

BH Macro Limited
Interim Report and Unaudited Financial
Statements 2014

INTERIM REPORT AND UNAUDITED
FINANCIAL STATEMENTS
30 June 2014

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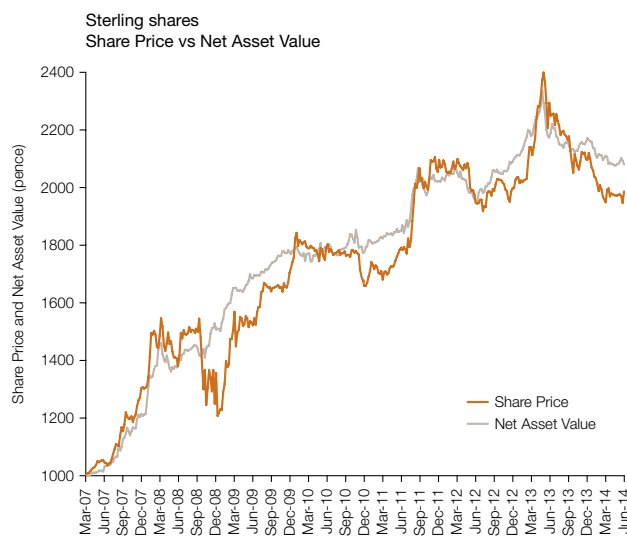
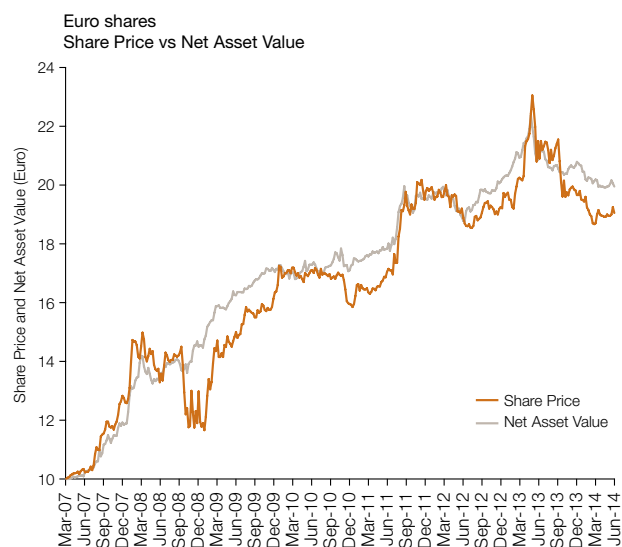
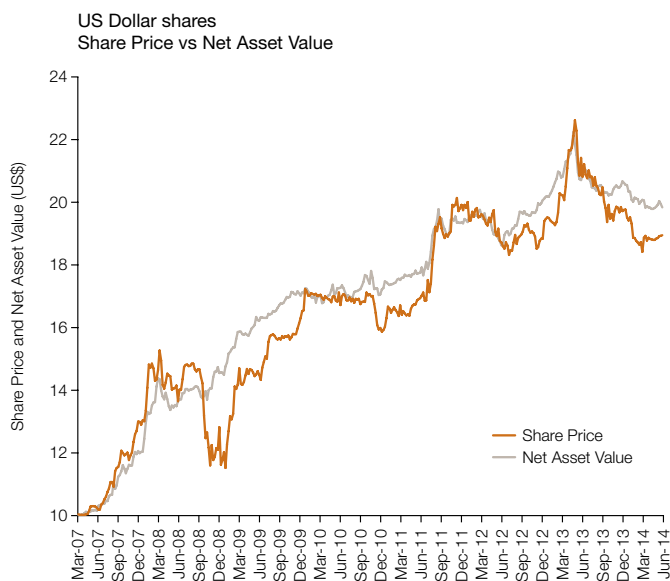


Chairman's Statement

Macroeconomic influences on markets in the first half of 2014 have followed an unexpected pattern. At the end of 2013, there was good evidence that global economic activity was gaining traction, and good reasons to expect the process of recovery to continue, and even accelerate. Thus far in 2014, these expectations have been at least partially frustrated, with growth flat in the US (perhaps principally reflecting bad weather in the first quarter) and subdued in the Eurozone and Japan, and with some emerging market economies facing adverse headwinds.

As a result, market expectations that there might be more definitive action by the monetary authorities in the US and the UK towards restraint as growth accelerated, and per contra by the authorities in the Eurozone and Japan towards greater accommodation, proved largely premature. Financial markets in consequence remained range-bound and directionless, with equities marking time close to recent highs, bond yields falling and volatility at an historical low.

Against this background, BH Macro Limited (the "Company") recorded a fall in net asset value ("NAV") in the first half of 2014 of 3.92% (on its sterling shares). This disappointing performance reflects the unfavourable environment described above, which has not provided opportunities for macro funds to achieve positive performance. The Company's NAV did benefit from gains on relative-value trading in credit instruments in the first quarter, and from the European Central Bank's moderate move to ease monetary conditions in the second quarter. But there were no opportunities for more substantial macro-directional trading and the focus was necessarily, and rightly, on protection of capital while waiting on developments. It remains the case that better opportunities may emerge later in the year if there are more substantial moves towards policy tightening in the US and the UK and towards further easing in the Eurozone and Japan.



Source: Brevan Howard, as at 18 July 2014. Based on published NAV data.

In line with its stated purpose, the Company invests all of its assets (net of minimal working capital) in Brevan Howard Master Fund Limited (the "Master Fund"). The Master Fund's stated objective has been, and remains, to seek to generate consistent long-term capital appreciation through active leveraged trading and investment on a global basis. The report by the Company's manager, Brevan Howard Capital Management LP (the "Manager"), later in this Interim Report describes the Master Fund's performance in more detail.

On a longer perspective, the Company has a track record of preserving Shareholders' capital and achieving a positive return, uncorrelated with other markets and with low volatility. Over the seven years since its launch in 2007, the Company has more

Chairman's Statement *continued*

than doubled its NAV (a gain of 105% on the sterling shares) and has achieved an annualised rate of return of 10.18% with an annualised Sharpe ratio of 1.58.

The Company's assets remain substantial, with NAV totalling \$2.03 billion at end-June 2014, making it the largest single-manager hedge fund listed on the London Stock Exchange. The weaker NAV performance in the first half of 2014 was accompanied by a widening of the discount on the Company's shares. In response, in February the Board initiated market purchases of the Company's shares in order to moderate the discount. By end-June 2014, the equivalent of approximately \$180 million of shares had been repurchased, with the result that the discount has stabilised in recent months at around 5% (sterling shares). Authority for market purchases was renewed at the Company's AGM in June 2014. The Board will continue to be ready to undertake discount management actions where necessary so that as far as possible the share prices properly reflect the Company's underlying performance and prospects.

The listing of the Company's shares on the Main Market of the London Stock Exchange continues to provide an active secondary market for Shareholders to trade shares. The Sterling shares have maintained their place in the FTSE 250 and the Company has also maintained its listings in Dubai and Bermuda. Having reviewed the Financial Conduct Authority's new restrictions on the retail distribution of non-mainstream pooled investments, the Company after taking legal advice announced on 15 January 2014 that it is outside the scope of those restrictions, so that its shares can continue to be recommended by UK authorised persons to ordinary retail investors.

The Board maintains regular dialogue with the Company's Manager, to review the Master Fund's trading strategies and risk exposures and to satisfy itself that the Manager's analytical, trading and risk management capabilities are being maintained to a high standard. The Board holds extended discussions with the Manager at each of its quarterly Board meetings, supplemented by additional contacts with the Manager at intervals during the year. One Board meeting a year is held in Brevan Howard's head office in Jersey in order to maintain first-hand contact with the Manager's team there. Briefings are also held with Brevan Howard's global trading team. From all these contacts, the Board continues to believe that the Master Fund's performance remains of a very high standard.

The Company and its Manager have continued to pursue an active programme for public communication and investor relations. Regular communication is maintained with Shareholders and presentations are made to keep analysts, financial journalists and the wider investment community informed of the Company's progress. Up-to-date performance information is provided through NAV data published monthly on a definitive basis and weekly on an estimated basis, as well as through monthly risk reports and shareholder reports. All of these reports and further information about the Company are available on its website (www.bhmacro.com).

The Directors are very closely focused on safeguarding the interests of Shareholders and believe that the Company observes high standards of corporate governance. The Board, the majority of

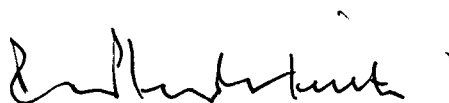
which is independent of the Brevan Howard group, holds quarterly scheduled meetings and meets ad hoc on other occasions as necessary. The work of the Board is assisted by the Audit Committee and the Management Engagement Committee. The Board continues to meet all of the provisions of the Association of Investment Companies' Code of Corporate Governance that are relevant to a company that has no executive management; the details are described below in the Directors' Report. The Board has also implemented the recommendations of the Davies Report on women on boards.

Stephen Stonberg retired from the Board on 31 March 2014. The Board greatly appreciated his lead role in establishing the Company and the experience and support he contributed to its subsequent development. In his place, the Board appointed David Barton, Head of Legal at the Company's Manager. The Board believes that, since the Company's purpose is to invest solely in Brevan Howard Master Fund Limited, there is positive advantage to Shareholders in maintaining a direct link to Brevan Howard in this one seat on the Board.

Anthony Hall retired from the Board at the Company's AGM on 16 June 2014 after seven years' distinguished service as a Director. The Board has benefited immensely from the wisdom and insights he brought to its work and has greatly valued his significant contribution to the success of the Company from its inception. In his place, the Directors have been delighted to appoint Claire Whittet, who brings to the Board extensive experience of a career at senior level in banking.

With the retirement of Anthony Hall, Huw Evans has succeeded him as Chairman of the Management Engagement Committee.

Despite the disappointment of the first half of 2014, it remains the case that the recovery in the global economy will at some point down the road require policy adjustments by monetary authorities, quite possibly in different directions in different countries. This situation should generate more fertile opportunities for macro funds, from which the Master Fund is well equipped to benefit. In this environment, the Board believes that the Master Fund has the capability to continue to deliver positive performance over time and that the Company's investment in the Master Fund offers good prospects for Shareholders to achieve sustainable returns while preserving capital.



Ian Plenderleith
Chairman

21 August 2014

Board Members

The Directors of the Company, all of whom are non-executive, are listed below:

Ian Plenderleith (Chairman), age 70

Ian Plenderleith retired at the end of 2005 after a three-year term as Deputy Governor of the South African Reserve Bank. He served on the Bank's Monetary Policy Committee and was responsible for money, capital and foreign exchange market operations and for international banking relationships. He previously worked for over 36 years at the Bank of England in London, where he was most recently Executive Director responsible for the Bank's financial market operations and a member of the Bank's Monetary Policy Committee. He has also worked at the International Monetary Fund in Washington DC and served on the Board of the European Investment Bank and on various international committees at the Bank for International Settlements. Mr Plenderleith holds an MA from Christ Church, Oxford University, and an MBA from Columbia Business School, New York. Mr Plenderleith is non-executive Chairman of Morgan Stanley International and a non-executive Director of BMCE Bank International and of Sanlam UK. He is also Chairman of the Governors of Reed's School in Surrey. Mr Plenderleith has held the role of Chairman of the Board since 2007.

