

# BOUSSARD & GAVAUDAN HOLDING LIMITED

## MARCH 2007 REVIEW

### COMPANY INFORMATION

Investment Manager	Boussard & Gavaudan Asset Management L.P.
Company Domicile	Guernsey
Total value of the investments of BGHL	€506 million as of March 30, 2007
Management fee	1.5% p.a
Performance fee	20%
Bloomberg Ticker	BGHL NA
Reuters Ticker	BGHL.AS
ISIN	GG00B1FQG453
SEDOL	B1FQG45
Website	<a href="http://www.bgholdingltd.com">www.bgholdingltd.com</a>

### OVERVIEW

Boussard & Gavaudan Holding Limited (“BGHL”) is a Guernsey closed-ended investment company and is registered with and included in the register kept by the Dutch Authority for the Financial Markets as a collective investment scheme pursuant to article 17c of the Act on the Supervision of Collective Investment Schemes (*Wet toezicht beleggingsinstellingen*). 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 initially investing into Sark Fund Limited (“Sark Fund”). Over time, 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. BGHL aims to generate a target annualised return in excess of 10% (net of all fees).

### SHARE INFORMATION

Date	March 30, 2007
Number of shares outstanding	44,000,000
<b>Estimated NAV per share</b>	<b>€1.5118*</b>
Estimated month to date performance	4.6347%*
Estimated year to date performance	9.4767%*
Estimated inception to date performance	15.1180%*

---

\* Estimated figures

<b>Share price</b>	<b>€11.50</b>
Month to date performance	5.60%
Year to date performance	8.08%
Inception to date performance	15.00%

  

Average 30 days daily volume (in shares)	22,300
--	--------

## **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).

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

\*\*\*\*\*

## **SARK FUND LIMITED - COMMENTARY AND HIGHLIGHTS**

Following the end of February trend, markets continued dropping until mid March before finally recovering towards the end of the month. The Dow Jones Eurostoxx 50 plummeted as much as 4.43% on March 14 before ending the month up 2.30%. Volatilities on stock markets were slightly down: the VDAX index finished down to 15.91 from 16.76 and the VIX index down to 14.64 from 15.42. Credit markets tightened with the Itraxx crossover down to 199.73 from 210.75 after widening as much as 241.50 during the month.

Our exceptional performance this month was due to numerous equity special situations we had been expecting for a while. Our gamma positions (mandatory convertible bond arbitrage, convertible bond arbitrage, gamma book, warrants), which are usually negatively correlated with the equities strategies, also performed very well.

### *Capital structure arbitrage and Credit*

Arbitrage strategies were flat this month. Credit strategies posted a positive 3bps\*. At the beginning of the month, we used weakness as an opportunity to add risk to our portfolio in high beta credits such as Ono. On the other hand, we took advantage of the overall tightening in spreads throughout the month to initiate new short credit positions in companies which have shown only marginal deleveraging over the past year (or since LBO inception), and which we think will have a hard time showing significant improvements in credit metrics in the near term. Positions in event-driven situations worked out well for some, but our long CDS position in Portugal Telecom worked against us.

### *Equities Strategies*

Equities strategies contributed a positive 404bps\* in March. We benefited from our investments in Altadis and Logista, the tobacco manufacturer and the logistics company respectively, which we have held for quite some time given our conviction that they offered a very attractive fundamental and strategic value in a consolidating sector. Both stocks reacted positively to a non-binding approach from Imperial Tobacco. We continue to find the situation interesting as we believe the Altadis' board is very focused on shareholder value creation. We continued to profit from our investment in ABN Amro as Barclays confirmed having entering into exclusive talks and outlined broad objectives of their potential combination. Activist shareholders continue to press for a

---

\* Estimated figures

competitive sale process in the run up to ABN Amro's AGM in April and other potential buyers are rumoured to be interested. We also benefited from our investment in Akzo Nobel, the Dutch pharmaceutical conglomerate, following the sale of Organon BioSicences, its health care business, for a valuation substantially above market expectations. We believe Akzo still offers a very attractive valuation following this transaction and that the market is too pessimistic about the redeployment of the proceeds from the sale. We experienced losses from some of our hedge positions in the UK retail sector which became more and more subject to bid rumours. We also suffered from our investment in Wilson Bowden, as the US subprime mortgage concerns impacted UK housebuilders with a US presence. We also suffered losses in Natixis due to the similar US subprime concerns and disappointing 2006 results.

