BREVAN HOWARD

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT:
SEPTEMBER 2016

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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: $863 mm[1]

1. As at 30 September 2016. Source: BHM's administrator, Northern Trust.

Summary Information

BH Macro Limited NAV per Share (Calculated as at 30 September 2016)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	213.9	$20.44
EUR Shares	49.2	€20.63
GBP Shares	599.6	£21.18

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	0.73	-1.77	-0.82	-0.28	3.61	-0.99	-0.17	-0.37				0.56

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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	0.78	-1.56	-0.88	-0.38	3.25	-0.77	0.16	-0.56				0.32

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	0.70	-1.78	-0.82	-0.30	3.31	-0.99	-0.10	-0.68				-0.15

Source: Fund NAV data is provided by the administrator of the Fund, International Fund Services (Ireland) Limited ("IFS"). 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.

Data as at 30 September 2016

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

ASC 820 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited as at 30 September 2016

	% of Gross Market Value*
Level 1	77.9
Level 2	21.6
Level 3	0.2
At NAV	0.3

Source: BHCM

* This data is unaudited and has been calculated by BHCM using the same methodology as that used in the most recent audited financial statements of the Fund.

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.

At NAV: This represents the level of assets in the portfolio that are invested in other Brevan Howard funds and priced or valued at NAV as calculated by IFS.

Performance Review

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

Interest rate trading detracted overall with gains from swap spread and cross market trading in European government bonds more than offset by losses from Japanese interest rate volatility positions which declined in value following the Bank of Japan's September policy announcement in favour of yield curve control. Further small losses came from directional trading in Japanese and GBP interest rates. Tactical trading in FX markets including the JPY, EUR and GBP also contributed to losses. Small gains were generated from commodity trading in gold and oil as well as in credit markets primarily from US mortgage agency as well as CMBS trading, however these gains were largely offset by losses in equity trading, predominately from option positions in the Nikkei.

The performance review and attributions are derived from data calculated by BHCM, based on total performance data for each period provided by the Fund's administrator (IFS) and risk data provided by BHCM, as at 30 September 2016.

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Performance by Asset Class

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 & Tender Offer	Total
Sept 2016	-0.38	-0.53	0.05	0.12	-0.15	0.52	-0.37
Q1 2016	1.17	-0.82	-0.14	0.02	-1.14	0.57	-0.35
Q2 2016	0.01	-0.09	0.03	0.05	-0.39	2.90	2.47
Q3 2016	-0.52	-1.55	0.01	0.20	-0.34	0.68	-1.52
YTD 2016	0.65	-2.45	-0.10	0.27	-1.85	4.19	0.56

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

*Data as at 30 September 2016

Methodology and Definition of Contribution to Performance:
Attribution by asset class is produced at the instrument level, with adjustments made based on risk estimates.

The above asset classes are categorised as follows:
"**Rates**": interest rates markets
"**FX**": FX forwards and options
"**Commodity**": commodity futures and options
"**Credit**": corporate and asset-backed indices, bonds and CDS
"**Equity**": equity markets including indices and other derivatives
"**Discount Management & Tender Offer**": buyback activity for discount management purposes and repurchases under the tender offer launched on 27 April 2016.

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 & Tender Offer	Total
Sept 2016	-1.02	-0.01	0.10	-0.10	-0.00	0.11	0.03	-0.00	0.52	-0.37
Q1 2016	-1.10	0.01	0.56	-0.02	-0.01	-0.34	-0.02	-0.00	0.57	-0.35
Q2 2016	-0.44	-0.01	-0.24	0.01	-0.01	0.08	0.21	-0.00	2.90	2.47
QTD	-2.14	-0.01	0.13	-0.28	-0.00	0.17	-0.06	-0.00	0.68	-1.52
YTD 2016	-3.64	-0.01	0.44	-0.28	-0.01	-0.09	0.13	-0.00	4.19	0.56

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

*Data as at 30 September 2016

Methodology and Definition of Contribution to Performance:

Strategy Group 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)
"**Systematic**": rules-based futures trading
"**Rates**": developed interest rates markets
"**FX**": global FX forwards and options
"**Equity**": global equity markets including indices and other derivatives
"**Credit**": corporate and asset-backed indices, bonds and CDS
"**EMG**": global emerging markets
"**Commodity**": liquid commodity futures and options
"**Discount Management & Tender Offer**": buyback activity for discount management purposes and repurchases under the tender offer launched on 27 April 2016.

