BOUSSARD& GAVAUDAN HOLDING LIMITED

Boussard & Gavaudan Holding Limited
a closed-ended investment company incorporated with limited liability under the laws of Guernsey with registration number 45582

Interim Management Statement
For the Quarter ended 31 March 2012

I. Principal Activities

Boussard & Gavaudan Holding Limited ("BGHL" or "the Company"), a closed-ended investment company incorporated under the laws of Guernsey, announces its interim management statement for the period from 1 January to 31 March 2012 ("the period").

The Company is registered with the Dutch Authority for Financial Markets and is listed on NYSE Euronext Amsterdam and on the London Stock Exchange.

During the period, BGHL has invested indirectly almost all its assets in BG Master Fund Plc ("BG Fund" or "the Fund"), a Europe-focused multi-strategy hedge fund established in Ireland and authorised by the Central Bank as a Qualified Investor Fund (QIF), through a dedicated share class of the feeder fund, BG Umbrella Fund Plc. The Fund aims primarily at arbitraging instruments with linear or non-linear pay-offs on equities and credit markets. The overall investment objective of the Fund is to provide investors with consistent absolute returns primarily through investing and trading in financial instruments of companies incorporated in or whose principal operations are in Europe. The Fund has been reorganised into a master/feeder structure, effective on 3 January 2012.

In addition, a proportion of the net assets of BGHL may be invested in other hedge funds and/or other financial assets

Boussard & Gavaudan Asset Management LP ("BGAM" or "the Investment Manager") is the investment manager for both the Company and the Fund.

II. Highlights

	31-Dec-2011	31-Mar-2012
Assets under management	€ 555 million	€ 567 million
Market capitalisation	€ 449 million	€ 459 million
Shares outstanding	41,148,964	39,697,004

	NAV per share		Share price*		Discount to NAV	
	€ shares	£ shares	€ shares	£ shares	€ shares	£ shares
31-Dec-2011	€ 13.4423	£12.2280	€ 10.89	£9.48	-18.99%	-22.47%
31-Mar-2012	€ 14.2237	£12.9320	€ 11.55	£9.96	-18.80%	-23.02%
Performance	5.81%	5.76%	6.06%	5.01%		

III. Performance

European equities markets rallied over the period with the Eurostoxx 50® at +6.9%. Volatilities on stock markets decreased: VDAX index moved from 28.6% to 18.8% and the VSTOXX® index from 32.2% to 22.5%. The iTraxx crossover index ended at 613bps (-141bps).

Below is an overview of the BG Fund and the other investments from 1 January to 31 March 2012.

1. BG Fund

As at 31 March 2012, the Company had approximately 95% of its assets invested in the BG Fund.

From 1 January to 31 March 2012, BG Fund (Euro A share class) posted a +5.91% performance. All strategies, except the gamma sub-strategy, posted a positive performance. The positive performance was driven by volatility strategies followed by credit strategies and equity strategies.

1.1. Volatility strategies

Convertible bond arbitrage
This sub-strategy contributed around half of the Fund's performance this quarter and Fortis CASHES accounted for the bulk of these gains, following the voluntary cash tender offer launched by BNP Paribas on 26 January. Fortis Bank and Ageas, the co-obligors of the bond, agreed for BNP Paribas to launch a cash tender within a 45-47.5% price range. Taking into account the premium offered and the risk of illiquidity on the remaining bonds, the Investment Manager decided to participate in the tender, in line with most of the institutional investors involved in the situation. About 63% or €1.89bn bonds were validly tendered at 47.5% of face value. The final tender price represented roughly a 9 point premium to the closing secondary trading levels on the day before the offer was announced. However, the Investment Manager believes that the timing picked by BNP Paribas / Fortis Bank and Ageas was very opportunistic given that the CASHES ended 2011 close to their 12-month lows at roughly 35%.

A key theme in Europe at the end of the quarter was the callability risk: several bonds which were issued in 2009 have a typical 5-year, non-call 3 structure. In view of the rise in equity markets that the Investment Manager has witnessed since then, this means a lot of bonds have become/are becoming callable at any time, forcing benchmarked outright investors to exit those bonds. In those situations, the Investment Manager managed to build large positions below the parity value, which meant the Fund was actually being paid to hold (very) out-of-the-money short-term puts (typically up to 2 months).

