

FEBRUARY 2016 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 29 February 2016

Net Asset Value (NAV)	Euro share	Sterling share
Estimated NAV*	€ 21.1771	£18.4889
Estimated month to date return*	2.04%	2.08%
Estimated year to date return*	2.53%	2.18%
Estimated inception to date return*	111.77%	84.89%

Euro share	Amsterdam (AEX)	London (LSE)
Market close	€ 16.35	-
Premium / discount to estimated NAV	-22.79%	-

Sterling share	Amsterdam (AEX)	London (LSE)
Market close	-	€ 1,385.00
Premium / discount to estimated NAV	-	-25.09%

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	29,222,314	494,962
Shares held in treasury	325,042	-
Shares outstanding	28,897,272	494,962

	BGHL
Total value of the investments of BGHL based on the estimated NAV for the shares outstanding	€ 624 million
Market capitalisation of BGHL based on the share price for the shares outstanding Amsterdam (AEX) market close for the Euro Share and London (LSE) market close for the Sterling share	€ 481 million

* 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%	2.04%*											2.53%*	111.77%*

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%	2.08%*											2.18%*	84.89%*

* 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 March 2016, BGHL is exposed to BG Fund up to approximately 100% 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

The Eurostoxx 50 finished February down 3.3% on the month, and now down 9.85% in 2016. VDAX finished the month at 26.3%, down from 27.4% and VStoxx at 29.7%, up from 27.4%. The iTraxx Crossover S24 widened 40bps over the month to close at 408bps and the iTraxx Subfin S24 widened by 29bps to close at 237bps.

Volatility strategies

Convertible bond arbitrage

European convertible bond valuations cheapened by 2% during the month. Flows were limited, with most of the liquidity providers (especially banks) tending to keep inventory to a minimum fearing more credit widening as well as long only fund redemptions. According to different sources, long only funds faced outflows over the past few months but the current magnitude seems manageable. Several variables give us comfort there remains a low likelihood of forced selling pressure:

- cash available was slightly diminished, but still significant, at ~8% of AUM,
- upcoming bond redemptions are also significant: short-dated convertible bonds with low risk are regarded as “cash equivalent”. In recent months, long only funds sold some instead of using residual cash to manage outflows
- new issues were oversubscribed where they matched long only fund’s key investment principles.

Post the recent credit widening, at current valuations 10% of the European CB outstanding universe yields more than 8%. This makes sense given the weight of high yield and oil-related names in the CB universe and we consider European CBs to be fairly valued at current levels.

With this backdrop, convertible bond contribution (excl. mandatories) to the performance of the fund was +20bps in February, with the contribution mainly due to a few specific situations. Most other positions were broadly flat.

Soitec contributed +10bps. The company had needed to restructure its debt as the volatility of its earnings made it difficult to support leverage. We purchased Soitec CBs last year at a discounted level anticipating both an improvement of the business model and a capital restructuring. During February, Soitec announced a capital increase supported by French government entities. The capital raising is intended to finance investments, strengthen the company’s balance sheet through the reimbursement of a shareholder loan maturing in May 2016 and potentially finance a buy back of the convertible bonds.

Deutsche Wohnen is a second example of specific positive contribution. We purchased their CBs in 2015 with a very attractive ratchet clause, anticipating a potential take-over by Vonovia. Under this assumption, the position was managed using a high implied delta (120% vs 75% without taking into account the take-over scenario) at a time where the stock was trading at elevated levels. Ultimately, Vonovia failed to take-over Deutsche Wohnen and although we missed significant P&L that would have arisen from the ratchet, we nevertheless succeeded in making decent profits thanks to our management of the delta. Stock delta was a function of the implied probability of the deal and some investment assumptions, the main one of which was that if the deal was uncertain, the discount on the stock would increase and consequently the stock would fall before the deadline.

Mandatory convertible bond arbitrage

Mandatory convertible bonds contributed +18bps this month.

