

FEBRUARY 2014 NEWSLETTER

I. COMPANY INFORMATION

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

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

II. OVERVIEW

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



### III. SHARE INFORMATION as of 28 February 2014

| Net Asset Value (NAV)               | Euro share | Sterling share |
|-------------------------------------|------------|----------------|
| Estimated NAV*                      | € 17.1982  | £15.4823       |
| Estimated month to date return*     | 0.08%      | 0.05%          |
| Estimated year to date return*      | 2.90%      | 2.77%          |
| Estimated inception to date return* | 71.98%     | 54.82%         |

| Euro share                          | Amsterdam (AEX) | London (LSE) |
|-------------------------------------|-----------------|--------------|
| Market close                        | € 13.90         | -            |
| Premium / discount to estimated NAV | -19.18%         | -            |

| Sterling share                      | Amsterdam (AEX) | London (LSE) |
|-------------------------------------|-----------------|--------------|
| Market close                        | -               | GBX 1,200    |
| Premium / discount to estimated NAV | -               | -22.49%      |

In the context of the current discount to NAV, the Company continues to purchase some of its own shares into treasury.

|                         | Euro share | Sterling share |
|-------------------------|------------|----------------|
| Shares issued           | 35,906,743 | 825,946        |
| Shares held in treasury | 455,704    | -              |
| Shares outstanding      | 35,451,039 | 825,946        |

|  | BGHL |
|--|------|
|--|------|

|  |               |
|--|---------------|
| Total value of the investments of BGHL based on the estimated NAV for the shares outstanding | € 625 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 | € 505 million |
|--|---------------|

#### IV. BGHL TRACK RECORD

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

| Year                | Jan    | Feb    | Mar    | Apr   | May    | Jun    | Jul    | Aug    | Sep     | Oct   | Nov    | Dec    | YTD     | ITD <sup>(4)</sup> |
|---------------------|--------|--------|--------|-------|--------|--------|--------|--------|---------|-------|--------|--------|---------|--------------------|
| <b>BGHL EUR NAV</b> |        |        |        |       |        |        |        |        |         |       |        |        |         |                    |
| 2006                |        |        |        |       |        |        |        |        |         |       | 2.27%  | 2.82%  | 5.15%   | <b>5.15%</b>       |
| 2007                | 3.13%  | 1.45%  | 4.68%  | 0.73% | 1.38%  | -2.27% | 0.85%  | -2.21% | -0.32%  | 1.82% | -2.16% | -1.38% | 5.56%   | <b>11.00%</b>      |
| 2008                | -2.10% | -0.01% | -2.32% | 0.78% | 1.29%  | -2.98% | -1.19% | 0.32%  | -10.49% | 1.67% | 1.55%  | 1.09%  | -12.30% | <b>-2.66%</b>      |
| 2009                | 3.34%  | -0.17% | 1.20%  | 5.01% | 4.17%  | 0.92%  | 1.91%  | 2.63%  | 2.92%   | 1.47% | 0.30%  | 0.69%  | 27.15%  | <b>23.77%</b>      |
| 2010                | 1.35%  | 0.59%  | 1.62%  | 0.81% | -1.10% | 1.00%  | 2.11%  | -0.32% | 0.79%   | 2.11% | 0.04%  | 1.97%  | 11.49%  | 37.99%             |
| 2011                | 0.71%  | 0.57%  | 2.16%  | 0.01% | -0.05% | -0.85% | -0.80% | -0.20% | -2.17%  | 2.49% | -3.92% | -0.39% | -2.58%  | <b>34.42%</b>      |
| 2012                | 3.90%  | 2.01%  | -0.16% | 0.54% | -0.61% | -0.32% | 0.12%  | 1.29%  | 0.04%   | 0.83% | 0.42%  | 1.08%  | 9.45%   | <b>47.12%</b>      |
| 2013                | 0.89%  | 0.74%  | -0.59% | 0.24% | 1.27%  | 0.83%  | 0.96%  | 0.47%  | 1.07%   | 1.57% | 2.28%  | 3.14%  | 13.60%  | <b>67.14%</b>      |
| 2014                | 2.81%  | 0.08%* |        |       |        |        |        |        |         |       |        |        | 2.90%*  | <b>71.98%*</b>     |

