BREVAN HOWARD

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT

DECEMBER 2010

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PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS

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Summary Information

BH Macro Limited NAV per share (estimated as at 31 December 2010)

Shares Class	NAV (USD mm)	NAV per Share
USD Shares	548.8	$17.23
EUR Shares	339.3	€17.28
GBP Shares	935.4	1773p

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	-0.50*	0.90*

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	-0.48*	0.92*

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*	-0.46*	1.01*

Source: Underlying BHMF NAV data is provided by the Administrator of BHMF, International Fund Services (Ireland) Limited. BH Macro Limited NAV and NAV per Share data is provided by the Fund's Administrator, Northern Trust International Fund Administration Services (Guernsey) Limited. BH Macro Limited NAV per Share % Monthly Change is calculated by BHAM. BH Macro Limited 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 BH Macro Limited. In addition, BHMF is subject to an operational services fee of 50bps per annum.

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

* Estimated as at 31 December 2010.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

FAS 157 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited Estimates as at 31 December 2010

	% of NAV (Gross Market Value)
Level 1	59
Level 2	41
Level 3	0

Source: BHAM

* These estimates are unaudited and have been calculated by BHAM using the same methodology as that used for the 2009 audited financial statements of BHMF. 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;

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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.

Annual Manager Review: 2010

Manager Update – Brevan Howard Capital Management LP (the "Manager")

After what proved to be a highly challenging trading environment, in 2010 the Manager is pleased that all Brevan Howard-managed funds (with the exception of the Brevan Howard Investment Fund – Absolute Return Macro Fund, which only started trading on 17 November 2010) continued to preserve investor capital and achieve a positive return. The approach of the Manager and its Investment Committee remained unchanged in 2010: to allocate fund assets opportunistically to Brevan Howard's global trading talent, whilst at all times preserving and strengthening Brevan Howard's industry-leading operational and risk management framework.

Fund	2010 YTD performance (Estimated as at 31 December 2010)
Brevan Howard Asia Fund Limited Class A USD	1.80%
Brevan Howard Credit Catalyst Fund Limited Class A USD	13.19%
Brevan Howard Emerging Market Strategies Fund Limited Class A USD	1.94%
Brevan Howard Equity Strategies Fund Limited Class A USD	3.02%
Brevan Howard Fund Limited Class A USD	0.99%
Brevan Howard Multi-Strategy Fund Limited Class A USD	2.02%
Brevan Howard Strategic Opportunities Feeder Fund Limited Class A USD	1.79%
Brevan Howard Commodities Strategies Fund Limited Class X USD*	7.82%
Brevan Howard Systematic Trading Master Fund Limited Class B USD**	6.93%
Brevan Howard Investment Fund II – Macro FX Fund Class A USD	0.59%
Brevan Howard Investment Fund – Emerging Markets Local Fixed Income Fund Class A USD***	5.21%
Brevan Howard Investment Fund – Absolute Return Macro Fund Class A USD****	-0.36%

Source: BHAM; the performance set out above is net of all investment management fees.
* For the period between the fund's inception until November 30th 2010, performance figures represent the performance of BHCS USD Class X Shares net of all investment management fees (2% annual management fee and 20% performance fee) and all other fees and expenses payable by BHCS. From December 1st 2010 (the date on which Brevan Howard Master Fund Limited switched its investment from BHCS Class X Shares to Brevan Howard Commodities Strategies Fund, L.P. ("BHCS LP") Series AR Interests), performance figures represent the performance of BHCS LP USD Series AR Interests net of all investment management fees (2% annual management fee and 20% performance fee) and all other fees and expenses payable by BHCS LP.
** The inception date of Brevan Howard Systematic Trading Master Fund Limited Class B USD Shares was 1 September 2010.
*** The inception date of Brevan Howard Investment Fund – Emerging Markets Local Fixed Income Fund Class A Shares was 22 June 2010.
**** The inception date of Brevan Howard Investment Fund – Absolute Return Macro Fund Class A Shares was 17 November 2010.

