

## FEbruary 2020 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 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 financial assets selected by the Investment Manager. BGHL aims to generate a target NAV annualized return of Euribor + 400/600 bps over the business cycle, net of all fees.



### III. SHARE INFORMATION as of 29 February 2020

Net Asset Value (NAV)	Euro share	Sterling share
Estimated NAV*	€ 23.7747	£21.2675
Estimated month to date return*	2.68%	2.16%
Estimated year to date return*	3.82%	3.06%
Estimated inception to date return*	137.75%	112.68%

Market information	Amsterdam (AEX)	London (LSE)
EUR share Market close	€ 17.75	-
EUR share Premium / discount to estimated NAV	-25.34%	-
Sterling share Market close	-	£15.26
Sterling share Premium / discount to estimated NAV	-	-28.25%

Transactions in own securities purchased into treasury	Euro share	Sterling share
Number of shares	271,923	-
Average Price	€ 17.65	-
Range of Price	-	-

Ordinary Shares	Euro share	Sterling share
Shares issued	14,679,678	398,542
Shares held in treasury	271,923	0
Shares outstanding	14,407,755	398,542

	BGHL
Total value of the investments of BGHL based on the estimated NAV for the shares outstanding	€ 352 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	€ 263 million

\* Estimated numbers, net of fees. The data is not audited.

#### 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
<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%	<b>37.99%</b>
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%	-0.01%	-0.74%	1.62%	1.53%	-0.58%	0.08%	0.52%	-1.08%	-0.93%	3.16%	0.37%	6.85%	<b>78.59%</b>
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%	<b>106.55%</b>
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%	<b>121.45%</b>
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%	<b>134.46%</b>
2018	0.70%	1.34%	-0.60%	-0.58%	0.03%	-0.25%	-2.92%	0.18%	0.49%	-2.35%	-1.40%	-0.88%	-6.15%	<b>120.05%</b>
2019	-0.41%	-0.58%	1.04%	-0.76%	0.59%	0.95%	1.92%	1.57%	-1.66%	-0.54%	0.79%	1.14%	4.07%	<b>128.99%</b>
2020	1.12%	2.68%*											3.82%*	<b>137.75%*</b>
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
<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%	-0.81%	1.60%	1.43%	-0.65%	0.04%	0.43%	-1.08%	-1.00%	2.46%	0.14%	5.29%	<b>58.61%</b>
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%	<b>80.95%</b>
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%	<b>94.40%</b>
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%	<b>107.08%</b>
2018	0.76%	1.41%	-0.54%	-0.50%	0.09%	-0.19%	-2.78%	0.28%	0.58%	-2.23%	-1.29%	-0.79%	-5.14%	<b>96.44%</b>
2019	-0.29%	-0.47%	1.14%	-0.64%	0.68%	1.05%	2.06%	1.65%	-1.44%	-0.42%	0.89%	0.78%	5.05%	<b>106.36%</b>
2020	0.88%	2.16%*											3.06%*	<b>112.68%*</b>

\* Estimated numbers, net of fees. The data is not audited.

## V. BGHL COMPOSITION

BGHL is invested in BG Fund (net of an amount retained by BGHL for working capital and other requirements).

As of 2 March 2020, 98.90% of BGHL net asset value is invested in BG Fund. BGHL has a maximum exposure limit to BG Fund of 110%. The remained BGHL net asset value is made up of direct investment and cash.

### A. BG FUND

European equity markets dropped dramatically in the last week of February along with other global equity indices due to rapidly escalating Coronavirus fears. The Eurostoxx 50 © finished the month down -8.6%. Volatility increased materially with VStoxx© finishing the month at 42.2%, up from 17.2% and credit spreads widened significantly with iTraxx Crossover (S32) © ending February at 303bps (72bps wider for the month).

In this market context, BG Fund performed very well, delivering a return of +2.21% in February (USD A share class), with positive contributions from Equity, Trading and Volatility strategies.

#### Volatility strategies

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

Mandatory convertible bonds had a flat contribution this month. Secondary flows were limited and there were no primary market issues.