Huw Evans, age 56

Huw Evans is Guernsey resident and qualified as a Chartered Accountant with KPMG (then Peat Marwick Mitchell) in 1983. He subsequently worked for three years in the Corporate Finance department of Schroders before joining Phoenix Securities Limited in 1986. Over the next twelve years he advised a wide range of companies in financial services and other sectors on mergers and acquisitions and more general corporate strategy. Since moving to Guernsey in 2005, he has acted as a professional non-executive Director of a number of Guernsey-based companies and funds. He holds an MA in Biochemistry from Cambridge University. Mr Evans was appointed to the Board in 2010.

David Barton, age 35

David Barton is Jersey resident and joined Brevan Howard in July 2007. He is currently the Head of Legal at Brevan Howard Capital Management LP, the Company's manager, and a director of a number of the group's global entities. Prior to joining Brevan Howard, David worked as a transactional lawyer in the Corporate group of Freshfields Bruckhaus Deringer in London (2005 – 2007), advising on the structuring and launch of listed and unlisted hedge, private equity and other investment funds. Prior to Freshfields, David worked as a solicitor in the Corporate and Finance groups of Freehills in Sydney (2002 – 2005) advising on a wide range of M&A, ECM/DCM and investment fund transactions. David holds a Bachelor of Commerce (Economics and Finance) and Bachelor of Laws (Hons) from Macquarie University in Sydney and is admitted to practice as a solicitor in England and Wales and a solicitor and barrister in New South Wales, Australia. David is Series 3 (Commodities and Futures) qualified with the United States, National Association of Securities Dealers (NASD). Mr Barton was appointed to the Board in April 2014.

Christopher Legge, (Senior Independent Director), age 59

Christopher Legge is Guernsey resident and has over 25 years experience in the financial services industry. He qualified in London in 1980 with Pannell Kerr Forster and subsequently moved to Guernsey in 1983 to work for Ernst & Young, progressing from audit manager to Managing Partner in the Channel Islands. Mr Legge retired from Ernst & Young in 2003 and currently holds a number of directorships in the financial sector. Mr Legge is an FCA and holds a BA (Hons) in Economics from the University of Manchester. Mr Legge was appointed to the Board in 2007.

Talmi Morgan, age 61

Talmi Morgan is Guernsey resident and qualified as a barrister in 1976. He moved to Guernsey in 1988 where he worked for Barings and then for the Bank of Bermuda as Managing Director of Bermuda Trust (Guernsey) Limited. From January 1999 to June 2004, he was Director of Fiduciary Services and Enforcement at the Guernsey Financial Services Commission (Guernsey's financial regulatory agency) where he was responsible for the design and subsequent implementation of Guernsey's law relating to the regulation of fiduciaries, administration businesses and company directors. He was also involved in the international working groups of the Financial Action Task Force and the Offshore Group of Banking Supervisors. From July 2004 to May 2005, he was Chief Executive of Guernsey Finance which is the official body for the promotion of the Guernsey finance industry. Mr Morgan holds a MA in Economics and Law from Cambridge University. Mr Morgan is Chairman of the Listed Hedge Fund Forum of the Association of Investment Companies. In addition to being a director of the Company, Mr Morgan is a Director of a number of listed investment funds. Mr Morgan was appointed to the Board in 2007.

Claire Whittet, age 59

Claire Whittet is Guernsey resident and has over 37 years' experience in the financial services industry. After obtaining a MA (Hons) in Geography from the University of Edinburgh, she joined the Bank of Scotland for 19 years and undertook a wide variety of roles including running two city centre offices. She moved to Guernsey in 1996 and was Global Head of Private Client Credit for Bank of Bermuda before joining Rothschild Bank International Limited where she is now Managing Director and Co-Head. Mrs Whittet is an ACIB member of the Chartered Institute of Bankers in Scotland, a member of the Chartered Insurance Institute and holds an IoD Director's Diploma in Company Direction. She is a Non-Executive Director of other listed investment funds. Mrs Whittet was appointed to the Board in June 2014.

Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges

The following summarises the Directors' directorships in other public companies:

Company Name	Exchange
Ian Plenderleith None	
David Barton None	
Huw Evans Standard Life Investments Property Income Trust Limited	London
Christopher Legge Ashmore Global Opportunitites Limited Baring Vostok Investments PCC Limited John Laing Environmental Assets Group Limited Sherborne Investors (Guernsey) B Limited Third Point Offshore Investors Limited TwentyFour Select Monthly Income Fund Limited	London Channel Islands London SFM London London
Talmai Morgan BH Global Limited DCG IRIS Limited Global Fixed Income Realisation Limited John Laing Infrastructure Fund Limited NB Distressed Debt Investment Fund Limited NB Private Equity Partners Limited Real Estate Credit Investments PCC Limited Sherborne Investors (Guernsey) B Limited	London, Bermuda and Dubai London Ireland London SFM and Channel Islands Euronext Amsterdam, SFM and Channel Islands London SFM
Claire Whittet TwentyFour Select Monthly Income Fund Limited International Public Partnerships Limited	London London

Directors' Report

30 June 2014

The Directors submit their Interim Report together with the Company's Interim Unaudited Statement of Assets and Liabilities, Interim Unaudited Statement of Operations, Interim Unaudited Statement of Changes in Net Assets, Interim Unaudited Statement of Cash Flows and the related notes for the period ended 30 June 2014. The Directors' Report together with the Interim Unaudited Financial Statements and their related notes (the "Financial Statements") give a true and fair view of the financial position of the Company. They have been prepared properly, in conformity with United States Generally Accepted Accounting Principles ("US GAAP"), are in accordance with any relevant enactment for the time being in force and are in agreement with the accounting records.

The Company

The Company is a limited liability closed-ended investment company incorporated in Guernsey on 17 January 2007.

The Company was admitted to a Secondary Listing (Chapter 14) on the Official List of the London Stock Exchange ("LSE") on 14 March 2007. On 11 March 2008, the Company migrated from the Secondary Listing to a Primary Listing pursuant to Chapter 15 of the Listing Rules of the UK Listing Authority. As a result of changes to the UK Listing Regime, the Company's Primary Listing became a Premium Listing with effect from 6 April 2010.

As of 20 October 2008 the Company obtained a Secondary Listing on the Bermuda Stock Exchange and with effect from 11 November 2008, the US Dollar Shares of the Company were admitted to a Secondary Listing on NASDAQ Dubai.

The proceeds from the original issue of shares on listing amounted to approximately US\$1.1 billion. On 26 October 2007 the Company issued further shares in a cash placing amounting to approximately US\$0.1 billion.

Investment objective and policy

The Company is organised as a feeder fund that invests all of its assets (net of short-term working capital requirements) directly in Brevan Howard Master Fund Limited (the "Master Fund"), a hedge fund in the form of a Cayman Islands open-ended investment company, which has as its investment objective the generation of consistent long-term appreciation through active leveraged trading and investment on a global basis. The Master Fund is managed by Brevan Howard Capital Management LP, the Company's Manager.

The Master Fund has flexibility to invest in a wide range of instruments including, but not limited to, debt securities and obligations (which may be below investment grade), bank loans, listed and unlisted equities, other collective investment schemes, currencies, commodities, futures, options, warrants, swaps and other derivative instruments. The underlying philosophy is to construct strategies, often contingent in nature, with superior risk/return profiles, whose outcome will often be crystallised by an expected event occurring within a pre-determined period of time.

The Company may employ leverage for the purposes of financing share purchases or buy backs, satisfying working capital requirements or financing further investment into the Master Fund, subject to an aggregate borrowing limit of 20% of the Company's net asset value, calculated as at the time of borrowing. Borrowing by the Company is in addition to leverage at the Master Fund level, which has no limit on its own leverage.

Results and dividends

The results for the period are set out in the Unaudited Statement of Operations on page 17. The Directors do not recommend the payment of a dividend.

The figures stated in note 9 of the Notes to the Interim Unaudited Financial Statements for Net Investment Losses are, in the Directors' opinion and in accordance with the Company's investment objectives, not the most appropriate reflection of the Company's overall performance. Considering the investment objectives of the Company, the Directors consider that the figures disclosed in note 9 for Total Returns are a more appropriate reflection of the Company's overall performance during the period.

Share capital

The number of shares in issue at the period end is disclosed in note 5 to the Financial Statements.

Going concern

The Company continues to perform satisfactorily and monitors and manages its liquidity. Given the nature of the Company and its investment, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing these Financial Statements. In reaching this conclusion the Board is mindful of the nature of the assets that underly its investment in the Master Fund, including their liquidity and has concluded that adverse investment performance will not have a material impact on solvency.

The Board

The Board of Directors has overall responsibility for safeguarding the Company's assets, for the determination of the investment policy of the Company, for reviewing the performance of the service providers and for the Company's activities. The Directors, all of whom are non-executive, are listed on page 4 and on the inside back cover.

The Articles provide that, unless otherwise determined by ordinary resolution, the number of Directors shall not be less than two. The Company's policy on Directors' Remuneration, together with details of the remuneration of each Director who served during the period, is detailed in the Directors' Remuneration Report on page 12.

The Board meets at least four times a year and between these formal meetings there is regular contact with the Manager and the Administrator. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the

Directors' Report *continued*

30 June 2014

business of the Company and should be brought to the attention of the Directors. The Directors also have access to the Administrator and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company. In addition to these scheduled meetings, 8 ad hoc meetings were held to deal with matters that were of a fundamentally administrative nature, the majority being the conversions between share classes. These meetings were attended by those Directors available at the time.

Directors

For each Director, the tables below set out the number of Board and Audit Committee meetings they were entitled to attend during the six month period ended 30 June 2014 and the number of such meetings attended by each Director.

Scheduled Board Meetings	Held	Attended
Ian Plenderleith	2	2
David Barton	*1	1
Huw Evans	2	2
Anthony Hall	*2	2
Christopher Legge	2	2
Talmi Morgan	2	2
Stephen Stonberg	*2	2
Claire Whittet	*1	1

Audit Committee Meetings	Held	Attended
Huw Evans	2	2
Anthony Hall	*2	2
Christopher Legge	2	2
Claire Whittet	*1	1

* Indicates the meetings held during their time on the Board/Committee during the period ended 30 June 2014.

Management Engagement Committee Meetings

The Management Engagement Committee held its last meeting on 16 September 2013 and will meet again later this year.

Directors' independence

Talmi Morgan is a non-executive Director of BH Global Limited. BH Global Limited is managed by Brevan Howard Capital Management LP and is a feeder fund to Brevan Howard Global Opportunities Master Fund Limited which invests, amongst other investments, in the Master Fund. On the basis of this other interest, Talmi Morgan is deemed not independent of the Manager for the purposes of LR15.2.12-A. David Barton is an employee of the Manager therefore is also deemed not to be independent of the Manager for the purposes of LR15.2.12-A.

