

**BREVAN HOWARD**

Brevan Howard Master Fund Limited  
Annual Audited Consolidated Financial Statements 2014  
(with Independent Auditors' Report thereon)

ANNUAL AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS  
31 December 2014

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# Independent Auditors' Report to the Directors and Shareholders on the Consolidated Financial Statements of Brevan Howard Master Fund Limited

We have audited the accompanying consolidated financial statements of Brevan Howard Master Fund Limited (the "Master Fund"), which comprise the consolidated statement of assets and liabilities, including the consolidated condensed schedule of investments as of 31 December 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

This report is made solely to the Directors and Shareholders, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Directors and Shareholders those matters we are required to state to them in an auditors' report and for no other purpose. We do not accept or assume responsibility to anyone other than the Directors and Shareholders, for our audit work, for this report, or for the opinions we have formed.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of the Master Fund as of 31 December 2014, and the results of its consolidated operations, the changes in its consolidated net assets and its consolidated cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

## KPMG

George Town  
Grand Cayman

19 March 2015

# Consolidated Statement of Assets and Liabilities

31 December 2014

	2014 US\$'000
<b>Assets</b>	
Investments at fair value (cost: US\$40,038,523) (Note 3,5)	45,249,804
Cash (Note 2)	286
Investments purchased under agreements to resell (cost: US\$6,810,865) (Note 7)	6,662,751
Dividends and interest receivable	103,781
Due from broker (Note 2)	5,185,395
Long-term interest-bearing subscriptions receivable (Note 14)	89,281
Other assets	2,803
<b>Total assets</b>	<b>57,294,101</b>
<b>Liabilities</b>	
Investments sold short at fair value (proceeds: US\$12,406,856) (Note 3)	16,632,400
Investments sold under agreements to repurchase (proceeds: US\$11,171,070) (Note 7)	11,030,312
Accounts payable and accrued expenses (Note 4,5,6)	6,711
Dividends and interest payable	63,656
Redemptions payable	1,287,569
Subscriptions in advance	129
Due to broker (Note 2)	5,895,197
Performance fee payable (Note 5)	43,405
<b>Total liabilities</b>	<b>34,959,379</b>
<b>Net assets</b> (Note 8,13)	<b>22,334,722</b>
<b>Net asset value per share</b>	
US Dollar Class A	US\$4,884.13
US Dollar L.P. Class A	US\$4,387.93
Euro Class A	€4,810.51
Sterling Class A	£5,390.56
Yen Class A	¥15,884.41
Australian Dollar Class A	AUD 1,662.25
Brazilian Real Class A	BRL 2,033.45
Canadian Dollar Class A	CAD 1,434.67
Norwegian Krone Class A	NOK 1,505.26
Singapore Dollar Class A	SGD 1,341.87
Gold Class A	XAU 126.18
US Dollar Class B	US\$2,752.91
Euro Class B	€2,783.48
Sterling Class B	£2,900.35
US Dollar Class Z	US\$141.40
Euro Class Z	€142.32
Sterling Class Z	£143.53
Yen Class Z	¥14,042.41

Cost and proceeds are presented in US\$'000.

See accompanying notes to the Consolidated Financial Statements.

Signed on behalf of the Board:

**Karla Bodden**  
Director

**Dennis Hunter**  
Director

19 March 2015

# Consolidated Condensed Schedule of Investments

31 December 2014

Cost is presented in US\$'000	Fair Value US\$'000	% of Net Assets
<b>Long portfolio</b>		
Equities		
Argentina (cost US\$15,657)		
Energy	16,020	0.07
Canada (cost US\$4,601)		
Industrial	4,464	0.02
Ireland (cost US\$9,359)		
Industrial	9,605	0.04
Jersey (cost US\$1,934)		
Energy	1,551	0.01
United States (cost US\$117,581)		
Basic Materials	3,883	0.02
Consumer, Cyclical	5,797	0.03
Consumer, Non-Cyclical	18,708	0.08
Energy	7,033	0.03
Financial	19,371	0.09
Funds	54,989	0.25
Industrial	12,089	0.05
Technology	2,756	0.01
	<b>124,626</b>	<b>0.56</b>
<b>Total equities (cost US\$149,132)</b>	<b>156,266</b>	<b>0.70</b>
Fixed income securities		
Argentina (cost US\$72,955)		
Government	62,758	0.28
Australia (cost US\$5,308)		
Industrial	1,146	0.01
Bermuda (cost US\$5,913)		
Asset Backed Securities	2,249	0.01
Financial	4,835	0.02
	<b>7,084</b>	<b>0.03</b>
Canada (cost US\$17,074)		
Communications	17,052	0.08
Cayman Islands (cost US\$28,980)		
Asset Backed Securities	17,245	0.08
Mortgage Backed Securities	109	0.00
	<b>17,354</b>	<b>0.08</b>

# Consolidated Condensed Schedule of Investments continued

31 December 2014

Cost is presented in US\$'000	Fair Value US\$'000	% of Net Assets
<b>Long portfolio (continued)</b>		
Fixed income securities (continued)		
Finland (cost US\$2,802)		
Communications	2,897	0.01
France (cost US\$157,224)		
Government	153,857	0.69
Germany (cost US\$85,059)		
Government	86,864	0.39
Ireland (cost US\$48,967)		
Asset Backed Securities	8,645	0.04
Mortgage Backed Securities	19,258	0.09
	<b>27,903</b>	<b>0.13</b>
Italy (cost US\$3,471,763)		
Government		
160,000 BTPS 1.5% 08/01/2019	199,719	0.89
631,300 BTPS 2.2% 12/15/2021	806,274	3.61
65,000 BTPS 2.4% 09/15/2019	94,807	0.42
40,000 BTPS 2.4% 09/15/2024	54,463	0.24
180,000 BTPS 2.8% 12/01/2015	223,775	1.00
40,000 BTPS 2.8% 11/15/2016	50,702	0.23
135,000 BTPS 3.0% 06/15/2015	166,263	0.74
45,400 BTPS 3.5% 03/01/2030	61,765	0.28
435,086 BTPS 3.8% 09/01/2024	618,372	2.77
18,708 BTPS 4.0% 02/01/2037	26,305	0.12
335,000 BTPS 4.5% 07/15/2015	416,673	1.87
334,500 BTPS 4.8% 09/01/2021	495,506	2.22
115,058 BTPS 4.8% 08/01/2023	174,015	0.78
22,467 BTPS 5.3% 11/01/2029	36,383	0.16
	<b>3,425,022</b>	<b>15.33</b>
Japan (cost US\$5,714,603)		
Government		
26,400,000 JGB 1.2% 12/20/2034	226,604	1.01
5,399,000 JGB 1.4% 09/20/2034	48,043	0.21
35,000,000 JTDB 0.0% 02/20/2015	293,162	1.30
20,000,000 JTDB 0.0% 03/20/2015	167,519	0.75
50,000,000 JTDB 0.0% 04/10/2015	418,808	1.88
70,000,000 JTDB 0.0% 04/20/2015	586,323	2.63
70,000,000 JTDB 0.0% 05/20/2015	586,319	2.63
50,000,000 JTDB 0.0% 06/10/2015	418,742	1.87
70,000,000 JTDB 0.0% 06/22/2015	586,314	2.63
40,000,000 JTDB 0.0% 07/21/2015	335,047	1.50
50,000,000 JTDB 0.0% 08/20/2015	418,808	1.88
70,000,000 JTDB 0.0% 09/24/2015	586,330	2.63
50,000,000 JTDB 0.0% 11/20/2015	418,667	1.87
	<b>5,090,686</b>	<b>22.79</b>

Cost is presented in US\$'000	Fair Value US\$'000	% of Net Assets
<b>Long portfolio (continued)</b>		
Fixed income securities (continued)		
Jersey (cost US\$1,994)		
Asset Backed Securities	6,878	0.03
Luxembourg (cost US\$41,602)		
Asset Backed Securities	39	0.00
Communications	2,009	0.01
Financial	25,236	0.11
Mortgage Backed Securities	2,874	0.02
	<b>30,158</b>	<b>0.14</b>
Mexico (cost US\$503)		
Mortgage Backed Securities	–	0.00
Netherlands (cost US\$407,296)		
Asset Backed Securities	4,955	0.02
Communications	3,031	0.01
Government	392,247	1.76
Industrial	4,956	0.02
Mortgage Backed Securities	165	0.00
	<b>405,354</b>	<b>1.81</b>
Norway (cost US\$156,335)		
Government	148,403	0.66
Portugal (cost US\$978)		
Financial	886	0.00
Spain (cost US\$836,867)		
Government	841,294	3.77
United Kingdom (cost US\$2,512,116)		
Asset Backed Securities	584	0.00
Consumer, Non-Cyclical	2,473	0.01
Government		
133,630 UKT 1.8% 07/22/2019	213,045	0.95
1,134,200 UKT 2.0% 07/22/2020	1,824,392	8.17
205,480 UKT 2.8% 09/07/2024	346,843	1.55
29,900 UKT 3.3% 01/22/2044	53,141	0.24
7,500 UKTI 0.1% 03/22/2068	18,053	0.08
Mortgage Backed Securities	36,968	0.17
Utilities	1,865	0.01
	<b>2,497,364</b>	<b>11.18</b>

# Consolidated Condensed Schedule of Investments continued

31 December 2014

Cost is presented in US\$'000	Fair Value US\$'000	% of Net Assets
<b>Long portfolio (continued)</b>		
Fixed income securities (continued)		
United States (cost US\$19,974,974)		
Asset Backed Securities	401,110	1.80
Basic Materials	13,658	0.06
Communications	47,415	0.21
Consumer, Cyclical	43,188	0.19
Consumer, Non-Cyclical	5,199	0.02
Energy	429	0.00
Financial	1,272	0.01
Government		
1,000,000 B 0.0% 01/08/2015	1,000,006	4.48
100,000 B 0.0% 01/15/2015	100,000	0.45
700,000 B 0.0% 03/05/2015	700,003	3.13
1,700,000 B 0.0% 04/02/2015	1,699,902	7.61
1,900,000 B 0.0% 04/30/2015	1,899,842	8.51
1,000,000 B 0.0% 05/28/2015	999,846	4.48
1,400,000 B 0.0% 06/25/2015	1,399,606	6.27
250,000 B 0.0% 07/23/2015	249,865	1.12
450,000 B 0.0% 07/23/2015	449,746	2.01
1,590,000 B 0.0% 08/20/2015	1,588,719	7.11
1,750,000 B 0.0% 09/17/2015	1,748,231	7.83
600,000 B 0.0% 10/15/2015	599,244	2.68
1,925,000 B 0.0% 11/12/2015	1,922,296	8.61
230,000 B 0.0% 12/10/2015	229,571	1.03
15,000 RFCSP 0.0% 04/15/2030	9,601	0.04
33,000 S 0.0% 02/15/2027	24,367	0.11
165,000 S 0.0% 05/15/2027	120,912	0.54
51,000 S 0.0% 08/15/2027	37,081	0.17
50,000 S 0.0% 02/15/2028	35,810	0.16
100,000 SP 0.0% 08/15/2042	45,810	0.21
79,400 T 1.5% 11/30/2019	78,823	0.35
100,000 T 2.0% 08/31/2021	100,180	0.45
260,200 T 2.0% 10/31/2021	260,586	1.17
99,700 T 2.1% 12/31/2021	100,369	0.45
150,000 T 2.3% 04/30/2021	152,953	0.68
26,089 T 2.3% 11/15/2024	26,258	0.12
400,171 T 2.4% 08/15/2024	407,267	1.82
123,721 T 2.8% 08/15/2042	123,798	0.55
239,600 T 2.8% 11/15/2042	239,619	1.07
34,616 T 3.0% 11/15/2044	36,392	0.16
100,000 T 3.5% 02/15/2039	114,969	0.51
100,000 T 4.4% 02/15/2038	131,000	0.59
97,400 T 4.4% 05/15/2040	128,155	0.57
28,100 T 4.6% 02/15/2040	38,203	0.17
50,000 T 4.8% 02/15/2037	69,043	0.31
105,050 T 5.3% 02/15/2029	141,284	0.63
21,000 T 5.5% 08/15/2028	28,690	0.13
982,000 TF 0.1% 07/31/2016	982,020	4.40
51,050 TII 1.4% 02/15/2044	59,005	0.26



