

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
**Boussard & Gavaudan Holding Limited**

For the year ended 31 December 2019

# **Boussard & Gavaudan Holding Limited**

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**For the year ended 31 December 2019**

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**Boussard & Gavaudan Holding Limited**  
**Management and Service Providers**  
**For the year ended 31 December 2019**

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**Directors**

Andrew Henton (Chairman)  
Andrew Howat  
Sylvie Sauton

*(Directors are non-executive and independent for the purpose of LR15.2.12-A)*

**Investment Manager**

Boussard & Gavaudan Investment Management LLP  
One Vine Street  
London, W1J 0AH  
United Kingdom

**Legal Advisors**

**(English and United States law)**  
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**Legal Advisors**

**(Dutch law)**  
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The Netherlands

**Legal Advisors**

**(Guernsey law)**  
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Guernsey GY1 4BZ

**Independent Auditor**

Ernst & Young LLP  
Royal Chambers  
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**Administrator, Corporate Secretary and  
registered address**

JTC Fund Solutions (Guernsey) Limited  
Ground Floor  
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St Peter Port  
Guernsey GY1 2HT

**Sub-Administrator**

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**Registrar and CREST Service Provider**

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**Euroclear Nederland  
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Proxy & Conversion Agent  
F. Van Lanschot Bankiers N.V**

**Listing Agent**

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For the latest information: <https://www.bgholdingltd.com/index.php>

# **Boussard & Gavaudan Holding Limited**

## **Glossary of Terms**

**For the year ended 31 December 2019**

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Described below are the legal entities underlying funds, management companies, as well as some other commonly used terms and their acronyms or defined terms used within this report.

### **Management companies**

BGIM / Investment Manager      Boussard & Gavaudan Investment Management LLP

### **Funds**

BGHL / the Company      Boussard & Gavaudan Holding Limited  
Umbrella Fund      BG Umbrella Fund PLC  
BGF      BG Fund (a sub-fund of the Umbrella Fund)  
Master Fund      BG Master Fund ICAV  
The Dublin Fund      BG Eire Fund ICAV

### **Commonly used terms**

AIFMD      The Alternative Investment Fund Managers Directive, Directive 2011/61/EU  
AIFM      Alternative Investment Fund Manager for the purposes of the AIFMD  
AIF      Alternative Investment Fund for the purposes of the AIFMD  
AIFMD Regulations      The Alternative Investment Fund Managers Regulations 2013 made by H.M. Treasury in the United Kingdom  
Board      The Board of Directors  
Code      The UK Corporate Governance Code, 2018 published by the UK's Financial Reporting Council  
Companies Law      The Companies (Guernsey) Law, 2008, as amended  
EONIA      Euro Overnight Index Average (Euro benchmark based on interbank lending)  
Exane      Exane BNP Paribas  
NAV      Net asset value  
Year      The year ended 31 December 2019  
IFRS      International Financial Reporting Standards (as adopted by the European Union)  
AFM      Authority for the Financial Markets  
AUM      Assets Under Management  
Financial Statements      Financial Statements for the year ended 31 December 2019

# **Boussard & Gavaudan Holding Limited**

## **Chairman's Statement**

### **For the year ended 31 December 2019**

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Dear Shareholders,

I am pleased to present to you the Annual Report and Audited Financial Statements of BGHL for the Year. The objective of the Company remains the delivery of consistent and uncorrelated growth in net asset value over the course of an economic cycle.

Since the financial year end, the rapid development of the COVID-19 virus into a global pandemic has cast a shadow over the lives of millions, if not billions. The disease has had an inevitable impact on the financial markets within which the Company is active and hence it derives its returns. Whilst the defensive nature of the Company's investment strategy and approach are expected to afford investors with considerable downside protection, the Board is very conscious of the human impact and fully recognises that the health and wellbeing of all Company stakeholders, their staff and families are of the utmost importance.

#### **2019 Corporate Action**

The Company's shares have traded at a wide discount to NAV for many years, and in July 2019 your Board signalled its intention to restructure the Company with a view to delivering a practical mechanism by which Shareholders could, over time, realise value closer to (or at) NAV. After extensive consultation with Shareholders, proposals were made on 8 October 2019 affording Shareholders the option either to remain invested with the Company, or to exchange their shares for an interest in a new, open ended Dublin based fund. The Dublin fund, which whilst managed by BGIM is independent of BGHL, offered investors the opportunity to redeem their interests at net asset value over a 24 month period following an initial three year lock up.

Recognising that not all BGHL Shareholders could hold an illiquid, unlisted instrument, the Board also undertook to implement additional measures intended to address the trading discount to NAV. In particular this included a commitment to resuming the share buyback programme and more concerted marketing efforts in support of the Shares. The Investment Manager and its connected persons committed to exchange such number of shares in BGHL for new units in the Dublin fund so as to reduce their combined level of interest in BGHL from approximately 28% to no more than 15%, providing scope for BGHL to execute its buyback policy with out the concert party holding exceeding 30%.

At an Extraordinary General Meeting on 30 October 2019, Shareholders representing just under 79% of the issued share capital voted on the proposals, with 86.99% of those voting Shareholders supporting them. Subsequently, elections were received to exchange 47.25% of BGHL's shares into the new fund.

Following the corporate action, as at 30 November 2019 the aggregate number of shares in issue was 15,503,220 (inclusive of treasury shares). The Total Expense Ratio (excluding variable performance fees) is projected to rise only marginally from 158bps to 170bps, reflecting the fact that the fixed operating costs of the Company are relatively low. This notwithstanding, the size of the Company and its viability will be kept under ongoing review.

In November 2019, the Company announced the intention to make monthly redemption requests to BG Fund in order to provide the necessary funds to repurchase up to approximately 1% to 1.5% of its issued share capital each month and the buyback programme was resumed in December 2019. As at the date of publication, the Company has repurchased 706,009 shares at an average discount to NAV of 24.3%. This represents circa 4.5% of the AUM as at 31 December 2019, and the Board (subject to prevailing market conditions and ongoing shareholder approval) is committed to aggregate repurchases of up to circa 15% of issued share capital per annum going forwards. At prevailing levels of discount the buyback programme is highly accretive for Shareholders, and as the supply of Shares from sellers is taken up, the hope and expectation is that the discount to NAV will narrow.

The Board has also commenced the process of updating the Company's outward facing presence to prospective and existing investors. This will include a relaunch of the website during 2020, including richer content to better explain investment performance which will support future marketing efforts. We are also working closely with Winterflood to broaden interest in the Company.

As at 30 June 2019 the prevailing share price discount to NAV for the Euro shares was 28.3%. As at 8 April 2020, being the latest practicable date prior to publication, the discount was 33.8%. Following the corporate action and resumption of the Share buyback programme, the level of discount did fall briefly to circa 20%. It has more recently again increased as the COVID19 pandemic has developed. The Board is currently targeting a reduction in the level of the discount to 15% or less.

The Board is appreciative of the active engagement shown by Shareholders over the past nine months. The Directors have sought to accommodate as many of the suggestions and requests received as possible, whilst remaining necessarily cognisant of the fact that the Shareholder constituency has been diverse and contained a broad range of differing objectives. The Shareholder base within BGHL is now much more homogenous, which we expect to assist in the process of consensus building around the future strategy for the Company.

# **Boussard & Gavaudan Holding Limited**

## **Chairman's Statement**

### **For the year ended 31 December 2019**

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#### **Investment performance**

The Investment Manager is targeted with delivering an average annualised growth in NAV over a full business cycle of 400 to 600 bps (net of all fees) to the “risk free” rate (for which capitalised EONIA is used as a proxy). To achieve this the Master Fund, in which BGHL is substantially invested, pursues a variety of strategies which seek to exploit identified price arbitrage opportunities. Downside risk is mitigated by hedging positions, the cost of which is factored into return projections and decision making around which ideas to pursue. In this way the Investment Manager seeks to maintain a broadly market neutral position at portfolio level. At inception in 2006 the risk free rate was circa 2.5% and target returns were circa 10% per annum. Since this date, interest base rates have fallen and are now at or close to zero. The target rate of NAV appreciation has reduced accordingly to circa 6.0% per annum.

Over the past five years BGHL has delivered annualised NAV appreciation of 5.09% (Euro Share), against a capitalised EONIA average of (0.31)%. During this period, the level of Beta correlation between NAV appreciation and the Eurostoxx 50 Total Return was only 0.026. This very low level of Beta correlation reflects the deliberate market neutral positioning. Over the same period the Master Fund delivered a Sharpe ratio of 1.51, indicating relatively higher returns compared to underlying volatility (or the level of risk in the portfolio). The Board believes that these figures underpin the attractiveness of BGHL to investors, namely its role in portfolio diversification by generating returns uncorrelated to conventional “long only” funds.

With capitalised EONIA currently negative, target annual returns for the fund are circa 4-6%. NAV appreciation over the Year was 4.05% (Euro Share), which was at the bottom end of the target performance range. Whilst the Company has outperformed Hedge Fund indices over the past five years, it underperformed the HFRX Global Index and HFRX Equally Weighted Strategies in 2019. Notwithstanding the relative short term underperformance, the Board remains confident in the ability of the Investment Manager's disciplined investment approach to generate target levels of return. A regular dialogue is maintained with the Investment Manager on how best to maintain and to deliver those returns.

#### **COVID-19**

With the spread of COVID-19 assuming pandemic status since the end of the financial reporting period, the Board has sought to assess the likely impact of the resultant market volatility on the Company and its service providers. The Investment Manager has enacted its business continuity plan and is conducting operations with the majority of employees working from home. The Master Fund's low level of Beta correlation is expected to afford investors with attractive downside protection, and confirmations have been sought from service providers that measures have been put in place that will allow service levels and controls to be maintained notwithstanding requirements for social distancing. The situation both operationally and financially will continue to be actively monitored in conjunction with the Investment Manager.

With regard to the review of the business, performance, allocation and risk analysis, I refer you to the Investment Manager's Report and Financial Highlights. In addition, I refer you to the Directors' Report, which describes BGHL's corporate governance systems. As an investment company with no employees, the Board considers its core stakeholder constituency to be its Shareholders.

For your continuing information, BGHL publishes on its website ([www.bgholdingltd.com](http://www.bgholdingltd.com)) daily and monthly NAVs and monthly newsletters based on data provided to it by the Sub-Administrator and the Investment Manager.

On behalf of the Board, I would like to thank you once again for your continued support. The Board intends to continue liaising closely with Shareholders over the course of the next 12 months as part of the discount management programme.



Andrew Henton  
Chairman

21 April 2020

# Boussard & Gavaudan Holding Limited

## Investment Manager's Report and Financial Highlights

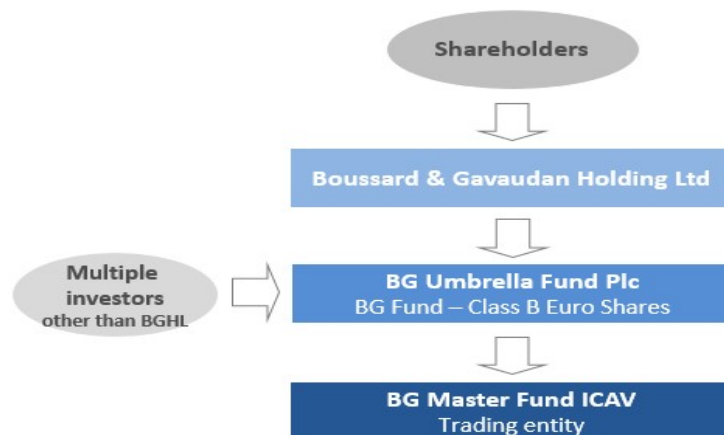
### For the year ended 31 December 2019

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## 1. Background and Structure

Boussard & Gavaudan Investment Management LLP is the Investment Manager of BGHL, the Umbrella Fund and of the Master Fund.

### *The Umbrella Fund, BGF and the Master Fund structure.*



BGHL invests in Class B Euro shares which are a separate Euro-denominated share class of BGF. BGF is a sub fund of the Umbrella Fund, predominantly owned by investors other than BGHL. BGHL is not subject to management fees and performance fees at BGF level in order to avoid multiple layering of fees. The Investment Manager receives management fees and performance fees in respect of its role as Investment Manager of BGHL.

The Umbrella Fund was incorporated under the laws of Ireland as a public company with limited liability on 16 November 2011 under the Companies Act 1990 with registration number 506116. The Umbrella Fund is authorised by the Central Bank of Ireland (the “Central Bank”) as a designated investment company pursuant to Part XIII of the Companies Act, 1990 and also as a qualifying investor alternative investment fund (QIAIF). The Umbrella Fund is structured as an umbrella fund with segregated liability between sub-funds. Each sub-fund of the Umbrella Fund maintains a single pool of assets subject to any allocations made to a class in accordance with the requirements of the Central Bank. The assets of each sub-fund are segregated from one another and are invested in accordance with the investment objectives and investment policies applicable to each such sub-fund and as set out in the relevant supplement to the Umbrella Fund’s prospectus.

BGF is a sub-fund of the Umbrella Fund, launched on 3 January 2012, which invests substantially all of its assets into the Master Fund. BGHL is therefore exposed to the strategies offered by the Master Fund.

The Master Fund is an open-ended Irish collective asset-management vehicle (ICAV) with variable capital incorporated under the laws of Ireland under the Irish Collective Asset-management Vehicles Act 2015 with registration number C154515. The Master Fund is also authorised by the Central Bank of Ireland as a QIAIF. The Master Fund, which is the trading entity, maintains a single pool of assets subject to any allocations made to a share class in accordance with the requirements of the Central Bank.

## 2 Investment policies

### 2.1 BGHL’s investment policy

BGHL invests its assets in order to deliver an exposure to multiple alternative investment strategies. The Investment Manager is responsible for the day-to-day management of BGHL’s investments. BGHL seeks to achieve its investment objective by investing the proceeds of any fund raising, net of any amounts retained to be used for working capital requirements, into BGF. BGF in turn invests in the Master Fund and, by utilising its borrowing powers, makes leveraged investments.

Over time, 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 within the limits set out under the heading “Asset Allocation” below and subject to the limit on the leverage set out under the heading “Gearing” below, provided that, where such hedge funds are managed by the Investment Manager, BGHL will invest through a share class which will not be subject to management or performance fees at the level of the underlying hedge fund.

The Investment Manager may use BGHL’s borrowing facilities at its discretion within the limits set out under the heading “Asset Allocation” below. The Investment Manager’s ability to use borrowings is subject to the limit on leverage set out under the heading “Gearing” below. Such investments may include the acquisition of minority or majority interests in unlisted companies or listed companies (“Direct Investments”). The Investment Manager may

# **Boussard & Gavaudan Holding Limited**

## **Investment Manager's Report and Financial Highlights**

### **For the year ended 31 December 2019**

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also make private equity investments through investing in funds that have a private equity investment focus ("Indirect Private Equity Investments").

With the possible application of leverage and when taken with the returns achieved from BGF, investments other than the investment in BGF as described above are intended to allow BGHL to achieve an attractive return. BGHL's investments in assets other than BGF are expected to consist of investment opportunities that are identified by the Investment Manager in connection with its, and its affiliates, current activities but which are not pursued by BGF due to risk profiles or liquidity profiles inconsistent with those of BGF.

#### *Gearing*

BGHL uses its borrowing facilities to allow it to have a gross investment exposure of up to 200 percent of its NAV at the time of investment. BGHL has power under its Articles of Incorporation to borrow up to an amount equal to 100 percent of its NAV as at the time of borrowing. Leverage is used by BGHL for the purposes of (i) managing day to day cash flow, i.e. for meeting expenses of BGHL and for funding repurchases of its own shares and (ii) leveraging investments made by BGHL, including its investment in BGF or in other hedge funds managed by the Investment Manager (hereafter, "Manager Funds"), always in compliance with the exposure limitations set out under the heading "Asset Allocation" below.

#### *Asset Allocation*

##### *Investments in Manager Funds*

Substantially all of the net assets of BGHL are currently invested in BGF and it is anticipated that a significant proportion of BGHL's net assets will remain invested in BGF. Over time, no less than 80 percent of the NAV and no more than 110 percent of the NAV will be invested in Manager Funds, with at least 80 per cent of the NAV invested in BGF.

##### *Investments in assets other than Manager Funds*

In relation to those investments in assets other than Manager Funds, the Directors have determined that such investments shall not exceed certain limits, namely:

- Other Hedge fund investments. The Directors have determined that BGHL's investments in hedge funds (other than Manager Funds) when aggregated may not exceed an amount equal to 25 percent of its NAV at the time of making any such investment.
- Indirect Private Equity Investments. The aggregate value of Indirect Private Equity Investments may not exceed an amount equal to 25 percent of BGHL's NAV at the time of making any such investment. In addition, BGHL will not make any single Private Equity Investment representing in excess of an amount equal to 10 percent of its NAV as at the time that investment is made. Private Equity Investments made in linked transactions will be aggregated for the purposes of this calculation.
- Other Investments (Direct Investments). The aggregate value of Direct Investments may not exceed an amount equal to 50 percent of BGHL's NAV at the time of making any such investment.

## **2.2 The Master Fund's investment policy**

The investment objective of the Master Fund, in which BGF is mainly invested, is to seek to achieve an attractive return on capital consistent with principles designed to manage risk of capital loss. The Master Fund arbitrages linear and non-linear instruments that can be exchange traded or traded over the counter. The Investment Manager may use derivative financial instruments for investment purposes or to hedge against fluctuations in the relative values of the Master Fund's portfolio positions. The investments are subject to normal market fluctuations and to the risks inherent to investment in securities. There can be no assurances that appreciation will occur. The value of financial instruments can increase as well as decrease and the Master Fund may not realise its initial investment on the disposal of its investments.

The Master Fund carries the following strategies and sub-strategies:

#### *Volatility strategies:*

- mandatory convertible bond arbitrage
- convertible bond arbitrage
- volatility trading

#### *Equity strategies:*

- merger arbitrage & special situations
- long / short trading with short-term catalyst & value

#### *Credit strategies:*

- credit long / short
- capital structure arbitrage
- restructuring / distressed securities strategies



# Boussard & Gavaudan Holding Limited

## Investment Manager's Report and Financial Highlights

### For the year ended 31 December 2019

Trading strategies:

- These are quantitative strategies involving the use of models and data analysis based on factors. Factors may include economic indicators, market data, fundamental, and valuation factors. The strategies may involve the systematic use of trading rules or machine learning techniques.

### 3. Highlights and review of the development of the business

The Investment Manager's role is to allocate BGHL's capital in accordance with its investment objective which is to produce long term appreciation of BGHL's assets. Except for its working capital, BGHL has fully invested its net assets.

BGHL (in Euro)	31 Dec 2019	31 Dec 2018	Variation %
Net assets	348,724,824	646,651,306	(46.07)%

The decrease in BGHL's net assets is explained by the share capital reduction on 1 November 2019 resulting from the exchange offer, described below.

#### Exchange offer – share capital reduction

On 8 October 2019, BGHL published a circular and a notice of shareholder meeting. The circular described a proposal made by the Board to eligible shareholders, providing a choice between:

- continuing to hold shares in BGHL; or
- participating in an offer being made by BGHL and BG Eire Fund to exchange all or part of the BGHL shares for new shares in BG Eire Fund on a NAV-for-NAV basis (the "Offer").

All shareholders were asked to:

- vote on the proposal and the terms of the Offer at an extraordinary general meeting of BGHL; and
- if eligible to participate in the Offer, consider whether to participate in the Offer.

On 31 October 2019, BGHL announced the result of the votes:

- Shares voted as a percentage of issued shares: 78.90%; and
- Percentage of votes in favour of the proposal: 86.99%.

On 4 November 2019, BGHL announced the results of the Offer, its completion and the resulting change to share capital: 13,887,723 shares representing circa 47.25% of the issued share capital of BGHL participated in the Offer.

