

*Commentary from the Investment Management Team at Boussard & Gavaudan*

## Don't Look Down: Markets Recover, Risks Remain

April proved a strong month for equity markets on both sides of the Atlantic. The EuroStoxx 50<sup>®</sup> Total Return advanced 6.22% while the S&P 500<sup>®</sup> Total Return surged 10.49%, as risk appetite recovered broadly across regions following the sell-off in March. Market stress indicators moved in tandem, the VStoxx<sup>®</sup> retreated to close the month at 22.6%, while the iTraxx Crossover<sup>®</sup> (Series 43) tightened to 225bps, reflecting improved sentiment in European credit markets.

In this context we remain market neutral and long convexity, seeking to generate gains from elevated market volatility while remaining well hedged.

### Convertible Bond Arbitrage

April started out with the end of direct attacks in the Iran war situation, transitioning to the current uneasy standstill context that provided relief to risk assets. The 5-year yield was up a modest 7bps, rising from 3.94% to 4.01%, while HY CDX spreads declined steadily from 385bps to 330bps. In terms of US convertible arbitrage, at a thematic level, AI / datacentre names were wider at the beginning of the month and staged a rally late in the month, software stocks stopped getting hit as hard, and the “AI picks and shovels” semiconductor space continued its relentless ascent. Our exposure to these themes remains measured and diversified.

US primary activity in April was subdued mainly because most companies were in their blackout periods prior to Q1 2026 earnings releases.

In Europe, primary activity comprised three transactions this month. Voestalpine, the Austrian steel producer returned to the market via a retap, while Basic Fit made its comeback to the convertible bond market. Aixtron, a German issuer accessed the convertible bond market for the first time with the transaction issued at a discount and linked to a highly speculative segment of the technology sector, namely compound semiconductors used in data centre infrastructure.

Elevated realised volatility across select sectors created favourable conditions for active gamma trading during the period. By systematically rebalancing delta hedges in response to stock-level moves, the portfolio was able to monetise optionality without relying on directional market exposure. This dynamic was particularly evident in Asia, where sharp moves in Hong Kong and Japan generated frequent and profitable trading opportunities across the convertible universe. Primary issuance has resumed across all regions, even if Europe remains a relative laggard, and ongoing sector rotation among investors underpins our constructive outlook. As always, disciplined selectivity remains essential to avoid lower quality deals.

### Volatility Trading

Following the market dislocation in March, April was characterised by a broad compression in volatility as geopolitical tensions eased somewhat. Given the asymmetry created by elevated starting implied volatility levels, we adopted a more cautious stance at the beginning of the period.

As both implied and realised volatility declined, this positioning allowed us to navigate the environment relatively smoothly. Active trading across the volatility complex, combined with some retained upside convexity, provided additional flexibility as the regime evolved.

## Equity Strategies

Risk arbitrage spreads generally tightened throughout the month as markets regained confidence following the March sell off triggered by the escalation of the Middle East conflict.

One notable example is Iveco, currently in the process of being acquired by Tata Motors. The spread tightened significantly after the payment of the large dividend linked to the sale of its defence business to Leonardo.

Corporate activity in Europe remains robust despite market volatility, extending the momentum observed in recent months. Notable developments include:

- In the French telecom sector, Orange, Bouygues, and Iliad are negotiating the purchase of SFR from Altice,
- Unilever agreed to combine its food unit with McCormick,
- EQT expressed interest in Intertek, and
- Bridgepoint and KKR are exploring a potential deal for DCC.

The breadth of deal activity across sectors suggests the pipeline for risk arbitrage opportunities in Europe remains constructive.

## Trading Strategies

Trend following strategies in April benefited from the sharp recovery of the stock market, especially in the US, and the continued appreciation of almost all energy-linked contracts.

Our macro strategy navigated a challenging April, with a contrarian view taken late in the month reflecting our assessment that market moves had extended beyond what fundamentals justify. While this positioning has not played out as expected so far, we retain conviction in our thesis. The global economy continues to absorb the effects of the oil shock, which are still working their way through into activity data, while wage growth across major economies is showing early signs of moderation that should weigh on both consumption and inflation expectations. We expect these dynamics to become increasingly visible in the data over the coming months.

## Outlook

Looking ahead, we remain constructive on the opportunity set across strategies. Volatility, while having compressed from its March peaks, remains sufficiently elevated to support active gamma trading and convertible arbitrage returns. The pipeline for risk arbitrage continues to build, with European corporate activity showing encouraging breadth. Primary issuance is resuming across regions, supporting convertible strategies. On the macro side, we expect the fundamental backdrop to evolve in a direction consistent with our current thesis as the data catches up with conditions on the ground. Against this backdrop, our market neutral, long convexity positioning leaves the Fund well placed to generate returns across a range of market scenarios.

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