BREVAN HOWARD

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT:

January 2016

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MONTHLY SHAREHOLDER REPORT: JANUARY 2016

BREVAN HOWARD

www.bhmacro.com

BH Macro Limited

Manager:

Brevan Howard Capital Management LP ("BHCM")

Administrator:

Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust")

Corporate Broker:

J.P. Morgan Cazenove

Listings:

London Stock Exchange (Premium Listing)

NASDAQ Dubai - USD Class (Secondary listing)

Bermuda Stock Exchange (Secondary listing)

Overview

BH Macro Limited ("BHM") is a closed-ended investment company, registered and incorporated in Guernsey on 17 January 2007 (Registration Number: 46235).

BHM invests all of its assets (net of short-term working capital) in the ordinary shares of Brevan Howard Master Fund Limited (the "Fund").

BHM was admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange on 14 March 2007.

Total Assets: $1,415 mm[1]

1. As at 29 January 2016. Source: BHM's administrator, Northern Trust.

Summary Information

BH Macro Limited NAV per Share (as at 29 January 2016)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	337.3	$20.47
EUR Shares	92.7	€20.64
GBP Shares	985.1	£21.34

BH Macro Limited NAV per Share % Monthly Change

USD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007			0.10	0.90	0.15	2.29	2.56	3.11	5.92	0.03	2.96	0.75	20.27
2008	9.89	6.70	-2.79	-2.48	0.77	2.75	1.13	0.75	-3.13	2.76	3.75	-0.68	20.32
2009	5.06	2.78	1.17	0.13	3.14	-0.86	1.36	0.71	1.55	1.07	0.37	0.37	18.04
2010	-0.27	-1.50	0.04	1.45	0.32	1.38	-2.01	1.21	1.50	-0.33	-0.33	-0.49	0.91
2011	0.65	0.53	0.75	0.49	0.55	-0.58	2.19	6.18	0.40	-0.76	1.68	-0.47	12.04
2012	0.90	0.25	-0.40	-0.43	-1.77	-2.23	2.36	1.02	1.99	-0.36	0.92	1.66	3.86
2013	1.01	2.32	0.34	3.45	-0.10	-3.05	-0.83	-1.55	0.03	-0.55	1.35	0.40	2.70
2014	-1.36	-1.10	-0.40	-0.81	-0.08	-0.06	0.85	0.01	3.96	-1.73	1.00	-0.05	0.11
2015	3.14	-0.60	0.36	-1.28	0.93	-1.01	0.32	-0.78	-0.64	-0.59	2.36	-3.48	-1.42
2016	0.71												0.71

EUR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007			0.05	0.70	0.02	2.26	2.43	3.07	5.65	-0.08	2.85	0.69	18.95
2008	9.92	6.68	-2.62	-2.34	0.86	2.84	1.28	0.98	-3.30	2.79	3.91	-0.45	21.65
2009	5.38	2.67	1.32	0.14	3.12	-0.82	1.33	0.71	1.48	1.05	0.35	0.40	18.36
2010	-0.30	-1.52	0.03	1.48	0.37	1.39	-1.93	1.25	1.38	-0.35	-0.34	-0.46	0.93
2011	0.71	0.57	0.78	0.52	0.65	-0.49	2.31	6.29	0.42	-0.69	1.80	-0.54	12.84
2012	0.91	0.25	-0.39	-0.46	-1.89	-2.20	2.40	0.97	1.94	-0.38	0.90	1.63	3.63
2013	0.97	2.38	0.31	3.34	-0.10	-2.98	-0.82	-1.55	0.01	-0.53	1.34	0.37	2.62
2014	-1.40	-1.06	-0.44	-0.75	-0.16	-0.09	0.74	0.18	3.88	-1.80	0.94	-0.04	-0.11
2015	3.34	-0.61	0.40	-1.25	0.94	-0.94	0.28	-0.84	-0.67	-0.60	2.56	-3.22	-0.77
2016	0.38												0.38

