

BOUSSARD & GAVAUDAN HOLDING LIMITED

JULY 2007 REVIEW

I. COMPANY INFORMATION

Investment Manager	Boussard & Gavaudan Asset Management, L.P.
Company Domicile	Guernsey
Website	www.bgholdingltd.com
Management fee	1.5% p.a.
Performance fee	20%

Ordinary share	
ISIN Code	GG00B1FQG453
SEDOL Code	B1FQG45
Bloomberg Ticker	BGHL NA
Reuters Ticker	BGHL.AS
Number of ordinary shares outstanding	44,000,000

C share	
ISIN Code	GG00B1XFMJ13
SEDOL Code	B1XFMJ1
Bloomberg Ticker	BGHLC NA
Reuters Ticker	BGHLC.AS
Number of C shares outstanding	53,427,338

Total value of the investments of BGHL based on the estimated NAV for the ordinary share and the C share	€1.05 billion* as of July 31, 2007
Market capitalisation of BGHL based on the share price for the ordinary share and the C share	€1.07 billion as of July 31, 2007

* Estimated figures

II. OVERVIEW

Boussard & Gavaudan Holding Limited (“BGHL”) is a Guernsey closed-ended investment company and is registered with the Dutch Authority for the Financial Markets as a collective investment scheme under article 1:107 of the Dutch Financial Markets Supervision Act. BGHL invests its assets in order to deliver an exposure to multiple alternative investment strategies managed by the Investment Manager. The investment objective is to seek to produce long-term appreciation of its assets. BGHL will seek to achieve this by investing into Sark Fund Limited (“Sark Fund”). In addition, a proportion of the net assets of the BGHL may, at the discretion of the Investment Manager, be invested in other hedge funds and/or other financial assets selected by the Investment Manager. As at today’s note, one such investment has been made. BGHL aims to generate a target annualised return in excess of 10% (net of all fees).

III. SHARES INFORMATION

As of July 31, 2007:

	NAV	MTD Performance	YTD Performance	ITD Performance
Ordinary share *	11.5930	0.86%	10.25%	15.93%
C share *	10.0846	0.85%	0.85%	0.85%

	Share Price	MTD Performance	YTD Performance	ITD Performance
Ordinary share	11.85	2.16%	11.37%	18.50%
C share	10.35	3.50%	3.50%	3.50%

IV. BGHL COMPOSITION

The proceeds of the initial public offering of BGHL have been invested into the Sark Fund as of October 31, 2006 (net of a certain amount retained by BGHL for working capital requirements). The proceeds of the second offering of BGHL (approximately €534 million) have been entirely invested into the Sark Fund: €530 million as of July 1, 2007 and approximately €4 million as of August 1, 2007 (as a result of the over-allotment). In addition to the investment in Sark Fund, BGHL has one private equity investment in Countrywide since May 23, 2007.

A. SARK FUND LIMITED

Note that trade examples detailed in each strategy below are among the best and worst performances of the month.

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In July, European equity markets turned down sharply with the Dow Jones Eurostoxx 50 down 3.88% over the month. Volatilities on stock markets increased subsequently: the VDAX index ended up at 23.12 from 18.13 and the VStoxx index up at 23.82 from 16.90. Credit markets suffered significantly this month: the iTraxx Crossover widened as much as 461.30 from 233.75 before ending at 401.42 at the end of the month.

* Estimated figures

Capital structure arbitrage and Credit

Credit strategies contributed a negative 6bps* to the performance of the fund in July. After the early repayment of one of our main long positions, the Vendex PIKs, on July 5, the fund was net short senior unsecured risk. The fund was impacted by negative mark-to-market on its core senior secured holdings. Short strategies contributed a total 28bps* (if we include trades in the iTraxx Crossover hedges embedded in several long unsecured credit strategies). We nevertheless took the decision to unwind them, and to add to our long senior unsecured positions (mainly through selling CDS), a bit too early and were impacted by the last wave of widening in the last week of the month. Repricing of credit risks may not be totally over, but we feel the market looks slightly oversold, and that current spread levels appear in the normal range (5y X-O 300-450bps) given the current low default environment. We believe that the current levered loan and the high yield bonds pipeline (~\$300bn) will continue to weigh on the market, and that tightening lending standards will have an effect in the longer run. In the meantime, several companies -mainly public- that do not need to access the capital markets for the next 2 years are trading at very attractive levels, as their spread indicates a 30-35% probability of default within the next 5 years.

Equities Strategies

Equities strategies posted a positive 63bps* in July. We benefited from our investment in Numico, the Dutch baby food and nutrition product manufacturer, as the company recommended a takeover offer from Danone at a substantial premium over market price. We profited from our investment in Business Objects, the French business software developer, as the company reported very strong first half results and reassured the market about the execution of its business plan. We also gained from our investments in Alcan and Alcoa, the North American aluminium producers, as Rio Tinto tabled a counterbid for Alcan recommended by the Board following Alcoa's initial hostile approach and what is understood to have been a competitive auction with other interested parties.