| Year                | Jan   | Feb    | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep    | Oct   | Nov    | Dec    | YTD    | ITD <sup>(4)</sup> |
|---------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--------|--------|--------|--------------------|
| <b>BGHL GBP NAV</b> |       |        |        |        |        |        |        |        |        |       |        |        |        |                    |
| 2008                |       |        |        |        |        |        | -1.45% | -0.08% | -9.09% | 0.16% | 4.51%  | 3.69%  | -2.84% | <b>-2.84%</b>      |
| 2009                | 1.88% | 0.16%  | 0.52%  | 3.86%  | 3.22%  | 0.52%  | 1.62%  | 2.72%  | 2.97%  | 1.09% | 0.28%  | 0.40%  | 20.91% | <b>17.48%</b>      |
| 2010                | 1.22% | 0.40%  | 1.58%  | 0.72%  | -1.43% | 0.76%  | 2.01%  | -0.36% | 0.65%  | 1.97% | -0.17% | 1.89%  | 9.57%  | <b>28.72%</b>      |
| 2011                | 0.68% | 0.37%  | 1.99%  | -0.10% | -0.11% | -1.31% | -0.93% | -0.27% | -2.71% | 2.37% | -4.46% | -0.45% | -5.00% | <b>22.28%</b>      |
| 2012                | 3.87% | 2.14%  | -0.32% | 0.58%  | -0.66% | -0.33% | 0.13%  | 1.01%  | 0.04%  | 0.81% | 0.39%  | 1.05%  | 8.98%  | <b>33.26%</b>      |
| 2013                | 0.93% | 0.71%  | -0.60% | 0.22%  | 1.11%  | 0.85%  | 0.94%  | 0.46%  | 1.05%  | 1.45% | 2.20%  | 3.06%  | 13.04% | <b>50.64%</b>      |
| 2014                | 2.73% | 0.05%* |        |        |        |        |        |        |        |       |        |        | 2.77%* | <b>54.825%*</b>    |

## V. BGHL COMPOSITION

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

From 1 March 2014, BGHL is exposed to BG Fund up to approximately 104% of its net asset value. BGHL maximum possible exposure to BG Fund is 110% of its net asset value. In addition, BGHL has other investments.

### A. BG FUND

#### COMMENTARY AND HIGHLIGHTS

The Eurostoxx 50<sup>®</sup> ended February up 4.5% and stock market volatility decreased: the VDAX ended at 14.1%, down from 17.7% and the VStoxx<sup>®</sup> at 16.8%, down from 21.8%. The Crossover Series 20 finished at 257bps (59bps of tightening).

#### Volatility Strategies

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

Convertible bonds (excl. mandatories) contributed +4bps to the performance of the fund.

New issues amounted to €2.7bn. Corporates opportunistically sold new convertible bonds with low coupons and high premiums. Main buyers were again long only funds. Most new issues tend to richen quickly. As an example, Suez Environment issued a 0% coupon 2020 maturity bond with a 27% implied volatility which we deemed already expensive. The issue is now trading at 45% implied volatility.

It is worth noting that zero coupon structures were issued for the first time in a long time in the European CB market due to outright investors demand. We expect investment grade corporates to keep issuing zero coupon structures as long as cash available to outright investors remains abundant.

| Name                       | Ccy | Amount | Premium | Runner         | Initial : Cpn & Premium   | Grey   |
|----------------------------|-----|--------|---------|----------------|---------------------------|--------|
| Econocom 1% 2019           | EUR | 175    | 33.0%   | BNP, SG        | 2.50 - 3.0 & 28 - 33      | 101.50 |
| Acciona 3% 2019            | EUR | 450    | 32.5%   | CA, SG         | 2.25 - 3.0 & 32.5 - 37.5  | 99.50  |
| Golden Ocean 3.07% 2019    | USD | 200    | 32.5%   | BNP            | 2.75 - 3.375 & 30 - 35    | 100.50 |
| Steinhoff 4% 2021          | EUR | 465    | 30.0%   | BNP, Citi, Bar | 3.25 - 4 & 30 - 35        | 100.50 |
| CEZ / Mol 0% 2017          | EUR | 450    | 35.0%   | Bar, DB, SG    | 0 - 0.5 & 30 - 35         | 103.25 |
| Pierre & Vac 3.5% 2019     | EUR | 115    | 30.0%   | BNP, Nat, CA   | 2.75 - 3.5 & 30 - 35      | 100.00 |
| Maire Tec 5.75% 2019       | EUR | 100    | 35.0%   | Unicredit      | 4.875 - 5.875 & 35        | n/a    |
| Grand City                 | EUR | 150    | 27.5%   | JPM, DB        | 2.75 - 3.25 & 22.5 - 27.5 | n/a    |
| Suez Env 0% 2020           | EUR | 350    | 30.0%   | SG, GS, MS     | 0 - 0.75 & 25 - 30        | 103.00 |
| Solidium / Sampo 0% 2018   | EUR | 350    | 35.0%   | ML             | 0 - 0.5 & 27.5 - 35       | 101.00 |
| SAS 3.625% 2019            | SEK | 1,600  | 25.0%   | JPM            | 3.125 - 3.625 & 25 - 30   | 100.00 |
| St Modwen Prop 2.875% 2019 | GBP | 100    | 35.0%   | JPM            | 2.625 - 3.125 & 27.5 -35  | 100.50 |

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

Mandatory convertible bonds were almost flat this month. No new mandatory convertible bonds were issued in Europe this month.

