

Boussard & Gavaudan Absolute Return

A compartment of Boussard & Gavaudan SICAV

UCITS by Boussard & Gavaudan Asset Management

OCTOBER 2020 NEWSLETTER

Share class	NAV per Share	Month to Date Performance	Year to Date Performance	Inception to Date Performance	Inception date
Z - EUR LU1063708694	€ 1,094.76	1.17%	0.70%	9.48%	17 November 2014
Z - USD LU1063708850	\$1,181.98	1.12%	1.88%	18.20%	6 February 2015
Z - GBP LU1063708934	£1,110.38	1.13%	0.72%	11.04%	5 March 2015
R - EUR LU1136399976	€ 997.77	1.09%	-0.13%	-0.22%	2 March 2015
R - USD LU1304491829	\$1,045.27	0.98%	1.06%	4.53%	30 August 2016
R - GBP LU1304492041	£967.13	1.14%	-0.09%	-3.29%	9 May 2017
R - CHF LU1304492124	fr. 998.34	1.06%	-0.35%	-0.17%	17 December 2019
I - EUR LU1537768738	€ 984.05	1.16%	0.61%	-1.60%	30 March 2017
I - USD LU1537768811	\$1,032.86	1.06%	1.73%	3.29%	1 June 2017
P - EUR LU1755395578	€ 1,023.14	1.17%	0.72%	-1.18%	26 April 2018

Asset Under Management

Boussard & Gavaudan Absolute Return

€ 284.57M

HIGHLIGHTS

BG Absolute Return had a strong month in October, delivering +1.17% (Z EUR class) for the month. Over the same period the Euro Stoxx 50® Total Return index collapsed, returning -7.31% for October, dragged down by multiple national lockdowns in Europe over fears of a more-intense-than-expected second wave of Covid-19 infections.

BG Absolute Return's performance in October was driven to a large extent by significant contributions from equity special situations.

Equity markets have demonstrated their short-term fragility in the face of further economic stress due to Covid-19. The market's ability to digest new issues and placements has faltered slightly and we continue to be very tactical in this space. However, overall market conditions continue to remain favourable for BG Absolute Return with elevated levels of corporate activity, merger rumours, restructurings and new capital raisings taking place as companies shore up balance sheets against economic headwinds. We continue to see a deep opportunity set in volatility strategies, arbitrage, event driven and special situations.

Volatility strategies

Mandatory convertible bond arbitrage

Mandatory convertible bonds delivered +5bps for October.

Flows were relatively limited and nothing new has come in the primary markets for the moment.

Convertible bond arbitrage

Convertible bonds contributed positively to October's performance (+1bp). We managed to participate selectively in some primary deals although volumes and pricing have been slightly less attractive.

Despite very limited flows on the secondary market, we also found some decent opportunities worth participating in. As always, but more than usual, we remain highly selective in our positions.

Volatility Trading

Realised volatility vs implied forwards at the end of September:

	30d Implied vol level on 30/09/20	Realised vol over the month	Difference
US	26.37	21.31	-5.06
EUROPE	26.05	20.77	-5.28

Variation of implied volatilities during October:

	Nov. Vol Index Fut as of 30/09/20	Nov. Vol Index Fut as of 30/10/20	Vol move
US	32.17	34.10	1.93
Europe	27.55	31.20	3.65

Volatility trading contributed slightly negatively to performance this month (-3bps). Despite a market correction in October amid renewed fears about the Covid-19 resurgence, realised volatility remained persistently below implied forwards. Despite the market sell-off, fixed strike volatility hardly moved higher during the last few days of the month as investors became more cautious ahead of the US election and with concerns rising after further lockdowns. There was no panic in the volatility space and investors seemed keen to sell into any volatility spikes.

In terms of the portfolio, most of the negative theta drag was offset by a few positive re-marks.

We remain cautious about the backdrop and potential risk-off events in the coming months, this notwithstanding we also bought some downside puts on the VIX to hedge against any reset lower in volatility.

Warrant arbitrage

Warrant arbitrage contributed +2bps this month.

Equity strategies

In October, equity strategies returned a solid +76bps despite the significant market sell-off. Most of the performance came from special situations and risk arbitrage strategies. As we mentioned last month, corporate activity continues to flourish, and October was no exception with corporate events delivering significant returns to the portfolio.

Our position in KPN is a good example of a significant contributor: a rumour of takeover interest from EQT reminded the market that KPN remains one of the most natural targets for infrastructure funds in the telecom sector in Europe. Although the rumour has received no confirmation, the stock re-rated and jumped +15.6% during October. We have already seen multiple deals in the telecoms space this year. These have tended to illustrate that there is a price discrepancy between public and private perspectives on the value of telecom businesses.