As of 1 November 2019:

- each share participating in the Offer was converted into one Class B share;
- immediately following this conversion, all Class B shares were repurchased by BGHL off-market for a total value of €312,169,882 and
- BGHL transferred free of payment directly to BG Eire Fund the ownership of the assets attributable to the Class B shares for a value of €310,101,835 and cash of €2,068,047 in consideration for the issue of BG Eire Fund shares to participating shareholders on a NAV-for-NAV basis for the same total value of €312,169,882.

### 4. Performance

BGHL's Euro and Sterling Share prices and NAV per Share performed as follows:

BGHL	Ticker Bloomberg	Price		Performance	
		31 Dec 2019	31 Dec 2018	2019	5 years annualised
Euro share – Price	BGHL NA Equity	€18.00	€17.30	4.05%	4.89%
Euro share – NAV	-	€22.90	€22.00	4.07%	5.16%
Sterling share – Price	BGHS LN Equity	£15.60	£15.10	3.31%	4.83%
Sterling share – NAV	-	£20.64	£19.64	5.05%	5.46%
EONIA Capitalized	EONCAPL7 Index	138.97	139.52	(0.40)%	(0.31)%
HFRX Global Hedge Fund Index	HFRXGL Index	1,292.43	1,189.86	8.62%	1.22%
HFRX Equal Weighted Strategies Index	HFRXEW Index	1,271.68	1,207.36	5.33%	1.35%

BGHL's NAV is calculated by BGHL's Sub-Administrator, SS&C Financial Services LLC. BGHL's Euro and Sterling Share prices are provided by Euronext Amsterdam and the London Stock Exchange, respectively. Past performances are not indicative of future results.

# **Boussard & Gavaudan Holding Limited**

## **Investment Manager's Report and Financial Highlights**

### **For the year ended 31 December 2019**

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BGHL's objective is to generate a target NAV annualized return of capitalized EONIA plus 400 to 600 basis points, over the business cycle, net of all fees.

The NAV appreciation of the Euro Share was +4.05% over the Year and +5.09% over the past five years. During these periods capitalized Eonia returned (0.40)% and (0.31)% respectively, leading to an outperformance by the fund of 4.45% and 5.40% respectively, in line with the fund's objective.

While BGHL outperforms Hedge Fund indices over the past five years, it underperformed the HFRX Global Index and HFRX Equally Weighted Strategies in 2019. This underperformance is mostly due to the interest rates differential between EUR and USD (2.65% in 2019) and between GBP and USD (1.5% in 2019). When placed in similar currencies BGHL outperforms HFRX Equally Weighted Strategies by 1.39% and underperforms HFRX Global Index by (0.90)%.

The Investment Manager's actions affect BGHL's performance and NAV per Share. Although the NAV per Share influences BGHL's Share price on the Amsterdam and London stock exchanges, the Investment Manager has little direct influence on the Share price and on the discount between the Share price and the NAV per Share. The performance of BGHL's Sterling NAV per share tracks the performance of BGHL's Euro NAV per share, plus/minus the impact of the EUR/GBP hedge compared to a perfect hedge.

## **5. Risks**

Through a rigorous investment process, the Investment Manager identifies and assesses risks before investing.

### **5.1 Risk Management Organisation and Policy**

The Investment Manager has established a Risk Management unit, segregated from the Portfolio Management unit, which reports to its Chief Executive Officer. Risks and responsibilities are split between the Quantitative Risk Management team which is in charge of market risk and the Qualitative Risk Management team which is in charge of counterparty and operational risk. A Risk Management Committee oversees the Risk Management unit. Exposures are calculated using a risk management system which is a third party proprietary software package provided by a leading risk and portfolio management solution provider. The system provides extensive real time information on the Master Fund's exposures and limits, generates sensitivity analyses and calculates stress-test scenarios. The open architecture of the system allows the Investment Manager to create specific in-house reports for risk management purposes.

### **5.2 The Master Fund's Risk Management Policy**

The Master Fund takes significant market risk exposure from the investments it makes. When assessing market risks the Investment Manager always combines:

- a macroeconomic, portfolio level with a microeconomic, position specific approach;
- quantitative measures with qualitative assessments; and
- a local risk measurement perspective which captures the impact both of limited market moves, and stress scenario type measurements which capture large market moves.

#### **5.2.1 Macroeconomic risk**

Macroeconomic risk is defined as those risks having a wide ranging effect on the entire portfolio or on a significant portion of it. It results from exogenous events such as economic changes, geopolitical uncertainty or general market disruptions.

##### *Quantitative analysis*

For *limited market variations* the Investment Manager assesses exposure by using a number of sensitivity factors (colloquially known as "Greeks", a recognised set of metrics used within the financial industry) mainly linked to changes and movements in equity markets, credit instruments, interest rates and foreign exchange. Greeks are used for real time portfolio hedging.

For *extreme market variations*, stress scenarios are run to measure the impact on the portfolio of a wide variety of market situations. Scenarios, which stress all types of market data, are produced daily and can be generated on demand. The reports allow risks to be assessed from the portfolio level down into each strategy, sub-strategy, trade and finally individual instrument in order to identify the main contributors to potential losses. A "trade" generally means a combination of financial instruments which contribute to the same arbitrage opportunity. Scenarios are graduated from level 1 to 5 with level 5 scenarios bearing the largest shocks. Level 3 scenarios are tested against established tolerance limits and trigger adjustment of the portfolio when limits are breached.

Results are checked daily by the Investment Manager's front office and quantitative risk management teams. Given the non linear nature of the portfolio and the wide range of instruments and strategies used, stress scenario calculations are considered by the Investment Manager to provide a better assessment of risk than value at risk calculations. A wide range of reports are also produced to monitor exposures and concentrations of risk. "What-if

# **Boussard & Gavaudan Holding Limited**

## **Investment Manager's Report and Financial Highlights**

### **For the year ended 31 December 2019**

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scenarios” as well as other risk indicators (which aggregate all types of exposures in different ways) are scrutinised. A non-aggregated vision, focusing on nominal and/or notional amounts, is also used to track excessive concentrations of risk.

#### *Qualitative analysis*

The qualitative assessment focuses on hard to measure risks such as potential changes in the liquidity of various underlying financial instruments. Small and mid-caps, leveraged positions as well as speculative positions entailing a hedge fund liquidation risk are examples of positions exposed to liquidity changes.

#### **5.2.2 Microeconomic risk**

Microeconomic risk is defined as the risk applying to a *specific “trade” position* in the portfolio and one of its main components is the *idiosyncratic risk* which measures the risks applying to *one single issuer* to whom the Master Fund has exposure. Idiosyncratic risk is used to assess events such as bankruptcy, takeovers, bond offers, credit rating changes or any other credit event. Idiosyncratic risks are identified in the decision-making phases before the investments takes place and during the investment’s life.

#### *Quantitative analysis*

For *limited market variations* the Investment Manager assesses exposure by using the Greeks by issuer. The Greeks (delta, gamma, theta and vega) in this sense measure risk in the context of key variables affecting option prices. Delta measures the effect of a change in the price of an underlying asset on an option’s premium, and gamma reflects the rate of delta change in relation to that underlying price change. Theta measures the rate of decline in time premium to maturity, and vega is an indicator of how an option price changes as volatility changes.

For *extreme market variations*, crash tests by issuer are run. The scenario which aims at assessing the bankruptcy of an issuer aggregates all the positions of the Master Fund by issuer and then applies extreme shocks whose magnitude depends on each financial instrument type contributing to the trade, and on their recovery rate, both of which themselves depend on the seniority of instruments. The Master Fund’s portfolio has protection against extreme movements by trading equity options which provide positive convexity to the portfolio. Options will behave as insurance to the portfolio, in particular through their Gamma sensitivity which provides protection in the event of a market crash.

#### *Qualitative analysis*

Qualitative analysis takes account of many events such as regulatory changes, changes in the management of a company but also liquidity risk. Liquidity risk is the risk that the Master Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It also reflects the ability of the Master Fund to unwind a specific trade in a reasonable timeframe. Liquidity has, by definition, an idiosyncratic component, but it also varies according to macroeconomic conditions. The Master Fund is exposed to the risk of credit related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. This credit exposure exists within financing relationships, derivatives and other transactions. Concentrations of risk are managed by diversifying the credit sensitivity of the portfolio across sectors, countries and maturities.

#### **5.2.3 Capital allocation process and Equity-at-Risk methodology.**

The Investment Manager uses the “Equity-at-Risk” methodology as a key indicator to monitor the leverage and solvency of the Master Fund and to allocate capital across strategies. Within each strategy, the Equity-at-Risk allocated to each trade is used to calculate the return on equity which is the ratio used to assess the profitability of a trade. The Investment Manager secures the “Excess Margin” (see below) of the funds it manages by signing agreements which allow “Haircut” levels (see below) to be fixed over a pre-agreed period of time.

#### *Equity-at-Risk and Excess Margin methodology*

Prime brokers, when providing financing to hedge funds, take a risk that they assess using their own methodology. Even though each prime broker has its own methodology and risk measure, approaches tend to be similar. Risk measures are achieved by the use of “Haircuts”. Haircuts reflect the level of risk attributed by a prime broker to a position. The higher the level of haircut, the higher the risk is. These methodologies take into account, to a large extent, the benefits of hedging by applying specific haircut and netting effects to hedged positions. Under these methodologies, an amount of equity, considered at risk, is allocated through the use of haircuts to each position. Each prime broker calculates its risk exposure to the sole portion of the fund’s portfolio it holds. Given that prime brokers are the main financing and leverage providers, their view of the risk is central to the Investment Manager and so is the consequence of any restriction they may impose. Their measure constitutes an independent risk measurement.

The Investment Manager replicates the methodology applied by prime brokers through a model, named “**Equity-at-Risk**”. The model, applied to the entire portfolio, is a proxy for the calculations of the prime brokers. The difference between the AUM and the Equity-at-Risk is the “**Excess-Margin**”. The level of Excess-Margin is the level of spare risk to increase positions or enter into additional ones without having to raise additional cash. An Excess-Margin of 25%, which corresponds to a 75% level of Equity-at-Risk, means that the Master Fund can theoretically increase all

# Boussard & Gavaudan Holding Limited

## Investment Manager's Report and Financial Highlights

### For the year ended 31 December 2019

of the positions in its portfolio by approximately 33% without having to raise further cash. The model provides an estimation of the fund's potential for additional leverage across its prime brokers. Equity-at-Risk calculations are run every night and compared to the prime broker's calculations.

#### 6. Capital allocation, risk and risk adjusted returns:

##### 6.1 Capital allocation, risks and risk adjusted returns of BGHL

BGHL's investments are diversified thanks to its exposure -through BGF- to the investment strategies of the Master Fund which is its main investment. BGHL used its borrowings from Natixis to leverage its exposure to BGF and to finance its "other investments". The Natixis Facility was utilised until 1 November 2019, the date of total repayment.

BGHL's assets were allocated and performed as shown in the table below.

	Performance 2019	
	Euro Share	Sterling Share
<b>BGHL</b>	<b>4.07%</b>	<b>5.05%</b>
BGF Euro B Class - NAV	5.16%	5.16%
BGF Euro B Class – Leverage	0.27%	0.27%
Other Investments	(0.19)%	(0.19)%
Foreign Exchange	-	1.42%
Share buyback	0.47%	-
Fees, miscellaneous	(1.64)%	(1.61)%

	Holding in % AUM		
	31-Dec-19 Exposure	Minimum Period Exposure	Maximum Period Exposure
BGHL	99.95%	99.39%	110.75%
BGF Euro B Class – NAV	100.00%	100.00%	100.00%
BGF Euro B Class – Leverage	(1.33)%	(1.88)%	9.45%
Other Investments	1.28%	1.27%	1.30%

*Source: Boussard & Gavaudan Investment Management LLP BGF Euro Class B's NAV is calculated by the Administrator, SS&C Financial Services LLC*

During the reporting Year, BGHL complied with its Investment Policy and has maintained its gross and commitment exposure, as required under AIFMD, within the limits established by the Investment Manager.

BGHL % AUM	AIFMD Commitment method		AIFMD Gross method	
	Exposure	Limit	Exposure	Limit
31 December 2019	99.5%	200.0%	100.9%	200.0%
31 December 2018	109.7%	200.0%	111.0%	200.0%

##### 6.2 Capital allocation, risks and risk adjusted returns of the Master Fund

The Master Fund's investments are diversified thanks to its exposure to its multiple investment strategies.

The Investment Manager allocates the capital of the Master Fund according to the Equity-at-Risk methodology. The Master Fund's usage of Equity-at-Risk and performance by strategies were as follows:

Master Fund (% AUM)	Performance	Equity-at-Risk	
	31 December 2019	31 December 2019	31 December 2018
Volatility strategies	0.25%	3.30%	6.7%
Equity strategies	5.13%	35.50%	14.7%
Credit strategies	1.06%	10.50%	3.20%
Trading	(1.28)%	10.60%	6.8%
Others	-	1.60%	1.8%
<b>BGF Euro B Class – NAV</b>	<b>5.16%</b>	<b>61.50%</b>	<b>33.2%</b>
	<b>Excess Margin</b>	<b>38.50%</b>	<b>66.8%</b>
	<b>Total Risk</b>	<b>100.0%</b>	<b>100.0%</b>

*Source: Boussard & Gavaudan Investment Management LLP*

The Master Fund significantly reduced its Equity-at-Risk in the fourth quarter of 2018 given its performance below expectations. Exposure has been gradually increased in 2019. At year end, Equity-at-Risk was back in line with its long-term average level.

# Boussard & Gavaudan Holding Limited

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The Investment Manager is very selective when deploying Equity-at-Risk and seeks to maintain, at the Master Fund level, a prudent excess-margin level at any time. The graph below illustrates the evolution of the Equity-at-Risk since November 2010.



Source: Boussard & Gavaudan Investment Management LLP

The Investment Manager monitors carefully the risk of the asset classes to which the Master Fund is sensitive. The main asset classes are the equity, credit and volatility asset classes whose sensitivities are shown and explained below.

Asset Class	Index	Ticker Bloomberg	31 December 2019		31 December 2018	
			Master Fund's beta vs Index (5 years)	Index volatility (5 years)	Master Fund's beta vs Index (5 years)	Index volatility (5 years)
Equity	Stoxx 600	SXXP index	0.03	13.80%	0.09	14.50%
Credit	Bbg Barclays Euro Aggregate Corporate TR	LECPTRU index	0.40	2.17%	0.43	2.09%
Credit	FTSE Euro Corporate Bonds All Maturities	FECVCP Index*	-	-	0.22	2.30%
Interest rate	Bloomberg / EFFAS	BCEEIT Index	0.13	3.90%	0.15	3.70%

\*FECVCP Index is no longer available as of 31 December 2019. We replaced it by a new Index for asset class Credit : LECPTRU Index

Asset Class	Master Fund's Vega
Volatility	18 basis point by volatility point

Source: Boussard & Gavaudan Investment Management LLP

A beta sensitivity of 0.10 versus an index means that if the index increases or decreases by 1%, the Master Fund is likely to increase or decrease by 0.1%. The "Stoxx 600" index is an equity market index which represents large, mid and small capitalisation companies across the main countries of the European region. The "FTSE Euro Corporate bond" index is a credit market index which includes Euro issues from corporate entities. The Investment Manager believes that these indices are the most relevant equity and credit indices to compare the Master Fund with.

A vega sensitivity of 1 basis point means that an increase in volatility by 1 percentage point leads to a performance of 0.01% for the Master Fund. The Vega measures the sensitivity to volatility for a given instrument. For a given instrument, it is the derivative of its price with respect to the volatility of its underlying. The Investment Manager considers the Vega to be the best proxy of the Master Fund's sensitivity to volatility and believes there are no relevant indices to compare its volatility sensitivity against.

Given that interest rate risks are essentially hedged, the Master Fund has low beta sensitivity versus the "Bloomberg/EFFAS" index which is a government bond market index.

During the Year, the Master Fund complied with its Investment Policy and has maintained the gross and commitment exposures, as required under AIFMD, within the limits established by the Investment Manager.

**Boussard & Gavaudan Holding Limited**  
**Investment Manager’s Report and Financial Highlights**  
**For the year ended 31 December 2019**

Master Fund %AUM	AIFMD Commitment method		AIFMD Gross method	
	Exposure	Limit	Exposure	Limit
31 December 2019	412.8%	700.0%	593.5%	2,000.0%
31 December 2018	261.8%	700.0%	457.2%	2,000.0%

Source: Boussard & Gavaudan Investment Management LLP

**7. Detailed performance analysis**

**7.1. Detailed allocation and performance analysis of the Master Fund**

The Master Fund contributed 5.43% (5.16% NAV and 0.27% Leveraged) to BGHL’s performance during the Period, primarily driven by equity strategies.

Volatility strategies

*Mandatory Convertible Bond Arbitrage*

Mandatory convertible bonds contributed positively during the period. The main requirement for this niche market is new issuance. While some of our core positions expired, the market saw two new issues. Flows were limited in the secondary market.

*Convertible Bond Arbitrage*

Convertible bond contribution to the performance of the fund was almost flat. The primary and secondary markets were disappointing with few opportunities left.

*Volatility Trading*

Volatility Trading posted a negative contribution, mainly due to the overall impact of negative carry in volatility across all asset classes during the year. Despite the persistent low volatility environment, the Investment Manager managed to offset most of the negative carry of being structurally long volatility by actively trading around positions.

*Warrant arbitrage*

Warrant arbitrage contributed positively.

Equity Strategies

Equity strategies were the main positive contributor to the performance. The risk arbitrage and special situations strategies performed well as corporate activity picked up. The rest of the portfolio recovered from the end of last year with more fundamentally driven positions performing well as investor sentiment became more positive. The last few months of the year have been very active on the event driven side, and the Investment Manager believes it will continue into next year creating new opportunities.

Credit Strategies

*Capital Structure Arbitrage*

Capital structure arbitrage was slightly negative during the period. The market environment has not favoured dislocations and there have been limited opportunities to enter new positions or trade actively.

*Credit Long / Short*

Credit long / short made a positive contribution. Credit markets performed strongly in continuation of the general risk asset rebound. The Investment Manager remained cautious overall and portfolio risk was selectively increased on certain idiosyncratic and trading opportunities that have emerged.

*Credit Special Situations*

Credit special situations contributed positively.

*Direct Lending*

BG Master Fund ICAV invests in loans originated by Fiduciam Nominees Limited (<https://fiduciam.co.uk>). Fiduciam makes secured business loans to small and medium sized enterprises in several Western European jurisdictions. The loans are secured on real property. The size of the portfolio in 2019 is around €138 million and made a positive contribution to the master fund’s performance.

# **Boussard & Gavaudan Holding Limited**

## **Investment Manager's Report and Financial Highlights**

### **For the year ended 31 December 2019**

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#### Trading

Trading contributed negatively, driven primarily by Index Rebalancing and to a lesser extent by the Trading using A.I. The Investment Manager has reduced the allocation of both strategies. This performance was offset to some extent by the Equity Quantitative strategy which performed well despite a defensive positioning while the market moved up.

#### **7.2. Detailed performance analysis of assets other than Manager Funds**

On top of its investment in BG Fund, BGHL has other investments. At the end of the Year, the net asset value of these investments represented 1.3% of the net asset value of BGHL.

#### Rasaland Investors plc ("RLI")

RLI is a Malta-based holding company structured as a private equity fund in terms of fees and organisation and is managed by BK Partners. RLI invests in land, hotels and high-end resort developments in Mexico. RLI's main asset is a majority interest in ACTUR another private company. ACTUR's other shareholders are Mexican public institutions. ACTUR owns land development assets and a minority interest in the publicly-traded company RLH Properties ("RLH").

