

SEPTEMBER 2018 NEWSLETTER

I. COMPANY INFORMATION

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

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

II. OVERVIEW

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



III. SHARE INFORMATION as of 30 September 2018

Net Asset Value (NAV)	Euro share	Sterling share
Estimated NAV*	€ 23.0793	£20.5339
Estimated month to date return*	0.58%	0.67%
Estimated year to date return*	-1.56%	-0.84%
Estimated inception to date return*	130.79%	105.34%

Euro share	Amsterdam (AEX)	London (LSE)
Market close	€ 19.50	-
Premium / discount to estimated NAV	-15.51%	-

Sterling share	Amsterdam (AEX)	London (LSE)
Market close	-	£17.20
Premium / discount to estimated NAV	-	-16.24%

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	28,758,219	632,590
Shares held in treasury	-	-
Shares outstanding	28,758,219	632,590

	BGHL
Total value of the investments of BGHL based on the estimated NAV for the shares outstanding	€ 678 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	€ 573 millions

* Estimated figures

IV. BGHL TRACK RECORD

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
BGHL EUR NAV														
2006	-	-	-	-	-	-	-	-	-	-	2.27%	2.82%	5.15%	5.15%
2007	3.13%	1.45%	4.68%	0.73%	1.38%	-2.27%	0.85%	-2.21%	-0.32%	1.82%	-2.16%	-1.38%	5.56%	11.00%
2008	-2.10%	-0.01%	-2.32%	0.78%	1.29%	-2.98%	-1.19%	0.32%	-10.49%	1.67%	1.55%	1.09%	-12.30%	-2.66%
2009	3.34%	-0.17%	1.20%	5.01%	4.17%	0.92%	1.91%	2.63%	2.92%	1.47%	0.30%	0.69%	27.15%	23.77%
2010	1.35%	0.59%	1.62%	0.81%	-1.10%	1.00%	2.11%	-0.32%	0.79%	2.11%	0.04%	1.97%	11.49%	37.99%
2011	0.71%	0.57%	2.16%	0.01%	-0.05%	-0.85%	-0.80%	-0.20%	-2.17%	2.49%	-3.92%	-0.39%	-2.58%	34.42%
2012	3.90%	2.01%	-0.16%	0.54%	-0.61%	-0.32%	0.12%	1.29%	0.04%	0.83%	0.42%	1.08%	9.45%	47.12%
2013	0.89%	0.74%	-0.59%	0.24%	1.27%	0.83%	0.96%	0.47%	1.07%	1.57%	2.28%	3.14%	13.60%	67.14%
2014	2.81%	-0.01%	-0.74%	1.62%	1.53%	-0.58%	0.08%	0.52%	-1.08%	-0.93%	3.16%	0.37%	6.85%	78.59%
2015	2.96%	1.15%	-0.36%	1.12%	2.06%	-1.92%	3.56%	0.87%	-1.47%	0.80%	4.80%	1.25%	15.65%	106.55%
2016	0.48%	2.02%	1.18%	0.70%	1.68%	-0.59%	0.78%	0.47%	-0.01%	-1.08%	0.09%	1.32%	7.22%	121.45%
2017	0.59%	1.55%	0.08%	3.78%	1.16%	-0.07%	0.43%	-0.11%	-0.52%	-0.13%	-1.16%	0.22%	5.87%	134.46%
2018	0.70%	1.34%	-0.60%	-0.58%	0.03%	-0.25%	-2.92%	0.18%	0.58%*				-1.56%*	130.79%*
BGHL GBP NAV														
2008	-	-	-	-	-	-	-1.45%	-0.08%	-9.09%	0.16%	4.51%	3.69%	-2.84%	-2.84%
2009	1.88%	0.16%	0.52%	3.86%	3.22%	0.52%	1.62%	2.72%	2.97%	1.09%	0.28%	0.40%	20.91%	17.48%
2010	1.22%	0.40%	1.58%	0.72%	-1.43%	0.76%	2.01%	-0.36%	0.65%	1.97%	-0.17%	1.89%	9.57%	28.72%
2011	0.68%	0.37%	1.99%	-0.10%	-0.11%	-1.31%	-0.93%	-0.27%	-2.71%	2.37%	-4.46%	-0.45%	-5.00%	22.28%
2012	3.87%	2.14%	-0.32%	0.58%	-0.66%	-0.33%	0.13%	1.01%	0.04%	0.81%	0.39%	1.05%	8.98%	33.26%
2013	0.93%	0.71%	-0.60%	0.22%	1.11%	0.85%	0.94%	0.46%	1.05%	1.45%	2.20%	3.06%	13.04%	50.64%
2014	2.73%	-0.05%	-0.81%	1.60%	1.43%	-0.65%	0.04%	0.43%	-1.08%	-1.00%	2.46%	0.14%	5.29%	58.61%
2015	2.85%	1.10%	-0.41%	1.12%	1.91%	-1.97%	3.04%	0.91%	-1.41%	0.79%	4.31%	1.17%	14.08%	80.95%
2016	0.09%	2.09%	1.24%	0.75%	1.70%	-0.49%	0.84%	0.54%	0.04%	-1.02%	0.07%	1.38%	7.44%	94.40%
2017	0.63%	1.58%	0.13%	3.77%	1.29%	-0.06%	0.51%	-0.04%	-0.50%	-0.08%	-1.10%	0.30%	6.52%	107.08%
2018	0.76%	1.41%	-0.54%	-0.50%	0.09%	-0.19%	-2.78%	0.28%	0.67%*				-0.84%*	105.34%*

