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 28 March 2013

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 July to 28 March 2013 ("the period").

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

	28-Mar-2013	**31-Dec-2012**
Assets under management (€m)	563	565
Market capitalisation (€m)	453	441
Shares outstanding	37,809,165	38,250,349

	NAV per Share		Share Price*		Discount to NAV	
	€ shares	£ shares	€ shares	£ shares	€ shares	£ shares
28-Mar-2013	14.8644	13.4627	11.95	10.58	-19.6%	-21.4%
31-Dec-2012	14.7124	13.3261	11.50	9.78	-21.8%	-26.6%
Performance	+1.0%	+1.0%	+3.9%	+8.2%		

III. PERFORMANCE

European equities saw the period finish with the Eurostoxx 50® slightly down 0.5%. Volatilities on stock markets were almost stable: the VDAX index moved from 16.1% to 16.2% and the VStoxx® index from 21.4% to 20.9%. Credit spreads tightened with the iTraxx Crossover S18 at 420bps (62bps of tightening).

1. <u>BG Fund</u>

As at 28 March 2013, the Company had approximately 94% of its assets invested in the BG Fund.

From 1 January to 28 March 2013, BG Fund (Euro A share class) posted a +0.7% performance. All strategies, except trading, posted a positive performance, driven by equity strategies followed by volatility strategies. Credit strategies contributed marginally positively whilst trading posted a negative performance.

1.1. Volatility Strategies

<u>Convertible Bond Arbitrage</u>

Convertible bonds (excl. mandatories) were one of the best performers during this period with most of the trades generating profits.

Overall issuance in 2012 reached €17bn. During the quarter, European primary issuance amounted to €5.5bn through 17 deals. Whilst most of the deals were in high demand from outright investors (and as a consequence mainly designed for them in 2012), this trend seemed to reverse with outright investors and arbitrageurs participating equally as much in the last new issues (45% -55%). For example, an exchangeable GBL into GDF deal needed to be re-priced in order to attract arbitrageurs, as outright accounts did not participate in sufficient size. This was somewhat unusual, and upcoming issuances should confirm whether or not a new trend is emerging. The pipeline continued to look buoyant; however, issuers became very sensitive to pricing. They appeared to fully acknowledge that since the beginning of the year, CBs were one of the rare asset classes with inflows.

Whilst the primary market was active, flows were limited in the secondary market. The bulk of the activity and profit taking was on convertibles that were entering their call period: KFW/Deutsche Post 2014, Eurazeo/Danone 2014, Industrievarden 2015, Altran and Atos.

During this period, the Investment Manager participated very selectively in some of the new issues. The activity was somewhat livelier in the secondary market as a few deals were found with value to extract. For instance, a position was taken in Nokia CB. After Nokia left the Eurostoxx 50® (which led to a 120m shares sale), repo rates widened by 4 - 5 %, later returning to around 3.5%. The Investment Manager expected this repo rate to tighten further, due to the significant amount of outstanding shares available for borrowing. Most of the position was built post the Eurostoxx 50® exit.

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

Mandatory Convertible Bond Arbitrage

Mandatory convertible bond arbitrage posted a modest positive performance.

Mandatory convertible bonds contributed positively to the performance of the Fund during the period, mostly due to the Volkswagen position. As anticipated, US outright managers continued to support this issue after a short-dated period of profit-taking by arbitrageurs. With the stock losing more than 7% in March, some European outright investors built (or added to) a position in the mandatory. This demand from European outright investors for mandatories was relatively new. As a result, the mandatory convertible bonds appreciated a little. Nevertheless, the Investment Manager believed that the valuation still offered a discount of 0.8% to the “fair price”.

There was one mandatory convertible bond issue this quarter. ArcelorMittal opportunistically benefited from the large amount of capital available in the very beginning of the year by issuing a US$2.25bn mandatory convertible bond, which was well received by the market, especially from US accounts. It was priced at worst for investors. Allocations were scarce and the fair value (2.5bps of skew) was quickly reached. It led the Investment Manager to sell the position.

Gamma Trading

Gamma trading posted a negative performance to the Fund this quarter. In the beginning of the year, following low realised volatilities, implied volatilities fell to a 6-year low and remained expensive from a gamma/theta standpoint both for index and for single stock options. However, as equity risk premiums were historically high, the Investment Manager believed that implied volatility remained a good investment given the strong discrepancy between both markets.

Entering into February, the gamma book was kept to a minimum from a gamma/theta standpoint. However, the Investment Manager mainly traded naked equity options in equity strategies to express its directional views while capturing depressed volatility levels. This meant the Fund was well protected by this extensive use of options.

Regarding earnings situations, most of overnight stock jumps were well priced and the p&l contribution of this sub strategy was negative.

The Investment Manager is continuously monitoring the downside risk in order to raise the gamma exposure, should the Fund need more protection.

