

# Boussard & Gavaudan Absolute Return

A compartment of Boussard & Gavaudan SICAV

UCITS by Boussard & Gavaudan Asset Management

## FEBRUARY 2020 NEWSLETTER

Share class	NAV per Share	Month to Date Performance	Year to Date Performance	Inception to Date Performance	Inception date
Z - EUR LU1063708694	€ 1,122.32	2.14%	3.24%	12.23%	17 November 2014
Z - USD LU1063708850	\$1,198.69	2.17%	3.32%	19.87%	6 February 2015
Z - GBP LU1063708934	£1,137.83	2.13%	3.21%	13.78%	5 March 2015
R - EUR LU1136399976	€ 1,030.75	2.16%	3.18%	3.08%	2 March 2015
R - USD LU1304491829	\$1,064.99	1.98%	2.97%	6.50%	30 August 2016
R - GBP LU1304492041	£1,000.70	2.26%	3.38%	0.07%	9 May 2017
R - CHF LU1304492124	fr. 1,028.15	1.82%	2.62%	2.82%	17 December 2019
I - EUR LU1537768738	€ 1,009.50	2.13%	3.21%	0.95%	30 March 2017
I - USD LU1537768811	\$1,048.64	2.16%	3.28%	4.86%	1 June 2017
P - EUR LU1755395578	€ 1,048.82	2.15%	3.24%	1.30%	26 April 2018

### Asset Under Management

Boussard & Gavaudan Absolute Return

€ 457.95M

## HIGHLIGHTS

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

In this market context, BGAR performed very well, delivering a return of +2.14% in February (Z-EUR share class), with positive contributions from Equity, Trading and Volatility strategies.

## COMMENTARY

### Volatility strategies

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

Mandatory convertible bonds had a slightly positive contribution this month (+1bp). Secondary flows were limited and there were no primary market issues.

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

Convertible bond contribution (excl. mandatories) to the performance of the fund was -4bps in February. Coronavirus fears drove convertible bond valuations slightly lower in a context of limited flows. There were no new issues.

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

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

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

Variation of implied volatilities during February\*:

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

Volatility strategies contributed positively to the performance of the fund in February delivering +11bps.

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

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

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

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

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\* Source: Bloomberg

## Equity strategies

In February, the equity portfolio delivered a return of +138bps. The portfolio benefited from a number of factors including its defensive positioning, idiosyncratic events and some good positioning into results, with a primary differentiator on performance in such a challenging month being the long gamma profile.

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

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

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

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

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

## Credit strategies

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

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

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

Credit long / short had a negative contribution this month (-15bps). After a strong market at the beginning of year and into February, driven by inflows into the asset class and strong primary activity, credit markets sold off in the last week of February in line with the general risk-off mode sparked by the coronavirus outbreak outside China.

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

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

Credit special situations contributed -10bps.

## Trading

Trading contributed +91bps in February, mainly driven by the Equity Quantitative strategy, and to a lesser extent by the Systematic Trend Following and Trading Macro.

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

even further. During the last week of the month, the strategy was flat, as some of the best performers and defensive names in the portfolio started being sold.

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

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)

Investment Manager
Boussard & Gavaudan Asset Management LP 1 Vine Street, London W1J 0AH, United Kingdom
Emmanuel Gavaudan ☎ +44 20 3751 5389 ✉ <a href="mailto:eg@bgam-uk.com">eg@bgam-uk.com</a>
François-Xavier Baud ☎ +44 20 3751 5395 ✉ <a href="mailto:fx.baud@bgam-uk.com">fx.baud@bgam-uk.com</a>
Rafael Serrano ☎ +44 20 3751 5422 ✉ <a href="mailto:rafael.serrano@bgam-uk.com">rafael.serrano@bgam-uk.com</a>
Benjamin Sturges ☎ +44 20 3751 5417 ✉ <a href="mailto:benjamin.sturges@bgam-uk.com">benjamin.sturges@bgam-uk.com</a>