This month, as in January, mandatories were under pressure mainly due to small flows from risk-off players. Both Telecom Italia 6.125% 2016 and Telefonica 4.9% 2017, even hedged, were slightly down. It cost us 8bps in total.

At present levels, mandatories remain attractive, however, sourcing them remains difficult.

In the primary market, Vodafone issued a £2.9bn fixed ratio mandatory i.e. a forward stock with the usual full protection against dividends, rights issues etc. The initial term-sheet was unattractive for potential investors including ourselves. Lead managers and Vodafone took on-board the concerns and amended term-sheet accordingly. The major change resulted in our gaining the option to convert the bond at any time at parity. This clause limits the risk of a repo dislocation and enabled us to get better financing and haircut conditions from our lenders. We took a good proportion of the deal which was overall successfully placed (+26bps).

Volatility Trading

Volatility trading contributed 13bps this month. The long volatility positions (Nikkei, Eurostoxx 50 and EUR/USD) continued to perform well until the middle of February when we took profit on most of the positions. We have then been gradually positioned for decreasing volatilities (through VIX puts) going into the key March Central Bank meetings. Over the month, the currency positions (JPY and EUR in particular) experienced quite erratic moves and we decided to stop out on some of these positions as their correlations deviated from previous observations.

Equity strategies

February was, like January, an extremely volatile month: the Eurostoxx 50 was down as much as 12% after 2 weeks, before rallying to finish the month down 3.3%. Our equity portfolio benefited from this heightened volatility, thanks to our long gamma profile, and returned a positive 200bps. The equity portfolio continues to pay about 1% of theta per month.

The key outperformer was the financials book, which alone returned a positive 98bps while sector indices continued to underperform in February. We particularly benefited from Credit Agricole's disposal of its stakes in the regional banks at 1x tangible equity vs its own valuation of 0.7x and also from Lloyds' announcement of a better-than-expected return of capital, despite residual Brexit fears. RSA's strong full year results confirmed its uniqueness within the European insurance sector: ongoing self-help potential with an upsized cost cutting plan, good organic EPS momentum, and above-average DPS growth. It remains a core holding also given increasing expectations of sector M&A.

Our investment in Royal Dutch Shell started to contribute positively: the stock outperformed the oil and gas sector post completion of the takeover of BG. After months of negative noises due to the merger process and the uncertainty around shareholder support, the market started to turn more positive on the merged entity, which recouped part of its previous significant underperformance. It benefited as well from the relative stabilization of oil prices.

The fund benefited as well from a number of positive reactions on earnings releases. For example, Criteo and UBM finished the month up 25% and 13% respectively.

We intend to keep the same long gamma profile for our portfolio in the coming months. We believe there are plenty of reasons for the market to remain volatile: Brexit, oil price, China...

Credit strategies

Credit long / short

Credit long / short strategies contributed -66bps in February. Credit markets started the month with a very soft tone, led in particular by market concerns on the effectiveness of Central Banks initiatives in Europe and their potential negative impact on the financial sector. This was particularly acute in the subordinated financial markets, in particular the Additional Tier 1 market, and also financial equities where concerns were also exacerbated by idiosyncratic stories e.g. Deutsche Bank. European core country rates continued to rally and follow the trend observed since the beginning of the year.

In this context our financial book was pretty resilient, despite a strong squeeze in index hedges towards the second half of the month. Recent moves have also created some trade opportunities on specific single names.

Most of the negative performance in February comes from a specific situation, Solocal. Our long bond position was hit on FY results reporting and a subsequent downgrade from Moody's to CCC on the unsecured bonds. Despite the

company being compliant with its banking covenants and the management disclosing that they were working on refinancing options for managing debt maturities, the market expressed concerns on the lack of details at this stage and a FY P&L weaker than market expectation. We remain confident on the company's business plan and trajectory.

Capital Structure Arbitrage

Capital structure arbitrage posted -2bps to the performance of the fund this month.

Overall, most of our positions between debt and equities moved in an orderly fashion over the month. Price changes in both asset classes were more driven by the market risk on/ risk off mode and volatility surrounding emerging markets and commodities rather than fundamentals or idiosyncratic news.

