BREVAN **HOWARD**

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT: AUGUST 2012

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Your attention is drawn to the disclaimer at the beginning and end of this document

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This material constitutes a financial promotion for the purposes of the Financial Services and Markets Act 2000 and the handbook of rules and guidance issued from time to time by the FSA (the "FSA Rules").

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

You should note that, if you invest in BHM, your capital will be at risk and you may therefore lose some or all of any amount that you choose to invest. This material is not intended to constitute, and should not be construed as, investment advice. Potential investors in BHM should seek their own independent financial advice. BHAM neither provides investment advice to, nor receives and transmits orders from, investors in the funds to which this material relates nor does it carry on any other activities with or for such investors that constitute "MiFID or equivalent third country business" for the purposes of the FSA Rules.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT: AUGUST 2012

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BH Macro Limited

Manager:

Brevan Howard Capital Management LP ("BHCM")

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

Corporate Broker:
J.P. Morgan Securities Ltd.

Listings:
London Stock Exchange (Premium Listing)

NASDAQ Dubai - USD Class (Secondary listing)

Bermuda Stock Exchange (Secondary listing)

Overview:

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

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

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

Total Assets: $2,064mm[1,2]

1. Estimated as at 31 August 2012 by BHM's administrator, Northern Trust.

2. This figure is net of the 2012 capital return.

Summary Information

BH Macro Limited NAV per share (estimated as at 31 August 2012)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	576.6	$19.23
EUR Shares	195.2	€19.40
GBP Shares	1,292.3	£19.85

BH Macro Limited NAV per Share % Monthly Change

USD Shares	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	0.95*					-0.45*

EUR Shares	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	0.90*					-0.55*

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GBP Shares	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	0.95*					-0.35*

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

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

* Estimated as at 31 August 2012.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

ASC 820 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited Estimates as at 31 August 2012

	% of Gross Market Value
Level 1	72
Level 2	28
Level 3	0

Source: Brevan Howard

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

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

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

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

Fund Performance Review

During the month, the Fund generated gains predominantly in interest rates trading, mainly from directional positions in euro swap rates and, to a lesser extent, on directional positions in European government bonds. The Fund incurred losses in FX positions mostly from being short euro versus US dollar.

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

	Macro	Rates	FX	EMG	Equity	Commodity	Credit	Systematic	TOTAL
August	0.43	0.45	-0.11	0.07	-0.03	0.17	0.02	-0.04	0.95
Q1	-0.42	0.27	0.01	0.23	-0.09	0.16	0.58	0.02	0.75
Q2	-1.69	-2.23	0.05	-0.19	-0.13	-0.13	-0.02	-0.07	-4.37
QTD	1.92	0.79	0.07	0.11	-0.02	0.18	0.26	0.00	3.33
YTD	-0.22	-1.19	0.12	0.15	-0.24	0.21	0.82	-0.05	-0.45

Monthly and annual figures are estimated by Brevan Howard as at 31 August 2012, based on performance data for each period provided by the Fund's administrator, International Fund Services (Ireland) Limited.

Methodology and Definition of Monthly and Annual Contribution to Performance:

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

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

Market Review and Outlook

US

The recovery in the US continues to be subdued, with the latest jobs report looking especially bleak. Payroll employment rose by only 96,000 and prior months' gains were revised down. Smoothing through the monthly volatility, job creation has slumped below 100,000 over the last four months. Although the unemployment rate declined to 8.1%, this was only because many workers have given up looking for jobs. In fact, the labour force participation rate has fallen to a multi-decade low. Perhaps most alarmingly, hints of deflation are creeping into wages as average hourly earnings have declined outright since last month.

