

# Boussard & Gavaudan Absolute Return

A compartment of Boussard & Gavaudan SICAV

UCITS by Boussard & Gavaudan Asset Management

## AUGUST 2020 NEWSLETTER \*

Share class	NAV per Share	Month to Date Performance	Year to Date Performance	Inception to Date Performance	Inception date
Z - EUR LU1063708694	€ 1,074.08	-0.88%	-1.20%	7.41%	17 November 2014
Z - USD LU1063708850	\$1,160.32	-0.78%	0.01%	16.03%	6 February 2015
Z - GBP LU1063708934	£1,089.95	-0.81%	-1.14%	9.00%	5 March 2015
R - EUR LU1136399976	€ 980.61	-0.96%	-1.84%	-1.94%	2 March 2015
R - USD LU1304491829	\$1,028.32	-0.81%	-0.58%	2.83%	30 August 2016
R - GBP LU1304492041	£950.15	-0.90%	-1.84%	-4.99%	9 May 2017
R - CHF LU1304492124	fr. 981.71	-0.98%	-2.01%	-1.83%	17 December 2019
I - EUR LU1537768738	€ 965.65	-0.89%	-1.27%	-3.44%	30 March 2017
I - USD LU1537768811	\$1,014.55	-0.76%	-0.07%	1.46%	1 June 2017
P - EUR LU1755395578	€ 1,003.81	-0.88%	-1.19%	-3.05%	26 April 2018

### Asset Under Management

Boussard & Gavaudan Absolute Return

€ 289.31M

\* In accordance with the prospectus of Boussard & Gavaudan SICAV, the last day of opening of the fund in August was August 28th, 2020. Therefore, all figures in this newsletter are as of August 28th, 2020.

## HIGHLIGHTS

In August, the Eurostoxx 50<sup>®</sup> total return index rose by +4.5%, volatility remained broadly stable with VStoxx finishing the month at 25.2% and credit tightened with iTraxx Crossover (S33) ending the month at 324bps (53bps tighter than July).\*

In this context, BG Absolute Return returned -0.88% (Z EUR class) for August. Convertible bonds had a strong month along with credit strategies however these gains were offset by theta drag in the equity book.

August saw its usual low volumes in equity and credit markets along with the expected slower levels of capital markets activity. BG Absolute Return remained well hedged going into the month and, while typically any exogenous shock in August will greatly exacerbate market moves, 2020 summer markets remained benign with low realised volatility which impacted performance.

Value overall has continued to lag momentum stocks and while this trend has been persistent there is a potential for a reversal. While this continued trend has created some underperformance in the fundamental book, this has been offset to some extent by the trading strategies.

Headline economic data seems to be supportive of markets for the moment, however the concentration of market performance into a relatively small number of stocks and the emergence of real structural damage to the economy could well see volatility re-emerge into the Autumn which should be helpful for the fund. As we move into September capital markets activity is already picking up, new M&A deals are starting to be announced and we anticipate a number of catalysts on our existing holdings should occur in the coming weeks.

The investment team remain very constructive on the existing portfolio and opportunity set and will continue to focus on delivering well-hedged idiosyncratic alpha rather than chasing liquidity-driven asset price inflation.

## Volatility strategies

### **Mandatory convertible bond arbitrage**

Mandatory convertible bonds contributed +1bp in August, with the market broadly repricing. Flows in mandatories were limited in August.

### **Convertible bond arbitrage**

Convertible bonds delivered +14bps (excl. mandatories) to the performance of the fund in August primarily due to a global repricing of volatilities and credit spreads. As is usual in August primary issuance was lacklustre. We have continued to participate in most primary issues, following the strong market demand although we believe valuations are becoming stretched. We still expect primary issuance and opportunities to continue to grow into the last quarter of the year.

### **Volatility Trading**

Realised volatility vs implied forwards at the end of July:

	30d Implied vol level on 31/07/20	Realized vol over the month	Difference
US	24.46	8.23	-16.23
EUROPE	26.66	16.26	-10.40

Variation of implied volatilities during August\*:

	Sep. Vol Index Fut as of 31/07/20	Sep. Vol Index Fut as of 28/08/20	Vol move
US	29.62	26.85	-2.77
Europe	27.45	26	-1.45

\* Figures as of August 28<sup>th</sup>, 2020.

Volatility trading posted -5bps to the performance of the fund in August. Most risky assets evolved in a low volatility regime during the month with realised volatility materially underperforming the implied forwards, as can be seen in the table above. Our well-hedged positioning and long gamma exposures consequently suffered due to the low realised volatility environment.