GBP	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007			0.11	0.83	0.17	2.28	2.55	3.26	5.92	0.04	3.08	0.89	20.67
2008	10.18	6.86	-2.61	-2.33	0.95	2.91	1.33	1.21	-2.99	2.84	4.23	-0.67	23.25
2009	5.19	2.86	1.18	0.05	3.03	-0.90	1.36	0.66	1.55	1.02	0.40	0.40	18.00
2010	-0.23	-1.54	0.06	1.45	0.36	1.39	-1.96	1.23	1.42	-0.35	-0.30	-0.45	1.03
2011	0.66	0.52	0.78	0.51	0.59	-0.56	2.22	6.24	0.39	-0.73	1.71	-0.46	12.34
2012	0.90	0.27	-0.37	-0.41	-1.80	-2.19	2.38	1.01	1.95	-0.35	0.94	1.66	3.94
2013	1.03	2.43	0.40	3.42	-0.08	-2.95	-0.80	-1.51	0.06	-0.55	1.36	0.41	3.09
2014	-1.35	-1.10	-0.34	-0.91	-0.18	-0.09	0.82	0.04	4.29	-1.70	0.96	-0.04	0.26
2015	3.26	-0.58	0.38	-1.20	0.97	-0.93	0.37	-0.74	-0.63	-0.49	2.27	-3.39	-0.86
2016	0.60												0.60

Source: Fund NAV data is provided by the administrator of the Fund, International Fund Services (Ireland) Limited. BHM NAV and NAV per Share data is provided by BHM's administrator, Northern Trust. BHM NAV per Share % Monthly Change is calculated by BHCM. BHM NAV data is unaudited and net of all investment management fees (2% annual management fee and 20% performance fee) and all other fees and expenses payable by BHM. In addition, the Fund is subject to an operational services fee of 50bps per annum.

NAV performance is provided for information purposes only. Shares in BHM do not necessarily trade at a price equal to the prevailing NAV per Share.

Calculated by BHCM as at 29 January 2016

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

ASC 820 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited estimates as at 29 January 2016

	% of Gross Market Value*
Level 1	72.4
Level 2	27.3
Level 3	0.3

Source: BHCM

* These estimates are unaudited and have been calculated by BHCM using the same methodology as that used in the most recent audited financial statements of the Fund. These estimates are subject to change.

Level 1: This represents the level of assets in the portfolio which are priced using unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: This represents the level of assets in the portfolio which are priced using either (i) quoted prices that are identical or similar in markets that are not active or (ii) model-derived valuations for which all significant inputs are observable, either directly or indirectly in active markets.

Level 3: This represents the level of assets in the portfolio which are priced or valued using inputs that are both significant to the fair value measurement and are not observable directly or indirectly in an active market.

Performance by Asset Class

The performance attributions below are derived from data calculated by BHCM, based on total performance data for each period provided by the Fund's administrator (International Fund Services (Ireland) Limited) and risk data provided by BHCM, as at 29 January 2016.

Monthly, quarterly and annual contribution (%) to the performance of BHM USD Shares (net of fees and expenses) by asset class

2016	Rates	FX	Commodity	Credit	Equity	Discount Management	Total
January 2016	1.14	-0.15	-0.15	-0.13	-0.22	0.22	0.71
Q1 2016	1.14	-0.15	-0.15	-0.13	-0.22	0.22	0.71
YTD 2016	1.14	-0.15	-0.15	-0.13	-0.22	0.22	0.71

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

Performance by Strategy Group

Monthly, quarterly and annual contribution (%) to the performance of BHM USD Shares (net of fees and expenses) by strategy group

2016	Macro	Systematic	Rates	FX	Equity	Credit	EMG	Commodity	Discount Management	Total
January 2016	-0.11	0.02	0.86	0.01	-0.00	-0.12	-0.17	-0.00	0.22	0.71
Q1 2016	-0.11	0.02	0.86	0.01	-0.00	-0.12	-0.17	-0.00	0.22	0.71
YTD 2016	-0.11	0.02	0.86	0.01	-0.00	-0.12	-0.17	-0.00	0.22	0.71

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

Methodology and Definition of Monthly Contribution to Performance:

Attribution is approximate and has been derived by allocating each trader book in the Fund to a single category. In cases where a trader book has activity in more than one category, the most relevant category has been selected.

The above strategies are categorised as follows:
"**Macro**": multi-asset global markets, mainly directional (for the Fund, the majority of risk in this category is in rates)
"**Rates**": developed interest rates markets
"**FX**": global FX forwards and options
"**EMG**": global emerging markets
"**Equity**": global equity markets including indices and other derivatives
"**Commodity**": liquid commodity futures and options
"**Credit**": corporate and asset-backed indices, bonds and CDS
"**Systematic**": rules-based futures trading
"Discount Management": buyback activity for discount management purposes

Manager's Market Review and Outlook

The information in this section has been provided to BHM by BHCM

Market Commentary

US

The economy delivered mixed messages at the start of the year. The labour market continues to impress. The unemployment rate fell to 4.9%, job gains were respectable, and wages increased at a brisk pace. Real GDP growth appears to have steadied after having posted a lacklustre performance in the second half of last year. Meanwhile, all aspects of inflation are underperforming. Headline inflation promises to fall in the coming months as consumer energy prices decline and core inflation will be lower for longer, primarily because the appreciation in the exchange value of the US dollar will put additional downward pressure on import prices. The presumably transitory shocks to inflation cannot be taken for granted in light of the deterioration in market-based measures of inflation compensation and in surveys of consumers. In particular, consumers' longer-term inflation expectations moved down to historic lows in the two most widely followed surveys conducted by the University of Michigan and the Federal Reserve Bank of New York.

