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 2014

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 2014 ("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 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

	31-Mar-14	31-Dec-13
Assets under management (€m)	617	612
Market capitalisation (€m)	503	464
Shares outstanding	36,120,255	36,537,657

	NAV per Share		Share price*		Discount to NAV	
	€ shares	**£ shares**	**€ shares**	**£ shares**	**€ shares**	**£ shares**
31-Mar-14	17.0555	15.3431	13.9	£12.15	-18.50%	-20.81%
31-Dec-13	16.7137	15.0644	12.7	£10.56	-24.01%	-29.90%
Performance	2.05%	1.85%	9.45%	15.06%		

III. PERFORMANCE

The Eurostoxx 50® was up 1.7% this quarter and stock market volatility increased: the VDAX ended at 15.5%, up from 13.2% and the VStoxx® at 17.7%, up from 17.3%. The Crossover Series 20 finished at 227bps, tightening by 59bps over the quarter.

1. BG Fund

As at 31 March 2014, the Company had approximately 104% of its assets invested in BG Fund. BGHL maximum exposure to BG Fund is 110% of its net asset value.

From 1 January to 31 March 2014, BG Fund (Euro A share class) posted a +1.49% performance. Credit strategies were the best performer followed by volatility strategies. Equity strategies posted a negative performance. Trading contributed positively.

1.1. Volatility Strategies

Convertible Bond Arbitrage

Convertible arbitrage has been profitable every single month but one since early 2013. In 2013, outright funds returned on average 9%. Of those 9%, 7% were due to stock increases, 2% were explained by implied volatility effects (representing 5 volatility points), credit and carry accounted for 1% while interest rate shifts and bankruptcy (such as Pescanova) caused a 1% loss. If implied volatility is key for hedge funds, it is only one technical factor among others for outright managers. The main driver for outright performance in 2014 should, like last year, be share prices.

Nevertheless, market conditions could well be less favourable this year. The Investment Manager has a negative view on CBs in the short term. Even if outright investors are still cash rich and even if fixed income funds could be interested in the convertible asset class, the Investment Manager believes valuations to be too stretched. Without inflows into outright funds (or if there are outflows), without an equity rally and with new issuances to come, prices could drop by 5 to 6 implied volatility (equivalent to 3 bond points).

Over the period, new issues in the European CB market amounted to ú4.6bn and redemptions to ú4.4bn. Corporates opportunistically issued new convertible bonds with low coupons and high premiums. Main buyers were again long only funds. Most new issues tended to richen quickly. It is worth noting that zero coupon structures were issued for the first time in a long time in the European CB market due to outright investorsô demand. The Investment Manager expects investment grade corporates to keep issuing zero coupon structures as long as cash available to outright investors remains abundant.

Year to date performance of outright is similar to that of the Eurostoxx 50®, in line with a 100% delta. This trend could continue as long as there are inflows into outright funds. However, the trend will disappear if 1) there are numerous new issues 2) banks issue synthetic convertibles and/or c) long only funds witness outflows.

Unless investors anticipate a sizeable equity rally, convertible valuations are not sustainable. In this context, it is difficult for the Investment Manager to leave himself open to such commitments.

During the period, the book was limited to a few special situations positions which contributed positively to the performance of the fund.

<u>Mandatory Convertible Bond Arbitrage</u>

Mandatory convertible bonds were flat during the quarter.

Unlike CBs, the Investment Manager thinks mandatory convertibles are still attractively valued. The Investment Manager focused his energy on increasing exposures where outright funds did not drive valuations. Here, funding costs and capital requirements were still key valuation drivers.

No new mandatory convertible bonds were issued in Europe this quarter.

<u>Gamma Trading</u>

Gamma trading was almost flat this quarter. As equity strategies continued to pay a significant amount of theta to protect the fund, the gamma book was kept to a minimum. Towards the end of the period, the Investment Manager decreased the theta spending at the fund level as he believed the fund was very well protected against downside risk.

The Investment Manager continues to monitor the situation in order to raise the fund's gamma exposure, should the downside risk increase.

1.2. Equity Strategies

Equity strategies contributed negatively to the performance of the fund.

January started on a very positive note thanks to the special situations book (in particular in the telecom sector) and the value with catalyst portfolio which performed particularly well despite a challenging environment. As emerging markets generated renewed anxiety, equity moves were macro rather than micro driven. But thanks to the extensive use of option to express the Investment Manager's views, the book was well protected, keeping exposure only on the strongest convictions.

February gave back some of the previous month's outperformance. On some of the investments largely expressed through options, delta exposures mechanically reduced as options moved further out of the money; the Investment Manager selectively decided to increase some of these delta exposures at attractive levels. He continued to extensively use options to express his directional views and to pay approximately 1% of theta per month.

