



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 2020

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 2020 (“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 ICAV (“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 Investment Management LLP (“BGIM” or “the Investment Manager”) is the Investment Manager for both the Company and the Fund.

II. HIGHLIGHTS

	31-Mar-20	31-Dec-19
Assets under management (€m)	316	349
Market capitalisation (€m)	215	274
Shares outstanding	14,797,211	15,203,220

	NAV per Share		Share price*		Discount to NAV	
	€ shares	£ shares	€ shares	£ shares	€ shares	£ shares
31-Mar-20	€ 21.34	£19.01	€ 14.60	£11.50	-31.59%	-39.50%
31-Dec-19	€ 22.90	£20.64	€ 18.00	£15.60	-21.40%	-24.41%
Performance	-6.80%	-7.88%	-18.89%	-26.28%		

* Amsterdam (AEX) market close for the Euro Share and London (LSE) market close for the Sterling share

III. PERFORMANCE

From 1 January to 31 March 2020, European markets dropped dramatically with the Eurostoxx 50 down -25.6% for the first quarter on the back of the Coronavirus outbreak. VStoxx finished March significantly up at 48.6%, up from 14.0% and iTraxx Crossover S32 ended the month at 552bps (345bps wider on the quarter). BGHL had an initially strong start to the quarter with a number of idiosyncratic positions generating solid returns, however the NAV return for the year turned negative in March as unprecedented market moves significantly impacted the mark-to-market on a number of positions. Against this backdrop, BGHL NAV returned -6.80% over the quarter. This notwithstanding, the material market falls have created a number of very significant dislocations and the Investment manager has taken the opportunity to add existing and new opportunities as the crisis evolved, as outlined below.

As of 1 April 2020, 96.48% of BGHL net asset value is invested in BG Fund. BGHL has a maximum exposure limit to BG Fund of 110%. The remaining 3.52% of BGHL net asset value is made up of a direct investment and cash.

1. BG Fund

1.1. Volatility strategies

Mandatory Convertible Bond Arbitrage

Mandatory convertible bonds contributed slightly negatively this quarter. Flows were limited and liquidity was challenging. Valuations drifted slightly lower overall. The Investment Manager expects these small negative moves to reverse as the positions pull to maturity. There were no primary market issues during the period.

Convertible Bond Arbitrage

Convertible bond contribution (excl. mandatories) to the performance was slightly negative. The CB inventory has been small for a number of years now due to the limited range of specific arbitrage opportunities.

Consequently the impact from CB's was relatively minor despite the fact that convertible bond valuations cheapened significantly. With a number of forced sellers in the market, multiple opportunities have appeared and the Investment Manager is now starting to deploy more capital into the strategy.

Volatility Trading

Volatility strategies contributed positively during the market turmoil where both implied and realised volatility jumped significantly higher across all asset classes. The Investment Manager took a cautious approach as volatility started to rise, growing positive convexity, buying additional gamma and avoiding holding positive carry positions. The Investment Manager is continuing to carefully monitor the volatility space and actively trade new opportunities as they arise.

Warrant Trading

Warrant arbitrage contributed slightly positively this quarter.

1.2. Equity Strategies

Equity strategies were the main detractor to performance for the quarter. The largest losses occurred in risk arbitrage and value-with-catalyst positions. More painful than the equity market decline itself were the market dynamics and dislocation caused by other investment funds who were forced to liquidate and de-risk positions. In the value-with-catalyst sub-strategy particularly, many stocks sold off disproportionately, with indiscriminate selling. Important to note is that BG was at no point a forced seller of positions – to the contrary, the fund took advantage of the solid capital position to add selectively on key convictions during the stress.

1.3. Credit Strategies

Capital Structure Arbitrage

Capital Structure Arbitrage was flat this period. The Investment Manager did not add new positions.

Credit Long / Short

Credit long / short had a negative contribution. After a strong market at the beginning of the year, credit markets sold off in March alongside other risk assets. As clarity emerged from central banks on their proposed buying programmes this helped the market to stabilise. The Investment Manager has used the market sell off to reduce the short strategies, especially in indices, and has actively been adding to highest conviction positions where opportunities arise.

Credit Special Situations

Credit special situations contributed negatively this period, with the mark-to-market loss spread across the fund's positions. Here again, the investment manager has been actively adding to highest conviction positions.

1.4. Trading

Trading contributed positively mainly thanks to Equity Quantitative Trading, Systematic Trend Following and, to a lesser extent, to Macro Trading.

2. Investments Other Than BG Fund

The contribution of this investment was almost flat on the period.

Rasaland Investors ("RLI")

RLI is a Malta-based holding company structured as a private equity fund in terms of fees and organisation and managed by BK Partners. RLI is dedicated to investing in land, hotels and high-end resort developments in Mexico. RLI main asset is a majority interest in ACTUR its private subsidiary. ACTUR's other shareholders are Mexican public institutions. ACTUR owns land developing assets and a minority interest in the publicly-traded

company RLH Properties (ticker: RLHA:MM). RLI announced that it has received an offer for RLH Properties. The sale of this significant asset is still conditional.

Pending completion of the RLH sale, the current value of the investment in RLI is kept unchanged by BGIM. The December 2019 NAV of RLI is lower than the preceding December 2018 NAV because RLI is valuing RLH based on the agreed transaction price in the pending sale of RLH. The discount applied by BGIM to the latest NAV of RLI is accordingly reduced from 50% to 44.79%.

IV. OUTLOOK

The significant market dislocation, increase in volatility and spread widening of the past few weeks has created opportunities for the Investment Manager which have been largely absent for 5-10 years. Many of these opportunities and strategies are non-directional arbitrage and volatility-based situations where the risk-reward is extremely attractive and is often combined with idiosyncratic clearly-identifiable hard-catalyst pay-offs. During the course of the sell-off and currently, BG Fund has maintained robust levels of excess margin and unencumbered cash. The Investment Manager has used this excess capital and the market stress to add to highest conviction positions and in addition has been building positions in new opportunity areas.

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

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.

This is not an offer to sell or a solicitation of any offer to buy any securities in the United States or in any other jurisdiction. This announcement is not intended to and does not constitute, or form part of, any offer or invitation to purchase any securities or the solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this announcement in any jurisdiction in contravention of applicable law.

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.*

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.

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