

OCTOBER 2012 NEWSLETTER

I. COMPANY INFORMATION

General information	
Investment manager	Boussard & Gavaudan Asset Management, L.P.
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 annualised return in excess of 10% (net of all fees).



III. SHARE INFORMATION as of 31 October 2012

Net Asset Value (NAV)	Euro share	Sterling share
Estimated NAV*	14.5021	13.1447
Estimated month to date return*	0.89%	0.87%
Estimated year to date return*	7.88%	7.50%
Estimated inception to date return*	45.02%	31.45%

Euro share	Amsterdam (AEX)	London (LSE)
Market close	€11.67	-
Premium / discount to estimated NAV	-19.5%	-

Sterling share	Amsterdam (AEX)	London (LSE)
Market close	-	GBX 983
Premium / discount to estimated NAV	-	-25.2%

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	37,405,625	1,496,750
Shares held in treasury	439,913	-
Shares outstanding	36,965,712	1,496,750

	BGHL
Total value of the investments of BGHL based on the estimated NAV for the shares outstanding	€561 million
Market capitalisation of BGHL based on the share price for the shares outstanding <i>Amsterdam (AEX) market close for the Euro Share and London (LSE) market close for the Sterling share</i>	€450 million

* Estimated figures

IV. 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).

In addition to having substantially 100% of its assets under management invested in the Fund, BGHL has other investments.

A. BG FUND

European equities saw October finish with the Eurostoxx 50® up 2%. Volatility on stock markets continued to decrease: the VDAX index moved from 18.4% to 17.0% and the VStoxx® index from 23.4% to 22.2%. Credit spreads tightened further with the iTraxx Crossover at 525bps (43bps of tightening).

Volatility Strategies

Convertible Bond Arbitrage

Convertible bonds (excl. mandatories) contributed 8bps* to the performance of the fund in October. The positive performance was principally driven by Fortis Cashes and TUI Travel 6% 2014.

The European primary market continued to be lively, albeit less active than September. October saw €1.1bn issued through 3 deals, compared to €4.4bn through 11 deals in September. This deceleration was more due to corporates' opportunistic view, preferring to issue convertible bonds when the equity market is high, rather than to the market's ability to absorb issues. Year-to-date, total issuance amounted to approximately €11bn, with net flows for main outright funds stable over the last 6 months.

The 3 new issues this month were Camfin in Pirelli (€150m, priced at mid; 5.625% coupon, 30% premium); Gulf Keystone (\$US250m, priced at mid; 6.25% coupon, 27.5% premium); and Nokia (€750m, priced at best for investors: 5% coupon, 28% premium). We participated only in the first issue, the second being outside our investment standards, and the latter having a major weakness: the repo is volatile and difficult to obtain (~15% of the market capitalisation is shorted).

As discussed in previous newsletters, Alcatel's position is managed with a higher delta than the market, having based it on a specific modelling of the bond. Given the negative gamma which can be difficult to carry, we have decided to take profit at the highest level according to our model, selling the position hedged with the underlying stock, whilst keeping a small position hedged with put option.

European convertible flows picked up a little this month. Volumes were fair, despite most market-makers maintaining minimal positions.

Mandatory Convertible Bond Arbitrage

Mandatory convertible bonds were almost flat (1bp*) this month. As expected, the Lottomatica 8.75% 2012 was mandatorily converted on 29 October. There was no new mandatory convertible bond issue in Europe this month.

Gamma Trading

Gamma trading posted -10bps* to the performance of the fund this month.

Equity markets finished the month roughly flat, with no real trend. October began with markets keenly watching Spain's rescue fund request (the key macro driver). As the month progressed, corporate earnings were not as bad as feared and good US macroeconomic data overtook as the key headline. Moody's affirmation of Spain's investment grade rating also improved the sentiment and lead investors to focus on other topics. With tail risks seemingly removed in Europe, implied volatilities dipped lower in October – a continuing trend since the announcement of ECB support in July. In this generally more optimistic climate, both realised and implied volatilities drifted lower during the month, with very few trades and low activity.