Directors' interests

The Directors had the following interests in the Company, held either directly or beneficially:

	US Dollar Shares		
	30.06.14	31.12.13	30.06.13
Ian Plenderleith	Nil	Nil	Nil
David Barton	Nil	Nil	Nil
Huw Evans	Nil	Nil	Nil
Anthony Hall	9,017	9,017	Nil
Christopher Legge	Nil	Nil	Nil
Talmi Morgan	Nil	Nil	Nil
Stephen Stonberg	Nil	Nil	Nil
Claire Whittet	Nil	Nil	Nil

	Euro Shares		
	30.06.14	31.12.13	30.06.13
Ian Plenderleith	Nil	Nil	Nil
David Barton	Nil	Nil	Nil
Huw Evans	Nil	Nil	Nil
Anthony Hall	Nil	Nil	Nil
Christopher Legge	Nil	Nil	Nil
Talmi Morgan	Nil	Nil	Nil
Stephen Stonberg	Nil	Nil	Nil
Claire Whittet	Nil	Nil	Nil

	Sterling Shares		
	30.06.14	31.12.13	30.06.13
Ian Plenderleith	Nil	Nil	Nil
David Barton	Nil	Nil	Nil
Huw Evans	710	710	710
Anthony Hall	10,000	10,000	15,738
Christopher Legge	Nil	Nil	Nil
Talmi Morgan	1,200	1,200	1,200
Stephen Stonberg	5,676	5,676	5,676
Claire Whittet	Nil	Nil	Nil

Directors' indemnity

Directors' and officers' liability insurance cover is in place in respect of the Directors.

The Directors entered into indemnity agreements with the Company which provide for, subject to the provisions of the Companies (Guernsey) Law, 2008, an indemnity for Directors in respect of costs which they may incur relating to the defence of proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court. The agreement does not provide for any indemnification for liability which attaches to the Directors in connection with any negligence, unfavourable judgements, breach of duty or trust in relation to the Company.

Corporate governance

To comply with the UK Listing Regime, the Company must comply with the requirements of the UK Corporate Governance Code. The Company is also required to comply with the Code of Corporate Governance issued by the Guernsey Financial Services Commission.

The Company is a member of the Association of Investment Companies (the "AIC") and by complying with the AIC Code of Corporate Governance ("AIC Code") is deemed to comply with both the UK Corporate Governance Code and Guernsey Code of Corporate Governance.

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders. To ensure ongoing compliance with these principles the Board receives and reviews a report from the Secretary, at each quarterly meeting, identifying whether the Company is in compliance and recommending any changes that are necessary.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function
- whistle-blowing policy

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company - being an externally managed investment company with a Board formed exclusively of non-executive Directors. The Company has therefore not reported further in respect of these provisions. The Company does not have employees, hence no whistle-blowing policy is necessary. However, the Directors have satisfied themselves that the Company's service providers have appropriate whistle-blowing policies and procedures and seek regular confirmation from the service providers that nothing has arisen under those policies and procedures which should be brought to the attention of the Board.

The Company has adopted a policy that the composition of the Board of Directors is at all times such that (i) a majority of the Directors are independent of the Manager and any company in

the same group as the Manager; (ii) the Chairman of the Board of Directors is free from any conflicts of interest and is independent of the Manager and of any company in the same group as the Manager; and (iii) no more than one director, partner, employee or professional adviser to the Manager or any company in the same group as the Manager may be a Director of the Company at any one time.

The Company has adopted a Code of Directors' dealings in shares, which is based on the Model Code for Directors' dealings contained in the LSE's Listing Rules.

The Company's risk exposure and the effectiveness of its risk management and internal control systems are reviewed by the Audit Committee and by the Board at their meetings. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

In view of its non-executive and independent nature, the Board considers that it is not necessary for there to be a Nomination Committee or a Remuneration Committee as anticipated by the AIC Code. The Board as a whole fulfils the functions of the Nomination and Remuneration Committees, although the Board has included a separate Remuneration Report on page 12 of these Financial Statements. The Board has adopted a Nomination Policy covering procedures for nominations to the Board and to Board committees.

For new appointments to the Board, nominations are sought from the Directors and from other relevant parties and candidates are then interviewed by an ad hoc committee of independent Directors. The Board has a breadth of experience relevant to the Company, and the Directors believe that any changes to the Board's composition can be managed without undue disruption. An induction programme is provided for newly-appointed Directors.

The Directors were appointed for an initial term of three years. In line with the AIC Code, as the Company is a FTSE 250 listed company, Section 20.3 of the Company's Articles requires all Directors to retire at each Annual General Meeting. At the Annual General Meeting of the Company on 16 June 2014, Shareholders re-elected all the Directors of the Company with the exception of Anthony Hall who did not put himself forward for re-election.

The Board regularly reviews its composition and believes that the current appointments provide an appropriate range of skills and experience. The Board is committed to ensuring diversity in its composition, including continuing to meet the recommendations of the Davies Report on "Women on Boards".

The Board, Audit Committee and Management Engagement Committee undertake an evaluation of their own performance and that of individual Directors on an annual basis. In order to review their effectiveness, the Board and its Committees carry out a process of formal self-appraisal. The Board and Committees consider how they function as a whole and also review the individual performance of their members. This process is conducted by the respective Chairman reviewing the Directors' performance,

Directors' Report continued

30 June 2014

contribution and commitment to the Company. Christopher Legge, as Senior Independent Director, takes the lead in reviewing the performance of the Chairman. The Chairman also has responsibility for assessing the individual Board members' training requirements.

In accordance with the AIC Code which requires external evaluation of the Board every three years, the Board commissioned an external evaluation of its performance by Optimus Group Limited in October 2011. The report of the evaluation confirmed that the Company observes a high standard of Corporate Governance and the Board intends to repeat the exercise later this year.

Fraud, anti-bribery and corruption policy

The Board has adopted a formal Fraud, Anti-bribery and Corruption Policy. The policy applies to the Company and to each of its Directors. Further, the policy is shared with each of the Company's service providers.

Ongoing Charges

Ongoing charges for the six month period ended 30 June 2014, year ended 31 December 2013 and six month period ended 30 June 2013 have been prepared in accordance with the AIC's recommended methodology.

The following table presents the Ongoing Charges for each share class.

30.06.14

	US Dollar Shares	Euro Shares	Sterling Shares
Company – Ongoing Charges	1.94%	1.93%	1.96%
Master Fund – Ongoing Charges	0.60%	0.60%	0.61%
Performance fee	0.00%	0.00%	0.00%
Ongoing Charges plus performance fee	2.54%	2.53%	2.57%

31.12.13

	US Dollar Shares	Euro Shares	Sterling Shares
Company – Ongoing Charges	1.94%	1.95%	1.95%
Master Fund – Ongoing Charges	0.61%	0.61%	0.62%
Performance fee	0.63%	0.65%	0.69%
Ongoing Charges plus performance fee	3.18%	3.21%	3.26%

30.06.13

	US Dollar Shares	Euro Shares	Sterling Shares
Company – Ongoing Charges	1.96%	1.97%	1.97%
Master Fund – Ongoing Charges	0.61%	0.61%	0.61%
Performance fee	0.94%	0.95%	0.97%
Ongoing Charges plus performance fee	3.51%	3.53%	3.55%

The Master Fund Ongoing Charges represent the portion of the Master Fund's operating expenses which have been allocated to

the Company. The Company invests substantially all of its investable assets in ordinary US Dollar, Euro and Sterling denominated Class B shares issued by the Master Fund. These shares are not subject to management fees and performance fees within the Master Fund. The Master Fund's operating expenses include an operational service fee payable to the Manager of 1/12 of 0.5% per month of the NAV.

Performance graphs

The graphs shown on page 1 detail the share price returns over the period.

Audit Committee

The Company has established an Audit Committee with formal duties and responsibilities. This Committee meets formally at least twice a year and each meeting is attended by the Independent Auditor and Administrator.

The Committee is chaired by Christopher Legge and its other members are Huw Evans and Claire Whittet who was appointed on 16 June 2014 following Anthony Hall's retirement. The Terms of Reference of the Audit Committee are available from the Administrator.

The table on page 6 sets out the number of Audit Committee meetings held during the six month period ended 30 June 2014 and the number of such meetings attended by each committee member.

The Audit Committee reviews and recommends to the Board the Financial Statements of the Company and is the forum through which the Independent Auditor reports to the Board of Directors. The objectivity of the Independent Auditor is reviewed by the Audit Committee which also reviews the terms under which the Independent Auditor is appointed to perform non-audit services. The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the Independent Auditor, with particular regard to non-audit fees. The Audit Committee considers KPMG Channel Islands Limited to be independent of the Company.

The Audit Committee examined externally prepared assessments of the control environment in place at the Manager and the Administrator, with each providing a Service Organisation Control ("SOC 1") report.

The Audit Committee has reviewed the need for an internal audit function. The Audit Committee considers the systems and procedures employed by the Manager and the Administrator, including their internal audit functions, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Appointment to the Audit Committee is for a period up to three years which may be extended for two further three year periods provided that the majority of the Audit Committee remain independent of the Manager. Christopher Legge is currently serving his third term of three years. Huw Evans is currently serving his second term and Claire Whittet is serving her first term.

A member of the Audit Committee is available to attend each Annual General Meeting to respond to any shareholder questions on the activities of the Audit Committee.

Auditors Remuneration

The tables below summarises the remuneration paid by the Company to KPMG Channel Islands Limited and to other KPMG member firms for audit and non-audit services during the six month period ended 30 June 2014, the year ended 31 December 2013 and the six month period ended 30 June 2013.

	Period ended 30.06.14	Year ended 31.12.13	Period ended 30.06.13
KPMG Channel Islands Limited			
– Annual audit	–	£26,300	–
– Interim review	£8,750	£8,500	£8,500
Other KPMG member firms			
– German Tax Services	–	£24,775	–
– US Tax Services	–	£11,497	–

The German and US Tax services have been provided in relation to investor tax reporting requirements for those countries. The German tax services were discontinued with effect from 1 January 2014, pursuant to section 5 of the German Investment Tax Act (Investmentsteuergesetz) due to lack of demand for the reporting.

Shareholders with any queries in relation to the above should contact the Administrator in the first instance, whose contact details can be found on the Company's website, www.bhmacro.com.

The Audit Committee has established pre-approval policies and procedures for the engagement of KPMG to provide audit, assurance and tax services.

Management Engagement Committee

The Board has established a Management Engagement Committee with formal duties and responsibilities. The Management Engagement Committee meets formally at least once a year and comprises Ian Plenderleith, Christopher Legge, Huw Evans and Claire Whittet. Huw Evans and Claire Whittet were appointed to the Management Engagement Committee on 16 June 2014. Upon his appointment to the Management Engagement Committee, Huw Evans succeeded Anthony Hall as Chairman following his retirement.

The function of the Management Engagement Committee is to ensure that the Company's Management Agreement is competitive and reasonable for the Shareholders, along with the Company's agreements with all other third party service providers (other than the Independent Auditors). The Terms of Reference of the Management Engagement Committee are available from the Administrator.

The principal contents of the Manager's contract and notice period are contained in note 4 to the Financial Statements.

The Board continuously monitors the performance of the Manager and a review of the Manager is conducted by the Management Engagement Committee annually.

The Manager has wide experience in managing and administering investment companies and has access to extensive investment management resources.

At its meeting on 16 September 2013, the Management Engagement Committee concluded that the continued appointment of the Manager on the terms agreed was in the interests of the Company's Shareholders as a whole. At the date of this report the Board continued to be of the same opinion.

