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

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 2011 (“the period”), in line with the requirements of the EU Transparency Directive.

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

BGHL has invested almost all of its assets in the Boussard & Gavaudan Fund Plc (“BG Fund” or “the Fund”), a Europe-focused multi-strategy hedge fund which 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. Additionally, BGHL has some private equity investments.

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-2010	31-Mar-2011
Assets under management	€ 683 million	€ 685 million
Market capitalisation	€ 552 million	€ 575 million
Shares outstanding *	49,344,398	47,868,652

* Based on shares outstanding after conversion between share classes

	NAV per share		Share price **		Discount to NAV **	
	€ shares	£ shares	€ shares	£ shares	€ shares	£ shares
31-Dec-2010	€ 13.7990	£12.8717	€ 11.15	£10.36	-19.20%	-19.51%
31-Mar-2011	€ 14.2776	£13.2652	€ 11.99	£11.03	-16.02%	-16.89%
Performance	3.47%	3.06%	7.53%	6.42%		

III. Performance

As at 31 March 2011 (post subscriptions and redemptions), the Company had approximately 96% of its assets invested in the BG Fund and the remainder in three private equity investments.

Below is an overview of the BG Fund and the private equity investments from 1 January to 31 March 2011.

1. BG Fund Plc

Over the period, European equities markets rallied with the Eurostoxx 50® at +4.2%. Volatilities on stock markets decreased: the VDAX index moved to 17.4% from 19.1% and the VSTOXX® index to 22.1% from 23.9%. The iTraxx crossover index ended at 386bps (-52bps).

From 1 January to 31 March 2011, the BG Fund (Euro share class) posted a 2.99% performance. All strategies, except trading, posted a positive performance. The main drivers were equity strategies followed by volatility strategies and credit strategies.

1.1. Volatility strategies

Convertible bond arbitrage

Convertible bonds (excl. mandatories) contributed around one third of the Fund's performance in Q1 2011.

In a context of sharp sector rotation in global assets and a reversal in the main trends seen at the end of last year, the Investment Manager benefited from renewed investor appetite for financials and in particular for the Fortis CASHES. The bonds significantly outperformed European subordinated financial bonds and both iTraxx Fin Senior and Sub indices over the period. They also benefited from rising interest rates (the bonds pay a coupon set as 3-month Euribor + 200bps). In spite of the strong recent performance of this position, the Investment Manager believes the Fortis CASHES remain extremely attractive and much cheaper than other instruments in the BNP Paribas capital structure. Indeed over the first three month of 2011, the current yield (based on 3-month Euribor) on the Fortis CASHES has only decreased from c. 5.9% to c. 5.2%. Longer term yield (with reference to the 10-year swap rate) decreased from c. 10.5% to c. 9.0%: this compares to c. 6% for long-dated BNP Paribas Tier 1 at the end of March. In the meantime, capital ratios are constantly getting stronger at Fortis Bank SA/NV (Tier 1 ratio of 16.5%!). The recent announcement by Fortis Bank that it plans to resume shareholder distributions is a clear sign that BNP Paribas is looking to repatriate capital (although dividends are inefficient due to the Belgian Government's 25% stake in Fortis Bank), which alternatively, or in addition, could be achieved through some form of restructuring of the CASHES.

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

Additionally in H2 of this year, the Investment Manager expects an acceleration in the current developments surrounding the instruments available to financials for their funding, including through the issuance of convertible bonds with a loss-absorption feature in the form of Contingent Conversion upon breach of a pre-determined core Tier One ratio ('CoCo'). Such structures are currently widely discussed and debated within the investor community, which the Investment Manager believes is also progressively leading to a reassessment of existing instruments in the context of Basel III and the future 'CoCo' market (incl. the Fortis CASHES).

The rest of the gains in this sub-strategy were evenly distributed within the balanced convertible bonds portfolio. The Investment Manager took profits and significantly reduced some of the Fund's positions as the very strong performance of those bonds, extending the gains seen at the end of 2010, had left a significant portion of the European convertibles markets at unsustainable levels from an arbitrage standpoint.

There was a limited and somewhat disappointing supply in the convertibles primary market with less than €3.0bn of new issues in aggregate (out of which a very large portion came from 'repeat' issuers such as Ingenico, Celesio, Steinhoff, TUI...). This is just below the level of redemptions/coupons on the existing European universe over the period and compares to more than €5.0bn of primary issuance in Q1 2010. The Investment Manager also believes this helps to explain the continued richening of the European market in a context of steady assets under management.

<u>Mandatory convertible bond arbitrage</u>
Mandatory convertible bonds contributed positively, if modestly, to the performance of the Fund in Q1 2011.

The UBS BBVA mandatory exchangeable remained well bid on the back of a rising share price (approximately +15% over the period - this might have sparked some interest from both convertibles directional accounts and equity accounts which used the mandatory to hedge their short equity exposure), a decrease in BBVA's historic volatility, and a continued erosion of UBS' CDS spread (UBS' credit risk applies on the coupons and the parity since the BBVA shares are not pledged for the benefit of bondholders). With a bit more than 1 year to maturity, and the mandatory strikes 70% and 140% above the current share price, i.e. several standard deviations away, the risk profile of the mandatory is very good and its discount to fair value provides the Fund with a stable and highly visible source of performance for the rest of 2011.

There was no new mandatory convertible bond issue in Europe over the period.

<u>Gamma trading</u>
This sub-strategy managed to be almost flat during the period. The month of January witnessed a strong start to the year for the equity market with a significant sector rotation whereby last year's winners reversed some of their outperformance. The Investment Manager began the year with minimal long volatility exposure which it progressively ramped up given the perceived tension in the market coming from both the macroeconomic and the geopolitical angle.