Manager's Market Review and Outlook

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

Market Commentary

US

Payroll employment rose at a solid pace in September. The unemployment rate ticked up to 5.0%, but that was attainable to an increase in the participation rate. Taking the longer view, the improvement in job opportunities has drawn substantial numbers of workers into the labour force over the last year. As a consequence, the unemployment rate has been broadly unchanged over the same period. Signs point to additional slack in the labour market with the average work week well off its business cycle highs, broader measures of underemployment remaining elevated, and average hourly earnings rising only moderately.

Growth appears to have picked up in the third quarter, led by reversals in the weakness in inventories and trade seen over the last year. In particular, inventory disinvestment sliced more than 1 ppt from growth in the second quarter which mechanically implied a rebound in the second half of the year. Apart from inventories, the indicators of private final demand have been mixed. Retail sales in core categories have been weak in the third quarter, after having surged in the second quarter. Orders and shipments of core capital goods point to a tentative stabilisation in business investment. Housing investment continues to limp along despite historically favourable fundamentals, including low mortgage rates, tight supply, and increased household formation.

Inflation edged up to 1.7% in September after having been stuck at 1.6% for most of the year. In contrast, survey measures of consumer inflation expectations remain weak and market-based measures of inflation compensation have inched up but remain historically depressed.

The September Federal Open Market Committee meeting proved to be another exercise in patience. Nevertheless, the committee indicated that the case for another increase in rates had strengthened, but decided to hold off for the time being in order to let the economy build up some more steam. In subsequent communications, various policy makers suggested that a December rate hike was likely so long as the economy continued to advance.

UK

The UK economy has fared well so far despite the uncertainty caused by the vote to leave the European Union. GDP growth was revised up by 0.1ppt to 0.7% q/q in Q2, in part due to higher than expected business investment. The economy is still expected to be weighed on by slow growth in medium term investment, although the large depreciation in the effective exchange rate since the referendum should support certain sectors of the economy. In particular, there is some evidence of this in the manufacturing sector, with the Purchasing Manager's Index ("PMI") survey rising in September to the highest level in two years. The services PMI has also recovered since the post-Brexit vote fall, but unlike the manufacturing survey, it ticked down in September by 0.3ppts to a level of 52.6, well above the threshold, but still below its long-term average levels. Given the weight of the services sector, the PMI surveys point to a rate of economic growth of around 0.4%, still positive but slower than in Q2. For now, underlying growth can be expected to be supported by household consumption, especially while tourists and 'staycationers' take advantage of the lower pound, at least until higher import prices feed into retail prices. The recent recovery in consumer confidence also helps explain how retail sales volumes have picked up to a fast annualised pace of over 5%. After having reached multi-year lows after the Brexit vote, surveys on the housing market have also recovered. However, the diffusion index of new buyer enquiries remains somewhat below zero, indicating that buyer enquiries are still falling compared to the previous month albeit at a more gradual pace. This is consistent with loan approvals, which are now 18% lower compared to the peak in January. In comparison to the poor performance of housing survey, national house prices have performed slightly better showing modest (but still positive) rates of house price inflation. However, surveys suggest that the London housing market has performed less well, and that prices have fallen in some areas.

The unemployment rate has currently stabilised at a recent low of 4.9% in the 3 months to July, while employment growth has been relatively resilient, growing at an annualised pace of 1.5%, slightly above historical average rates. Headline inflation has picked up in recent months as the drop in oil and commodity prices continue to phase out: by 0.6ppts from a year ago to 0.6% y/y in August. Core inflation has also picked up from the lows a year ago, but has stabilised at a modest rate of around 1.3% y/y, slightly below long-term average rates. Although the influence of the approximate 15% depreciation in the exchange rate since the referendum has so far been modest, there are clear signs that the lower exchange rate will eventually lift prices. Producer input prices have risen by 6% in the three months to August, and are poised to increase further as the most recent leg of depreciation in October feeds through to import prices. Over time, higher import prices and diminishing base effects will cause headline inflation to rise above the Bank of England's ("BoE") target of 2%. To offset the negative impact on activity from the Brexit vote, the Monetary Policy Committee lowered the policy interest rate by 25bps to 0.25% in August, and sought to increase the asset purchase facility by £70bn to £445bn in an attempt to bolster the economy. More recently however, indicators of activity suggest that GDP will grow by more than the BoE's forecast of 0.1% q/q in Q3, implying that further monetary easing may be delayed, if not halted. In addition, according to recent statements by the Prime Minister and the Chancellor of the Exchequer, the Government appear willing to increase investment in housing and infrastructure to offset a slowdown should one arrive; however, decisions will only be taken at the Autumn Budget statement on 23 November. Overall, the negative effects of the Brexit vote are still expected to weigh on investment and economic growth more broadly in the long-run and are likely to intensify once the Prime Minister invokes Article 50 (the legal process in which the UK leaves the EU) early next year.