To complicate matters further, developments in financial markets are buffeting the forecast for growth going forward. The sizable drop in energy prices and interest rates (US 10-Year Treasury) looks to be a net positive for growth in the next year. However, in 2017, the building negative impact from the appreciation of the US dollar and wider credit spreads should lead to a larger net subtraction from growth. However, in light of such extreme movements in financial conditions, any forecast has to be more uncertain than usual.

A confusing macroeconomic backdrop and volatility in financial markets have inspired a cottage industry of econometric models designed to predict the chances of a recession. The odds vary widely depending on what the user inputs into the models. On the one hand, a solid labour market and extraordinarily accommodative monetary policy suggest the odds of recession over the next year are below average. On the other hand, falling profit margins, wider credit spreads, and significant headwinds from the external sector suggest the odds of recession are elevated. The US economy has successfully navigated a number of similarly negative shocks during the expansion and probably will do so this time. However, there's little margin for error given the economy's slow growth and the inability of monetary or fiscal policy to offset further downside surprises.

EMU

In January, both EMU activity and sentiment indicators posted marked declines, while worries about China, European banks and global risk-off sentiment lead to a sharp sell-off of risky assets, which accelerated in the first weeks of February. The EMU Composite Purchasing Managers Index ("PMI") fell from 54.3 to 53.6, back to September 2015 levels. The German IFO survey was no exception, with business expectations losing around 2 points, to 102.4, the lowest level in five months. Most importantly, Q4 2015 EMU GDP reported a modest 0.27% q/q, continuing the gradual, but relentless moderation from the 0.54% local peak recorded in Q1. The outcome would have been worse had it not been for the public spending in Germany in connection with the huge wave of refugees. The only relatively good news stemmed from the labour market, as due to a very low rate of growth of potential output, the unemployment rate continued its gradual fall, to 10.4% in December from 10.5% a month earlier. So far the adjustment in the labour market has been too slow to have any impact on wage growth, which continues instead to slow down to record low levels. On the consumer price front, Harmonised Index of Consumer Prices ("HICP") inflation increased modestly in January from 0.2% y/y to 0.4% y/y. Despite a strong base effect these values are way below the December European Central Bank ("ECB") staff projections.

Meanwhile, market-based measures of inflation expectations continued the downward movement initiated in the aftermath of the ECB December policy decision, hitting all-time lows. Both money and credit slowed down; as a result, the credit impulse, instrumental as a driver of the EMU recovery, deteriorated further. In light of the current weak inflation readings, rising EUR, lower oil prices and worsening growth picture, the ECB adopted a more dovish tone than expected at its January monetary policy meeting. The introductory statement noted that in light of increasing downside risks and weak inflation dynamics, the Governing Council would "review and possibly reconsider" the monetary policy stance at the next meeting in early March, when the new staff macroeconomic projections will be available. In addition, Draghi highlighted that the January ECB statement wording had been unanimous in the Council, hinting that the ECB President could be more successful than in December in forming a consensus for further bold policy action at the March meeting. However, given the loss of credibility due to poor communication at the December meeting, the market snubbed these indications, as displayed by an even sharper acceleration of the drop in inflation expectations.