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

Convertible bond contribution (excl. mandatories) to the performance of the fund was -3bps in February. Coronavirus fears drove convertible bond valuations slightly lower in a context of limited flows. There were no new issues.

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

Realised volatility vs implied forward at the end of January\*:

	30d Implied vol level on 31/01/20	Realised vol over the month	Difference
US	18.84	25.87	7.03
EUROPE	17.15	27.35	10.20

Variation of implied volatilities during February \*:

	Mar. Vol Index Fut as of 31/01/20	Mar. Vol Index Fut as of 28/02/20	Vol move
US	17.73	26.33	8.60
Europe	15.55	26.60	11.05

Volatility strategies contributed positively to the performance of the fund in February delivering +12bps.

After three weeks in a bullish tone at the start of the month with low realised volatility, in the final week of February risk off sentiment surged, primarily triggered by fear of a coronavirus pandemic.

Equities markets sold off aggressively, and risky assets generally suffered as the mood turned cautious. At first the sell-off started with no real panic, with volatility moving in line with the already steep skew priced into most markets. However, as the selloff accelerated, volatility rapidly started to exceed what the skew had previously priced in.

Volatility curves are now inverted, with a lack of supply causing front month volatility to spike while at the long end of the curve overhang from structured product activity continues to suppress the rise in volatility.

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\* Source: Bloomberg

Our portfolio has reacted well to this significant shift. The increase in realised and implied vol helped us to monetise our long gamma, while positions we used to hedge against a lack of volatility were not majorly impacted.

### ***Warrant arbitrage***

Warrant arbitrage contributed +1bp this month.

### **Equity strategies**

In February, the equity portfolio delivered a return of +143bps. The portfolio benefited from a number of factors including its defensive positioning, idiosyncratic events and some good positioning into results, with a primary differentiator on performance in such a challenging month being the long gamma profile.

The first part of the month was marked with a return of corporate activity which saw Alstom buying the rail business of Bombardier, Wordline buying Ingenico, Intesa approaching UBI Banca, and Covea in talks to buy PartnerRe.

The portfolio benefited in particular from its position in Worldline. We used the opportunity of an initially cautious reaction to the deal announcement and took advantage of a stock placement by ATOS to increase our position. The stock quickly re-rated significantly, as the market realised the merits and the accretive value in the deal, finishing the month up 8% and outperforming the Eurostoxx 50 © by 17%.

Our exposure to the utility sector contributed positively as well, with our investment in EDF finally started to deliver as the value from improvements in regulation and the benefits of the group reorganization have become more and more apparent.

The portfolio reacted positively to the sell-off in the last week of the month, thanks to its defensive positioning and to systematic use of gamma. The long gamma profile delivered a slightly negative beta for most of the down move and we used this opportunity to selectively increase some of our key convictions.

Financials contributed positively, also benefiting from a significant long gamma position. Interestingly, February saw the emergence of activism in multiple insurance names, most notably for us on Prudential where Third Point declared a stake asking for a split of the business. We witnessed as well the first unsolicited takeover offer at a premium among Eurozone banks (Intesa Sanpaolo bidding on UBI Banca in Italy) since the ABN Amro takeover in 2007. The regulatory environment seems to have become more generally conducive for corporate action among banks.

### **Credit strategies**

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

Capital Structure Arbitrage had a flat contribution this month. The last week of February was volatile however market liquidity constrained initiation of new trades.

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

Credit long / short had a flat contribution this month. After a strong market at the beginning of year and into February, driven by inflows into the asset class and strong primary activity, credit markets sold off in the last week of February in line with the general risk-off mode sparked by the coronavirus outbreak outside China.

While investment grade relatively held up relatively well, helped by the move downward in rates, high yield and subordinated financials suffered the most, stopping the compression trends (high yield vs investment grade, peripherals vs. core) that we have been observing since the beginning of the year. Indices like Crossover, having tightened over early February, widened almost 100bps in the last week of the month. Flows on the cash side were more limited: away from ETF flows, most market participants were on the sideline waiting for better visibility to adjust their portfolios. There were limited idiosyncratic moves to report on our portfolio with the exception of Solocal bonds that reacted positively to full year results.