Internal Controls

Responsibility for the establishment and maintenance of an appropriate system of internal control rests with the Board and to achieve this, a process has been established which seeks to:-

- Review the risks faced by the Company and the controls in place to address those risks
- Identify and report changes in the risk environment
- Identify and report changes in the operational controls
- Identify and report on the effectiveness of controls and errors arising
- Ensure no override of controls by its service providers, the Manager and Administrator

A report is tabled and discussed at each Audit Committee meeting setting out the risks identified, their potential impact, the controls in place to mitigate them, the residual risk assessment and any exceptions identified during the period under review.

Further reports are received and reviewed from the Company Secretary and the Administrator in respect of compliance, London Stock Exchange continuing obligations and other matters.

No material adverse findings were identified in these reports during the period.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013.

The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US tax compliance with respect to those assets. On 13 December 2013, the States of Guernsey entered into an intergovernmental agreement ("IGA") with US Treasury in order to facilitate the requirements under FATCA. The relevant legislation to bring the IGA into Guernsey Law is currently being drafted and is expected to be brought into force within the next few months. In May 2014, the US announced a six month delay to the new entity account on-boarding rules, from 1 July 2014 to 1 January 2015, for the operation of the US FATCA regulations, which has been extended to the IGA. Guernsey Financial Institutions

Directors' Report *continued*

30 June 2014

are required to have new individual account on-boarding procedures in place by 1 July 2014 and new entity account on-boarding procedures in place by 1 January 2015. The Board is monitoring implementation with the assistance of its professional advisers.

UK-Guernsey Intergovernmental Agreement

The States of Guernsey signed an intergovernmental agreement with the UK ("UK-Guernsey IGA") on 22 October 2013, under which mandatory disclosure requirements will be required in respect of Shareholders who have a UK connection. The UK-Guernsey IGA has been ratified by Guernsey's States of Deliberation and the relevant legislation to bring the IGA into Guernsey Law is currently being drafted and it is expected to be brought into force within the next few months. The impacts of the UK-Guernsey IGA on the Company and the Company's reporting responsibilities pursuant to the UK-Guernsey IGA are not currently in final form. The Board is monitoring implementation of the UK-Guernsey IGA with the assistance of its professional advisers.

Relations with Shareholders

The Board welcomes Shareholders' views and places great importance on communication with the Company's Shareholders. The Board receives regular reports on the views of Shareholders and the Chairman and other Directors are available to meet Shareholders if required. The Annual General Meeting of the Company provides a forum for Shareholders to meet and discuss issues with the Directors of the Company. The Company provides weekly unaudited estimates of NAV, month end unaudited and final NAVs. The Company also provides a monthly newsletter. These are published via RNS and are also available on the Company's website. Risk reports of the Master Fund are also available on the Company's website.

The Manager maintains regular dialogue with institutional Shareholders, the feedback from which is reported to the Board. In addition, Board members are available to respond to Shareholders' questions at Annual General Meetings. Shareholders who wish to communicate with the Board should contact the Administrator in the first instance.

Significant Shareholders

As at 30 June 2014, the following Shareholders had significant shareholdings in the Company:

	Total Shares Held	% holding in class
Significant Shareholders		
US Dollar Shares		
Chase Nominees Limited	4,748,221	22.51
Nortrust Nominees Limited	2,732,582	12.96
Vidacos Nominees Limited	2,318,418	10.99
J P Morgan Clearing Corporation	1,973,285	9.36
Morstan Nominees Limited	1,654,258	7.84
Lynchwood Nominees Limited	1,309,324	6.21
State Street Nominees Limited	971,007	4.60
HSBC Global Custody Nominee (UK) Limited	691,952	3.28

	Total Shares Held	% holding in class
Significant Shareholders		
Euro shares		
Nordea Bank Danmark A/S	1,927,808	33.43
BBHISL Nominees Limited	756,719	13.12
HSBC Global Custody Nominee (UK) Limited	418,789	7.26
Lynchwood Nominees Limited	405,917	7.04
State Street Nominees Limited	344,385	5.97
Goodbody Stockbrokers Nominees Limited	300,832	5.22
Aurora Nominees Limited	195,218	3.39
The Bank of New York (Nominees) Limited	184,136	3.19
Sterling shares		
Chase Nominees Limited	10,669,422	25.81
Nutraco Nominees Limited	2,896,504	7.01
Luna Nominees Limited	2,424,441	5.86
State Street Nominees Limited	2,391,018	5.78
HSBC Global Custody Nominee (UK) Limited	2,228,881	5.39
The Bank of New York (Nominees) Limited	1,811,648	4.38
Nortrust Nominees Limited	1,422,398	3.44
Harewood Nominees Limited	1,357,460	3.28
Ferlim Nominees Limited	1,262,504	3.05

Signed on behalf of the Board by:

Ian Plenderleith

Chairman

Christopher Legge

Director

21 August 2014

Statement of Directors' Responsibility in Respect of the Interim Report and Unaudited Financial Statements

We confirm to the best of our knowledge that:

- these Interim Unaudited Financial Statements have been prepared in conformity with United States Generally Accepted Accounting Principles and give a true and fair view of the assets, liabilities, financial position and profit or loss;
- these Interim Unaudited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy; and
- these Interim Unaudited Financial Statements include information detailed in the Chairman's Statement, the Directors' Report and the Manager's Report which provides a fair view of the information required by:-
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on these Interim Unaudited Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last Annual Audited Financial Statements that could materially affect the financial position or performance of the Company.

Signed on behalf of the Board by:

Ian Plenderleith

Chairman

Christopher Legge

Director

21 August 2014

Directors' Remuneration Report

30 June 2014

Introduction

An ordinary resolution for the approval of the directors' remuneration report for 2013 was passed by the Shareholders at the Annual General Meeting held in June 2014.

Remuneration policy

All Directors are non-executive and a Remuneration Committee has not been established. The Board as a whole considers matters relating to the Directors' remuneration. No advice or services were provided by any external person in respect of its consideration of the Directors' remuneration.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate directors of a quality required to run the Company successfully. The Chairman of the Board is paid a higher fee in recognition of his additional responsibilities, as are the Chairmen of the Audit Committee and the Management Engagement Committee. The policy is to review fee rates periodically, although such a review will not necessarily result in any changes to the rates, and account is taken of fees paid to directors of comparable companies.

There are no long term incentive schemes provided by the Company and no performance fees are paid to Directors.

No Director has a service contract with the Company but each of the Directors is appointed by a letter of appointment which sets out the main terms of their appointment. All Directors holding office as at 5 December 2013 were given a new letter of appointment as at that date and Mr Barton and Mrs Whittet received the same letter of appointment on joining the Board on 17 April 2014 and 16 June 2014 respectively. Directors hold office until they retire or cease to be a director in accordance with the Articles of Incorporation, by operation of law or until they resign. The Directors were appointed for an initial term of three years. In line with the AIC Code, as the Company is a FTSE 250 listed company, Section 20.3 of the Company's Articles requires all Directors to retire at each Annual General Meeting. At the Annual General Meeting of the Company on 16 June 2014, Shareholders re-elected all the Directors with the exception of Anthony Hall who did not put himself forward for re-election. Director appointments can also be terminated in accordance with the Articles. Should Shareholders vote against a Director standing for re-election, the Director affected will not be entitled to any compensation. There are no set notice periods and a Director may resign by notice in writing to the Board at any time.

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No other remuneration or compensation was paid or payable by the Company during the period to any of the Directors apart from the reimbursement of allowable expenses.

Directors' fees

The Company's Articles limit the fees payable to Directors in aggregate to £400,000 per annum. From 1 April 2013, annual fees were increased to £167,000 for the Chairman, £37,500 for Chairmen of both the Audit Committee and the Management Engagement Committee and £34,000 for all other Directors, excluding David Barton who is not paid a fee.

The fees payable by the Company in respect of each of the Directors who served during the six month period ended 30 June 2014, the year ended 31 December 2013 and the six month period ended 30 June 2013, were as follows:

	Period ended 30.06.14 £	Year ended 31.12.13 £	Period ended 30.06.13 £
Ian Plenderleith	83,500	165,750	82,250
David Barton	Nil	Nil	Nil
Huw Evans	17,135	33,750	16,750
Anthony Hall	*17,300	37,125	18,375
Christopher Legge	18,750	37,125	18,375
Talmat Morgan	17,000	33,750	16,750
Stephen Stonberg	*8,453	33,750	16,750
Claire Whittet	*1,409	Nil	Nil
Total	163,547	341,250	169,250

* Fees are pro rata for length of service during the six month period ended 30 June 2014.

Signed on behalf of the Board by:

Ian Plenderleith
Chairman

Christopher Legge
Director

21 August 2014

Manager's Report

Brevan Howard Capital Management LP is the Manager of the Company and of the Master Fund.

Performance review

The NAV of the USD share class depreciated by 3.76% in the first half of 2014, while the NAV of the Euro shares and the Sterling shares depreciated by 3.83% and 3.92% respectively in the first half of 2014.

The month-by-month NAV performance of each currency class of the Company since it commenced operations in 2007 is set out below:

USD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	–	–	0.10	0.90	0.15	2.29	2.56	3.11	5.92	0.03	2.96	0.75	20.27
2008	9.89	6.70	(2.79)	(2.48)	0.77	2.75	1.13	0.75	(3.13)	2.76	3.75	(0.68)	20.32
2009	5.06	2.78	1.17	0.13	3.14	(0.86)	1.36	0.71	1.55	1.07	0.37	0.37	18.04
2010	(0.27)	(1.50)	0.04	1.45	0.32	1.38	(2.01)	1.21	1.50	(0.33)	(0.33)	(0.49)	0.91
2011	0.65	0.53	0.75	0.49	0.55	(0.58)	2.19	6.18	0.40	(0.76)	1.68	(0.47)	12.04
2012	0.90	0.25	(0.40)	(0.43)	(1.77)	(2.23)	2.36	1.02	1.99	(0.36)	0.92	1.66	3.86
2013	1.01	2.32	0.34	3.45	(0.10)	(3.05)	(0.83)	(1.55)	0.03	(0.55)	1.35	0.40	2.70
2014	(1.36)	(1.10)	(0.40)	(0.81)	(0.08)	(0.06)							(3.76)

EUR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	–	–	0.05	0.70	0.02	2.26	2.43	3.07	5.65	(0.08)	2.85	0.69	18.95
2008	9.92	6.68	(2.62)	(2.34)	0.86	2.84	1.28	0.98	(3.30)	2.79	3.91	(0.45)	21.65
2009	5.38	2.67	1.32	0.14	3.12	(0.82)	1.33	0.71	1.48	1.05	0.35	0.40	18.36
2010	(0.30)	(1.52)	0.03	1.48	0.37	1.39	(1.93)	1.25	1.38	(0.35)	(0.34)	(0.46)	0.93
2011	0.71	0.57	0.78	0.52	0.65	(0.49)	2.31	6.29	0.42	(0.69)	1.80	(0.54)	12.84
2012	0.91	0.25	(0.39)	(0.46)	(1.89)	(2.20)	2.40	0.97	1.94	(0.38)	0.90	1.63	3.63
2013	0.97	2.38	0.31	3.34	(0.10)	(2.98)	(0.82)	(1.55)	0.01	(0.53)	1.34	0.37	2.62
2014	(1.40)	(1.06)	(0.44)	(0.75)	(0.16)	(0.09)							(3.83)