In a year that was dominated by economic, political and regulatory uncertainty, the Manager made further efforts to diversify its activities globally. During the year, the Manager's group opened offices in Geneva and São Paulo. With these new offices, Brevan Howard now has a presence in the UK, Europe, North and South America, Asia and the Middle East, further diversifying its trading and information resources and increasing its ability to absorb and adapt to any regulatory changes.

2010 also saw the launch of a number of open-ended funds including:

- Brevan Howard Commodities Strategies Master Fund Limited
- Brevan Howard Systematic Trading Master Fund Limited
- Brevan Howard Investment Fund – Emerging Markets Local Fixed Income Fund
- Brevan Howard Investment Fund – Absolute Return Macro Fund

Each of these funds fulfils investor demand for targeted access to the broad range of expertise within Brevan Howard.

In December, the Manager launched a new listed feeder fund to its successful credit focussed strategy, Brevan Howard Credit Catalysts Master Fund Limited. BH Credit Catalysts Limited joins BH Macro Limited and BH Global Limited as Brevan Howard's third fund to list on the main market of the London Stock Exchange. The group's listed funds serve a dual benefit, providing a broader range of investors with access to Brevan Howard trading strategies whilst providing the existing hedge funds and their shareholders with a more diversified and stable capital base.

The economic, political and regulatory uncertainty of 2010 appears likely to continue into 2011 but the Manager is confident that the work Brevan Howard has done over recent years to build an industry-leading group of investment managers and comprehensive global platform mean that it remains well-positioned to exploit trading opportunities for fund investors in 2011.

The Manager appreciates the continued support of investors during 2010.

Annual Investment Manager Review: 2010

Brevan Howard Master Fund Limited (the "Fund") ended 2010 up 0.99% for the year. This disappointing performance can be attributed quite simply to misjudging the trading environment on several occasions. During the year, the Fund had three major 'themes' which proved unprofitable. These were:

1. Short Euro rates in Q1.
2. Short the Euro and being generally long the 'stress' theme in Q3.
3. Long the 'QE2' trade through long US rates positions in Q4.

Going into 2010 the Fund was short Euro short-dated rates. In January overnight Euro rates were trading at 35bps whilst the official ECB overnight rate was 1%. The difference of 65bps between market and official rates was due to the system being awash with liquidity as a result of the unlimited 1-year repos that the ECB had executed in 2009 in response to the global financial crisis. We thought that the rapidly improving economic outlook in core Europe would cause the ECB to normalise money market conditions by not extending the extraordinary liquidity provisions and that this would naturally drive short-term rates back towards the official rate.

By February however, the Greek sovereign debt crisis had caused market participants to discount any near-term draining of liquidity by the ECB and the Fund's rates positions suffered losses in the order of 1.75% of NAV. In response to these losses and the ongoing sovereign debt crisis in Europe, the short positions in Euro rates were greatly reduced and the Fund went short the Euro in March.

This re-positioning of the portfolio contributed to approximately half of the 3.2% gain in the NAV of the Fund during the second quarter. Much of these profits were reversed in July however, when the European Financial Stability Facility was introduced, causing the Euro to rally 6% against the US dollar. Other exposures also positioned to benefit from continued stress in financial markets saw a reversal in their profits, all of which led to a 2% loss in July.

Finally, our largest theme going into the fourth quarter was to be long the 'QE2' trade; primarily by being long the zero to five-year part of the US dollar rate curve. This trade initially proved very profitable, but the extension of the Bush tax cuts, coupled with stronger US economic data and a political backlash against quantitative easing, all led to a severe sell-off in US rates during the second half of November and the early part of December. This sell-off caused the Fund approximately 3% in losses.

Profitable tactical trading, particularly in FX, offset these setbacks allowing for an overall positive year, but there is no avoiding the fact that our three major bets for 2010 all resulted in losses. In reviewing what went wrong, it is clear that the common factor in each of these trades is that we held onto positions for too long.