* Amsterdam (AEX) market close for the Euros shares and London (LSE) market close for the Sterling shares

There was €5.3bn of issuance during this period according to Barcap Research, which is the 4th highest total in the past decade. Whilst the Investment Manager had anticipated that 2012 would be a strong year in terms of issuance (while banks are deleveraging and therefore forcing issuers to refinance in the market, the issuers in the meantime are benefitting from very low interest rates, decent long-term volatility and equity prices, which have bounced back from their lows last September), the Investment Manager had anticipated that it would come mainly from non-rated / sub-investment grade issuers. This picture has been clearly distorted by the US$3.0bn issue from Siemens (A1/A+), but the Investment Manager stands by its view with regard to the rest of the year.

Mandatory convertible bond arbitrage

Mandatory convertible bonds returned a marginally positive performance to the Fund. There are a few such positions left in the Fund, among which are the UBS/BBVA mandatory, a pure forward with no residual negative gamma risk to be redeemed in July, the Adecco 6.5% 2012 due in November 2012 and the Lottomatica 8.75% 2012 due in October 2012 (pure forward profile).

There were no new mandatory convertible bond issues in Europe over the period.

Gamma trading

This sub-strategy returned a slightly negative performance to the Fund.

The beginning of the period witnessed a strong start to the year for the equity market with significant sector rotation whereby last year's losers reversed some of their underperformance. In this generally more optimistic climate, volatilities on the Eurostoxx® came off aggressively and failed to realise, with high components performance dispersion. Anticipating this effect, the Investment Manager rapidly favoured single stocks gamma exposure over exposure to the index but suffered from low realised volatility and therefore falling implied volatilities which resulted in a negative performance.

Long volatility positions were difficult to carry in February and March due to the focus on the situation in Greece. The PSI talks were postponed on numerous occasions and stricter conditions regarding Greek austerity measures were required by Europe in order to release the tranche due in March. Implied volatilities remained elevated but dropped dramatically over the period as the macro data was strong and optimism mounted, due to the Greek agreement that was reached and to the LTRO.

During the period, the Fund's long gamma exposures obviously suffered in this environment of no major macro newsflow. However, the Investment Manager is still happy to keep paying a substantial amount of theta as it expects the market to remain volatile in the next period.

1.2. Equity strategies

The beginning of the period was driven by an impressive sector rotation in favour of cyclicals (automobiles, basic resources and banks sectors) whilst more defensive sectors performed poorly (retail, telecommunications and healthcare sectors). This reversal in trend was mostly due to higher US GDP growth expectations, reduced concerns with regard to the European recession and the expected soft-landing of the EM economies.

During the quarter, in a more normalised market less driven by macro news, the Investment Manager was seeing stocks moving for fundamentals reasons. Monitoring liquidity carefully, the Investment Manager started to play events like corporate earnings or investor presentations, when it was expecting a significant announcement.

The Investment Manager also noticed an acceleration in placements (€9.5bn over the quarter). This was a sign that corporates were more comfortable with current valuations and that they were less convinced their stocks were deeply undervalued. The Investment Manager participated in only a very selective number of placements.

On the risk arbitrage front, the European market was disappointing during this period. The Investment Manager still hopes that more deals will be announced later this year.

Equity strategies contributed positively to the performance of the Fund during the quarter.

1.3. Credit strategies

This quarter was clearly a good period for risky assets and credit enjoyed solid positive returns. Mean reversion was a key theme given the outperformance in sectors that had underperformed in the second half of 2011 (senior and LT2 subordinated financials, UT2 and T1 hybrid securities, cyclical corporates).

In financials in particular, the activity in the subordinated financials sector was dominated by voluntary Liability Management Exercises (LMEs), allowing issuers to create capital gains by tendering or exchanging instruments at a discount to par. The Investment Manager also focused its activity on less volatile non Basel 3 compliant instruments with short-dated first call dates trading at a discount to par. Indeed strong issuers continued to call at par their subordinated instruments which will no longer qualify as capital from January 2013 with the Basel 3 implementation. This strategy was successful; the financial portfolio returned approximately half of the gains for the credit book over this quarter.

The corporate (non financial) portfolio also performed very well. This was largely due to the investments in Crossover, Pages Jaunes senior secured bonds and to a lesser extent in HeidelbergCement bonds.