#### *Trading*

Trading contributed a positive 8bps\* in March. On our long positions, we particularly benefited this month from a trade in Vinci as well as from the hedge in futures which did perform well towards the end of the month. On our short positions, Gemalto contributed positively to the fund's performance as the company disappointed the market on its results whilst Atos and Cap Gemini posted a negative performance on the back of LBO rumours on Atos. The book has now a small long bias.

#### *Gamma trading*

The market being volatile this month, gamma trading posted a positive 13bps\*. Still, implied volatilities were at a very low level, we took this opportunity to increase our gamma.

#### *Convertible bonds, mandatories and corporate warrant arbitrage*

Convertible bond arbitrage contributed 27bps\* to the fund's performance. Our capital structure arbitrage on Jazztel performed well, recovering more than last month's negative result as the share dropped by 17.33% in March. Other noticeable performances came from a few situations such as SR Teleperformance, who called their bonds for early redemption and as the spread between the newly issued shares and the existing shares tightened dramatically, and Air France who unexpectedly adjusted the conversion ratio of their convertible bonds following the distribution of a dividend out of the holding company's reserves. Last, Valeo also contributed significantly as renewed LBO rumours led to a strong richening of their convertible bonds.

Mandatory Arbitrage performed well again in March (+9bps\*) as we realised significant gamma at the beginning of the month and as the mandatory convertible bonds continued to trade closer to their fair value.

Corporate warrant arbitrage was flat this month.

---

\* Estimated figures

## **BOUSSARD & GAVAUDAN ASSET MANAGEMENT UPDATE**

As of April 1, 2007, Sark Master Fund Limited's assets under management were approximately €1.6 billion.

We are very pleased to welcome Max Dethomas and Thomas de Garidel-Thoron in our team.

Max Dethomas is joining us to strengthen the credit team. Max previously worked for seven years at Goldman Sachs. Since 2001, he was co-heading the hedge funds coverage on high yield and credit derivatives. On a personal note, Max was capped for the 1989 FIRA International Rugby Tournament and in 1990 for the under-19 Five Nations Rugby Tournament. Max graduated with honours from the Institut Supérieur de Gestion.

Thomas de Garidel-Thoron is joining the London office and will be responsible for the UK and financials equity trading. Thomas worked for three years at Goldman Sachs where he was in his last position Managing Director and Head of the European single stocks options desk. He also worked for four years at Salomon Brothers International as senior options trader. Prior to that, Thomas was a lecturer in Economics at University College London and published in the Journal of Political Economy. Thomas graduated from the Ecole Normale Supérieure and also holds a PhD in Economics prepared at Delta (EHESS Paris) and the London School of Economics for which he received two Thesis prizes.

Sincerely,

E. Boussard & E. Gavaudan

### **Contact information**

Investors

Boussard & Gavaudan Asset Management, LP

Emmanuel Gavaudan

33 Bruton Street

London W1J 6HH

Media

Financial Dynamics

Robert Bailhache / Charles Gorman

Holborn Gate

26 Southhampton Buildings

London WC2A 1PB

## ANNEX 1: GREEKS

Greeks		
Delta	2.5%	2.5 bps P&L variation for market +1%
Gamma	1.3%	delta variation for market +1%
Vega	17.0 bps	by vol point
Vega with maturity weight ( 1 / sqrt(T) )	18.3 bps	by vol point
Theta	1.0 bps	by day
Rho	-0.2 bps	for 1bp of interest rates increasing
Credit sensitivity	-0.2 bps	for 1bp of credit spreads widening

## ANNEX 2: PERFORMANCE ATTRIBUTION

Contribution to the performance*	
Capital Structure Arbitrage & Credit	3 bps
Convertible Bonds & Mandatories Arbitrage	36 bps
Gamma Trading	13 bps
Equities Strategies	404 bps
Trading	8 bps
Warrants Arbitrage	0 bps