In most cases trades started well and we had ample opportunity to exit and take profits. Instead we held onto positions anticipating extended breakout moves, but rather than breakout, market moves reversed, wiping out profits and ultimately causing losses. Whereas in hindsight it certainly would have been advantageous to take smaller profits, we felt that provided the Fund's drawdown limits were not violated, we should position the Fund to benefit from any large 'tail event' rather than cut positions early to book relatively modest gains.

The decision to hold onto these trades for too long was the primary cause of the Fund's disappointing performance in 2010. The performance was not a function of the size of AUM or any perceived distractions caused by traders relocating to Geneva. Indeed, we have been managing over $20bn since late 2007 with excellent results in both 2008 and 2009; while the second quarter of 2010 was the Fund's most profitable of the year even though it was the period in which the bulk of the moves to Geneva took place. Going forward our plan is to be more balanced between harvesting modest short-term profits and pressing large thematic trades, much as we behaved between 2003–2006 when large breakout trades were very rare in the Fund's core markets of rates and FX.

Markets remain at risk of substantial dislocation. The European sovereign and banking issues appear to be coming to a head over the coming months. China, and emerging markets more generally, are struggling with inflation pressures and problematic "hot" money inflows, and the US continues to face deflationary headwinds whilst remaining on an apparently unsustainable fiscal deficit path.

So whereas markets may appear to have normalised over the course of 2010, we worry that unlimited liquidity and zero interest rates are simply papering over large structural cracks. Any event which would disrupt the steady state of the current distressed equilibrium may cause violent market moves, for which we remain vigilant and positioned.

As we start 2011 the Fund's positioning is quite straightforward. We are short G3 currencies vs. a basket of currencies in those economies where growth and the banking sectors are in better shape, long volatility on rates, modestly long the front end of both the Euro and US dollar curves as well as some ABS indices.

As always, I want to thank our investors for your continued support. I consider 2010 a performance aberration when we got very little right. I am confident of a more typical and successful 2011. In the meantime I can assure you that all of us at Brevan Howard are determined to deliver superior results this year.

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Annual Performance Review: 2010

Performance by Asset Class

2010 performance comments by asset class (Brevan Howard Master Fund Limited, the “Fund”):

Rates	The Fund made losses in directional and curve trading, partially offset by gains in swap spreads, basis swaps and volatility trading. In particular, the Fund made losses from short EUR rates positions in the first quarter when despite strong fundamental data, monetary conditions remained exceedingly loose and rates fell. Further losses were incurred in the fourth quarter when USD fixed income markets sold off dramatically after the announcement of QE2. On the other hand, gains were made from tactical trades in swap spreads in the US and the eurozone and also from strategic trades in basis and volatility positions.
FX	FX risk was significantly higher during 2010 than in previous years, particularly in the second quarter, when the Fund was short EUR against a range of currencies and in the fourth quarter when the Fund was short the USD. Overall, the Fund’s performance in FX was positive.
Equity	The Fund's equity risk was quite small, being on average about 8% of the total VaR. The Fund made losses in January and May when major indices fell, but was largely flat in other months.
Commodity	The Fund's commodity risk was quite small with an average VaR of about 7% of the total VaR. Risk increased over the year and the Fund benefited from the rally in oil and gold in the third and fourth quarters, ending the year slightly up in this sector.
Credit	The Fund had another successful year in credit trading. Despite the volatility in the market, the Fund made consistent profits throughout the year, mainly in US index, corporate and mortgage-backed markets.

Monthly, quarterly and annual contribution (%) to basic performance of BH Macro Limited USD shares by asset class