Should volatility fall lower as end of year approaches, we still prefer to pay theta to protect the overall fund ahead of the US elections and fiscal cliff with a long gamma/vol exposure. We especially favour stocks where the option does not reflect a potential earnings surprise and therefore gamma downside seems limited.

* Estimated figures

Equity Strategies

European equity markets rallied by approximately 2% in October, despite a disappointing start of the Q3 earnings season. It seems that market participants anticipated poor earnings and were focused more on business outlook. Financial markets reacted rather positively on earnings release, except in certain cases (for instance, BG Group, which was a long consensus and down 15% on the earnings day).

In this environment, our equity portfolio returned 41bps*, coming mainly from our value with catalyst positions. Firstly, our Vivendi position performed well. The share price was supported by continuous positive newsflow: the company seems more and more likely to exit its telecommunication activities. We hedged our position with European Telecom shares which ended the month down 6% on average. Most European Telcos suffered from negative sentiment on European growth, and aggressive price competition from the likes of Iliad and Hutchinson.

PPR was another interesting situation: it was historically viewed as a retail stock, whereas the company has transformed itself into a luxury group. PPR announced it would spin off La Fnac in 2013 and sell Redcats. Those announcements triggered a re-rating of PPR towards luxury stocks valuations

Finally, DIA continued to benefit from its low-cost positioning in Spain and from the natural trading-down of retail clients in the midst of the Spanish recession.

We are closely monitoring popular/crowded positions which can suffer from strong corrections in the case of disappointment or sector rotation. Those corrections are even more pronounced given the current low liquidity environment. We continue to focus on high convictions, trying to extensively use options to protect our positions.

Credit Strategies

The long/short portfolio contributed 12bps* in October. The European credit market continued to tighten and digested the close to the all-time high primary activity observed in September. The Crossover new series S18 tested a low at 476bps mid-October after opening the month at 568bps, to finally close the month at 525bps.

Most of our positions contributed positively to the monthly performance, in particular ING bank and insurance hybrid securities. After continued reports surrounding the disposal of its Asian insurance operations, ING finally announced two new transactions: the sale of its Malaysian insurance operations to AIA for €1.3bn, and the sale of its insurance units in Hong-Kong, Macau and Thailand, in a combined transaction with Pacific Century Group for €1.64bn. Those transactions are expected to close in Q1 2013. Japan and Korea are the two main entities still to be sold: processes are on-going.

The fund was also involved in Banque PSA's special situation via their unsecured senior bonds. Banque PSA is the financial arm of Peugeot SA. We built a trading position on the back of the downgrade of Peugeot SA to Ba3. Currently rated 2 notches above its parent at Baa3, Banque PSA is at risk of entering into HY territory. We viewed this downgrade risk as a positive catalyst for Banque PSA, potentially forcing the parent or French state to find a solution to de-link Banque PSA's credit from Peugeot SA. Banque PSA actually disclosed a new financing programme on 24 October, with renewed €11.5bn credit facilities with its pool of banks, as well as a French State guarantee of €7bn to be used to issue new bonds over 2013-2015. This plan has still to be approved by the EU and is part of a broader plan between the French State and Peugeot SA. Taking into account the price action on the bonds (+7/8pts over the month), the uncertainty around the acceptance and timing of this plan at EU level, and the growing credit concern at parent level, we took our profits on the position. We shall continue to follow the developments closely, in particular with Moodys' still to take a decision on Banque PSA's ratings.

November should set the tone for the rest of the year with the US elections, continued Q3 reporting season, and potentially further news on the European macro-front (Spain; Greece). In that context, and on the back of the continued rally observed since the summer, we took some profits on most beta-exposed positions (peripheral corporates, Lower Tier 2 banks) and re-hedged some core long positions.

Capital structure positions were almost flat this month (1bp*), without any major move on credit positions vs. equities. The only noticeable point was the decision by Moody's to affirm Telefonica's rating. We partially took profit on this position, which contributes positively to the performance of the fund.

* Estimated figures

Trading

Trading contributed a positive 35bps* this month.

B. INVESTMENTS OTHER THAN BG FUND

On top of its investment in BG Fund, BGHL is invested into other investments.