On balance for equity positions in general, we benefited from positions in more defensive names such as utilities, while investments in value/cyclical names contributed slightly negatively. Overall, the portfolio was protected by prudent hedging.

Credit strategies

Capital Structure Arbitrage

Capital structure arbitrage was flat in October.

Credit long / short

The credit long/short portfolio returned negatively (-5bps) for the month while the credit market was marginally wider.

Credit special situations

Credit special situations had a positive month (+8bps) delivered predominantly by our position in Solocal on which the restructuring was finalised. New bonds issued after the capital increase jumped 15 points and also pushed our shorter dated senior positions back to par, with both positions offering attractive ongoing yields.

Trading

Trading strategies overall contributed +32bps in October. The systematic trend following strategy was slightly positive and macro trading slightly negative. Overall, there were net gains provided by the Equity Quantitative Strategy. EQT performance was volatile over the month due to uncertainty related to Covid-19 impacts on the economy. In the last week of the month further significant restrictions were introduced in Germany and in France driving the Euro Stoxx 50® Total Return down -7.3% giving a strong boost to the strategy due to its negative beta. The US election could bring more volatility and, following our mean reversion methodology, we have further reduced our risk.

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	0.0%	0 bp P&L variation for market +1%
Gamma	0.5%	delta variation for market +1%
Vega	9 bps	by vol point
Theta	-21 bps	by 30 days
Optional theta	-25 bps	by 30 days
Rho	-3 bps	for 1 bp of interest rates increasing
Credit sensitivity	-1 bps	for 1% of credit spreads widening (in relative)

Annex 2: Estimated Performance Attribution

Volatility Strategies	6 bps
Mandatory convertible bond arbitrage	5 bps
Convertible bond arbitrage (incl. credit convertible bonds)	1 bps
Volatility trading	-3 bps
Warrant arbitrage	2 bps
Equity Strategies	76 bps
Risk arbitrage / Special situations	61 bps
Long / short trading with short-term catalyst & Value	15 bps
Credit Strategies	3 bps
Credit long / short	-5 bps
Capital structure arbitrage	0 bps
Credit Special Situations	8 bps
Trading	32 bps
Total	117 bps

Annex 3: Gross Exposure (in % of AUM)

Volatility Strategies		
	Long	32.3%
Mandatory convertible bond arbitrage	Short equity	30.4%
	Short credit	0.0%
Convertible bond arbitrage (incl. credit convertible bonds)	Long	17.0%
	Short equity	4.4%
	Short credit	0.0%
Volatility trading	Long	5.1%
	Short	5.5%
Warrant arbitrage	Long	0.1%
	Short	0.1%
Equity Strategies		
Risk arbitrage / Special situations	Long	37.2%
	Short	22.3%
Long / short trading with short-term catalyst & Value	Long	79.3%
	Short	81.2%
Credit Strategies		
Credit long / short	Long	3.9%
	Short	0.1%
Credit Special Situations	Long	0.6%
	Short	0.0%
Capital Structure Arbitrage	Long	0.0%
	Short	0.0%
Trading		
Quantitative equity trading	Long	8.8%
	Short	8.2%
Systematic trend following	Long	45.5%
	Short	5.5%
Other	Long	2.3%
	Short	3.5%
Gross Exposure		393.3%

	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	1787.1%
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Annex 5: Track Record – Historical Returns Summary (Net of Fees)

Z- Euro Share Class ⁽¹⁾

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2014	-	-	-	-	-	-	-	-	-	-	0.57%	-0.47%	0.10%	0.10%
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%	3.55%
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%	8.50%
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%	11.34%
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%	4.89%
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%	8.71%
2020	1.08%	2.14%	-10.61%	3.81%	1.88%	1.49%	0.62%	-0.88%	0.75%	1.17%			0.70%	9.48%

Z- USD Share Class ⁽²⁾

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%	1.60%
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%	7.78%
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%	12.60%
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%	9.05%
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%	16.02%
2020	1.12%	2.17%	-9.95%	4.00%	2.03%	1.54%	0.55%	-0.78%	0.73%	1.12%			1.88%	18.20%

Z- GBP Share Class ⁽³⁾

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%	0.81%
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%	6.64%
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%	10.21%
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%	4.92%
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%	10.25%
2020	1.06%	2.13%	-10.85%	3.88%	2.00%	1.57%	0.65%	-0.81%	0.73%	1.13%			0.72%	11.04%