Cost is presented in US\$'000	Fair Value US\$'000	% of Net Assets	
<b>Long portfolio (continued)</b>			
Fixed income securities (continued)			
United States (cost US\$19,974,974) (continued)			
Industrial	851	0.00	
Mortgage Backed Securities	1,636,321	7.34	
Technology	5,166	0.02	
Utilities	17,875	0.08	
	<b>20,251,556</b>	<b>90.67</b>	
<b>Total fixed income securities (cost US\$33,543,313)</b>	<b>33,074,516</b>	<b>148.08</b>	
Private placement			
Cyprus (cost US\$42,364)			
Property	3,983	0.02	
Israel (cost US\$2,500)			
Technology	–	0.00	
Italy (cost US\$4,415)			
Financial	–	0.00	
United States (cost US\$1,189)			
Consumer, Cyclical	–	0.00	
Financial	46	0.00	
<b>Total private placements (cost US\$50,468)</b>	<b>4,029</b>	<b>0.02</b>	
Interest rate guarantee options (cost US\$352,835)			
EUR	termination dates through December 2045	89,173	0.40
GBP	termination dates through December 2016	9,985	0.04
USD	termination dates through February 2027	181,884	0.81
		<b>281,042</b>	<b>1.25</b>
Forward rate agreements			
EUR	termination dates through June 2016	34,724	0.16
GBP	termination dates through August 2015	9,743	0.04
HUF	termination dates through June 2015	54	0.00
ILS	termination dates through October 2015	183	0.00
SEK	termination dates through December 2015	1,517	0.01
USD	termination dates through September 2015	8,571	0.04
ZAR	termination dates through September 2015	472	0.00
		<b>55,264</b>	<b>0.25</b>
Cross currency swaps			
CHF/USD	termination dates through June 2015	413	0.00
EUR/USD	termination dates through September 2016	6,414	0.03
GBP/USD	termination dates through December 2032	4,240	0.02
JPY/USD	termination dates through December 2018	15,392	0.07
MXN/USD	termination dates through April 2021	31	0.00
		<b>26,490</b>	<b>0.12</b>

# Consolidated Condensed Schedule of Investments continued

31 December 2014

Cost is presented in US\$'000		Fair Value US\$'000	% of Net Assets
<b>Long portfolio (continued)</b>			
<b>Interest rate swaps</b>			
AUD	termination dates through November 2029	45,894	0.21
BRL	termination dates through January 2021	27,016	0.12
CAD	termination dates through November 2016	708	0.00
CHF	termination dates through December 2024	16,047	0.07
CNY	termination dates through November 2019	5,128	0.02
CZK	termination dates through July 2022	4,334	0.02
EUR	termination dates through August 2046	952,271	4.27
GBP	termination dates through July 2062	556,488	2.49
HKD	termination dates through February 2022	17,717	0.08
HUF	termination dates through December 2019	14,060	0.06
ILS	termination dates through December 2019	25,424	0.11
INR	termination dates through December 2019	7,085	0.03
JPY	termination dates through March 2035	44,754	0.20
KRW	termination dates through October 2024	23,089	0.10
MXN	termination dates through December 2024	13,852	0.06
MYR	termination dates through December 2024	4,864	0.02
NOK	termination dates through December 2024	20,018	0.09
PLN	termination dates through December 2019	6,887	0.03
SEK	termination dates through December 2031	4,945	0.02
SGD	termination dates through March 2024	32,590	0.16
THB	termination dates through January 2020	3,110	0.01
TWD	termination dates through July 2024	1,540	0.01
USD	termination dates through June 2049	551,533	2.48
ZAR	termination dates through December 2017	540	0.00
		<b>2,379,894</b>	<b>10.66</b>
<b>Credit default swaps (cost US\$82,007)</b>			
EUR	termination dates through December 2019	11,774	0.05
USD	termination dates through October 2052	162,459	0.73
		<b>174,233</b>	<b>0.78</b>
<b>Swaptions (cost US\$1,816,081)</b>			
AUD	termination dates through June 2015	5,722	0.03
BRL	termination dates through January 2015	2,304	0.01
EUR	termination dates through August 2033	305,002	1.37
GBP	termination dates through October 2037	1,143,749	5.12
ILS	termination dates through March 2015	180	0.00
JPY	termination dates through April 2019	168,482	0.75
KRW	termination dates through March 2016	14,218	0.06
MXN	termination dates through November 2015	1,821	0.01
USD	termination dates through June 2034	771,354	3.45
ZAR	termination dates through February 2015	551	0.00
		<b>2,413,383</b>	<b>10.80</b>

Cost is presented in US\$'000		Fair Value US\$'000	% of Net Assets
<b>Long portfolio (continued)</b>			
<b>FX contracts</b>			
AUD/JPY	termination dates through November 2017	95,301	0.43
AUD/USD	termination dates through March 2015	7,535	0.03
BRL/USD	termination dates through August 2015	21,136	0.09
CHF/USD	termination dates through July 2018	216,752	0.97
CNH/USD	termination dates through September 2016	257,606	1.15
CNY/USD	termination dates through December 2015	18,548	0.08
EUR/CHF	termination dates through August 2017	11,248	0.05
EUR/GBP	termination dates through July 2016	5,751	0.03
EUR/USD	termination dates through June 2027	135,972	0.61
GBP/USD	termination dates through March 2015	14,610	0.07
ILS/USD	termination dates through August 2015	7,598	0.03
INR/USD	termination dates through October 2015	26,931	0.12
JPY/USD	termination dates through March 2017	827,039	3.70
KRW/USD	termination dates through May 2016	24,013	0.11
MXN/USD	termination dates through March 2015	10,363	0.05
MYR/USD	termination dates through March 2015	15,531	0.07
RUB/USD	termination dates through October 2015	159,990	0.72
TRY/USD	termination dates through March 2016	23,091	0.10
TWD/USD	termination dates through April 2015	24,594	0.11
Other	termination dates through December 2020	19,204	0.09
		<b>1,922,813</b>	<b>8.61</b>
<b>Exchange traded futures</b>			
Crude Oil	termination dates through November 2020	48,110	0.22
DJ Eur Stoxx	termination dates through March 2015	5,885	0.03
Euribor	termination dates through March 2019	41,927	0.18
Euro	termination dates through September 2016	70,892	0.32
Eurodollar	termination dates through September 2021	27,810	0.12
US Treasury Note	termination dates through March 2015	11,849	0.05
WTI	termination dates through November 2016	8,086	0.04
Other	termination dates through March 2018	11,914	0.05
		<b>226,473</b>	<b>1.01</b>
<b>Exchange traded options (cost US\$383,649)</b>			
Euribor	termination dates through June 2016	9,190	0.04
Euro	termination dates through February 2015	27,517	0.12
Eurodollar	termination dates through June 2017	330,892	1.49
Other	termination dates through September 2015	10,383	0.05
		<b>377,982</b>	<b>1.70</b>
<b>Commodity options (cost US\$243,736)</b>			
Crude Oil	termination dates through November 2017	99,524	0.45
Gold	termination dates through March 2015	3,245	0.01
Natural Gas	termination dates through November 2017	23,968	0.11
		<b>126,737</b>	<b>0.57</b>

# Consolidated Condensed Schedule of Investments *continued*

31 December 2014

Cost is presented in US\$'000		Fair Value US\$'000	% of Net Assets
<b>Long portfolio (continued)</b>			
Equity options (cost US\$1,052,046)			
DJ EURO Stoxx Index	termination dates through December 2016	104,961	0.47
FTSE Index	termination dates through June 2015	28,692	0.13
Hang Seng Index	termination dates through December 2015	66,186	0.30
NIFTY OTC Index	termination dates through June 2015	13,367	0.06
NIKKEI 225 Index	termination dates through December 2016	382,444	1.72
S&P 500	termination dates through December 2022	114,474	0.51
TOPIX Index	termination dates through June 2015	16,692	0.07
Other	termination dates through December 2015	16,039	0.07
		<b>742,855</b>	<b>3.33</b>
FX options (cost US\$1,981,828)			
AUD/USD	termination dates through December 2015	39,997	0.18
CHF/BSK	termination dates through April 2015	7,775	0.03
EUR/CHF	termination dates through September 2015	93,094	0.42
EUR/GBP	termination dates through September 2015	17,604	0.08
EUR/NOK	termination dates through September 2015	14,771	0.07
EUR/SEK	termination dates through May 2015	7,840	0.04
EUR/USD	termination dates through January 2018	861,483	3.85
GBP/USD	termination dates through August 2015	40,116	0.18
USD/BRL	termination dates through March 2015	6,679	0.03
USD/CAD	termination dates through June 2015	9,316	0.04
USD/CHF	termination dates through January 2018	344,639	1.54
USD/CNH	termination dates through September 2016	62,636	0.28
USD/CNY	termination dates through June 2015	9,114	0.04
USD/ILS	termination dates through August 2015	23,635	0.11
USD/INR	termination dates through October 2015	8,721	0.04
USD/JPY	termination dates through February 2024	978,123	4.38
USD/KRW	termination dates through May 2015	18,040	0.08
USD/MYR	termination dates through December 2015	9,153	0.04
USD/NZD	termination dates through June 2015	11,521	0.05
USD/RUB	termination dates through January 2016	53,609	0.24
USD/SAR	termination dates through August 2016	7,064	0.03
USD/SGD	termination dates through October 2015	45,710	0.20
USD/TWD	termination dates through November 2015	35,031	0.16
USD/ZAR	termination dates through December 2015	15,864	0.07
Other	termination dates through November 2016	14,534	0.07
		<b>2,736,069</b>	<b>12.25</b>

Cost is presented in US\$'000	Fair Value US\$'000	% of Net Assets
<b>Long portfolio (continued)</b>		
Investments in Affiliated Funds (cost US\$379,457)		
Brevan Howard Commodities Strategies Fund L.P.	63,438	0.28
Brevan Howard Emerging Markets Strategies Master Fund Limited	379	0.00
Brevan Howard Equity Strategies Master Fund Limited	3,817	0.02
Brevan Howard Investment Fund – Emerging Markets Local Fixed Income Fund Limited	9,647	0.04
Brevan Howard Strategic Macro Fund L.P.	202,218	0.91
Brevan Howard Strategic Macro Master Fund Limited	1,040	0.00
Brevan Howard Strategic Opportunities Fund Limited	15,248	0.07
DW Value Master Fund Limited	162,180	0.73
	<b>457,967</b>	<b>2.05</b>
Bond options (cost US\$3,971)	18,589	0.08
Future swaps	5	0.00
Variance swaps	55,625	0.25
Volatility swaps	19,572	0.09
<b>Total investments at fair value (cost US\$40,038,523)</b>	<b>45,249,804</b>	<b>202.60</b>

# Consolidated Condensed Schedule of Investments continued

31 December 2014

Proceeds are presented in US\$'000	Fair Value US\$'000	% of Net Assets	
<b>Short portfolio</b>			
Equities			
Bermuda (proceeds (US\$1,107))			
Industrial	(1,202)	(0.01)	
Denmark (proceeds (US\$3,079))			
Industrial	(3,062)	(0.01)	
Switzerland (proceeds (US\$5,636))			
Energy	(2,721)	(0.01)	
United Kingdom (proceeds (US\$8,286))			
Energy	(4,974)	(0.02)	
United States (proceeds (US\$97,153))			
Communications	(1,391)	(0.01)	
Consumer, Non-Cyclical	(2,778)	(0.01)	
Energy	(2,185)	(0.01)	
Funds	(76,925)	(0.34)	
Industrial	(15,646)	(0.07)	
	<b>(98,925)</b>	<b>(0.44)</b>	
<b>Total equities (proceeds (US\$115,261))</b>			
	<b>(110,884)</b>	<b>(0.49)</b>	
Fixed income securities			
Finland (proceeds (US\$84,150))			
Government	(81,869)	(0.37)	
France (proceeds (US\$141,641))			
Government	(137,789)	(0.62)	
Germany (proceeds (US\$437,948))			
Government	(414,509)	(1.86)	
Italy (proceeds (US\$1,306,013))			
Government			
27,000	BTPS 2.5% 12/01/2024	(34,709)	(0.16)
40,000	BTPS 3.0% 11/01/2015	(49,734)	(0.22)
450,000	BTPS 4.3% 09/01/2019	(631,553)	(2.82)
185,397	BTPS 4.3% 03/01/2020	(262,506)	(1.18)
86,740	BTPS 4.5% 02/01/2020	(123,864)	(0.55)
23,415	BTPS 4.5% 03/01/2024	(35,088)	(0.16)
18,000	BTPS 5.0% 09/01/2040	(29,011)	(0.13)
36,700	BTPS 6.0% 05/01/2031	(64,725)	(0.29)
		<b>(1,231,190)</b>	<b>(5.51)</b>