##### **Gamma Trading**

Gamma trading was flat this month (+1bp). As equity strategies continued to pay a significant amount of theta to protect the fund, the gamma book was kept to a minimum.

Implied volatility was range bound this month. Premium over realized volatility remained high as the market rose 4.5%. We tried (unsuccessfully) to identify interesting situations around earnings.

We continue to monitor the situation in order to raise our gamma exposure, should our downside risk increase.

## Equity Strategies

Equity strategies contributed -81bps to the performance of the fund this month, giving back some of the previous month's outperformance.

In February, the earnings season was globally disappointing (only 42% of the earnings' were above analysts' consensus, the historical level being 49%), and stock moves erratic on announcement day. For instance, despite solid full-year results and an encouraging guidance for 2014, ArcelorMittal lost 7% in February on concerns around emerging markets and decreasing iron ore prices. We believe that these developments have not altered ArcelorMittal's investment case which relies on self-help measures at the company level (cost savings, deleveraging) and the expected European recovery. Mobistar also underperformed. While 2013 full-year results were slightly above consensus, 2014 EBITDA guidance disappointed and the stock lost 14.6% over the month.

We also suffered on KPN. The EU's top competition authority served a tough complaint against Telefonica's offer for E-Plus, KPN's German mobile unit, signalling that the deal would be blocked without big asset sales and concessions. As KPN and Telefonica repeatedly confirmed, we think remedies will be necessary to address these issues. We are confident that KPN and Telefonica will successfully negotiate acceptable remedies, which will be positive for the European telecom industry as a whole.

On a more positive note, the fund benefited from a small position on the Swedish truckmaker Scania. On 21 February, Volkswagen offered to acquire the outstanding shares that it did not already own, for \$9.2bn. This offer of 200 Swedish Kroner per share represented a 35% premium to the closing price on the day before the deal was announced. Our Vodafone position also performed well. When the company sold Verizon UK and paid a dividend, accounting for almost half of the market cap, many investors used the proceeds to buy Vodafone shares, thereby maintaining their exposure to the name.

Our financials portfolio suffered in February: banks used the 4Q results for a variety of balance sheet and litigation adjustments in the run up to the AQR and the stress test. These exceptional items lead to volatile market reactions. Our position in Barclays underperformed as investors became doubtful about the management's ability to deliver its announced restructuring plan, amidst lacklustre revenues in fixed income. Our position in Danske Bank performed strongly.

On some of our investments largely expressed through options, delta exposures mechanically reduced as options moved further out of the money; we selectively decided to increase some of these delta exposures at attractive levels. As previously mentioned, we continue to extensively use options to express our directional views and to pay approximately 1% of theta per month.

## Credit Strategies

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

Credit Long/Short strategies contributed +64bps this month. The European credit market was very well oriented this month. Early concerns over emerging markets were quickly erased in a market that still continues to benefit from strong "technicals" (low rates and volatility, relatively limited supply vs. redemptions, positive fund inflows) and from the anticipation that European Central Bank will continue to be accommodative in 2014. As a result, the Crossover Series 20 tightened by 59bps to close at the yearly tight of 257bp whereas the SubFin Index Series 20 tightened by 31bps, to close at 129bps.

The month was eventful with several positive catalysts on our Credit Long/Short special situations.

In particular our long position in Solocal HY bonds contributed 36bps. On 13 February, Solocal announced FY 2013 results as well as a refinancing plan. Solocal has proposed a capital increase of €440m to reduce its leverage against an extension of Solocal's outstanding bank debt. The capital increase is fully underwritten by five institutions including Boussard & Gavaudan. This agreement is conditional upon the approval of bank debt holders and shareholders. The process has been launched and should take around 3 months. Solocal net debt should be reduced to more acceptable level approx. €1.1bn, approx. 3x Net Debt/EBITDA. This announcement has been well received by the market so far, Solocal share price being up significantly. The HY bonds have also performed well, gaining around

15pts as a successful execution of the proposed plan would result in a significant improvement in the company's capital structure.