Hopes that activity would pick up meaningfully in the second half of the year have obviously been dashed. The labour market is stuck in low gear and GDP growth is tracking below 2%. The sectors of the economy that had been leading the expansion now appear to be vulnerable. Orders for core capital goods have fallen below shipments which usually means that business investment is on the verge of falling into recession. Forward-looking indicators for manufacturing are also sobering. In the most recent survey of manufacturing supply managers, orders contracted for the third consecutive month. Clearly, businesses are concerned about global growth as well as home-grown worries about the fiscal cliff looming at the start of 2013. Housing remains a bright spot, with new construction, sales and prices all trending upward. Unfortunately, the housing sector is too insignificant as a share of the overall economy to offset the sluggishness in other sectors.

With both growth and the labour market disappointing and measures of core price inflation falling, the Federal Reserve ("Fed") confirmed additional quantitative easing on 14 September. At its last meeting, the Federal Open Market Committee pointed to action by saying that they would "closely monitor" developments and provide additional monetary accommodation “as needed". The minutes stated that additional easing would likely be “fairly soon” if there is not a “substantial and sustainable” improvement in growth. The preferred options are Treasury and MBS purchases as well as extending and perhaps enhancing the policy commitment to keep rates low into 2015 as the recovery further progresses. These measures may provide a safety net for the economy but are not expected to add more than one-quarter to one-half of a percentage point to GDP growth. Even after Fed action, the economy is anticipated to face serious downside risks.

EMU

In the second quarter, EMU GDP contracted by -0.2% quarter-on-quarter, marking the beginning of a renewed recession period. In August, the Composite EMU PMI declined further, but only slightly. Noticeably, the German PMI continued to fall, to as low as 47.0, a value almost in line with the EMU average. Orders were lower than the EMU average. The unemployment rate continues to be the key worry, reaching previously unseen peaks in Spain and Greece, and new highs in Italy also. Owing to increases in VAT in some member states, as well as the hikes in energy and food prices, inflation rates in the euro area are creeping upwards despite the economic slowdown.

In the September policy meeting, the ECB decided to keep all its policy rates unchanged, as the staff revised the GDP projections downwards and HICP projections upwards. In the questions and answers session, President Draghi was not encouraging of an imminent rate cut decision, although the Introductory Statement highlighted that the Council envisages downside risks around the new GDP projections. Crucially, the ECB disclosed details of the new bond market programme (Outright Monetary Transactions, or OMT): (i) the programme will target bonds with 1-3 years maturity; (ii) no quantities are set ex-ante; (iii) the purchases will be sterilised; (iv) in terms of seniority purchases will be treated pari-passu to the private sector; (v) neither the intervention targets for bond yield levels nor the indicators that would guide the ECB purchases were specified; (vi) conditionality will be strict, and; (vii) the IMF will participate in the surveillance of the programmes. The ECB also modified its collateral requirements so that countries in the OMT would see their minimum credit rating thresholds for sovereign bonds removed. The initial market reaction to the ECB announcement was positive, as investors seemingly considered it an important step in supporting the peripheral economies in their adjustment effort. The attention is now turning to Spain, which is considered likely to be the first country to apply for the programme, and to what will be the additional conditionality required for them to qualify.

UK

Some unusual holiday patterns related to this year’s Jubilee celebrations caused distortions in the monthly and quarterly data (temporarily pulling down second quarter growth and pushing up third quarter growth) of around 0.0-0.5%, which highlights the weak underlying growth trend. This has created some confusion as it led to some excessive pessimism in the second quarter, and might cause some unjustified optimism during the third quarter.

The bigger picture is that UK growth is somewhere between the US (growth slightly below trend) and the eurozone (recession). What UK policymakers were hoping for is that the three major headwinds - household deleveraging, bank deleveraging and fiscal austerity - would be partly offset by an investment and export recovery, assisted by a weak currency. However, with 50% of the UK’s exports going to the eurozone, an export-led recovery is not viable. While exports to the rest of the world have risen 10% over the past year, this has been entirely offset by eurozone exports which are down 10%.