UK

The UK economy continues to grow at a moderate pace, shaped by resilient private domestic demand within the setting of an "unforgiving global environment". Services output (typically indicative of domestic activity) grew solidly, expanding 0.6% q/q in Q4. In contrast, manufacturing output failed to grow in Q4 giving evidence to the recent bout of modest global growth. On the whole, GDP grew a moderate 0.5% q/q in Q4 2015, roughly in line with the pace of growth experienced in both Q2 and Q3 of 2015. Looking forward, the first business surveys of 2016 suggest that economic activity should continue to grow at a similar pace in Q1. The trade-weighted exchange rate has depreciated 9% since the peak in July 2015 (although it's still 8% higher than the lows in 2013). This should provide some support for exports; however it will take time for the full effects to feed through. The consumer retail sector continues to perform well. Although growth in retail sales volumes has moderated from a very high pace, it remains robust, supported by multi-year high levels of consumer confidence and rising real incomes. Mortgage lending continues to grow at a smart pace (3.4%), faster than recent history but still far below the growth rates experienced just prior to the crisis. Surveys on housing activity have recently picked up. This may reflect a new flurry of activity as individuals seek to buy properties ahead of the additional 3% stamp-duty tax on buy-to-let houses that will become effective in April this year. National house prices continue to grow at a solid pace of around 7%, albeit slightly slower than the high pace in early 2014. The UK economy is expected to grow moderately in the face of persistent headwinds including fiscal austerity and modest global growth. Moreover, the upcoming European Union membership referendum may further dent growth through reduced confidence and business investment; however there has been no evidence of this yet. The labour market continues to tighten at an exceedingly brisk pace. The unemployment rate has continued its down-trend reaching 5.1% in November 2015, the lowest since December 2005. Surveys continue to suggest that company headcount will continue to grow swiftly, though not as quick as in recent months. Despite the tightening in the labour market, wage pressure is still lacking. Wage growth started to rise in the summer of 2015, but has since moderated; wages are currently growing at an annual rate of 2%, well below the 4% pace experienced before the crisis. Members of the Bank of England's ("BoE") Monetary Policy Committee ("MPC") have speculated as to why a pick-up in wage growth has not been seen. Possible reasons include low inflation reducing the bargaining power of employees as well as compositional effects of the labour force. Nonetheless, the MPC members do not yet see signs of inflationary pressures, especially with core and headline inflation only averaging 1.2% y/y and 0.1% y/y in Q4 respectively. At the most recent MPC meeting, all 9 members unanimously voted to keep rates unchanged (whereas previously one member had voted to raise the Bank Rate). However, it remains the case that each member of the committee still expects the next move in the Bank Rate to be up, somewhat in contrast to market pricing which currently reflects the possibility of a rate cut in 2016.

Japan

At the end of January, the Bank of Japan ("BOJ") followed the ECB by pushing overnight interest rates into negative territory. However, the actual three-tier scheme is more complicated. The BoJ will pay banks 0.1% on the balance of excess reserves held prior to the cut. It will apply a 0% interest rate on the so-called macro add-on balance, which is legally required reserves, balances on various lending facilities and a to-be-determined add-on exemption. Banks will have to pay interest on additional reserves held at the BoJ. As the slice of reserves on which banks will have to pay interest is estimated to be fairly small, likely under 10%, some surprisingly assume the effect of negative rates will be trivial. Prices are made on the margin, and the interest rate on marginal reserves is now -0.1%. It is better to think of the scheme as negative interest rates with a fixed subsidy to the banks. Moreover, now that Governor Kuroda has crossed the zero line, Europe's experience suggests that overnight rates can be pushed much lower.

The latest inflation data point to the need for additional accommodation. The recent national CPI data have stalled. After moving up over the first three quarters of last year, the seasonally adjusted western core measure (prices excluding all food and energy) ended 2015 at the same level as in September. The Tokyo data for January were poor with the seasonally adjusted western core index dropping 0.2%.

Important inflation fundamentals have also been disappointing. Consumer inflation expectations have been falling for several months and are now at their lowest level since expectations started improving after the initial three-arrow announcement. The rapid appreciation in the yen against the dollar in the first half of February, despite the BoJ move to negative interest rates, has been breath-taking. Furthermore, ongoing declines in energy prices will reinforce these near-term trends. Wage negotiations are not progressing as well as the BoJ had hoped; speculation is that wage hikes will be no greater than last year.

Activity data are not as bad as the inflation news but aren't inspiring either. The latest prints look similar to the last several months with some measures edging up in the last month, some slipping and most of them flat on balance over the year. The Shoko-Chukin index of small and medium-sized enterprises reversed January's decline, but has moved sideways on balance since the second half of last year. The Economy Watchers survey fell 2 points, crossing back down below the par line. Industrial production in December fell for a second month, wiping out most of the improvement seen on balance over the previous three months.