Our long positions in Groupama's hybrid bonds outperformed again this month. The rating agency Fitch upgraded the company's financial rating to BBB with a positive outlook on 11 February. The normalisation of their credit profile was further reinforced by their FY 2013 results announced on 20 February, which demonstrated the company's progress in restoring its financial health and profitability. Elsewhere, CMZB 5.321% Upper Tier 2 reacted positively to Commerzbank's FY 2013 results: while the instruments were trading flat of accrued, coupons will be due on the bonds as the company has confirmed they were German GAAP positive during the 2013 exercise. Finally the growing Additional Tier 1 (AT1) asset class continued to offer opportunities and outperformance in both primary and secondary markets.

High Yield primary issuance was subdued in February despite strong demand and inflows, demonstrated by the success of the few deals in the market. As an example, the inaugural €250m issuance from BB- retailer Darty attracted strong demand and rose by 3pts on launch.

### **Capital Structure Arbitrage**

February exhibited the same pattern as the second half of last year, with credit strongly outperforming equity. All our long credit/short equity trades were profitable. We took the opportunity of this mismatch between credit and equity to increase some of our long equity/short credit high conviction trades, especially on ArcelorMittal, while trading around other positions to extract value. The book remained well balanced. The strategy remained profitable thanks to active trading (+6bps).

As credit vs. equity relationships remain mostly macro driven, we continue to have a balanced portfolio and try to identify attractive opportunities with strong catalysts.

### **Trading**

Trading contributed +21bps this month.

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

On top of its investment in BG Fund, BGHL is invested into other investments.

### **Rasaland**

BGHL entered into Rasaland in June 2008 for \$10 million. Rasaland is a Maltese company structured as a private equity fund in terms of fees and organisation, dedicated to investing in land and high-end resort developments in Mexico. The EUR/USD exposure is hedged by an FX forward which is rolled on a 3 month basis.

### **GFI Informatique**

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

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

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

In addition, the Company has a direct equity investment in GFI Informatique (FR0004038099) representing approximately €8.2 million as of 28 February 2014.

As of 28 February 2013, the net asset value of the other investments outside BG Fund represents approximately 6% of the net asset value of BGHL.

## VI. BOUSSARD & GAVAUDAN ASSET MANAGEMENT UPDATE

### A. TRANSACTION IN THE COMPANY'S SECURITIES

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

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

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

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

### B. BGAM'S AUM

As of 1 March 2014, BGAM assets under management are at €1.43bn.

Sincerely,

E. Boussard & E. Gavaudan

| Investment Manager  |
|---|
| Boussard & Gavaudan Asset Management, LP<br>9-10 Savile Row London W1S 3PF, United Kingdom                                  |
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## VII. ANNEXES ON BG FUND

| Annex 1: Greeks                       |           |   |
|---------------------------------------|-----------|---|
| Delta                                 | 9.36%     | 9.36 bps P&L variation for market +1%           |
| Gamma                                 | 3.81%     | delta variation for market +1%                  |
| Vega                                  | 8 bps     | by vol point                                    |
| Vega with maturity weight (1/sqrt(T)) | 9 bps     | by vol point                                    |
| Theta                                 | -2 bps    | by day  |
| Optional theta                        | -3 bps    | by day  |
| Rho                                   | -0.43 bps | for 1 bp of interest rates increasing           |
| Credit sensitivity                    | -4 bps    | for 1% of credit spreads widening (in relative) |

| Annex 2: Performance Attribution *                          |                |
|---|----------------|
| <b>Volatility Strategies</b>                                | <b>5 bps</b>   |
| Mandatory convertible bond arbitrage                        | 0 bps          |
| Convertible bond arbitrage (incl. credit convertible bonds) | 4 bps          |
| Gamma trading   | 1 bps          |
| Warrant arbitrage   | 0 bps          |
| <b>Equity Strategies</b>                                    | <b>-81 bps</b> |
| Risk arbitrage / Special situations                         | -40 bps        |
| Long / short trading with short-term catalyst & Value       | -41 bps        |
| <b>Credit Strategies</b>                                    | <b>70 bps</b>  |
| Credit long / short   | 64 bps         |
| Capital structure arbitrage                                 | 6 bps          |
| <b>Trading</b>  | <b>21 bps</b>  |
| <b>Total</b>  | <b>16 bps</b>  |