### ***Warrant arbitrage***

Warrant arbitrage contributed +6bps this month.

### **Equity strategies**

In August, the equity portfolio lost -126bps, primarily as a result of defensive positioning, theta drag from options in the low volatility environment and a general rotation out of value. The loss was generally on more fundamental investments with softer catalysts, while special situations and risk arbitrage positions finished the month flat overall.

Given the continued uncertainty, the portfolio went into August very well hedged with decent levels of gamma protection, albeit with slightly reduced convexity for the summer. The very low realised volatility meant that we were able to recoup an unusually low proportion of the theta through the long gamma leading to a net theta drag of 43bps. This notwithstanding, we intend to maintain our long convexity position due to the uncertain environment with risks around the US election, evolution of Covid-19 and residual economic damage, along with the risks of a significant rotation in an otherwise disarmingly quiet market.

The rest of the loss was broadly spread across investments with a fundamental angle where the implicit value bias of those investments underperformed over the summer while momentum has continued to attract strong investor demand.

In terms of specific positions, Bayer though largely unimpacted by the effects of coronavirus, was affected by ongoing uncertainty around US legal settlements. Conversely, and perversely, luxury stocks are now back close to their highs even though they have been materially impacted by the economic shut down and travel bans.

### **Credit strategies**

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

Capital structure arbitrage was flat in August.

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

Credit spreads continued to tighten significantly during August and our portfolio contributed +9bps to fund performance.

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

Credit special situations contributed +11bps in August. On our position in DIA, the main shareholder Letter One launched a tender offer on DIA 2021 and 2023 bonds which we expect to complete in early September.

On Pizza Express, the outcome of the restructuring has been announced with senior secured noteholders receiving 98% of the equity in exchange for a 57% haircut on the debt and a £130m new money facility to be subscribed by senior secured noteholders (£40m to be immediately drawn, with an optional additional £20m delayed draw and further £70m if needed to refinance the super senior facility).

### **Trading**

Trading contributed +2bps overall, primarily driven by the Equity Quantitative Trading which generated most of its performance over the second half of the month with the continued strength of momentum stocks. We gradually reduced exposure during the month, taking profit following our mean reversion methodology. We believe there are risks of a reversal in momentum after a strong performance year to date as macro trends, in particular with respect to real yields, became a little less clear during the month.

Systematic Trend Following saw a negative impact on long positions on European and US bonds, as both categories underwent a minor correction across all maturities while currencies and indices, made a positive contribution.

Macro trading was flat this month. Our bearish USD view initiated in late June continued to behave well, however, gains on long EURUSD were offset by a short on equities. We have revised this short.

Sincerely,

E. Boussard and E. Gavaudan

Specifications	
Inception date:	17 November 2014
Fund	UCITS
Domicile:	Luxembourg
Liquidity:	Daily
Currency:	Euro (€) US Dollar (US\$) Pound (GBP) Swiss Franc (CHF)

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**Annex 1: Greeks**

Delta	-5.7%	-5.7 bps P&L variation for market +1%
Gamma	1.6%	delta variation for market +1%
Vega	6 bps	by vol point
Theta	-28 bps	by 30 days
Optional theta	-35 bps	by 30 days
Rho	-3 bps	for 1 bp of interest rates increasing
Credit sensitivity	-2 bps	for 1% of credit spreads widening (in relative)

**Annex 2: Estimated Performance Attribution**

<b>Volatility Strategies</b>	<b>15 bps</b>
Mandatory convertible bond arbitrage	1 bps
Convertible bond arbitrage (incl. credit convertible bonds)	14 bps
Volatility trading	-5 bps
Warrant arbitrage	6 bps
<b>Equity Strategies</b>	<b>-126 bps</b>
Risk arbitrage / Special situations	-3 bps
Long / short trading with short-term catalyst & Value	-123 bps
<b>Credit Strategies</b>	<b>20 bps</b>
Credit long / short	9 bps
Capital structure arbitrage	0 bps
Credit Special Situations	11 bps
<b>Trading</b>	<b>2 bps</b>
<b>Total</b>	<b>-88 bps</b>