On 4 December 2019, ACTUR signed a stock purchase agreement with a private group in order to sell its 21% listed stake in RLH at a discount to the then trading price. At the end of the Year, the transaction was subject to certain conditions including approval by the Mexican antitrust authority. One consequence is that RLI's NAV at the end of the Year, as calculated by RLI's administrator, was circa 10% lower than the NAV as at 31 December 2018. This is mainly because at the end of the Year RLI was valuing RLH based on the agreed transaction price, which is lower than the stock market quotation of RLH used in the reported valuation of RLI on 31 December 2018.

RLI's new NAV calculation and the agreed RLH transaction does not affect the assessment by BGHL of the fair value of its investment in RLI. At the end of the Year, BGIM left unchanged the valuation in BGHL of its investment in RLI. The consequence was that of a mechanical reduction, from 50% to circa 45%, to the discount applied by BGHL to the latest RLI's NAV.

#### **8. Review of important events since the end of the Year**

The emerging impact of the COVID-19 pandemic is a major event which is referenced in section "9. Risks and Uncertainties". COVID-19 is also referenced in the Chairman's statement, the Director's Report, the Audit Committee Report and in Note 17 to the Financial Statements.

The net asset value has been impacted by the volatility of investment markets. At 31 March 2020, the estimated Eur NAV per share of the Company was €21.36, a decline of 6.74% from 31 December 2019. The Investment Manager and Administrator have invoked their business continuity plans to ensure business operations are maintained along with the safety and well-being of their staff. The situation is changing so rapidly that the full impact cannot yet be understood, but the Company will continue to monitor the situation closely.

On 4 March 2020, ACTUR successfully completed the sale of its stake in RLH. On 13 March 2020, ACTUR and RLI informed shareholders of their proposal to return the vast majority of the RLH sale proceeds to shareholders through a capital reduction, the amount of which equates to 31% of the valuation reported by RLI in 2019 and circa 60% of the valuation reported by BGHL.

On 27 March 2020 the Company announced, for the 31 March 2020 conversion calculation date, the aggregate number of Shares for which conversion requests forms were received : 25,737 Euro shares and 122,574 Sterling shares.

#### **9. Risks and Uncertainties**

The principal risks and uncertainties are listed and described in the Directors' report. The Investment Manager views key risks to be as follows:

- the level of return generated relative to market returns, and the relative variability in those returns;
- the impact on NAV if sudden materially adverse movements occur in financial markets; and
- valuation or liquidation of assets (including assets held within the Master Fund on a look-through basis) which cannot be priced by reference to observable prices in a liquid market.

BGHL's main investment exposures, including the main risks to which the Master Fund is exposed, have been described in this report. The key market risks are equity price risk, interest rate risk, foreign currency risk, credit risk, volatility risk and liquidity risk. In addition, the Master Fund has exposure to a diversified range of idiosyncratic risks relating to individual corporate entities. The diversified nature of the investments within the Master Fund mitigates the apparent concentration risk within BGHL.

# **Boussard & Gavaudan Holding Limited**

## **Investment Manager's Report and Financial Highlights**

### **For the year ended 31 December 2019**

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The Investment Manager aims to continue to perform in accordance with its long-term objective of delivering consistent NAV appreciation. The Equity-at-Risk of the Master Fund is deployed into attractive investment opportunities that are identified. These investments are generally made with the benefit of leverage at the Master Fund level.

In terms of headline risks to the BGHL in 2020, the rapid spread of the COVID-19 virus and its material effect on global economic activity has superseded all others. Its potential impact is likely to persist throughout 2020 and possibly thereafter.

Since the year end, the COVID-19 outbreak being classified as a pandemic has resulted in the business continuity plan ("BCP") being enacted within the Investment Manager's London, Paris and New York offices. Substantially all staff are and will continue to work from home whilst the BCP is in force. The BCP has been periodically tested in the past, and the dual location of systems and teams in Paris and London means that there is an embedded level of additional resilience and redundancy. Systems are such that trade execution and position management can continue with no substantive procedural changes, and collaboration on research and idea generation is taking place via audio or video conferencing. Confirmations have been sought from critical service providers that measures have been put in place that will allow service levels and controls to be maintained notwithstanding requirements for remote working and social distancing. The protocols currently in place are capable of being maintained by the Investment Manager for the indefinite future.

The Investment Manager's risk management team continues to manage risks actively. Stress tests calculations are performed at Master Fund portfolio level based on many scenarios. The most relevant stress test scenario and measurement, as published in BGHL's February 2020 newsletter, was in line with the market shocks observed in March 2020, when markets were under considerable stress in the context of COVID-19. NAV performance has therefore remained within the bounds anticipated by stress testing.

The Investment Manager is comfortable that BGHL currently has enough liquidity to meet all expenses over the coming 12 months. A long-term liquidity gating at the Master Fund level would still allow BGHL to receive at least 10% of the redemption amount. The low fixed cost base of the Company, with operating expenses representing less than 2% of its NAV, means that sufficient liquidity can be maintained to meet those predictable expenses.

The pandemic is expected to have a material adverse impact on global GDP by virtue of the disruption already being caused to supply chains, combined with sharply reduced demand in certain industry sectors. Falling equity indices reflect investor uncertainty about the earnings impact of the pandemic, and the duration of that impact. Whilst the Investment Manager seeks actively to protect positions against idiosyncratic risks such as COVID-19, the sheer scale of the viral outbreak, and the measures being implemented by national governments to contain it, are unprecedented.

The pandemic could therefore have an adverse effect on the Master Fund if it triggers significant sustained and correlated sell offs in equity, bond and credit markets.

In addition to the COVID-19 pandemic, there remain residual risks following the formal exit of the UK from the European Union since the political, legal and regulatory environments continue to be uncertain. In addition to Europe, political uncertainty in, and between, other regions remain. The dynamic geo-political environment has been exacerbated by the pandemic and threatens global growth with shifting alliances and the restructuring of trade deals. The risks of climate change and from damage to the environment are starting to become more apparent both for the corporate world and on society at large. Regulatory and political pressure for change is expected to grow, which is likely to directly impact individual companies and global growth as a whole.

The Brexit decision and its impact on Sterling versus the Euro had no material impact on BGHL's hedging programme. The Euro base currency of BGHL creates potential FX exposure for Sterling share investors and, to protect the starting capital in Sterling terms against Euro/Sterling FX moves during the month, the starting capital is hedged with a Euro /Sterling FX forward rolled on a monthly basis. Hedges are rolled only on the starting capital each month and Sterling share investors remain exposed to intra-month currency risk on the profit or loss made in Euro terms over the course of each month.

As regards RLI, the illiquid nature of the investment, the status of the Mexican real estate market and the political environment in Mexico are all factors which could potentially push down its carrying value. The valuation of RLI is already marked at a significant discount to its net asset value however, and the Investment Manager believes further downside risk on this investment is limited.

Boussard & Gavaudan Investment Management LLP  
Acting by its managing member,  
Boussard & Gavaudan Partners Limited

21 April 2020



# **Boussard & Gavaudan Holding Limited**

## **Directors' Report**

### **For the year ended 31 December 2019**

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The Directors present their annual report and audited financial statements for the Year.

#### **Principal Activities**

BGHL's investment objective is to generate annual NAV appreciation in both share classes of 400-600bps (net of all fees) above the "risk free" rate of return.

During the Year, BGHL continued to invest substantially all of its net assets in BGF, a feeder fund fully invested in the Master Fund. The Master Fund implements diversified investment strategies, including volatility, equity and credit strategies. The overall investment objective of the Master Fund is to provide investors with consistent absolute returns primarily through investing and trading in financial instruments of companies incorporated in, or whose principal operations are in Europe.

In addition to its investment in BGF and as described in BGHL's offering memorandum and investment policy, BGHL enters into other investments, including private equity investments.

#### **Performance of Investment Manager and Continued Appointment**

From 1 January to 31 December 2019, BGHL's NAVs for the Euro and Sterling shares increased by 4.07% and 5.05% respectively, whilst BGHL's market price increased by 4.05% and 3.31% respectively.

Whilst BGHL's performance was within its target range for the Year, it was at the bottom end of that range. In relative terms, BGHL underperformed the HFRX Global Index and HFRX Equally Weighted Strategies during the Year. Whilst there was no repeat of the drawdown experienced during 2018, recent performance has remained disappointing. The Investment Manager has reviewed the different strategies which it pursues and has consciously disinvested from a small number (predominantly quantitative) which were initiated in 2018 but have not generated the expected contribution. The Board continues to believe that the analytical discipline and hedging techniques employed by the Investment Manager will sustain the long term track record of BGHL delivering uncorrelated NAV returns.

BGIM was appointed as Investment Manager and AIFM by BGHL, BGF and the Master Fund on 21 July 2014. The Investment Manager was registered on 5 November 2013 as a limited liability partnership or "LLP" in England and Wales for the purpose of complying with AIFMD Regulations, and the Investment Manager was authorised by the FCA on 11 July 2014 to perform the regulated activity of managing an AIF and remains so authorised.

The Board has reviewed the performance of the Investment Manager since the date of its appointment and is satisfied that the continued appointment of the Investment Manager on the terms agreed is in the interests of the Shareholders. Please refer to the Investment Manager's Report for a review of the performance of BGHL over the Year. Please also refer to note 8 to the financial statements for further details on the terms of the investment management agreement.

#### **Results for the Year and State of Affairs at 31 December 2019**

The Statement of Financial Position and the Statement of Comprehensive Income for the Year are set out in the audited financial statements.

#### **Directors**

The Directors as at 31 December 2019 and as at the date of this report were:

- Andrew Henton, Chairman;
- Andrew Howat, Senior Independent Director; and
- Sylvie Sauton

Mr. Andrew Howat was appointed as a director effective 1 July, 2017 and elected by the Company's shareholders at the annual general meeting held on 27 July, 2017. Mrs Sylvie Sauton was appointed as a director on 29 June, 2018 and re-elected by the Company's shareholders at the annual general meeting held on 28 June, 2019. BGHL's articles of incorporation require that all Directors who held office at the two preceding annual general meetings shall retire and, if willing, offer themselves for re-election. Mr. Henton was re-elected by the Company's shareholders at the annual general meeting held on 29 June 2018. Notwithstanding the articles, it is now the Company's policy for all directors to offer themselves for re-election annually in order to comply with the Code.

# Boussard & Gavaudan Holding Limited

## Directors' Report

### For the year ended 31 December 2019

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#### Directors' interests in shares

As of 31 March 2020, Directors are invested in shares of BGHL as below:

Name	Number of shares
Andrew Henton	6,000
Sylvie Sauton	6,177
Andrew Howat	-

#### Significant shareholders

As at 31 March 2020, to the best of the knowledge of the Directors, the following shareholders owned more than 3% of the Company:

Emmanuel Gavaudan	12.50%
Kempen	9.01%
M&G Plc	8.96%
Baillie Gifford	7.47%
Smith & Williamson	5.30%
Boussard & Gavaudan Gestion	5.67%
Weiss Asset Management LP	3.33%
Brookdale International Partner LP	3.11%

The Investment Manager concert party held 21.86% as at 31 March 2020.

The information disclosed has been collected from the AFM Website as of the 31 March 2020. The figures are those disclosed at the time of disclosure and they may have varied with the cancellation or conversion of shares.

#### Share buy-back programme and Liquidity Enhancement Agreement

BGHL's shares are dual listed on the London Stock Exchange and Euronext Amsterdam.

Since its listing, BGHL has operated a share buyback programme approved at each annual general meeting by its shareholders. Historically, this programme has been the key methodology by which the Board has sought to reduce the discount to the prevailing NAV at which BGHL's shares are trading, and to improve liquidity in the shares. However, although the Board seeks to minimise its level, such discount is largely driven by market forces beyond BGHL's control. BGHL's share buy-back programme is financed by redemptions of BGF shares. BGF has monthly liquidity, which means that redemptions are payable once in every calendar month. On 28 June 2019, the shareholders renewed BGHL's authority to make market purchases of its shares.

Any repurchases under the Share buy-back programme will be made at a discount to the prevailing NAV and will therefore be accretive to the NAV. They will therefore contribute to the different performance of BGHL's NAV relative to that of BGF.

During the Year, BGHL bought back the following number of Euro shares. No Sterling shares were repurchased.

Repurchase of own shares for the Year ended:	31 December 2019	31 December 2018
Treasury Shares	300,000	-
Average Price	€17.55	-
Amount Euro	€5,266,580	-

The discounts of the shares with respect to their NAVs were as follows

Discount to NAV	31 Dec 2019	31 Dec 2018
Euro Shares	(21.4)%	(21.4)%
Sterling Shares	(24.4)%	(23.1)%

# Boussard & Gavaudan Holding Limited

## Directors' Report

### For the year ended 31 December 2019

Below is a graph showing the discount to their NAV at which BGHL's Euro shares have traded and the Euro share buy-back activity since BGHL's inception.



## Governance

As a closed-ended investment company incorporated in Guernsey with a premium listing on the Official List of the UK Listing Authority, BGHL is required to include a statement in its Annual Report as to whether BGHL has complied throughout the accounting period with all relevant provisions set out in the Code or, if not, setting out those provisions with which it has not complied and the reasons for non-compliance.

The Board places a high degree of importance on ensuring that high standards of corporate governance are maintained and has adopted the Code, which sets out principles of good governance and a code of best practice for UK listed companies. The Code is available for download from the Financial Reporting Council's web-site [www.frc.org.uk](http://www.frc.org.uk).

On 30 September 2011, the Guernsey Financial Services Commission Code published its Finance Sector Code of Corporate Governance (the "GFSC Code"), which came into effect on 1 January 2012. Companies which report in accordance with the Code are deemed to meet the requirements of the GFSC Code.

No limit has been imposed on the overall length of service of Directors, although each Director stands for re-election every year.

The Board has carried out a full review of the Code to ensure that the appropriate level of corporate governance is attained. The Board confirms that BGHL has complied with the provisions of the Code during the Year, with the following exceptions.

Firstly, there is no chief executive position within BGHL, nor any management committee. Being a closed-ended investment company whose Directors are all independent non-executives, BGHL has no employees and therefore no requirement for a chief executive nor management committee with executive responsibilities.

Secondly, there is no nomination committee, with all proposed Director's appointments instead being considered by the full Board. The Chairman will not however be engaged in the selection process at the time of appointment of his successor.

Thirdly, BGHL does not have a formal diversity policy. This is a function of the fact that the Company's remunerated officers are limited to the Directors. The composition and effectiveness of the Board is internally assessed on an annual basis. The periodic rotation or retirement of directors is a trigger event which initiates a formal search and selection process. This prioritises professional experience relevant to the needs of the company over other more subjective factors which do not lend themselves to formal assessment and testing. Whilst BGHL does not therefore have any policy of positive discrimination in relation to age, gender or race, the company does recognise the value that different perspectives and outlooks can bring to quality of decision making. Accordingly, whilst remaining focussed on merit based appointments, the Board encourages and seeks to identify candidates who can also enhance the diversity of its composition.

The Board meets formally at least four times a year. In addition to these scheduled meetings, during the Year the Board has consulted the Investment Manager regularly. The Directors are satisfied that they have been kept fully informed of the investment performance, financial and operational controls, and other matters relevant to the business of BGHL. The Directors have access to the advice of the company secretary and have, where necessary to the furtherance of their duties, taken independent professional advice at the expense of BGHL.

**Boussard & Gavaudan Holding Limited**  
**Directors' Report**  
**For the year ended 31 December 2019**

The attendance record of the Directors is set out below:

	Quarterly Board	Ad hoc Board	Audit Committee	Management Engagement Committee	AGM	EGM
<b>Meetings Attended:</b>						
Andrew Henton	4/4	2/2	n/a	1/1	1/1	1/1
Andrew Howat	4/4	2/2	2/2	1/1	1/1	1/1
Sylvie Sauton	4/4	2/2	2/2	1/1	0/1	1/1

The focus at Board meetings is a review of investment performance, marketing and investor relations, risk management, general administration and compliance, peer group information and industry, regulatory and corporate governance issues. Board papers are circulated in advance, allowing the Directors the opportunity to add agenda items they consider appropriate for Board discussion. Each Director is required to inform the Board of any potential or actual conflicts of interest prior to Board discussions.

The letters of engagement of the Directors are available for inspection upon request of the Secretary at the BGHL's registered office. The Board evaluates its performance and the performance of individual Directors on an annual basis by reference to the guidelines set out in the Code and believes that the current mix of skills and experience of the Directors is appropriate to the requirements of BGHL. The Chairman reviews and agrees with each Director their training and development needs, if any. The Board is satisfied that it has the policies, processes, information, time and resources to function effectively and efficiently.

The Board confirms that there have been no material changes to the Chairman's commitments required to be disclosed to the Board or to be explained in this annual report.

BGHL has purchased Directors' and officers' liability insurance and intends to renew such insurance cover on an annual basis.

**Directors' Interests and Remuneration**

Save as disclosed in these financial statements, BGHL is not aware of any potential conflicts of interest between any duty owed to BGHL by any of the Directors and their respective private interests. Each Director is currently paid an annual fee of €20,000 other than the Chairman, who is entitled to receive €38,000 per annum, and the Chairman of the Audit Committee, who receives an additional fee of €7,500 per annum.

Due to the nature of their roles and in light of BGHL's stated investment objective and policy, no discretionary compensation payments are ordinarily made to the Directors. No Director has a contract for services and none of them is entitled to compensation in lieu of notice.

Shareholders are at each annual general meeting given the opportunity to vote on the Directors' remuneration.

**Directors' Duties and Responsibilities**

The Directors' responsibilities are as follows:

- Statutory obligations and public disclosure; including the promotion of the success of the Company for the members as a whole;
- Strategic matters and financial reporting;
- Oversight of management and advisors' matters;
- Risk assessment and management, including reporting, monitoring, governance and control; and
- Other matters having a material effect on BGHL.

**Committees of the Board**

The Board has not deemed it necessary to appoint a nomination or remuneration committee as, being comprised wholly of independent Directors, the whole Board considers these matters. The Board has constituted two sub committees, and publishes the terms of reference for both on its website.

**Management Engagement Committee**

A Management Engagement Committee was established in 2015 to oversee the performance of service providers, including the Investment Manager. It has defined terms of reference and duties and its members comprised Andrew Henton, Sylvie Sauton and Andrew Howat, with Mr Howat acting as permanent Chairman since 5 February 2018.

# **Boussard & Gavaudan Holding Limited**

## **Directors' Report**

### **For the year ended 31 December 2019**

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#### **Audit Committee**

An Audit Committee, with defined terms of reference and duties, has been established and comprised the following members as of 31 December 2019: Andrew Howat and Sylvie Sauton, with Mr Howat acting as permanent Chairman of the Audit Committee.

A separate Report of the Audit Committee setting out its duties and how it has fulfilled them is included later in this annual report. BGHL considers that the Audit Committee's performance of its duties fulfils the requirements of the Code.

#### **Principal Risks and Uncertainties**

BGHL's business model involves identifying and taking positions on assets whose market price does not reflect the Investment Manager's assessment of intrinsic value. As market prices trend towards the Investment Manager's assessment of intrinsic value, profits are generated. In adopting this strategy, BGHL is deliberately and consciously exposed to various types of market risk which are described in the report of the Investment Manager. Additional risks are described in the notes to the accompanying financial statements. The Report of the Audit Committee describes financial reporting risks and how these risks have been mitigated. The Board believes that these disclosures are accurate, complete and not misleading.

At the time of writing, the COVID-19 pandemic and responses by governments and regulatory authorities worldwide are having a significant impact at both macro and micro levels. Whilst this is the key emerging risk, the long term impact of it on the Company cannot currently be predicted with any accuracy.