| Annex 3: Equity at Risk                                     |               |
|---|---------------|
| <b>Volatility Strategies</b>                                | <b>10.1%</b>  |
| Mandatory convertible bond arbitrage                        | 2.8%          |
| Convertible bond arbitrage (incl. credit convertible bonds) | 7.1%          |
| Gamma trading   | 0.2%          |
| Warrant arbitrage   | 0.0%          |
| <b>Equity Strategies</b>                                    | <b>33.7%</b>  |
| Risk arbitrage / Special situations                         | 7.3%          |
| Long / short trading with short-term catalyst & Value       | 26.4%         |
| <b>Credit Strategies</b>                                    | <b>11.5%</b>  |
| Credit long / short   | 9.3%          |
| Capital structure arbitrage                                 | 2.2%          |
| Restructurings  | 0.0%          |
| <b>Trading</b>  | <b>2.7%</b>   |
| <b>Cash Equivalents</b>                                     | <b>3.1%</b>   |
| <b>Total</b>  | <b>61.10%</b> |

| Annex 4: Gross Exposure (in M€)                             |              |              |
|---|--------------|--------------|
| <b>Volatility Strategies</b>                                |              |              |
|   | Long         | 427          |
| Mandatory convertible bond arbitrage                        | Short equity | 312          |
|   | Short credit | -            |
|   | Long         | 179          |
| Convertible bond arbitrage (incl. credit convertible bonds) | Short equity | 38           |
|   | Short credit | 12           |
|   | Long         | 26           |
| Gamma trading   | Short        | 26           |
|   | Long         | -            |
| Warrant arbitrage   | Short        | -            |
|   |              |              |
| <b>Equity Strategies and Trading</b>                        |              |              |
| Equity strategies and Trading                               | Long         | 1,741        |
|   | Short        | 1,244        |
| <b>Credit Strategies</b>                                    |              |              |
| Credit long / short and Capital structure arbitrage         | Long         | 446          |
|   | Short        | 271          |
| <b>Restructurings</b>                                       |              |              |
| Restructurings  | Long         | 22           |
|   | Short        | -            |
| <b>Gross Exposure</b>                                       |              | <b>4,742</b> |

|   |   |  |
|---|---|--|
| Mandatory convertible bond arbitrage and Convertible bond arbitrage | <b>Long</b><br>$\sum$ market value long                           | <b>Short</b><br>$\text{Abs}(\sum[\text{delta equity} + \text{options}]) +$<br>$\sum$ notional long for CDS |
| Gamma Trading   | $\sum$ Abs (delta equity)   | $\sum$ Abs (delta equity)  |
| Warrant Arbitrage   | $\sum$ delta long   | $\sum$ Abs(delta short)  |
| Equity Strategies and Trading                                       | $\sum$ delta long   | $\sum$ Abs(delta short)  |
| Credit Strategies   | $\sum$ market value long +<br>$\sum$ Abs (notional short for CDS) | $\sum$ Abs(market value short) +<br>$\sum$ notional long for CDS   |