We experienced losses from our long term investment in Seat Pagine Gialle, the Italian yellow pages, as the company underperformed its hedge as concerns in the credit market impacted highly leveraged and lower growth / infrastructure assets. We suffered from our investment in Debenhams, the UK retailer, following a very difficult environment for retailers in the country given adverse weather and, in particular, floods over large parts of the country. We also saw negative contributions from Danone, the multinational food processor, as the market questioned the price offered for Numico, despite broadly agreeing with the strategic rationale of the transaction.

Trading

Trading was flat* in July.

Gamma trading

In that current volatile context, gamma trading played a part in the fund's performance and posted a positive 15bps*.

Convertible bonds, mandatories and corporate warrant arbitrage

Convertible bond arbitrage contributed a positive 10bps* to the fund's performance in July, with most of the performance coming from the volatility arbitrage book. In the context of the sharp widening witnessed in the credit market, the European convertible bond space broke down into 3 main categories last month:

- (i) credit sensitive convertible bonds were sold off aggressively but some of them actually richened in terms of implied volatility as such bonds did not fall as much as what would have been implied by the widening in the issuers' credits. We fully benefited from this trend on some of our positions that we had hedged using Credit Default Swaps.
- (ii) Special situations convertible bonds were significantly up as investors hunted potential "takeover ratchets" following the very sharp richening in the Numico convertible bond on the

* Estimated figures

back of the bid announced by Danone on July 10. We are involved in some of those “ratchets names” including Numico.

(iii) Other liquid European convertible bonds were broadly unchanged over the month.

However, the performance of the convertible bond book was negatively impacted by our trade in Ingenico 2012, for which we had decided to gradually buyback the equity hedge in order to play the value in the underlying stock; the shares were down 7.35% over the month. We continue to believe in the value of Ingenico and we have increased our position as a result.

Mandatory convertible bond arbitrage contributed a positive 5bps* to the fund's performance as several issues traded up over the month. We closed our position in the Publicis ORANE as the discount to its fair value came to an all time low. On the negative side, the new UBS/BBVA mandatory declined shortly after its issuance despite a pricing seen as relatively cheap, notably compared to recent similar issuance such as Fortis and Hypo Real Estate.

Corporate warrant arbitrage was almost flat* this month.

* Estimated figures

ANNEX 1: GREEKS

Greeks		
Delta	3.9%	3.9 bps P&L variation for market +1%
Gamma	2.4%	delta variation for market +1%
Vega	19.9 bps	by vol point
Vega with maturity weight (1 / sqrt(T))	21.0 bps	by vol point
Theta	-0.9 bps	by day
Rho	-0.1 bps	for 1bp of interest rates increasing
Credit sensitivity	-0.4 bps	for 1bp of credit spreads widening

ANNEX 2: PERFORMANCE ATTRIBUTION

Contribution to the performance*	
Capital Structure Arbitrage & Credit	-6 bps
Convertible Bonds & Mandatories Arbitrage	15 bps
Gamma Trading	15 bps
Equities Strategies	63 bps
Trading	0 bps
Warrants Arbitrage	1 bps

ANNEX 3: STRESS TESTS

	Scenario	Description	Impact % of NAV
1	Delta - spot up	Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	1.61%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	0.75%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.50%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.48%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.40%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.42%
7	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	1.15%
8	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	3.51%
9	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	6.62%
10	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -12.5%	1.24%
11	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -12.5%	3.62%
12	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -12.5%	6.73%
13	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 12.5%	1.06%
14	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 12.5%	3.41%
15	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 12.5%	6.51%
16	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	0.11%
17	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.63%
18	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.40%
19	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	0.97%
20	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.10%
21	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.10%
22	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.87%
23	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.41%
24	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.92%
25	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.45%
26	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	1.51%
27	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	2.02%
28	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	2.55%
29	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%	0.35%
30	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%	0.87%
31	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%	1.40%
32	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%	1.48%
33	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%	1.99%
34	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%	2.52%
35	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 25%	0.30%
36	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 25%	0.82%
37	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 25%	1.36%
38	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 25%	1.46%
39	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 25%	1.97%
40	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 25%	2.50%
	Worst		-0.87%

* Estimated figures

ANNEX 4: HISTORICAL RETURNS SUMMARY

Sark Fund Ltd - Euro share class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2003	-	-	0.75%	0.76%	0.82%	1.04%	0.93%	1.06%	1.18%	1.55%	1.05%	0.17%	9.69%	9.69%
2004	1.07%	-0.12%	1.03%	0.22%	0.14%	-0.29%	-0.42%	-0.42%	-0.19%	-0.49%	1.18%	1.07%	2.81%	12.77%
2005	1.70%	1.06%	1.09%	-0.69%	0.27%	1.27%	1.16%	0.50%	1.00%	-0.44%	0.71%	0.77%	8.70%	22.58%
2006	-0.18%	1.56%	1.64%	0.86%	-0.47%	1.35%	0.40%	1.56%	2.73%	2.90%	2.34%	2.91%	18.99%	45.85%
2007	3.14%	1.46%	4.67%	0.74%	1.39%	-2.24%	0.88%*	-	-	-	-	-	10.34%*	60.92%*