GBP	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	–	–	0.11	0.83	0.17	2.28	2.55	3.26	5.92	0.04	3.08	0.89	20.67
2008	10.18	6.85	(2.61)	(2.33)	0.95	2.91	1.33	1.21	(2.99)	2.84	4.23	(0.67)	23.25
2009	5.19	2.86	1.18	0.05	3.03	(0.90)	1.36	0.66	1.55	1.02	0.40	0.40	18.00
2010	(0.23)	(1.54)	0.06	1.45	0.36	1.39	(1.96)	1.23	1.42	(0.35)	(0.30)	(0.45)	1.03
2011	0.66	0.52	0.78	0.51	0.59	(0.56)	2.22	6.24	0.39	(0.73)	1.71	(0.46)	12.34
2012	0.90	0.27	(0.37)	(0.41)	(1.80)	(2.19)	2.38	1.01	1.95	(0.35)	0.94	1.66	3.94
2013	1.03	2.43	0.40	3.42	(0.08)	(2.95)	(0.80)	(1.51)	0.06	(0.55)	1.36	0.41	3.09
2014	(1.35)	(1.10)	(0.34)	(0.91)	(0.18)	(0.09)							(3.92)

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

Shares in the Company do not necessarily trade at a price equal to the prevailing NAV per Share.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

As detailed above, the USD share class posted a loss of 3.76% in the first half of the year, driven predominantly by three major trading themes. The first was based on expectations that Europe would continue to experience deflationary pressure and muted growth which would push the European Central Bank towards a further easing of monetary conditions; as such the Master Fund held long positions in short term European interest rates. At its June meeting, the European Central Bank announced a package of measures which included cutting the deposit rate to negative territory, ending the sterilisation of its Securities Markets Programme and easing credit conditions through the provision of long-dated targeted longer-term-refinancing operation funding. In addition, the European Central Bank began preparing the market for possible future purchases of Asset-Backed Security products. The Master Fund's positions profited modestly from these developments.

Manager's Report *continued*

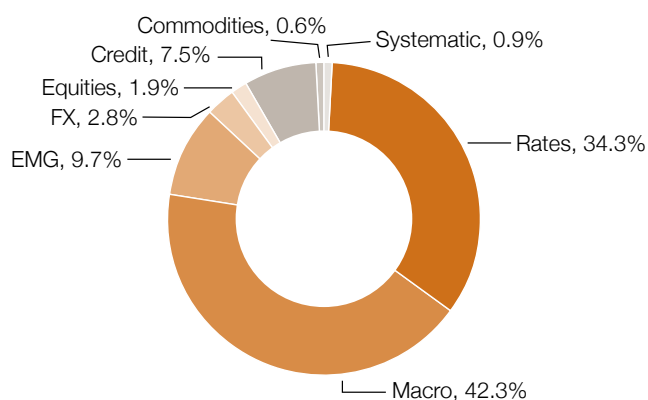
The second theme was driven by expectations that the US economy was set to continue its improvement. The Master Fund held short positions in US interest rates as well as a long position in the US\$ versus a basket of other currencies. Unfortunately, in spite of a marked improvement in the labour market during the first half of the year, US Gross Domestic Product growth significantly undershot expectations due to a combination of factors including winter weather-related disruptions, a realignment of inventories with final sales and technical factors around the accounting for health care outlays. Consequently the US bond market rallied and the US\$ generally underperformed in the FX markets, resulting in losses for the Master Fund.

The third theme was "Japanese reflation". This centered on expectations that steady, if not additional, support measures from fiscal, monetary and structural reform policies, along with the possibility of domestic allocation shifts into equities, would combine to drive Japanese equity markets higher and the currency weaker. This was expressed through long positioning in the Nikkei and short positions in the JPY. However, in January the market started to correct and when no sign of additional support materialised from either the Bank of Japan or the government there was a significant capitulation sell-off in equities and a rally in the Yen. From mid-February onwards, the Master Fund ran little exposure in that theme but it was nonetheless a meaningful detractor in the first half of the year.

Outside these three core themes, the Master Fund generated modest gains in fixed income relative value, volatility and credit trading strategies.

The investment profile by strategy group (% of capital allocation) of the Master Fund as at 30 June 2014 is shown below:

Strategy Group Exposure (% of capital allocation*)



Source: Brevan Howard, as at 30 June 2014. Data may not sum to 100% due to rounding.

* Capital allocations are subject to change.

The above strategies are categorised as follows:

"Macro": multi-asset global markets, mainly directional (for the Master Fund, the majority of risk in this category is in rates)

"Rates": developed interest rates markets

"FX": global FX forwards and options

"EMG": global emerging markets

"Equities": global equity markets including indices and other derivatives

"Commodities": liquid commodity futures and options

"Credit": corporate and asset-backed indices, bonds and CDS

"Systematic": rules-based futures trading

Commentary and Outlook

In Europe, the Manager believes that at a minimum, official rates are unlikely to move higher for an extended period of time, and might eventually require further easing. As a consequence, the Master Fund maintains interest rate exposures designed to profit from a "low-for-longer" rate environment. If the European Central Bank does eventually resort to quantitative easing, then that should open up additional trading opportunities.

In the US, the Manager expects the tension between improvements in the labour market and weakness in the Gross Domestic Product data to ultimately be resolved through sustained improvements in the economic outlook. The Master Fund maintains some exposure to this theme.

The Master Fund entered the second half of 2014 with very limited exposure to the Japan theme as the Manager awaits further evidence of additional reflationary measures by policy makers.

Recently, the Manager has started to see greater opportunity in the UK rates and FX markets, as the beginning of a hiking cycle by the Bank of England approaches. The Manager has also been seeking to take greater advantage of opportunities in fixed income relative value and tactical trading.

Brevan Howard wishes to thank Shareholders once again for their continued support.

Brevan Howard Capital Management LP,
acting by its sole general partner,
Brevan Howard Capital Management Limited.

21 August 2014

Independent Review Report to BH Macro Limited

We have been engaged by the Company to review the Interim Unaudited Financial Statements included in the Interim Report for the six month period to 30 June 2014 which comprises the Unaudited Statement of Assets and Liabilities, the Unaudited Statement of Operations, the Unaudited Statement of Changes in Net Assets, the Unaudited Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Interim Unaudited Financial Statements.

This Report is made solely to the Company in accordance with the terms of our engagement letter dated 4 June 2014 to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this Report, or for the conclusions we have reached.

Directors' responsibilities

The Interim Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the DTR of the UK FCA.

As disclosed in note 3, the Annual Audited Financial Statements of the Company are prepared in conformity with accounting principles generally accepted in the United States of America and applicable law. The Interim Unaudited Financial Statements have been prepared following the same basis as the most recent Annual Audited Financial Statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the Interim Unaudited Financial Statements included in the Interim Report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practice Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Unaudited Financial Statements included in the Interim Report for the six month period to 30 June 2014 do not give a true and fair view of the financial position of the Company as at 30 June 2014 and of its financial performance and its cash flows for the six month period then ended, in conformity with United States Generally Accepted Accounting Principles and the DTR of the UK FCA.

Lee C Clark

For and on behalf of KPMG Channel Islands Limited
Chartered Accountants

21 August 2014

Unaudited Statement of Assets and Liabilities

As at 30 June 2014

	30.06.14 (Unaudited) US\$'000	31.12.13 (Audited) US\$'000	30.06.13 (Unaudited) US\$'000
Assets			
Investment in the Master Fund	1,921,675	2,250,257	2,140,775
Purchase of investment paid in advance	–	–	13,953
Prepaid expenses	146	86	151
Cash and bank balances denominated in US Dollars	36,405	1,114	1,111
Cash and bank balances denominated in Euro	14,905	408	361
Cash and bank balances denominated in Sterling	62,900	3,166	2,574
Total assets	2,036,031	2,255,031	2,158,925
Liabilities			
Performance fees payable (note 4)	–	4,260	20,699
Management fees payable (note 4)	3,100	3,554	3,284
Purchase of own shares payable (note 5)	7,477	–	–
Accrued expenses and other liabilities	163	119	149
Directors' fees payable	133	143	127
Administration fees payable (note 4)	93	100	96
Total liabilities	10,966	8,176	24,355
Net assets	2,025,065	2,246,855	2,134,570
Number of shares in issue (note 5)			
US Dollar shares	21,089,811	24,967,761	27,877,684
Euro shares	5,766,145	6,792,641	6,839,881
Sterling shares	41,341,649	43,602,671	41,778,807
Net asset value per share (notes 7 and 9)			
US Dollar shares	US\$19.82	US\$20.60	US\$20.84
Euro shares	€19.95	€20.74	€21.00
Sterling shares	£20.51	£21.34	£21.57

See accompanying notes to the Interim Unaudited Financial Statements.

Signed on behalf of the Board by:

Ian Plenderleith
Chairman

Christopher Legge
Director

21 August 2014

Unaudited Statement of Operations

For the period from 1 January 2014 to 30 June 2014

	01.01.14 to 30.06.14 (Unaudited) US\$'000	01.01.13 to 31.12.13 (Audited) US\$'000	01.01.13 to 30.06.13 (Unaudited) US\$'000
Net investment income allocated from the Master Fund			
Interest	29,114	50,536	31,008
Dividend income (net of withholding tax of: 30 June 2014: US\$27,997; 31 December 2013: US\$64,270; 30 June 2013: US\$57,522)	68	278	188
Other income	136	–	–
Expenses	(23,774)	(45,999)	(23,593)
Net investment income allocated from the Master Fund	5,544	4,815	7,603
Company income			
Foreign exchange gains (note 3)	49,269	45,491	–
Total Company income	49,269	45,491	–
Company expenses			
Performance fees (note 4)	–	14,597	20,968
Management fees (note 4)	19,720	40,519	20,317
Other expenses	532	1,047	453
Directors' fees	275	538	257
Administration fees (note 4)	188	386	192
Foreign exchange losses (note 3)	–	–	89,915
Total Company expenses	20,715	57,087	132,102
Net investment gain/(loss)	34,098	(6,781)	(124,499)
Net realised and unrealised gain on investments allocated from the Master Fund			
Net realised (loss)/gain on investments	(102,073)	134,006	164,746
Net unrealised gain/(loss) on investments	20,449	(21,881)	(47,188)
Net realised and unrealised (loss)/gain on investments allocated from the Master Fund	(81,624)	112,125	117,558
Net (decrease)/increase in net assets resulting from operations	(47,526)	105,344	(6,941)

See accompanying notes to the Interim Unaudited Financial Statements.

Unaudited Statement of Changes in Net Assets

For the period from 1 January 2014 to 30 June 2014

	01.01.14 to 30.06.14 (Unaudited) US\$'000	01.01.13 to 31.12.13 (Audited) US\$'000	01.01.13 to 30.06.13 (Unaudited) US\$'000
Net increase in net assets resulting from operations			
Net investment gain/(loss)	34,098	(6,781)	(124,499)
Net realised (loss)/gain on investments allocated from the Master Fund	(102,073)	134,006	164,746
Net unrealised gain/(loss) on investments allocated from the Master Fund	20,449	(21,881)	(47,188)
	(47,526)	105,344	(6,941)
Share capital transactions			
Purchase of own shares			
US Dollar shares	(56,759)	-	-
Euro shares	(16,578)	-	-
Sterling shares	(100,927)	-	-
Partial capital return			
US Dollar shares	-	(10,248)	(10,248)
Euro shares	-	(3,054)	(3,054)
Sterling shares	-	(30,862)	(30,862)
	(174,264)	(44,164)	(44,164)
Net (decrease)/increase in net assets	(221,790)	61,180	(51,105)
Net assets at the beginning of the period/year	2,246,855	2,185,675	2,185,675
Net assets at the end of the period/year	2,025,065	2,246,855	2,134,570

See accompanying notes to the Interim Unaudited Financial Statements.