Proceeds are presented in US\$'000		Fair Value US\$'000	% of Net Assets
<b>Short portfolio (continued)</b>			
Fixed income securities (continued)			
Netherlands (proceeds (US\$83,781))			
Government		(83,141)	(0.37)
Spain (proceeds (US\$130,333))			
Government		(134,469)	(0.60)
United Kingdom (proceeds (US\$2,292,318))			
Communications		(756)	(0.00)
Government			
50,000	UKT 2.3% 09/07/2023	(81,294)	(0.36)
346,040	UKT 3.8% 09/07/2019	(601,643)	(2.70)
262,900	UKT 3.8% 09/07/2020	(463,177)	(2.07)
212,480	UKT 3.8% 09/07/2021	(379,083)	(1.70)
38,613	UKT 4.3% 12/07/2046	(82,630)	(0.37)
113,200	UKT 4.5% 09/07/2034	(234,907)	(1.05)
40,758	UKT 4.5% 12/07/2042	(88,686)	(0.40)
171,440	UKT 5.0% 03/07/2025	(346,660)	(1.55)
6,320	UKTI 1.3% 11/22/2055	(25,213)	(0.11)
		<b>(2,304,049)</b>	<b>(10.31)</b>
United States (proceeds (US\$3,072,283))			
Communications		(1,523)	(0.01)
Energy		(2,812)	(0.01)
Government			
40,200	SP 0.0% 02/15/2036	(23,919)	(0.11)
59,800	SP 0.0% 02/15/2044	(26,239)	(0.12)
590,000	T 0.6% 12/31/2016	(589,363)	(2.64)
79,000	T 1.0% 12/15/2017	(78,793)	(0.35)
10,000	T 1.3% 11/30/2018	(9,923)	(0.04)
35,200	T 1.5% 11/30/2019	(34,944)	(0.16)
17,000	T 1.6% 04/30/2019	(17,045)	(0.08)
214,198	T 2.3% 11/15/2024	(215,532)	(0.97)
2,333	T 2.5% 08/15/2023	(2,406)	(0.01)
3,781	T 2.5% 05/15/2024	(3,891)	(0.02)
13,005	T 2.8% 11/15/2023	(13,676)	(0.06)
3,750	T 2.8% 02/15/2024	(3,942)	(0.02)
130,300	T 3.0% 11/15/2044	(136,976)	(0.61)
1,800	T 3.1% 02/15/2043	(1,934)	(0.01)
36,598	T 3.4% 05/15/2044	(41,242)	(0.18)
83,318	T 3.6% 02/15/2044	(98,146)	(0.44)
360,200	T 4.5% 02/15/2036	(480,885)	(2.15)
16,200	T 4.8% 02/15/2041	(22,658)	(0.10)
23,000	T 6.3% 05/15/2030	(34,380)	(0.15)
73,500	TII 0.1% 07/15/2024	(70,737)	(0.32)

# Consolidated Condensed Schedule of Investments continued

31 December 2014

Proceeds are presented in US\$'000		Fair Value US\$'000	% of Net Assets
<b>Short portfolio (continued)</b>			
Fixed income securities (continued)			
United States (proceeds (US\$3,072,283)) (continued)			
Mortgage Backed Securities		(1,188,482)	(5.32)
		<b>(3,099,448)</b>	<b>(13.88)</b>
<b>Total fixed income securities (proceeds (US\$7,548,467))</b>		<b>(7,486,464)</b>	<b>(33.52)</b>
Interest rate guarantee options (proceeds (US\$330,682))			
EUR	termination dates through June 2028	(20,866)	(0.10)
GBP	termination dates through December 2016	(9,985)	(0.04)
USD	termination dates through February 2027	(187,107)	(0.84)
		<b>(217,958)</b>	<b>(0.98)</b>
Forward rate agreements			
EUR	termination dates through December 2015	(13,491)	(0.06)
GBP	termination dates through December 2015	(11,696)	(0.05)
HUF	termination dates through September 2015	(225)	(0.00)
ILS	termination dates through May 2015	(88)	(0.00)
PLN	termination dates through December 2015	(324)	(0.00)
USD	termination dates through September 2017	(14,532)	(0.07)
ZAR	termination dates through December 2015	(318)	(0.00)
		<b>(40,674)</b>	<b>(0.18)</b>
Cross currency swaps			
CHF/USD	termination dates through June 2015	(192)	(0.00)
EUR/USD	termination dates through December 2018	(1,197)	(0.00)
JPY/USD	termination dates through December 2018	(10,510)	(0.05)
MXN/USD	termination dates through April 2019	(15)	(0.00)
		<b>(11,914)</b>	<b>(0.05)</b>
Interest rate swaps			
AUD	termination dates through August 2024	(12,319)	(0.06)
BRL	termination dates through January 2021	(52,387)	(0.23)
CAD	termination dates through November 2017	(942)	(0.00)
CHF	termination dates through December 2024	(89)	(0.00)
CNY	termination dates through November 2019	(4,387)	(0.02)
CZK	termination dates through January 2022	(4,536)	(0.02)
EUR	termination dates through August 2053	(961,334)	(4.31)
GBP	termination dates through July 2062	(779,992)	(3.50)
HKD	termination dates through April 2029	(18,190)	(0.08)
HUF	termination dates through December 2019	(75)	(0.00)
ILS	termination dates through December 2019	(21,033)	(0.09)
INR	termination dates through December 2019	(5,857)	(0.03)
JPY	termination dates through December 2037	(135,750)	(0.61)
KRW	termination dates through December 2024	(32,220)	(0.14)
MXN	termination dates through December 2024	(12,476)	(0.06)
MYR	termination dates through September 2024	(3,043)	(0.01)
NOK	termination dates through October 2024	(19,914)	(0.09)
PLN	termination dates through December 2024	(6,219)	(0.03)



Proceeds are presented in US\$'000		Fair Value US\$'000	% of Net Assets
<b>Short portfolio (continued)</b>			
Interest rate swaps (continued)			
SEK	termination dates through December 2024	(1,070)	(0.00)
SGD	termination dates through March 2029	(4,879)	(0.02)
THB	termination dates through November 2019	(2,652)	(0.01)
TWD	termination dates through August 2024	(798)	(0.00)
USD	termination dates through June 2049	(657,812)	(2.95)
ZAR	termination dates through April 2019	(2,393)	(0.01)
		<b>(2,740,367)</b>	<b>(12.27)</b>
Credit default swaps (proceeds (US\$773,499))			
EUR	termination dates through December 2019	(10,066)	(0.05)
USD	termination dates through May 2063	(744,351)	(3.33)
		<b>(754,417)</b>	<b>(3.38)</b>
Swaptions (proceeds (US\$770,053))			
AUD	termination dates through June 2015	(2,729)	(0.01)
BRL	termination dates through January 2015	(10,280)	(0.05)
EUR	termination dates through September 2029	(249,321)	(1.12)
GBP	termination dates through February 2017	(164,464)	(0.73)
ILS	termination dates through March 2015	(245)	(0.00)
JPY	termination dates through February 2016	(7,984)	(0.04)
KRW	termination dates through June 2015	(4,587)	(0.02)
MXN	termination dates through June 2015	(171)	(0.00)
PLN	termination dates through February 2015	(27)	(0.00)
USD	termination dates through June 2024	(457,619)	(2.05)
ZAR	termination dates through February 2015	(488)	(0.00)
		<b>(897,915)</b>	<b>(4.02)</b>
FX contracts			
AUD/JPY	termination dates through November 2017	(93,230)	(0.42)
BRL/USD	termination dates through August 2015	(26,938)	(0.12)
CHF/USD	termination dates through July 2018	(195,598)	(0.87)
CNH/USD	termination dates through June 2016	(150,983)	(0.68)
CNY/USD	termination dates through December 2015	(14,612)	(0.07)
EUR/CHF	termination dates through August 2017	(20,749)	(0.09)
EUR/USD	termination dates through June 2027	(168,653)	(0.76)
GBP/USD	termination dates through March 2015	(26,747)	(0.12)
INR/USD	termination dates through August 2015	(30,028)	(0.13)
JPY/USD	termination dates through March 2017	(281,230)	(1.26)
KRW/USD	termination dates through May 2016	(16,895)	(0.08)
MXN/USD	termination dates through March 2015	(14,450)	(0.06)
MYR/USD	termination dates through March 2015	(22,506)	(0.10)
RUB/USD	termination dates through January 2016	(180,533)	(0.81)
SGD/USD	termination dates through April 2015	(7,353)	(0.03)
TRY/USD	termination dates through March 2016	(12,780)	(0.06)
TWD/USD	termination dates through June 2015	(26,950)	(0.12)
Other	termination dates through August 2016	(29,115)	(0.13)
		<b>(1,319,350)</b>	<b>(5.91)</b>

# Consolidated Condensed Schedule of Investments continued

31 December 2014

Proceeds are presented in US\$'000		Fair Value US\$'000	% of Net Assets
<b>Short portfolio (continued)</b>			
Exchange traded futures			
Australia Treasury	termination dates through June 2016	(18,125)	(0.09)
Euro	termination dates through March 2015	(9,301)	(0.04)
US Treasury Note	termination dates through June 2015	(7,043)	(0.03)
Other	termination dates through December 2019	(23,183)	(0.10)
		<b>(57,652)</b>	<b>(0.26)</b>
Exchange traded options (proceeds (US\$336,308))			
Euribor	termination dates through June 2016	(7,751)	(0.03)
Euro	termination dates through February 2015	(18,959)	(0.08)
Eurodollar	termination dates through June 2018	(292,442)	(1.32)
US Treasury Note	termination dates through February 2015	(6,311)	(0.03)
Other	termination dates through September 2015	(4,182)	(0.02)
		<b>(329,645)</b>	<b>(1.48)</b>
Commodity options (proceeds (US\$98,362))			
Crude Oil	termination dates through November 2016	(139,957)	(0.63)
Gold	termination dates through March 2015	(447)	(0.00)
Natural Gas	termination dates through November 2015	(371)	(0.00)
		<b>(140,775)</b>	<b>(0.63)</b>
Equity options (proceeds (US\$880,158))			
DJ EURO Stoxx Index	termination dates through September 2015	(51,443)	(0.23)
FTSE Index	termination dates through March 2015	(10,690)	(0.05)
Hang Seng Index	termination dates through December 2015	(45,942)	(0.21)
NIFTY OTC Index	termination dates through June 2015	(13,345)	(0.06)
NIKKEI 225 Index	termination dates through December 2016	(307,905)	(1.37)
S&P 500	termination dates through December 2022	(180,805)	(0.81)
Other	termination dates through December 2015	(11,165)	(0.05)
		<b>(621,295)</b>	<b>(2.78)</b>
FX options (proceeds (US\$1,554,066))			
AUD/USD	termination dates through December 2015	(31,925)	(0.14)
EUR/CHF	termination dates through September 2015	(71,417)	(0.32)
EUR/GBP	termination dates through September 2015	(5,820)	(0.03)
EUR/NOK	termination dates through September 2015	(14,861)	(0.07)
EUR/USD	termination dates through January 2018	(469,842)	(2.10)
GBP/USD	termination dates through August 2015	(18,808)	(0.08)
USD/CHF	termination dates through November 2017	(209,932)	(0.94)
USD/CNH	termination dates through April 2016	(40,737)	(0.18)
USD/ILS	termination dates through August 2015	(23,211)	(0.10)
USD/JPY	termination dates through February 2024	(873,170)	(3.91)
USD/KRW	termination dates through April 2015	(12,787)	(0.06)
USD/NZD	termination dates through June 2015	(5,907)	(0.03)
USD/RUB	termination dates through February 2016	(16,785)	(0.08)
USD/SGD	termination dates through January 2016	(13,070)	(0.06)
USD/TRY	termination dates through May 2015	(18,200)	(0.08)
USD/TWD	termination dates through June 2015	(11,070)	(0.05)

Proceeds are presented in US\$'000		Fair Value US\$'000	% of Net Assets
<b>Short portfolio (continued)</b>			
FX options (proceeds (US\$1,554,066)) (continued)			
USD/ZAR	termination dates through October 2015	(6,221)	(0.03)
Other	termination dates through November 2016	(23,321)	(0.10)
		<b>(1,867,084)</b>	<b>(8.36)</b>
Variance swaps		(27,682)	(0.12)
Volatility swaps		(8,324)	(0.04)
<b>Total investments sold short at fair value (proceeds (US\$12,406,856))</b>		<b>(16,632,400)</b>	<b>(74.47)</b>

See accompanying notes to the Consolidated Financial Statements.

# Consolidated Statement of Operations

For the year ended 31 December 2014

	2014 US\$'000
<b>Investment income</b>	
Interest income	644,917
Dividend income (net of withholding tax of US\$986)	3,083
<b>Total income</b>	<b>648,000</b>
<b>Expenses</b>	
Interest expense	330,485
Professional fees and other	6,907
Operational services fee (Note 4)	119,545
Management fee (Note 5)	33,492
Administration fee (Note 6)	27,904
Commissions on futures and options	89,722
Dividend expense on investments sold short	3,871
Performance fee (Note 5)	43,412
<b>Total expenses</b>	<b>655,338</b>
<b>Net investment loss</b>	<b>(7,338)</b>
<b>Net realised and unrealised gain/ (loss) on investments</b>	
Net realised gain on investments (Note 2)	456,718
Net change in unrealised depreciation on investments (Note 2)	(810,694)
<b>Net realised and unrealised loss on investments</b>	<b>(353,976)</b>
<b>Net decrease in net assets resulting from operations</b>	<b>(361,314)</b>

Withholding tax is presented in US\$'000.