* 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 October 2018, BGHL is exposed to BG Fund up to approximately 109% 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

European markets were almost flat in September, with the Eurostoxx 50[®] up +0.2% for the month. VStoxx[®] finished the month at 14.8%, down from 15.6%, and iTraxx Crossover (S29) [®] ended September at 280bps (20bps tighter).

Against this backdrop, BG Fund USD A share class returned +62bps this month, primarily driven by equity strategies.

Volatility strategies

Mandatory convertible bond arbitrage

Mandatory convertible bonds contributed +8bps this month, primarily due to our main positions trading higher.

Convertible bond arbitrage

Convertible bond contribution (excl. mandatories) to the performance of the fund was flat in September. The market context remains unchanged, with low activity in the secondary market. As a consequence, we continue to have a limited inventory of holdings and new opportunities have been limited. The primary market saw two re-taps of existing convertible bonds (Korian and Glencore) and a new issue from a regular issuer: Rag into Evonik. Pricing of this new issue was fair.

Volatility Trading

Realised volatility vs implied forwards at the end of August.

	30d Implied vol level on 31/08/06	Realised vol over the month	Difference
US	12.86	5.96	-6.90
EUROPE	15.63	11.34	-4.29

Variation of implied volatilities during September:

	Oct. Vol Index Fut as of 31/08	Oct. Vol Index Fut as of 28/09	Vol move
US	15.18	13.98	-1.20
Europe	16.10	15.05	-1.05

Volatility trading contributed +7bps this month.

As the table above shows, during September volatilities on major equity indices realised substantially below their implied forward levels, which led to a decrease of implied volatilities across the whole curve. Part of the low realised volatility in indices was a consequence of elevated dispersion across single names.

In currencies, conversely, volatilities realised reasonably well vs implied, both in EM and on some of the G10 crosses.

The most defensive positions in the portfolio, such long Eurostoxx 50[®] implied volatility, cost us some money over the month, but on the other hand we managed to make meaningful gains on VIX[®] vs S&P500[®] dynamic positioning, on the VIX[®] fixing, on Nikkei long dated volatilities as well as on various small FX positions. We also benefited from positive carry as well as positive remarks on our equity dispersion positions.

We have now shortened the maturity of our equity volatility positions, adding some meaningful positions on VIX[®] options and futures, centered around the US mid-term elections, as well as directional S&P500[®] positions. We have also built up convex positions in FX options which would benefit from positive Brexit developments.

Equity strategies

In September, the equity portfolio returned +85bps.

A majority of the profit came from our special situations and risk arbitrage portfolio, which continued to perform well. We are still trying to deploy more capital into this strategy.