	Total	Rates	FX	Equity	Commodity	Credit
January 2010	-0.27	0.15	-0.24	-0.34	-0.19	0.36
February 2010	-1.50	-1.93	0.54	0.01	-0.12	0.00
March 2010	0.04	-1.20	1.08	-0.15	0.04	0.27
April 2010	1.45	0.02	1.35	-0.16	0.12	0.12
May 2010	0.32	0.24	0.44	-0.41	-0.15	0.21
June 2010	1.38	0.56	0.58	0.15	-0.08	0.17
July 2010	-2.01	-0.64	-1.18	-0.08	-0.02	-0.08
August 2010	1.21	0.68	0.29	-0.09	0.15	0.17
September 2010	1.50	0.44	0.48	0.25	0.19	0.14
October 2010	-0.33	-0.51	-0.43	0.21	-0.01	0.42
November 2010	-0.33	-0.52	-0.34	-0.01	0.20	0.35
December 2010 *	-0.50	-1.83	1.01	0.06	0.04	0.22
Q1	-1.73	-2.98	1.38	-0.48	-0.27	0.63
Q2	3.18	0.83	2.39	-0.43	-0.11	0.50
Q3	0.67	0.46	-0.38	0.08	0.31	0.22
Q4	-1.15	-2.85	0.24	0.26	0.23	0.98
2010 *	0.90	-4.22	3.32	-0.53	0.16	2.17

Source: BHAM
* Estimated as at 31 December 2010.

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Monthly VaR of the Fund by asset class as a % of total VaR *

	Rates	Vega	FX	Equity	Commodity	Credit	Total
January 2010	47	15	18	10	6	4	100
February 2010	58	12	10	12	4	4	100
March 2010	51	14	17	8	6	4	100
April 2010	41	13	20	10	8	8	100
May 2010	42	16	19	8	8	7	100
June 2010	40	15	26	10	4	5	100
July 2010	43	20	16	7	9	5	100
August 2010	53	14	13	4	10	6	100
September 2010	42	10	30	8	7	3	100
October 2010	38	12	31	5	7	7	100
November 2010	43	16	19	4	6	12	100
December 2010	28	14	30	6	11	11	100

Source: BHAM
* Calculated using historical simulation based on 1 day, 95% confidence interval.

Performance by Strategy Group

Monthly and annual contribution (%) to basic performance of BH Macro Limited USD shares by strategy group

	Total	Macro	Rates	FX	EMG	Equity	Commodity	Credit	Systematic
January 2010	-0.27	-0.41	0.11	0.07	0.10	-0.06	-0.10	0.10	-0.07
February 2010	-1.50	-1.65	-0.24	0.28	0.08	0.08	-0.14	0.08	0.00
March 2010	0.04	-0.02	-0.10	0.03	0.10	0.00	0.00	0.02	0.00
April 2010	1.45	0.21	1.10	0.07	-0.10	0.01	0.09	0.07	0.00
May 2010	0.32	0.17	0.26	0.06	0.13	-0.18	-0.09	-0.03	-0.01
June 2010	1.38	-0.09	1.07	0.35	0.01	0.00	-0.03	0.07	0.00
July 2010	-2.01	-1.11	-0.57	-0.44	0.22	-0.04	0.04	-0.07	-0.02
August 2010	1.21	-0.19	1.15	0.04	0.08	-0.02	0.03	0.10	0.03
September 2010	1.50	0.97	-0.09	0.21	0.08	0.11	0.07	0.09	0.07
October 2010	-0.33	-0.39	-0.29	0.00	-0.07	0.00	0.02	0.34	0.06
November 2010	-0.33	-0.18	-0.33	-0.02	0.01	-0.01	0.07	0.18	-0.05
December 2010 *	-0.50	-0.18	-0.68	-0.01	-0.06	0.05	0.06	0.22	0.10
2010 *	0.90	-2.67	1.28	0.59	0.53	-0.04	0.01	1.09	0.10

Source: BHAM
* Estimated as at 31 December 2010.

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

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Performance Review

During the month, the Fund suffered losses in interest rates trading, mainly in directional trading strategies in USD and to a lesser extent in basis swaps and swap spreads, offset by gains in directional trading in EUR rates and FX macro trading.