See accompanying notes to the Consolidated Financial Statements.

# Consolidated Statement of Changes in Net Assets

For the year ended 31 December 2014

	2014 US\$'000
<b>Net decrease in net assets resulting from operations</b>	
Net investment loss	(7,338)
Net realised gain on investments	456,718
Net change in unrealised depreciation on investments	(810,694)
	<b>(361,314)</b>
<b>Share capital transactions</b>	
<i>Issue of shares</i>	
US Dollar Class A	2,306,581
US Dollar L.P. Class A	228,492
Euro Class A	72,826
Sterling Class A	512,016
Yen Class A	744,609
Australian Dollar Class A	147
Brazilian Real Class A	7,402
Canadian Dollar Class A	122
Norwegian Krone Class A	163
Singapore Dollar Class A	145
Swedish Krona Class A	1
Gold Class A	10
US Dollar Class B	20,201
Euro Class B	12,454
Sterling Class B	50,420
US Dollar Class Y	5,135
Euro Class Y	54,164
Sterling Class Y	55,988
US Dollar Class Z	260,477
Sterling Class Z	398,285
<i>Redemption of shares</i>	
US Dollar Class A	(4,768,978)
US Dollar L.P. Class A	(1,120,017)
Euro Class A	(430,904)
Sterling Class A	(326,591)
Yen Class A	(207,287)
Australian Dollar Class A	(31,359)
Brazilian Real Class A	(87,996)
Canadian Dollar Class A	(40,300)
Norwegian Krone Class A	(44,773)
Singapore Dollar Class A	(64,556)
Swedish Krona Class A	(7,435)
US Dollar Class B	(165,876)
Euro Class B	(67,345)
Sterling Class B	(304,056)
US Dollar Class Y	(54,331)
Euro Class Y	(120,680)
Sterling Class Y	(348,933)
US Dollar Class Z	(620,000)
Euro Class Z	(40,938)

# Consolidated Statement of Changes in Net Assets continued

For the year ended 31 December 2014

	2014 US\$'000
Sterling Class Z	(539,017)
Yen Class Z	(43,593)
Equalisation write back (Note 16)	7
<b>Net decrease in net assets</b>	<b>(5,066,634)</b>
<b>Net assets – beginning of year</b>	<b>27,401,356</b>
<b>Net assets – end of year</b>	<b>22,334,722</b>

*See accompanying notes to the Consolidated Financial Statements.*

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

2014  
US\$'000

## Cash flows from operating activities:

<b>Net decrease in net assets resulting from operations</b>	<b>(361,314)</b>
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Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:

Decrease in investments at fair value	4,546,012
Decrease in investments purchased under agreements to resell	1,847,999
Increase in dividends and interest receivable	(22,230)
Decrease in other assets	1,383
Decrease in due from broker	3,053,035
Decrease in investments sold short at fair value	(3,787,387)
Decrease in due to broker	(2,282,808)
Increase in accounts payable and accrued expenses	16
Increase in dividends and interest payable	19,233
Increase in performance fee payable	38,500
<b>Net cash provided by operating activities</b>	<b>3,052,439</b>

## Cash flows from financing activities:

Proceeds on issue of shares	4,725,386
Payments on redemption of shares	(8,744,659)
Equalisation factor	282
Increase in investments purchased under agreement to resell	(199,617)
Increase in investments sold under agreement to repurchase	1,166,382
<b>Net cash used in financing activities</b>	<b>(3,052,226)</b>
<b>Net increase in cash</b>	<b>213</b>
<b>Cash – beginning of year</b>	<b>73</b>
<b>Cash – end of year</b>	<b>286</b>

Non-cash financing activities not included herein consist of:

Movement in long-term interest-bearing subscriptions receivable of US\$4,380,559.

Movement in redemptions payable of US\$690,305,157.

See accompanying notes to the Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

31 December 2014

## 1. Organisation

Brevan Howard Master Fund Limited (the "Master Fund") is an exempted limited liability company which was incorporated under the Companies Law of the Cayman Islands on 22 January 2003 and commenced trading on 1 April 2003. The Master Fund registered under the Mutual Funds Law of the Cayman Islands on 4 March 2003.

The Master Fund seeks to generate consistent long-term appreciation through active leveraged trading and investment on a global basis. The Master Fund's investment strategy is comprised of global investment strategies and a number of long and short strategies that may have directional risk.

Brevan Howard Capital Management LP (the "Manager"), acting through its sole general partner, Brevan Howard Capital Management Limited, is the Manager of the Master Fund. The Manager has registered as a Commodity Pool Operator with the United States Commodity Futures Trading Commission with effect from 1 January 2013 in respect of the Master Fund.

The Manager has appointed each of: (i) Brevan Howard Asset Management LLP ("BHAM"); (ii) Brevan Howard Investment Products Limited ("BHIPL"); (iii) Brevan Howard (Hong Kong) Limited; (iv) Brevan Howard (Israel) Limited; (v) DW Partners, LP (formerly DW Investment Management, LP); (vi) BH-DG Systematic Trading LLP; and (vii) Brevan Howard US Investment Management, LP as Investment Managers of the Master Fund's assets, in each case subject to risk oversight and treasury management by BHIPL and/ or BHAM. The Manager may in future appoint additional Investment Managers provided that they are affiliates of the Manager or the Investment Managers.

The Manager and the Investment Managers (and/ or their members, Directors, employees, related entities and connected persons and their respective members, Directors and employees) may subscribe, directly or indirectly, for shares and/ or interests in the Master Fund's feeder funds. The feeder funds comprise of Brevan Howard Fund Limited, Brevan Howard L.P. and BH Macro Limited (together the "Feeder Funds").

The registered office of the Master Fund is at M&C Corporate Services Limited, P.O. Box 309, George Town, Grand Cayman KY1-1104, Cayman Islands.

## 2. Significant accounting policies

### Basis of preparation

The accompanying Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The Consolidated Financial Statements are presented in US Dollars ("US\$").

The Directors determined that the Master Fund satisfied the necessary criteria in accordance with Accounting Standard Update 2013-08 – Financial Services – Investment Companies

(Topic 946): Amendments to the scope, measurement and disclosure requirements ("ASU 2013-08"). They have therefore applied Accounting Standards Codification ("ASC") Topic 946 (AICPA Investment Company Guide), fair value accounting, in the preparation of the Master Fund's consolidated financial statements. The Master Fund did not provide financial support to any related parties or investee entities during the current period.

### Basis of consolidation

The Master Fund has consolidated the following entities (together the "Subsidiaries") as at 31 December 2014:

- BHM Investments II Limited, a company incorporated with limited liability on 7 May 2010 under the laws of the Cayman Islands; and
- WCG Strategies Fund Limited, a company incorporated with limited liability on 27 October 2008 under the laws of the Cayman Islands.

The Master Fund owns 100% of BHM Investments II Limited and 100% of WCG Strategies Fund Limited as at 31 December 2014.

The Consolidated Financial Statements include full consolidation of wholly owned subsidiaries and of majority owned subsidiaries, except where the effect on the Master Fund's financial position and results of operations are immaterial. Transactions between the Master Fund and the Subsidiaries have been eliminated on consolidation.

### Security transactions and valuation

Security transactions are accounted for on a trade date basis.

Most positions of the Master Fund and its Subsidiaries are priced at the same time each day. This provides reliable comparative pricing of positions which are traded in different markets. A snapshot of all markets (excluding Pacific Rim and Australasia) is made at 4:00 p.m. GMT. Pacific Rim and Australasia positions are generally priced as at the local end-of-day mid market levels.

Instruments with directly observable prices are priced to independent external data sources (e.g. exchange traded futures, options, equities, government and corporate debt securities). Fair value estimates for financial instruments for which no or limited observable market data is available are based on judgments regarding current economic conditions, liquidity discounts, currency, credit, and interest rate risks, loss experience and other factors. These estimates involve significant uncertainties and judgments and cannot be determined with precision. As a result, such calculated fair value estimates may not be realisable in a current sale or immediate settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique, including discount rates, liquidity risks and estimates of future cash flows, could significantly affect these fair value estimates.



## 2. Significant accounting policies (continued)

### Security transactions and valuation (continued)

Estimates of the fair value of Level 3 assets and liabilities as defined by the ASC 820 of the Master Fund and its Subsidiaries' financial instruments are disclosed in Note 3.

Investments in other funds are valued at the latest available reported NAV of the respective fund received from that fund's administrator. In some cases these may be unaudited NAVs.

Some instruments may be priced using models in which some or all parameters are not directly driven by market-observable levels (e.g. unlisted securities, multifactored options or private placements).

Over the counter ("OTC") swap, forward and option values are determined based on relevant market information on the underlying reference assets which may include credit spreads, credit event probabilities, index values, individual security values, forward interest rates, variable interest rates, volatility measures and forward currency rates.

Realised gains and losses on investments are calculated using the highest in first out method. Realised and unrealised gains and losses are recorded at the reporting date in the Consolidated Statement of Operations.

### Income and expense recognition

Interest income and expense including prime broker and ISDA/ISMA interest is recognised in the Consolidated Statement of Operations on an accruals basis.

Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income on long positions is recognised on the ex-dividend date and dividends declared on short positions existing on the record date are recognised on the ex-dividend date as an expense in the Consolidated Statement of Operations.

### Investments purchased under agreements to resell and investments sold under agreements to repurchase

The Master Fund and its Subsidiaries enter into investment purchases under agreements to resell and investment sales under agreements to repurchase. These agreements are accounted for as collateralised investments and are recorded at amortised cost using the effective interest rate method.

The Investment Managers monitor the market value of the Master Fund and its Subsidiaries' underlying contract amounts, including accrued interest, and requests or provides additional collateral where deemed appropriate. Interest on investments purchased under agreements to resell and investments sold under agreements to repurchase is accrued on a daily basis.

### Asset-Backed Securities

The Master Fund and its Subsidiaries may invest in asset-backed securities. These securities include mortgage backed securities, collateralised debt obligations ("CDOs") and other asset-backed securities representing interests in pools of loans or other receivables. Mortgage backed securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans. The rate of pre-payments on underlying assets will affect the price and volatility of an asset backed security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase.

CDOs include Collateralised Bond Obligations, Collateralised Loan Obligations and other similarly structured securities. The risks of an investment in a CDO depend largely on the type of the collateral securities and the class of the CDO in which the Master Fund and its Subsidiaries invest. CDOs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments, (ii) the quality of the collateral may decline in value or default, (iii) the Master Fund and its Subsidiaries may invest in CDOs that are subordinate to other classes, and (iv) the complex structure of the security may produce disputes with the issuer or unexpected investment results.

### Derivative financial instruments

The Master Fund and its Subsidiaries use derivative financial instruments such as foreign exchange contracts, options, futures contracts, forward rate agreements and swaps, which are recorded at fair value at the reporting date. Realised and unrealised changes in fair values are included in realised and unrealised gains and losses on investments in the Consolidated Statement of Operations in the period in which the changes occur. The fair value of derivative financial instruments at the reporting date generally reflects the amount that the Master Fund and its Subsidiaries would receive or pay to terminate the contract at the reporting date. Many derivative financial instruments are exchange traded or are traded in the OTC market where market values are normally readily obtainable. Where such market prices are not readily available, fair values will be determined using commercial products which utilise valuation models that are consistent with market pricing methods.

When the Master Fund and its Subsidiaries purchase a put or call option, an amount, equal to the premium paid by the Master Fund and its Subsidiaries, is recorded as an investment and is subsequently adjusted to the current fair value of the option purchased on the reporting date.

# Notes to the Consolidated Financial Statements

continued

31 December 2014

## 2. Significant accounting policies (continued)

### Derivative financial instruments (continued)

Premiums paid for purchasing options that expire unexercised are treated by the Master Fund and its Subsidiaries on the expiration date as realised losses on investments. The difference between the premium and the amount received on writing an option to effect a closing transaction, including brokerage commissions, is also treated as a realised loss, or, if the premium is less than the amount received from the closing transaction, as a realised gain. If a call option is exercised, the premium is added to the cost of purchase of the underlying security or currency in determining whether the Master Fund and its Subsidiaries has realised a gain or loss. If a put option is exercised, the premium reduces the proceeds of the securities sold by the Master Fund and its Subsidiaries.

Unrealised gains or losses on open foreign exchange contracts and forward rate agreements represent the Master Fund and its Subsidiaries' net equity therein and is calculated as the present value of the difference between the contract date rate and the applicable forward rate at the reporting date, applied to the face amount of the forward contract. The unrealised gain or loss at the reporting date is included in the Consolidated Statement of Assets and Liabilities.