The capital structure arbitrage contributed a slightly positive performance over this quarter. The Investment Manager took profits on a couple of capital structure positions.

The ECB LTROs have reduced the probability of systemic bank failure but this is not enough to solve European longer term issues. Their implementation demonstrates that European policy makers no longer underestimate the way in which issues surrounding bank funding can transmit sovereign fears into the real economy. That is why the Investment Manager thinks understanding and anticipating policy, as well as the health of the banking industry, will remain one of the most important aspects to investing across multiple asset classes. On the other hand, there are also too many macro uncertainties for credit markets to continue their one-way rally for now. That does not mean the Investment Manager turned net bearish either, but it monetised risk in financial and non-financial long positions in March on most beta exposed positions. The Investment Manager expects that the liquidity-driven beta rally will be replaced by a range trade over the coming months, where greater dispersion in single-name performance will increase the scope for alpha.

Credit strategies contributed positively to the performance of the Fund during the quarter.

1.4. Trading

Trading posted a positive return for the period.

2. Other investments outside BG Fund

On top of its investment in BG Fund, BGHL may enter into other investments. As of 31 March 2012, the net asset value of the other investments outside BG Fund represents approximately 5% of the net asset value of BGHL.

The performance of the other investment outside BG Fund was marginal over the quarter.

2.1 Rasaland

BGHL entered into Rasaland in June 2008 for $10 million. Rasaland is a Maltese company structured as a private equity fund in terms of fees and organisation, which is dedicated to investing in land, land development and high-end resort developments in Mexico. The EUR/USD exposure is hedged by an FX forward which is rolled on a 3 month basis.

2.2 DSO Interactive

On 9 December 2009 and 19 February 2010, BGHL acquired a minority stake in DSO Interactive for a total consideration of €1.7 million (6.2% of the share capital and 5.3% on a fully diluted basis). DSO Interactive is a private company incorporated in France and headquartered in Paris, where it employs over 120 people. DSO Interactive provides bad debt collection services to consumer creditors such as telecom operators, banks and specialised credit institutions.

2.3 Compagnie des Minquiers

On 3 March 2011, Compagnie des Minquiers SAS, a 83.3%-owned subsidiary of BGHL (held jointly with the executive committee members of the Cofigeo group) acquired 100% of the shares of MPF (renamed Financière des Minquiers), a holding company, holding 26,523 shares in Cofigeo negotiated on the regulated market NYSE Euronext in Paris representing approximately 36% of capital and 41% of voting rights. On 29 March 2011, in compliance with French securities law, Compagnie des Minquers filed a mandatory tender offer for all the remaining shares of Cofigeo at a price of €530. On 20 June 2011, following the completion of the “offre publique de retrait” on Cofigeo, Compagnie des Minquiers SAS announced that it held 100% of the capital of Cofigeo.

With sales of 138 million and approximately 650 employees, Cofigeo is a leading player in France in the canned food industry. The group sells prepared meals and sauces under the brands Zapetti (formerly Buitoni) and Raynal & Roquelaure as well as under private labels. It ranks #2 in France with a market share of approximately 25%. BGHL’s total investment in the transaction amounts to approximately €18 million.

2.4 Listed security

The company has a small investment in a listed security representing approximately €4.8 million as of 31 March 2012.

IV. Outlook

Financial prospects for the coming months will be linked to the level of opportunity created across the Company's strategies in the European corporate environment.

The Investment Manager continues to be fully committed to the strategies of the Company.

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Disclaimer

The Company is established as a closed-ended investment company domiciled in Guernsey. The Company has received the necessary approval of the Guernsey Financial Services Commission and the States of Guernsey Policy Council. The Company is registered with the Dutch Authority for the Financial Markets as a collective investment scheme pursuant to article 2:73 in conjunction with 2:66 of the Dutch Financial Supervision Act (Wet op het financieel toezicht). The shares of the Company (the "Shares") are listed on Euronext Amsterdam. The Shares are also listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange plc's main market for listed securities.

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You should always bear in mind that:
- all investment is subject to risk;
- results in the past are no guarantee of future results;
- the investment performance of BGHL may go down as well as up. You may not get back all of your original investment; and
- if you are in any doubt about the contents of this communication or if you consider making an investment decision, you are advised to seek expert financial advice.

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