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

Credit special situations contributed -10bps.

## Trading

Trading contributed +77bps in February, mainly driven by the Equity Quantitative strategy, and to a lesser extent by the Systematic Trend Following and Trading Macro.

Equity markets were continuing to trend higher until the last week of the month when they experienced losses of more than 10% on both the Eurostoxx 50 © and the S&P 500 ©. The first weeks of the month were very positive for Equity Quantitative strategy which benefited from passive inflows into its underlying holdings, and the strategy performed strongly by historical standards, despite defensive positioning. Our observation was that these inflows led to a worrying crowdedness in the underlying names and we significantly reduced the risk allocation of the strategy even further. During the last week of the month, the strategy was flat, as some of the best performers and defensive names in the portfolio started being sold.

With regard to the Systematic Trend Following strategy, February was interesting as it highlighted the benefits of a well-balanced CTA portfolio. The portfolio, long on both bonds and stock indices, capitalized on the general bull market in the first part of the month, and when the stock market faltered, the interest rates/bond positions acted as a hedge, and benefited from a significant bias toward short-term interest rates. In the context of a balanced and diversified portfolio, currencies and commodities also played their part: a strong US dollar benefited most of our currency positions, long positions in gold, silver and palladium appreciated, while our short energy contracts profited in sync with the stock market.

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

On top of its investment in BG Fund, BGHL has other investments. As of 29 February 2020, the net asset value of these investments represents about 1.30% 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 and a minority interest in the publicly-traded company RLH Properties (ticker: RLHA:MM). RLI announced that it has received an offer for RLH Properties. The sale of this significant asset is still conditional.

Pending completion of the RLH sale, the current value of the investment in RLI is kept unchanged by BGIM. The December 2019 NAV of RLI is lower than the preceding December 2018 NAV because RLI is valuing RLH based on the agreed transaction price in the pending sale of RLH. The discount applied by BGIM to the latest NAV of RLI is accordingly reduced from 50% to 44.79%.

## **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 2 March 2020, BG Fund assets under management are €2.48bn.

Sincerely,

E. Boussard and E. Gavaudan

Investment Manager

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## VII. ANNEXES ON BG FUND

Annex 1: Greeks	
Delta	4.1% 4.1 bps P&L variation for market +1%
Gamma	1.4% delta variation for market +1%
Vega	17 bps by vol point
Theta	-38 bps by 30 days
Optional theta	-46 bps by 30 days
Rho	-2.3 bps for 1 bp of interest rates increasing
Credit sensitivity	-0.4 for 1% of credit spreads widening (in relative)

Annex 2: Performance Attribution *	
<b>Volatility Strategies</b>	<b>11 bps</b>
Mandatory convertible bond arbitrage	0 bps
Convertible bond arbitrage (incl. credit convertible bonds)	-3 bps
Volatility trading	12 bps
Warrant arbitrage	1 bps
<b>Equity Strategies</b>	<b>143 bps</b>
Risk arbitrage / Special situations	19 bps
Long / short trading with short-term catalyst & Value	123 bps
<b>Credit Strategies</b>	<b>-10 bps</b>
Credit long / short	0 bps
Capital structure arbitrage	0 bps
Credit special situations	-10 bps
<b>Trading</b>	<b>77 bps</b>
<b>Total</b>	<b>221 bps</b>

Annex 3: Equity at Risk	
<b>Volatility Strategies</b>	<b>3.7%</b>
Mandatory convertible bond arbitrage	1.0%
Convertible bond arbitrage (incl. credit convertible bonds)	1.0%
Volatility trading	0.4%
Warrant arbitrage	1.2%
<b>Equity Strategies</b>	<b>35.8%</b>
Risk arbitrage / Special situations	15.4%
Long / short trading with short-term catalyst & Value	20.5%
<b>Credit Strategies</b>	<b>11.6%</b>
Credit long / short	11.0%
Capital structure arbitrage	0.0%
Credit special situations	0.5%
<b>Trading</b>	<b>6.9%</b>
Quantitative equity trading	3.0%
Systematic trend following	1.6%
Index Rebalancing Arbitrage	0.4%
Trading using A.I	0.1%
Other	1.8%
<b>Cash Equivalents</b>	<b>0.8%</b>
<b>Total</b>	<b>58.8%</b>

\* Monthly estimated figures for USD A share class, net of fees. The data is not audited.