Sark Fund Ltd - US Dollar share class

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD
2003	-	-	0.67%	0.70%	0.77%	0.94%	0.84%	0.97%	1.15%	1.46%	1.01%	0.15%	9.00%	9.00%
2004	1.00%	-0.17%	0.96%	0.13%	0.07%	-0.35%	-0.47%	-0.47%	-0.24%	-0.59%	1.16%	1.06%	2.08%	11.27%
2005	1.66%	1.08%	1.09%	-0.64%	0.31%	1.30%	1.22%	0.62%	1.06%	-0.32%	0.81%	0.89%	9.45%	21.79%
2006	-0.01%	1.64%	1.78%	1.08%	-0.29%	1.49%	0.56%	1.74%	2.83%	3.06%	2.64%	3.01%	21.29%	47.72%
2007	3.19%	1.58%	4.82%	0.89%	1.45%	-2.15%	0.99%*	-	-	-	-	-	11.13%*	64.16%*

* Estimated figures

ANNEX 5: MONTHLY WORST CASE SCENARIO FOR OUR STRESS TESTS

Year	Month	Impact % of the NAV
2003	August-03	-3.28%
2004	December-04	-8.46%
2005 #	January-05	-3.94%
2006	January-06	-3.65%
	February-06	-2.85%
	March-06	-2.97%
	April-06	-0.78%
	May-06	-0.91%
	June-06	-0.98%
	July-06	-1.08%
	August-06	-0.89%
	September-06	-1.04%
	October-06	-1.03%
	November-06	-1.08%
	December-06	-2.00%
2007	January-07	-1.60%
	February-07	-1.21%
	March-07	-1.11%
	April-07	-0.98%
	May-07	-0.94%
	June-07	-0.78%
	July-07	-0.87%

We did not change our methodology for the stress tests but removed the -40% and -50% scenarios. Indeed, these scenarios were constraining the risk taking ability of the Sark Fund Ltd, and we thought they were only vaguely representative of what could happen to the portfolio in such a scenario. It is extremely difficult to model the behaviour of all the assets we trade under the assumption that global equity indices are down 40 to 50%. We still aim to constrain the portfolio under a 5% maximum loss with this new set of stress tests.

B. PRIVATE EQUITY INVESTMENT

Following the successful completion of the acquisition by Apollo of Countrywide, BGHL has agreed to purchase a stake in the unlisted securities of Countrywide.

BGAM acquired this investment for BGHL from certain other funds which it manages, including the Sark Master Fund which (prior to this transaction) was the only investment held by BGHL. Accordingly, this transaction not only represents a continuation of BGHL's exposure to Countrywide, but is also in line with BGHL's investment policy to invest in financial assets other than the Sark Fund. The purchase price paid by BGHL for the unlisted securities was equal to the cost (approximately £12m) to those other funds of acquiring those unlisted securities.

Background to the CWD transaction:

- BGAM initiated an investment in CWD following the initial offer from a private equity firm in September 2006.
- This first offer was rejected by a large group of shareholders and, shortly after, Apollo made a new offer for CWD.
- Apollo's offer was subsequently improved twice as a result of a competitive auction against an undisclosed bidder. Apollo's final offer valued CWD at approximately 629p per share. The offer was finally approved by a large majority of CWD shareholders, including the funds managed by BGAM.
- In addition, Apollo's offer included an unlisted securities alternative that allowed all shareholders to participate in the buyout of CWD led by Apollo. Shareholders representing approximately 57% of CWD, including the funds managed by BGAM, opted for the unlisted securities alternative.
- BGAM welcomes Apollo's innovative approach and structure.

V. BOUSSARD & GAVAUDAN ASSET MANAGEMENT UPDATE

As of August 1, 2007 Sark Master Fund Limited's assets under management were approximately €2.1 billion.

Starting September 10, 2007, we will be relocating to Dover Street. Details will follow shortly. Emails and phone number will remain unchanged.

Sincerely,

E. Boussard & E. Gavaudan

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BGHL is established as an investment company domiciled in Guernsey. BGHL has received the necessary approval of the Guernsey Financial Services Commission and the States of Guernsey Policy Council. BGHL is registered with the Dutch Authority for the Financial Markets as a collective investment scheme under article 1:107 of the Dutch Financial Markets Supervision Act.

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.

BGHL has not been and will not be registered under the US Investment Company Act of 1940, as amended (the "Investment Company Act"). In addition, the Securities have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"). Consequently, the 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 BGHL to register under the Investment Company Act. Accordingly, US Persons acquiring the Securities are subject to significant restrictions on transfer. In addition, US persons who are not qualified purchasers (within the meaning of section 3(c)(7) of the Investment Company Act) will be prohibited from purchasing the Securities at any time, including on the secondary market. No public offering of the Securities has been or will be made in the United States.

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