

# BOUSSARD & GAVAUDAN HOLDING LIMITED

## AUGUST 2018 NEWSLETTER

### I. COMPANY INFORMATION

General information	
Investment manager	Boussard & Gavaudan Investment Management LLP
Company domicile	Guernsey
Website	<a href="http://www.bgholdingltd.com">www.bgholdingltd.com</a>
Management fee	1.5% p.a.
Performance fee	20% with HWM

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

### II. OVERVIEW

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



### III. SHARE INFORMATION as of 31 August 2018

Net Asset Value (NAV)	Euro share	Sterling share
Estimated NAV*	€ 22.9704	£20.4221
Estimated month to date return*	0.29%	0.41%
Estimated year to date return*	-2.03%	-1.38%
Estimated inception to date return*	129.70%	104.22%

Euro share	Amsterdam (AEX)	London (LSE)
Market close	€ 19.00	-
Premium / discount to estimated NAV	-17.28%	-

Sterling share	Amsterdam (AEX)	London (LSE)
Market close	-	£17.20
Premium / discount to estimated NAV	-	-15.78%

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	€ 675 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	€ 559 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%	-2.92%	0.29%*					-2.03%*	129.70%*
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%	0.41%*					-1.38%*	104.22%*

\* 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 September 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 down in August, with the Eurostoxx 50<sup>®</sup> down -3.8% for the month. VStoxx<sup>®</sup> finished the month at 15.6%, up from 12.6% and iTraxx Crossover (S29) <sup>®</sup> ended August at 300bps (18bps wider).

Against this backdrop, BG Fund USD A share class returned +52bps this month, primarily driven by trading.

#### Volatility strategies

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

Mandatory convertible bonds contributed +9bps this month, primarily due to our main positions trading generally higher.

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

Convertible bond contribution (excl. mandates) to the performance of the fund was -1bp in a context of unusually limited activity, even taking into account the summer season. The size of the convertible book is now very limited, having been reduced significantly in the past few months. There was no primary market issuance this month.

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

Volatility trading posted -9bps this month.

Volatility moves over August were fairly heterogeneous across markets.

On US equities, we experienced low realised volatility (S&P500<sup>®</sup> 1-month realised vol 7%) which was offset in our p&l by our fixed strike volatility increasing with the market rally. We took profit on our US equity long vega but kept our substantial short delta which cost us over the remainder of the month.

Realised volatility was a bit more significant (Eurostoxx50 1-month vol at 13.6%) meaning time decay costs were muted. However, we also saw a negative move on volatilities around the 1-year horizon, likely exacerbated by a lack of liquidity, as European equities did not experience the same rally as in the US. We have taken this opportunity to substantially increase our long positions on Eurostoxx 50<sup>®</sup> vega.

In FX markets, implied and realised volatilities finally picked up, led by emerging market currencies and also by Sterling. We have subsequently taken profit on our emerging market exposures and also reduced our Sterling positions.

#### Equity strategies

August was another negative month for our equity portfolio which finished the month -54bps. The underperformance came mainly from our fundamental investments while special situations and risk arbitrage strategies continued to perform well. The underperformance of our fundamental investments reflects the continued trend of value underperforming momentum.

Even though the market was under pressure from emerging market concerns, volatility remained relatively muted and we were not able to fully benefit from our long gamma profile. We intend to maintain our gamma profile going into the autumn where we see a number of catalysts that could drive market volatility; midterm US elections, the Italian budget and potential for more negative newsflow from emerging markets.

The financials book continued to struggle in August as geopolitical tensions prompted a very sharp sell-off in the Eurostoxx<sup>®</sup> banks (SX7E<sup>®</sup>), down -11% in the month and now over -20% YTD. This was the worst August for Eurozone banks vs. the market since 1998 (Russia default/LTCM), including 2008 (month prior to Lehman default) and

2011 (height of the Eurozone crisis), with SX7E underperforming the market by over 7%. Our positions were most impacted on trades exposed to Turkey and Italy.

The portfolio also suffered from positions in Telecoms as, alongside financials, the sector was one of the worst performers in August, underperforming the Eurostoxx 50® by 5%. Disappointingly the Telco book had a negative performance despite being fully hedged within the sector, and with names with significant exposure to emerging market. Despite this pressure we maintain conviction in current positioning.

An idiosyncratic impact came from our position on Atos which performed poorly as the stock dropped following an analyst downgrade in the middle of the month.