A key performer was our position in Sky: the bidding war came to its conclusion following a 1 day accelerated auction on 22 September. Comcast increased its offer by 17% to £17.28 per share, buying 37% of the capital at this price, and Fox agreed to tender its 39% stake.

The more fundamentals driven strategies recovered a bit during the month, and this often happened with volatile moves, on some of which we managed to capture further profits thanks to our long gamma profile. We should give a mention to Casino, a very highly shorted stock, which bounced 32.5% in the month after the parent company Rallye announced a debt refinancing and the CEO provided comforting commentary to the market. We had a good result from the subsequent price squeeze thanks to our long call position on Casino.

This provides a further good example of the benefits of our long gamma profile, which we will continue to maintain while trying to focus on harder catalysts.

Credit strategies

Capital Structure Arbitrage

Capital Structure Arbitrage strategy posted +6bps this month.

Overall credit and equities moved through the month with no real direction, albeit with a slight outperformance of credit at the end of the month. This quiet tone did not deliver many new opportunities.

Nevertheless, one idiosyncratic situation (Rallye/Casino) that we have monitored and traded around for a long time turned very profitable for us.

Elevated market concerns re-emerged regarding the ability of Rallye to deal with its near-term debt maturities due in October. It created significant dislocations and fast price moves in both equity and credit, where a degree of panic and high volatility resurfaced with the credit spread reaching its highest level ever seen. This market activity enabled us to trade actively around the position and generate some material profits. Furthermore, at the end of the month, the most bearishly positioned market participants were caught in a short squeeze when Rallye announced it had secured a new credit facility of €500m with a group of banks, and this event further contributed positively to our trade.

Credit long / short

Credit long / short contribution was positive in September (+7bps).

Credit markets ground tighter for most of the month, benefiting from inflows into the asset class and well received new issues in the primary market. This was particularly true for corporate high yield. Market participants were cautiously positioned going into September, fearing the potential impact of a heavy primary calendar coupled with potential macro developments (ECB meeting, Italy, trade war, emerging markets tensions). However, the primary calendar was well flagged and with volumes customary for a September month (net supply barely positive in European high yield on the trimester). Most deals were received positively with the new issue premium lower than few months ago. In addition, the macro calendar had little impact on credit spreads. Towards the end of the month, Italian developments created some moves on Italian names, but these were overall very contained.

The main contribution in our portfolio came from our long senior credit in Deutsche Bank. Following their inaugural senior preferred bond issuance in August, the position further benefited from various market comments highlighting that their near-term strategy is improving their spread levels and correcting the misperception of their credit profile. Recurring reports of a Commerzbank/Deutsche Bank combination over the medium term were also positive for the position. As a result, while DB senior spreads remain relatively wide vs. peers, they outperformed in September.

Credit special situations

Credit special situations was flat this month (+1bp) with limited specific news flow or developments on positions in our portfolio. With regards to CGG, we primarily note that oil rallied this month with Brent and WTI returning +7% and 5% respectively which should be supportive for the exploration sector overall.

Trading

Trading contributed -52bps this month.

B. DIRECT INVESTMENTS OTHER THAN BG FUND

On top of its investment in BG Fund, BGHL has other investments. As of 30 September 2018, the net asset value of these investments represents about 1% 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 main asset is a majority interest in ACTUR its private subsidiary. ACTUR's other shareholders are Mexican public institutions. ACTUR owns land developing assets (Mandarina and Xala projects) and a minority interest in the publicly-traded company RLH Properties (ticker: RLHA:MM). RLH Properties owns majority interests in the Four Seasons hotel in Mexico City and in four hotels in Cancun (Fairmont hotel, Rosewood hotel, Banyan Tree and the Hyatt Andaz hotels and the Camaleon PGA Golf Course) and RLH Properties owns land lots in the Mandarin area on which the One & Only hotel and the Rosewood hotel are being developed.

Based on recent indications that BGHL would only be able to exit at a material discount to RLI's NAV, BGHL decided to mark down the position by -50% in May 2017. The position is valued at 50% of the NAV calculated by RLI's administrator.

In July 2017, BGHL purchased 9,075,135 shares of Rasaland. BGHL currently holds 19,075,103 shares which represents approximately 10.1% of the share capital of RLI.