Monthly contribution (%) to performance of BH Macro Limited USD Shares by strategy group

	Total	Macro	Rates	FX	EMG	Equity	Commodity	Credit	Systematic
December 2010 *	-0.50	-0.18	-0.68	-0.01	-0.06	0.05	0.06	0.22	0.10

Source: BHAM
* Estimated as at 31 December 2010

Methodology and Definition of Monthly Contribution to Performance:

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

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"**Credit**": corporate and asset-backed indices, bonds and CDS
"**Systematic**": rules-based futures trading

Market Review and Outlook

Market Commentary

US

Predictably, 2010 proved to be a challenging and volatile year. By the middle of the year, the Federal Reserve ("Fed") was contemplating its eventual exit strategy, fiscal stimulus turned into a net drag on growth, and European sovereign and banking woes weighed on investor sentiment. Not surprisingly, the economy wobbled in the third quarter and, by the end of the year, the Fed embarked on another round of large-scale asset purchases (so-called "QE2") and fiscal policy was loosened further still.

In the short-term, the Fed's policy actions appeared to work. Risk assets have been in buoyant mood since Fed Chairman, Ben Bernanke, tipped the Fed's hand at the end of August and investors were delighted by President Obama's compromise with the Republican leadership in Congress to extend tax cuts and add other stimulus measures. In the long-term however, the Fed will have to shrink its balance sheet, the federal government will have to develop a credible plan for fiscal consolidation, and the economy will have to learn to live without the unprecedented policy support.

Meanwhile, the current macro environment appears favourable for further recovery. The year ended with positive surprises to household spending, export growth was brisk and business investment was still firm. From the economic doldrums in the middle of the year, GDP growth is set to move above 3% in the fourth quarter, with private demand expanding at nearly 4%. Even the housing market looks like it is bottoming, although house prices may edge down as further foreclosures work their way through the system. Going forward, growth is likely to be noticeably above trend as uncertainty about the outlook appears to have subsided. Headline inflation may edge up due to food and energy price shocks, but core inflation is likely to remain subdued for the immediate future.

The labour market is slowly on the mend, with businesses adding on average more than 125,000 jobs per month at the end of 2010. However, at that pace of job creation, it will take more than four years to get back to the previous peak in payroll employment, let alone absorb all the new entrants into the labour force over this period. Even at a sustained 200,000 jobs per month pace, it would take three years to make up the ground lost in the recession. In our view, the unemployment rate will be around 9% at the end of 2011 and 8% at the end of 2012, still well above any reasonable estimate of full employment. In terms of monetary policy, ample labour market slack and low inflation suggest that rates will remain on hold in 2011 and for the most part of 2012.

Although the fallout from the recession will linger for years, investors can take heart from our macro outlook: solid if perhaps unspectacular growth, less uncertainty, low inflation, and assuredly zero interest rates should embolden risk-taking. In the coming year, the economy appears likely to enjoy a self-sustaining recovery. Nevertheless, the volatility in 2010 serves as a reminder that policy accommodation is key to the expansion and that the economy remains vulnerable to downside risks.

EMU

The economy of the eurozone continues to be very much divided, with the peripheral countries struggling due to the debt crisis, and the “core”, especially Germany, experiencing a strong recovery. In December, further to its decision to request EMU/IMF financial support taken in November, the Irish parliament approved the new budget law encompassing the consolidation plan. However, despite the Irish rescue programme, the situation for the banks remains highly precarious, as deposits continue to “bleed” and rating agencies reassess the situation. In general, for some eurozone countries the medium-term sustainability of the high levels of debt in a slow growth environment combined with the high dependence on external funding remains an unresolved issue. Furthermore, the lack of clarity on the medium-term institutional set-up of the EMU, apparent in the recent debate on governance, is only exacerbating market uncertainty.

For the European Central Bank (“ECB”), the current environment is extremely complex. Given the unfolding of events in Ireland, at its December meeting the ECB once again postponed the unwinding of its non-standard measures and decided to maintain the full allotment of its repo operations, at least until the end of the first quarter of 2011. Indeed, the actions of the ECB were led by the need to preserve the financial stability of the EMU. Moving into 2011, with EMU inflation on the rise and the recovery in the core countries gathering pace, but with continued sovereign debt risks in peripheral economies, the ECB is poised to face a policy dilemma.

