

BOUSSARD & GAVAUDAN HOLDING LIMITED

JULY 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 31 July 2018

Net Asset Value (NAV)	Euro share	Sterling share
Estimated NAV*	€ 22.8903	£20.3267
Estimated month to date return*	-2.98%	-2.84%
Estimated year to date return*	-2.37%	-1.84%
Estimated inception to date return*	128.90%	103.27%

Euro share	Amsterdam (AEX)	London (LSE)
Market close	€ 19.40	-
Premium / discount to estimated NAV	-15.25%	-

Sterling share	Amsterdam (AEX)	London (LSE)
Market close	-	£17.20
Premium / discount to estimated NAV	-	-15.38%

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	€ 673 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	€ 570 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
BGHLEUR 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%	-2.98%*						-2.37%*	128.90%*
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
BGHL GBP NAV														
2008	-	-	-	-	-	-	-1.45%	-0.08%	-9.09%	0.16%	4.51%	3.69%	-2.84%	-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%	-2.84%*						-1.84%*	103.27%*

* 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 August 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 up in July with the Eurostoxx50© up +3.8% for the month. VStoxx© finished the month at 12.6%, down from 16.6% and iTraxx Crossover (S29)© ended July at 282bps (38bps tighter).

Against this backdrop, BG Fund USD A share class returned -225bps this month, impacted primarily by equity strategies and in particular certain idiosyncratic events during the beginning of the earnings season.

Volatility strategies

Mandatory convertible bond arbitrage

Mandatory convertible bonds contributed +1bp this month.

Convertible bond arbitrage

Convertible bond contribution (excl. mandates) to the performance of the fund was -6bps in July in a context of unusually low activity, even for the summer season. We doubt that the liquidity will improve soon and therefore, we took the opportunity to sell various positions, which explains most of the negative performance this month. The size of the convertible book is now significantly further reduced.

The earning season has started with mixed picture so far, with stocks reacting asymmetrically to good or bad news; any profit warning saw a significant drop in both share and convertible bond valuations while on the other hand, results beating expectations saw stocks and convertible bonds trading only marginally higher.

Volatility Trading

Realised volatility vs implied forward volatility at the end of June:

	30d Implied vol level on 29/06	Realised vol over the month	Difference
US	16.09	9.08	-7.01
EUROPE	16.63	10.21	-6.42

Variation of implied volatilities during July:

	Aug. Vol Index Fut as of 29/06	Aug. Vol Index Fut as of 31/07	Vol move
US	16.38	14.08	-2.30
Europe	16.20	13.75	-2.45

Volatility trading posted +1bp this month.

Equity index spot performance was strong in July, with an impressive 3% rally both in US and Europe with a bullish tone. Despite this the market volatility pattern did not change a lot and most realised volatilities were stable. For example, the S&P500 1 month realised volatility remained at 9%, almost identical to the level observed throughout June.

Implied volatility continued to drift lower and appeared increasingly immune to the trade war rhetoric. Consequently, despite some quick and erratic spot moves linked to trade war news flow and periodic renewed market concern, the VIX has been stuck in a tight 2-point range throughout the last 3 weeks of the month.

In this subdued realised volatility environment, we managed to offset our theta spend by actively trading around existing positions. We were notably active in the VIX/SPX pair especially during the first part of the month. On an opportunistic basis we also slightly increased our global vega exposure. Another significant contributor to the positive performance for July was from the dispersion positions, which carried very well into the earnings season.

Overall, we remain relatively balanced on volatility risk while still staying long tail risk.

Equity strategies

July was a very difficult month for the equity portfolio, which finished down 211bps. We were impacted by specific idiosyncratic news during the beginning of the earnings season, which resulted in negative performance for several positions.