The most significant risk identified by the Directors is lack of liquidity in BGHL's shares exacerbating the prevailing discount to NAV at which they trade. This creates a potential arbitrage opportunity notwithstanding the long term track record of strong NAV appreciation. The second principal risk is that of the investment strategy pursued by the Master Fund no longer achieving its investment objectives, leading to non-achievement by BGHL of a long term appreciation in its asset value on a "per share" basis. This might be occasioned if the pricing relationships between and within different asset classes diverged materially from historical patterns, or the quality of investment analysis conducted within the Investment Manager was materially degraded. The next most significant risk is considered to be a significant systemic market event which cannot be anticipated in advance and is associated with geopolitical or other non-financial risk. COVID-19 falls into this latter category.

Whilst its impact on investor sentiment, trading volumes and asset valuations is uncertain, the future trading relationship between the UK and EU member states post Brexit is not considered to pose a particular risk to BGHL. The hedging strategy adopted in relation to the Sterling share class is described in the report of the Investment Manager. BGIM is regulated to carry out investment management activities in both the UK and France, and has the necessary infrastructure to carry out such activity in both jurisdictions. In the event that political, regulatory or macro economic conditions changed such that it was beneficial for the Investment Manager to consolidate its activities in only one of these locations, the necessary changes could be implemented swiftly relying on procedures that are regularly tested as part of the business continuity plan.

The Investment Manager seeks to deliver risk adjusted returns which are attractive. The main information provided by the Investment Manager to the Board, and by which risk exposures are assessed, are as follows:

Relative performance analysis: NAV accretion or dilution is reported monthly, and broken down by attribution to each specific strategy pursued within the Master Fund. Individual and aggregated strategy performances are compared to relevant indices or benchmarks. This serves to highlight over and under performances, and also any divergence from historic trends.

Stress testing: The impact on NAV is modelled each month against a series of downside scenarios. These scenarios make allowance not just for market movements, but also for liquidity related events (for example "mid cap" stocks falling by a greater amount than the main index due to materially reduced trading volumes in smaller company stocks). Different scenarios are modelled both singly, and in combination so that "contagion" risks are considered. Portfolio construction is informed by the results of this modelling.

Pricing analysis: The Investment Manager shares with the Board of Directors analysis that is prepared by the administrator of the Master Fund. This highlights the percentage of NAV in the Master Fund which is based on prices that cannot be independently verified by reference to an independent or market source. The existence of instruments for which independent pricing is not available is deemed to be a risk factor, and any such instruments are subjected to additional ongoing scrutiny.

In addition to the various financial and market risks, the Board actively monitors operational and commercial risk. Key risks in this regard are the following:

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**For the year ended 31 December 2019**

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Prevailing share price: BGHL's shares continue to trade at a discount to NAV. Whilst, this is a function of supply and demand for BGHL's shares in the market and cannot be controlled by the Board, measures were taken during 2019 that are intended to reduce the level of discount. Restarting the share buyback programme is a core element of this programme. For so long as the prevailing share price is markedly less than NAV, it is value accretive to shareholders when BGHL buys back its own shares at that price.

Scale of operations: The Board reviews the operational plans of the Investment Manager at least annually. In so doing it seeks assurances that adequate resources are available to maintain an effective and compliant operating infrastructure. Future business development plans, headcount, organisational structure and the experience of operational incidents (if any) are all taken into account

Service providers: BGHL places reliance on the administrator, sub-administrator, depositary and sub-custodian of the Master Fund. To the extent that independent assurance statements or reports can be obtained in relation to these firms, the Board of Directors requests them. Oversight is also exercised via open market sources (credit ratings), direct enquiry of the Investment Manager and feedback from other independent advisers (including the auditor).

Cyber security: The threat posed by "hackers" to companies operating in the financial services sector, (the nature of whose activities involves the management of assets readily convertible into cash) is acknowledged by the Board of Directors. The measures in place to mitigate these risks (including those measures intended to identify and contain intrusions, should they occur) form part of the oversight regime directed at the Investment Manager and key service providers.

The Business Risk Assessment is used to monitor risk in its wider sense, including both identified risks and emerging issues which might pose additional risks. This document identifies and describes key risks under seven categories (investment, liquidity, credit, market, counterparty, operational, governance and anti-money laundering), identifying the relevant controls by which to mitigate the associated risks. Impact assessments (a function both of likelihood and severity of impact) are considered for every risk identified, and the document informs both resource allocation (including the allocation of operational responsibility) and decision making about changes or additions to the control environment.

### **Risk Management and Internal Control Systems**

The Audit Committee and Management Engagement Committee have conducted a review of BGHL's system of internal controls and further information is given in the Report of the Audit Committee.

The Board is ultimately responsible for BGHL's system of internal controls and for reviewing its effectiveness. The Board has developed a framework that is designed to manage, rather than to eliminate the risk of failure to achieve BGHL's business objectives. The framework involves identifying sources of risk, the potential significance (financial and operational) of any risk impact(s), and the associated controls in place to identify, pre-empt and mitigate those potential impacts. This is documented in a Business Risk Assessment which is considered at least annually by the Board. The framework is discussed with the Investment Manager, and members of the Audit Committee conduct an onsite review meeting with the Investment Manager to review the effectiveness of controls and any breaches / errors that have occurred since the last inspection visit. Any such control failures are also recorded on an exceptions basis and reported at quarterly Board meetings or in real time if sufficiently significant. No significant failings or weaknesses have been identified. These processes ensure an at least annual review of BGHL's system of internal controls, including financial, operational, compliance and risk management. The system can only provide reasonable and not absolute assurance against material misstatements.

The Board has delegated the management of BGHL's investment portfolio, the provision of custody services, the administration (including the independent calculation of BGHL's NAV), share registration, corporate secretarial functions and the production of the half-yearly and annual independently audited financial reports. The Board retains accountability for the functions it delegates. Formal contractual arrangements have been put in place between BGHL and the providers of these services.

Compliance reports are provided at each quarterly Board meeting by BGHL's Secretary. The Board considers that its internal control processes meet best practice as recommended in the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the UK's Financial Reporting Council as an adjunct to the UK Corporate Governance Code.

### **Regulatory Compliance**

BGHL keeps abreast of regulatory and statutory changes and responds as appropriate. The Board continues to take advice on AIFMD from external professional advisers and to implement necessary measures to ensure compliance with relevant requirements of the AIFMD Regulations. The Chief Compliance Officer within the Investment Manager is also a resource relied upon by the Board in this regard. Although the majority of the obligations associated with AIFMD are applicable to the AIFM, the Board is satisfied that BGHL as an AIF complies fully with its relevant obligations under the UK's AIFMD and the AIFMD Regulations 2013. Key Information

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Documents (“KIDs”) have been produced in accordance with the Packaged Retail and Insurance-based Investment Products (“PRIIPs”) regulation and are available at <https://www.bgholdingltd.com/priips.php>. BGHL falls within the scope of The EU General Data Protection Regulation (“GDPR”) and had put in place measures to ensure compliance by 25 May 2018. Policies have been enacted both to ensure ongoing compliance by BGHL, and also to oversee compliance by third party service providers who process or hold relevant data belonging to BGHL.

#### **Long Term Viability**

The principal risks facing BGHL are documented in the Business Risk Assessment and described above. The business model and investment strategy are described and evaluated in the Investment Manager’s report. The Board’s review of the effectiveness of BGHL’s risk management and internal control systems is described in the Audit Committee’s report.

Given the nature of its assets (mainly redeemable units in the Master Fund, which are themselves backed by liquid, tradeable assets) it would take a general failure in the effective and ongoing operation of financial markets (cessation of market liquidity) to threaten BGHL’s solvency. Such a market failure could prevent investments held by the Master Fund from being redeemed. This in turn would inhibit BGHL from being able to redeem its position in the Master Fund wholly or in part, and thereby leave it potentially unable to meet its trading obligations as they fall due. Notwithstanding the uncertainty caused by COVID-19 and its attendant global consequences, the fact that the operating expenses (excluding performance fees) of BGHL represent less than 2% of its NAV on an annual basis makes this risk remote.

The Board has conducted a robust assessment of the principal and emerging risks and uncertainties facing BGHL, and also assesses long term viability. The key risk to BGHL has been identified as a failure of the investment decision making process to generate NAV accretion that is in line with investor expectations, and which is attractive on a risk adjusted basis when compared with alternative managed investment opportunities.

BGHL’s performance is measured on a monthly basis via both the NAV of its underlying investments and its share price. Key data inputs used by the Investment Manager when making investment decisions in the Master Fund (BGHL’s principal investment) comprise company earnings (quarterly), macro factors (daily interest and currency exchange rates) and indicators of sentiment (yield curves and risk measures, such as the VIX index). Scenario stress tests are run on a monthly basis to measure potential “drawdowns” (i.e. reductions in NAV on a monthly basis) on the portfolio in the event of changes in the economic climate. These stress tests comprise severe but plausible scenarios and have been an integral part of the portfolio construction process for many years.

BGHL’s performance is compared primarily to peer group funds on an annual basis, and performance fees payable to the Investment Manager are also calculated annually. The significant majority of investment positions taken by the Master Fund are in liquid assets that can be converted to cash readily in the market and great effort is made by the Investment Manager to minimise drawdowns and to maintain liquidity. This emphasis on short term position management is an important feature of the Master Fund’s strategy. Given that BGHL’s operating costs as a percentage of its realisable investment portfolio are low, and that it is a closed ended fund, the Directors consider there to be significant liquidity headroom available in all but the most extreme market failure scenarios.

Despite the emphasis on short term performance and resilience described above, not all investment positions are entered into with the expectation of them being unwound within twelve months. Moreover, the “repeatability” of the investment process is of fundamental importance. The Investment Manager has developed proprietary analytical tools and processes that it seeks to apply on a consistent basis over time when making investment decisions. In this way it seeks to generate positive risk adjusted returns using proprietary strategies that are sustainable for the medium to long term, such that performance is not predicated on the retention of “key men”. Such algorithms and tools are necessarily a function of market behaviour and asset pricing correlations, and hence subject to change over time.

Whilst the turnover of positions within the Master Fund is thus relatively short term in duration, the timeframe over which it is necessary to identify and respond to “paradigm shifts” in economic markets is longer term in nature. Factors such as government or central bank policies (e.g. quantitative easing) or external events (including wars and regional instability) can cause significant changes in investor sentiment, which can in turn alter market assessments of intrinsic value and correlations between different asset types. For these reasons, the Board considers a three-year time horizon as being the appropriate period over which to assess future prospects and viability.

On the basis of the relevant and rigorous assessment described above, the Board believes that BGHL will remain viable as a closed-ended investment company for at least the next three years.

# **Boussard & Gavaudan Holding Limited**

## **Directors' Report**

### **For the year ended 31 December 2019**

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#### **Going Concern**

The Board conducts a rigorous and proportionate assessment of BGHL's operational and financial risks with reference to cash flow requirements, and the liquidity of investments on a quarterly basis. BGHL incurs ongoing fees and expenses associated with its day to day operations, provides cash collateral under currency hedging transactions and uses cash to repurchase its own shares.

The Directors regularly consider the financial solvency of BGHL and are required by the Companies Law to do so on every occasion that any distribution is to be declared, including, but not limited to, the redemption and conversion of shares, and repurchases by BGHL of its own shares. The Directors are confident that BGHL's assets exceed its liabilities and that BGHL has sufficient liquid assets to meet its liabilities as they fall due. Substantially all of the net assets of BGHL are currently invested in BGF shares. BGF shareholders have a monthly redemption right with 60 calendar day prior notice.

The Board is comfortable that BGHL currently has the ability to meet all expenses over the coming 12 months. BGHL's annual operating expenses (excluding any performance fees payable to the Manager) are relatively low at less than 2% of NAV. The predictable nature of those expenses means that the Company is able on a monthly basis to calculate and accurately predict how much cash is required to meet them. In order to generate the necessary liquidity to pay expenses, the Company redeems shares in the Master Fund on a regular basis. Should BGHL have insufficient cash to meet its expenses, BGHL expects that it would rapidly be able to realise sufficient investments to meet such expenses. This is evidenced by a formal solvency statement.

The Directors have also reviewed the possible impact of an excessive number of redemption requests at the Master Fund level caused by the market turmoil following the COVID-19 pandemic. Whilst any long-term liquidity lock up would impact the cash reserves of BGHL and its ability to meet its obligations, to date there have been no suspensions of redemption requests at the Master Fund level. If a gate was to be imposed by the Master Fund, at least 10% of any redemption request would continue to be honoured. This would allow BGHL to realise sufficient liquidity to meet its operating costs.

After making enquiries, the Board has a reasonable expectation that BGHL has adequate resources to continue in operational existence for at least the next twelve months. Therefore, the financial statements have been prepared on a going concern basis.

#### **Relations with Shareholders**

BGHL engages with institutional shareholders both directly and indirectly (via the Investment Manager and the retained broker). A programme by which the Company's website will be relaunched during 2020 has also been initiated, with the objective of that becoming a more useful and user friendly source of information about the Company. Shareholders are also of course always welcome to contact the Board of BGHL in writing via the Secretary, should they wish to have a dialogue and/or provide any feedback.

Furthermore, at a minimum, the Chairman of the Board and the Chairman of the Audit Committee attend BGHL's annual general meeting. Separate resolution is proposed on each substantially separate issue at each general meeting of shareholders, including a vote on BGHL's annual financial report at the annual general meeting, and forms of proxy issued by BGHL for use at each general meeting provide for three way voting – for, against or vote withheld. Notices of annual general meetings are always sent at least 20 working days before the meeting and in accordance with the notice periods set out in the Companies Law.

After each general meeting, the results of the meeting are announced and the announcement of results is also made available on the BGHL's website. As a matter of best practice, all resolutions are voted upon on a poll. Finally, if required, BGHL can also make available representatives of the Investment Manager to shareholders.

While BGHL reports formally to its shareholders twice a year, it also maintains a website which contains comprehensive information ([www.bgholdingltd.com](http://www.bgholdingltd.com)). This includes historic communications, investment philosophy, risk management policies, Investment Manager's reports, statistical information and corporate governance guidelines.

#### **Strategic Report**

The Code requires that the Company should understand the views of BGHL's key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the UK's Companies Act 2006 have been considered in Board discussions and decision-making.

The objective of the Company is the delivery of consistent and uncorrelated growth in net asset value of 400-600 bps (net of all fees) above the "risk free rate" (defined as capitalised EONIA) over the course of an economic cycle. The Company has no employees and all of the directors are non-executive, so the Board considers that its key stakeholders are its shareholders, its service providers, society and regulators.



# **Boussard & Gavaudan Holding Limited**

## **Directors' Report**

### **For the year ended 31 December 2019**

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The Board's engagement with shareholders is described in the section "Shareholder Relations" above. All shares in issue rank *pari passu*, all shareholders are treated equally and no shareholder receives preferential treatment. When making decisions of relevance to shareholders, the Board considers first and foremost the likely consequences of decisions in light of its duty to act in the best interests of the Company. The Board also considers what is likely to be in the best interests of shareholders as a whole, but does not consider individual shareholders' specific circumstances or desires when making its decisions.

In addition to the regular reporting provided by key service providers, the Board's primary formal engagement with its service providers is via the Management Engagement Committee. The services provided by key third party service providers are critical to the ongoing operational performance of the Company. The Board believes that fostering constructive and collaborative relationships with the Company's service providers will assist in the promotion of the success of the Company for the benefit of all shareholders.

The Company has an unlimited life and, as described in the Company's viability statement, the Board considers the prospects of the Company for at least the next three years whenever it considers the Company's long-term sustainability. All strategic decisions are therefore taken with the long-term success of the Company in mind and the Board takes external advice whenever it considers that this would be beneficial to its decision making process.

The Board considers that the Company, as an externally-managed investment company with no employees, premises nor manufacturing or other physical operations, has no material, direct impact on the community and the environment. However, the Board considers social, community, environmental and human rights matters to be of significant importance and, in this respect, takes soundings from the Investment Manager as to how these matters are taken into consideration in respect of portfolio construction and its ongoing management. The Investment Manager is developing measures by which to incorporate ESG criteria into processes when making investment decisions. The Board ascribes to the highest standards of business conduct and has policies in place to ensure compliance with all applicable laws and regulations. In this respect, it also interacts with governmental organisations providing public services for society, and financial services regulators (such as the FCA, AFM and GFSC). In addition to the monitoring of the Company's compliance with its own obligations, the Management Engagement Committee also monitors compliance by its service providers with their own obligations. The Company has a zero tolerance policy in respect of bribery and corruption.

The Board encourages openness and transparency and promotes proactive compliance with new regulation. The Company, through its Administrator, files Guernsey regulatory statistics on a quarterly basis and assists the Administrator in collecting data for provision to the GFSC.

#### **Statement of Directors' Responsibilities**

The Directors are responsible for the preparation of financial statements in accordance with applicable Guernsey law and generally accepted accounting principles. Guernsey law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of BGHL as at the end of the year and profit or loss for that year.

The Directors are also responsible for ensuring that the annual report includes information required by the rules of the UK Listing Authority. The Directors ensure that BGHL complies with the provisions of the Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Listing Authority which, with regard to corporate governance, require BGHL to disclose how it has applied the principles, and complied with the provisions, of the Code.

In preparing those financial statements, the Directors should:

- Select suitable accounting policies and then apply them on a consistent basis;
- Make judgements and estimates that are reasonable;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is not appropriate to presume that BGHL will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of BGHL and to enable them to ensure that the financial statements comply with the Companies Law. They are also responsible for the system of internal controls for safeguarding the assets of BGHL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Shareholders holding more than 3% of the shares in issue need to disclose their holdings to the AFM, the Dutch regulatory authority. The AFM discloses this information on its web site. The information can be found under the section "Register substantial holdings and gross short positions". Shareholders may use the following link to access the information directly:

<https://www.afm.nl/en/professionals/registers/meldingenregisters/substantiele-deelnemingen/details?id=22451>

**Boussard & Gavaudan Holding Limited**  
**Directors' Report**  
**For the year ended 31 December 2019**

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The Directors consider the BGHL Annual Report and audited financial statements, taken as a whole:

- is fair, balanced and understandable; and
- provides the information necessary for shareholders to assess the BGHL's performance, business model and strategy.

**Audit Confirmation**

So far as each of the Directors is aware, there is no relevant audit information of which BGHL's auditor is unaware and each Director has taken all reasonable steps he ought to have taken as a Director to make himself aware of any relevant information and to establish that BGHL's auditor is aware of that information.

By order of the Board



Andrew Henton  
Chairman



Andrew Howat  
Director

21 April 2020

# **Boussard & Gavaudan Holding Limited**

## **Report of the Audit Committee**

### **For the year ended 31 December 2019**

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#### **Role and responsibility**

This is the report of the Audit Committee (herein the “**Committee**”) which has been prepared with reference to the Code and describes the work of the Committee in discharging its responsibilities.