### Annex 3: Gross Exposure (in % of AUM)

Volatility Strategies		
	Long	28.3%
Mandatory convertible bond arbitrage	Short equity	26.3%
	Short credit	0.0%
	Long	11.4%
Convertible bond arbitrage (incl. credit convertible bonds)	Short equity	2.4%
	Short credit	0.0%
	Long	5.0%
Volatility trading	Short	5.9%
	Long	0.0%
Warrant arbitrage	Short	0.0%
Equity Strategies		
Risk arbitrage / Special situations	Long	39.3%
	Short	28.2%
Long / short trading with short-term catalyst & Value	Long	105.3%
	Short	105.1%
Credit Strategies		
Credit long / short	Long	3.8%
	Short	0.1%
Credit Special Situations	Long	2.6%
	Short	0.0%
Capital Structure Arbitrage	Long	0.0%
	Short	0.0%
Trading		
Quantitative equity trading	Long	15.4%
	Short	14.6%
Systematic trend following	Long	37.4%
	Short	6.3%
Other	Long	2.0%
	Short	3.3%
<b>Gross Exposure</b>		<b>442.7%</b>

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

### Annex 4: Gearing (in % of AUM)

Gearing % AUM	1502.5%
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## Annex 5: Track Record – Historical Returns Summary (Net of Fees)

### Z- Euro Share Class <sup>(1)</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2014	-	-	-	-	-	-	-	-	-	-	0.57%	-0.47%	0.10%	<b>0.10%</b>
2015	2.20%	0.93%	-0.57%	0.90%	2.03%	-1.89%	2.35%	-0.16%	-1.66%	-0.22%	-1.39%	1.00%	3.45%	<b>3.55%</b>
2016	-0.88%	2.01%	1.43%	0.46%	1.84%	-0.72%	1.47%	0.14%	0.29%	-1.10%	-1.01%	0.83%	4.78%	<b>8.50%</b>
2017	0.03%	1.47%	0.05%	2.02%	0.85%	0.19%	-0.01%	-0.19%	-0.71%	-1.08%	-0.49%	0.50%	2.62%	<b>11.34%</b>
2018	0.53%	0.94%	-1.26%	-0.78%	0.00%	-0.41%	-2.42%	0.34%	0.78%	-2.03%	-1.13%	-0.44%	-5.79%	<b>4.89%</b>
2019	-0.65%	-0.57%	0.62%	-0.75%	1.22%	0.31%	1.71%	1.93%	-1.23%	-0.82%	1.54%	0.35%	3.64%	<b>8.71%</b>
2020	1.08%	2.14%	-10.61%	3.81%	1.88%	1.49%	0.62%	-0.88%					-1.20%	<b>7.41%</b>

### Z- USD Share Class <sup>(2)</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2015	-	0.84%	-0.58%	0.96%	2.12%	-1.76%	2.41%	-0.15%	-1.60%	-0.18%	-1.51%	1.15%	1.60%	<b>1.60%</b>
2016	-0.80%	1.98%	1.59%	0.52%	1.89%	-0.61%	1.57%	0.26%	0.39%	-0.98%	-0.83%	1.01%	6.08%	<b>7.78%</b>
2017	0.19%	1.56%	0.18%	2.14%	0.99%	0.31%	0.10%	-0.03%	-0.55%	-0.95%	-0.38%	0.87%	4.47%	<b>12.60%</b>
2018	0.70%	1.08%	-1.02%	-0.55%	0.23%	-0.16%	-2.17%	0.58%	0.99%	-1.84%	-0.85%	-0.14%	-3.15%	<b>9.05%</b>
2019	-0.39%	-0.31%	0.85%	-0.50%	1.50%	0.56%	1.91%	1.93%	-0.89%	-0.54%	1.57%	0.60%	6.39%	<b>16.02%</b>
2020	1.12%	2.17%	-9.95%	4.00%	2.03%	1.54%	0.55%	-0.78%					0.01%	<b>16.03%</b>

### Z- GBP Share Class <sup>(3)</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2015	-	-	-0.56%	0.95%	2.09%	-1.83%	2.40%	-0.12%	-1.61%	-0.12%	-1.40%	1.09%	0.81%	<b>0.81%</b>
2016	-0.80%	1.98%	1.55%	0.54%	1.89%	-0.53%	1.54%	0.21%	0.34%	-1.04%	-0.89%	0.92%	5.78%	<b>6.64%</b>
2017	0.13%	1.51%	0.11%	2.08%	0.92%	0.24%	0.02%	-0.15%	-0.61%	-1.04%	-0.43%	0.55%	3.35%	<b>10.21%</b>
2018	0.60%	0.99%	-1.17%	-0.65%	0.10%	-0.33%	-2.37%	0.41%	0.86%	-1.96%	-1.01%	-0.32%	-4.80%	<b>4.92%</b>
2019	-0.52%	-0.45%	0.70%	-0.64%	1.32%	0.41%	1.82%	2.01%	-1.10%	-0.66%	1.66%	0.49%	5.08%	<b>10.25%</b>
2020	1.06%	2.13%	-10.85%	3.88%	2.00%	1.57%	0.65%	-0.81%					-1.14%	<b>9.00%</b>