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

<b>Volatility Strategies</b>		
	Long	18.4%
Mandatory convertible bond arbitrage	Short equity	17.7%
	Short credit	0.0%
	Long	4.8%
Convertible bond arbitrage (incl. credit convertible bonds)	Short equity	0.8%
	Short credit	0.0%
	Long	12.3%
Volatility trading	Short	12.4%
	Long	3.0%
Warrant arbitrage	Short	0.0%
	<b>Equity Strategies</b>	
Risk Arbitrage / Special Situations	Long	54.9%
	Short	34.8%
Long / Short trading with short-term catalyst / Value	Long	77.8%
	Short	73.5%
<b>Credit Strategies</b>		
Credit long / short	Long	16.4%
	Short	3.5%
Capital structure arbitrage	Long	0.0%
	Short	0.0%
Credit special situations	Long	0.3%
	Short	0.0%
<b>Trading</b>		
Quantitative equity trading	Long	14.7%
	Short	14.3%
Systematic trend following	Long	38.9%
	Short	7.2%
Index Rebalancing Arbitrage	Long	1.9%
	Short	1.8%
Trading using A.I	Long	1.2%
	Short	2.3%
Other	Long	20.2%
	Short	11.9%
<b>Gross Exposure</b>		<b>445.0%</b>

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

## 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%	0.42%	0.56%	-1.74%	-1.04%	-0.48%	-2.80%	<b>165.33%</b>
2019	-0.10%	-0.28%	1.19%	-0.42%	0.82%	1.13%	1.69%	1.34%	-1.03%	-0.19%	0.80%	0.79%	5.87%	<b>180.91%</b>
2020	0.91%	2.21%*											3.13%*	<b>189.70%*</b>
													<b>Annualized Net Return</b>	<b>6.46%*</b>

\* Estimated numbers, net of fees. The data is not audited.

From March 2003 to Oct 2010, the fund was named Sark Fund before being renamed as BG Fund. No change took place in investment manager, strategies, or fee structure. Performance above is dividends reinvested and net of all fees.

## EUR A Share Class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD (4)
<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%	1.19%	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%	0.18%	0.46%	-2.14%	-1.27%	-0.78%	-5.49%	<b>143.11%</b>
2019	-0.36%	-0.52%	0.96%	-0.69%	0.55%	0.88%	1.79%	1.45%	-1.51%	-0.48%	0.83%	0.71%	3.62%	<b>151.89%</b>
2020	0.95%	2.32%*											3.29%*	<b>160.18%*</b>
													<b>Annualized Net Return</b>	<b>5.78%*</b>

## GBP A Share Class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
<b>BG Fund</b>														
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%	0.29%	0.56%	-2.03%	-1.14%	-0.69%	-4.44%	<b>3.25%</b>
2019	-0.24%	-0.41%	1.06%	-0.58%	0.66%	0.99%	1.92%	1.47%	-1.29%	-0.36%	0.92%	0.75%	4.94%	<b>8.35%</b>
2020	0.84%	2.22%*											3.08%*	<b>11.69%*</b>
													<b>Annualized Net Return</b>	<b>3.38%*</b>

\* Estimated numbers, net of fees. The data is not audited.

From March 2003 to Oct 2010, the fund was named Sark Fund before being renamed as BG Fund. No change took place in investment manager, strategies, or fee structure. Performance above is dividends reinvested and net of all fees.