During February, volatilities remained at historically low levels overall, still at a premium from the low realised levels. In this situation, the Investment Manager decided to limit the Fund's long gamma exposure.

The trend continued in March with low but expensive volatilities following the high oil price coupled with unrest in the Middle East and the worries surrounding the European sovereign debt. Then the market unexpectedly experienced a spike in volatilities and a skew due to panic stemming from the Japanese nuclear crisis. As a result, the Investment Manager decided to increase the Fund's long gamma exposure. Unfortunately this high volatility regime was short-lived and the market was quick to climb back to pre-quake levels, with even lower implied volatilities.

The Investment Manager is taking advantage of this historically low level of implied volatility to increase the long gamma/long volatility position as it provides relatively cheap protection to the Fund.

1.2. Equity strategies

Equity strategies were the main contributor to the Fund's performance. Over the period, the equity market was up 4.2% with a high dispersion across the board in a challenging macroeconomic and geopolitical environment. The market was effectively nervous this quarter with tensions arising from the situation in the Middle East, the Japanese earthquake followed by the tsunami, concerns over the Fukushima nuclear plant and persisting peripheral European sovereign risk. These worrying exogenous factors contrast with good macroeconomic numbers, the positive corporate news flow and special situations which progressively picked up.

In this environment, the Investment Manager decided to keep the portfolio as lean as possible, protected by generalised use of options and concentrated on high convictions where it saw short-term catalysts. A few mergers or acquisitions were announced, raising the scope for a more active "special situations" part of the business, which the Investment Manager had been hoping for from the end of last year. It therefore decided to interpret this perceived change in the market as a signal to build up the Fund's strong conviction event-driven positions further, whilst reducing the long/short short-term trades. In the meantime, the Investment Manager remained cautious given the macroeconomic environment and continued to use equity options to protect the portfolio. This has efficiently protected the Fund.

In addition, the Investment Manager finally succeeded in coming to an agreement with Cinven on the Camaïeu situation in March, adding profits to the Fund while decreasing the size of the Fund's illiquid positions significantly.

For the time being, the Investment Manager will continue to deploy capital in special situations keeping strict control of liquidity whilst bearing in mind the challenging macroeconomic environment.

1.3. Credit strategies

Credit performed well over the period as investors dismissed geopolitical tensions in North Africa and the Middle East, sovereign solvency concerns in Europe and inflation fears in emerging markets. In this context, credit strategies contributed positively to the performance of the Fund driven by the long/short portfolio and in particular by HY, bank subordinated debt and contingent capital securities investments.

In the Investment Manager's opinion, however, risk/reward for credit, as an asset class, remained overall rather uncompelling given all the uncertainty raised by the issues stated above, as well as the potential impact of higher oil prices on the global economic recovery, the ECB hinting towards rate hikes in the spring and potential Irish bank debt haircuts.

Given this environment, the Investment Manager decided in the long/short portfolio to focus on cash-flow generating companies and defensive credits on the long side, whilst buying CDS on what it viewed were "de-rating options" on expensive/tight spreads not only in the IG, but also in the HY universe. In the capital structure arbitrage space, the Investment Manager found it very difficult to identify interesting trades with strong and immediate catalysts.

One noticeable issue to highlight this quarter was the Credit Suisse tier 2 host buffer capital notes (BCNs) (the Investment Manager participated in this issue and was very well allocated). These new $2bn of tier 2 30NC5 (30-year bond callable after 5 years) bonds will be converted into Credit Suisse ordinary shares if the group's reported Basel III common equity tier 1 ratio falls below 7%. A new acronym has appeared: BCNs or Buffer Capital Notes, which followed the Lloyds' ECNs and Rabobank's SCNs. The Investment Manager believes it is likely to see interesting and innovative new structures around the theme of buffer capital emerge in the coming quarters that will be attractive to investors, especially as they are likely to come from the strongest European banks first. It thinks this will also prove to be beneficial to the existing stock of bonds, and especially the UT2 and T1 sectors.

1.4. Trading

Trading posted a negative return for the period. This was mostly driven in the beginning of the period by the squeeze on financials which induced a large sector rotation that penalised most trades, which had worked well at the end of last year. The Investment Manager got stopped out on these trades and cut the short financials bias. It has reduced the Fund's stress tests risks with the gamma strategy and feels that it is now a better hedge.

2. Private equity investments

On top of its investment in the BG Fund Plc, BGHL may enter into private equity investments. BGHL has three investments in the portfolio.

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 and dedicated to invest 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

In December 2009 and February 2010, BGHL acquired a minority stake in DSO Interactive for a total consideration of €1.7 million (6.18% of the share capital and 5.33% on a fully diluted basis). DSO Interactive is a private company incorporated in France and head quartered in Paris, where it employs over 122 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 subsidiary of BGHL (held jointly with the executive committee members of the Cofigeo group) acquired 100% of the shares of the company 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 laws, Compagnie des Minquiers filed a mandatory tender offer for all the remaining shares of Cofigeo at a price of €530.

With sales of roughly 135M€ 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, which represents less than 3% of its NAV.

At the end of March 2011, these investments, which represent approximately 4% of the net asset value of BGHL, were marked at cost.

IV. Outlook

Financial prospects for the coming months will be linked to the level of opportunity created across the Fund’s strategies in the European corporate environment. The Fund's equity at risk is expected to be deployed in a very cautious way.

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

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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 Boussard & Gavaudan Fund Plc 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.

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- *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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