UK

Activity indicators continue to reinforce the notion of a two-speed recovery in the UK. The divergence continues to grow between the strong recovery in manufacturing – boosted by the firm global demand environment and the weak sterling exchange rate – and the more subdued expansion in services, constrained by domestic demand. Construction, having recovered sharply in the middle of 2010, appears likely to slow sharply from the fourth quarter onwards. Housing and labour market indicators continue to weaken or flatline after some temporary strength earlier in 2010. At the end of the year, retail sales activity was buffeted by the severe weather, and the outlook for 2011 consumption is bleak, especially considering the upcoming fiscal consolidation.

CPI inflation is not only stubbornly above target, but rising further due to food, energy and VAT effects. As a result, short-term inflation expectations from surveys are increasing. However, low nominal wage growth and stagnant money and credit suggest an absence of domestically-generated inflationary pressures at the present time. Overall, activity data suggests little near-term progress in taking up slack in the economy. The targeted reduction of the structural deficit by 2.3pp of GDP in 2011 creates substantial downside risks to the economy, at a time when household deleveraging headwinds persist.

Meanwhile, near-term inflation dynamics have increased concerns at the Bank of England ("BoE") about communicating their commitment to low inflation. While the BoE still sees substantial downside risks arising from fiscal austerity, as well as from the volatile situation in the eurozone, it appears to prefer to wait for those risks to materialise before considering further stimulus. The first half of 2011 is likely to be particularly troubling for the BoE, with persistent inflationary pressures and growth likely to be weakening.

Japan

In Japan, the cyclical environment is gradually improving, although GDP is likely to disappoint in the fourth quarter following a strong third quarter release. However, both actual data and economic surveys signal an improvement at the end of 2010 and the beginning of 2011. Indeed, in November industrial production resumed its expansion (+1% month-on-month) after contracting for five months in a row and the poll conducted by the Ministry of International Trade and Industry indicated that firms are expecting firmer growth both in December 2010 and January 2011. Furthermore, in December, the composite PMI increased by 1.2 points to 49.8, the highest level since August 2010, with both manufacturing and services improving. In particular, the latter component rose above the 50 threshold for the first time since November 2007, signalling firmer domestic demand. Exports continued to contract in November, but are likely to have resumed growth in December. The labour market is also making steady progress, as indicated by the rise in the jobs-to-applicant ratio.

The rate of deflation of consumer prices has fallen to the lowest level since the third quarter of 2009, and is approaching stabilisation. Going forward, the corporate tax cuts undertaken by the government should be supportive in 2011.

China

In China, the composite PMI eased by half a point, to 53.5 in December after rising from August to October and stabilising in November. The moderation stemmed from Orders, especially on the domestic side. Still, it is too early to conclude that the growth momentum has reversed, as the current level of the PMI is still higher than its historical average of 53.

CPI inflation eased in December after the November peak above 5% year-on-year, due to the implementation of price controls by the Chinese government. However, the relief appears likely to be temporary, as indicated by persistently high inflation expectations. Indeed, the People's Bank of China hiked rates further, both the reserve requirement ratio by 0.5% and the benchmark interest rate by 0.25%, for the second time in 2010. The M2 growth target was set at 16% year-on-year in 2011, only slightly lower than the 17% in 2010, indicating a pause to the aggressive tightening in the near-term. Chinese authorities appear to still be concerned about uncertainties in external demand, especially from Europe.

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Risk Factors

Acquiring shares in the Company 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 the Company (and therefore the Fund) should consult an authorised person specialising in advising on such investments. Any person subscribing for Shares must be able to bear the risks involved. These include, among others detailed in the Company'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 will invest in illiquid securities.

• Past results of the Funds' investment manager is not necessarily indicative of future performance of the Fund, and the Funds' performance may be volatile.

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

• The investment manager has total investment and trading authority over the Fund, and the Fund is dependent upon the services of the investment manager. The use of a single advisor could mean lack of diversification and, consequently, higher risk.

• 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 Manager's incentive compensation, fees and expenses may offset the Funds' 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 Funds' 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 Interests and therefore reference should be had to the Company's Prospectus and related offering documentation for a complete description of these and other relevant risks.