1.2. Equity Strategies

The year started with the European equity market performing well, peripheral Europe leading the rally. The general sentiment was turning more positive towards the macro outlook, and looking at fund flow data, it seemed that investors were slowly returning to European equity markets. But in February, the Italian elections resulted in a dead-end with no majority to govern the country, thus reminding investors of last year’s Euro crisis. In March, the crisis in Cyprus led to volatility in the equity market and a significant dispersion between the different European zones.

In this challenging market environment, mostly driven by the macroeconomic newsflow, equity strategies performed well this quarter. Long/short trading with short-term catalysts did very well whilst risk arbitrage/special situations suffered.

On the positive side, one of the biggest contributors was the position in the Dutch company Royal Imtech. The stock was under increased scrutiny by investors following the publication of several research notes highlighting concerns about cash conversion. Lower cash conversions typically result in a much weaker balance sheet than shown by conventional credit ratios. The Investment Manager took the view that the incoming management team was likely to take adequate provisions upon their arrival and gradually built a long put position. The day before earnings were to be announced in the beginning of February, Royal Imtech stated they would write off their Polish operations, postpone the publication of their full year results, and launch an investigation into potential irregularities. This resulted in a 48% drop in the share price.

On the negative side, the Investment Manager built a small position in TNT Express, expecting the UPS takeover to be cleared by the European Commission, as the risk reward seemed attractive. The deal was finally blocked on 14 January.

In this fairly erratic market, the M&A and special situations space was still very quiet, not helped by the break-up of some situations (TNT Express, Modello/Inbev). Given the low volatility environment, the Investment Manager continued to use options extensively as a fairly cheap way to express its directional views. The environment was still relatively challenging for equities, as poor liquidity remained an issue. The Investment Manager continues to focus on the liquidity of the portfolio, using options to hedge the Fund's exposures.

1.3. Credit Strategies

Capital Structure Arbitrage

The contribution of the capital structure positions contributed negatively to the performance of the Fund. The first 2 months of the year were flat as credit and equity asset classes evolved in the same direction. The portfolio was positioned on long equity/long CDS trades and short CDS/long put positions. Towards March, the short CDS/long put trades related to peripheral names generated losses. With a high degree of conviction in the current trades, the Investment Manager used this setback to increase some positions to its target size.

Credit Long / Short

The European credit market started the year on a very positive tone and the primary market was fairly active across senior and hybrid issuances, in both financial and other sectors. After a strong January, macroeconomic and political risks resurfaced in February with the Italian situation on one side and the Cyprus bailout and the bail-in for depositors at the two largest Cyprus banks on the other. As a result, the European credit market ended the quarter on a relatively weaker tone, despite cash markets having proved to be fairly resilient with limited secondary flows, and a primary market that remained very active.

In that context, the Investment Manager approached 2013 on a cautious stance and the Fund did not participate actively in the first wave of issuance in January, but was able to position itself in opportunities following the February widening. The long/short portfolio contributed positively to the performance thanks to the long special situations in subordinated financials. The financial portfolio performed well, sustained by favourable FY results reporting. In particular, on 15 February Commerzbank confirmed their intention to re-pay the arrears of interest due on its various junior hybrid instruments, including the Upper Tier 2, 5.321% bond the Fund is involved in. On the corporate side, European High Yield markets continued to show resilience supported by continued inflows in Europe. The Investment Manager took profit on some special situations but suffered on the position in Solocal (ex. Pages Jaunes) high yield bonds. Volatility in the sector picked up when the Italian directories group, Seat Pagine Gialle, announced the suspension of interest payments on its senior secured bonds. The Investment Manager believes Solocal's FY results confirmed that the company is in a very different situation, and is progressing well in its digital transformation.

Trading

Trading contributed negatively to the performance of the Fund over the period.

2. Investments Other Than BG Fund

As of 28 March 2013, the net asset value of the investments, other than BG Fund, represented approximately 6% of the net asset value of BGHL. The performance of the investments 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, dedicated to investing in land 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

In March 2013, DSO Interactive (€932,000) was sold at the price at which it was marked in the Company's books at year-end, as scheduled.

2.3. Compagnie des Minquiers

On 3 March 2011, Compagnie des Minquiers SAS, an 83.3%-owned subsidiary of BGHL (held jointly with the executive committee members of the Cofigeo group), acquired 100% of the shares of the holding company, MPF (renamed Financière des Minquiers), holding 26,523 shares in Cofigeo, traded 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. BGHL's initial investment in the transaction amounts to approximately €18 million.

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%.

2.4. Listed Security

The Company has a small investment in a listed security, representing approximately €5.4 million as of 28 March 2013.

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.

For further information contact:

Boussard & Gavaudan Asset Management, LP

Emmanuel Gavaudan	(London)	+44 (0)20 7406 3264
Manuel Kalbreier	(London)	+44 (0)20 7406 3255

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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Neither the Company nor BG Fund has been, and neither will be, registered under the US Investment Company Act of 1940, as amended (the "Investment Company Act"). In addition the securities referenced in this announcement have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"). Consequently any such securities may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, US persons except in accordance with the Securities Act or an exemption therefrom and under circumstances which will not require the issuer of such securities to register under the Investment Company Act. No public offering of any securities will be made in the United States.

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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