Unrealised gains or losses on open futures contracts are calculated as the difference between the contract price at trade date and the contract's revaluation price. Any payments made to satisfy initial and variation margin are reflected as due to and due from broker balances on the Consolidated Statement of Assets and Liabilities.

Unrealised gains or losses on swap agreements represent the cumulative fair value change since the last reporting date and are calculated as the present value of the future net cash flows to be received and paid under the agreement.

The following table sets forth the fair value of the Master Fund and its Subsidiaries' derivative contracts by certain risk types as of 31 December 2014 in accordance with ASC 815. The values in the table below exclude the effects of cash received or posted pursuant to derivative contracts, and therefore are not representative of the Master Fund and its Subsidiaries' net exposure. The derivative assets and derivative liabilities are included in "Investments at fair value" and "Investments sold short at fair value", respectively, in the Consolidated Statement of Assets and Liabilities.

Derivative contracts for trading activities	Open Positions at year end	Transactions during year	VAR* US\$'000	Derivative Assets US\$'000	Derivative Liabilities US\$'000
Commodity contracts	237	24,212	7,841	188,232	144,751
Credit contracts	494	1,468	5,886	178,230	756,511
Equity contracts	973	103,602	38,138	819,685	662,962
Foreign exchange contracts	5,505	106,048	111,322	4,689,094	3,200,346
Interest rate contracts	4,885	210,304	45,800	5,681,785	4,270,482
<b>Gross fair value of derivative contracts</b>				<b>11,557,026</b>	<b>9,035,052</b>

\* VaR calculated using a two year historical simulation, based on a one day time horizon, at a 95% confidence interval. The VaR shown in the table above is for derivatives only, excluding treasury positions. Total VaR for the derivatives contracts above is US\$140,597,200. Total VaR for the Master Fund and its Subsidiaries, including derivatives, non-derivatives and investments in affiliated entities, is US\$136,825,216.

The following table sets forth by certain risk types the Master Fund and its Subsidiaries' gains/ (losses) related to derivative activities for the year ended 31 December 2014 in accordance with ASC 815. These gains/ (losses) should be considered in the context that derivative contracts may have been executed to economically hedge certain securities and accordingly, certain gains or losses on derivative contracts may offset certain gains or losses attributable to securities. These gains/ (losses) are included in "Net realised and unrealised loss on investments" in the Consolidated Statement of Operations.

Derivative contracts for trading activities	Realised Gains/ (Losses) Year Ended 31 December 2014 US\$'000	Change in Unrealised Gains/ (Losses) Year Ended 31 December 2014 US\$'000
Commodity contracts	(151,817)	103,687
Credit contracts	520,788	(522,209)
Equity contracts	(676,554)	(196,491)
Foreign exchange contracts	840,799	469,975
Interest rate contracts	(94,996)	(346,685)
<b>Total</b>	<b>438,220</b>	<b>(491,723)</b>

**2. Significant accounting policies (continued)****Derivative financial instruments (continued)**

Foreign exchange contracts include foreign exchange futures, forwards, swaps, options and any other derivative contract in which the reference asset is a foreign exchange rate. Commodity contracts include commodity futures and options and any other derivative contract in which the reference asset is a commodity price or index. Credit contracts include credit default swaps, credit index options and any other derivative contract in which the reference asset is a credit event or other credit risk on an underlying entity, financial asset or a credit index. Equity contracts include equity futures, forwards, options, swaps, contracts for difference and any other derivative contract in which the reference asset is an equity price or index. Interest rate contracts include interest rate futures, forwards, swaps, options, caps and floors, swaptions, forward rate agreements and any other derivative contract in which the reference asset is an interest rate or debt security.

The Master Fund and its Subsidiaries enter into derivative contracts that meet the definition of a credit derivative as defined by ASC 815. These contracts are primarily written and purchased credit default swaps on single issuers, asset-backed securities, credit indices and index or CDO tranches.

The following table relates to the Master Fund and its Subsidiaries' written credit derivatives as at 31 December 2014:

**Maximum Payout/ Notional Amount by Period of Expiration**

<b>Contract type</b>	<b>0-2 Years US\$'000</b>	<b>2-5 Years US\$'000</b>	<b>5 Years or Greater US\$'000</b>	<b>Total US\$'000</b>
Bespoke CDO tranches	20,000	40,000	–	60,000
Corporates	28,051	274,242	–	302,293
Credit index – corporate	–	2,070,370	–	2,070,370
Credit index – mortgage backed	–	–	850,073	850,073
Credit index tranche – corporate	50,730	255,883	–	306,613
Mortgage backed	–	–	9,625	9,625
<b>Total</b>	<b>98,781</b>	<b>2,640,495</b>	<b>859,698</b>	<b>3,598,974</b>

**Maximum payout/ Notional amount**

<b>Contract type</b>	<b>Written Credit Derivative US\$'000</b>	<b>Offsetting Purchased Credit Derivative US\$'000</b>	<b>Net of Offsetting Purchased Credit Derivative US\$'000</b>	<b>Written Credit Derivative at Fair Value US\$'000</b>
Bespoke CDO tranches	60,000	–	60,000	(9,886)
Corporates	328,249	(25,956)	302,293	(103)
Credit index – corporate	3,582,487	(1,512,117)	2,070,370	36,761
Credit index – mortgage backed	909,165	(59,092)	850,073	(607,314)
Credit index tranche – corporate	315,737	(9,124)	306,613	(22,120)
Mortgage backed	9,778	(153)	9,625	(9,165)
<b>Total</b>	<b>5,205,416</b>	<b>(1,606,442)</b>	<b>3,598,974</b>	<b>(611,827)</b>

The Master Fund and its Subsidiaries may execute these types of credit derivatives as it seeks to increase its total return or as a means of hedging credit exposure.

Period of expiration, contract type, maximum payout and fair value are indicators of payment/ performance risk. As a provider of credit protection, the Master Fund and its Subsidiaries receive a stream of payments from the counterparty representing the premium on the contract in exchange for guaranteeing the principal payment on a reference security or obligation upon the issuer's default. Upon the occurrence of a specified credit event, as a seller of credit protection, the Master Fund and its Subsidiaries are entitled to take possession of the defaulted underlying security and pay the buyer an amount equal to the notional amount of the swap. It may alternatively pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap reduced by the recovery value of the reference obligation.

# Notes to the Consolidated Financial Statements

continued

31 December 2014

## 2. Significant accounting policies (continued)

### Investments sold short

The Master Fund and its Subsidiaries may sell a security it does not own in anticipation of a decline in the market value of that security. When the Master Fund and its Subsidiaries sell a security short, it must borrow the security and deliver it to the broker-dealer through which it made the short sale. The Master Fund and its Subsidiaries are required to maintain collateral with the broker-dealer from which the security was borrowed. A gain, limited to the value at which the Master Fund and its Subsidiaries sold the security short, or a loss, unlimited in size, will be recognised upon the termination of a short sale and recorded as a net realised gain or loss on investments in the Consolidated Statement of Operations. Investments sold short are recorded as liabilities on the Consolidated Statement of Assets and Liabilities.

### Foreign currency translation

Investment securities and other assets and liabilities denominated in foreign currencies are translated into US Dollar amounts at prevailing exchange rates at the reporting date. Purchases and sales of investment securities in foreign currencies and income and expense items denominated in foreign currencies are translated into US Dollar amounts at the prevailing exchange rate on the respective dates of such transactions.

The Master Fund and its Subsidiaries do not isolate that portion of the results of operations resulting from changes in currency exchange rates on investments from the fluctuations arising from changes in market prices of securities held. All foreign currency gains and losses are included in net realised and unrealised gain/ (loss) on investments in the Consolidated Statement of Operations.

### Use of estimates

The preparation of Consolidated Financial Statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates. In particular, valuation models used to determine the fair value of unlisted derivative instruments require the use of a number of assumptions.

### Netting

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Assets and Liabilities when, and only when, the Master Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under US GAAP.

### Cash

Cash consists of bank balances.

### Due from and to brokers

Amounts receivable from and payable to brokers includes settlement of trades along with deposits held as collateral. As at 31 December 2014, deposits held as collateral amounted to US\$2,450,844,547 and amounts pledged as collateral amounted to US\$262,978,134.

### Allocation of income and expenses between share classes

Income and expenses that are identifiable with a particular class are allocated to that class in computing its Net Asset Value (NAV).

Income and expenses that are common to all classes are allocated between classes based on their monthly NAVs.

## 3. Fair value measurements

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price).

The fair value hierarchy under ASC 820 prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for instruments that are identical or similar in markets that are not active and model derived valuations for which all significant inputs are observable, either directly or indirectly in active markets; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

**3. Fair value measurements (continued)**

The hierarchy requires the use of observable market data when available. As required by ASC 820, investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following is a summary of the levels within the fair value hierarchy for the Master Fund and its Subsidiaries' investments as at 31 December 2014:

**Assets**

Fair value measurement at reporting date:	Level 1: US\$'000	Level 2: US\$'000	Level 3: US\$'000	Total US\$'000
Equity securities	153,773	2,493	–	156,266
Private placements	–	–	4,029	4,029
Funds	–	457,967	–	457,967
Fixed income securities				
Asset Backed Securities	–	377,962	63,743	441,705
Corporate Debt Securities	130,686	12,235	28,633	171,554
Mortgage Backed Securities	–	1,641,147	54,548	1,695,695
Non-US Government Debt	12,647,184	9,421	–	12,656,605
Other Debt Obligations	–	29,885	–	29,885
US Government Debt	18,079,072	–	–	18,079,072
Derivatives				
Commodity contracts	150,243	37,989	–	188,232
Credit contracts	–	178,230	–	178,230
Equity contracts	58,375	721,018	40,292	819,685
Foreign exchange contracts	–	4,614,895	74,199	4,689,094
Interest rate contracts	434,018	5,191,125	56,642	5,681,785
<b>Total assets</b>	<b>31,653,351</b>	<b>13,274,367</b>	<b>322,086</b>	<b>45,249,804</b>

**Liabilities**

Fair value measurement at reporting date:	Level 1: US\$'000	Level 2: US\$'000	Level 3: US\$'000	Total US\$'000
Equity securities	110,884	–	–	110,884
Fixed income securities				
Corporate Debt Securities	5,091	–	–	5,091
Mortgage Backed Securities	–	1,188,482	–	1,188,482
Non-US Government Debt	4,386,260	–	–	4,386,260
US Government Debt	1,906,631	–	–	1,906,631
Derivatives				
Commodity contracts	81,030	63,721	–	144,751
Credit contracts	–	756,511	–	756,511
Equity contracts	34,359	615,885	12,718	662,962
Foreign exchange contracts	–	3,200,346	–	3,200,346
Interest rate contracts	278,932	3,990,104	1,446	4,270,482
<b>Total liabilities</b>	<b>6,803,187</b>	<b>9,815,049</b>	<b>14,164</b>	<b>16,632,400</b>

The fair value of equity securities by industry type is presented in the Consolidated Condensed Schedule of Investments.

# Notes to the Consolidated Financial Statements

continued

31 December 2014

## 3. Fair value measurements (continued)

The Master Fund and its Subsidiaries' policy is to recognise transfers in and transfers out of each level as at the end of each month.

Transfers in and transfers out of Level 3 have occurred due to the change in availability of observable market data.

There were no significant transfers between Level 1 and Level 2 during the year ended 31 December 2014. The Master Fund and its Subsidiaries had no investments measured at fair value on a non-recurring basis during the year ended 31 December 2014.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Master Fund and its Subsidiaries have classified within the Level 3 category. As a result, the unrealised gains and losses for assets within the Level 3 category in the table below may include changes in fair value that were attributable to both observable (e.g. changes in market interest rates) and unobservable (e.g. changes in unobservable long-dated volatilities) inputs.

### Level 3 Assets

	Asset Backed Securities US\$'000	Corporate Debt US\$'000	Derivatives US\$'000	Mortgage Backed Securities US\$'000	Private Placements US\$'000	Total US\$'000
<b>Investments</b>						
Beginning balance as of						
1 January 2014	97,041	–	90,515	49,868	22,768	260,192
Purchases	975	27,238	256,840	19,740	4,508	309,301
Sales	(11,830)	(3,000)	(238,705)	(30,643)	–	(284,178)
Transfer in to Level 3	63,367	6,087	85,188	38,161	–	192,803
Transfer out of Level 3	(111,639)	–	(97)	(37,181)	(3,299)	(152,216)
Realised gain/ (loss)	7,604	405	(33,411)	4,376	(3,319)	(24,345)
Change in unrealised gain/ (loss)	18,225	(2,097)	10,803	10,227	(16,629)	20,529
<b>Ending balance as of</b>						
<b>31 December 2014</b>	<b>63,743</b>	<b>28,633</b>	<b>171,133</b>	<b>54,548</b>	<b>4,029</b>	<b>322,086</b>

### Liabilities

	Derivatives US\$'000	Total US\$'000
<b>Investments</b>		
Beginning balance as of 1 January 2014	(7,894)	(7,894)
Purchases	(1,861)	(1,861)
Sales	–	–
Transfer in to Level 3	(601)	(601)
Transfer out of Level 3	–	–
Realised gain/ (loss)	810	810
Change in unrealised gain/ (loss)	(4,618)	(4,618)
<b>Ending balance as of 31 December 2014</b>	<b>(14,164)</b>	<b>(14,164)</b>

The change in unrealised movement for the year ended 31 December 2014 for Level 3 investments still held at 31 December 2014 amounted to an unrealised gain of US\$15,911,432 and is included in "Net change in unrealised depreciation on investments" on the Consolidated Statement of Operations.