Unaudited Statement of Cash Flows

For the period from 1 January 2014 to 30 June 2014

	01.01.14 to 30.06.14 (Unaudited) US\$'000	01.01.13 to 31.12.13 (Audited) US\$'000	01.01.13 to 30.06.13 (Unaudited) US\$'000
Cash flows from operating activities			
Net (decrease)/increase in net assets resulting from operations	(47,526)	105,344	(6,941)
Adjustments to reconcile net (decrease)/increase in net assets resulting from operations to net cash provided by/(used in) operating activities:			
Net investment income allocated from the Master Fund	(5,544)	(4,815)	(7,603)
Net realised loss/(gain) on investments allocated from the Master Fund	102,073	(134,006)	(164,746)
Net unrealised (gain)/loss on investments allocated from the Master Fund	(20,449)	21,881	47,188
Purchase of investment paid in advance	–	–	(13,953)
Purchase of investment in the Master Fund	–	(14,061)	–
Proceeds from sale of investment in the Master Fund	301,766	106,606	74,842
Foreign exchange gains	(49,266)	(45,491)	89,915
(Increase)/decrease in prepaid expenses	(58)	3	(62)
(Decrease)/increase in performance fees payable	(4,260)	(652)	15,787
(Decrease)/increase in management fees payable	(454)	84	(186)
Increase in accrued expenses and other liabilities	44	9	39
(Decrease)/increase in directors' fees payable	(10)	8	(8)
(Decrease)/increase in administration fees payable	(7)	4	–
Net cash provided by operating activities	276,309	34,914	34,272
Cash flows from financing activities			
Partial capital return	–	(44,164)	(44,164)
Purchase of own shares	(166,787)	–	–
Net cash used in financing activities	(166,787)	(44,164)	(44,164)
Change in cash	109,522	(9,250)	(9,892)
Cash, beginning of the period/year	4,688	13,938	13,938
Cash, end of the period/year	114,210	4,688	4,046
Cash, end of the period/year			
Cash and bank balances denominated in US Dollars	36,405	1,114	1,111
Cash and bank balances denominated in Euro	14,905	408	361
Cash and bank balances denominated in Sterling	62,900	3,166	2,574
	114,210	4,688	4,046

See accompanying notes to the Interim Unaudited Financial Statements.

Notes to the Interim Unaudited Financial Statements

For the period from 1 January 2014 to 30 June 2014

1. The Company

The Company is a limited liability closed-ended investment company incorporated in Guernsey on 17 January 2007 for an unlimited period, with registration number 46235.

The Company was admitted to a Secondary Listing (Chapter 14) on the Official List of the London Stock Exchange on 14 March 2007. On 11 March 2008, the Company migrated from the Secondary Listing to a Primary Listing pursuant to Chapter 15 of the Listing Rules of the UK Listing Authority. As a result of changes to the UK Listing Regime, the Company's Primary Listing became a Premium Listing with effect from 6 April 2010.

As of 20 October 2008 the Company obtained a Secondary Listing on the Bermuda Stock Exchange and with effect from 11 November 2008, the US Dollar shares of the Company were admitted to a Secondary Listing on NASDAQ Dubai.

The Company offers multiple classes of ordinary shares, which differ in terms of currency of issue. To date, ordinary shares have been issued in US Dollar, Euro and Sterling.

2. Organisation

The Company is organised as a feeder fund and seeks to achieve its investment objective by investing all of its investable assets, net of short-term working capital requirements, in the ordinary US Dollar, Euro and Sterling denominated Class B shares issued by the Master Fund, and, as such, the Company is directly and materially affected by the performance and actions of the Master Fund.

The Master Fund is an open-ended investment company with limited liability formed under the laws of the Cayman Islands on 22 January 2003. The investment objective of the Master Fund is to generate consistent long-term appreciation through active leveraged trading and investment on a global basis. The Master Fund employs a combination of investment strategies that focus primarily on economic change and monetary policy and market inefficiencies. The underlying philosophy is to construct strategies, often contingent in nature with superior risk/return profiles, whose outcome will often be crystallised by an expected event occurring within a pre-determined period of time. New trading strategies will be added as investment opportunities present themselves.

At the date of these Interim Unaudited Financial Statements, there were two other feeder funds in operation in addition to the Company that invest all of their assets (net of working capital) in the Master Fund.

As such the Interim Unaudited Financial Statements of the Company should be read in conjunction with the Interim Unaudited Financial Statements of the Master Fund which can be found on the Company's website, www.bhmacro.com.

Off-balance sheet, market and credit risks of the Master Fund's investments and activities are discussed in the notes to the Master Fund's Interim Unaudited Financial Statements. The Company's investment in the Master Fund exposes it to various types of risk, which are associated with the financial instruments and markets in which the Brevan Howard underlying funds invest.

Market risk represents the potential loss in value of financial instruments caused by movements in market factors including, but not limited to, market liquidity, investor sentiment and foreign exchange rates.

The Manager

Brevan Howard Capital Management LP (the "Manager") is the manager of the Company. The Manager is a Jersey limited partnership, the general partner of which is Brevan Howard Capital Management Limited, a Jersey limited company (the "General Partner"). The General Partner is regulated in the conduct of fund services business by the Jersey Financial Services Commission pursuant to the Financial Services (Jersey) Law 1998 and the Orders made thereunder.

The Manager also manages the Master Fund and in that capacity, as at the date of these Financial Statements, has delegated the function of investment management of the Master Fund to Brevan Howard Asset Management LLP, Brevan Howard (Hong Kong) Limited, Brevan Howard (Israel) Limited, Brevan Howard Investment Products Limited, Brevan Howard US Investment Management LP, DW Investment Management, LP and BH-DG Systematic Trading LLP.

3. Significant accounting policies

The most recent Annual Audited Financial Statements, which give a true and fair view, are prepared in conformity with United States Generally Accepted Accounting Principles and comply with the Companies (Guernsey) Law, 2008. These Interim Unaudited Financial Statements have been prepared following the same accounting policies and methods of computation as the most recent Annual Audited Financial Statements. The functional and reporting currency of the Company is US Dollars.

The Company is an Investment Entity which has applied the provisions of ASC 946-10-50.

The following are the significant accounting policies adopted by the Company:

Valuation of investments

The Company records its investment in the Master Fund at fair value. Fair value is determined as the Company's proportionate share of the Master Fund's capital. At 30 June 2014 the Company is the sole investor in the Master Fund's ordinary US Dollar, Euro and Sterling Class B Shares as disclosed below. Within the table on page 21, the investment in each share class in the Master Fund is included, with the overall total investment shown in the Interim Unaudited Statement of Assets and Liabilities.

3. Significant accounting policies (continued)

	Percentage of Master Fund's capital	NAV per Share (Class B)	Shares held in the Master Fund (Class B)	Investment in Master Fund Local CCY '000	Investment in Master Fund US\$'000
30 June 2014					
US Dollar	1.71%	US\$2,628.47	146,792	US\$385,839	385,839
Euro	0.63%	€2,653.20	39,335	€104,364	142,869
Sterling	6.18%	£2,761.05	295,058	£814,672	1,392,967
31 December 2013					
US Dollar	2.12%	US\$2,724.84	189,030	US\$515,076	515,076
Euro	0.79%	€2,749.10	51,331	€141,113	194,927
Sterling	6.48%	£2,857.76	326,136	£932,019	1,540,254
30 June 2013					
US Dollar	2.12%	US\$2,738.99	212,714	US\$582,622	582,622
Euro	0.68%	€2,764.63	51,767	€143,117	186,045
Sterling	5.02%	£2,868.16	315,418	£904,669	1,372,111

Fair value measurement

Accounting Standards Codification ("ASC") Topic 820 defines fair value as the price that the Company would receive upon selling a security in an orderly transaction to an independent buyer in the principal or most advantageous market of the security.

ASC 820 establishes a three-level hierarchy to maximise the use of observable market data and minimise the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value. Inputs may be observable or unobservable.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgement.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgement by the Company's Directors.

The Directors consider observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Directors' perceived risk of that instrument.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Directors' own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Directors use prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Notes to the Interim Unaudited Financial Statements *continued*

For the period from 1 January 2014 to 30 June 2014

3. Significant accounting policies (continued)

The valuation and classification of securities held by the Master Fund is discussed in the notes to the Master Fund's Interim Unaudited Financial Statements which are available on the Company's website, www.bhmacro.com.

Income and expenses

The Company records monthly its proportionate share of the Master Fund's income, expenses and realised and unrealised gains and losses. In addition, the Company accrues its own income and expenses.

Use of estimates

The preparation of Financial Statements in conformity with United States Generally Accepted Accounting Principles 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 those Financial Statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

Leverage

The Manager has discretion, subject to the prior approval of a majority of the independent Directors, to employ leverage for and on behalf of the Company by way of borrowings to effect share purchases or share buy-backs, to satisfy working capital requirements and to finance further investments in the Master Fund.

The Company may borrow up to 20% of its NAV, calculated as at the time of borrowing. Additional borrowing over 20% of NAV may only occur if approved by an ordinary resolution of the Shareholders.

Foreign exchange

Investment securities and other assets and liabilities of the Sterling and Euro share classes are translated into US Dollars, the Company's reporting currency, using exchange rates at the reporting date. Transactions reported in the Unaudited Statement of Operations are translated into US Dollar amounts at the date of such transactions. The share capital and other capital reserve accounts are translated at the historic rate ruling at the date of the transaction. Exchange differences arising on translation are included in the Unaudited Statement of Operations. This adjustment has no effect on the value of net assets allocated to the individual share classes.

Cash and Bank Balances

Cash and bank balances comprise cash on hand and demand deposits.

Allocation of results of the Master Fund

Net realised and unrealised gains/losses of the Master Fund are allocated to the Company's share classes based upon the percentage ownership of the equivalent Master Fund class.

Treasury shares

Where the Company purchases its own share capital, the consideration paid, which includes any directly attributable costs, is

recognised as a deduction from equity Shareholders' funds through the Company's reserves.

When such shares are subsequently sold or reissued to the market, any consideration received, net of any directly attributable incremental transaction costs, is recognised as an increase in equity Shareholders' funds through the Share capital account. Where the Company cancels treasury shares, no further adjustment is required to the Share capital account of the Company at the time of cancellation. Shares held in treasury are excluded from calculations when determining NAV per share as detailed in note 7 or in the Financial Highlights in note 9.