BGHL established the Committee in compliance with the FCA’s Disclosure and Transparency Rule 7.1 and the Code. The Committee meets formally at least twice each year and on an ad hoc basis when required and reports to the Board. It has formally delegated duties and responsibilities with written terms of reference which are reviewed and reapproved annually. Those terms of reference are published on BGHL’s website at <http://www.bgholdingltd.com>

The Committee is mandated by the Board to investigate any activity within its terms of reference and to consult externally with legal or other independent professional advisors, as required, to ensure that the Committee adequately discharges its duties and responsibilities, which include:

- a) considering the appointment of the external auditor, its letter of engagement and the terms thereof, the audit fee, and any questions of resignation or dismissal of the external auditor;
- b) reviewing from time to time the effectiveness of the audit and the independence and objectivity of the external auditor;
- c) developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- d) reviewing BGHL’s half-yearly and annual financial reports, not excepting the full Board’s responsibility over the reports, focusing particularly on:
  - Any changes in accounting policies and practice;
  - Major judgmental areas;
  - Significant adjustments arising from the audit;
  - The going concern assumption;
  - Compliance with accounting standards (and in particular accounting standards adopted in the financial year for the first time);
  - Compliance with applicable legal and regulatory requirements (including inter alia, those of the FCA, the London Stock Exchange, the Guernsey Financial Services Commission, the Companies Law, NYSE Euronext, and the Netherlands Authority for the Financial Markets);
  - A risk management review; and
  - Assessing the effectiveness of internal controls.
- e) discussing any problems and reservations arising from the final audit, and any other matters which the auditor may wish to discuss (in the absence of BGHL’s agents where necessary);
- f) reviewing the external auditor’s Report to the Audit Committee and determining whether any changes have to be implemented as a result;
- g) reviewing, on behalf of the Board, BGHL’s system of internal control (including financial, operational, compliance and risk management) and making recommendations to the Board;
- h) considering the major findings of internal investigations and management’s response;
- i) reviewing BGHL’s operating, financial and accounting policies and practices;
- j) considering any other matters specifically delegated to the Committee by the Board from time to time; and
- k) confirming to the Board as to whether the Annual Report and audited financial statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess BGHL’s performance, business model and strategy.

The Committee may review any matter that it considers appropriate notwithstanding that it is not specifically mentioned in the above list of duties.

# **Boussard & Gavaudan Holding Limited**

## **Report of the Audit Committee**

### **For the year ended 31 December 2019**

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#### **Composition**

The Committee comprised the following members as of 31 December 2019: Andrew Howat and Sylvie Sauton, with Mr Howat acting as permanent Chairman of the Committee. Both members of the committee have relevant competence to the sector in which BGHL operates in addition to relevant financial experience as required by the Code.

Only independent non-executive Directors serve on the Committee and the members do not have any links with BGHL's external auditor. They are also independent of the management teams of the Investment Manager, administrator and all other service providers. In addition, it meets the external auditor at least twice a year. The membership of the Committee and its terms of reference are kept under review.

#### **Oversight of controls and risk management**

The Board conducts an annual Business Risk Assessment in conjunction with the Investment Manager. The intention of this exercise is to identify and articulate the material risks that might affect BGHL and its trading prospects, the likelihood of them occurring and their assessed impact. As part of this process the explicit controls intended to mitigate either or both of the risk of occurrence, or the impact of an occurrence, are also articulated. In this way a residual net impact assessment is derived.

In support of this exercise, the Committee visits the Investment Manager annually to review and inspect operations. The Committee meets senior staff members responsible for the internal control and oversight functions, who report as to the proper conduct of the business in accordance with the regulatory environment in which both BGHL and the Investment Manager operate.

The oversight programme follows a preplanned agenda and in 2018 involved reviews of, inter alia (i) changes that had taken place within the Investment Manager's operation; (ii) IT systems and controls, including cyber security arrangements; (iii) regulatory compliance; (iv) investor relations; (v) the valuation of unquoted investments; and (vi) the risk register, complaints, errors and breaches logs and business continuity arrangements. Performance was assessed as satisfactory with no unacceptable or unanticipated risk exposures. The results of the oversight visit are documented.

As part of the oversight programme, both the Investment Manager and the Administrator report formally to the Committee at least annually on their systems of internal controls. In accordance with the provisions of the Code, the Committee has conducted a review of those systems of internal controls and is satisfied that they are sufficient to withstand the risks to which BGHL is subject.

As BGHL is a closed-ended investment company, all of whose Directors are non-executive, and as all executive functions have been delegated to professional third party advisors, the Committee does not consider it necessary for BGHL to have its own internal audit function. However, as a consequence of continued growth an Internal Audit function was established by the Investment Manager during 2018. BGHL now obtains the benefit of this "third line of defence". Whilst no reliance can be placed on them, reviews conducted on the Investment Manager's operations by independent custodians, and on site due diligence visits by prospective investors and their professional advisers, provide a degree of additional comfort.

Whilst BGHL does not have any staff, the Committee considers that the arrangements by which staff of the Investment Manager and the Administrator may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters are of great importance. The Committee reviews such arrangements annually and, as required by the Code, is satisfied that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

**Boussard & Gavaudan Holding Limited**  
**Report of the Audit Committee**  
**For the year ended 31 December 2019**

**Significant issues considered regarding the Annual Financial Report**

In discharging its responsibilities, the Audit Committee has specifically considered the following significant issues relating to the financial statements:

Significant issue	How the issue was addressed
<p>Valuation of BGHL's investments</p>	<p>The Board reviews portfolio valuations on a regular basis throughout the Year, and at quarterly meetings with the Investment Manager seeks assurance that the pricing basis is appropriate and in line with relevant accounting standards. BGHL's net asset value is calculated on a daily basis by the Sub-Administrator.</p> <p><u>Rasaland investment</u></p> <p>Rasaland is the sole remaining unlisted and level 3 asset in the BGHL portfolio. This position is not immediately realisable and requires valuation based on third party assessments and judgements. Consideration was given as to whether the selected basis of valuation was reasonable and fair.</p> <p>Historically, the valuation used has been based on calculations produced by the management of that company. A key input is land valuations produced independently of management by a third party. Consistent application of the valuation mechanic used by RLI management is verified by reporting accountants, although this verification does not of itself opine on the resultant valuation.</p> <p>It was originally anticipated that BGHL would exit the RLI position in around 2017/2018; it is however unclear when full realisation of value will be forthcoming. For the purpose of these accounts a circa 45% provision is made against the net asset value at 31 December 2019. The Audit Committee still concurs that a provision reflecting illiquidity is appropriate given BGHL's intention to trade out of the position well before RLI management deliver a liquidity event for investors. The quantum of the provision reflects the differential between the respective time horizons of BGHL and RLI management for value realisation. This is considered to have implications for the manner in which fair value should be assessed, and greater emphasis has been placed on realisable value than intrinsic value.</p> <p>There remains no immediate threat to solvency and going concern within RLI, and there are physical land assets to underpin the valuation. The provision against the reported valuation in 2019 is considered fair.</p> <p><u>Subsequent event:</u></p> <p>In March 2020 a successful sale of RLH Properties, the underlying Hotel REIT, was undertaken. As a result, RLI is proposing to return the vast majority of the RLH Properties sale proceeds to shareholders through a capital reduction, which equates to 31% of the valuation reported by RLI in 2019. The sale of RLH Properties does not affect the assessment by BGHL of the fair value of its investment in RLI.</p> <p><u>BG Fund investment</u></p> <p>The Audit Committee concluded that the NAV for the Master Fund remained the appropriate basis of valuation.</p>

**Boussard & Gavaudan Holding Limited**  
**Report of the Audit Committee**  
**For the year ended 31 December 2019**

<p>COVID-19</p>	<p>The results of, and governments responses to the COVID-19 pandemic have escalated rapidly. The impact on financial markets has already been significant, reflecting disruption to international supply chains, the interruption of production generally, delays in corporate activity and investment, uncertainty about the availability of financing and increased volatility in the value of financial instruments. The Audit Committee has considered the particular circumstances of the Company in light of the increasingly broad effects of COVID-19, in particular the associated risk exposures and implications for financial reporting.</p> <p>As an investment company, the Company does not have employees, customers or suppliers in a conventional sense. Reliance is however placed on service providers, principally the Investment Manager and the Administrator. The Committee has been kept apprised of business continuity measures enacted by these key service providers and is receiving updates in relation to any emergent risks, vulnerabilities and the continued effectiveness of internal controls. Information flows between the Investment Manager and other advisers have been effective and a key component of oversight in prevailing conditions. Both the Board and the Investment Manager are maintaining dialogue with shareholders in order to provide transparency.</p> <p>The unprecedented nature of the pandemic, and uncertainty about its long term economic impact on the global economy, led the Committee to consider whether it represents a potential “paradigm shift” that might challenge the Investment Manager’s models and asset allocation style. The Committee has taken comfort from the fact that NAV performance has remained within the bounds predicted by stress testing scenarios however, and that derivative instruments used to provide downside protection are “over the counter” (“OTC”) and thus remain capable of being priced by reference to third party market sources, thereby supporting valuations.</p> <p>The Committee has reviewed the information provided in relation to COVID-19 throughout the annual reports and believes the Company is meeting regulatory and broader stakeholder requirements for financial and other public disclosures.</p>
<p>Completeness and accuracy of the disclosures in the financial statements</p>	<p>The Audit Committee concluded that all appropriate and required disclosures have been incorporated in the financial statements, and drew comfort from the fact that multiple layers of oversight exist to achieve this objective. Specifically, the sub-administrator, administrator, Investment Manager and external auditor have all performed their own checks for completeness.</p> <p>The Audit Committee continues to give particular attention to the extent of disclosures about the underlying portfolio of the Master Fund. Risk measures, sensitivities and performance are driven by the make up of that portfolio and hence additional disclosures about it are appropriate to permit a full understanding of the accounts. However, BGHL does not have direct influence over the Master Fund and the Committee remains concerned to ensure that the correct balance gets struck between disclosing the drivers of performance, without inviting users of the financial statements to conflate BGHL with the Master Fund.</p>
<p>Presentation of financial statements</p>	<p>The Audit Committee considered the complexity of the financial statements in their entirety, and the descriptive narrative supporting the financial disclosures. It was recognised that the sophistication of the investment strategies pursued by BGHL do not lend themselves to description in “plain English” and that the use of technical terminology was not always consistent with the goals of ensuring transparency and maximising ease of understanding.</p> <p>On balance the Audit Committee concluded that the benefits of accurate - but detailed - descriptive narrative outweighed the possible benefit of simplified summaries. The nature of the shareholder base (predominantly sophisticated professional investors) was an important factor in reaching this conclusion.</p>

# **Boussard & Gavaudan Holding Limited**

## **Report of the Audit Committee**

### **For the year ended 31 December 2019**

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#### **Going concern**

The Audit Committee reviewed the assumptions upon which it is assumed that BGHL can continue to operate on a going concern basis. These assumptions include the significant COVID-19 issue. In so doing, it assessed outstanding financial obligations and calls on BGHL's resources, investment performance and the meeting of shareholders' expectations.

#### **Auditor and audit tenure**

BGHL's auditor has acted in this role since 2006, but there was a partner rotation in 2014. The Committee, in conjunction with the Board, is committed to reviewing this appointment on a regular basis to ensure that BGHL is receiving an optimal level of service. The appointment of the auditor is reviewed annually, and the Committee is satisfied that sufficient safeguards are put in place by the auditor to mitigate risks associated with long association such as regular partner rotation. There are no contractual obligations which restrict BGHL's choice of auditor.

The Committee does not award any non-audit work other than the review of its interim financial statements for the half year ended 30 June. The full Board would have to approve any other non-audit work. Where non-audit services are provided by the auditor, these engagements are pre-approved by the Committee to ensure that the auditor's independence and objectivity is not breached and a recommendation is made to the Board. Whilst interim reviews of financial information are considered to be a non-audit service, the Committee did not consider that this role undermined auditor independence. No other non-audit services were provided in 2019.

The Committee considered the experience and tenure of the audit partner and staff and the nature and level of services provided. The Committee received confirmation from the auditor that it had complied with the relevant UK professional and regulatory requirements on independence. Given that the auditor has been in office for more than ten years, the current audit as of 31 December 2019 has been carried out by a new audit partner.

#### **Assessment of the external audit process**

The Committee considers the nature, scope and results of the auditor's work and monitors the independence of the external auditor. Formal reports are received from the auditor on an annual basis relating to the extent of their work. The work of the auditor in respect of any significant audit issues and consideration of the adequacy of that work is discussed.

The Chairman of the Committee liaises with the Investment Manager, the Administrator and the Sub-Administrator to discuss the extent of audit work completed to ensure all matters of risk are covered, while the Committee assesses the quality of the draft financial statements prepared by the Sub-Administrator.

The Committee has an active involvement and oversight of the preparation of both half yearly and annual financial statements. Ultimate responsibility for reviewing and approving the annual financial report remains with the Board.

#### **Conclusion in respect of the Annual Report and audited financial statements**

The production of BGHL's Annual Report and audited financial statements is a comprehensive process requiring input from a number of different parties. One of the key governance requirements is that BGHL's Annual Report and audited financial statements be fair, balanced and understandable. The Board has requested that the Committee advise on whether it considers that the annual financial report fulfil these requirements.

As a result of the work performed, the Committee recommended that the Board should conclude that the Annual Report and audited financial statements for the Year, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess BGHL's performance, business model and strategy and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Directors' Report above.



Andrew Howat  
Chairman of Audit Committee  
21 April 2020

# **Boussard & Gavaudan Holding Limited**

## **Alternative Investment Fund Managers Directive Report**

### **For the year ended 31 December 2019**

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#### **Background**

The AIFMD came into force on 22 July 2013, although there was a transitional period for compliance by existing AIFMs and AIFs until 21 July 2014 under the UK's Alternative Investment Fund Managers Regulations, 2013 (the "AIFMD Regulations"). The objective of the AIFMD is to introduce a common regulatory regime for funds marketed in or into the EU which are not regulated under the UCITS regime, with a view to increased investor protection and to enable European regulators to obtain increased information in relation to funds being marketed in or into the EU to assist their monitoring and control of systemic risk issues.

BGHL is not marketed in the EU and therefore does not fulfill the definition of an AIF. However, the Board has chosen to voluntarily adopt the requirements of AIFMD and AIFMD regulations for the Year.

The Investment Manager is an EU-based AIFM. Although the Investment Manager is within the scope of AIFMD, BGHL is a non-EU AIF not currently marketed in the EU, so the depositary rules in Article 21 of the AIFMD and the transparency requirements of Articles 22 (annual report) and 23 (Disclosure to investors) of the AIFMD do not apply to BGHL. However, on the advice of the Investment Manager the Board wishes to provide the BGHL shareholders with the information below.

#### **1. Material changes in the disclosures to investors**

During the Year, there were no material changes to the information required to be made available to investors before they invest in BGHL under Article 23 (Disclosure to investors) of the AIFMD.

#### **2. Presentational changes to the income and expenditure account**

Note 13 to financial statements details the realised and change in unrealised gain /loss at asset type level as per the AIFMD requirements.

#### **3. Risk management policy note**

The current risk profile of BGHL, the main features of the risk management systems employed by Investment Manager to manage those risks and the measures to assess the sensitivity of BGHL's portfolio to the most relevant risks are set out in the Investment Manager's Report and in note 4 to the financial statements.

#### **4. Leverage and borrowing**

BGHL is entitled to employ leverage in accordance with its investment policy and as described in the section entitled "Gearing" reproduced in the Investment Manager's Report. The investment policy does not restrict the types and sources of leverage.

During the reporting Year, BGHL employed leverage through borrowings and derivative instruments. BGHL's borrowings are described in note 11 to the financial statements. Derivatives are used by BGHL for the purpose of hedging the exposure on assets denominated in currencies other than the Euro.

#### *Collateral and asset re-use*

The investment policy does not restrict collateral and asset "re-use" arrangements.

#### *Leverage limits and usage*

BGHL is subject to the following leverage limits:

- 200% of the Net Asset Value as described in the "Gearing" section of the investment policy.
- 200% of the Net Asset Value as per the AIFMD's "commitment method",
- 200% of the Net Asset Value as per the AIFMD's "gross method"

#### **5. Liquidity arrangements**

BGHL is a closed-ended AIF with the ability to employ leverage, which has two implications on its liquidity management:

- BGHL has no redemption-related liquidity management requirements.
- The Investment Manager monitors the liquidity risk and ensures that the liquidity profile of BGHL's investments complies with BGHL's underlying obligations. BGHL's liquidity risk, obligations and liquidity sources are described in note 4c (liquidity risk).



# **Boussard & Gavaudan Holding Limited**

## **Alternative Investment Fund Managers Directive Report**

### **For the year ended 31 December 2019**

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Within the meaning of AIFMD:

- There were no “new arrangements for managing the liquidity” of BGHL during the reporting Year.
- BGHL has no “assets subject to special arrangements arising from their illiquid nature”.

#### **6. Disclosures on Securities Financing Transactions and Total Return Swaps**

BGHL, being managed by an EU-based AIFM, is subject to the European Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse.

BGHL does not use securities financing transactions nor total return swaps.

#### **7. AIFM Remuneration Policy**

Remuneration reporting requirements under the AIFMD Regulations are effective once a first full year period has been completed. Given that BGHL decided to voluntarily comply with the AIFMD Regulations with effect from 21 July 2014, these requirements apply to BGHL.

The Investment Manager (the “AIFM”) Remuneration Policy is designed to support a pay for performance philosophy and reward eligible colleagues for both team and individual performance against specific goals in line with the needs of the business. All employees share in the responsibility for financial success and the growth of the business. The Remuneration Policy links individual objectives directly to the goals of the business. A participant’s actual incentive pay-out will be based on both funding results and business distribution approach. Incentive funding takes into consideration financial performance of a participant’s business as well as the Investment Manager overall financial performance. The Investment Manager has a pay for performance philosophy and expects differentiated rewards based on individual performance and contributions. Therefore, distribution of the funded incentive pool is intended to deliver differentiated incentives to the highest performers. Management discretion may be used in determining the funding and the final pay-out. An incentive pay-out is not an entitlement or guarantee, it is designed to enlist and encourage the right actions/behaviours, and reward based on results. All staff receive fixed remuneration in the form of basic pay to ensure that the fixed and variable components are appropriately balanced. The element of basic pay is sufficiently high to allow the operation of a fully flexible policy on variable remuneration including allowing no variable remuneration component being paid. The remuneration policy includes the following features: deferral over 3 years, awards in instruments, at least 50% in shares, retention of the shares for 6 months, and potential application of malus and clawback provisions.

#### **Total remuneration paid to staff of the AIFM during the financial period ending 31 March 2019:**

Fixed remuneration\*: €7,485,774

Variable remuneration\*: €12,952,205

Number of staff: 87

Aggregate remuneration of senior management\*: €7,153,797

Aggregate remuneration of employees whose actions have a material impact on the risk profile of the AIFs managed by the AIFM\*: €10,503,017

\*Remuneration figures reflect an approximation of the portion of remuneration reasonably attributable to the AIFs.

The numbers cover the period from 31 March 2018 to 31 March 2019.

**Boussard & Gavaudan Holding Limited**  
**Management Report**  
**For the year ended 31 December 2019**

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A description of important events which have occurred during the Year, their impact on the performance of BGHL as shown in the financial statements and a description of the principal risks and uncertainties facing BGHL, together with an indication of important events that have occurred since the end of the Year and BGHL's likely future development is given in the report of the Investment Manager, the Directors' report and the notes to the financial statements. They are considered to be incorporated here by reference.

There were no material related party transactions which took place in the Year, other than those disclosed in the report of the Investment Manager and at note 6 to the financial statements.

The Directors confirm that to the best of their knowledge:

- (a) The financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of BGHL as at and for the Year and,
- (b) This management report (including the information incorporated by reference) includes a fair review of the development and performance of BGHL and its position at the Year end, together with a description of the principal risks and uncertainties that BGHL faces.