(1) Launch date: 17 November 2014

(2) Launch date: 6 February 2015

(3) Launch date: 5 March 2015

## R- EUR Share Class <sup>(4)</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2015	-	-	-0.83%	0.81%	1.84%	-2.01%	2.30%	-0.21%	-1.77%	-0.33%	-1.63%	1.04%	-0.90%	<b>-0.90%</b>
2016	-0.96%	2.02%	1.28%	0.30%	1.65%	-0.79%	1.32%	0.06%	0.20%	-1.11%	-1.02%	0.70%	3.66%	<b>2.72%</b>
2017	-0.05%	1.34%	-0.02%	1.84%	0.72%	0.11%	-0.08%	-0.25%	-0.74%	-1.09%	-0.56%	0.43%	1.62%	<b>4.38%</b>
2018	0.43%	0.82%	-1.26%	-0.89%	-0.08%	-0.49%	-2.51%	0.25%	0.70%	-2.12%	-1.21%	-0.52%	-6.73%	<b>-2.64%</b>
2019	-0.74%	-0.65%	0.54%	-0.83%	1.13%	0.23%	1.61%	1.84%	-1.31%	-0.91%	1.47%	0.26%	2.61%	<b>-0.10%</b>
2020	0.99%	2.16%	-10.77%	3.73%	1.80%	1.41%	0.53%	-0.96%					-1.84%	<b>-1.94%</b>

## R- USD Share Class <sup>(5)</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2016	-	-	-	-	-	-	-	-0.24%	0.30%	-1.19%	-1.00%	1.28%	-0.87%	<b>-0.87%</b>
2017	0.17%	1.39%	0.09%	1.95%	0.81%	0.23%	0.05%	-0.10%	-0.59%	-0.98%	-0.40%	0.73%	3.35%	<b>2.45%</b>
2018	0.58%	0.95%	-1.03%	-0.60%	0.17%	-0.24%	-2.29%	0.51%	0.91%	-1.91%	-0.93%	-0.20%	-4.06%	<b>-1.71%</b>
2019	-0.47%	-0.39%	0.77%	-0.83%	1.42%	0.46%	1.87%	1.94%	-0.96%	-0.72%	1.57%	0.51%	5.23%	<b>3.43%</b>
2020	0.97%	1.98%	-9.87%	3.90%	1.94%	1.51%	0.45%	-0.81%					-0.58%	<b>2.83%</b>

## R- GBP Share Class <sup>(6)</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2017	-	-	-	-	0.81%	0.18%	-0.03%	-0.22%	-0.70%	-1.24%	-0.53%	0.52%	-1.23%	<b>-1.23%</b>
2018	0.60%	0.96%	-1.33%	-0.80%	0.02%	-0.42%	-2.45%	0.34%	0.79%	-2.04%	-1.12%	-0.42%	-5.78%	<b>-6.94%</b>
2019	-0.56%	-0.54%	0.61%	-0.73%	1.24%	0.34%	1.75%	1.95%	-1.20%	-0.79%	1.56%	0.38%	4.02%	<b>-3.20%</b>
2020	1.10%	2.26%	-11.26%	3.78%	1.92%	1.49%	0.58%	-0.90%					-1.84%	<b>-4.99%</b>

## R- CHF Share Class <sup>(7)</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2019												0.19%	0.19%	<b>0.19%</b>
2020	0.79%	1.82%	-10.34%	3.69%	1.81%	1.38%	0.48%	-0.98%					-2.01%	<b>-1.83%</b>

(4) Launch date: 2 March 2015

(5) Launch date: 30 August 2016

(6) Launch date: 9 May 2017

(7) Launch date: 17 December 2019



### I- EUR Share Class <sup>(8)</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2017	-	-	0.00%	1.87%	0.76%	0.14%	-0.04%	-0.22%	-0.71%	-1.23%	-0.57%	0.49%	0.46%	<b>0.46%</b>
2018	0.46%	0.96%	-1.27%	-0.82%	-0.01%	-0.42%	-2.43%	0.33%	0.77%	-2.04%	-1.14%	-0.45%	-5.96%	<b>-5.53%</b>
2019	-0.66%	-0.58%	0.61%	-0.76%	1.21%	0.30%	1.70%	1.92%	-1.24%	-0.83%	1.54%	0.34%	3.53%	<b>-2.19%</b>
2020	1.07%	2.13%	-10.61%	3.81%	1.88%	1.48%	0.61%	-0.89%					-1.27%	<b>-3.44%</b>