## ANNEX 3: STRESS TESTS

	Scenario	Description	Impact % of NAV
1	Delta - spot up	Spot : 10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	0.81%
2	Delta - spot down	Spot : -10% ; Credit : 0% ; Vol : 0% ; Rates : 0%	0.73%
3	Vega - vol up	Spot : 0% ; Credit : 0% ; Vol : 10% ; Rates : 0%	0.46%
4	Vega - vol down	Spot : 0% ; Credit : 0% ; Vol : -10% ; Rates : 0%	-0.46%
5	Credit spread widen	Spot : 0% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.65%
6	Credit spread tighten	Spot : 0% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.63%
7	Market crash 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 0%	0.34%
8	Market crash 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 0%	1.63%
9	Market crash 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 0%	3.36%
10	Market crash, rates down 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : -12.5%	0.47%
11	Market crash, rates down 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : -12.5%	1.78%
12	Market crash, rates down 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : -12.5%	3.52%
13	Market crash, rates up 1	Spot : -10% ; Credit : 50% ; Vol : 30% ; Rates : 12.5%	0.21%
14	Market crash, rates up 2	Spot : -20% ; Credit : 75% ; Vol : 50% ; Rates : 12.5%	1.49%
15	Market crash, rates up 3	Spot : -30% ; Credit : 100% ; Vol : 70% ; Rates : 12.5%	3.21%
16	Equity Credit decorrelation 1	Spot : 5% ; Credit : 25% ; Vol : 0% ; Rates : 0%	-0.39%
17	Equity Credit decorrelation 2	Spot : 5% ; Credit : 25% ; Vol : 10% ; Rates : 0%	0.06%
18	Equity Credit decorrelation 3	Spot : 5% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-0.83%
19	Equity Credit decorrelation 4	Spot : -5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.15%
20	Equity Credit decorrelation 5	Spot : -5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.24%
21	Equity Credit decorrelation 6	Spot : 0% ; Credit : 25% ; Vol : 10% ; Rates : 0%	-0.20%
22	Equity Credit decorrelation 7	Spot : 0% ; Credit : 25% ; Vol : -10% ; Rates : 0%	-1.11%
23	Market rally 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.42%
24	Market rally 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 0%	0.89%
25	Market rally 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.36%
26	Market rally 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 0%	0.99%
27	Market rally 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 0%	1.43%
28	Market rally 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 0%	1.88%
29	Market rally, Inflation 1	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%	0.34%
30	Market rally, Inflation 2	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%	0.80%
31	Market rally, Inflation 3	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%	1.26%
32	Market rally, Inflation 4	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 12.5%	0.92%
33	Market rally, Inflation 5	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 12.5%	1.35%
34	Market rally, Inflation 6	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 12.5%	1.79%
35	Market rally, Inflation 7	Spot : 5% ; Credit : -25% ; Vol : -10% ; Rates : 25%	0.25%
36	Market rally, Inflation 8	Spot : 5% ; Credit : -25% ; Vol : 0% ; Rates : 25%	0.70%
37	Market rally, Inflation 9	Spot : 5% ; Credit : -25% ; Vol : 10% ; Rates : 25%	1.16%
38	Market rally, Inflation 10	Spot : 10% ; Credit : -25% ; Vol : -10% ; Rates : 25%	0.84%
39	Market rally, Inflation 11	Spot : 10% ; Credit : -25% ; Vol : 0% ; Rates : 25%	1.27%
40	Market rally, Inflation 12	Spot : 10% ; Credit : -25% ; Vol : 10% ; Rates : 25%	1.70%
	<b>Worst</b>		<b>-1.11%</b>

\* 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%	<b>9.69%</b>
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%	<b>12.77%</b>
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%	<b>22.58%</b>
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%	<b>45.85%</b>
2007	3.14%	1.46%	4.64%*										9.50%*	<b>59.71%*</b>

### 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%	<b>9.00%</b>
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%	<b>11.27%</b>
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%	<b>21.79%</b>
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%	<b>47.72%</b>
2007	3.19%	1.58%	4.85%*										9.91%*	<b>62.36%*</b>

\* Estimated figures

**ANNEX 5: MONTHLY WORST CASE SCENARIO FOR OUR STRESS TESTS**

<b>Year</b>	<b>Month</b>	<b>Impact % of the NAV</b>
<b>2003</b>	August-03	-3.28%
<b>2004</b>	December-04	-8.46%
<b>2005 #</b>	January-05	-3.94%
<b>2006</b>	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%
<b>2007</b>	January-07	-1.60%
	February-07	-1.21%
	March-07	-1.11%

---

# 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.

## Disclaimer

This newsletter contains forward-looking statements, including statements relating to market conditions and environments, estimated performance of investment strategies, investment activities and funding of BGHL. Such forward-looking statements involve unknown risk, uncertainties and other factors, which may cause the actual results, financial condition, performance or achievement of BGHL, or market conditions or investment strategies, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. BGHL does not undertake an obligation to update its forward-looking statements to reflect future events.

This announcement is not (i) an offer to sell or a solicitation of any offer to buy the ordinary shares of BGHL (the "Securities") in the United States or in any other jurisdiction, (ii) any invitation or inducement to engage in investment activity or financial promotion of any kind, or (iii) investment advice or a recommendation.

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 pursuant to article 17c of the Act on the Supervision of Collective Investment Schemes (*Wet toezicht beleggingsinstellingen*).

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.

This communication is for information purposes only and the information contained in this communication should not be relied upon as a substitute for financial or other professional advice.