### 3. Fair value measurements (continued)

The following table presents quantitative information about the Master Fund and its Subsidiaries' Level 3 inputs:

	Fair Value US\$'000	Valuation Technique	Unobservable Input	Range
Asset Backed Securities & Mortgage Backed Securities	118,291	Discounted Cashflow	Constant default rate	1%-12%
			Conditional prepayment rate	7%-26%
			Loss severity	27%-96%
			Discount rate	1%-24%
			Deal loss	4%-7%
			Bond loss	0%-57%
			Spread to swaps	0%-5%
			Spread to similar instrument	(5%)-5%
Private Placements	4,029	NAV less liquidity discount	Liquidity discount	0%-40%
Corporate Debt	28,633	Similar instrument	Spread to similar instrument	0%-5%
Derivatives	156,969	Counterparty valuation/ Broker quote	Correlation factors	N/A

The significant unobservable inputs used in the fair value measurement of Level 3 asset backed securities and mortgage backed securities are constant default rates, conditional prepayment rates, loss severity, deal loss, bond loss, spread to swaps and discount rates. Increases in any of the constant default rates, loss severity, deal loss, bond loss, spread to swaps or discount rates in isolation would result in a lower fair value for the asset, and vice versa. Increases in conditional prepayment rates could result in a higher or lower fair value depending on the quality of the securities. Where a spread to the yield on similar Level 1 or Level 2 instruments is applied, increases in the spread would result in a lower fair value and vice versa.

The significant unobservable input used in the fair value measurement of Level 3 private placements is the liquidity discount. The fair value of private placement positions is determined initially by reference to one or a combination of cost, net asset value of underlying assets, any permanent diminution in value and realisation events. A liquidity discount may subsequently be applied to reflect the limited market for such assets. An increase in the liquidity discount would result in a lower fair value for the asset.

Level 3 corporate debt is valued at a spread to the yield on similar Level 1 or Level 2 instruments. Increases in the spread would result in a lower fair value and vice versa.

Level 3 derivatives are valued by reference to counterparty valuations or single broker quotes. The unobservable input implicit in counterparty valuations is generally a correlation factor between two or more reference assets. An increase in the correlation factor could result in a higher or lower fair value depending on the nature of the specific instrument.

### 4. Operational services fee

The Manager has received from the Master Fund a fee of 1/12 of 0.50% per month of the NAV, prior to the deduction of management and performance fees, of the Master Fund for the year to 31 December 2014 (the "operational services fee") as at the last valuation day in each month (excluding for these purposes such part of the NAV of the Master Fund which is attributable to (i) any investments made in other investment funds managed by the Manager which also charge an operational services fee, or (ii) the Class Z ordinary shares in the Master Fund).

The operational services fee for the year ended 31 December 2014 amounted to US\$119,545,042. The operational services fee payable at 31 December 2014 is US\$65,772.

### 5. Management and performance fees

The Manager receives a management fee of 1/12 of 2% (or a pro rata proportion thereof) per month of the NAV (before deduction of that month's management fee and before making any deduction for any accrued performance fee) as at the last valuation day in each month, payable monthly in arrears on Class X shares and Class Y shares. No management fees are payable in respect of Class A shares, Class B shares and Class Z shares. The management fee payable at 31 December 2014 is US\$42,008.

The Manager also receives a performance fee. The performance fee is equal to the relevant percentage of the appreciation in the NAV per share of that class during that calculation period which is above the base NAV of that class. The base NAV per share is the greater of the NAV per share of the relevant class at the time of issue of such share and the highest NAV per share achieved as at the end of any previous calculation period.

# Notes to the Consolidated Financial Statements

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31 December 2014

## 5. Management and performance fees (continued)

For the Master Fund, the applicable performance fees are 20% for Class X and 25% for Class Y. No performance fees are payable in respect of Class A shares, Class B shares and Class Z shares. Performance fees may be settled in cash or in the cash equivalent of US Treasury Bills at fair value on the date of transfer. In respect of the Subsidiaries, the applicable performance fees for 2014 are 20% for Class A of WCG Strategies Fund Limited. Performance fees for the year were US\$43,412,027 and the performance fee payable by the Master Fund at 31 December 2014 was US\$43,405,376.

At 31 December 2014 the Master Fund held investments in the following funds (each an "underlying fund investment") managed by one or more of the Brevan Howard group of affiliated entities:

	US\$
BHMF Investments II Limited	4,467,904
Brevan Howard Commodities Strategies Fund L. P.	63,437,776
Brevan Howard Emerging Markets Strategies Master Fund Limited	378,951
Brevan Howard Equity Strategies Master Fund Limited	3,816,753
Brevan Howard Investment Fund – Emerging Markets Local Fixed Income Fund Limited	9,647,426
Brevan Howard Strategic Macro Fund L. P.	202,218,262
Brevan Howard Strategic Macro Master Fund Limited	1,039,897
Brevan Howard Strategic Opportunities Fund Limited	15,247,932
DW Value Master Fund Limited	162,180,482
WCG Strategies Fund Limited	1,399,999,989

The return on the Master Fund's investment in these funds is net of applicable performance and management fees. To ensure that the effective rate of management fees and/ or performance fees that is ultimately borne by shareholders in the Master Fund or Feeder Funds (in relation to each underlying fund investment) is not greater than the rate of performance and/ or management fees applicable to the class of share held by that investor, the Master Fund or Feeder Fund reduces management and performance fees charged in relation to these investment holdings accordingly.

## 6. Administration fee

Under the terms of the Administrative Services Agreement, as amended, dated 25 February 2013 between International Fund Services (Ireland) Limited ("IFS") and the Master Fund, IFS receives a fee based on the month-end NAV of the Master Fund and its Subsidiaries calculated and payable monthly in arrears.

The administration fee on a monthly basis is 1/12 of 14 basis points (on the first US\$15 billion month end NAV), 1/12 of 11 basis points (on the next US\$15 billion month end NAV) and 1/12 of 9 basis points (on net assets over US\$30 billion month end NAV), of the excess of the Master Fund's month end NAV over the sum of NAV that represents the amount of investment made by the Master Fund in other Brevan Howard managed funds

administered by IFS held in the same month. The administration fee payable at 31 December 2014 is US\$2,217,820.

Administration fees are also incurred on investments made in affiliated and non-affiliated funds by the Master Fund that are not administered by IFS.

## 7. Investments purchased under agreements to resell and investments sold under agreements to repurchase

At 31 December 2014, investments with a market value of US\$6,663,962,722 were pledged to the Master Fund and its Subsidiaries as collateral (investments purchased under agreements to resell) and investments with a value of US\$11,272,583,394 were pledged by the Master Fund and its Subsidiaries as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 24 June 2015 and all agreements to resell mature by 27 February 2015.

## 8. Share capital

The Master Fund has an authorised share capital of:

- €100,000 divided into 10,000,000 ordinary shares of €0.01 par value each;
- US\$400,000 divided into 40,000,000 ordinary shares of US\$0.01 par value each;
- £100,000 divided into 10,000,000 ordinary shares of £0.01 par value each;
- ¥10,000,000 divided into 10,000,000 ordinary shares of ¥1.00 par value each;
- AUD400,000 divided into 40,000,000 ordinary shares of AUD0.01 par value each;
- BRL400,000 divided into 40,000,000 ordinary shares of BRL0.01 par value each;
- CAD400,000 divided into 40,000,000 ordinary shares of CAD0.01 par value each;
- CHF400,000 divided into 40,000,000 ordinary shares of CHF0.01 par value each;
- NOK400,000 divided into 40,000,000 ordinary shares of NOK0.01 par value each;
- SGD400,000 divided into 40,000,000 ordinary shares of SGD0.01 par value each; and
- SEK400,000 divided into 40,000,000 ordinary shares of SEK0.01 par value each.

All of the above may be issued as Class A, Class B, Class X, Class Y and Class Z shares in any number of series.



## 8. Share capital (continued)

The Class A US Dollar share class is divided into two series of shares, relating to Brevan Howard Fund Limited and Brevan Howard L.P. and may be issued as US\$ shares or Gold shares. These series commenced on 1 April 2003 and 1 February 2004 respectively. All Class A US Dollar, Euro, Sterling, Australian Dollar, Canadian Dollar, Brazilian Real, Norwegian Krone, Singapore Dollar, Gold, Swedish Krona and Yen shares are held by Brevan Howard Fund Limited, whilst all Class A US Dollar L.P. shares are held by Brevan Howard L.P. All Class B US Dollar, Euro and Sterling shares are held by BH Macro Limited. Class Y US Dollar, Euro and Sterling shares were held by Brevan Howard Global Opportunities Master Fund Limited. Class Z US Dollar, Euro, Sterling and Yen shares are held by Brevan Howard Multi-Strategy Master Fund Limited.

The rights of the Class X US Dollar, Euro and Sterling Shares are substantially the same as those set out in respect of Class A US Dollar, Euro and Sterling Shares respectively in the Feeder Fund Prospectus save that no redemption fees are payable in respect of such shares. There were no Class X shares in issue at year end.

The rights of the Class Y US Dollar, Euro and Sterling Shares are substantially the same as those set out in respect of Class B US Dollar, Euro and Sterling Shares respectively in the Feeder Fund Prospectus. There were no Class Y shares in issue at year end.

The rights of the Class Z US Dollar, Euro, Sterling and Yen Shares are substantially the same as those set out in respect of Class A US Dollar, Euro, Sterling and Yen Shares respectively in the Feeder Fund Prospectus.

	Shares in issue at start of year	Shares issued during the year	Share redeemed during the year	Shares in issue at end of year
US Dollar Class A	3,061,435	485,591	(1,000,531)	2,546,495
US Dollar L.P. Class A	791,500	53,706	(259,627)	585,579
Euro Class A	183,778	11,547	(69,551)	125,774
Sterling Class A	218,020	58,990	(37,936)	239,074
Yen Class A	4,131,210	5,017,039	(1,437,403)	7,710,846
Australian Dollar Class A	57,176	102	(22,153)	35,125
Brazilian Real Class A	113,866	9,638	(112,276)	11,228
Canadian Dollar Class A	64,270	97	(31,542)	32,825
Norwegian Krone Class A	426,757	707	(205,676)	221,788
Singapore Dollar Class A	96,961	141	(62,568)	34,534
Swedish Krona Class A	43,677	6	(43,683)	–
Gold Class A	35	–	–	35
US Dollar Class B	189,030	7,282	(62,248)	134,064
Euro Class B	51,331	3,490	(18,539)	36,282
Sterling Class B	326,136	10,744	(65,438)	271,442
US Dollar Class Y	345,518	35,816	(381,334)	–
Euro Class Y	377,250	276,533	(653,783)	–
Sterling Class Y	1,270,840	237,954	(1,508,794)	–
US Dollar Class Z	8,906,380	1,869,717	(4,515,059)	6,261,038
Euro Class Z	239,156	–	(222,679)	16,477
Sterling Class Z	3,813,198	1,738,154	(2,332,768)	3,218,584
Yen Class Z	809,479	–	(350,356)	459,123

*It is envisaged that no income or gains are to be distributed by way of dividend.*

## 9. Taxes

Under current Cayman Islands laws, the Master Fund is not required to pay any taxes in the Cayman Islands on either income or capital gains. The Master Fund has received an undertaking from the Governor in Cabinet in the Cayman Islands exempting it from any such taxes for a period of 20 years until 11 February 2023. The only taxes payable by the Master Fund on its income are withholding taxes applicable to certain income. Accordingly, no provision for taxes is recorded in these Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

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## 9. Taxes (continued)

ASC 740, Income Taxes, established financial accounting and disclosure requirements for recognition and measurement of tax positions taken or expected to be taken on a tax return. The Manager has reviewed the Master Fund's tax positions for all open tax years and has concluded that no provision for income tax is required in the Master Fund's Consolidated Financial Statements.

The Master Fund is subject to potential examination by certain taxing authorities in various jurisdictions. The tax liability is also subject to ongoing interpretation of laws by taxing authorities. The tax years under potential examination vary by jurisdiction.