Rasaland

BGHL entered into Rasaland in June 2008 for \$10 million. Rasaland is a Maltese company structured as a private equity fund in terms of fees and organisation, which is dedicated to investing in land, land development and high-end resort developments in Mexico. The EUR/USD exposure is hedged by an FX forward which is rolled on a 3 month basis.

DSO Interactive

On 9 December 2009 and 19 February 2010, BGHL acquired a minority stake in DSO Interactive for a total consideration of €1.7 million (6.2% of the share capital and 5.3% on a fully diluted basis). DSO Interactive is a private company incorporated in France and headquartered in Paris, where it employs over 120 people. DSO Interactive provides bad debt collection services to consumer creditors such as telecom operators, banks and specialised credit institutions.

Compagnie des Minquiers

On 3 March 2011, Compagnie des Minquiers SAS, a 83.3%-owned subsidiary of BGHL (held jointly with the executive committee members of the Cofigeo group) acquired 100% of the shares of MPF (renamed Financière des Minquiers), a holding company, holding 26,523 shares in Cofigeo negotiated on the regulated market NYSE Euronext in Paris representing approximately 36% of capital and 41% of voting rights. On 29 March 2011, in compliance with French securities law, Compagnie des Minquiers filed a mandatory tender offer for all the remaining shares of Cofigeo at a price of €530. On 20 June 2011, following the completion of the "offre publique de retrait" on Cofigeo, Compagnie des Minquiers SAS announced that it held 100% of the capital of Cofigeo.

With sales of 138 million and approximately 650 employees, Cofigeo is a leading player in France in the canned food industry. The group sells prepared meals and sauces under the brands Zapetti (formerly Buitoni) and Raynal & Roquelaure as well as under private labels. It ranks #2 in France with a market share of approximately 25%. BGHL's total investment in the transaction amounts to approximately €18 million.

Listed equity

The Company has a small investment in a listed security representing approximately €4.4 million as of 31 October 2012.

As of 31 October 2012, the net asset value of the other investments outside BG Fund represents approximately 5% of the net asset value of BGHL.

V. BOUSSARD & GAVAUDAN ASSET 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).

* Estimated figures

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. BG FUND'S AUM

As of 1 November 2012, assets under management are at €1.14bn.

Sincerely,

E. Boussard & E. Gavaudan

Investment Manager

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Annex 1: BG FUND - Greeks

Delta	0.6%	0.6 bps P&L variation for market +1%
Gamma	0.9%	delta variation for market +1%
Vega	5.8 bps	by vol point
Vega with maturity weight (1/sqrt(T))	6.3 bps	by vol point
Theta	-0.9 bps	by day
Optional theta (-10%)	-1.5 bps	by day for market -10%
Rho	8.6 bps	for 1 bp of interest rates increasing
Credit sensitivity	-5.8 bps	for 1% of credit spreads widening (in relative)

Annex 2: BG FUND - Performance Attribution *

Volatility Strategies	0 bps
Mandatory convertible bond arbitrage	1 bps
Convertible bond arbitrage (incl. credit convertible bonds)	8 bps
Gamma trading	-10 bps
Warrant arbitrage	1 bps
Equity Strategies	41 bps
Risk arbitrage / Special situations	-2 bps
Long / short trading with short-term catalyst & Value	43 bps
Credit Strategies	13 bps
Credit long / short	12 bps
Capital structure arbitrage	1 bps
Trading	35 bps
Total	89 bps

Annex 3: BG FUND - Equity at Risk

Volatility Strategies	19.2%
Mandatory convertible bond arbitrage	5.0%
Convertible bond arbitrage (incl. credit convertible bonds)	10.7%
Gamma trading	3.5%
Warrant arbitrage	0.0%
Equity Strategies	23.3%
Risk arbitrage / Special situations	3.8%
Long / short trading with short-term catalyst & Value	19.5%
Credit Strategies	8.3%
Credit long / short	5.5%
Capital structure arbitrage	1.3%
Restructurings	1.5%
Trading	2.1%
Cash Equivalents	5.3%
Total	58.2%