The key story in our portfolio was Rallye/Casino. After the Casino rating was put on negative watch by S&P, the company announced the disposal of Big C in Thailand in order to deleverage. We traded actively around our existing position which, although not profitable this month, we decided to increase significantly.

Trading

Trading contributed +17bps in February.

B. DIRECT INVESTMENTS OTHER THAN BG FUND

On top of its investment in BG Fund, BGHL has other investments. As of 29 February 2016, the net asset value of these investments represents approximately 11% 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 has invested and is developing the Mandarin, Xala & Seramai resorts in Mexico. RLI's initial business was, soon after launch, affected by several adverse events which have changed the exit solution and the time schedule considered initially. RLI has mitigated the risk of running out of cash by selling in 2012 a stake in one of its land projects to a large Mexican institutional pension fund, raising USD 80 million with the National Infrastructure Fund and by listing (IPO) in November 2015 RLI's hotel subsidiary on Mexico's exchange, raising a total of USD 27 million. The subsidiary is the owner of the Four Seasons hotel in Mexico City acquired in May 2013.

In February 2015 BK Partners entered into an agreement with Kerzner International Holdings Limited to develop and operate two new One&Only resorts in Mandarin and Xala, on the Pacific Coast of Mexico. RLI is currently focused on the development of the One&Only hotel of the Mandarin project. This development is likely to accelerate the liquidity to RLI's investment in Mandarin through the sale of land parcels as well as private residential estates.

GFI Informatique ("GFI")

BGHL holds bonds issued by Infopin Participations and exchangeable for GFI shares. BGHL also holds GFI shares. BGHL has a directional exposure which is not hedged.

GFI is a major player in value-added IT services and software in Europe. GFI is listed on the Paris Euronext, NYSE Euronext (Compartment B) - ISIN Code: FR0004038099.

On 7 June 2013, BGHL signed a shareholders' agreement in order to act in concert with Apax France and Altamir.

On 23 November 2015, Mannai Corporation, together with Apax France (jointly with Altamir) and Boussard & Gavaudan, have announced they have entered into exclusive negotiations for Mannai to purchase a 51 percent equity stake in GFI at a price of €8.50 per share.

Please refer to Section V-A- Equity strategies for further details.

The press release is available here: http://www.bgholdingltd.com/uploadImages/File/ACTUS-0-42198-151123_PR_Gfi_EN.pdf.

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 March 2016, BG Group assets under management are at €2.38bn.

Sincerely,

E. Boussard and E. Gavaudan

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VII. ANNEXES ON BG FUND

Annex 1: Greeks	
Delta	17.7% 17.7 bps P&L variation for market +1%
Gamma	3.7% delta variation for market +1%
Vega	15 bps by vol point
Theta	-153 bps by 30 days
Optional theta	-152 bps by 30 days
Rho	-2 bps for 1 bp of interest rates increasing
Credit sensitivity	-5 bps for 1% of credit spreads widening (in relative)

Annex 2: Performance Attribution *	
Volatility Strategies	51 bps
Mandatory convertible bond arbitrage	18 bps
Convertible bond arbitrage (incl. credit convertible bonds)	20 bps
Volatility trading	13 bps
Warrant arbitrage	0 bps
Equity Strategies	200 bps
Risk arbitrage / Special situations	-29 bps
Long / short trading with short-term catalyst & Value	229 bps
Credit Strategies	-68 bps
Credit long / short	-66 bps
Capital structure arbitrage	-2 bps
Trading	17 bps
Total	200 bps

Annex 3: Equity at Risk	
Volatility Strategies	14.3%
Mandatory convertible bond arbitrage	7.3%
Convertible bond arbitrage (incl. credit convertible bonds)	4.1%
Volatility trading	3.0%
Warrant arbitrage	0.0%
Equity Strategies	41.7%
Risk arbitrage / Special situations	7.9%
Long / short trading with short-term catalyst & Value	33.8%
Credit Strategies	6.0%
Credit long / short	4.7%
Capital structure arbitrage	0.3%
Restructurings	1.0%
Trading	3.1%
Cash Equivalents	0.9%
Total	66.0%