## 10. Financial instruments with off-balance sheet risk or concentration of credit risk

Derivative financial instruments may result in off-balance sheet market, credit and liquidity risk. Market risk is the possibility that future changes in market price may make a financial instrument less valuable or more onerous. If the markets should move against one or more positions that the Master Fund and its Subsidiaries holds, the Master Fund and its Subsidiaries could incur losses greater than the unrealised amounts recorded in the Consolidated Statement of Assets and Liabilities. The principal credit risk is that the counterparty to the Master Fund and its Subsidiaries will default and fail to fulfill the terms of the agreement.

Investments sold short have market risk to the extent that the Master Fund and its Subsidiaries, in satisfying its obligation, may have to purchase securities to cover a short position at a higher value than that recorded on the Consolidated Statement of Assets and Liabilities.

Futures contracts expose the Master Fund and its Subsidiaries to credit, market and liquidity risks. The Master Fund and its Subsidiaries are exposed to market risk such that changes in the market values of the securities or indices underlying a contract may exceed the amount recognised in the Consolidated Statement of Assets and Liabilities. Liquidity risk represents the possibility that the Master Fund and its Subsidiaries may not be able to rapidly adjust the size of its futures position in times of high volatility and financial stress at a reasonable price.

Forward contracts expose the Master Fund and its Subsidiaries to market and liquidity risks. The Master Fund and its Subsidiaries are exposed to market risk to the extent that adverse changes occur in the value of the underlying asset. Liquidity risk represents the possibility that the Master Fund and its Subsidiaries may not be able to rapidly adjust the size of its forwards positions in times of high volatility and financial stress at a reasonable price.

As a purchaser of an option contract, the Master Fund and its Subsidiaries are subject to credit risk since the counterparty is obligated to make payments under the terms of the option contract if the Master Fund and its Subsidiaries exercise the option. As a purchaser of an option contract, the Master Fund

and its Subsidiaries are only subject to market risk to the extent of the premium paid.

The Master Fund and its Subsidiaries purchase both exchange-traded and OTC options. For exchange-traded option contracts, the stock exchange acts as the counterparty to specific transactions and therefore bears the risk of delivery to and from counterparties of specific positions. OTC option contracts are not guaranteed by any regulated stock exchange.

The Master Fund and its Subsidiaries invest in fixed income securities and bank loans. Until such investments are sold or mature, the Master Fund and its Subsidiaries are exposed to credit risk relating to whether the issuer will meet its obligation as it comes due.

Entering into credit default swap agreements and contracts for difference exposes the Master Fund and its Subsidiaries to market risks equivalent to actually holding securities of the notional value but typically involve little capital commitment relative to the exposure achieved. The gains or losses of the Master Fund and its Subsidiaries may therefore be significantly greater than this initial commitment.

In connection with investments sold under agreements to repurchase, it is the Master Fund and its Subsidiaries' policy that their prime brokers take possession of the underlying collateral securities. If the seller defaults and the fair value of the collateral declines, realisation of the collateral by the Master Fund and its Subsidiaries may be delayed or insufficient.

In accordance with ASC 815, the Master Fund and its Subsidiaries records its trading-related derivative activities on a fair value basis (as described in Note 2).

Assets and liabilities included in the table in Note 2 represent the fair value of the Master Fund's and its Subsidiaries' holdings at the year end. These assets and liabilities are not representative of the outstanding credit risk to the Master Fund and its Subsidiaries due to the existence of master netting agreements.

The gross fair value of the Master Fund's and its Subsidiaries' derivative instruments are shown in Note 2.

Fair values represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price).

The Master Fund and its Subsidiaries maintain trading relationships with counterparties that include domestic and foreign brokers, dealers and financial institutions; these relationships could result in the concentration of the credit risk if counterparties fail to fulfill their obligations or the value of any collateral becomes inadequate.

**10. Financial instruments with off-balance sheet risk or concentration of credit risk (continued)**

BHIPL has formulated credit review policies that attempt to control credit risk by following an established credit approval process, daily monitoring of net exposure to individual counterparties, requiring the segregation of collateral where possible, and using master netting agreements whenever possible.

**Liquidity risk**

The Master Fund's and its Subsidiaries' investment portfolios are leveraged and are actively managed to ensure there is sufficient liquidity to meet collateral calls, shareholder redemption requests and trading and other liabilities as they become due.

The Master Fund and its Subsidiaries seek to trade mainly in investments that are sufficiently liquid and readily realisable at close to fair value in order to meet any potential liquidity requirement. To this end, the Master Fund and its Subsidiaries monitor the speed at which the portfolio can be liquidated under ordinary market conditions and further monitor liquidity by a number of additional measures. Deteriorating market conditions, however, may hamper the ability of the Master Fund and its Subsidiaries to liquidate its investments in an orderly manner.

From time to time, market participants with which the Master Fund and its Subsidiaries effect transactions might cease making markets or quoting prices in certain instruments, may only continue to do so in limited size, or may widen the spreads at which they are prepared to transact. In such instances, the Master Fund and its Subsidiaries might be unable to enter into desired transactions, or close out existing transactions, at normal market levels, which might adversely affect its performance.

The Master Fund's and its Subsidiaries' liquidity risk is monitored on a daily basis by staff of the Investment Managers, independent of the portfolio management team, using measures of risk and unencumbered cash and cash equivalents, and includes an escalation process in circumstances where liquidity approaches tolerance levels.

The Master Fund and its Subsidiaries may restrict redemptions in accordance with their Articles of Association if they receive requests for the redemption of Shares on any Redemption Day representing in aggregate more than ten per cent of the total number of ordinary shares then in issue on a class by class basis.

**11. Offsetting assets and liabilities**

The Master Fund and its Subsidiaries are required to disclose the impact of offsetting assets and liabilities represented in the Consolidated Statement of Assets and Liabilities to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on its financial position for recognised assets and liabilities. These recognised assets and liabilities are financial instruments and derivative instruments that are subject to either an enforceable master netting arrangement or a similar netting agreement in certain circumstances, for example in the event of default.

The following table provides disclosure regarding the potential effect of offsetting of recognised assets presented in the Consolidated Statement of Assets and Liabilities:

**As of 31 December 2014**

Offsetting of Financial Assets and Derivative Assets:

	(i)	(ii)	(iii)=(i)-(ii)	(iv)		(v)=(iii)-(iv)
			Net Amounts of Assets Presented in the Consolidated Statement of Assets and Liabilities US\$'000	Gross Amounts, not Offset in the Consolidated Statement of Assets and Liabilities		Net Amount US\$'000
Description	Gross Amounts of Recognised Assets US\$'000	Gross Amounts Offset in the Consolidated Statement of Assets and Liabilities US\$'000		Financial Instruments US\$'000	Cash Collateral Held US\$'000	
Derivatives	11,557,026	–	11,557,026	8,452,116	2,440,925	663,985
Repurchase agreements	13,891,160	7,228,409	6,662,751	6,367,690	–	295,061
<b>Total</b>	<b>25,448,186</b>	<b>7,228,409</b>	<b>18,219,777</b>	<b>14,819,806</b>	<b>2,440,925</b>	<b>959,046</b>

# Notes to the Consolidated Financial Statements

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## 11. Offsetting assets and liabilities (continued)

The following table provides disclosure regarding the potential effect of offsetting of recognised liabilities presented in the Consolidated Statement of Assets and Liabilities:

### As of 31 December 2014

Offsetting of Financial Liabilities and Derivative Liabilities:

Description	(i) Gross Amounts of Recognised Liabilities US\$'000	(ii) Gross Amounts Offset in the Consolidated Statement of Assets and Liabilities US\$'000	(iii)=(i)-(ii) Net Amounts of Liabilities Presented in the Consolidated Statement of Assets and Liabilities US\$'000	(iv) Gross Amounts, not Offset in the Consolidated Statement of Assets and Liabilities		(v)=(iii)-(iv) Net Amount US\$'000
				Financial Instruments US\$'000	Cash Collateral Pledged US\$'000	
Derivatives	9,035,052	–	9,035,052	8,452,116	508,225	74,711
Repurchase agreements	18,258,721	7,228,409	11,030,312	6,367,690	27,182	4,635,440
<b>Total</b>	<b>27,293,773</b>	<b>7,228,409</b>	<b>20,065,364</b>	<b>14,819,806</b>	<b>535,407</b>	<b>4,710,151</b>

## 12. Financial Highlights

The following tables include selected data for share classes outstanding throughout the year and other performance information derived from the Consolidated Financial Statements. The per share amounts and ratios which are shown reflect the consolidated income and expenses of the Master Fund.

Per Share Operating Performance	US Dollar Class A US\$	Euro Class A €	Sterling Class A £	Yen Class A ¥	Australian Dollar Class A AUD	Brazilian Real Class A BRL	Canadian Dollar Class A CAD	Norwegian Krone Class A NOK	Singapore Dollar Class A SGD	Gold Class A XAU	Swedish Krona Class A SEK
<b>Net asset value, beginning of year</b>	<b>4,834.41</b>	<b>4,751.18</b>	<b>5,311.51</b>	<b>15,685.75</b>	<b>1,598.22</b>	<b>1,813.29</b>	<b>1,406.61</b>	<b>1,466.01</b>	<b>1,326.68</b>	<b>124.28</b>	<b>1,126.54</b>
<b>Income from investment operations</b>											
Net investment income/ (loss)	(3.52)	(3.30)	(3.99)	(11.09)	(1.24)	(1.61)	(1.04)	(1.04)	(0.98)	(0.09)	(0.47)
Net realised and unrealised gain/ (loss) on investments	53.24	62.63	83.04	209.75	65.27	221.77	29.10	40.29	16.17	1.99	(12.53)
<b>Total income from investment operations</b>	<b>49.72</b>	<b>59.33</b>	<b>79.05</b>	<b>198.66</b>	<b>64.03</b>	<b>220.16</b>	<b>28.06</b>	<b>39.25</b>	<b>15.19</b>	<b>1.90</b>	<b>(13.00)</b>
Net asset value redeemed during year	-	-	-	-	-	-	-	-	-	-	(1,113.54)
<b>Net asset value, end of year</b>	<b>4,884.13</b>	<b>4,810.51</b>	<b>5,390.56</b>	<b>15,884.41</b>	<b>1,662.25</b>	<b>2,033.45</b>	<b>1,434.67</b>	<b>1,505.26</b>	<b>1,341.87</b>	<b>126.18</b>	<b>-</b>
<b>Total return before performance fee</b>											
Performance fee	(0.17%)	(0.17%)	(0.17%)	(0.17%)	(0.17%)	(0.18%)	(0.17%)	(0.17%)	(0.17%)	(0.17%)	(0.02%)
<b>Total return after performance fee</b>											
Performance fee	1.03%	1.25%	1.49%	1.27%	4.01%	12.14%	1.99%	2.68%	1.15%	1.53%	(1.15%)
	US\$'000	US\$'000	€'000	£'000	US\$'000	€'000	£'000	US\$'000	€'000	£'000	¥'000
<b>Supplemental Data</b>											
Net assets at 31 December 2014	12,437,399	605,035	1,288,741	122,482,219	58,387	22,831	47,092	333,850	46,341	4	-
Average net assets for 2014	13,997,469	744,371	1,258,002	106,934,410	87,855	76,399	72,428	557,167	98,311	4	48,643
<b>Ratio to average net assets</b>											
Operating expenses	0.75%	0.75%	0.75%	0.76%	0.75%	0.74%	0.75%	0.75%	0.75%	0.75%	0.72%
Commissions on Futures and Options	0.35%	0.35%	0.34%	0.35%	0.35%	0.37%	0.35%	0.35%	0.35%	0.34%	0.45%
Interest and dividend expenses	1.29%	1.31%	1.30%	1.31%	1.30%	1.19%	1.30%	1.31%	1.30%	1.29%	0.84%
Performance fee	0.17%	0.17%	0.17%	0.19%	0.17%	0.15%	0.17%	0.17%	0.16%	0.17%	0.02%
<b>Total expenses</b>	<b>2.56%</b>	<b>2.58%</b>	<b>2.56%</b>	<b>2.61%</b>	<b>2.57%</b>	<b>2.45%</b>	<b>2.57%</b>	<b>2.58%</b>	<b>2.56%</b>	<b>2.55%</b>	<b>2.03%</b>
<b>Net investment income/ (loss)</b>	<b>(0.06%)</b>	<b>(0.04%)</b>	<b>(0.08%)</b>	<b>(0.10%)</b>	<b>(0.07%)</b>	<b>0.01%</b>	<b>(0.06%)</b>	<b>(0.06%)</b>	<b>0.01%</b>	<b>(0.07%)</b>	<b>(0.27%)</b>

Operating expenses are total expenses from the Consolidated Statement of Operations, less interest and dividend expenses, commissions on futures and options, and performance fee. Operating expenses, interest and dividend expenses, commissions on futures and options and net investment income/ (loss) ratios are annualised for classes that were not in existence for the full year. Total returns and ratios on performance fee are not annualised. Performance fee ratios include performance fees charged by WCG Strategies Fund Limited.

