

# Boussard & Gavaudan Absolute Return

UCITS Luxembourg Fund – Monthly factsheet for December 2016

**BOUSSARD &  
GAVAUDAN**

Net Asset Value <sup>1</sup>		Key Figures <sup>1</sup>		Share classes	MTD	NAV	ISIN
BG Absolute Return	€ 587m	MTD	+0.83%	EUR Z	0.83%	1,084.98	LU1063708694
BG Group	€ 3.5bn	YTD	+4.78%	USD Z	1.01%	1,077.77	LU1063708850
		ITD	+8.50%	GBP Z	0.92%	1,066.39	LU1063708934
		Annualised Volatility	+4.47%	EUR R	0.70%	1,027.22	LU1136399976
				USD R	1.28%	991.30	LU1304491829

## OBJECTIVE

Boussard & Gavaudan Absolute Return is a Europe focused multi-strategy, event-driven UCITS fund.

The investment objective of the fund is to achieve consistent risk-adjusted returns over time with low volatility. The fund is driven by bottom-up fundamental and event catalyst research, combined with extensive multi-asset and derivative expertise. Typically investment ideas are catalyst driven with a focus on special situations and events such as restructurings, M&A, divestures, spin-offs and buy-outs. Capital is dynamically allocated to the firm's best ideas and these ideas are categorized into three main types of strategies:

- Equity Strategies (Long Short Equity Catalyst, Value, Risk Arb, Special Situations)
- Volatility Strategies (Mandatory Convertible Bond Arbitrage, Convertible arbitrage, Volatility trading)
- Credit Strategies (Credit long short)

This multi-strategy approach enables the Fund to rely on different profit sources depending on market conditions. BG Absolute Return aims to always be long volatility, positive convexity with investments generally structured with minimal beta. The primary return drivers typically consist of mispriced securities monetized through special situations and idiosyncratic events.

## INVESTMENT MANAGER

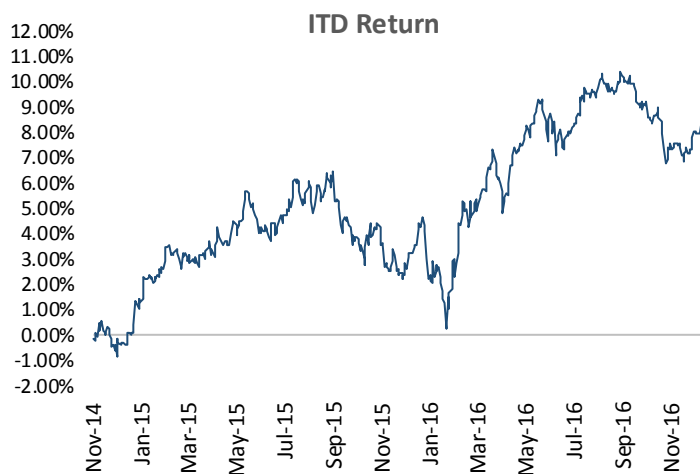
BG Absolute Return is managed by the Boussard & Gavaudan investment team following the company's investment and risk management guidelines, tailored to comply with the UCITS regulations. The firm was founded in 2002 by Emmanuel Boussard, Chief Investment Officer and former head of European equity derivatives proprietary trading at Goldman Sachs and Emmanuel Gavaudan, Chief Executive Officer and former partner in the Investment Management Division of Goldman Sachs and member of the European Management Committee. BG group currently manages approximately €3.5bn of which €651m is in a permanent capital vehicle (BGHL). The firm has offices in London, Paris and New York and employs 68 people, 27 of which are investment professionals. The investment team has significant expertise across asset classes, derivatives, industries and market cycles. All fundamental analysts are former investment bankers with extensive M&A experience.