### Credit strategies

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

Capital Structure arbitrage was flat this month. Overall both asset classes evolved slightly negatively with high correlation in a very quiet environment. There were no changes in our portfolio, with the only notable story about the Rallye/Casino complex. Renewed worries emerged about the sustainability of their high debt position however there was nothing specifically new in the story itself. Negative sentiment was mainly created by sell side analysts who highlighted their recurrent concerns in new publications and, in very poor summer liquidity, this immediately translated into significant spread widening and a drop in the equity. We managed to trade around the existing position and slightly grew our exposure.

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

Credit long / short contribution was marginally positive in August (+2bps). Credit markets were stable this month and evolved in a narrow range in response to the macroeconomic news flows (trade war dynamics, emerging markets, Italy). Outside of a few specific situations or names exposed to the key macro themes, flows were very limited in Europe because of the summer holiday season. Primary markets saw some activity and re-opened towards the end of the month, mainly through investment grade corporate and senior financials bond issuance. German banks were particularly active, issuing their inaugural senior preferred bonds. These bonds are particularly interesting for Deutsche Bank as a new tool to further reduce their funding costs.

We remained cautious overall, while monitoring for relative value dislocations and potential idiosyncratic opportunities that could emerge.

#### ***Credit special situations***

Credit special situations contribution was marginally positive this month (+2bps) with CGG stock being the main contributor. Q2 results published beginning of August confirmed the improved market conditions and outlook for the seismic exploration market. The company reported gradual positive momentum across its businesses and reaffirmed 2018 guidance.

### Trading

Trading contributed +103bps this month with all strategies performing very well (quantitative equity trading, systematic trend following and trading using artificial intelligence).

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

On top of its investment in BG Fund, BGHL has other investments. As of 31 August 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](http://www.afm.nl) (professionals > registers > notifications > insider-transactions 5:60 wft);
- on the Company's website through a link to the AFM notification: [www.bgholdingltd.com](http://www.bgholdingltd.com) (Investment Manager > Regulatory information).

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

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

### B. BGIM'S AUM

As of 1 September 2018, BG Fund assets under management are €2.94bn.

Sincerely,

E. Boussard and E. Gavaudan

Investment Manager
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## VII. ANNEXES ON BG FUND

### Annex 1: Greeks

Delta	-5.2%	-5.2 bps P&L variation for market +1%
Gamma	3.1%	delta variation for market +1%
Vega	20 bps	by vol point
Theta	-36 bps	by 30 days
Optional theta	-39 bps	by 30 days
Rho	0.5 bps	for 1 bp of interest rates increasing
Credit sensitivity	-1 bps	for 1% of credit spreads widening (in relative)

### Annex 2: Performance Attribution \*

<b>Volatility Strategies</b>	<b>-1 bps</b>
Mandatory convertible bond arbitrage	9 bps
Convertible bond arbitrage (incl. credit convertible bonds)	-1 bps
Volatility trading	-9 bps
Warrant arbitrage	0 bps
<b>Equity Strategies</b>	<b>-54 bps</b>
Risk arbitrage / Special situations	16 bps
Long / short trading with short-term catalyst & Value	-69 bps
<b>Credit Strategies</b>	<b>4 bps</b>
Credit long / short	2 bps
Capital structure arbitrage	0 bps
Credit special situations	2 bps
<b>Trading</b>	<b>103 bps</b>
<b>Total</b>	<b>52 bps</b>

### Annex 3: Equity at Risk

<b>Volatility Strategies</b>	<b>7.0%</b>
Mandatory convertible bond arbitrage	4.8%
Convertible bond arbitrage (incl. credit convertible bonds)	0.9%
Volatility trading	1.4%
<b>Equity Strategies</b>	<b>23.3%</b>
Risk arbitrage / Special situations	6.9%
Long / short trading with short-term catalyst & Value	16.4%
<b>Credit Strategies</b>	<b>3.0%</b>
Credit long / short	2.5%
Capital structure arbitrage	0.0%
Credit special situations	0.5%
<b>Trading</b>	<b>6.4%</b>
Quantitative equity trading	3.9%
Systematic trend following	1.7%
Trading using A.I	0.4%
Other	0.4%
<b>Cash Equivalents</b>	<b>1.7%</b>
<b>Total</b>	<b>41.4%</b>