# Notes to the Consolidated Financial Statements

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## 12. Financial Highlights (continued)

Per Share Operating Performance	US Dollar L.P. Class A US\$	US Dollar Class B US\$	Euro Class B €	Sterling Class B £	US Dollar Class Y US\$	Euro Class Y €	Sterling Class Y £	US Dollar Class Z US\$	Euro Class Z €	Sterling Class Z £	Yen Class Z ¥
<b>Net asset value, beginning of year</b>	<b>4,343.54</b>	<b>2,724.84</b>	<b>2,749.10</b>	<b>2,857.76</b>	<b>148.03</b>	<b>143.11</b>	<b>144.28</b>	<b>139.07</b>	<b>139.67</b>	<b>140.51</b>	<b>13,777.81</b>
<b>Income from investment operations</b>											
Net investment income/ (loss)	(3.44)	(1.93)	(1.86)	(2.09)	(1.65)	(1.29)	(1.61)	0.78	0.79	0.79	77.89
Net realised and unrealised gain/ (loss) on investments	47.83	30.00	36.24	44.68	(4.02)	(3.98)	(3.61)	1.55	1.86	2.23	186.71
<b>Total income from investment operations</b>	<b>44.39</b>	<b>28.07</b>	<b>34.38</b>	<b>42.59</b>	<b>(5.67)</b>	<b>(5.27)</b>	<b>(5.22)</b>	<b>2.33</b>	<b>2.65</b>	<b>3.02</b>	<b>264.60</b>
Net asset value redeemed during year	-	-	-	-	(142.36)	(137.84)	(139.06)	-	-	-	-
<b>Net asset value, end of year</b>	<b>4,387.93</b>	<b>2,752.91</b>	<b>2,783.48</b>	<b>2,900.35</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>141.40</b>	<b>142.32</b>	<b>143.53</b>	<b>14,042.41</b>
<b>Total return before performance fee</b>	<b>1.19%</b>	<b>1.20%</b>	<b>1.42%</b>	<b>1.66%</b>	<b>(3.74%)</b>	<b>(3.62%)</b>	<b>(3.52%)</b>	<b>1.84%</b>	<b>2.07%</b>	<b>2.31%</b>	<b>2.09%</b>
<b>Performance fee</b>	<b>(0.17%)</b>	<b>(0.17%)</b>	<b>(0.17%)</b>	<b>(0.17%)</b>	<b>(0.09%)</b>	<b>(0.06%)</b>	<b>(0.10%)</b>	<b>(0.16%)</b>	<b>(0.17%)</b>	<b>(0.17%)</b>	<b>(0.17%)</b>
<b>Total return after performance fee</b>	<b>1.02%</b>	<b>1.03%</b>	<b>1.25%</b>	<b>1.49%</b>	<b>(3.83%)</b>	<b>(3.68%)</b>	<b>(3.62%)</b>	<b>1.68%</b>	<b>1.90%</b>	<b>2.14%</b>	<b>1.92%</b>
	US\$'000	US\$'000	€'000	£'000	US\$'000	€'000	£'000	US\$'000	€'000	£'000	¥'000
<b>Supplemental Data</b>											
Net assets at 31 December 2014	2,569,481	369,066	100,990	787,275	-	-	-	885,318	2,345	461,949	6,447,188
Average net assets for 2014	3,172,768	410,796	109,051	836,052	48,515	84,937	198,289	1,039,660	13,392	476,198	9,881,243
<b>Ratio to average net assets</b>											
Operating expenses	0.76%	0.77%	0.77%	0.76%	2.61%	2.61%	2.61%	0.11%	0.11%	0.11%	0.11%
Commissions on Futures and Options	0.35%	0.36%	0.36%	0.35%	0.38%	0.37%	0.38%	0.35%	0.38%	0.34%	0.35%
Interest and dividend expenses	1.29%	1.32%	1.33%	1.32%	1.38%	1.36%	1.40%	1.28%	1.29%	1.28%	1.31%
Performance fee	0.17%	0.17%	0.17%	0.17%	0.10%	0.06%	0.10%	0.17%	0.17%	0.17%	0.16%
<b>Total Expenses</b>	<b>2.57%</b>	<b>2.62%</b>	<b>2.63%</b>	<b>2.60%</b>	<b>4.47%</b>	<b>4.40%</b>	<b>4.49%</b>	<b>1.91%</b>	<b>1.95%</b>	<b>1.90%</b>	<b>1.93%</b>
<b>Net investment income/ (loss)</b>	<b>(0.06%)</b>	<b>(0.05%)</b>	<b>(0.05%)</b>	<b>(0.06%)</b>	<b>(1.67%)</b>	<b>(1.54%)</b>	<b>(1.66%)</b>	<b>0.59%</b>	<b>0.66%</b>	<b>0.58%</b>	<b>0.61%</b>

Operating expenses are total expenses from the Consolidated Statement of Operations, less interest and dividend expenses, commissions on futures and options, and performance fee. Operating expenses, interest and dividend expenses, commissions on futures and options and net investment income/ (loss) ratios are annualised for classes that were not in existence for the full year. Total returns and ratios on performance fee are not annualised. Performance fee ratios include performance fees charged by WCG Strategies Fund Limited.

### 13. Related party transactions

Brevan Howard Capital Management LP acting through its sole general partner, Brevan Howard Capital Management Limited, is Manager of the Master Fund. The Manager has appointed each of: (i) BHAM; (ii) BHIPL; (iii) Brevan Howard (Hong Kong) Limited; (iv) Brevan Howard (Israel) Limited; (v) DW Partners, LP; (vi) BH-DG Systematic Trading LLP and (vii) Brevan Howard US Investment Management, LP as Investment Managers of the Master Fund's assets. The transactions with the Manager and Investment Managers and fees payable at the year-end are disclosed in Note 4 and Note 5 to the Consolidated Financial Statements. The Manager indirectly holds a minority equity interest in BH-DG Systematic Trading LLP.

Brevan Howard Multi-Strategy Master Fund Limited ("BHMS") is a Cayman incorporated limited liability company that is permitted to invest its assets in investment funds. The Manager of the Master Fund is also the manager of BHMS. BHMS held 7.44% (US\$1,660,990,521) of the net assets of the Master Fund through a holding of US Dollar, Euro, Sterling and Yen Class Z shares as at 31 December 2014.

BH Global Limited ("BHG") is a Guernsey incorporated closed-ended investment company listed on the London Stock Exchange that previously invested all of its assets in the Brevan Howard Global Opportunities Master Fund Limited ("BHGOMF"). The Manager of the Master Fund, is also the manager of BHG and BHGOMF. BHGOMF was permitted to invest in any investment funds of which one or more of the Brevan Howard group of affiliated entities is the manager or investment manager. BHGOMF disposed of its holding in the Master Fund during the year by way of a transfer of such holdings to BHMS, following a change in investment policy by BHG to invest all its assets (net of short-term working capital) in BHMS.

As at 31 December 2014 the Master Fund held investments in funds managed by one or more of the Brevan Howard group of affiliated entities as set out in Note 5.

### 14. Long-term interest-bearing subscriptions receivable

The subscriptions receivable amount of US\$89,280,628 is due from Brevan Howard Fund Limited and relates to Nil Paid US Dollar Class C and Nil Paid Sterling Class C shares issued by the Feeder Fund. Upon issuance of these Nil Paid shares by the Feeder Fund, additional shares were issued by the Master Fund (US Dollar Class A and Sterling Class A shares), resulting in the recognition of a corresponding receivable balance.

The following table details the share transactions during the year:

	In Issue At Start of Year	Issued during the Year	Redeemed during the Year	In Issue At End of Year
Nil Paid US Dollar Class C	51,136	30,080	(24,037)	57,179
Nil Paid Sterling Class C	43,057	32,952	(31,118)	44,891

The Nil Paid US Dollar Class C and Nil Paid Sterling Class C shares are issued to Brevan Howard Employee Benefit Trust Number 3, Brevan Howard Employee Benefit Trust Number 7, BH Partners L.P. and BH Partners 2009 L.P.

A guarantee to pay any unmet capital calls covering the issue of the Class C shares has been given to the Feeder Fund by the Manager.

Accrued interest receivable in the form of a funding fee has been recognised by the Feeder Fund as follows:

Share Class	Issue Date	Redemption Date	Number of Issued Shares	Funding Fee Rate
Nil Paid US Dollar Class C	Jan-2013	Jan-2016	29,438	0.32%
Nil Paid US Dollar Class C	Jan-2014	Jan-2017	27,741	0.65%
Nil Paid Sterling Class C	Jan-2013	Jan-2016	23,659	0.39%
Nil Paid Sterling Class C	Jan-2014	Jan-2017	21,232	0.88%

This funding fee, together with the long-term interest-bearing subscriptions receivable, is withheld from the redemption proceeds at the end of the term by the Feeder Fund. The Directors of the Feeder Fund have resolved to call any Nil Paid Class C shares if the prevailing NAV of such share falls below 90% of the NAV at issuance.

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## 15. Investment in affiliated funds

The Master Fund has invested in a number of affiliated funds as set out in Note 5.

## 16. Equalisation Factor

Where Shares are subscribed for at a time when the NAV per Share is greater than the Peak NAV per Share of the relevant Class, the investor will be required to pay an amount in excess of the then current NAV per Share of that Class equal to the Relevant Percentage of the difference between the then current NAV per Share of that Class (before accrual for the Performance Fee) and the Peak NAV per Share of that Class (an "Equalisation Credit").

At the date of subscription the Equalisation Credit will equal the Performance Fee per Share accrued with respect to the other Shares of the same Class in the Master Fund (the "Maximum Equalisation Credit"). The Equalisation Credit is payable to account for the fact that the NAV per Share of that Class has been reduced to reflect an accrued Performance Fee to be borne by existing Shareholders of the same Class and serves as a credit against Performance Fees that might otherwise be payable by the Master Fund but that should not, in equity, be charged against the Shareholder making the subscription because, as to such Shares, no favourable performance has yet occurred. The Equalisation Credit ensures that all holders of Shares of the same Class have the same amount of capital at risk per Share.

The additional amount invested as the Equalisation Credit will be at risk in the Master Fund and will therefore appreciate or depreciate based on the performance of the relevant Class subsequent to the issue of the relevant Shares but will never exceed the Maximum Equalisation Credit. In the event of a decline as at any Valuation Day in the NAV per Share of those Shares, the Equalisation Credit will also be reduced by an amount equal to the Relevant Percentage of the difference between the NAV per Share (before accrual for the Performance Fee) at the date of issue and as at that Valuation Day. Any subsequent appreciation in the NAV per Share of the relevant Class will result in the recapture of any reduction in the Equalisation Credit but only to the extent of the previously reduced Equalisation Credit up to the Maximum Equalisation Credit.

Where shares are subscribed for at a time when the NAV per share is less than the Peak NAV per share of the relevant Class, the investor will be required to pay a Performance Fee with respect to any subsequent appreciation in the value of those shares. With respect to any appreciation in the value of those shares from the NAV per share at the date of subscription up to the Peak NAV per share, the Performance Fee will be charged at the end of each Calculation Period by redeeming at par value (which will be retained by the Master Fund) such number of the investor's shares of the relevant Class as have an aggregate NAV (after accrual for any Performance Fee) equal to the Relevant Percentage of any such appreciation (a "Performance Fee Redemption"). An amount equal to the aggregate NAV of the shares so redeemed will be paid to the Manager as a Performance Fee. The Master Fund will not be required to pay to the investor the redemption proceeds of the relevant shares being the aggregate par value thereof. Performance Fee Redemptions ensures that the Master Fund and its Subsidiaries maintain a uniform NAV per Share of each Class.

At the year end the equalisation factor accrued but not crystallised is US\$Nil while the portion that crystallised during the year represented a write-back of US\$6,651.

## 17. Subsequent Events

For the year ended 31 December 2014, the Master Fund and its Subsidiaries evaluated subsequent events through 19 March 2015. No material events which would require to be disclosed or adjusted for in the Consolidated Financial Statements occurred during this period.



# Affirmation of the Commodity Pool Operator

31 December 2014

To the best of my knowledge and belief, the information detailed in these annual audited consolidated financial statements is accurate and complete.

By:



**Name: David Barton**

**Title:** Head of Legal and Authorised Signatory

Brevan Howard Capital Management Limited as general partner of Brevan Howard Capital Management LP, the manager and commodity pool operator of Brevan Howard Master Fund Limited.

19 March 2015

# Notes

# Management and Administration

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Dennis Hunter  
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James Vernon

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