In particular, we suffered a large loss on our position in Playtech which fell c.30% following a profit warning on 2nd July. The company issued a statement downgrading 18E EBITDA guidance by €70m (c.20%) due to an increasingly competitive backdrop in Asia. Citing an aggressive pricing environment from new entrants, and on the basis of the current low run rate, they are now assuming a large drop in China revenue this year and no recovery next year. This has understandably hit market sentiment hard, particularly given the profit warning last October due to a sharp change in market conditions in Malaysia. The market has become more bearish after the run of bad news leading to a sharp drop in the share price and limited recovery subsequently. We have been taken by surprise by the speed and size of the loss in China and await the outcome of a full enquiry by the company. Separately, the core business has performed well, growing at 7% constant currency ex acquisitions, Trade Tech continues to deliver a strong performance and the Snaitech acquisition should complete shortly along with a full refinancing that will consolidate the balance sheet. At 5x next twelve months EV/EBITDA, the company looks good value, but it will take some time for the management to regain credibility. The H1 results on 23rd August should provide more clarity on the problems in China including whether any remedial actions have taken effect. We continue to engage with management to improve corporate governance and see the appointment of Susan Bell as a new non-executive as a positive step, with further board appointments expected in due course.

We also saw a significant negative contribution from market rotations which took place in July. These materially impacted parts of our portfolio, specifically the financials book and some of our investments in the telecom sector.

Our financials book experienced a volatile month losing 33bps. While the pronouncements of the ECB, BOE and BOJ towards the end of July were incrementally more hawkish, European banks in particular continue to be a very unloved sector despite strong positive sensitivity to rising rates. We lost money in our positions in RSA, the UK banks and Danske. Danske has been severely penalized in 2018 for long-standing AML issues relating to its Estonian branch between 2007 and 2015: the stock has de-rated vs. peers by more than 20%, now trading on 8x forward P/E for an all-in yearly cash return above 10%. Political pressure and media speculation has been mounting as we draw closer to the publication in September of the internal review report on the AML failures at the bank. More positively, we had an encouraging start to the results' season (e.g. UBS).

The telecom sector continued to suffer from very negative momentum following the confirmation of a potential fourth entrant in Belgium.

Special Situations and Risk Arbitrage are strategies where we continue to deploy capital, while we have reduced risk on other investments with milder catalysts.

Credit strategies

Capital Structure Arbitrage

Capital Structure Arbitrage posted +2bps this month. Credit and equity asset classes evolved in a bullish and synchronized tone in July. In this compelling environment, no new opportunities really appeared. However, we managed to generate positive performance thanks to active trading and volatility around our existing position on the Rallye/ Casino complex. Post earnings release, despite first positive reaction, renewed concerns about high debt sustainability of Casino re-emerged after some analysts highlighted that interim figures did not necessarily reflect the

full picture. These negative comments created quick and erratic moves as well as local discrepancies which we managed to monetize.

Overall, we continue to carefully monitor cross asset dynamics to try to identify new idiosyncratic situations

Credit long / short

Credit long / short contribution was up +4bps in July. Credit markets were stronger this month. After the weakness observed in June, partially exacerbated by limited liquidity with the end of semester, secondary markets performed well in July. They benefited from improved technicals: primary volumes were slower with the summer period and most issuers are in black-out with the Q2 reporting season. In addition, credit funds did not report meaningful outflows post June's market weakness, with even high-yield funds reporting small inflows. Alongside high yield, subordinated financials performed well, helped by a reporting season overall favorable for credit investors in financials. We remain cautious overall and have reduced our overall exposure, while monitoring for relative dislocations or idiosyncratic opportunities that could emerge.

The main positive contribution came from our long position in Deutsche Bank senior CDS. Deutsche Bank senior spread levels had decoupled from peer levels and credit fundamentals in June but outperformed in July with Deutsche Bank reporting better than expected Q2 results. We still believe senior spread levels are still too wide on a relative basis and not representative of the credit quality of the bank. We believe management will consider optimizing Deutsche Bank's funding costs through liability management after the summer.