\* Estimated figures for USD A share class

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

Volatility Strategies		
Mandatory convertible bond arbitrage	Long	45.5%
	Short equity	44.3%
	Short credit	0.0%
Convertible bond arbitrage (incl. credit convertible bonds)	Long	4.5%
	Short equity	1.0%
	Short credit	0.0%
Volatility trading	Long	18.1%
	Short	27.0%
Equity Strategies		
Risk Arbitrage / Special Situations	Long	31.2%
	Short	18.1%
Long / Short trading with short-term catalyst / Value	Long	68.5%
	Short	67.8%
Credit Strategies		
Credit long / short	Long	7.7%
	Short	5.3%
Capital structure arbitrage	Long	1.9%
	Short	1.7%
Credit special situations	Long	0.9%
	Short	0.1%
Trading		
Quantitative equity trading	Long	18.7%
	Short	18.4%
Systematic trend following	Long	14.2%
	Short	17.4%
Trading using A.I	Long	1.9%
	Short	1.9%
Other	Long	0.7%
	Short	6.9%
Gross Exposure		423.7%

	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 <sup>(4)</sup>
<b>Sark Fund</b>														
2003	-	-	0.67%	0.70%	0.77%	0.94%	0.84%	0.97%	1.15%	1.46%	1.01%	0.15%	9.00%	<b>9.00%</b>
2004	1.00%	-0.17%	0.96%	0.13%	0.07%	-0.35%	-0.47%	-0.47%	-0.24%	-0.59%	1.16%	1.06%	2.08%	<b>11.27%</b>
2005	1.66%	1.08%	1.09%	-0.64%	0.31%	1.30%	1.22%	0.62%	1.06%	-0.32%	0.81%	0.89%	9.45%	<b>21.79%</b>
2006	-0.01%	1.64%	1.78%	1.08%	-0.29%	1.49%	0.56%	1.74%	2.83%	3.06%	2.64%	3.01%	21.29%	<b>47.72%</b>
2007	3.19%	1.58%	4.82%	0.89%	1.45%	-2.15%	0.97%	-2.12%	-0.22%	1.92%	-2.13%	-1.17%	6.97%	<b>58.02%</b>
2008	-2.12%	-0.07%	-2.57%	1.02%	0.98%	-2.52%	-1.50%	0.21%	-10.63%	0.16%	-2.97%	0.22%	-18.56%	<b>28.69%</b>
2009	1.71%	-0.31%	0.84%	4.87%	4.29%	0.72%	2.01%	3.26%	3.48%	1.11%	0.21%	0.46%	24.96%	<b>60.81%</b>
<b>BG Fund</b>														
2010	1.24%	0.36%	1.58%	0.73%	-1.41%	0.77%	2.16%	-0.33%	0.67%	2.05%	-0.15%	1.88%	9.92%	<b>76.77%</b>
2011	0.65%	0.35%	1.93%	-0.15%	-0.12%	-1.35%	-1.00%	-0.30%	-2.72%	2.56%	-4.41%	-0.40%	-5.04%	<b>67.86%</b>
2012	4.03%	2.13%	-0.23%	0.49%	-0.66%	-0.26%	0.14%	1.08%	0.01%	0.87%	0.46%	0.20%	8.49%	<b>82.12%</b>
2013	0.84%	0.65%	-0.69%	0.28%	1.19%	0.73%	1.02%	0.48%	1.16%	1.23%	1.97%	2.17%	11.56%	<b>103.17%</b>
2014	2.41%	0.06%	-1.01%	0.60%	1.18%	-1.07%	0.20%	0.85%	-0.69%	-0.34%	1.76%	0.25%	4.23%	<b>111.75%</b>
2015	2.10%	0.87%	-0.20%	1.01%	1.76%	-1.72%	2.60%	0.81%	-0.97%	0.51%	2.47%	1.12%	10.77%	<b>134.56%</b>
2016	0.05%	2.04%	1.35%	0.86%	1.64%	-0.55%	1.16%	0.52%	0.14%	-0.81%	0.03%	1.35%	8.03%	<b>153.39%</b>
2017	0.63%	1.59%	0.38%	3.93%	1.42%	0.09%	0.34%	0.05%	-0.36%	0.01%	-0.96%	0.41%	7.73%	<b>172.97%</b>
2018	0.82%	1.37%	-0.34%	-0.35%	0.24%	-0.03%	-2.20%	0.52%*					-0.02%*	<b>172.90%*</b>

