

**JUNE 2014 NEWSLETTER**

**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% 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 30 June 2014

Net Asset Value (NAV)	Euro share	Sterling share
Estimated NAV*	€ 17.5083	£ 15.7221
Estimated month to date return*	-0.50 %	-0.57 %
Estimated year to date return*	4.75 %	4.37 %
Estimated inception to date return*	75.08 %	57.22 %

Euro share	Amsterdam (AEX)	London (LSE)
Market close	€ 14.14	-
Premium / discount to estimated NAV	-19.24%	-

Sterling share	Amsterdam (AEX)	London (LSE)
Market close	-	GBX 1,230
Premium / discount to estimated NAV	-	-21.77%

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	35,408,940	825,946
Shares held in treasury	506,095	-
Shares outstanding	34,902,845	825,946

BGHL	
Total value of the investments of BGHL based on the estimated NAV for the shares outstanding	€ 627 million
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	€ 506 million

#### 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 <sup>(4)</sup>
<b>BGHL EUR NAV</b>														
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%	37.99%
2011	0.71%	0.57%	2.16%	0.01%	-0.05%	-0.85%	-0.80%	-0.20%	-2.17%	2.49%	-3.92%	-0.39%	-2.58%	<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%	-0.50%*							4.75%*	<b>75.08%*</b>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD <sup>(4)</sup>
<b>BGHL GBP NAV</b>														
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%	-0.57%*							4.37%*	<b>57.22%*</b>

## V. BGHL COMPOSITION

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

From 1 July 2014, BGHL is exposed to BG Fund up to approximately 102% 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

#### COMMENTARY AND HIGHLIGHTS

The Eurostoxx 50® ended June down 0.5% and stock market volatility decreased: the VDAX finished at 13.2% down from 14.1% and the VStoxx® at 15.3% down from 15.8%. The Crossover Series 21 finished at 241bps (13bps of tightening).

#### Volatility Strategies

##### **Convertible Bond Arbitrage**

Convertible bonds (excl. mandatories) contributed +28bps to the performance of the fund.

New issues amounted to €5.25bn in June. As in previous months, terms (coupon and premium) remained very attractive for issuers: Unibail, STM and Alcatel issued bonds with zero coupon, for instance, and Grand City, a German real estate company, tapped into its existing CB.

Name	Ccy	Amount	Premium	Runner	Initial : Cpn & Premium	CDS	Vol	Delta	Grey
Alcatel 0% 2019	EUR	600	40.00%	DB, GS, MS	0 & 35 - 40	280 bps	35.0	51	100.00
Alcatel 0.125% 2020	EUR	400	37.00%	DB, GS, MS	0 - 0.25 & 32 - 37	320 bps	37.0	58	100.00
Sonae 1.625% 2019	EUR	200	35.00%	BNP, Barc	1.375 - 1.875 & 30 - 35	325 bps	28.0	50	100.00
RAG / Evonik 0% 2019	EUR	600	37.50%	UBS, ML	0 - 0.5 & 30 - 37.5	75 bps	23.0	40	101.50
Maurel 1.625% 2019	EUR	220	40.00%	BNP, CA	1.625 - 2.375 & 33 - 40	275 bps	29.0	40	101.50
Helical Bar 4% 2019	GBP	100	35.00%	JPM	4 - 4.5 & 30 - 35	375 bps	22.0	45	102.00
Bekaert 0.75% 2018	EUR	300	32.50%	BNP, JPM	0.25 - 0.75 & 32.5 - 37.5	200 bps	28.0	36	100.00
Nexity 0.625% 2020	EUR	180	35.00%	JPM, Nat	0.25 - 1.0 & 30 - 37.5	200 bps	26.0	40	100.50
DP World 1.75% 2024	USD	1,000	37.50%	Citi, JPM, UBS	1.5 - 2.0 & 35 - 40	135 bps	24.0	30	100.50
Unibail 0% 2021	EUR	500	37.50%	BNP, DB, ML	32.5 - 40	55 bps	21.5	33	100.25
Grand City 1.5% 2019	EUR	125	-	JPM	108.75 - 111.25	400 bps	25.0	40	
Folli 1.75% 2019	EUR	250	30.00%	DB, MS	1 - 1.75% & 30 - 35	400 bps	25.0	57	99.75
STM 0% 2019	USD	600	30.00%	BNP, JPM	30 - 40 & 0	75 bps	34.0	40	99.25
STM 1% 2021	USD	400	31.00%	BNP, JPM	31 - 41 & 0.5 - 1.0	100 bps	33.0	40	99.25
Aperam 0.625% 2021	USD	250	32.50%	BNP, Citi	0.25 - 1.0 & 30 - 35	425 bps	33.0	60	100.25