Credit special situations

Contribution from credit special situations was positive this month (+8bps). CGG stock was the main contributor. Oil services stocks performed well this month, benefiting from a strong rebound of oil prices towards the end of June. The sector is also seen as fairly immune from the trade war dynamics impacting other industrial sectors. CGG in particular outperformed with a positive read-across from comparable seismic exploration companies who reported in July, in particular PGS and TGS. Sector results testified to improved market conditions and positive outlook for the seismic market. The market also welcomed CGG's announcement that a new CFO has been appointed, effective 1 September 2018: Yuri Baidoukov will bring twenty-five years of oil & gas industry experience including ten years spent at Schlumberger.

Elsewhere, positions in Ecobat loans contributed positively. The market reacted positively to rumours that a deal could soon be reached between Ecobat's shareholder and the Goldentree-led group of lenders. The deal would see a conversion of the debt to equity. Ecobat's shareholder would contribute assets to the company and receive royalties going forward.

Trading

Trading contributed -23bps this month.

B. DIRECT INVESTMENTS OTHER THAN BG FUND

On top of its investment in BG Fund, BGHL has other investments. As of 31 July 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 August 2018, BG Fund assets under management are €2.92bn.

Sincerely,

E. Boussard and E. Gavaudan

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VII. ANNEXES ON BG FUND

Annex 1: Greeks		
Delta	0.8%	0.8 bps P&L variation for market +1%
Gamma	4.0%	delta variation for market +1%
Vega	23 bps	by vol point
Theta	-37 bps	by 30 days
Optional theta	-39 bps	by 30 days
Rho	0.7 bps	for 1 bp of interest rates increasing
Credit sensitivity	0 bps	for 1% of credit spreads widening (in relative)

Annex 2: Performance Attribution *	
Volatility Strategies	-4 bps
Mandatory convertible bond arbitrage	1 bps
Convertible bond arbitrage (incl. credit convertible bonds)	-6 bps
Volatility trading	1 bps
Warrant arbitrage	0 bps
Equity Strategies	-211 bps
Risk arbitrage / Special situations	-1 bps
Long / short trading with short-term catalyst & Value	-210 bps
Credit Strategies	14 bps
Credit long / short	4 bps
Capital structure arbitrage	2 bps
Credit special situations	8 bps
Trading	-23 bps
Total	-225 bps

Annex 3: Equity at Risk	
Volatility Strategies	7.4%
Mandatory convertible bond arbitrage	5.1%
Convertible bond arbitrage (incl. credit convertible bonds)	1.1%
Volatility trading	1.2%
Equity Strategies	24.6%
Risk arbitrage / Special situations	6.8%
Long / short trading with short-term catalyst & Value	17.8%
Credit Strategies	2.9%
Credit long / short	2.4%
Capital structure arbitrage	0.0%
Credit special situations	0.5%
Trading	6.6%
Quantitative equity trading	4.1%
Systematic trend following	1.7%
Trading using A.I	0.5%
Other	0.3%
Cash Equivalents	0.3%
Total	41.8%

* Estimated figures for USD A share class

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

Volatility Strategies		
Mandatory convertible bond arbitrage	Long	49.4%
	Short equity	48.0%
	Short credit	0.0%
Convertible bond arbitrage (incl. credit convertible bonds)	Long	5.2%
	Short equity	1.5%
	Short credit	0.0%
Volatility trading	Long	21.0%
	Short	23.8%
Equity Strategies		
Risk Arbitrage / Special Situations	Long	31.0%
	Short	18.0%
Long / Short trading with short-term catalyst / Value	Long	83.6%
	Short	79.3%
Credit Strategies		
Credit long / short	Long	7.9%
	Short	5.4%
Capital structure arbitrage	Long	0.8%
	Short	0.5%
Credit special situations	Long	1.1%
	Short	0.3%
Trading		
Quantitative equity trading	Long	19.5%
	Short	19.4%
Systematic trend following	Long	19.4%
	Short	18.0%
Trading using A.I	Long	2.8%
	Short	2.3%
Other	Long	0.8%
	Short	6.0%
Gross Exposure		465.0%