(1) Launch date: 17 November 2014

(2) Launch date: 6 February 2015

(3) Launch date: 5 March 2015

R- EUR Share Class ⁽⁴⁾

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%	-0.90%
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%	2.72%
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%	4.38%
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%	-2.64%
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%	-0.10%
2020	0.99%	2.16%	-10.77%	3.73%	1.80%	1.41%	0.53%	-0.96%	0.66%	1.09%			-0.13%	-0.22%

R- USD Share Class ⁽⁵⁾

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%	-0.87%
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%	2.45%
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%	-1.71%
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%	3.43%
2020	0.97%	1.98%	-9.87%	3.90%	1.94%	1.51%	0.45%	-0.81%	0.66%	0.98%			1.06%	4.53%

R- GBP Share Class ⁽⁶⁾

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%	-1.23%
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%	-6.94%
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%	-3.20%
2020	1.10%	2.26%	-11.26%	3.78%	1.92%	1.49%	0.58%	-0.90%	0.64%	1.14%			-0.09%	-3.29%

R- CHF Share Class ⁽⁷⁾

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2019												0.19%	0.19%	0.19%
2020	0.79%	1.82%	-10.34%	3.69%	1.81%	1.38%	0.48%	-0.98%	0.63%	1.06%			-0.35%	-0.17%

(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 ⁽⁸⁾

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%	0.46%
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%	-5.53%
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%	-2.19%
2020	1.07%	2.13%	-10.61%	3.81%	1.88%	1.48%	0.61%	-0.89%	0.74%	1.16%			0.61%	-1.60%

I- USD Share Class ⁽⁹⁾

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%	-1.28%
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%	-4.54%
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%	1.53%
2020	1.10%	2.16%	-9.97%	3.97%	2.01%	1.55%	0.54%	-0.76%	0.74%	1.06%			1.73%	3.29%

P- EUR Share Class ⁽¹⁰⁾

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%	-5.34%
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%	-1.89%
2020	1.07%	2.15%	-10.60%	3.82%	1.88%	1.49%	0.62%	-0.88%	0.75%	1.17%			0.72%	-1.18%

(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	1.98%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0	-1.27%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0	0.23%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0	-0.22%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0	-0.26%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0	0.27%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0	-0.64%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0	-1.22%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0	-2.25%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0	-3.18%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -0.5	-0.02%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -0.5	-1.04%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -0.5	-1.98%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0.5	-2.19%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0.5	-3.21%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 1	-5.08%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0	0.60%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0	0.85%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0	0.37%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0	-0.21%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0	-0.61%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0	-0.02%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0	-0.48%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0	0.89%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0	1.13%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0	1.38%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0	2.03%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0	2.24%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0	2.49%
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	0.16%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0.5	0.41%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	1.06%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 1	0.35%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 1	0.59%
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	-0.78%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 2	-2.33%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 2	-1.66%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 2	-1.44%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 2	-1.20%
	Worst		-5.08%

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%
Small (<1bn)	2.00	1.75	1.50	1.30
Mid (1bn-5bn)	1.50	1.50	1.25	1.20
Large (5bn-20bn)	1.20	1.15	1.10	1.05
Mega (>20bn)	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	1.87%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0	-4.47%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0	0.23%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0	-0.22%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0	-0.26%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0	0.27%
7	Market crash 0.5	Spot : -5% ; Credit : 25% ; Vol : 15% ; Rates : 0	-2.24%
8	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0	-4.53%
9	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0	-9.09%
10	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0	-12.49%
11	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -0.5	-3.33%
12	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -0.5	-7.89%
13	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -0.5	-11.07%
14	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0.5	-5.50%
15	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0.5	-10.14%
16	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 1	-14.72%
17	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0	0.55%
18	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0	0.80%
19	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0	0.32%
20	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0	-1.80%
21	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0	-2.19%
22	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0	-0.02%
23	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0	-0.48%
24	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0	0.85%
25	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0	1.08%
26	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0	1.33%
27	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0	1.93%
28	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0	2.14%
29	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0	2.38%
30	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	-0.13%
31	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0.5	0.11%
32	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0.5	0.36%
33	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0.5	0.96%
34	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 1	0.24%
35	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 1	0.48%
36	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 1	-1.06%
37	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 1	-0.83%
38	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 2	-2.38%
39	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 2	-1.77%
40	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 2	-1.55%
41	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 2	-1.31%
	Worst		-14.72%

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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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