## PERFORMANCE

BGAR "Z"	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dic.	YTD	ITD
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%
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%
2014											0.57%	(0.47%)	0.10%	0.10%

Since inception of fund on November 17, 2014 - Share Class Z EUR

Based on unaudited month-end valuations. Source: Boussard and Gavaudan



### Annex 2: Estimated Performance Attribution

<b>Equity Strategies</b>	<b>385 bps</b>
L/S Equity catalyst and Value	330 bps
Risk arbitrage / Special situations	55 bps
<b>Volatility Strategies</b>	<b>135 bps</b>
Mandatory convertible bond arbitrage	33 bps
Convertible bond arbitrage	30 bps
Volatility trading	72 bps
<b>Credit Strategies</b>	<b>38 bps</b>
Credit long / short	27 bps
Credit Spec. Situation	11 bps
<b>Trading</b>	<b>-80 bps</b>
<b>Total Return YTD</b>	<b>478 bps</b>

(1) SHARE CLASS Z EUR (INSTITUTIONAL) AS OF 30 DECEMBER 2016

(\*) HISTORICAL PERFORMANCE IS BASED ON OFFICIAL DAILY NET ASSET VALUE SHOWN SINCE INCEPTION FROM SHARE CLASS "EUR Z". THE FEES ON THIS SHARE CLASS ARE 1% MANAGEMENT FEE AND 10% PERFORMANCE FEE. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

## COMMENTARY AND HIGHLIGHTS

The year ended on a positive tone for BG Absolute Return which returned +0.83% for the Z-EUR share class in December. For the full year 2016, performance stands at +4.78% for the Z-EUR share class.

Mandatory convertible bonds contributed +5bps this month. Flows were limited and valuations remained stable.

The convertible bond contribution (excl. mandates) to the performance of the fund was +1bp in December.

Taking into account flows in the European convertible bond market, the main structural facts for 2016 were as follows:

- Corporates' appetite to new issues was limited mainly due to low interest rates: there was no benefit in issuing a convertible bond when issuing a straight bond with a low coupon was possible. Traditional convertible bond issuance amounted to €11.5bn versus €17.5bn in 2015
- Increasing amount of redemptions, tender offers, conversions

Volatility Trading accounted for +54bps in December in spite of largely subdued realised volatilities on major indices. Fixed strike implied volatilities increased on Eurostoxx50 and Nikkei as the market rally shifted the skew higher ("spot up / vol up" phenomenon typically occurs when the market is breaking out of a prolonged range). We also managed to capture some intraday moves that made the carry of the gamma less painful especially during the Italian referendum. At the same time, volatility hedges via short dated VIX puts performed strongly given an arbitrage opportunity on the VIX futures. While we chose not to roll the volatility hedges and even after some profit taking on some long volatility positions, we remain outright long equity volatility.

In December, equity markets rallied globally, this move was driven by the financial, the auto and the energy sectors, as investors expect that the negative interest rate environment is getting closer to an end and inflation expectations are increasing. Likewise, we decided at the beginning of the month to momentarily position our portfolio less defensively. We reduced some of our hedges, mainly through the purchase of call options. This move along with good performance from a number of positions, generated a positive 71bps in the equity portfolio. One main contributor was our position in Nokia: the stock rallied 13%.

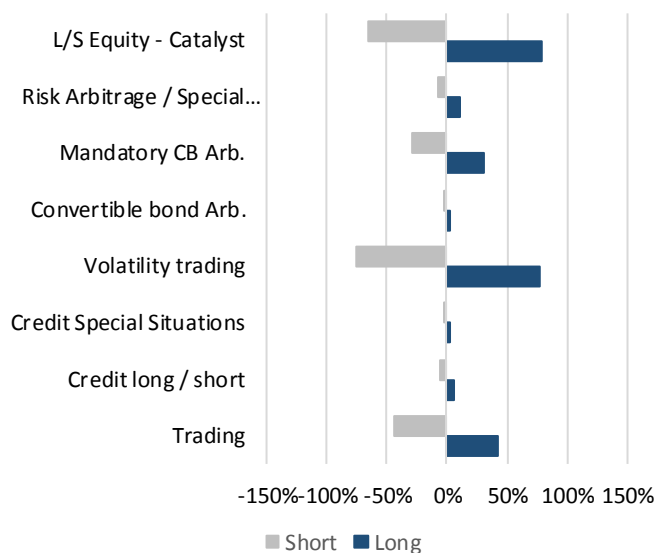
Credit long / short trading contributed +9bps in December. The main contributor to performance was our long senior position in Deutsche Bank. The position outperformed with the bank agreeing to settle its RMBS case with the Department of Justice for \$7.2bn.