	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%	-2.25%*						-0.59%*	171.36%*

* 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%
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%	-2.71%*						-2.09%*	151.87%*

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%	-2.56%*						-1.54%*	6.39%*

* 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%	3.19%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	1.63%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.34%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.31%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.08%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.08%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	0.82%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	2.15%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	5.43%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	9.19%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -50%	1.77%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -50%	5.07%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -50%	8.84%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 50%	2.56%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 50%	5.82%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 50%	9.96%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	0.97%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	1.35%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	0.61%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	0.83%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.31%
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%	-0.39%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.77%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	1.12%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.50%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	2.93%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	3.27%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	3.62%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 50%	1.23%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 50%	1.59%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 50%	1.97%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 50%	3.44%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 50%	4.26%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 50%	4.61%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 100%	1.69%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 100%	2.05%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 100%	3.32%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 100%	4.90%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 100%	5.22%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 100%	5.57%
Worst			-0.39%

* 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%	4.09%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	0.73%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.34%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.31%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.08%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.08%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	0.36%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	0.91%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	1.37%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	3.11%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -50%	0.51%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -50%	0.97%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -50%	2.72%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 50%	1.33%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 50%	1.78%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 50%	3.89%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	1.42%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	1.80%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	1.07%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	0.38%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	-0.14%
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%	-0.39%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	1.22%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	1.57%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.95%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	3.83%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	4.16%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	4.52%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 50%	1.68%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 50%	2.04%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 50%	2.42%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 50%	4.33%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 50%	5.16%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 50%	5.51%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 100%	2.14%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 100%	2.50%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 100%	3.78%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 100%	5.80%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 100%	6.12%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 100%	6.47%
	Worst		-0.39%

Annex 7: IFRS 13 Classification as of 30 June 2018

	% of NAV	Number of positions
Assets		
Level 1	44.0%	214
Level 2	53.4%	1863
Level 3	1.4%	11
Cash & cash equivalents	66.8%	4
Total Assets	165.6%	2092
Liabilities		
Level 1	-62.5%	156
Level 2	-3.1%	72
Total Liabilities	-65.6%	228
Total Assets + Liabilities	100.0%	2320

	% of NAV
• Encumbered cash and cash equivalents	
– Cash - Derivatives Clearing Organisation	5.1%
– Cash - Counterparties	4.8%
– Money market fund	1.5%
– Cash covering a short market value	22.6%
• Unencumbered cash and cash equivalents	
– Cash covering a short market value	33.0%
– Short-term papers < 90 days	0.0%
– Excess cash	0.0%
Total Cash and cash equivalents	66.8%

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%	114%
Gross method	200%	115%

Disclaimer

The Company is established as a closed-ended investment company domiciled in Guernsey. The Company has received the necessary approval of the Guernsey Financial Services Commission and the States of Guernsey Policy Council. The Company is registered with the Dutch Authority for the Financial Markets as a collective investment scheme pursuant to article 2:73 in conjunction with 2:66 of the Dutch Financial Supervision Act (Wet op het financieel toezicht). The shares of the Company (the "Shares") are listed on Euronext Amsterdam. The Shares are also listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange plc's main market for listed securities.

This is not an offer to sell or a solicitation of any offer to buy any securities in the United States or in any other jurisdiction. This announcement is not intended to and does not constitute, or form part of, any offer or invitation to purchase any securities or the solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this announcement in any jurisdiction in contravention of applicable law.

Neither the Company nor BG Fund has been, and neither will be, registered under the US Investment Company Act of 1940, as amended (the "Investment Company Act"). In addition the securities referenced in this announcement have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"). Consequently any such securities may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, US persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the issuer of such securities to register under the Investment Company Act. No public offering of any securities will be made in the United States.

You should always bear in mind that:

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

This communication is for information purposes only and the information contained in this communication should not be relied upon as a substitute for financial or other professional advice.

VC 06.11.12.02