Meanwhile, domestic headwinds show no sign of abating. Credit growth to households and firms has been zero for four years now and the housing market remains stagnant in both activity and prices. On the inflation front, there have been some upward revisions in near-term forecasts due to energy and food prices however the medium-term picture remains benign. Inflation expectation surveys are close to long-run averages and wage growth remains subdued. Recent currency strength is also anticipated to put downward pressure on inflation and is a further unwelcome impediment to the rebalancing of the economy towards exports.

Currently, the BoE's QE target of GBP 375bn is expected to be reached in November. In recent months, the BoE has also launched a Funding for Lending Scheme, intended to lower bank funding costs and generate loans for the real economy. There has been progress towards lowering bank funding costs, but it is too early in the programme to assess progress against the second goal. Fiscal policy has not yet wavered from the mantra of "sticking with the austerity plan". Disappointing growth figures have led to a higher deficit path via automatic stabilisers, but have been accompanied by promises of further austerity in years to come. With tight fiscal policy, ongoing domestic deleveraging headwinds, and an EMU recession continuing to hinder UK recovery prospects, weak growth and monetary stimulus look set to continue.

Japan

Activity in Japan continues to slow in the third quarter, following a disappointing second quarter. Indeed, second quarter GDP was revised downward, now showing a growth rate of only 0.7% quarter-on-quarter annualised, half of the growth shown by the initial release. Furthermore, at the beginning of the third quarter, actual data indicated further deceleration both in domestic and external demand. In July, private consumption fell by 0.5% month-on-month ("m/m"), to a level 0.9% lower than the second quarter average; export volumes contracted by 3.1% m/m, and were about 4.5% lower than in the second quarter; and, to complete the dismal picture, industrial production also dropped by 1.2% m/m, disappointing market expectations of an expansion, to a level 2% lower than that recorded in the second quarter. Conditions are in place for another fall in GDP during the third quarter. However, in August, indications provided by surveys were more mixed. While the weakness in manufacturing seems to be continuing, due especially to an on-going deterioration in global demand – the manufacturing PMI fell further – some indicators more geared on domestic demand like the services PMI or consumer confidence indicators improved. The deteriorating business cycle has not yet reached the labour market, which remains stable, as indicated by both the unemployment rate, at a low 4.3%, and the job-to-applicant ratio. The rate of deflation also remains constant, with the CPI index excluding both food and energy contracting in July at a pace of 0.6% year-on-year ("y/y"), like in June.

China

The Chinese economy continues to experience a soft patch. In August, the official manufacturing PMI fell to 49.2, the lowest level since December 2011, while the HSBC PMI dropped to 47.6, the lowest level since April 2009. This weak PMI data shows a renewed slowdown in manufacturing activity as de-stocking continues and new orders are yet to catch up. Indeed, actual industrial production continued to slow, from 9.2%

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y/y in July to 8.9% y/y in August. The rest of the economy is somewhat more robust, as both the official Chinese non-manufacturing PMI and the HSBC Services PMI are fluctuating around higher levels. Overall, China's growth rate is likely to slow further in y/y terms in the third quarter.

There are some signs that inflation has bottomed out, as the y/y CPI growth rate rebounded to 2% in August. Both input and output price indices of the non-manufacturing PMI jumped sharply to over 50, while input prices in the manufacturing PMI rebounded although remaining below the 50 threshold. Perhaps more importantly, property prices continued rising in August for the third consecutive month. Policy-wise, the People's Bank of China continues to use reverse repo to inject liquidity rather than reducing the reserve requirement ratio or cutting rates as expected by the market, in response to concerns about the renewed rise in property prices. With no aggressive easing in the pipeline despite weakening growth, China's activity is anticipated to remain subdued for a prolonged period.

Enquiries

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Risk Factors

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

• The Fund is speculative and involves substantial risk.

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

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

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

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

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

• There are restrictions on transferring interests in the Fund.

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

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

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

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

• The Fund is subject to conflicts of interest.

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

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

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

The above summary risk factors do not purport to be a complete description of the relevant risks of an investment in shares in BHM and therefore reference should be had to BHM's Prospectus and related offering documentation for a complete description of these and other relevant risks.