By order of the Board



Andrew Henton  
Chairman



Andrew Howat  
Director

21 April 2020

# **Boussard & Gavaudan Holding Limited**

## **Report of Independent Auditor**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOUSSARD & GAVAUDAN HOLDING LIMITED**

#### **Opinion**

We have audited the financial statements of Boussard & Gavaudan Holding Limited (the 'Company') for the year ended 31 December 2019 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- ▶ have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to principal risks, going concern and viability statement**

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 20-21 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 22 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 23 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 22 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

# Boussard & Gavaudan Holding Limited

## Report of Independent Auditor

### Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> <li>Valuation of Level 2 investments</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>Overall materiality of €3.5m which represents 1% of net asset value.</li> </ul>

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Fair value of Level 2 Investments are not properly determined (2019: €344.1 million, 2018: €708.3 million)</b></p> <p>Refer to the Accounting policies Note 2 on page 44 and Note 3 of the Financial Statements on page 50.</p> <p>98.7% of the fair value of investments relate to the Company's holding in the BG Fund investments..</p> <p>The valuation of the investments is the principal driver of the Company's net asset value and total comprehensive income. Incorrect valuation could have a significant impact on the net asset value of the Company.</p>	<ul style="list-style-type: none"> <li>We have updated our understanding of BGHL's valuation methodology (including the controls surrounding the valuation process) and accounting policies for its investments;</li> <li>We have obtained an analysis of the Level 2 investments held by BGHL and the methods used to value these investments;</li> <li>For holdings in BG Fund, we have confirmed the Net Asset Value ("NAV") at the reporting date with the independent administrator of BG Fund;</li> <li>We have recalculated the fair value of the investment in BG Fund based on the number of units held and NAV at the reporting date confirmed by administrator;</li> <li>We have observed liquidity in the Company's level 2 investments around the year end date by obtaining the issues/redemptions schedule from the independent administrators;</li> <li>We have obtained a copy of the signed annual report and Financial Statements of the BG Fund for the year ending 31 December 2019 and agreed the NAV per unit to this; and</li> </ul>	<p>No significant findings were reported to the audit committee in respect of the valuation of Level 2 investments.</p> <p>We concluded that the impact of COVID-19 on the Company's investment performance was that of a non-adjusting post balance sheet event and has been adequately disclosed in the Financial Statements.</p>

# Boussard & Gavaudan Holding Limited

## Report of Independent Auditor

	<ul style="list-style-type: none"><li>We reviewed the published NAV of BG Fund during the post year end period to evaluate the impact of COVID-19 on the Company's performance to check that the disclosures relating to the valuations remained appropriate after the year-end.</li></ul>	
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In the prior year, our auditor's report included a key audit matter in relation to 'Misstatement of valuation of Level 3 investment' which has been removed as a key audit matter in the current year. Given the proportion that the Level 3 investment represents minor portion of total assets and NAV, and as there has been no change in valuation methodology from prior year, the audit of the level 3 investment no longer meets the definition of a key audit matter in terms of the overall allocation of resources and direction of the team's efforts.

### **Emphasis of the matter – effects of Covid-19**

We draw attention to Note 2 (Going concern) and Note 17 (Post balance sheet events) of the Financial Statements, which describes the potential economic impact the Company might be facing as a result of Covid-19 and the potential impact on the Company's financial performance and business continuity protocols. Our opinion is not modified in respect of this matter.

### **An overview of the scope of our audit**

#### **Tailoring the scope**

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

#### **Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

#### **Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Company to be €3.5 million (2018: €6.4 million), which is 1% (2018: 1%) of Net Asset Value. We believe that Net Asset Value provides us with an appropriate basis for audit materiality as this is a key published performance measure and is a key metric used by management in assessing and reporting on the overall performance of the Company.

During the course of our audit, we reassessed initial materiality and noted no matters leading us to amend materiality levels from those originally determined at the audit planning stage.

#### **Performance materiality**

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely €2.6 million (2018: €4.8 million). We have set performance materiality at this percentage due to the investment strategy remaining consistent with our previous experience and limited identification of audit findings in previous periods.

# **Boussard & Gavaudan Holding Limited**

## **Report of Independent Auditor**

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### **Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of €0.2million (2018: €0.3million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 25** - the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 26-30** - the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 18-19** - the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the Company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

# **Boussard & Gavaudan Holding Limited**

## **Report of Independent Auditor**

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### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



*Richard Le Tissier*

*for and on behalf of Ernst & Young LLP  
Guernsey, Channel Islands  
21 April 2020*

### Notes:

1. The maintenance and integrity of the Boussard & Gavaudan Holding Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Boussard & Gavaudan Holding Limited**  
**Statement of Financial Position**  
**As at 31 December 2019**

	Note	31 Dec 2019 €	31 Dec 2018 €
<b>Assets</b>			
Investments at fair value through profit or loss			
Cost € 214,549,129 (2018: €439,838,617)	3	348,549,793	716,581,290
Unrealized gain on forward derivatives contracts	3	76,778	-
Due from brokers	15	850,000	1,610,000
Cash and cash equivalents		1,041,187	1,229,554
<b>Total assets</b>		<b><u>350,517,758</u></b>	<b><u>719,420,844</u></b>
<b>Liabilities</b>			
Loan payable	6	-	70,000,000
Unrealised loss on foreign exchange forward contracts	3,16	-	100,456
Due to brokers		334	500
Management fees payable	8	1,705,271	2,490,030
Other liabilities		87,329	54,652
Interest payable	11	-	123,900
<b>Total liabilities</b>		<b><u>1,792,934</u></b>	<b><u>72,769,538</u></b>
<b>Equity</b>			
Share capital		199,708,196	511,878,078
Treasury shares		(5,266,580)	-
Retained earnings		154,283,208	134,773,228
<b>Total equity</b>		<b><u>348,724,824</u></b>	<b><u>646,651,306</u></b>
<b>Total equity and liabilities</b>		<b><u>350,517,758</u></b>	<b><u>719,420,844</u></b>
<b>Net asset value per share:</b>			
Class A EURO shares outstanding 14,804,678 (2018: 28,782,231)		<u>€ 22.8994</u>	<u>€ 22.0045</u>
Class A GBP shares outstanding 398,542 (2018: 608,712)		<u>£ 20.6363</u>	<u>£ 19.6444</u>

The financial statements on pages 39 to 59 were approved by the Board of Directors on 21 April 2020 and signed on its behalf by:



Andrew Henton  
**Chairman**



Andrew Howat  
**Director**

The accompanying notes on pages 43 to 59 form an integral part of these financial statements



**Boussard & Gavaudan Holding Limited**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2019**

	Note	31 Dec 2019 €	31 Dec 2018 €
<b>Income</b>			
Net realised gain on financial assets and liabilities at fair value through profit or loss	13	172,644,891	8,030,432
Change in unrealised loss on financial instruments at fair value through profit or loss	13	(142,564,775)	(38,409,316)
Net gain/(loss) on financial assets at fair value through profit or loss		30,080,116	(30,378,884)
Other realised and unrealised foreign currency loss		(90,782)	(245)
<b>Total income/(loss)</b>		<b>29,989,334</b>	<b>(30,379,129)</b>
Interest expense on loan		961,729	1,277,199
Interest expense on cash equivalent		5,227	5,552
Management fees	8	9,029,693	10,274,734
Administrative fees	7	109,173	108,220
Directors fees	6	88,412	86,020
Professional fees		58,687	7,440
Audit fees		58,701	56,453
Other expenses		167,732	155,039
<b>Total expenses</b>		<b>10,479,354</b>	<b>11,970,657</b>
<b>Net profit/(loss) before tax</b>		<b>19,509,980</b>	<b>(42,349,786)</b>
<b>Taxation</b>			
Withholding tax		-	-
<b>Net profit/(loss) and total comprehensive income/(loss)</b>		<b>19,509,980</b>	<b>(42,349,786)</b>
<b>Basic and diluted earnings per share</b>			
Class A EURO €18,168,303 Profit / 26,477,639 shares (2018: €41,449,921 Loss / 28,760,220 shares)		€0.6862	€(1.4412)
Class A GBP £ 1,166,171 Profit / 573,684 shares, (2018: £807,198 Loss / 630,600 shares)		£2.0328	£(1.2800)

There is no statement of Other Comprehensive Income presented as there was no other comprehensive income during the Year.

All activities are of a continuing nature.

The accompanying notes on pages 43 to 59 form an integral part of these financial statements

**Boussard & Gavaudan Holding Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2019**

	Share Capital €	Treasury Shares €	Retained Earnings €	Total Equity €
<b>2019</b>				
Balance as at 1 January 2019	511,878,078	-	134,773,228	646,651,306
Net gain attributable to ordinary shares	-	-	19,509,980	19,509,980
Shares redeemed*	(312,169,882)	-	-	(312,169,882)
Treasury shares acquired	-	(5,266,580)	-	(5,266,580)
<b>Balance as at 31 December 2019</b>	<b>199,708,196</b>	<b>(5,266,580)</b>	<b>154,283,208</b>	<b>348,724,824</b>
	Share Capital	Treasury Shares	Retained Earnings	Total Equity
<b>2018</b>				
Balance as at 1 January 2018	511,878,078	-	177,123,014	689,001,092
Net loss attributable to ordinary shares	-	-	(42,349,786)	(42,349,786)
<b>Balance as at 31 December 2018</b>	<b>511,878,078</b>	<b>-</b>	<b>134,773,228</b>	<b>646,651,306</b>

\* Redeemed amounts of € 310,101,835 was non cash transactions and € 2,068,047 was cash transaction as a result of share exchange. Further details are mentioned in note 1.1 on page 43.

The accompanying notes on pages 43 to 59 form an integral part of these financial statements

**Boussard & Gavaudan Holding Limited**  
**Statement of Cash Flows**  
**For the year ended 31 December 2019**

	Note	31 Dec 2019 €	31 Dec 2018 €
<b><u>Cash flows from operating activities</u></b>			
Net profit/(loss) and total comprehensive income/(loss)		19,509,980	(42,349,786)
Adjustments to reconcile net profit/(loss) to net cash used in operating activities:			
Unrealised loss on financial instruments at fair value through profit and loss	13	142,564,775	38,409,316
Realised gain on financial instruments at fair value through profit and loss	13	(172,644,891)	(8,030,432)
Decrease in due from brokers		760,000	1,486,979
Decrease in dividend receivable		-	195,474
(Decrease)/increase in interest payable		(123,900)	24,539
Decrease in due to brokers		(166)	(208)
Decrease in performance fee payable		-	(9,575,000)
Decrease in management fee payable		(784,759)	(149,563)
Increase/(decrease) in other liabilities		32,677	(44,596)
<b>Net cash used in operating activities</b>		<b>(10,686,284)</b>	<b>(20,033,277)</b>
<b><u>Cash flows from investing activities</u></b>			
Purchase of investments at fair value through profit or loss		-	(7,940,000)
Sales of investments at fair value through profit or loss	3.2	87,424,761	29,576,852
<b>Net cash provided by investing activities</b>		<b>87,424,761</b>	<b>21,636,852</b>
<b><u>Cash flows from financing activities</u></b>			
Treasury shares acquired		(5,266,580)	-
Net sales/(purchases) of foreign exchange forward derivative contracts	13	407,783	(374,022)
Repayment of short term loan	11	(70,000,000)	-
Cash transfer on share exchange	1.1	(2,068,047)	-
<b>Net cash used in financing activities</b>		<b>(76,926,844)</b>	<b>(374,022)</b>
<b>Cash and cash equivalents</b>			
Beginning of the period		1,229,554	-
Net movement in cash and cash equivalents		(188,367)	1,229,554
<b>Cash and cash equivalents at Dec 2019</b>		<b>1,041,187</b>	<b>1,229,554</b>
<b>Supplementary information</b>			
Interest paid		(1,090,856)	(1,258,212)
Dividend received		-	195,474
Redemption in specie*		310,101,835	-

\* Redeemed amounts of € 310,101,835 were non cash transactions as a result of share exchange. Further details are mentioned in note 1.1 on page 43.

The accompanying notes on pages 43 to 59 form an integral part of these financial statements

# **Boussard & Gavaudan Holding Limited**

## **Notes to the Financial Statements**

### **For the year ended 31 December 2019**

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#### **1. General information**

##### **1.1 BGHL**

BGHL is a limited liability closed-ended investment company incorporated in Guernsey on 3 October 2006 with registration number 45582.

BGHL was admitted to the Eurolist Market operated by Euronext Amsterdam on 3 November 2006. As a result of listing and trading of the shares on Euronext Amsterdam, BGHL is subject to Dutch securities regulations and to supervision by the relevant Dutch authorities. BGHL is registered with the Dutch Authority for the Financial Markets as a collective investment scheme.

On 28 July 2008, BGHL's shares were also admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange Plc's main market for listed securities. As a result of admission to the Official List of the UK Listing Authority, BGHL is subject to the UK Listing Authority's Listing, Prospectus, Disclosure Guidance and Transparency Rules, save where Dutch securities regulations take precedence. BGHL's share issue costs were borne by the Investment Manager.

At the time of this dual listing, BGHL created a class of shares denominated in Sterling (the "**Sterling Shares**") through the conversion of existing Euro shares into new Sterling shares at the prevailing NAV per Euro share as at 30 June 2008. From that date, shareholders have been able to convert their existing holding of shares in BGHL from one class into another class. Conversions, from one class to another, are effected once a year on the last business day of November in compliance with the procedure published on BGHL's website.

##### ***Exchange offer – Share capital reduction***

On 8 October 2019, BGHL published a circular and a notice of shareholder meeting. The circular described a proposal made by the Board to eligible shareholders, providing a choice between:

- continuing to hold shares in BGHL; or
- participating in an offer being made by BGHL and BG Eire Fund to exchange all or part of the BGHL shares for new shares in BG Eire Fund on a NAV-for-NAV basis (the "Offer").

All shareholders were asked to:

- vote on the proposal and the terms of the Offer at an extraordinary general meeting of BGHL; and
- if they are eligible to participate in the Offer, consider whether to participate in the Offer.

On 31 October 2019, BGHL announced the result of the votes:

- Shares voted as a percentage of issued Shares: 78.90%; and
- Percentage of votes in favour of the proposal: 86.99%.

On 4 November 2019, BGHL announced the results of the Offer, its completion and the resulting change to the share capital: 13,887,723 shares representing 47.25% of the issued share capital of BGHL participated in the Offer.

As of 1 November 2019:

- each share participating in the Offer was converted into one Class B share;
- immediately following this conversion, all Class B shares were repurchased by BGHL off-market for a total value of €312,169,882 and
- BGHL transferred free of payment directly to BG Eire Fund the ownership of the assets attributable to the Class B shares for a value of €310,101,835 and cash of €2,068,047 in consideration for the issue of BG Eire Fund shares to participating shareholders on a NAV-for-NAV basis for the same total value of €312,169,882.

Both the redemption of Class B shares and the transfer of assets directly to BG Eire Fund were cashless transactions and related to one another: the transaction of assets was a consideration paid in kind by BGHL, by way of direct transfer to BG Eire Fund, in satisfaction of participating shareholders' in specie subscription for BG Eire Fund shares.

As a result of the exchange offer which took place on 31 October 2019, the annual share conversion has been postponed to 31 March 2020.

# **Boussard & Gavaudan Holding Limited**

## **Notes to the Financial Statements**

### **For the year ended 31 December 2019**

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#### ***1.2 The Investment Manager***

Boussard & Gavaudan Investment Management LLP is the Investment Manager of BGHL. The Investment Manager is an English limited liability partnership. The Investment Manager is authorised by the United Kingdom's Financial Conduct Authority to perform the activity of managing alternative investment funds.

The Investment Manager also manages BGF and the Master Fund.

The Administrator arranges for the monthly publication of the NAV of BGHL as at the end of the previous month and the Investment Manager provides daily estimates.

As of 31 December 2019 and 31 December 2018 neither of BGHL and BGF had any employees or owned any facilities.

## **2. Accounting policies**

### **Basis of preparation and statement of compliance**

The financial statements have been prepared on a historical cost basis except for financial assets and liabilities held at fair value through profit or loss that have been measured at fair value.

The financial statements are prepared in accordance with IFRS and with legislation and rules pertaining to Amsterdam Euronext and London Stock Exchange for listed companies, as well as in accordance with the Companies Law.

The accounting policies have been applied consistently by BGHL and are consistent with those used in the previous year except for the adoption of IFRIC23 from 1 January 2019. Major accounting policies are described below.

### **Going Concern**

As set out in the Directors' Report, the Board has a reasonable expectation that BGHL has adequate resources to continue in operational existence for at least the next twelve months. Therefore, the financial statements have been prepared on a going concern basis.

In arriving at their conclusion the Board conducts a rigorous and proportionate assessment of BGHL's operational and financial risks with reference to cash flow requirements, and the liquidity of investments on a quarterly basis. BGHL incurs ongoing fees and expenses associated with its day to day operations, provides cash collateral under currency hedging transactions and uses cash to repurchase its own shares. The Directors regularly consider the financial solvency of BGHL and are required by the Companies Law to do so on every occasion that any distribution is to be declared, including, but not limited to, the redemption and conversion of shares, and repurchases by BGHL of its own shares.

The Directors are confident that BGHL's assets exceed its liabilities and that BGHL has sufficient liquid assets to meet its liabilities as they fall due. Substantially all of the net assets of BGHL are currently invested in BGF shares. BGF shareholders have a monthly redemption right with 60 calendar day prior notice. BGHL's annual operating expenses (excluding any performance fees payable to the Manager) are relatively low at less than 2% of NAV. The predictable nature of those expenses means that the Company is able on a monthly basis to calculate and accurately predict how much cash is required to meet them. In order to generate the necessary liquidity to pay expenses, the Company redeems shares in the Master Fund on a regular basis. The Directors have also reviewed the possible impact of an excessive number of redemption requests at the Master Fund level caused by the market turmoil following the COVID-19 pandemic. Whilst any long-term liquidity lock up would impact the cash reserves of BGHL and its ability to meet its obligations, to date there have been no suspensions of redemption requests at the Master Fund level. If a gate was to be imposed by the Master Fund, at least 10% of any redemption request would continue to be honoured. This would allow BGHL to realise sufficient liquidity to meet its operating costs.

### **New standards, amendments and interpretations issued but not effective for the financial Year beginning 1 January 2019 and not early adopted by BGHL**

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

# **Boussard & Gavaudan Holding Limited**

## **Notes to the Financial Statements**

### **For the year ended 31 December 2019**

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In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments are effective for the financial period commencing 1 January 2020. BGHL is currently evaluating the impact of these amendments to its financial statements.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant or material impact on BGHL.

#### **New standards, amendments and interpretations effective for the Period beginning 1 January 2019 and adopted by BGHL**

BGHL adopted IFRIC 23, 'Uncertainty over income tax treatments' on its effective date of 1 January 2019. This IFRIC clarified how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. IFRIC 23 also explained how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. Adoption of IFRIC 23 did not have impact on the BGHL's financial statements.

There are no other standards, amendments to standards or interpretations that are effective for periods beginning on 1 January 2019 that have a material effect on the financial statements of BGHL.

#### **Significant accounting judgements, estimates and assumptions**

The preparation of BGHL's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amount of the asset or liability affected in future periods.

##### ***Judgements***

In the process of applying BGHL's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

##### ***Fair Value***

Carrying value of all financial assets and liabilities are reasonable approximation of the fair values. When the fair value of financial assets cannot be derived from active markets, their fair value is determined using valuation techniques that may include the use of valuation models. BGHL applies judgement when selecting the method of valuation.

For a description of methods and assumptions used in assessing fair value of financial assets, please refer to Note 3.

##### ***Estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. BGHL based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of BGHL. Such changes are reflected in the assumptions when they occur.

# **Boussard & Gavaudan Holding Limited**

## **Notes to the Financial Statements**

### **For the year ended 31 December 2019**

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#### *Fair Value*

The inputs to the valuation models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility.

Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy.

The models are tested for validity by calibration against prices from any observable current market transactions in the same instrument (without modification or repackaging) when available. To assess the significance of a particular input to the entire measurement, BGHL performs sensitivity analysis or stress testing techniques.

BGHL may invest in private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets.

The Investment Manager considers the valuation techniques and inputs used in valuing these investments as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the fund.

When assessing the fair value of the RLI position, BGHL made an estimation of the level of discount to the valuation reported by RLI reflecting the value currently realisable by BGHL.

For a description of estimates and assumptions used in assessing fair value of financial assets, please refer to Note 3. Management believes that the estimates utilised in preparing its financial statements and management judgements applied are reasonable. However, actual results could differ from these estimates.