March was a difficult month and cost to the fund. The market initially sold off, due to a few factors: a sharper than expected slowdown in Chinese growth momentum, hawkish comments from Fed's Janet Yellen (talking about a rates hike earlier than previously anticipated) and escalation of the Ukraine/Russia conflict. The market rallied back during the second half of the month following good manufacturing data. The rally was partly driven by the bounce in emerging markets where investors reallocated capital after a long period of lack of interest.

This environment triggered a sizeable rotation and inversion of trends towards the end of the quarter: profit-taking on the best performers of the past few months (telecoms and cyclicals) and repositioning on defensive stocks had a great impact on share prices as liquidity in the market was not enough to absorb those flows.

The fund also suffered on its financials book. The re-rating of financials in the periphery continued, driven by tightening government spreads, improving macro sentiment and regulatory and government forbearance. Universal and wholesale banks underperformed. The strong dispersion among financial stocks did not favour the Investment Manager's portfolio. He has decided to close any remaining shorts in the periphery.

During this period, capital markets were very active and the Investment Manager understands that the pipeline is still full for the coming weeks. That said, secondary market performance following the placements was mixed, and he remains extremely selective in his decision to participate.

The Investment Manager will keep using options extensively to protect the portfolio.

1.3. Credit Strategies

Capital Structure Arbitrage

The capital structure arbitrage strategy was flat this month.

For the first time in many months, equities slightly outperformed credit. While trying to keep a well balanced portfolio between long equity/long CDS and long put/short CDS trades the Investment Manager seized this opportunity to ramp up long credit trades. He especially focused on names with short term strong catalysts and on the existing positions. The Investment Manager did not take profits on investments such as Arcelor as he remained convinced by the position. As a consequence, the strategy exposure was increased by more than 30%.

February exhibited the same pattern as the second half of last year, with credit strongly outperforming equity. All the long credit/short equity trades were profitable. The Investment Manager took the opportunity of this mismatch between credit and equity to increase some of the long equity/short credit high conviction trades while trading around other positions to extract value.

Credit continued to outperform equity in March. Unfortunately, the largest long credit trades related to periphery countries where equity markets rallied strongly. Those trades were therefore not profitable. The trading around macro-economic concerns enabled to compensate for those losses.

As credit vs. equity relationships remain mostly macro driven, the Investment Manager continues to have a balanced portfolio, tries to identify attractive opportunities with strong catalysts, and takes advantage of the volatility of the trades to trade around the portfolio.

Credit Long / Short

Credit long / short strategies were the key positive contributor during the quarter with European credit markets very well orientated.

Despite credit spreads ending 2013 close to their lows, the credit market opened in January with a continuation of the trends observed in H2 2013. These trends were:
-Further compression between HY and IG assets,
-Further compression between core and peripheral names in both credit and rates products.

Alongside other risky asset classes, performance reversed from mid-January onwards alongside concerns over emerging markets. There were no signs of panic in the European credit markets, as inflows and primary activity remained steady and the search for yield dominated, as observed in the primary activity. Primary markets were particularly active in January. Despite limited new issue premium, primary issuance overall outperformed secondary markets as investors favoured new issues to deploy cash.

Early concerns over emerging markets were quickly erased in February in a market that still continued to benefit from strong ñtechnicalsò (low rates and volatility, relatively limited supply vs. redemptions, positive fund inflows) and from the anticipation that European Central Bank will continue to be accommodative in 2014.

In March, credit markets continued on their strong trend despite escalating tension in Ukraine/Crimea and growing concerns on China around corporate defaults. The anticipation of further accommodative policies from the European Central Bank still dominates flows.

Over the period, besides the activity in primary market, the strategy remained focused on special situations. In particular, investments in the communications as well as in the financial sector have outperformed this quarter.

Trading

Trading contributed positively to the performance of the fund this quarter.

2. Investments Other Than BG Fund

As at 31 March 2014, the net asset value of the other investments outside BG Fund represented approximately 7% of the net asset value of BGHL.

The investments other than BG Fund contributed marginally positively during the period.

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 three monthly basis.

2.2. GFI Informatique

BGHL signed on 7 June 2013 a shareholdersôagreement in order to act in concert with the two main shareholders of GFI Informatique. GFI Informatique is one of the leading IT services firms in France and Southern Europe, employing 10,000 people at the end of 2012.

In compliance with applicable regulations, the concert through Infofin Participations (an entity created for this purpose, hereafter îInfofinö), filed a mandatory public tender offer with the French *Autorité des Marchés Financiers (AMF*) for all of the outstanding shares and bonds thereby giving access to GFIös share capital or voting rights not yet held by the concert.

Under the shareholdersôagreement BGHL agreed to invest - after completion of the public offer - in bonds to be issued by Infofin and exchangeable into GFI shares. BGHL completed on 29 August 2013 its subscription of Infofin exchangeable bonds for an amount of ú20,364,030.72.

In addition, the Company has a direct equity investment in GFI Informatique (FR0004038099) representing approximately ú8.7 million as of 31 March 2014.

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.

As of 1 April 2014, BGAM assets under management are at ú1.43bn.

For further information contact:

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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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