It is worth noting that these new issues did not perform well in the grey market. Long-only investors' appetite was diminished by the significant amount of issuance this month and their rich valuations. Adjusted for share price fluctuations, valuations declined for the second month in a row: we estimated an average 4 points implied volatility drop, equivalent to a 2% decrease in bond prices. Nevertheless, valuations remained expensive.

Apart from specific situations linked to soft call triggers, it remained difficult to build a rationale for investments in convertible bonds based on "volatility" or "volatility versus credit".

### **Mandatory Convertible Bond Arbitrage**

Mandatory convertible bond arbitrage posted -8bps this month. The company Dufry issued a 1-year fixed ratio mandatory for CHF275m in June which we invested in.

### **Gamma Trading**

Gamma trading contributed -1bp this month. Implied volatility, while very low, drifted even lower. Realised volatility was still subdued. We continued to favour spending most of our theta through equity strategies. The gamma book was kept to a minimum.

### **Equity Strategies**

While European markets finished June broadly unchanged with low volatility, our equity portfolio lost 137bps. As in previous months, we continued to suffer from some of our main conviction investments. The moves were exacerbated by the lack of liquidity in the market. This has been the case for Vodafone for example.

Vodafone is one of our highest convictions. After uninspiring earnings at the end of May, the stock fell out of favour for a lot of investors and drifted lower throughout June. We believe, however, that the company is very well positioned to benefit from forthcoming consolidation in Europe, starting with Germany where the KPN/E-Plus merger was just approved by the European Commission on 2 July. Germany is the largest market for Vodafone in Europe, and they should benefit from market repair in the German telecom market.

During the month, we gave back part of our profit on our investment in STM, as the stock drifted lower following several analysts' downgrades post their investor day. Our investment was reduced naturally thanks to the fact that we were invested through calls. We believe the turnaround story remains intact and expect to re-increase our investment into further weakness.

Our investment in Société Générale suffered from the read-across of the record \$9bn fine that BNP Paribas had to pay to the US Department of Justice for having traded with counterparties in sanctioned countries. Société Générale, alongside other European banks, is also being investigated for this matter, but management is clearly guiding to a much lower ultimate impact. Nevertheless, the stock underperformed even more than BNP's, closing June down 9.5%. We believe this to be overdone: at 0.8x tangible equity and ca. 7x 2016 P/E, Société Générale is currently the cheapest universal bank in Europe, without the execution risk of a large balance sheet restructuring (such as Barclays) or over-exposure to investment banking (such as Deutsche Bank). We are mostly invested through calls to protect our position in the case of further negative litigation newsflow and to get leverage on the upside when the share price normalises.

After such a difficult month, we focus our portfolio on our highest convictions and on hard catalysts. We will continue to monitor liquidity very closely in the market and use options extensively to mitigate concentration risk.

### **Credit Strategies**

#### **Credit Long/Short**

Credit Long/Short strategies contributed +29bps this month. The European credit market closed H1 2014 on a positive note thanks to the ECB's ongoing accommodative policies. This is particularly true for financial credits as a robust and viable European financial system seems to be paramount for the ECB, as illustrated by the announced T-LTRO program.

Despite tight spreads, market technicals remained supportive in Europe (continued inflows, large redemptions leading to negative supply in financials, anticipation of ongoing low rate environment and low corporate defaults rates). We took advantage of this supportive environment to further hedge and focus our credit portfolio on special situations.

The primary market continued to be active in both HY and Financials, offering some trading opportunities.

#### **Capital Structure Arbitrage**

Capital structure arbitrage contributed -3bps this month. Once again this month, credit outperformed equities; the Crossover S21 tightened by 12bps while the Eurostoxx 50® closed almost flat. These two asset classes were well correlated and both touched their highs for most of the month, benefiting from the exceptional measures announced by the ECB. However, towards the last trading days, profit taking created some local discrepancies between equity and credit.