* Estimated figures

Annex 4: AIFM Exposure - Commitment method (in % of AUM)

Volatility Strategies	21.7%
Mandatory convertible bond arbitrage	0.3%
Convertible bond arbitrage (incl. credit convertible bonds)	1.0%
Volatility trading	20.5%
Warrant arbitrage	0.0%
Equity Strategies and Trading	329.2%
Equity strategies and Trading	329.2%
Credit Strategies	38.3%
Credit long / short and Capital structure arbitrage	38.3%
Restructurings	1.0%
Restructurings	1.0%
Others (incl Fx)	0.1%
AIFM Exposure - Commitment method	390.4%

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

Euro A Share Class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD ⁽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%	2.00%*											2.01%*	131.61%*

* Estimated figures

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

US Dollar 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%	2.07%*											2.12%*	139.53%*

* Estimated figures

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

Annex 6: Macroeconomic Risks Through Stress Tests

General Stress Tests

	Scenario	Description	Impact % of NAV
1	Delta - spot up	Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	3.96%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	0.36%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.40%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.43%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.71%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.69%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	-0.20%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	0.43%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	2.72%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	5.63%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -50%	0.76%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -50%	3.05%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -50%	5.96%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 50%	0.12%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 50%	2.42%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 50%	5.34%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	1.02%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	1.39%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	0.70%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	0.90%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.18%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	-0.22%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-1.15%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	1.95%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	2.27%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	2.64%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	4.36%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	4.65%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	4.99%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 50%	1.62%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 50%	1.94%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 50%	2.31%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 50%	4.02%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 50%	4.31%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 50%	4.65%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 100%	1.31%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 100%	1.63%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 100%	2.00%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 100%	3.71%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 100%	4.00%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 100%	4.34%
	Worst		-1.15%

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%	6.64%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	-2.88%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.40%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.43%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.71%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.69%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0%	-1.87%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	-3.36%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	-5.58%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	-6.42%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -50%	-2.94%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -50%	-5.17%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -50%	-6.02%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 50%	-3.74%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 50%	-5.95%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 50%	-6.79%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	2.36%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	2.73%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	2.04%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	-0.54%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	-1.44%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	-0.22%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-1.15%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	3.29%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	3.61%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	3.98%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	7.04%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	7.33%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	7.67%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 50%	2.96%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 50%	3.28%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 50%	3.65%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 50%	6.70%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 50%	6.99%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 50%	7.33%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 100%	2.65%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 100%	2.97%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 100%	3.34%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 100%	6.39%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 100%	6.68%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 100%	7.02%
	Worst		-6.79%

Annex 7: IFRS 13 Classification as of 31 December 2015

	% of NAV	Number of positions
Assets		
Level 1	54.1%	289
Level 2	43.5%	624
Level 3	5.8%	11
Cash & cash equivalents	48.3%	5
Total Assets	151.7%	929
Liabilities		
Level 1	-49.9%	137
Level 2	-1.8%	28
Total Liabilities	-51.7%	165
Total Assets + Liabilities	100.00%	1094

	% of NAV
• Encumbered cash and cash equivalents	
- Cash - Derivatives Clearing Organisation	0.7%
- Cash - Counterparties	1.1%
- Money market fund	3.7%
- Cash covering a short market value	18.5%
• Unencumbered cash and cash equivalents	
- Cash covering a short market value	23.5%
- Short-term papers < 90 days	0.9%
- Excess cash	0.0%
Total Cash and cash equivalents	48.3%

VIII. AIFMD disclosure to investors

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 Sophis VALUE provided by Mysis used for position keeping and risk management. Sophis VALUE is interfaced to a real time market data vendor for real time P&L and risk calculation. Another key system is TradeSmart, 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 Sophis VALUE. All figures used for qualitative and quantitative risk management are produced out of Sophis: VALUE.

- 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	2x	1.1x
Gross method	2x	1.1x

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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