BREVAN HOWARD

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT:
FEBRUARY 2018

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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

Listing:

London Stock Exchange (Premium 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: $485 mm[1]

1. As at 28 February 2018. Source: BHM's administrator, Northern Trust.

Summary Information

BH Macro Limited NAV per Share (Calculated as at 28 February 2018)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	62.2	$22.08
GBP Shares	422.3	£21.86

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	0.77	5.02	0.19	6.63
2017	-1.47	1.91	-2.84	3.84	-0.60	-1.39	1.54	0.19	-0.78	-0.84	0.20	0.11	-0.30
2018	2.54	-0.38											2.15

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	0.80	5.05	0.05	5.79
2017	-1.54	1.86	-2.95	0.59	-0.68	-1.48	1.47	0.09	-0.79	-0.96	0.09	-0.06	-4.35
2018	2.36	-0.51											1.84

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 and all other fees and expenses payable by BHM. In addition, the Fund is subject to an operational services fee.

With effect from 1 April 2017, the management fee is 0.5% per annum. BHM's investment in the Fund is subject to an operational services fee of 0.5% per annum.

No management fee or operational services fee is charged in respect of performance related growth of NAV for each class of share in excess of its level on 1 April 2017 as if the tender offer commenced by BHM on 27 January 2017 had completed on 1 April 2017.

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 28 February 2018

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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ASC 820 Asset Valuation Categorisation on a non look-through basis*

Brevan Howard Master Fund Limited

Unaudited as at 28 February 2018

	% of Gross Market Value*
Level 1	80.6
Level 2	11.0
Level 3	0.0
At NAV	8.3

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. The relative size of each category is subject to change. Sum may not total 100% due to rounding.

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.

ASC 820 Asset Valuation Categorisation on a look-through basis*

	% of Gross Market Value*
Level 1	86.7
Level 2	13.2
Level 3	0.0

Source: BHCM

* This data reflects the combined ASC 820 levels of the Fund and the underlying allocations in which the Fund is invested, proportional to each of the underlying allocation's weighting in the Fund's portfolio. The 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 and any underlying funds (as the case may be). The relative size of each category is subject to change. Sum may not total 100% due to rounding.

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.

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Performance Review

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

In February 2018, gains came primarily from directional and relative value trading in US interest rates as well as from FX trading of the Japanese yen. These gains were more than offset by losses from tactical trading in equities, as well as from directional trading in European interest rates, and from FX trading in the Canadian dollar and euro.

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 28 February 2018.

Performance by Asset Class

Monthly, quarterly and annual contribution (%) to the performance of BHM USD Shares (net of fees and expenses) by asset class as at 28 February 2018

2018	Rates	FX	Commodity	Credit	Equity	Total
February 2018	0.52	-0.15	0.00	0.01	-0.76	-0.38
QTD 2018	1.77	0.18	0.03	-0.06	0.24	2.15
YTD 2018	1.77	0.18	0.03	-0.06	0.24	2.15

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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

Performance by Strategy Group

Monthly, quarterly and annual contribution (%) to the performance of BHM USD Shares (net of fees and expenses) by strategy group as at 28 February 2018

2018	Macro	Systematic	Rates	FX	Equity	Credit	EMG	Commodity	Total
February 2018	-0.55	-0.06	0.17	0.01	-0.00	0.00	0.06	-0.00	-0.38
QTD 2018	1.89	0.01	0.03	0.03	-0.00	-0.03	0.23	-0.00	2.15
YTD 2018	1.89	0.01	0.03	0.03	-0.00	-0.03	0.23	-0.00	2.15

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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

Manager's Market Review and Outlook

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

US

The labour market showed remarkable strength in February, posting more than 300,000 new jobs, a surge in participation in the labour force, and a cycle-low of 4.1% for the unemployment rate. At the same time, wage gains moderated suggesting that tighter labour markets are not yet overheating.

Current-quarter growth appears to have slowed from the brisk pace set at the end of last year. Consumption and business investment expenditures have moderated and, with imports growing at a much faster pace than exports, the external sector is expected to subtract from growth for the second consecutive quarter. Looking forward, solid fundamentals and rising business and consumer sentiment point to stronger growth in the coming quarters.

Inflation has firmed since the start of the year. Core Personal Consumption Expenditures ("PCE") inflation has risen at an annual rate of 2% over the last six months. The 12-month change is stuck at 1.5%, because it is still being held down by last March's sharp decline in the prices for wireless service plans. When those declines fall out of the 12-month change, core PCE inflation should jump by around 0.3ppts.

In Washington, Congress agreed in February to a budget framework over current and next fiscal year that will significantly expand government spending. Coming on the heels of the major cuts in personal and business taxation, analysts upped their forecasts for GDP growth in 2018 and 2019. The new chair of the Federal Reserve, Jerome Powell, testified on the monetary policy outlook for the first time after being sworn in at the beginning of February. He said that he is increasingly confident that inflation is moving up to the Federal Reserve's 2% target, and that the US and global economies are enjoying continued strength. Many observers took those statements to mean the Federal Reserve would be raising rates at a somewhat faster, but still gradual, pace than previously anticipated.