VI. BOUSSARD & GAVAUDAN INVESTMENT MANAGEMENT UPDATE

A. TRANSACTION IN THE COMPANY'S SECURITIES

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

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

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

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

B. BGIM'S AUM

As of 1 October 2018, BG Fund assets under management are €2.95bn.

Sincerely,

E. Boussard and E. Gavaudan

Investment Manager

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VII. ANNEXES ON BG FUND

Annex 1: Greeks	
Delta	-5.0% -5 bps P&L variation for market +1%
Gamma	2.8% delta variation for market +1%
Vega	18 bps by vol point
Theta	-40 bps by 30 days
Optional theta	-43 bps by 30 days
Rho	0.9 bps for 1 bp of interest rates increasing
Credit sensitivity	-1 bps for 1% of credit spreads widening (in relative)

Annex 2: Performance Attribution *	
Volatility Strategies	15 bps
Mandatory convertible bond arbitrage	8 bps
Convertible bond arbitrage (incl. credit convertible bonds)	0 bps
Volatility trading	7 bps
Warrant arbitrage	0 bps
Equity Strategies	85 bps
Risk arbitrage / Special situations	50 bps
Long / short trading with short-term catalyst & Value	35 bps
Credit Strategies	14 bps
Credit long / short	7 bps
Capital structure arbitrage	6 bps
Credit special situations	1 bps
Trading	-52 bps
Total	62 bps

Annex 3: Equity at Risk	
Volatility Strategies	7.2%
Mandatory convertible bond arbitrage	4.6%
Convertible bond arbitrage (incl. credit convertible bonds)	0.8%
Volatility trading	1.9%
Equity Strategies	23.6%
Risk arbitrage / Special situations	7.3%
Long / short trading with short-term catalyst & Value	16.4%
Credit Strategies	2.9%
Credit long / short	2.4%
Capital structure arbitrage	0.0%
Credit special situations	0.5%
Trading	7.6%
Quantitative equity trading	4.2%
Systematic trend following	1.8%
Trading using A.I	0.5%
Other	1.2%
Cash Equivalents	2.9%
Total	44.3%

* Estimated figures for USD A share class

Annex 4: Gross Exposure (in % of AUM) *

Volatility Strategies		
	Long	43.8%
Mandatory convertible bond arbitrage	Short equity	42.5%
	Short credit	0.0%
	Long	4.1%
Convertible bond arbitrage (incl. credit convertible bonds)	Short equity	0.8%
	Short credit	0.0%
	Long	29.1%
Volatility trading	Short	33.9%
	Equity Strategies	
Risk Arbitrage / Special Situations	Long	33.4%
	Short	20.1%
Long / Short trading with short-term catalyst / Value	Long	68.8%
	Short	67.3%
Credit Strategies		
Credit long / short	Long	7.0%
	Short	4.4%
Capital structure arbitrage	Long	0.3%
	Short	0.1%
Credit special situations	Long	0.9%
	Short	0.1%
Trading		
Quantitative equity trading	Long	20.1%
	Short	19.9%
Systematic trend following	Long	15.4%
	Short	21.5%
Trading using A.I	Long	2.7%
	Short	1.8%
Other	Long	5.3%
	Short	11.2%
Gross Exposure		454.5%

	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
Volatility 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