#### **Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which BGHL operates ('the functional currency'). The functional currency is Euro, which reflects BGHL's primary activity of investing in Euro denominated securities. BGHL has adopted the Euro as its presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

#### **Financial assets and liabilities at fair value through profit or loss**

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Included within this category are:

- Investments in equity instruments;
- Investments in debt instruments that are held under a business model to manage them on a fair value basis for investment income and fair value gains; and
- Derivative forward contracts that are in an asset position.

Investments in equity are initially recognised at fair value excluding attributable purchase costs. For equity and debt instruments that are listed they are subsequently valued by using quoted prices, whereas non-listed equities are determined by using the NAV determined by independent administrator as its basis or by using valuation models. The valuation methodology is discussed in note 3.

#### **Derivative forward contract**

A forward contract is a contract which obliges one party to the contract to buy, and the other party to sell, the asset that is the subject of the contract for a fixed price at a future date. Forward contracts are initially recorded at fair value. A forward currency contract involves an obligation to purchase or sell a specific currency at a future

# **Boussard & Gavaudan Holding Limited**

## **Notes to the Financial Statements**

### **For the year ended 31 December 2019**

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date, at a price set at the time the contract is made. Forward foreign exchange contracts are subsequently valued by reference to the forward price at which a new forward contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward currency contracts is calculated as the difference between the contract rate and this forward price, and is recognised in the Statement of Financial Position.

Changes in the fair value of investments are recorded in the Statement of Comprehensive Income in net unrealised gain/loss on financial assets at fair value through profit or loss.

Any transfers between levels of the fair value hierarchy, are deemed to have occurred at the end of the reporting Year.

#### **Financial liabilities at fair value through profit or loss**

A financial derivative liability is required to be measured at fair value through profit or loss. Included within this category are:

- Derivative forward contracts that are in a liability position.

Accounting policy for forward contracts in liability position is the same as described in financial assets at fair value through profit or loss.

#### **Recognition/derecognition of financial assets and liabilities at fair value**

Purchases and sales of financial assets and liabilities at fair value are recognised on the trade date - the date on which BGHL commits to purchase or sell the investment. Financial assets and liabilities are derecognised when the rights to receive cash flows from the investments have expired or BGHL has transferred substantially all risks and rewards of ownership.

#### **Loans payable**

Loans payable are carried at amortised cost.

#### **Due from and due to brokers**

Amounts due from and to brokers represent deposits held with brokers, receivables for securities sold, payables or payments for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively, and cash pledged as collateral on derivative contracts. Amounts due from brokers is initially measured at fair value plus transaction costs and subsequently measured at cost less impairment. Amounts due to brokers is initially measured at fair value less transaction costs and subsequently measured at amortised cost. For amounts due from brokers, BGHL has applied IFRS 9's simplified approach and has calculated ECLs based on 12 month expected credit losses. No impairment allowance has been accounted for.

#### **Impairment of financial assets**

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there has been no impairment loss identified. Investments held at fair value through profit or loss are not subject to IFRS 9 impairment requirements.

For receivables including amounts due from brokers, the Company uses a 12 month expected loss allowance. The Company has completed some high-level analysis and forward looking qualitative and quantitative information, to determine if the receivables are low credit risk. Based on this analysis the expected credit loss ("ECL") on receivables is not material and therefore no impairment adjustments were accounted for.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less and bank overdrafts.



# **Boussard & Gavaudan Holding Limited**

## **Notes to the Financial Statements**

### **For the year ended 31 December 2019**

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#### **Taxation**

Current income tax assets and liabilities for the current Year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where BGHL directly and through the Master Fund, operates and generates taxable income.

BGHL invests in foreign countries which may levy withholding tax at source on revenues derived by non-residents. Where such tax is withheld at source by the broker or another party BGHL records the revenue on a gross basis in Statement of Comprehensive Income (the revenue is grossed up and offset against an expense representing the tax withheld at source).

#### **Expenses**

Expenses are accounted for as they occur on an accrual basis. Expenses are charged to the Statement of Comprehensive Income.

#### **Interest income and expense**

Interest income, arising on due from brokers and interest expense on due to broker and short term loans are recognised in the Statement of Comprehensive Income within interest income and interest expense.

#### **Dividend income**

Dividend income is recognised on ex-dividend date.

#### **Investment entity**

BGHL has unrelated investors and holds multiple investments. Ownership interests in BGHL are in the form of equity shares which are exposed to variable returns from changes in the fair value of BGHL's assets and liabilities. BGHL has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- (a) BGHL has obtained funds for the purpose of providing investors with investment management services.
- (b) BGHL's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income, through investments.
- (c) The performance of investments is measured and evaluated on a fair value basis.

BGHL's exit strategy with respect to its investment in BGF is that BGHL may redeem its shares in BGF on a monthly basis and does not have any special or preferential rights in BGF. Redemptions and subscriptions in BGF are made in order to manage BGHL's exposure in accordance with BGHL's investment policy.

#### **Basic and diluted earnings per share, and NAV per share**

Basic earnings per share are calculated by dividing the net income by the weighted average number of registered shares in issue, during the Year. There is no difference between the basic and diluted earnings per share.

NAV per share is calculated by dividing the net assets at the Statement of Financial Position date by the number of shares outstanding at the Statement of Financial Position date.

#### **Treasury shares**

When BGHL purchases its own equity instruments (treasury shares), they are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of BGHL's own equity instruments.

**Boussard & Gavaudan Holding Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2019**

**3. Fair value of financial instruments**

The following tables analyse BGHL's net assets between the three levels of the fair value hierarchy:

<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>	<b>Total Cost</b>
<b>Financial assets at fair value €:</b>					
BG Fund	-	344,077,387	-	344,077,387	211,889,640
Private equity investments	-	-	4,472,406	4,472,406	2,659,489
Sub-Total €		344,077,387	4,472,406	348,549,793	214,549,129
<b>Derivatives</b>					
Forward foreign exchange contracts	-	76,778	-	76,778	-
<b>Total €</b>	<b>-</b>	<b>344,154,165</b>	<b>4,472,406</b>	<b>348,626,571</b>	<b>214,549,129</b>
<b>31 December 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Fair Value</b>	<b>Total Cost</b>
<b>Financial assets at fair value €:</b>					
BG Fund	-	708,269,674	-	708,269,674	431,456,831
Private equity investments	-	-	8,311,616	8,311,616	8,381,786
Sub-Total €		708,269,674	8,311,616	716,581,290	439,838,617
<b>Financial liabilities at fair value €:</b>					
<b>Derivatives</b>					
Forward foreign exchange contracts	-	(100,456)	-	(100,456)	-
<b>Total €</b>	<b>-</b>	<b>708,169,218</b>	<b>8,311,616</b>	<b>716,480,834</b>	<b>439,838,617</b>

Other short term operating assets and liabilities are excluded from the table due to their nature.

In accordance with IFRS, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants. The above tables analyse BGHL's investment into the three levels of fair value hierarchy in accordance with IFRS 13 as described below:

Level 1 – quoted prices in active markets for identical investments that BGHL has the ability to access.

Level 2 – valuations based on other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment spreads, credit risk, etc.) or quoted prices from inactive exchanges. Forward contracts are valued primarily based on market observable inputs such as a share price or forward foreign currency curves at the balance sheet date.

Level 3 – valuations based on significant unobservable inputs (including BGHL's own assumptions in determining the fair value of investments)

**3.1 Level 3 investments**

<b>Financial assets €</b>	<b>2019</b>	<b>2018</b>
<b>Opening Balance</b>	<b>8,311,616</b>	<b>8,184,572</b>
Redemption in specie	(4,024,229)	-
Realised loss	(1,698,068)	-
Unrealised gain	1,883,087	127,044
<b>Closing Balance</b>	<b>4,472,406</b>	<b>8,311,616</b>

The above tables present the movements in Level 3 investments. There were no transfers between levels for the Year.

In 2019 the decrease in Level 3 investments is due to a transfer of the Rasaland position at exactly the same proportion as the exchange of share described under General information on page 43. No capital gain or loss was realized because the transfer was made at fair value close of business 31 October 2019.

**Rasaland Investors Plc ("RLI")**

RLI is classified as a Level 3 asset for valuation purposes since its fair value uses significant unobservable inputs. RLI is administered by Francis J. Vassallo & Associates, a Maltese company. RLI management value the net assets of the company using a documented valuation procedure. The key significant unobservable input used in this process is land values in Mexico sourced from independent professional advisers, Cushman & Wakefield. These "area based" land values are applied without adjustment to individual properties, the existence and ownership of which is also independently verified by law firm Baker & Mackenzie. Consistent and accurate application of the agreed valuation methodology is verified by PricewaterhouseCoopers on an annual basis. The administrator, Francis J. Vassallo & Associates, only performs an annual valuation each 31 December.

# Boussard & Gavaudan Holding Limited

## Notes to the Financial Statements

### For the year ended 31 December 2019

In accordance with BGHL's valuation policy, this investment is treated as a private equity fund which should be valued at fair value. A forced sale transaction on approximately 5% of the share capital of RLI in May 2017 provided evidence that BGHL will likely only be able to exit at a material discount to the net asset value of RLI if it wishes to exit before the expected term. There has been no significant transactions during the Year. BGIM has received a fairly strong indication that it is going to be at least another 10 years until RLI realises its assets, whereas BGHL's exit horizon is likely to be within a much shorter timeframe. As a consequence, BGIM's valuation committee has amended its valuation methodology and fair value assessment. Since May 2017, given BGHL's time horizon to exit this investment and past transactions, the Investment Manager's valuation committee has applied an illiquidity discount to the net asset value per share calculated by the administrator.

As of the date of this report, BGHL holds 10,064,202 (2018: 19,075,103) shares which is approximately 5.33% (2018: 10.1%) of the share capital. The decrease is due to the transfer of 47.25% of the position to BG Eire Fund. Change in unrealised gain on RLI investment for the Year amounted to €185,019 (2018: €127,044):

RLI	31 December 2019	31 December 2018	Variation %
NAV per share (USD)	0.9036	0.9977	(9.43)%
Discounted price	0.4988	0.4988	0.0%
Carrying value (USD)	0.4988	0.4988	0.0%

Source: Francis J. Vassallo & Associates

The valuation produced by BGHL is derived from the net asset value, which is driven in part by land and hotel asset values and there is a direct correlation between those values and the net asset value of RLI. In addition, the valuation is sensitive to change in the illiquidity discount. As of 31 December 2019, a 25% increase or decrease in the NAV per share or Carrying value would result as below:

	Quantity	Type	Price	Asset Value €	25% increase			25% decrease		
					Price +25%	Gain €	Asset Value €	Price -25%	Loss €	Asset Value €
31-Dec-19	10,064,202	NAV per share \$	0.9036	8,101,212	1.13	2,025,303	10,126,515	0.68	(2,025,303)	6,075,909
		Carrying value \$	0.4988	4,472,406	0.62	1,118,101	5,590,507	0.37	(1,118,101)	3,354,304
31-Dec-18	19,075,103	NAV per share \$	0.9977	16,623,232	1.25	4,155,808	20,779,041	0.75	(4,155,808)	12,467,424
		Carrying value \$	0.4988	8,311,616	0.62	2,077,904	10,389,520	0.37	(2,077,904)	6,233,712

### 3.2 Level 2 investments

The significant majority of BGHL's gross assets are invested in the Master Fund. Notwithstanding the significance of BGHL as a material investor in the Umbrella Fund, BGHL does not enjoy any special or particular rights in relation to the management of the Master Fund because of the voting rights attached to its investment. Specifically, it receives no information from the Umbrella Fund that is not communicated simultaneously to other investors, has no right to appoint a Director or attend board meetings, and has no influence on investment and operational decisions. Therefore, BGHL has no control over the Umbrella Fund nor, in the opinion of the Directors, could it exercise significant influence as described in IAS 28.

BGHL's investment in BGF is classified as Level 2 in the fair value hierarchy because the only inputs to valuation are number of shares and the quoted observable market price of those shares. The quoted price is published on the Irish Stock Exchange. BGHL classifies the interest in BGF as Level 2 because there is not a continuous active market in BGF's shares. The market is active only once a month when investors can transact in BGF shares at the published price which is calculated by the administrator of BGF based on its NAV.

The underlying investments of BGF, which are principally held by the Master Fund, are predominantly classified as Level 1 and Level 2 in the fair value hierarchy.

The proportion of Level 3 investments of the Master Fund is disclosed in the table below including the proportion of the investments which are fair valued by the Investment Manager using a variety of techniques including discounted cash flows and public/private company comparables.

Master Fund % AUM (*)	31 Dec 2019	31 Dec 2018	Variation %
Level 3	5.84%	1.79%	4.05%
of which Investment Manager's Valuation	0.03%	0.07%	(0.04)%

Source: Administrator, SS&C Financial Services LLC

(\*) Profit & Loss of the FX to hedge investors is included in the AUM of the Master Fund.

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In addition the proportion of Level 3 investments of the BG Select Investments (Ireland) Limited, a subsidiary fully owned by the Master Fund are disclosed in the table below:

BG Select Investments %AUM of Master fund (*)	31 Dec 2019	31 Dec 2018	Variation %
Level 3	6.00%	1.95%	4.05%
of which Investment Manager's Valuation	3.06%	0.22%	2.84%

Instruments held by the Master Fund are valued in the risk management system which is fed by real time market data in order to price the portfolio. Some instruments such as, but not limited to, derivatives are priced by using in-house developed models.

The system calculates profits and losses as well as net asset values. Inputs are used in applying the various valuation techniques and broadly based on the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, spot and volatility prices, interest rate, credit and foreign exchange levels, default probabilities, liquidity factors as well as other data.

BGHL does not have access to the detail of the underlying valuations nor to the sensitivities and strategies of the Umbrella Fund, BGF and the Master Fund other than as explained in the Investment Manager's Report. BGHL does not have the ability nor the responsibility to direct or to implement the Master Fund's investment objective and policy. As a consequence BGHL does not consider that it is appropriate to seek to disclose in the notes of the financial statements all quantitative information relating to the underlying investments held by the Master Fund in its financial statements. General information about the Master Fund's exposure can be found in the Investment Manager's Report.

#### Umbrella Fund

BGHL's holding of voting shares in the Umbrella Fund is disclosed in the table below:

BGHL's holdings	31 Dec 2019	31 Dec 2018
Voting shares - Umbrella Fund	13.02%	24.60%

The investment in the Umbrella Fund is measured at fair value through profit or loss.

Investment by BGHL into BGF in €	31-Dec-19	31-Dec-18
Subscriptions	-	7,940,000
Redemptions	(393,502,367) *	(18,500,000)
<b>Change in holding</b>	<b>(393,502,367)</b>	<b>(10,560,000)</b>

\*Included in the total redemption for the year is a redemption in specie to the amount of EUR 305,902,367 transferred from BGHL to BG EIRE Fund as a result of the share exchange offer described in General Information on page 43. The net cashflow from redemptions for the year was EUR 87,600,000 of which a significant portion was used to repay the loan.

As at 31 December 2019 and 31 December 2018 there were no capital commitment obligations and no amounts due to BGF for unsettled purchases.

#### 4. Financial instruments and associated risks

BGHL's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in BGHL's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to BGHL's continuing profitability. BGHL is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

##### Risk management structure

The Investment Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and is ultimately responsible for the overall risk management of BGHL.

##### Risk measurement and reporting system

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy including the risk that BGHL is willing to accept and the market

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### **For the year ended 31 December 2019**

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environment of BGHL. In addition, BGHL monitors and measures the overall risk in relation to the aggregate risk exposure across all risk types and activities.

BGHL is substantially invested in the Master Fund, which represents over time between 80% and 110% of its Net Asset Value. Prima facie, this creates a concentration risk. This concentration risk is addressed by the fact that the Master Fund has wide discretion to invest across different asset classes and to pursue different strategies, and therefore has the benefit of diversification inherently embedded within it. However, the considerable discretion to allocate assets within the Master Fund is of itself a risk since it is theoretically possible for that vehicle to take highly concentrated positions. This risk is managed by the scenario analysis that is performed as part of the stress testing processes. These tests are intended to identify concentration risk which may exist within the Master Fund. The tests are described in the Directors' report.

BGHL has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy. The Master Fund's maximum level of leverage in accordance with the gross and commitment methods as required under AIFMD is expressed as a percentage of NAV, are 700% under the commitment method and 2,000% under the gross method.

Further commentary on risks and the management of risk is contained within the Investment Manager's report.

#### **(a) Market Risk**

BGHL is exposed to market risk directly from the investments it makes and indirectly as a result of the types of investments that the Master Fund makes. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market variables.

Market risk consists of equity price risks, foreign currency risks and interest rate risks and is discussed in below sections.

##### ***Price risk***

Price risk is the risk of changes in the fair values of equities or equity-linked financial instruments as the result of changes in the levels of equity indices and the value of individual shares. Price risk exposure arises from BGHL's investments in equity securities. BGHL takes significant equity price risk from the investments it makes. At 31 December 2019, should the price of BGF and investments other than BGF have increased/decreased by 10% with all other variables remaining constant, the effect on profit and loss for the Year and on net assets would result in an increase/decrease of approximately €34,862,657 (2018: €71,658,129).

The above impact includes BGHL's indirect exposure to the Master Fund's price risk.

##### ***Interest rate risk***

BGHL is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its Statement of Financial Position and Statement of Cash Flows. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Volatility in interest rates could make it more difficult or expensive for BGHL to obtain debt financing, and could negatively cause the prices of long or short positions to move in directions not initially anticipated and could decrease the returns that BGHL's investments generate.

BGHL had exposure to short-term interest rate risk. In the prior year, a 1% increase/decrease in short term rates would increase/ decrease BGHL's cost of borrowing, and accordingly have a negative/ positive effect on, the profit and loss for the Year of amount € 700,000. There is no exposure to short term interest rate risk at the end of the Year.

BGHL is also indirectly exposed to interest rate risk through its exposure in the Master Fund.

##### ***Foreign currency risks***

Foreign currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

##### ***Currency hedge of the Sterling Shares***

BGHL uses forward foreign exchange contracts with maturities of less than three months to hedge the sterling share class exposure in order to provide Sterling shareholders with Sterling equivalent of the Euro performance.

##### ***Portfolio currency hedge***

BGHL's investments in currencies other than the Euro are hedged by the Investment Manager using forward currency contracts which are commitments either to purchase or sell a designated currency at a specified future date for a specific price and may settle in cash or another financial asset. Forward currency contracts are individually traded over-the-counter contracts which result in credit exposure to the counterparty. Forward currency contracts result in exposure to market risk based on changes in market prices relative to contracted

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amounts. Market risks arise due to the possible movement in foreign currency exchange rates. BGHL uses forward foreign exchange contracts with maturities up to three months to hedge its private equity investments which are denominated in foreign currencies.

Notional amounts are the underlying reference amounts to foreign currencies upon which the fair value of the forward contracts held by BGHL are based. While notional amounts do not represent the current fair value and are not necessarily indicative of the future cash flows of BGHL's forward contracts, the underlying price changes in relation to the variables specified by the notional amounts affect the fair value of these derivative financial instruments.