## Annex 5: Investment Manager's Track Record - Historical Returns Summary (Net of Fees) \*

### Euro A Share Class

| Year             | Jan    | Feb    | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep     | Oct    | Nov    | Dec    | YTD     | ITD <sup>(4)</sup> |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|--------|---------|--------------------|
| <b>Sark Fund</b> |        |        |        |        |        |        |        |        |         |        |        |        |         |                    |
| 2003             | -      | -      | 0.75%  | 0.76%  | 0.82%  | 1.04%  | 0.93%  | 1.06%  | 1.18%   | 1.55%  | 1.05%  | 0.17%  | 9.69%   | <b>9.69%</b>       |
| 2004             | 1.07%  | -0.12% | 1.03%  | 0.22%  | 0.14%  | -0.29% | -0.42% | -0.42% | -0.19%  | -0.49% | 1.18%  | 1.07%  | 2.81%   | <b>12.77%</b>      |
| 2005             | 1.70%  | 1.06%  | 1.09%  | -0.69% | 0.27%  | 1.27%  | 1.16%  | 0.50%  | 1.00%   | -0.44% | 0.71%  | 0.77%  | 8.70%   | <b>22.58%</b>      |
| 2006             | -0.18% | 1.56%  | 1.64%  | 0.86%  | -0.47% | 1.35%  | 0.40%  | 1.56%  | 2.73%   | 2.90%  | 2.34%  | 2.91%  | 18.99%  | <b>45.85%</b>      |
| 2007             | 3.14%  | 1.46%  | 4.67%  | 0.74%  | 1.39%  | -2.24% | 0.87%  | -2.20% | -0.31%  | 1.83%  | -2.15% | -1.24% | 5.85%   | <b>54.38%</b>      |
| 2008             | -2.08% | -0.01% | -2.35% | 1.10%  | 1.13%  | -2.33% | -1.39% | 0.21%  | -10.93% | -0.44% | -2.86% | 0.18%  | -18.58% | <b>25.69%</b>      |
| 2009             | 1.92%  | -0.28% | 0.90%  | 4.88%  | 4.10%  | 0.73%  | 1.99%  | 3.21%  | 3.48%   | 1.13%  | 0.22%  | 0.48%  | 25.13%  | <b>57.27%</b>      |
| <b>BG Fund</b>   |        |        |        |        |        |        |        |        |         |        |        |        |         |                    |
| 2010             | 1.26%  | 0.37%  | 1.60%  | 0.74%  | -1.49% | 0.74%  | 2.01%  | -0.34% | 0.62%   | 2.02%  | -0.14% | 1.85%  | 9.56%   | <b>72.31%</b>      |
| 2011             | 0.65%  | 0.38%  | 1.94%  | -0.09% | -0.07% | -1.27% | -0.95% | -0.24% | -2.86%  | 2.47%  | -4.50% | -0.49% | -5.08%  | <b>63.56%</b>      |
| 2012             | 4.01%  | 2.12%  | -0.28% | 0.47%  | -0.71% | -0.26% | 0.10%  | 1.03%  | -0.01%  | 0.84%  | 0.43%  | 0.17%  | 8.12%   | <b>76.84%</b>      |
| 2013             | 0.80%  | 0.65%  | -0.71% | 0.25%  | 1.17%  | 0.71%  | 0.99%  | 0.48%  | 1.11%   | 1.22%  | 1.97%  | 2.01%* | 11.17%* | <b>96.59%*</b>     |
| 2014             | 2.47%  | 0.13%* |        |        |        |        |        |        |         |        |        |        | 2.60%*  | <b>101.97%*</b>    |

### US Dollar A Share Class

| Year             | Jan    | Feb    | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep     | Oct    | Nov    | Dec    | YTD     | ITD <sup>(4)</sup> |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|--------|---------|--------------------|
| <b>Sark Fund</b> |        |        |        |        |        |        |        |        |         |        |        |        |         |                    |
| 2003             | -      | -      | 0.67%  | 0.70%  | 0.77%  | 0.94%  | 0.84%  | 0.97%  | 1.15%   | 1.46%  | 1.01%  | 0.15%  | 9.00%   | <b>9.00%</b>       |
| 2004             | 1.00%  | -0.17% | 0.96%  | 0.13%  | 0.07%  | -0.35% | -0.47% | -0.47% | -0.24%  | -0.59% | 1.16%  | 1.06%  | 2.08%   | <b>11.27%</b>      |
| 2005             | 1.66%  | 1.08%  | 1.09%  | -0.64% | 0.31%  | 1.30%  | 1.22%  | 0.62%  | 1.06%   | -0.32% | 0.81%  | 0.89%  | 9.45%   | <b>21.79%</b>      |
| 2006             | -0.01% | 1.64%  | 1.78%  | 1.08%  | -0.29% | 1.49%  | 0.56%  | 1.74%  | 2.83%   | 3.06%  | 2.64%  | 3.01%  | 21.29%  | <b>47.72%</b>      |
| 2007             | 3.19%  | 1.58%  | 4.82%  | 0.89%  | 1.45%  | -2.15% | 0.97%  | -2.12% | -0.22%  | 1.92%  | -2.13% | -1.17% | 6.97%   | <b>58.02%</b>      |
| 2008             | -2.12% | -0.07% | -2.57% | 1.02%  | 0.98%  | -2.52% | -1.50% | 0.21%  | -10.63% | 0.16%  | -2.97% | 0.22%  | -18.56% | <b>28.69%</b>      |
| 2009             | 1.71%  | -0.31% | 0.84%  | 4.87%  | 4.29%  | 0.72%  | 2.01%  | 3.26%  | 3.48%   | 1.11%  | 0.21%  | 0.46%  | 24.96%  | <b>60.81%</b>      |
| <b>BG Fund</b>   |        |        |        |        |        |        |        |        |         |        |        |        |         |                    |
| 2010             | 1.24%  | 0.36%  | 1.58%  | 0.73%  | -1.41% | 0.77%  | 2.16%  | -0.33% | 0.67%   | 2.05%  | -0.15% | 1.88%  | 9.92%   | <b>76.77%</b>      |
| 2011             | 0.65%  | 0.35%  | 1.93%  | -0.15% | -0.12% | -1.35% | -1.00% | -0.30% | -2.72%  | 2.56%  | -4.41% | -0.40% | -5.04%  | <b>67.86%</b>      |
| 2012             | 4.03%  | 2.13%  | -0.23% | 0.49%  | -0.66% | -0.26% | 0.14%  | 1.08%  | 0.01%   | 0.87%  | 0.46%  | 0.20%  | 8.49%   | <b>82.12%</b>      |
| 2013             | 0.84%  | 0.65%  | -0.69% | 0.28%  | 1.19%  | 0.73%  | 1.02%  | 0.48%  | 1.16%   | 1.23%  | 1.97%  | 2.01%* | 11.38%* | <b>102.85%*</b>    |
| 2014             | 2.41%  | 0.13%* |        |        |        |        |        |        |         |        |        |        | 2.54%*  | <b>108.34%*</b>    |