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

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

USD A Share Class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD ⁽⁴⁾
Sark Fund														
2003	-	-	0.67%	0.70%	0.77%	0.94%	0.84%	0.97%	1.15%	1.46%	1.01%	0.15%	9.00%	9.00%
2004	1.00%	-0.17%	0.96%	0.13%	0.07%	-0.35%	-0.47%	-0.47%	-0.24%	-0.59%	1.16%	1.06%	2.08%	11.27%
2005	1.66%	1.08%	1.09%	-0.64%	0.31%	1.30%	1.22%	0.62%	1.06%	-0.32%	0.81%	0.89%	9.45%	21.79%
2006	-0.01%	1.64%	1.78%	1.08%	-0.29%	1.49%	0.56%	1.74%	2.83%	3.06%	2.64%	3.01%	21.29%	47.72%
2007	3.19%	1.58%	4.82%	0.89%	1.45%	-2.15%	0.97%	-2.12%	-0.22%	1.92%	-2.13%	-1.17%	6.97%	58.02%
2008	-2.12%	-0.07%	-2.57%	1.02%	0.98%	-2.52%	-1.50%	0.21%	-10.63%	0.16%	-2.97%	0.22%	-18.56%	28.69%
2009	1.71%	-0.31%	0.84%	4.87%	4.29%	0.72%	2.01%	3.26%	3.48%	1.11%	0.21%	0.46%	24.96%	60.81%
BG Fund														
2010	1.24%	0.36%	1.58%	0.73%	-1.41%	0.77%	2.16%	-0.33%	0.67%	2.05%	-0.15%	1.88%	9.92%	76.77%
2011	0.65%	0.35%	1.93%	-0.15%	-0.12%	-1.35%	-1.00%	-0.30%	-2.72%	2.56%	-4.41%	-0.40%	-5.04%	67.86%
2012	4.03%	2.13%	-0.23%	0.49%	-0.66%	-0.26%	0.14%	1.08%	0.01%	0.87%	0.46%	0.20%	8.49%	82.12%
2013	0.84%	0.65%	-0.69%	0.28%	1.19%	0.73%	1.02%	0.48%	1.16%	1.23%	1.97%	2.17%	11.56%	103.17%
2014	2.41%	0.06%	-1.01%	0.60%	1.18%	-1.07%	0.20%	0.85%	-0.69%	-0.34%	1.76%	0.25%	4.23%	111.75%
2015	2.10%	0.87%	-0.20%	1.01%	1.76%	-1.72%	2.60%	0.81%	-0.97%	0.51%	2.47%	1.12%	10.77%	134.56%
2016	0.05%	2.04%	1.35%	0.86%	1.64%	-0.55%	1.16%	0.52%	0.14%	-0.81%	0.03%	1.35%	8.03%	153.39%
2017	0.63%	1.59%	0.38%	3.93%	1.42%	0.09%	0.34%	0.05%	-0.36%	0.01%	-0.96%	0.41%	7.73%	172.97%
2018	0.82%	1.37%	-0.34%	-0.35%	0.24%	-0.03%	-2.20%	0.42%	0.62%*				0.49%*	174.32%*

* Estimated figures

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

EUR A Share Class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD ⁽⁴⁾
Sark Fund														
2003	-	-	0.75%	0.76%	0.82%	1.04%	0.93%	1.06%	1.18%	1.55%	1.05%	0.17%	9.69%	9.69%
2004	1.07%	-0.12%	1.03%	0.22%	0.14%	-0.29%	-0.42%	-0.42%	-0.19%	-0.49%	1.18%	1.07%	2.81%	12.77%
2005	1.70%	1.06%	1.09%	-0.69%	0.27%	1.27%	1.16%	0.50%	1.00%	-0.44%	0.71%	0.77%	8.70%	22.58%
2006	-0.18%	1.56%	1.64%	0.86%	-0.47%	1.35%	0.40%	1.56%	2.73%	2.90%	2.34%	2.91%	18.99%	45.85%
2007	3.14%	1.46%	4.67%	0.74%	1.39%	-2.24%	0.87%	-2.20%	-0.31%	1.83%	-2.15%	-1.24%	5.85%	54.38%
2008	-2.08%	-0.01%	-2.35%	1.10%	1.13%	-2.33%	-1.39%	0.21%	-10.93%	-0.44%	-2.86%	0.18%	-18.58%	25.69%
2009	1.92%	-0.28%	0.90%	4.88%	4.10%	0.73%	1.99%	3.21%	3.48%	1.13%	0.22%	0.48%	25.13%	57.27%
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%	0.84%	0.43%	0.17%	8.12%	76.84%
2013	0.80%	0.65%	-0.71%	0.25%	1.19%	0.71%	0.99%	0.48%	1.11%	1.22%	1.97%	2.14%	11.31%	96.85%
2014	2.47%	0.05%	-1.01%	0.61%	1.21%	-1.06%	0.20%	0.86%	-0.71%	-0.36%	1.75%	0.27%	4.29%	105.30%
2015	2.22%	0.85%	-0.21%	0.93%	1.79%	-1.73%	2.58%	0.78%	-1.01%	0.47%	2.59%	0.96%	10.60%	127.06%
2016	0.00%	1.98%	1.21%	0.79%	1.62%	-0.65%	1.07%	0.43%	0.03%	-0.92%	-0.03%	1.21%	6.91%	142.74%
2017	0.51%	1.53%	0.26%	3.75%	1.24%	-0.06%	0.19%	-0.10%	-0.47%	-0.11%	-1.08%	0.22%	5.97%	157.24%
2018	0.67%	1.24%	-0.55%	-0.53%	0.04%	-0.22%	-2.66%	0.18%	0.54%*				-1.33%*	153.82%*