In June, we traded actively around our names and our portfolio remained well balanced. Our long credit/short equity trades posted a positive return. On the negative side, we suffered on ArcelorMittal, our main long equity/long CDS trade, as the stock underperformed on the back of iron ore weakness whilst credit traded in line with the market.

### Trading

Trading posted -9bps this month.

## **B. DIRECT 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, dedicated to investing in land 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.

### GFI Informatique

BGHL signed on 7 June 2013 a shareholders' agreement in order to act in concert with the two main shareholders of GFI Informatique. GFI Informatique is one of the leading IT services firms in France and Southern Europe, employing 10,000 people at the end of 2012.

In compliance with applicable regulations, the concert through Infofin Participations (an entity created for this purpose, hereafter "Infofin"), filed a mandatory public tender offer with the French Autorité des Marchés Financiers (AMF) for all of the outstanding shares and bonds giving access to GFI's share capital or voting rights not yet held by the concert.

Under the shareholders' agreement BGHL agreed to invest - after completion of the public offer - in bonds to be issued by Infofin and exchangeable into GFI shares. BGHL completed on 29 August 2013 its subscription of Infofin exchangeable bonds for an amount of €20,364,030.72.

In addition, the Company has a direct equity investment in GFI Informatique (FR0004038099) representing approximately €11.8 million as of 30 June 2014.

As of 30 June 2014, the net asset value of the other investments outside BG Fund represents approximately 9% of the net asset value of BGHL.

## **VI. 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](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. BGAM update

As of 1 July 2014:

- BG Fund assets under management are €1.30bn.
- BGAM assets under management are at €1.60bn.

We are pleased to announce the relocation of our London offices to 1 Vine Street, London W1J 0AH. Our phone numbers have also changed and new switchboard number is +44 20 3751 5400. Email addresses remain unchanged.

Sincerely,

E. Boussard & E. Gavaudan

### Investment Manager

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## VII. ANNEXES ON BG FUND

Annex 1: Greeks		
Delta	7.14%	7.14 bps P&L variation for market +1%
Gamma	3.30%	delta variation for market +1%
Vega	7 bps	by vol point
Vega with maturity weight (1/sqrt(T))	6 bps	by vol point
Theta	-2 bps	by day
Optional theta	-2 bps	by day
Rho	-0.2 bps	for 1 bp of interest rates increasing
Credit sensitivity	-3 bps	for 1% of credit spreads widening (in relative)

Annex 2: Performance Attribution *	
<b>Volatility Strategies</b>	<b>20 bps</b>
Mandatory convertible bond arbitrage	-8 bps
Convertible bond arbitrage (incl. credit convertible bonds)	28 bps
Gamma trading	-1 bps
Warrant arbitrage	1 bps
<b>Equity Strategies</b>	<b>-137 bps</b>
Risk arbitrage / Special situations	-29 bps
Long / short trading with short-term catalyst & Value	-108 bps
<b>Credit Strategies</b>	<b>26 bps</b>
Credit long / short	29 bps
Capital structure arbitrage	-3 bps
<b>Trading</b>	<b>-9 bps</b>
<b>Total</b>	<b>-99 bps</b>



Annex 3: Equity at Risk	
<b>Volatility Strategies</b>	<b>10.9%</b>
Mandatory convertible bond arbitrage	2.7%
Convertible bond arbitrage (incl. credit convertible bonds)	7.8%
Gamma trading	0.3%
Warrant arbitrage	0.1%
<b>Equity Strategies</b>	<b>36.3%</b>
Risk arbitrage / Special situations	9.7%
Long / short trading with short-term catalyst & Value	26.6%
<b>Credit Strategies</b>	<b>10.0%</b>
Credit long / short	6.6%
Capital structure arbitrage	1.7%
Restructurings	1.7%
<b>Trading</b>	<b>2.8%</b>
<b>Cash Equivalents</b>	<b>0.2%</b>
<b>Total</b>	<b>60.2%</b>