\* Estimated figures

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

## Annex 6: Macroeconomic Risks Through Stress Tests

### General Stress Tests

|    | Scenario                      | Description  | Impact<br>% of NAV |
|----|-------------------------------|--|--------------------|
| 1  | Delta - spot up               | Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0%         | 2.39%              |
| 2  | Delta - spot down             | Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%        | 1.16%              |
| 3  | Vega - vol up                 | Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%         | 0.17%              |
| 4  | Vega - vol down               | Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%        | -0.16%             |
| 5  | Credit spread widen           | Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%         | -0.61%             |
| 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%       | -0.33%             |
| 8  | Market crash 1                | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%      | 0.37%              |
| 9  | Market crash 2                | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%      | 3.39%              |
| 10 | Market crash 3                | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%     | 6.91%              |
| 11 | Market crash, rates down 1    | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -12.5%  | 0.41%              |
| 12 | Market crash, rates down 2    | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -12.5%  | 3.42%              |
| 13 | Market crash, rates down 3    | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -12.5% | 6.95%              |
| 14 | Market crash, rates up 1      | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 12.5%   | 0.33%              |
| 15 | Market crash, rates up 2      | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 12.5%   | 3.35%              |
| 16 | Market crash, rates up 3      | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 12.5%  | 6.88%              |
| 17 | Equity Credit decorrelation 1 | Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%         | 0.31%              |
| 18 | Equity Credit decorrelation 2 | Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%        | 0.46%              |
| 19 | Equity Credit decorrelation 3 | Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%       | 0.18%              |
| 20 | Equity Credit decorrelation 4 | Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%      | 0.89%              |
| 21 | Equity Credit decorrelation 5 | Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%     | 0.57%              |
| 22 | Equity Credit decorrelation 6 | Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%        | -0.44%             |
| 23 | Equity Credit decorrelation 7 | Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%       | <b>-0.77%</b>      |
| 24 | Market rally 1                | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%      | 1.48%              |
| 25 | Market rally 2                | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%        | 1.61%              |
| 26 | Market rally 3                | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%       | 1.76%              |
| 27 | Market rally 4                | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%     | 2.96%              |
| 28 | Market rally 5                | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%       | 3.08%              |
| 29 | Market rally 6                | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%      | 3.21%              |
| 30 | Market rally, Inflation 1     | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%   | 1.42%              |
| 31 | Market rally, Inflation 2     | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%     | 1.56%              |
| 32 | Market rally, Inflation 3     | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%    | 1.70%              |
| 33 | Market rally, Inflation 4     | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%  | 2.91%              |
| 34 | Market rally, Inflation 5     | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%    | 3.03%              |
| 35 | Market rally, Inflation 6     | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%   | 3.16%              |
| 36 | Market rally, Inflation 7     | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 25%     | 1.37%              |
| 37 | Market rally, Inflation 8     | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 25%       | 1.51%              |
| 38 | Market rally, Inflation 9     | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 25%      | 1.65%              |
| 39 | Market rally, Inflation 10    | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 25%    | 2.86%              |
| 40 | Market rally, Inflation 11    | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 25%      | 2.98%              |
| 41 | Market rally, Inflation 12    | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 25%     | 3.11%              |
|    | Worst                         |  | <b>-0.77%</b>      |