### I- USD Share Class <sup>(9)</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2017	-	-	-	-	-	0.01%	0.07%	-0.07%	-0.66%	-1.10%	-0.44%	0.90%	-1.28%	<b>-1.28%</b>
2018	0.74%	1.13%	-1.09%	-0.62%	0.25%	-0.19%	-2.22%	0.58%	0.98%	-1.84%	-0.86%	-0.15%	-3.30%	<b>-4.54%</b>
2019	-0.40%	-0.32%	0.84%	-0.51%	1.49%	0.55%	1.95%	2.03%	-0.90%	-0.61%	1.61%	0.51%	6.35%	<b>1.53%</b>
2020	1.10%	2.16%	-9.97%	3.97%	2.01%	1.55%	0.54%	-0.76%					-0.07%	<b>1.46%</b>

### P- EUR Share Class <sup>(10)</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2018	-	-	-	-0.09%	-0.01%	-0.41%	-2.42%	0.34%	0.78%	-2.03%	-1.13%	-0.44%	-5.34%	<b>-5.34%</b>
2019	-0.65%	-0.57%	0.62%	-0.75%	1.22%	0.31%	1.71%	1.93%	-1.23%	-0.82%	1.54%	0.35%	3.64%	<b>-1.89%</b>
2020	1.07%	2.15%	-10.60%	3.82%	1.88%	1.49%	0.62%	-0.88%					-1.19%	<b>-3.05%</b>

(8) Launch date: 30 March 2017

(9) Launch date: 1 June 2017

(10) Launch date: 26 April 2018

## Annex 6: Macroeconomic Risks Through Stress Tests

### General Stress Tests

	Scenario	Description	Impact
1	Delta - spot up	Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0	2.20%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0	-0.75%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0	0.17%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0	-0.17%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0	-0.43%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0	0.47%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0	-0.72%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0	-1.18%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0	-0.97%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0	0.38%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -0.5	-0.18%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -0.5	0.03%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -0.5	1.38%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0.5	<b>-1.82%</b>
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0.5	-1.61%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 1	-0.86%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0	0.43%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0	0.62%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0	0.25%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0	0.11%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0	-0.19%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0	-0.26%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0	-0.60%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0	1.14%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0	1.32%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0	1.51%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0	2.49%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0	2.66%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0	2.83%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	0.49%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0.5	0.67%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0.5	0.86%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	1.84%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 1	1.40%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 1	1.58%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 1	-0.13%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 1	0.05%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 2	-0.93%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 2	0.07%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 2	0.24%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 2	0.42%
	<b>Worst</b>		<b>-1.82%</b>

## Hedge Funds Liquidation Stress Tests

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

- Small, Mid and Large caps adjustment

In certain market conditions, beta may become much higher than its level in normal market conditions and thus the hedging of such positions may not be effective. To address this kind of circumstance we apply a corrective factor to the beta of small, mid and large caps respectively. Since April 2019, the corrective factors have been calibrated on the amplitude of the stresses by looking at worst historical scenario since 1987.

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

- Risk arbitrage adjustment

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

- Liquidity adjustment

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

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

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

	Scenario	Description	Impact % of NAV
1	Delta - spot up	Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0	2.51%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0	-4.99%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0	0.17%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0	-0.17%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0	-0.43%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0	0.47%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0	-2.83%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0	-5.53%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0	-9.33%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0	-10.60%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -0.5	-4.54%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -0.5	-8.34%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -0.5	-9.61%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0.5	-6.17%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0.5	-9.97%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 1	<b>-11.84%</b>
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0	0.59%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0	0.78%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0	0.41%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0	-1.99%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0	-2.28%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0	-0.26%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0	-0.60%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0	1.30%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0	1.48%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0	1.67%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0	2.81%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0	2.96%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0	3.11%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	0.65%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0.5	0.83%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0.5	1.02%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	2.16%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 1	1.71%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 1	1.89%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 1	0.03%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 1	0.21%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 2	-0.77%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 2	0.38%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 2	0.55%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 2	0.73%
	<b>Worst</b>		<b>-11.84%</b>

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### Supplementary information for investors in Switzerland

The representative in Switzerland is CACEIS (Switzerland) SA, Route de Signy 35, CH-1260 Nyon. The payment service in Switzerland is provided by CACEIS Bank, Paris, at the Nyon / Switzerland branch, having its registered offices at la Route de Signy 35, CH-1260 Nyon. The prospectus, key information for investors, statutes as well as annual and half-yearly reports can be obtained on demand and free of charge from the representative in Switzerland.

VC 43217.5194.IQ