

Boussard & Gavaudan SICAV
société anonyme - société d'investissement à capital variable
Registered office: 5, allée Scheffer L-2520 Luxembourg
R.C.S. Luxembourg: B 190584
(the "Company")

Luxembourg,
by email

NOTICE TO THE SHAREHOLDERS OF BOUSSARD & GAVAUDAN ABSOLUTE RETURN

Dear Shareholder,

The Board of Directors of the Company has considered the proposal of the Management Company to implement a revised volatility arbitrage sub-strategy among other strategies in which Boussard & Gavaudan Absolute Return (the "**Compartment**") may invest in (the "**new volatility arbitrage sub-strategy**").

The Board of Directors has examined the implementation of the new volatility arbitrage sub-strategy and, in consideration of the best interest of you as shareholder of the Compartment, has decided to proceed with the implementation. As a result of the new volatility arbitrage sub-strategy, the Compartment's expected level of leverage will change from 400% of Net Asset Value to 1,500% of Net Asset Value (collectively the "**Changes**").

Rationale for the Changes:

The implementation of the new volatility arbitrage sub-strategy is expected to bring diversification to the Compartment and could contribute positively to the performance of the latter without neither modifying the risk profile nor increasing the volatility level of the Compartment.

Please be informed that the CSSF has approved the new volatility arbitrage sub-strategy.

Therefore, Section 1 "Investment Objective and Policy of the Compartment" under Appendix 1 of the updated prospectus of the Company, to be dated September 2016 (the "**Prospectus**"), will read as follows (the new wording appears in bold italic):

“Volatility arbitrage: seeking to take advantage of volatility pricing discrepancies or across related instruments *or to find arbitrage and asymmetric risk-reward opportunities using derivative financial instruments with a focus on equities, interest rates and currencies*. This strategy may include corporate warrant arbitrage, which seeks to take advantage of pricing differences between warrants issued by a company to its shareholders and the corresponding equivalent options available in the market.”

In addition, the Prospectus will be updated as follows under Section 11. "Risk Management" of Appendix 1:

From:

“The expected level of gearing is 4. ”

To:

“As at the date of this Prospectus, the expected level of leverage of the Compartment is 400% of Net Asset Value.

The leverage measures the Compartment’s investment exposure. It exceeds the Net Asset Value due to the use of financial derivative instruments.

This Compartment has a higher gross leverage figure than other Compartments due to the fact that it operates strategies that are often executed using derivatives. Strategies using derivatives inevitably create leverage because of the required calculation method i.e. leverage is the sum or gross notional exposure. Leverage is not adjusted to take account of any hedging or offsetting trades used to reduce market risk. Therefore the Fund’s leverage may indicate the extent of derivatives use required at any point in time to pursue its investment objectives rather than its market risk.

The Compartment may have a higher level of leverage in volatile market conditions. In such circumstances the Investment Manager may increase its use of derivatives in order to reduce the market risk which the Compartment is exposed to, this in turn would have the effect of increasing its levels of leverage.

The expected level of leverage is not a limit and may vary over time.

Due to the future implementation of the revised Volatility arbitrage sub-strategy, as described above, the expected level of leverage of the Compartment will be 1,500% of Net Asset Value.”

The Changes will occur on 28 October 2016 (the "**Effective Date**"). Should you agree with the Changes, you do not need to take any action. The Changes will automatically take place as from the Effective Date.

Should you disagree with the Changes, you may ask for the redemption of your Shares, free of any charge, until 27 October 2016 included.

The Board considers that the implementation of the new volatility arbitrage sub-strategy is in the best interest of the shareholders of the Compartment.

The Prospectus and the new KIIDs of the Classes of Shares of the Compartment, reflecting the Changes, will be available free of charge at the registered office of the Company.

In addition to the foregoing, the Board of Directors informs the shareholders of the Compartment herewith that the depositary, central administration and domiciliation agent of the Company, CACEIS Bank Luxembourg, will with effect as of 31 December 2016 exercise its respective functions as branch of CACEIS Bank France.

CACEIS Bank Luxembourg, incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 5, Allée Scheffer, L-2520 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg register of commerce and companies under number B 91985, was appointed by the Company as depositary, central administration and domiciliation agent through a depositary, paying agency and domiciliary agreement and an administrative agency, registrar and transfer agency agreement dated as of 17 September 2014, as amended from time to time. CACEIS Bank Luxembourg will through a cross-border merger by way of absorption by CACEIS Bank France, a public limited liability company (société anonyme) incorporated under the laws of France with a share capital of 440,000,000 Euros, having its registered office located at 1-3, place Valhubert, 75013 Paris, France, identified under number 692 024 722 RCS Paris, turn into the Luxembourg branch of CACEIS Bank France and will be named CACEIS Bank, Luxembourg Branch. CACEIS

Bank France is approved as a credit institution and is supervised by the European Central Bank and the French Autorité de contrôle prudentiel et de résolution.

The purpose of the contemplated changes is to simplify and harmonize the Group legal structure by retaining CACEIS Bank France as the sole banking subsidiary of CACEIS SA. The legal simplification project of CACEIS Group will benefit the client by offering a service platform fully integrated in the European market. The Luxembourg supervisory authority Commission de Surveillance du Secteur Financier authorised CACEIS Bank Luxembourg to act as depositary, central administration and domiciliation agent.

As a result, as a general rule, all assets and liabilities from CACEIS Bank Luxembourg including its branches will be transferred to CACEIS Bank France (soon CACEIS Bank). According to the principle of universal transfer of assets and liabilities, all contracts (and related assets and liabilities) will be transferred automatically by effect of the merger without any formalities having to be completed by you in respect of the contracts between us. As a consequence CACEIS Bank Luxembourg will continue to provide services as depositary, central administration and domiciliation agent to the Company under the agreement.

The Company or the Compartment will not incur additional costs in relation with the contemplated changes.

Further information about CACEIS Bank France can be found on the website of the Company.

Capitalised terms in this notice shall have the meaning ascribed to them in the Prospectus unless the context otherwise requires.

Yours faithfully,

The Board