## Hedge Funds Liquidation Stress Tests

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

“ Small and mid caps adjustment

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

“ Risk arbitrage adjustment

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

“ Liquidity adjustment

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

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

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

|    | Scenario                      | Description  | Impact<br>% of NAV |
|----|-------------------------------|--|--------------------|
| 1  | Delta - spot up               | Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0%         | 4.60%              |
| 2  | Delta - spot down             | Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%        | -0.89%             |
| 3  | Vega - vol up                 | Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%         | 0.17%              |
| 4  | Vega - vol down               | Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%        | -0.16%             |
| 5  | Credit spread widen           | Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%         | -0.61%             |
| 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%       | -1.36%             |
| 8  | Market crash 1                | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%      | -2.17%             |
| 9  | Market crash 2                | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%      | -2.49%             |
| 10 | Market crash 3                | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%     | -1.92%             |
| 11 | Market crash, rates down 1    | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -12.5%  | -2.13%             |
| 12 | Market crash, rates down 2    | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -12.5%  | -2.46%             |
| 13 | Market crash, rates down 3    | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -12.5% | -1.88%             |
| 14 | Market crash, rates up 1      | Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 12.5%   | -2.21%             |
| 15 | Market crash, rates up 2      | Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 12.5%   | <b>-2.52%</b>      |
| 16 | Market crash, rates up 3      | Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 12.5%  | -1.95%             |
| 17 | Equity Credit decorrelation 1 | Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%         | 1.39%              |
| 18 | Equity Credit decorrelation 2 | Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%        | 1.53%              |
| 19 | Equity Credit decorrelation 3 | Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%       | 1.26%              |
| 20 | Equity Credit decorrelation 4 | Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%      | -0.14%             |
| 21 | Equity Credit decorrelation 5 | Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%     | -0.45%             |
| 22 | Equity Credit decorrelation 6 | Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%        | -0.44%             |
| 23 | Equity Credit decorrelation 7 | Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%       | -0.77%             |
| 24 | Market rally 1                | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%      | 2.55%              |
| 25 | Market rally 2                | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%        | 2.69%              |
| 26 | Market rally 3                | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%       | 2.83%              |
| 27 | Market rally 4                | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%     | 5.18%              |
| 28 | Market rally 5                | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%       | 5.29%              |
| 29 | Market rally 6                | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%      | 5.42%              |
| 30 | Market rally, Inflation 1     | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%   | 2.50%              |
| 31 | Market rally, Inflation 2     | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%     | 2.63%              |
| 32 | Market rally, Inflation 3     | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%    | 2.78%              |
| 33 | Market rally, Inflation 4     | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%  | 5.12%              |
| 34 | Market rally, Inflation 5     | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%    | 5.24%              |
| 35 | Market rally, Inflation 6     | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%   | 5.37%              |
| 36 | Market rally, Inflation 7     | Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 25%     | 2.45%              |
| 37 | Market rally, Inflation 8     | Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 25%       | 2.58%              |
| 38 | Market rally, Inflation 9     | Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 25%      | 2.73%              |
| 39 | Market rally, Inflation 10    | Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 25%    | 5.07%              |
| 40 | Market rally, Inflation 11    | Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 25%      | 5.19%              |
| 41 | Market rally, Inflation 12    | Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 25%     | 5.31%              |
|    | Worst                         |  | <b>-2.52%</b>      |

| Annex 7: IFRS 7 Classification as of 28 February 2014 |                |                     |
|---|----------------|---------------------|
|   | % of NAV       | Number of positions |
| <b>Assets</b>   |                |                     |
| Level 1   | 55.62%         | 238                 |
| Level 2   | 36.30%         | 522                 |
| Level 3   | 5.40%          | 13                  |
| Cash & cash equivalents                               | 53.76%         | 4                   |
| <b>Total Assets</b>                                   | <b>151.08%</b> | <b>777</b>          |
| <b>Liabilities</b>                                    |                |                     |
| Level 1   | -49.95%        | 97                  |
| Level 2   | -1.13%         | 66                  |
| Level 3   | 0.00%          | 1                   |
| <b>Total Liabilities</b>                              | <b>-51.08%</b> | <b>164</b>          |
| <b>Total Assets + Liabilities</b>                     | <b>100.00%</b> | <b>941</b>          |

|  | % of NAV      |
|--|---------------|
| • Encumbered cash and cash equivalents     |               |
| - Cash - Derivatives Clearing Organisation | 1.79%         |
| - Cash - Counterparties                    | -0.13%        |
| - Money market fund                        | 3.04%         |
| - Cash covering a short market value       | 7.58%         |
| • Unencumbered cash and cash equivalents   |               |
| - Cash covering a short market value       | 40.63%        |
| - Short-term papers < 90 days              | 0.87%         |
| - Excess cash                              | 0.00%         |
| <b>Total Cash and cash equivalents</b>     | <b>53.77%</b> |

## 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.

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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.

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VC 06.11.12.02