UK

GDP in the UK has continued to grow at a moderate pace, supported by a thriving global economy and a low exchange rate. However, political risks stemming from the Brexit negotiations continue to cloud the outlook. GDP grew 0.5% q/q in Q4, up from 0.4% in Q3, bringing the annual rate to 1.5% y/y. The relatively resilient pace of growth in Q4 occurred despite the temporary shut-down of the North Sea 'Forties pipeline', which detracted roughly 5bps from GDP. The resumption of the Forties pipeline should boost GDP by 0.1ppts in Q1. However, data so far suggests that construction may weigh negatively on growth given the 9% m/m fall in construction output in January. The composite Purchasing Managers' Index ("PMI") has continued to hover around a level of 54.5 (it recovered 1.1pts to 54.5 in February), suggesting that GDP more generally should grow broadly in line with the pace seen over the past year. The labour market has also performed moderately well over the past year, with employment growing 1.3% y/y over 2017. However, employment growth has moderated a little in recent months causing the unemployment rate to rise 0.1ppts to 4.4% in December. At the current rate, the unemployment rate is still well below average historical levels, but the rise marks the first increase since August 2016. In general, surveys on employment suggest that the labour market remains healthy, with employment expected to grow further. Meanwhile, consumer confidence in the UK has continued to sit near long-term average levels, despite the weakness in the housing market and the uncertainty caused by the Brexit negotiations. In general, the housing market has remained relatively subdued since the referendum, with national house prices only growing around 2% y/y, well below the 6-7% pace seen prior to the referendum.

Despite only moderate growth, data suggests there is little spare capacity in the economy. Alongside the low levels of unemployment, there has been a pick up in wage growth in most recent data, with average weekly earnings growing around 3% annualised as of December.

Although wage growth remains muted compare to pre-crisis average growth rates, the current pace of wage growth should contribute to higher unit labour costs, given the modest rate of productivity growth. In addition, various surveys have alluded to increasing difficulties in the recruitment of labour, suggesting wages may grow more markedly in the future. Headline inflation, which was unchanged at 3% y/y in January (just below the peak of 3.1% in November), is projected to moderate in the medium term as the effects from the earlier exchange rate shock are expected to fade. However, the rise in prices stemming from the earlier depreciation in the exchange rate is proving to be more persistent than originally anticipated; for example core inflation rose 0.2ppts to 2.7% y/y in January, and still sits well above the Bank of England's ("BoE") inflation target of 2%. In general, the lack of spare capacity and expected pick up in wages should support domestic inflationary pressures in the medium term. At the BoE's most recent Monetary Policy Committee ("MPC") meeting in February, members voted unanimously to keep the Bank Rate unchanged at 0.5%, after having already raised it 25bps in November. However, due to a greater prospect of excess demand, the MPC said that it will need to bring inflation back to the 2% target within a 'more conventional horizon', i.e. sooner than was previously indicated. This implies that monetary policy would need to be tightened somewhat earlier, and by a somewhat greater extent, over the forecast period than was anticipated at the time of the November Inflation Report.

The Brexit process continues to cloud the outlook for the United Kingdom. In December, the EU council declared that sufficient progress has been made on the three pillars of 'divorce' to allow negotiations to move onto discussing a transition deal and the future relationship. However, much of the detail still needs to be agreed, and further clarity is needed on various issues, particularly the Irish border.

EMU

In line with the consensus forecasts, the Eurozone expanded by 0.6% q/q in Q4 of 2017, but at a pace somewhat slower than the previous two quarters. This moderation seems to be continuing at the beginning of 2018, as indicated by both business surveys and actual data. Indeed, in January industrial production for the whole area contracted by a larger than expected 1.0% m/m. Retail sales only fell by 0.1%, however compounding the 1.1% drop from the end of 2017. At the same time, in February the EMU Composite PMI fell by a large 1.7 points to 57.1, the lowest level since October, although still a robust reading. Moreover, and importantly, the "Expectations" component of the German ifo Business Survey, usually a leading indicator, fell from 108.3 in January to 105.4 in February, more than 5 points below the November peak. Consumer price dynamics have remained fairly subdued, as the headline Harmonised Index of Consumer Prices ("HICP") inflation declined from 1.3% y/y to 1.1%, undershooting the consensus expectations, while core inflation stood at a mere 1.0% y/y, a touch below the European Central Bank ("ECB") projections profile.

The lack of convincing and sustainable upward pressures on underlying inflation remains the main reason for the persistent ECB dovish attitude and tones. This is despite the removal of the easing bias by the Council around the future possibility to increase the size of the ECB purchases of securities. Moreover, the ECB maintained its language highlighting its concern for upward pressures on the exchange rate of the euro not substantiated by fundamentals, which would mean downside risks for the inflation profile. These risks are shown in the renewed contracting trends of EMU import prices.

Japan

Governor of the Bank of Japan ("BoJ"), Haruhiko Kuroda, caused some confusion when in parliament he mentioned "exit" and "2019" in the same sentence. In fact, his exit discussion was predicated on first achieving the BoJ's 2% inflation target. If inflation has not risen to target, yield-curve control will continue. It should also be noted that in subsequent appearances, the chair was more emphatic in insisting that there are no plans to reduce accommodation before the 2% inflation target is met.

Smoothing through the high-frequency volatility, the inflation backdrop has improved, but only somewhat. Core inflation is up 0.8% y/y through January, which is higher than half a year ago, but the data hint at flattening out, as energy price inflation has slowed. Certainly, energy cannot be counted on to be the sole force driving inflation to target. Indeed, western core inflation is up only 0.2% y/y, which is a small improvement from early in 2017. The pattern of monthly price increases, of off-an-on upticks of 0.1%, suggests a little further improvement in the twelve-month change. Nonetheless, anything close to 2% inflation excluding food and energy is not in the offing. Consumer inflation expectations have moved up from their bottom around the start of 2017, but are well below the levels seen when optimism in Abenomics was running high. In the last few weeks, the yen-dollar rate appears to have stabilised. But, at around 106 yen to the dollar, the yen is stronger than a few months ago, and certainly is not at a level that can serve as a reflationary impetus.

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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.