GBP A Share Class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
BG Fund														
2016	-	-	-	-	-	-	-	-	-	-	0.03%	1.26%	1.29%	1.29%
2017	0.57%	1.57%	0.32%	3.74%	1.37%	0.01%	0.26%	-0.01%	-0.46%	-0.06%	-1.02%	0.29%	6.68%	8.05%
2018	0.72%	1.32%	-0.46%	-0.46%	0.10%	-0.16%	-2.51%	0.29%	0.63%*				-0.58%*	7.43%*

* Estimated figures

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

General Stress Tests

	Scenario	Description	Impact % of NAV
1	Delta - spot up	Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	1.52%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	1.71%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.45%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.45%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.17%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.18%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	1.05%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	2.35%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	4.90%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	7.95%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -50%	1.98%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -50%	4.53%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -50%	7.58%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 50%	2.73%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 50%	5.27%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 50%	8.68%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	0.05%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.49%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.38%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.18%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.35%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.29%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.61%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	-0.03%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.39%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	0.84%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	1.35%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	1.70%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	2.05%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 50%	0.48%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 50%	0.91%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 50%	1.35%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 50%	1.88%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 50%	2.57%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 50%	2.87%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 100%	0.98%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 100%	1.40%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 100%	2.62%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 100%	3.09%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 100%	3.36%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 100%	3.66%
	Worst		-0.61%

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

Hedge Funds Liquidation Stress Tests

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

- Small and mid caps adjustment

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

- Risk arbitrage adjustment

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

- Liquidity adjustment

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

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

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

	Scenario	Description	Impact % of NAV
1	Delta - spot up	Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	2.50%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	0.57%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.45%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.45%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.17%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.18%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	0.48%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	0.92%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	0.43%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	1.62%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -50%	0.45%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -50%	-0.02%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -50%	1.17%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 50%	1.40%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 50%	0.90%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 50%	2.41%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	0.62%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	1.06%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	0.19%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	0.61%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	-0.21%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.29%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.61%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.53%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.96%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.40%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	2.35%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	2.64%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	2.94%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 50%	1.05%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 50%	1.47%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 50%	1.91%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 50%	2.78%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 50%	3.47%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 50%	3.77%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 100%	1.55%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 100%	1.95%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 100%	3.07%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 100%	3.99%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 100%	4.26%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 100%	4.56%
	Worst		-0.61%

Annex 7: IFRS 13 Classification as of 31 August 2018

	% of NAV	Number of positions
Assets		
Level 1	34.8%	181
Level 2	51.0%	1846
Level 3	1.2%	11
Cash & cash equivalents	71.3%	18
Total Assets	158.3%	2056
Liabilities		
Level 1	-55.2%	144
Level 2	-3.1%	72
Total Liabilities	-58.3%	216
Total Assets + Liabilities	100.0%	2272

	% of NAV
• Encumbered cash and cash equivalents	
- Cash - Derivatives Clearing Organisation	5.6%
- Cash - Counterparties	4.6%
- Money market fund	1.4%
- Cash covering a short market value	0.0%
• Unencumbered cash and cash equivalents	
- Cash covering a short market value	30.9%
- Short-term papers < 90 days	28.8%
- Excess cash	0.0%
Total Cash and cash equivalents	71.3%

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

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

Nothing to report

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

Nothing to report

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

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

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

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

	Maximum limit	Current usage
Commitment method	200%	110%
Gross method	200%	111%

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.

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