4. Management, performance and administration agreements

Management and performance fee

The Company has entered into a management agreement with the Manager to manage the Company's investment portfolio. The Manager receives a management fee of 1/12 of 2% (or a pro rata proportion thereof) per month of the closing 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. The investment in the Class B shares of the Master Fund is not subject to management fees, but is subject to an operational service fee payable to the Manager of 1/12 of 0.5% per month of the NAV. During the period ended 30 June 2014, US\$19,719,604 (31 December 2013: US\$40,519,203 and 30 June 2013: US\$20,316,602) was earned by the Manager as management fees. At 30 June 2014, US\$3,099,875 (31 December 2013: US\$3,553,603 and 30 June 2013: US\$3,284,453) of the fee remained outstanding.

The Manager is also entitled to an annual performance fee for each share class. The performance fee is equal to 20% of the appreciation in the NAV per share of that class during that calculation period which is above the base NAV per share 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. The Manager will be paid an estimated performance fee on the last day of the calculation period. Within 15 business days following the end of the calculation period, any difference between the actual performance fee and the estimated amount will be paid to or refunded by the Manager, as appropriate.

4. Management, performance and administration agreements (continued)

The investment in the Class B shares of the Master Fund is not subject to performance fees. The portion of any performance fee accrued in respect of a class of shares that relates to the portion of shares of the relevant class which are redeemed, repurchased or cancelled during the calculation period will crystallise and shall be paid to the Manager as at the date of redemption, repurchase or cancellation. Where a portion of any performance fee accrued in respect of a class of shares crystallises as a result of the conversion of shares of that class into shares of another class, that portion of the performance fee shall be paid to the Manager at the same time as any performance fees in respect of the entire relevant calculation period. During the period ended 30 June 2014, US\$Nil (31 December 2013: US\$14,597,266 and 30 June 2013: US\$20,967,979) was earned by the Manager as performance fees. At 30 June 2014 US\$Nil (31 December 2013: US\$4,259,507 and 30 June 2013 US\$20,699,176) of the fee remained outstanding.

The Master Fund may hold investments in other funds managed by the Manager. To ensure that Shareholders of the Company are not subject to two tiers of fees, the fees paid to the Manager as outlined above are reduced by the Company's share of any fees paid to the Manager by the underlying Master Fund investments, managed by the Manager.

The management agreement may be terminated by either party giving the other party not less than 24 months' written notice. In certain circumstances the Company will be obliged to pay compensation to the Manager of the aggregate management fees which would otherwise have been payable during the 24 months following the date of such notice and the aggregate of any accrued performance fee in respect of the current Calculation Period. Compensation is not payable if more than 24 months' notice of termination is given.

Administration fee

The Company has appointed Northern Trust International Fund Administration Services (Guernsey) Limited as Administrator and Corporate Secretary. The Administrator is paid fees based on the NAV of the Company, payable quarterly. The fee is at a rate of 0.015% of the average month end NAV of the Company, subject to a minimum fee of £67,500 per annum. In addition to the NAV based fee the Administrator is also entitled to an annual fee of £36,000 for certain additional administration services. The Administrator is entitled to be reimbursed out-of-pocket expenses incurred in the course of carrying out its duties as Administrator. During the period ended 30 June 2014, US\$188,108 (31 December 2013: US\$385,520 and 30 June 2013: US\$191,940) was earned by the Administrator as administration fees. At 30 June 2014, US\$93,227 (31 December 2013: \$99,771 and 30 June 2013: US\$96,452) of the fee remained outstanding.

5. Share capital

Issued and authorised share capital

The Company has the power to issue an unlimited number of ordinary shares with no par value and an unlimited number of shares with a par value. Shares may be divided into at least three classes denominated in US Dollars, Euro and Sterling. Further issue of shares may be made in accordance with the Articles. Shares may be issued in differing currency classes of ordinary redeemable shares including C shares. The treasury shares have arisen as a result of the discount management programme as described in note 8.

For the period from 1 January 2014 to 30 June 2014

	US Dollar shares	Euro shares	Sterling shares
Number of ordinary shares			
In issue at 1 January 2014	24,967,761	6,792,641	43,602,671
Share conversions	(867,897)	(390,895)	817,458
Purchase of own treasury shares	(3,010,053)	(635,601)	(3,078,480)
In issue at 30 June 2014	21,089,811	5,766,145	41,341,649
Number of treasury shares			
In issue at 1 January 2014	2,208,476	522,013	877,595
Shares purchased and held in Treasury during the period:			
– On market purchases	3,010,053	635,601	3,078,480
Shares cancelled	(3,350,000)	(555,000)	–
In issue at 30 June 2014	1,868,529	602,614	3,956,075
Percentage of class	8.14%	9.46%	8.73%

Notes to the Interim Unaudited Financial Statements *continued*

For the period from 1 January 2014 to 30 June 2014

5. Share capital (continued)

For the year from 1 January 2013 to 31 December 2013

	US Dollar shares	Euro shares	Sterling shares
Number of ordinary shares			
In issue at 1 January 2013	29,613,121	7,405,670	41,675,441
Share conversions	(4,113,152)	(492,719)	2,949,914
Partial capital return	(532,208)	(120,310)	(1,022,684)
In issue at 31 December 2013	24,967,761	6,792,641	43,602,671
Number of treasury shares			
In issue at 1 January 2013	3,058,476	522,013	877,595
Sale of treasury shares	–	–	–
Shares cancelled	(850,000)	–	–
In issue at 31 December 2013	2,208,476	522,013	877,595
Percentage of class	8.13%	7.14%	1.97%

For the period from 1 January 2013 to 30 June 2013

	US Dollar shares	Euro shares	Sterling shares
Number of ordinary shares			
In issue at 1 January 2013	29,613,121	7,405,670	41,675,441
Share conversions	(1,203,229)	(445,479)	1,126,050
Partial capital return	(532,208)	(120,310)	(1,022,684)
In issue at 30 June 2013	27,877,684	6,839,881	41,778,807
Number of treasury shares			
In issue at 1 January 2013	3,058,476	522,013	877,595
Shares cancelled	–	–	–
In issue at 30 June 2013	3,058,476	522,013	877,595
Percentage of class	9.89%	7.09%	2.06%

Share capital account

	US Dollar shares US\$'000	Euro shares €'000	Sterling shares £'000	Company Total US\$'000
At 31 December 2013	53,883	31,754	17,188	133,549
At 30 June 2014	53,883	31,754	17,188	133,549

Share classes

In respect of each class of shares a separate class account has been established in the books of the Company. An amount equal to the aggregate proceeds of issue of each share class has been credited to the relevant class account. Any increase or decrease in the NAV of the Master Fund US Dollar shares, Master Fund Euro shares and Master Fund Sterling shares as calculated by the Master Fund is allocated to the relevant class account in the Company. Each class account is allocated those costs, pre-paid expenses, losses, dividends, profits, gains and income which the Directors determine in their sole discretion relate to a particular class.

Voting rights of shares

Ordinary shares carry the right to vote at general meetings of the Company and to receive any dividends, attributable to the ordinary shares as a class, declared by the Company and, in a winding-up will be entitled to receive, by way of capital, any surplus assets of the Company attributable to the ordinary shares as a class in proportion to their holdings remaining after settlement of any outstanding liabilities of the Company.

As prescribed in the Company's Articles, the different classes of ordinary shares have different values attributable to their votes. The attributed values have been calculated on the basis of the Weighted Voting Calculation (as described in the Articles) which takes into account the prevailing exchange rates on the date of initial issue of ordinary shares. On a vote, a single US Dollar ordinary share has 0.7606 votes, a single Euro ordinary share has one vote and a single Sterling ordinary share has 1.4710 votes.

Treasury shares do not have any voting rights.

5. Share capital (continued)

Repurchase of ordinary shares

The Directors have been granted authority to purchase in the market up to 14.99% of each class of shares and they intend to seek annual renewal of this authority from Shareholders which was last granted on 16 June 2014. The Directors may, at their discretion, utilise this share repurchase authority to address any imbalance between the supply of and demand for shares.

Under the Company's Articles, Shareholders of a class of shares also have the ability to call for repurchase of that class of shares in certain circumstances. See note 8 for further details.

Further issue of shares

As approved by the Shareholders at the Annual General Meeting held on 16 June 2014, the Directors have the power to issue further shares totalling 7,622,880 US Dollar shares, 1,989,326 Euro shares and 14,277,069 Sterling shares respectively. This power expires fifteen months after the passing of the resolution or on the conclusion of the next Annual General Meeting of the Company, whichever is earlier, unless such power is varied, revoked or renewed prior to that Meeting by a resolution of the Company in general meeting.

Distributions

The Master Fund has not previously paid dividends to its investors. This does not prevent the Directors of the Company from declaring a dividend at any time in the future if the Directors consider payment of a dividend to be appropriate in the circumstances. If the Directors declare a dividend, such dividend will be paid on a per class basis.

As announced on 15 January 2014, the Company intends to be operated in such a manner to ensure that its shares are not categorised as non-mainstream pooled investments. This may mean that the Company may pay dividends in respect of any income that it receives or is deemed to receive for UK tax purposes so that it would qualify as an investment trust if it were UK tax-resident.

Further, the Company will first apply any such income in payment of its management and performance fees.

Treasury shares are not entitled to distributions.

Annual redemption offer

Once in every calendar year the Directors may, in their absolute discretion, determine that the Company shall make an offer to redeem such number of shares of the Company in issue as they may determine provided that the maximum amount distributed does not exceed 100% of the increase in NAV of the Company in the prior calendar year.

The Directors shall, in their absolute discretion, determine the particular class or classes of shares in respect of which an Annual Redemption Offer will be made, the timetable for that Annual Redemption Offer and the price at which the shares of each relevant class will be redeemed.

Whether a partial return of capital is made in any particular year and, if so, the amount of the return, may depend, among other things, on prevailing market conditions, the ability of the Company to liquidate its investments to fund the capital return, the success of prior capital returns and applicable legal, regulatory and tax considerations.

Shareholders will be able to decide at that time whether to elect to participate in the capital return on the basis of the then prevailing market conditions.

The Directors determined not to make an Annual Redemption offer during 2014.

Share conversion scheme

The Company has implemented a Share Conversion Scheme. The scheme provides Shareholders with the ability to convert some or all of their ordinary shares in the Company of one class into ordinary shares of another class. Shareholders are able to convert ordinary shares on the last business day of every month. Each conversion will be based on the NAV (note 7) of the shares of the class to be converted.

6. Taxation

Overview

The Company is exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

Uncertain tax positions

The Company recognises the tax benefits of uncertain tax positions only where the position is more-likely-than-not (i.e. greater than 50%) to be sustained assuming examination by a tax authority based on the technical merits of the position. In evaluating whether a tax position has met the recognition threshold, the Company must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognise in the Company's Financial Statements. Income tax and related interest and penalties would be recognised by the Company as tax expense in the Statement of Operations if the tax positions were deemed not to meet the more-likely-than-not threshold.

The Company analyses all open tax years for all major taxing jurisdictions. Open tax years are those that are open for examination by taxing authorities, as defined by the Statute of Limitations in each jurisdiction. The Company identifies its major tax jurisdictions as the Cayman Islands and foreign jurisdictions where the Company makes significant investments. The Company has no examinations by tax authorities in progress.

The Directors have analysed the Company's tax positions, and have concluded that no liability for unrecognised tax benefits should be recorded related to uncertain tax positions. Further, the Directors are not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognised tax benefits will significantly change in the next twelve months.