China

Activity in China in Q4 and in December 2015 was somewhat slower than expectations. GDP growth slowed from 6.9% y/y in Q3 to 6.8% y/y, with the front loading of fiscal expenditure preventing a more marked slowdown. Industrial production slowed in December from 6.2% to 5.9% y/y, disappointing expectations of 6.2% growth. In January, both the Caixin and the Official Manufacturing PMI stood at low levels, below the 50 threshold. In the same month, trade data signalled a steep drop in imports, while credit numbers indicated a pickup. However, a more thorough assessment can be made once February data are available, as well as output numbers to be released in March. The country will hold its National People's Congress in March, at which the growth target and the fiscal budget will be announced. It is widely expected that the growth target for 2016 may be further lowered to about 6.5%, and the government will likely run a larger fiscal deficit to support its growth target.

Enquiries

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Important Legal Information and Disclaimer

BH Macro Limited ("BHM") is a feeder fund investing in Brevan Howard Master Fund Limited (the "Fund"). Brevan Howard Capital Management LP ("BHCM") has supplied certain information herein regarding BHM's and the Fund's performance and outlook.

The material relating to BHM and the Fund included in this report is provided for information purposes only, does not constitute an invitation or offer to subscribe for or purchase shares in BHM or the Fund and is not intended to constitute "marketing" of either BHM or the Fund as such term is understood for the purposes of the Alternative Investment Fund Managers Directive as it has been implemented in states of the European Economic Area. This material is not intended to provide a sufficient basis on which to make an investment decision. Information and opinions presented in this material relating to BHM and the Fund have been obtained or derived from sources believed to be reliable, but none of BHM, the Fund or BHCM make any representation as to their accuracy or completeness. Any estimates may be subject to error and significant fluctuation, especially during periods of high market volatility or disruption. Any estimates should be taken as indicative values only and no reliance should be placed on them. Estimated results, performance or achievements may materially differ from any actual results, performance or achievements. Except as required by applicable law, BHM, the Fund and BHCM expressly disclaim any obligations to update or revise such estimates to reflect any change in expectations, new information, subsequent events or otherwise.

Tax treatment depends on the individual circumstances of each investor in BHM and may be subject to change in the future. Returns may increase or decrease as a result of currency fluctuations.

You should note that, if you invest in BHM, your capital will be at risk and you may therefore lose some or all of any amount that you choose to invest. This material is not intended to constitute, and should not be construed as, investment advice. All investments are subject to risk. You are advised to seek expert legal, financial, tax and other professional advice before making any investment decisions.

THE VALUE OF INVESTMENTS CAN GO DOWN AS WELL AS UP. YOU MAY NOT GET BACK THE AMOUNT ORIGINALLY INVESTED AND YOU MAY LOSE ALL OF YOUR INVESTMENT. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS.

Risk Factors

Acquiring shares in BHM may expose an investor to a significant risk of losing all of the amount invested. Any person who is in any doubt about investing in BHM (and therefore gaining exposure to the Fund) should consult an authorised person specialising in advising on such investments. Any person acquiring shares in BHM must be able to bear the risks involved. These include the following:

• The Fund is speculative and involves substantial risk.

• The Fund will be leveraged and will engage in speculative investment practices that may increase the risk of investment loss. The Fund may invest in illiquid securities.

• Past results of the Fund's investment managers are not necessarily indicative of future performance of the Fund, and the Fund's performance may be volatile.

• An investor could lose all or a substantial amount of his or her investment.

• The Fund's investment managers have total investment and trading authority over the Fund, and the Fund is dependent upon the services of the investment managers.

• Investments in the Fund are subject to restrictions on withdrawal or redemption and should be considered illiquid. There is no secondary market for investors' interests in the Fund and none is expected to develop.

• The investment managers' incentive compensation, fees and expenses may offset the Fund's trading and investment profits.

• The Fund is not required to provide periodic pricing or valuation information to investors with respect to individual investments.

• The Fund is not subject to the same regulatory requirements as mutual funds.

• A portion of the trades executed for the Fund may take place on foreign markets.

• The Fund and its investment managers are subject to conflicts of interest.

• The Fund is dependent on the services of certain key personnel, and, were certain or all of them to become unavailable, the Fund may prematurely terminate.

• The Fund's managers will receive performance-based compensation. Such compensation may give such managers an incentive to make riskier investments than they otherwise would.

• The Fund may make investments in securities of issuers in emerging markets. Investment in emerging markets involve particular risks, such as less strict market regulation, increased likelihood of severe inflation, unstable currencies, war, expropriation of property, limitations on foreign investments, increased market volatility, less favourable or unstable tax provisions, illiquid markets and social and political upheaval.

The above summary risk factors do not purport to be a complete description of the relevant risks of an investment in shares of BHM or the Fund and therefore reference should be made to publicly available documents and information.