EMU

The economic picture in the euro area remains largely unchanged from previous months: survey data have not been majorly impacted by Brexit; the IFO Business Climate indicator for Germany dipped in the immediate aftermath of the referendum, but rebounded strongly in September, hitting its highest level since May 2014. Similarly, the European Commission's Economic Sentiment Indicator eased in July and August, but almost fully unwound those losses in September. In contrast, Markit's PMI for the euro area has trended slightly lower in recent months, indicating the possibility that the underlying economic momentum is easing. Such a slowdown is certainly conceivable, as the impulses coming from the past depreciation of the euro and credit extension appear to be gradually waning. Hard data available thus far seem to be more in line with the picture depicted by the PMI, highlighting a further, gradual loss of momentum from Q2, which already saw some slowing from the peak recorded in the first months of 2016.

This picture is also confirmed by the slowing progress in the closing of the output gap, stemming from the labour market and price dynamics: the unemployment rate has moved largely sideways in recent months, after declining fairly rapidly between the end of 2013 and the first half of 2016; wage growth keeps slowing; and core inflation remains at a mere 0.8% y/y, much lower than the ECB definition of price stability. Inflation expectations have started to recover recently, but only as a consequence of the moderate rebound in oil prices, but remain at historically very low levels. As past energy price declines drop out of the year-on-year comparison, headline inflation should move higher in the coming months. However, core inflation is expected to remain subdued, keeping pressure on the ECB to maintain an elevated level of stimulus beyond March 2017.

China

Activity data in China for August/September showed further signs of short-term stabilisation although accompanied by some underlying softening towards the end of the quarter: both the Official and Caixin PMI were roughly unchanged in September, as was the growth rate of both Fixed Asset Investment (8.2% y/y YTD) and retail sales (10.7%), with the strongest indication stemming from both car sales and the property sector. On the soft side, industrial production slowed somewhat (from 6.3% to 6.1%) on the back of weak sequential growth, in addition, both imports and exports fell on both a yearly and a sequential metric, largely undershooting consensus forecasts. Inflation picked up, as the y/y rate of increase of Consumer Price Index climbed back from 1.3% to 1.9% in September, on the back of higher food prices due to holidays, and the yearly rate of increase of the Producer Price Index turned positive for the first time since Q3 2014.

The People's Bank of China has largely maintained its accommodative stance so as to support a recovery: total social financing growth increased in September from 11.6% to 11.8% y/y, while M2 growth increased from 11.4% to 11.5% y/y. The 7-day repo rate, having risen slightly to an average of about 2.55% in late September before the holiday season, has now fallen back to 2.4%. FX reserves declined slightly to US$3.16 trillion in October and there are signs that actual capital outflow pressures were higher than suggested by the headline figures.

Japan

Japan's near-term future is clearer though uninspiring. Monetary policy is on hold. The Bank of Japan ("BoJ") has announced its intention to hold the 10-year Japanese Government Bond rate near zero. Rates are already a little below zero, and the BoJ shouldn't struggle to keep them there as there's nothing on the horizon to pressure rates upwards. Inflation has slowed significantly, without acceleration in prices, base effects show that the 12-month change will continue to fall on balance for most of the rest of the year. Inflation expectations did tick up in the latest consumer survey, but there's no reason to think they'll continue to improve. Indeed, there's probably some additional drag to actual inflation to come from the previous appreciation in the yen. The real economy continues to trudge along. The Tankan and Economy Watchers surveys were essentially unchanged. The Shoko-Chukin and Sentix indexes improved a little, but remain at mediocre levels, as did industrial production.

Enquiries

Northern Trust International Fund Administration Services (Guernsey) Limited

Harry Rouillard +44 (0) 1481 74 5315

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.