7. Publication and calculation of net asset value

The NAV of the Company is equal to the value of its total assets less its total liabilities. The NAV per share of each class will be calculated by dividing the NAV of the relevant class account by the number of shares of the relevant class in issue on that day.

Notes to the Interim Unaudited Financial Statements *continued*

For the period from 1 January 2014 to 30 June 2014

7. Publication and calculation of net asset value (continued)

The Company publishes the NAV per share for each class of shares as calculated by the Administrator based in part on information provided by the Master Fund, monthly in arrears, as at each month-end.

The Company also publishes an estimate of the NAV per share for each class of shares as calculated by the Administrator based in part on information provided by the Master Fund, weekly in arrears.

8. Discount management programme

The Company's discount management programme includes the ability to make market purchases of shares and the obligation to propose class closure resolutions if, in any fixed discount management period (1 January to 31 December each year), the average daily closing market price of the relevant class of shares during such period is 10% or more below the average NAV per share of the relevant class taken over the 12 monthly NAV Determination Dates in that fixed discount management period, as described more fully in the Company's principal documents.

In the event a class closure resolution is passed, Shareholders in the relevant class will have the following options offered to them:

- (i) to redeem all or some of their shares at NAV per share less a proportion of the costs and expenses of the class closure vote and other outstanding costs and expenses of the Company attributable to the relevant class (including, if relevant, any redemption fees);
- (ii) subject to certain limitations, to convert all or some of their shares into shares of another class, assuming that other class does not also pass a class closure resolution; or
- (iii) subject to the class continuing, to remain in the class.

These provisions are disclosed in more detail in the Company's Articles.

The Annual Redemption Offer described in note 5 which enables a partial return of capital is also part of the discount management programme.

The discount management measures will be funded by partial redemptions of the Company's investment in the Master Fund.

During the period the Company utilised its ability to make market purchases of its shares as part of the discount management programme.

The total number of shares held in treasury at 30 June 2014 are as disclosed in note 5.

9. Financial highlights

The following tables include selected data for a single ordinary share of each of the ordinary share classes in issue at the period end and other performance information derived from the Financial Statements.

The per share amounts and ratios which are shown reflect the income and expenses of the Company for each class of ordinary share.

	30.06.14 US Dollar shares US\$	30.06.14 Euro shares €	30.06.14 Sterling shares £
Per share operating performance			
Net asset value at beginning of the period	20.60	20.74	21.34
Income from investment operations			
Net investment loss*	(0.16)	(0.16)	(0.15)
Net realised and unrealised gain on investment	(0.88)	(0.84)	(0.81)
Other capital items**	0.26	0.21	0.13
Total return	(0.78)	(0.79)	(0.83)
Net asset value, end of the period	19.82	19.95	20.51
Total return before performance fee	(3.76%)	(3.83%)	(3.92%)
Performance fee	–	–	–
Total return after performance fee	(3.76%)	(3.83%)	(3.92%)

9. Financial highlights (continued)

Total return reflects the net return for an investment made at the beginning of the year and is calculated as the change in the NAV per ordinary share during the period from 1 January 2014 to 30 June 2014. An individual shareholder's return may vary from these returns based on the timing of their purchase or sale of shares.

	30.06.14 US Dollar shares US\$'000	30.06.14 Euro shares €'000	30.06.14 Sterling shares £'000
Supplemental data			
Net asset value, end of the period	418,098	115,015	847,745
Average net asset value for the period	471,868	126,184	897,702
	30.06.14 US Dollar shares	30.06.14 Euro shares	30.06.14 Sterling shares
Ratio to average net assets			
Operating expenses			
Company expenses***	0.95%	0.95%	0.96%
Master Fund expenses****	0.48%	0.47%	0.48%
Master Fund interest expense*****	0.62%	0.62%	0.63%
Performance fee	0.00%	0.00%	0.00%
	2.05%	2.04%	2.07%
Net investment loss before performance fees*	(0.71%)	(0.71%)	(0.71%)
Net investment loss after performance fees*	(0.71%)	(0.71%)	(0.71%)
	31.12.13 US Dollar shares US\$	31.12.13 Euro shares €	31.12.13 Sterling shares £
Per share operating performance			
Net asset value at beginning of the year	20.06	20.21	20.70
Income from investment operations			
Net investment loss*	(0.54)	(0.51)	(0.50)
Net realised and unrealised gain on investment	1.15	1.11	1.07
Other capital items**	(0.07)	(0.07)	0.07
Total return	0.54	0.53	0.64
Net asset value, end of the year	20.60	20.74	21.34
Total return before performance fee	3.48%	3.29%	3.78%
Performance fee	(0.75%)	(0.69%)	(0.68%)
Total return after performance fee	2.73%	2.60%	3.10%

Total return reflects the net return for an investment made at the beginning of the year and is calculated as the change in the NAV per ordinary share during the year from 1 January 2013 to 31 December 2013. An individual shareholder's return may vary from these returns based on the timing of their purchase or sale of shares.

Notes to the Interim Unaudited Financial Statements continued

For the period from 1 January 2014 to 30 June 2014

9. Financial highlights (continued)

	31.12.13 US Dollar shares US\$'000	31.12.13 Euro shares €'000	31.12.13 Sterling shares £'000
Supplemental data			
Net asset value, end of the year	514,307	140,892	930,612
Average net asset value for the year	571,738	146,903	898,052
	31.12.13 US Dollar shares	31.12.13 Euro shares	31.12.13 Sterling shares
Ratio to average net assets			
Operating expenses			
Company expenses***	1.94%	1.95%	1.95%
Master Fund expenses****	0.93%	0.93%	0.93%
Master Fund interest expense*****	1.18%	1.18%	1.18%
Performance fee	0.63%	0.65%	0.69%
	4.68%	4.71%	4.75%
Net investment loss before performance fees*	(1.71%)	(1.73%)	(1.74%)
Net investment loss after performance fees*	(2.34%)	(2.38%)	(2.43%)
	30.06.13 US Dollar shares US\$	30.06.13 Euro shares €	30.06.13 Sterling shares £
Per share operating performance			
Net asset value at beginning of the period	20.06	20.21	20.70
Income from investment operations			
Net investment loss*	(0.35)	(0.34)	(0.33)
Net realised and unrealised gain on investment	1.15	1.20	1.15
Other capital items**	(0.02)	(0.07)	0.05
Total return*	0.78	0.79	0.87
Net asset value, end of the period	20.84	21.00	21.57
Total return before performance fee	4.93%	4.93%	5.22%
Performance fee	(1.00%)	(1.04%)	(1.01%)
Total return after performance fee	3.93%	3.89%	4.21%

Total return reflects the net return for an investment made at the beginning of the year and is calculated as the change in the NAV per ordinary share during the period from 1 January 2013 to 30 June 2013. An individual shareholder's return may vary from these returns based on the timing of their purchase or sale of shares.

9. Financial highlights (continued)

	30.06.13 US Dollar shares US\$'000	30.06.13 Euro shares €'000	30.06.13 Sterling shares £'000
Supplemental data			
Net asset value, end of the period	581,045	143,612	901,192
Average net asset value for the period	600,239	151,392	892,100
	30.06.13 US Dollar shares	30.06.13 Euro shares	30.06.13 Sterling shares
Ratio to average net assets			
Operating expenses			
Company expenses***	0.97%	0.98%	0.97%
Master Fund expenses****	0.50%	0.50%	0.50%
Master Fund interest expense*****	0.58%	0.58%	0.59%
Performance fee	0.94%	0.95%	0.97%
	2.99%	3.01%	3.03%
Net investment loss before performance fees*	(0.63%)	(0.63%)	(0.62%)
Net investment loss after performance fees*	(1.57%)	(1.58%)	(1.59%)

Notes

- * The net investment loss figures disclosed above, does not include net realised and unrealised gains/losses on investments allocated from the Master Fund.
- ** Included in other capital items are the discounts and premiums on conversions between share classes and on the sale of treasury shares as well as any partial capital return effected in the relevant period as compared to the NAV per share at the beginning of the period/year.
- *** Company expenses are as disclosed in the Unaudited Statement of Operations excluding the performance fee.
- **** Master Fund expenses are the operating expenses of the Master Fund excluding the interest and dividend expenses of the Master Fund.
- ***** Master Fund interest expense includes interest and dividend expenses on investments sold short.

10. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions.

Management and performance fees are disclosed in note 4.

Directors' fees are disclosed in the Directors' Remuneration Report on page 12.

Directors' interests are disclosed in the Directors' Report on page 6 and also the Board Members section on page 3.

Notes to the Interim Unaudited Financial Statements continued

For the period from 1 January 2014 to 30 June 2014

11. Subsequent events

The Directors have evaluated subsequent events up to 21 August 2014, which is the date that the Interim Unaudited Financial Statements were available to be issued, and have concluded there are no further items that require disclosure or adjustment to the Interim Unaudited Financial Statements other than those listed below.

Subsequent to the period end and up to the date of this report, the Company purchased the following amount of shares to be held as treasury shares:

Treasury shares	Number of shares purchased	Cost (US\$)	Cost (in currency)
US Dollar shares	1,051,681	19,822,161	US\$19,822,161
Sterling shares	1,078,805	35,681,473	£21,065,800
Euro shares	215,961	5,514,302	€4,100,009

On 22 July 2014, the Company cancelled 530,000 USD treasury shares, on 8 August 2014, the Company cancelled 135,000 Euro treasury shares and on 18 August 2014, the Company cancelled 580,000 USD treasury shares.

Following the purchases and cancellations of shares, the Company held 1,810,210 US Dollar shares, 4,034,880 Sterling shares and 543,575 Euro shares held as treasury shares as at 21 August 2014.

No further subsequent events have occurred.

Historic Performance Summary

As at 30 June 2014

	30.06.14 US\$'000	31.12.13 US\$'000	31.12.12 US\$'000	31.12.11 US\$'000	31.12.10 US\$'000
Net (decrease)/increase in net assets resulting from operations	(47,526)	105,344	147,335	217,363	(40,173)
Total assets	2,036,031	2,255,031	2,194,398	2,046,365	1,827,306
Total liabilities	(10,966)	(8,176)	(8,723)	(5,324)	(3,628)
Net assets	2,025,065	2,246,855	2,185,675	2,041,041	1,823,678
Number of shares in issue					
US Dollar shares	21,089,811	24,967,761	29,613,121	30,428,658	31,841,026
Euro shares	5,766,145	6,792,641	7,405,670	9,467,331	14,780,360
Sterling shares	41,341,649	43,602,671	41,675,441	39,634,764	34,283,784
Net asset value per share					
US Dollar shares	US\$19.82	US\$20.60	US\$20.06	US\$19.31	US\$17.24
Euro shares	€19.95	€20.74	€20.21	€19.50	€17.29
Sterling shares	£20.51	£21.34	£20.70	£19.92	£17.73

Notes

Company Information

Directors

Ian Plenderleith (Chairman)*

Huw Evans*

Christopher Legge (Senior Independent Director)*

Talmai Morgan

David Barton
(appointed 17 April 2014)

Claire Whittet*
(appointed 16 June 2014)

Anthony Hall*
(resigned 16 June 2014)

Stephen Stonberg
(resigned 31 March 2014)

(All Directors are non-executive)

* These Directors are independent for the purpose of Listing Rule 15.2.12-A

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