b>142.74%</b>
2017	0.46%*												0.46%*	<b>143.87%*</b>

## GBP A Share Class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
<b>BG Fund</b>														
2016	-	-	-	-	-	-	-	-	-	-	0.03%	1.26%	1.29%	<b>1.29%</b>
2017	0.51%*												0.51%*	<b>1.81%*</b>

\* Estimated figures

<sup>(4)</sup> 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%	2.45%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	2.05%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.57%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.70%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.51%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.49%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	1.02%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	2.61%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	6.15%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	10.02%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -50%	2.70%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -50%	6.23%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -50%	10.11%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 50%	2.52%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 50%	6.06%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 50%	9.85%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	0.32%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.87%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.26%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.66%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.67%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.17%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-1.21%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.69%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	1.21%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.77%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	2.47%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	2.93%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	3.42%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 50%	0.60%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 50%	1.13%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 50%	1.68%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 50%	2.41%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 50%	2.81%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 50%	3.30%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 100%	0.53%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 100%	1.07%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 100%	1.49%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 100%	2.26%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 100%	2.71%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 100%	3.20%
Worst			-1.21%

\* 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%	3.40%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	1.10%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.57%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.70%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.51%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.49%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	0.54%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	1.05%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	0.21%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	1.17%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -50%	1.14%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -50%	0.31%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -50%	1.26%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 50%	0.96%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 50%	0.12%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 50%	0.98%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	0.80%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	1.35%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	0.27%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.18%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.20%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.17%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-1.21%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	1.16%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	1.69%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	2.24%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	3.42%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	3.88%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	4.37%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 50%	1.08%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 50%	1.61%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 50%	2.16%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 50%	3.36%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 50%	3.76%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 50%	4.25%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 100%	1.01%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 100%	1.54%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 100%	1.97%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 100%	3.21%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 100%	3.67%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 100%	4.15%
	<b>Worst</b>		<b>-1.21%</b>

**Annex 7: IFRS 13 Classification as of 31 December 2016**

	<b>% of NAV</b>	<b>Number of positions</b>
<b>Assets</b>		
Level 1	38.9%	154
Level 2	55.4%	1050
Level 3	4.0%	12
Cash & cash equivalents	52.7%	3
<b>Total Assets</b>	<b>151.0%</b>	<b>1219</b>
<b>Liabilities</b>		
Level 1	-48.4%	131
Level 2	-2.7%	52
<b>Total Liabilities</b>	<b>-51.0%</b>	<b>183</b>
<b>Total Assets + Liabilities</b>	<b>100.00%</b>	<b>1402</b>

	<b>% of NAV</b>
• Encumbered cash and cash equivalents	
– Cash - Derivatives Clearing Organisation	6.9%
– Cash - Counterparties	0.4%
– Money market fund	3.5%
– Cash covering a short market value	0.0%
• Unencumbered cash and cash equivalents	
– Cash covering a short market value	41.9%
– Short-term papers < 90 days	0.0%
– Excess cash	0.0%
<b>Total Cash and cash equivalents</b>	<b>52.7%</b>

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 Sophis VALUE provided by Mysis used for position keeping and risk management. Sophis VALUE is interfaced to a real time market data vendor for real time P&L and risk calculation. Another key system is TradeSmart, 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 Sophis VALUE. All figures used for qualitative and quantitative risk management are produced out of Sophis: VALUE.

- 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%	110%
Gross method	200%	112%

## 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