Annex 4: Gross Exposure (in M€)		
<b>Volatility Strategies</b>		
	Long	457
Mandatory convertible bond arbitrage	Short equity	358
	Short credit	-
	Long	176
Convertible bond arbitrage (incl. credit convertible bonds)	Short equity	33
	Short credit	5
Gamma trading	Long	37
	Short	37
Warrant arbitrage	Long	-
	Short	-
<b>Equity Strategies and Trading</b>		
	Long	1,650
Equity strategies and Trading	Short	1,218
<b>Credit Strategies</b>		
	Long	418
Credit long / short and Capital structure arbitrage	Short	395
<b>Restructurings</b>		
	Long	26
Restructurings	Short	-
<b>Gross Exposure</b>		<b>4,809</b>

	Long	Short
Mandatory convertible bond arbitrage and Convertible bond arbitrage	$\sum$ market value long	Abs( $\sum$ [delta equity + 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 <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%	1.17%	0.71%	0.99%	0.48%	1.11%	1.22%	1.97%	2.01%*	11.17%*	<b>96.59%*</b>
2014	2.47%	0.05%	-1.01%	0.61%	1.21%	-0.99%*							2.31%*	<b>101.40%*</b>

### US Dollar 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%	2.01%*	11.38%*	<b>102.85%*</b>
2014	2.41%	0.06%	-1.01%	0.60%	1.18%	-1.00%*							2.21%*	<b>107.67%*</b>

\* Estimated figures

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

## Annex 6: Macroeconomic Risks Through Stress Tests

### General Stress Tests

	Scenario	Description	Impact % of NAV
1	Delta - spot up	Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	1.69%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	0.71%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.14%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.14%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.42%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.47%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	-0.12%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	0.19%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	1.46%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	2.90%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -12.5%	0.18%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -12.5%	1.45%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -12.5%	2.89%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 12.5%	0.19%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 12.5%	1.47%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 12.5%	2.91%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	0.18%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.32%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	0.04%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	0.71%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.50%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	-0.27%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	<b>-0.55%</b>
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.92%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	1.06%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.20%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	2.02%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	2.16%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	2.30%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%	0.91%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%	1.05%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%	1.19%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%	2.02%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%	2.15%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%	2.29%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 25%	0.90%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 25%	1.04%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 25%	1.19%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 25%	2.01%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 25%	2.14%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 25%	2.28%
	<b>Worst</b>		<b>-0.55%</b>

## 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%	5.04%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	-2.34%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.14%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.14%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.42%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.47%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	-1.75%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	-3.28%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	-6.70%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	-9.27%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -12.5%	-3.29%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -12.5%	-6.71%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -12.5%	<b>-9.28%</b>
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 12.5%	-3.28%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 12.5%	-6.69%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 12.5%	-9.26%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	1.85%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	1.99%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	1.71%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	-0.93%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	-1.15%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	-0.27%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.55%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	2.59%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	2.73%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	2.87%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	5.37%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	5.50%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	5.63%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%	2.58%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%	2.72%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%	2.86%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%	5.36%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%	5.49%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%	5.63%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 25%	2.57%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 25%	2.71%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 25%	2.85%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 25%	5.35%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 25%	5.48%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 25%	5.62%
	<b>Worst</b>		<b>-9.28%</b>

<b>Annex 7: IFRS 7 Classification as of 31 May 2014</b>		
	<b>% of NAV</b>	<b>Number of positions</b>
<b>Assets</b>		
Level 1	40.30%	237
Level 2	44.21%	534
Level 3	5.13%	15
Cash & cash equivalents	41.17%	6
<b>Total Assets</b>	<b>130.81%</b>	<b>792</b>
<b>Liabilities</b>		
Level 1	-28.53%	98
Level 2	-2.28%	82
Level 3	0.00%	0
<b>Total Liabilities</b>	<b>-30.81%</b>	<b>180</b>
<b>Total Assets + Liabilities</b>	<b>100.00%</b>	<b>972</b>

	<b>% of NAV</b>
• Encumbered cash and cash equivalents	
– Cash - Derivatives Clearing Organisation	5.16%
– Cash - Counterparties	2.24%
– Money market fund	2.44%
– Cash covering a short market value	0.00%
• Unencumbered cash and cash equivalents	
– Cash covering a short market value	29.37%
– Short-term papers < 90 days	1.96%
– Excess cash	0.00%
<b>Total Cash and cash equivalents</b>	<b>41.17%</b>

## Disclaimer

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- 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