**Annex 1: Greeks**

Delta	2.3%	2.3 bps P&L variation for market +1%
Gamma	1.6%	delta variation for market +1%
Vega	18 bps	by vol point
Theta	-46 bps	by 30 days
Optional theta	-50 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>9 bps</b>
Mandatory convertible bond arbitrage	1 bps
Convertible bond arbitrage (incl. credit convertible bonds)	-4 bps
Volatility trading	11 bps
Warrant arbitrage	0 bps
<b>Equity Strategies</b>	<b>138 bps</b>
Risk arbitrage / Special situations	15 bps
Long / short trading with short-term catalyst & Value	123 bps
<b>Credit Strategies</b>	<b>-24 bps</b>
Credit long / short	-15 bps
Capital structure arbitrage	0 bps
Credit Special Situations	-10 bps
<b>Trading</b>	<b>91 bps</b>
<b>Total</b>	<b>214 bps</b>

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

Volatility Strategies		
	Long	12.5%
Mandatory convertible bond arbitrage	Short equity	11.9%
	Short credit	0.0%
	Long	4.8%
Convertible bond arbitrage (incl. credit convertible bonds)	Short equity	0.9%
	Short credit	0.0%
	Long	16.4%
Volatility trading	Short	16.3%
	Long	0.0%
Warrant arbitrage	Short	0.0%
Equity Strategies		
Risk arbitrage / Special situations	Long	32.5%
	Short	19.7%
Long / short trading with short-term catalyst & Value	Long	89.0%
	Short	85.9%
Credit Strategies		
Credit long / short	Long	8.6%
	Short	3.8%
Credit Special Situations	Long	0.3%
	Short	0.0%
Capital Structure Arbitrage	Long	0.0%
	Short	0.0%
Trading		
Quantitative equity trading	Long	16.3%
	Short	15.8%
Systematic trend following	Long	44.6%
	Short	7.8%
Trading using A.I	Long	1.1%
	Short	2.4%
Other	Long	11.7%
	Short	10.3%
<b>Gross Exposure</b>		<b>412.6%</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	1444.3%
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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%											3.24%	<b>12.23%</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%											3.32%	<b>19.87%</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%											3.21%	<b>13.78%</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%											3.18%	<b>3.08%</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%											2.97%	<b>6.50%</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%											3.38%	<b>0.07%</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%											2.62%	<b>2.82%</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%											3.21%	<b>0.95%</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%											3.28%	<b>4.86%</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%											3.24%	<b>1.30%</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	1.49%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0	0.55%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0	0.26%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0	-0.25%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0	-0.32%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0	0.36%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0	0.08%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0	0.39%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0	1.57%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0	3.14%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -0.5	1.54%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -0.5	2.72%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -0.5	4.29%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0.5	-0.35%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0.5	0.83%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 1	1.70%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0	0.08%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0	0.41%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0	-0.24%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0	0.66%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0	0.28%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0	-0.06%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0	-0.57%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0	0.44%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0	0.76%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0	1.09%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0	1.48%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0	1.85%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0	2.23%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	-0.29%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0.5	0.02%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0.5	0.35%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	0.76%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 1	0.42%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 1	0.80%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 1	-1.01%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 1	-0.69%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 2	<b>-1.71%</b>
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 2	-1.26%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 2	-0.90%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 2	-0.52%
	<b>Worst</b>		<b>-1.71%</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	1.90%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0	-3.33%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0	0.26%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0	-0.25%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0	-0.32%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0	0.36%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0	-1.87%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0	-3.56%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0	-5.65%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0	-6.37%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -0.5	-2.40%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -0.5	-4.50%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -0.5	-5.23%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0.5	-4.30%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0.5	-6.39%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 1	<b>-7.82%</b>
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0	0.29%
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	-0.03%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0	-1.29%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0	-1.67%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0	-0.06%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0	-0.57%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0	0.65%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0	0.97%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0	1.30%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0	1.89%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0	2.26%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0	2.64%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	-0.08%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0.5	0.23%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0.5	0.56%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	1.18%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 1	0.84%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 1	1.21%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 1	-0.80%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 1	-0.49%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 2	-1.50%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 2	-0.85%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 2	-0.49%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 2	-0.11%
	<b>Worst</b>		<b>-7.82%</b>

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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.

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