Forward foreign exchange contracts settle on a net basis and the net amount at 31 December 2019 was receivable €76,778 (2018: payable €100,456). The table below summarises BGHL's exposure to foreign currency risks:

Portfolio Currency Exposure - Amounts in €	31 Dec 2019		31 Dec 2018	
	GBP	USD	GBP	USD
Investments at fair value through profit or loss	-	4,472,406	-	8,311,616
Due from brokers	44,937	16,880	28,316	16,358
Foreign exchange forward derivatives contracts	9,675,267	(4,574,083)	13,477,947	(8,384,092)
Net FX exposure of the portfolio	9,720,204	(84,797)	13,506,263	(56,118)
Net assets effect -5% change in currency	(486,010)	4,240	(675,313)	2,806
Sterling Share Currency Exposure - Amounts in €	31 Dec 2019		31 Dec 2018	
	GBP	USD	GBP	USD
Foreign exchange forward derivatives contracts – hedge	9,675,267	-	13,477,947	-
Value of sterling shares	(9,706,292)	-	(13,312,035)	-
Net FX exposure	(31,025)	-	165,912	-
Sterling Share Net Assets effect -5% change in currency	1,551	-	(8,296)	-

At 31 December 2019, BGHL had contracted to buy and sell the foreign exchange amounts:

Purchase Currency	Unit	Sale Currency	Unit	Settlement Date	Unrealised gain/(loss) (€)
EUR	4,582,579	USD	(5,144,192)	2/5/2020	9,233
GBP	8,200,000	EUR	(9,608,973)	1/6/2020	67,545
<b>Total</b>					<b>76,778</b>

At 31 December 2018, BGHL had contracted to buy and sell the foreign exchange amounts:

Purchase Currency	Unit	Sale Currency	Unit	Settlement Date	Unrealised gain/(loss) (€)
GBP	12,110,000	EUR	(13,561,337)	4 January 2019	(83,390)
EUR	8,367,564	USD	(9,625,000)	5 February 2019	(17,066)
<b>Total</b>					<b>(100,456)</b>

BGHL is also indirectly exposed to foreign exchange risk through its exposure in the Master Fund.

#### (b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with BGHL.

The impairment model requires the recognition of impairment provisions based on expected credit losses under IFRS 9.

As soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognised in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk at the reporting date, the loss allowance for 12-month expected credit losses is maintained but updated for changes in amount.

BGHL's maximum credit risk is assessed as low since its exposure to brokers/dealers is with reputable broker/dealers, all securities transactions of BGHL are cleared by major securities firms pursuant to customer agreements, BGHL's appointed Custodian is a large financial institution having investment grade ratings from the major rating agencies and all of BGHL's exposures to counterparties are with reputable financial institutions.

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Amounts appearing in the Statement of Financial Position as due from and due to brokers, which contribute to credit risk and which are detailed by main categories in the following table.

31 December 2019	Gross amount Due from Brokers	Gross amount Due to Brokers	Net amount due
	€	€	€
Unsettled trades	-	(334)	(334)
Cash held with custodians	1,041,187	-	1,041,187
Cash Collateral	850,000	-	850,000
Gain/(loss) on forward contract	76,778	-	76,778
<b>Total €</b>	<b>1,967,965</b>	<b>(334)</b>	<b>1,967,631</b>

31 December 2018	Gross amount Due from Brokers	Gross amount Due to Brokers	Net amount due
	€	€	€
Unsettled trades	-	(500)	(500)
Cash held with custodians	1,229,554	-	1,229,554
Cash Collateral	1,610,000	-	1,610,000
Gain/(loss) on forward contract	-	(100,456)	(100,456)
<b>Total €</b>	<b>2,839,554</b>	<b>(100,956)</b>	<b>2,738,598</b>

*Unsettled trades*

BGHL is exposed to the credit risk of the counterparties, brokers, dealers and exchanges with which it deals, whether BGHL engages in exchange-traded or off-exchange transactions. BGHL's principal trading activities are primarily with brokers and other financial institutions located in Europe. At the end of the Year, substantially all the investments in securities owned and securities sold, not yet purchased, due from brokers and due to brokers, are positions with and amounts due to or from these brokers. BGHL may be subject to the risk of loss of assets placed on deposit with a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions, or the bankruptcy of an exchange clearing house. BGHL's exposure to brokers/dealers is with reputable broker/dealers.

Amounts receivable or payable for securities transactions that have not settled at the Year end are reflected under the line unsettled trade. The nominal amount is the maximum exposure. Most of the transactions settle on a delivery versus payment basis. The risk on unsettled trades is the difference between the contractual price and the replacement price of the transaction if the counterparty were to default. Dividends receivable from brokers are at risk for their full nominal amount. All securities transactions of BGHL are cleared by major securities firms pursuant to customer agreements.

*Cash held with custodian*

BNP Paribas Securities Services SA ("BPSS") was appointed by BGHL to act as custodian, and is responsible for the safe custody of those assets held by BGHL through BPSS. BPSS is a wholly-owned subsidiary of BNP Paribas SA. The Custodian is entitled to receive a fee from BGHL based on an agreed percentage per annum of the assets held in custody. BPSS is a large financial institution having investment grade ratings from the major rating agencies.

*Off balance sheet risk in relation to over-the-counter derivatives*

Participants on over-the counter markets are not subject to credit valuation and regulatory oversight as are members of "exchange-based" markets. BGHL may invest in over-the-counter transactions in these markets, and may take a credit risk with regard to parties with which it trades and may bear the risk of settlement default. These risks may differ materially from those involved in exchange-traded transactions described above.

Transactions entered into directly between two counterparties generally do not benefit from these protections, which in turn may subject BGHL to the risk that a counterparty does not settle a transaction in accordance with agreed terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem. Counterparty risk is increased for contracts with longer maturities when events may intervene to prevent settlement. The ability of BGHL to transact business with any one or any number of counterparties, the lack of any independent evaluation of the counterparties or their financial capabilities, and the absence of a regulated market to facilitate settlement, may increase the potential for losses to BGHL. BGHL's exposure to counterparty risk associated with counterparty non-performance on over-the-counter derivatives is generally limited to the fair value of over the counter contracts reported as assets which are not covered by an equivalent collateral amount and to the independent amounts requested by counterparties to cover the risk of a derivative contract. Counterparty risk exposure is monitored daily. The risk management system gives real time marked to market position, collateral and risk exposure. All of BGHL's exposures to counterparties are with reputable financial institutions which are at least single A investment grade rated from the major rating agencies.

There are no assets and liabilities held at Year end, other than FX forwards which are subject to offsetting.

BGHL is also indirectly exposed to credit risk through its exposure in the Master Fund.

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**(c) Liquidity risk**

Liquidity risk is the risk that BGHL will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments.

The Investment Manager of the Master Fund monitors the liquidity adequacy between assets and liabilities on an ongoing basis. As part of this monitoring, attention is paid to the liquidity and the maturity of the assets in the portfolio.

BGHL's financial commitments are represented from time to time by:

- interest, fees and other expenses payable
- amounts payable for the share buy-backs
- amounts due under forward foreign exchange contracts

BGHL manages its ability to fulfill these commitments by combining:

- the unencumbered cash held for working capital purposes
- redemptions in BGF

BGHL retains an amount of cash with its custodian which is used as working capital in order to manage day to day expenses such as fees and expenses payable.

BGHL invests into BGF by subscribing redeemable participating shares. BGHL may redeem its shares in BGF on a monthly basis with a 60-day notification and does not have any special or preferential rights in BGF.

Compared to last year end, the material change in the contractual undiscounted cash outflows for financial liabilities is the repayment of loan as per the below table.

All financial liabilities of BGHL at 31 December 2019 are shown on an undiscounted basis in the following maturity table.

In EURO	At 31 December 2019			
	< 1 month	1 to 6 months	6 months to 1 year	> 1 year
Due to brokers	(334)	-	-	-
Management fee payable	-	(1,705,271)	-	-
Other payables	(87,329)	-	-	-
<b>Total financial liabilities</b>	<b>(87,663)</b>	<b>(1,705,271)</b>	-	-
In EURO	At 31 December 2018			
	< 1 month	1 to 6 months	6 months to 1 year	> 1 year
Bank loan	-	-	-	(70,000,000)
Forward	(100,456)	-	-	-
Due to Brokers	(500)	-	-	-
Management fee payable	-	(2,490,030)	-	-
Other payables	(54,652)	-	-	-
Interest payable	-	-	(123,900)	-
<b>Total financial liabilities</b>	<b>(155,608)</b>	<b>(2,490,030)</b>	<b>(123,900)</b>	<b>(70,000,000)</b>

**5. Capital management**

BGHL is not subject to any externally imposed capital requirements. When managing the capital of BGHL as detailed below, the Investment Manager seeks to provide consistent absolute returns in accordance with BGHL's investment objectives and policies, for example those related to gearing.

BGHL operated a share buy-back programme designed to reduce its capital, which has had the favourable effect of increasing the NAV per Share since the Shares were repurchased at a discount to their NAV. Transactions under the programme are disclosed in note 10. Details of the exchange and shares buyback of the class B shares is provided on page 43 of the financial statements.

Over the Year the indebtedness of BGHL, comprised of short-term commitments, has changed as follows:

Fair value in €	31 Dec 2019	31 Dec 2018
External Debt	-	70,000,000
Equity	348,724,824	646,651,306
Ratio = External Debt / Equity	-	10.82%



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**6. Related Party transactions**

The relationship between BGHL and the Investment Manager and the fees earned are disclosed in note 8. Each Director is entitled to an annual fee of €20,000 (2018: €20,000) for an annualised total of €40,000 (2018: €40,000); the Chairman is entitled to receive €38,000 (2018: €38,000) per annum and the Chairman of the audit committee is entitled to receive an additional fee of €7,500 (2018: €7,500) per annum. As of 31 December 2019, Directors Sylvie Sauton and Andrew Henton are invested respectively for 6,177 and 6,000 in shares of BGHL.

The issued share capital of BGHL is owned by numerous parties and therefore in the opinion of the Directors, there is no ultimate and immediate controlling party as no BGHL investors hold more than 50% of total shares in issue.

**7. Administration fees**

JTC Fund Solutions (Guernsey) Limited, the Administrator, is entitled to an annual fee. In addition, the Administrator outsources the accounting to SS&C Financial Services LLC for an annual service fee payable monthly. As of 31 December 2019 the administration expenses during the year was €109,173 and payable at the end of the year was €25,178.

**8. Management fees and Performance fees**

Under the Investment Management Agreement, the Investment Manager has been given responsibility for the day-to-day discretionary management of BGHL's assets in accordance with BGHL's investment objective and policy, subject to the overall supervision of the Directors. The Investment Management Agreement is terminable by either party giving to the other not less than twelve months notice in writing, except in certain circumstances where, inter alia, the Investment Manager ceases to have all necessary regulatory permissions, becomes insolvent or is in material breach of the Investment Management Agreement, in which case the Investment Management Agreement may be terminated forthwith. If the Investment Management Agreement is terminated before 31 December in any period, the performance fee in respect of the then current calculation period is calculated and paid as though the date of termination were the end of the relevant calculation period.

The Investment Manager receives a management fee, accrued monthly and payable quarterly, calculated at the annual rate of 1.5 percent of the NAV.

The Investment Manager is also entitled to receive a performance fee. The performance fee is calculated in respect of each calculation period. The performance fee is deemed to accrue on a monthly basis as at each valuation day. For each calculation period, the performance fee is equal to 20 percent of the appreciation in the NAV per share during that calculation period above the previous high NAV per Share of the relevant class (the "Base NAV per Share"). The Base NAV per Share is the highest NAV per Share achieved as at the end of any previous calculation period (if any).

For the Year the Management fees and the Performance fees were as follows:

	31 Dec 2019		31 Dec 2018	
	Expense during the year €	Payable at the end of the year €	Expense during the year €	Payable at the end of the year €
Management Fees	9,029,693	1,705,271	10,274,734	2,490,030
Performance Fees	-	-	-	-

**9. Expense Ratio**

Expense ratios are as below. Performance fees are not taken into account in the expense ratio.

Year ended	AUM € year Average	Management Fees	Administration & Depositary Fees	Other Fees	Expense Ratio
31 December 2019	603,166,502	1.50%	0.02%	0.06%	1.58%
31 December 2018	680,511,718	1.50%	0.02%	0.04%	1.56%

**10. Share Capital and Treasury Shares**

*Authorised share Capital*

The authorised share capital of BGHL is €1,010,000 divided into 5,100,000,000 ordinary shares of €0.0001 each and 5,000,000,000 C Shares of €0.0001 each. During the year there was no class C shares in issue.

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*Allotted, issued and fully paid*

The share capital detail as of 31 December 2019 is as follows:

Class A Shares	Euro Shares				Sterling Shares
	Issued and fully paid	Treasury Shares	Outstanding Shares	% Treasury Shares (*)	Issued and fully paid
<b>At 1 January 2018</b>	<b>28,758,219</b>	-	<b>28,758,219</b>	<b>0.0%</b>	<b>632,590</b>
Share conversions	24,012	-	24,012		(23,878)
<b>At 31 December 2018</b>	<b>28,782,231</b>	-	<b>28,782,231</b>	<b>0.0%</b>	<b>608,712</b>
Repurchase of own shares	-	(300,000)	(300,000)		-
Shares redeemed **	(13,677,553)	-	(13,677,553)		(210,170)
<b>At 31 December 2019</b>	<b>15,104,678</b>	<b>(300,000)</b>	<b>14,804,678</b>	<b>1.99%</b>	<b>398,542</b>

(\*) Under the Companies Law and the listing rules of EuroNext Amsterdam and the UK Listing Authority, BGHL is only allowed to acquire its own shares with the prior approval of its members in general meeting and that authority is limited to a maximum of 14.99% of its issued share capital on the date that the members' resolution is passed. As explained in the Directors' Report, authority to repurchase 8% of the issued share capital was sought and granted at the annual general meeting held on 28 June 2019. All shares held in treasury are cancelled after each month end and BGHL seeks renewal of its authority to repurchase its own shares at each annual general meeting.

(\*\*) These shares were converted to Class B shares from Class A shares as disclosed in the exchange offer in note 1.1 on page 43.

#### *Voting*

The shareholders are entitled to receive notice of and to attend and vote at general meetings of BGHL and each holder of shares being present in person or by proxy or corporate representative at a meeting shall upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by corporate representative shall have one vote in respect of each share held by him.

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in BGHL may be issued with such preferred, deferred or other special rights or restrictions whether as to dividend, voting, return of capital or otherwise as BGHL at any time by ordinary resolution may determine and subject to and in default of such determination as the Board may determine. Subject to the provisions of the Companies Law, the terms and rights attaching to any class of shares, the Articles and any guidelines established from time to time by the Directors, BGHL may from time to time, purchase or enter into a contract, under which it will or may purchase any of its own shares.

If at any time the share capital is divided into further classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue) may whether or not BGHL is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class. On a winding-up, the shareholders are entitled to the surplus assets remaining after payment of all the creditors of BGHL.

#### **11. Loans payable**

On 1 November 2019, BGHL repaid in full the loan made by Natixis and cancelled the committed credit facility with Natixis. The amount of interest accrued and paid during the year is €947,028 (2018: €1,277,199). As of 31 December 2019, BGHL had no financial indebtedness.

#### **12. Segment information**

For management purposes, BGHL is engaged in one main operating segment, which invests in financial instruments. All of BGHL's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of BGHL as one segment. The financial results from this segment are equivalent to the financial statements of BGHL as a whole.

The following table analyses BGHL's total income per geographical location. The basis for attributing the total income is the place of incorporation of the instrument's counterparty.

In EURO	31 Dec 2019	31 Dec 2018
Ireland	29,310,081	(29,903,761)
United Kingdom	458,537	(603,242)
Rest of the world	220,716	127,874
<b>Total</b>	<b>29,989,334</b>	<b>(30,379,129)</b>

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The following table analyses BGHL's operating income per investment type.

In EURO	31 Dec 2019	31 Dec 2018
Equity securities	29,495,100	(28,473,557)
Derivative financial instruments	585,016	(1,905,327)
Foreign exchange gains on financial instruments not at fair value through profit or loss	(90,782)	(245)
<b>Total</b>	<b>29,989,334</b>	<b>(30,379,129)</b>

**13. Net realised and change in unrealised gain and loss on financial assets and liabilities:**

Realised gain on financial assets and liabilities at fair value through profit or loss	31 Dec 2019	31 Dec 2018
	€	€
<b>Realised gain</b>		
Equity securities	172,237,108	8,404,453
Derivatives – Foreign Exchange Forward	407,783	-
<b>Realised loss on financial assets and liabilities at fair value through profit or loss</b>		
<b>Realised loss</b>		
Derivatives – Foreign Exchange Forward	-	(374,021)
<b>Net realised gain/(loss) on financial assets and liabilities at fair value through profit or loss</b>	<b>172,644,891</b>	<b>8,030,432</b>

Change in unrealised gain or loss on financial assets and liabilities at fair value through profit or loss	31 Dec 2019	31 Dec 2018
	€	€
<b>Change in unrealised gain</b>		
Equity securities	1,883,087	1,430,204
Derivatives – Forward	177,234	-
<b>Change in unrealised loss</b>		
Equity securities	(144,625,096)	(38,308,215)
Derivatives – Forward	-	(1,531,305)
<b>Net change in unrealised gain</b>	<b>(142,564,775)</b>	<b>(38,409,316)</b>

**14. Taxation**

BGHL has been granted exemption under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 from Guernsey Income Tax, and is charged the annual fee of £1,200 (2018: £1,200). As a result, no provision for income tax has been made in the financial statements.

BGHL invests in foreign countries which may levy withholding tax at source on revenues derived by non residents. Where such tax is withheld at source by the broker or another party BGHL records the revenue on a gross basis in Statement of Comprehensive Income (the revenue is grossed up and offset against an expense representing the tax withheld at source).

**15. Due from brokers and due to brokers**

Amount due from brokers include €850,000 (2018: €1,610,000) of cash pledged as collateral on forward foreign exchange contracts. Amount due to brokers include €334 (2018: €500) on forward foreign exchange contracts.

**16. Changes in liabilities arising from financing activities**

	Loans payables	Foreign exchange forward derivatives contracts
Balance at 1 January 2019	70,000,000	100,456
Cash flows	(70,000,000)	407,783
Changes in fair value	-	(508,239)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>-</b>

	Loans payable	Foreign exchange forward derivatives contracts
Balance at 1 January 2018	70,000,000	(127,690)
Cash flows	-	(374,021)
Changes in fair value	-	602,167
<b>Balance at 31 December 2018</b>	<b>70,000,000</b>	<b>100,456</b>

# **Boussard & Gavaudan Holding Limited**

## **Notes to the Financial Statements**

### **For the year ended 31 December 2019**

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The 'Changes in fair values' row above includes realised loss on foreign exchange forward derivatives contracts and unrealised loss/gain on foreign exchange forward derivatives contracts under financial liabilities.

As disclosed on page 43 during the year BGHL transferred €312,169,882 of assets to BG Eire Fund which was redemption in specie.

#### **17. Post balance sheet events**

- On 4 March 2020, ACTUR successfully completed the sale of its stake in RLH.
- On 13 March 2020, ACTUR and RLI informed shareholders of their proposal to return the vast majority of the RLH sale proceeds to shareholders through a capital reduction, the amount of which equates to 31% of the valuation reported by RLI in 2019.
- On 27 March 2020 the Company announced, for the 31 March 2020 conversion calculation date, the aggregate number of Shares for which conversion requests forms were received : 25,737 Euro shares and 122,574 Sterling shares.

As described in the Chairman's Statement, the Director's report the Investment Manager Report and the Audit Committee Report, the COVID-19 outbreak is a new emerging risk to the global economy. The net asset value has been impacted by the volatility of investment markets. At 31 March 2020, the estimated Eur NAV per share of the Company was €21.36, a decline of 6.74% from 31 December 2019. The Investment Manager and Administrator have invoked their business continuity plans to ensure business operations are maintained along with the safety and well-being of their staff. The situation is changing so rapidly that the full impact cannot yet be understood, but the Company will continue to monitor the situation closely.

There were no other material post balance sheet events since the year-end.

#### **18. Approval of financial statements**

The financial statements were approved and authorized for issue by the Board on 21 April 2020, at which date these financial statements were considered final.