\* Estimated figures

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

## EUR A Share Class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD <sup>(4)</sup>
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%	<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>
2010	1.26%	0.37%	1.60%	0.74%	-1.49%	0.74%	2.01%	-0.34%	0.62%	2.02%	-0.14%	1.85%	9.56%	<b>72.31%</b>
2011	0.65%	0.38%	1.94%	-0.09%	-0.07%	-1.27%	-0.95%	-0.24%	-2.86%	2.47%	-4.50%	-0.49%	-5.08%	<b>63.56%</b>
2012	4.01%	2.12%	-0.28%	0.47%	-0.71%	-0.26%	0.10%	1.03%	-0.01%	0.84%	0.43%	0.17%	8.12%	<b>76.84%</b>
2013	0.80%	0.65%	-0.71%	0.25%	1.19%	0.71%	0.99%	0.48%	1.11%	1.22%	1.97%	2.14%	11.31%	<b>96.85%</b>
2014	2.47%	0.05%	-1.01%	0.61%	1.21%	-1.06%	0.20%	0.86%	-0.71%	-0.36%	1.75%	0.27%	4.29%	<b>105.30%</b>
2015	2.22%	0.85%	-0.21%	0.93%	1.79%	-1.73%	2.58%	0.78%	-1.01%	0.47%	2.59%	0.96%	10.60%	<b>127.06%</b>
2016	0.00%	1.98%	1.21%	0.79%	1.62%	-0.65%	1.07%	0.43%	0.03%	-0.92%	-0.03%	1.21%	6.91%	<b>142.74%</b>
2017	0.51%	1.53%	0.26%	3.75%	1.24%	-0.06%	0.19%	-0.10%	-0.47%	-0.11%	-1.08%	0.22%	5.97%	<b>157.24%</b>
2018	0.67%	1.24%	-0.55%	-0.53%	0.04%	-0.22%	-2.66%	0.28%*					-1.77%*	<b>152.70%*</b>

## 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%	<b>1.29%</b>
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%	<b>8.05%</b>
2018	0.72%	1.32%	-0.46%	-0.46%	0.10%	-0.16%	-2.51%	0.39%*					-1.11%*	<b>6.85%*</b>

\* Estimated figures

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

## General Stress Tests

	Scenario	Description	Impact % of NAV
1	Delta - spot up	Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	1.70%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	1.82%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.31%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.30%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.14%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.13%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	0.90%
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%	4.51%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	7.41%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -50%	2.11%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -50%	4.49%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -50%	7.40%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 50%	2.22%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 50%	4.56%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 50%	7.50%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	0.12%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.43%
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%	1.03%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.48%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.18%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.44%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.08%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.38%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	0.70%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	1.58%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	1.83%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	2.05%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 50%	0.22%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 50%	0.52%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 50%	0.84%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 50%	1.74%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 50%	2.08%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 50%	2.30%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 100%	0.36%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 100%	0.66%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 100%	1.27%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 100%	2.16%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 100%	2.35%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 100%	2.56%
Worst			-0.44%

\* 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%	2.59%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	0.75%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.31%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.30%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.14%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.13%
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%	0.75%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	0.12%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	1.22%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -50%	0.71%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -50%	0.10%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -50%	1.21%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 50%	0.84%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 50%	0.19%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 50%	1.33%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	0.66%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.98%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	0.35%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	0.49%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	-0.06%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.18%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.44%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.62%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.93%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.24%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	2.49%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	2.70%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	2.92%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 50%	0.76%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 50%	1.07%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 50%	1.38%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 50%	2.62%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 50%	2.95%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 50%	3.17%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 100%	0.90%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 100%	1.20%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 100%	1.81%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 100%	3.03%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 100%	3.22%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 100%	3.43%
	<b>Worst</b>		<b>-0.44%</b>

**Annex 7: IFRS 13 Classification as of 31 July 2018**

	<b>% of NAV</b>	<b>Number of positions</b>
<b>Assets</b>		
Level 1	34.8%	202
Level 2	54.6%	1857
Level 3	1.2%	11
Cash & cash equivalents	74.1%	3
<b>Total Assets</b>	<b>164.7%</b>	<b>2073</b>
<b>Liabilities</b>		
Level 1	-61.4%	147
Level 2	-3.3%	85
<b>Total Liabilities</b>	<b>-64.7%</b>	<b>232</b>
<b>Total Assets + Liabilities</b>	<b>100.0%</b>	<b>2305</b>

	<b>% of NAV</b>
• Encumbered cash and cash equivalents	
– Cash - Derivatives Clearing Organisation	6.5%
– Cash - Counterparties	5.1%
– Money market fund	1.5%
– Cash covering a short market value	0.0%
• Unencumbered cash and cash equivalents	
– Cash covering a short market value	61.2%
– Short-term papers < 90 days	0.0%
– Excess cash	0.0%
<b>Total Cash and cash equivalents</b>	<b>74.1%</b>

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

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

Nothing to report

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

Nothing to report

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

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

The backbone of the portfolio and risk management systems at BGIM relies on several components all interfaced together to ensure a full Straight Through Processing. The main system is 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%	112%

## Disclaimer

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

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

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

You should always bear in mind that:

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

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

VC 06.11.12.02