Credit special situations contributed +35bps in December. Solocal bonds performed strongly as shareholders eventually approved plans to restructure the debt, clearing the path for a debt cut from €1.2bn to €400m. Elsewhere the portfolio also benefited from the long position in CGG high yield bonds. The position performed well on the back of the OPEC agreement reached at the end of November

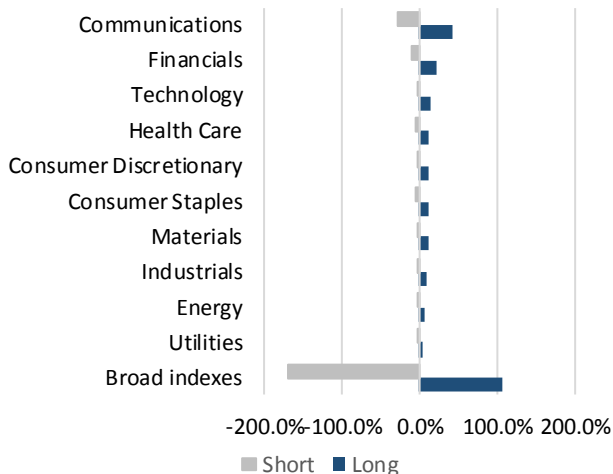
Trading contributed -95bps in December of which -98bps came from quantitative equity trading and +3bps from systematic trend following.

We would like to thank our investors for their trust this year and we take this opportunity to wish you all a happy and prosperous New Year 2017.

### STRATEGY EXPOSURE <sup>1</sup>



### SECTOR EXPOSURE <sup>1</sup>



## PORTFOLIO

### TOP 5 Long Equity Positions <sup>1</sup>

NOKIA	3.7%
ATOS	3.4%
COMPAGNIE DE SAINT-GOBAIN	2.8%
CASINO GUICHARD PERRACHON	2.6%
PRUDENTIAL PLC	2.6%

### Greeks <sup>1</sup>

Delta	13.5%	13.5 bps P&L variation for market +1%
Gamma	1.8%	delta variation for market +1%
Vega	16 bps	by vol point
Theta	-34 bps	by 30 days
Optional theta	-41 bps	by 30 days
Rho	0 bps	for 1 bp of interest rates increasing
Credit sensitivity	-2 bps	for 1% of credit spreads widening (in relative)

(1) DATA AS OF 30/12/2016

## FUND CHARACTERISTICS

Characteristics			
Base Currency	EUR	Redemption Terms	Daily
Inception Date	17/11/2014	Legal Structure	UCITS
Reference Share Class Inception Date	17/11/2014	Custodian / Administrator	CACEIS

Share Class	Currency	Min. Investment	Launch	ISIN	TICKER	Mgt Fee	Perf. Fee	Std. Fee
Z	EUR	EUR 1,000,000	17/11/2014	LU1063708694	BGARZEA LX	1.00%	10.00%	0.27%
Z	USD	USD 1,000,000	06/02/2015	LU1063708850	BGARZUA LX	1.00%	10.00%	0.23%
Z	GBP	GBP 1,000,000	05/03/2015	LU1063708934	BGARZGA LX	1.00%	10.00%	0.22%
R	EUR	1 SHARE	02/03/2015	LU1136399976	BGARREA LX	2.00%	15.00%	0.22%
R	USD	1 SHARE	30/08/2016	LU1304491829	BGARRUA LX	2.00%	15.00%	-
R	GBP	1 SHARE	-	LU1304492041	BGARRGA LX	2.00%	15.00%	-
R	CHF	1 SHARE	-	LU1304492124	BGARRCA LX	2.00%	15.00%	-

BG Absolute Return is tax transparent in the UK and Germany and is available for distribution in France, U.K. Germany, Switzerland, Spain, Italy, Netherlands and Singapore



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