## General Stress Tests

	Scenario	Description	Impact % of NAV
1	Delta - spot up	Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0	1.56%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0	0.42%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0	0.25%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0	-0.23%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0	-0.52%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0	0.56%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0	-0.21%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0	-0.18%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0	0.68%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0	1.81%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -0.5	0.94%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -0.5	1.67%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -0.5	2.70%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0.5	-0.89%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0.5	-0.02%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 1	0.60%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0	-0.04%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0	0.27%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0	-0.34%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0	0.78%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0	0.44%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0	-0.28%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0	-0.75%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0	0.74%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0	1.04%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0	1.32%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0	1.73%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0	2.02%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0	2.31%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	0.04%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0.5	0.34%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0.5	0.65%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	1.19%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 1	0.87%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 1	1.22%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 1	-0.64%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 1	-0.34%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 2	-1.32%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 2	-0.74%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 2	-0.39%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 2	-0.03%
	<b>Worst</b>		<b>-1.32%</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, Mid and Large caps adjustment

In certain market conditions, 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, mid and large caps respectively. Since April 2019, the corrective factors have been calibrated on the amplitude of the stresses by looking at worst historical scenario since 1987.

	-5%	-10%	-20%	-30%
<b>Small (&lt;1bn)</b>	2.00	1.75	1.50	1.30
<b>Mid (1bn-5bn)</b>	1.50	1.50	1.25	1.20
<b>Large (5bn-20bn)</b>	1.20	1.15	1.10	1.05
<b>Mega (&gt;20bn)</b>	1.00	1.00	1.00	1.00

- 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 = Max(Shifted Price – 5% \* Max(Credit spread shift – 25%, 0), Parity)

Others : Adj. price = Max(Shifted Price – 5% \* Max(Credit spread shift – 25%, 0), 0)

	Scenario	Description	Impact % of NAV
1	Delta - spot up	Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0	2.41%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0	-4.48%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0	0.25%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0	-0.23%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0	-0.52%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0	0.56%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0	-2.67%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0	-5.04%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0	-9.40%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0	-11.43%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -0.5	-3.92%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -0.5	-8.28%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -0.5	-10.32%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0.5	-5.75%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0.5	-10.10%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 1	<b>-12.80%</b>
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0	0.49%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0	0.80%
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	-1.68%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0	-2.02%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0	-0.28%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0	-0.75%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0	1.25%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0	1.49%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0	1.74%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0	2.58%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0	2.86%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0	3.15%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	0.57%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0.5	0.87%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0.5	1.18%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	2.03%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 1	1.78%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 1	2.06%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 1	-0.11%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 1	0.19%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 2	-0.79%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 2	0.32%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 2	0.66%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 2	1.02%
	<b>Worst</b>		<b>-12.80%</b>

**Annex 7: IFRS 13 Classification as of 31 December 2019**

	<b>% of NAV</b>	<b>Number of positions</b>
<b>Assets</b>		
Level 1	48.6%	159
Level 2	18.4%	1507
Level 3	11.8%	87
Cash & cash equivalents	47.1%	37
<b>Total Assets</b>	<b>125.8%</b>	<b>1790</b>
<b>Liabilities</b>		
Level 1	-23.3%	142
Level 2	-2.6%	74
<b>Total Liabilities</b>	<b>-25.8%</b>	<b>216</b>
<b>Total Assets + Liabilities</b>	<b>100.0%</b>	<b>2006</b>

	<b>% of NAV</b>
• Encumbered cash and cash equivalents	
- Cash - Derivatives Clearing Organisation	3.8%
- Cash - Counterparties	0.3%
- Money market fund	2.9%
- Cash covering a short market value	0.0%
• Unencumbered cash and cash equivalents	
- Cash covering a short market value	29.5%
- Short-term papers < 90 days	10.6%
- Excess cash	0.0%
<b>Total Cash and cash equivalents</b>	<b>47.1%</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%	98%
Gross method	200%	99%

## Important Information

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 have 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 investments are subject to risk;
- past performance is not a reliable indicator 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.
- any reference to individual investments within this document should not be taken as a recommendation to buy or sell.

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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