* Estimated figures

Annex 4: BG FUND - Gross Exposure (in M€)

Volatility Strategies		
	Long	236
Mandatory convertible bond arbitrage	Short equity	194
	Short credit	-
	Long	278
Convertible bond arbitrage (incl. credit convertible bonds)	Short equity	92
	Short credit	28
	Long	236
Gamma trading	Short	236
	Long	-
Warrant arbitrage	Short	-
	Long	-
Equity Strategies and Trading		
Equity strategies and Trading	Long	817
	Short	683
Credit Strategies		
Credit long / short and Capital structure arbitrage	Long	225
	Short	123
Restructurings		
Restructurings	Long	25
	Short	-
Gross Exposure		3,173

	Long	Short
Mandatory convertible bond arbitrage and Convertible bond arbitrage	\sum market value long	$\text{Abs}(\sum[\text{delta equity} + \text{options}]) + \sum$ notional long for CDS
Gamma trading	\sum Abs (delta equity)	\sum Abs (delta equity)
Warrant arbitrage	\sum delta long	\sum Abs(delta short)
Equity strategies and Trading	\sum delta long	\sum Abs(delta short)
Credit strategies	\sum market value long + \sum Abs (notional short for CDS)	\sum Abs(market value short) + \sum notional long for CDS

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

Euro A Share Class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD **
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%
BG Fund														
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%	0.89%*			7.53%*	75.87%*

US Dollar A Share Class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD **
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%	0.92%*			7.84%*	81.02%*

* Estimated figures

** 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%	0.10%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	0.46%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.25%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.25%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.78%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.95%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	-0.29%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	-0.27%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	0.59%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	1.76%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -12.5%	-0.28%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -12.5%	0.58%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -12.5%	1.75%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 12.5%	-0.26%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 12.5%	0.60%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 12.5%	1.77%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.70%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	-0.48%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.92%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.32%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.83%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	-0.53%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-1.03%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.80%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	1.02%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.23%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.86%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	1.04%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.23%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%	0.79%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%	1.01%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%	1.23%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%	0.85%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%	1.03%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%	1.22%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 25%	0.79%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 25%	1.00%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 25%	1.22%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 25%	0.85%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 25%	1.03%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 25%	1.22%
	Worst		-1.03%

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 it 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%	0.89%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	-0.23%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.25%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.25%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.78%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.95%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	-0.65%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	-1.58%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	-2.59%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	-2.74%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -12.5%	-1.60%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -12.5%	-2.60%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -12.5%	-2.75%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 12.5%	-1.57%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 12.5%	-2.58%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 12.5%	-2.73%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.33%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	-0.10%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.55%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	0.96%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.47%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	-0.53%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-1.03%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	1.17%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	1.39%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.61%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	1.64%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	1.83%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	2.02%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%	1.17%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%	1.39%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%	1.61%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%	1.64%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%	1.83%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%	2.02%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 25%	1.16%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 25%	1.38%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 25%	1.60%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 25%	1.63%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 25%	1.82%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 25%	2.02%
	Worst		-2.75%

Annex 7: BG FUND - IFRS 7 Classification as of 28 September 2012

	% of NAV	Number of positions
Assets		
Level 1 (b)	60.7%	74
Level 2	56.6%	310
Level 3	4.3%	11
Cash (a)	28.7%	2
Total Assets	150.3%	397
Liabilities		
Level 1	-39.9%	46
Level 2	-10.4%	71
Total Liabilities	-50.3%	117
Total Assets + Liabilities	100.0%	514

Note: cash is included twice in Assets and Liabilities for counting positions.

	% of NAV
(a) Cash includes Encumbered and Unencumbered cash	
• Encumbered cash of which:	
- Derivatives Clearing Organisation	0.8%
- Counterparties	1.4%
• Unencumbered cash of which:	
- Cash covering a short market value	26.6%
- Excess Cash	0.0%
(b) Level 1 Assets which are Cash Equivalents	
• Money Market Fund	0.8%
• Short-term Papers < 90 days	30.0%
Total Cash and Cash Equivalents	59.5%

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.

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You should always bear in mind that:

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

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VC 06.11.12.02