BREVAN HOWARD

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT: DECEMBER 2011

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

Important Legal Information and Disclaimer

BH Macro Limited ("BHM") is a feeder fund investing in Brevan Howard Master Fund Limited (the "Fund"). Brevan Howard Asset Management LLP ("BHAM") and Brevan Howard Capital Management LP (together with BHAM, "Brevan Howard") have supplied the information herein regarding BHM's and the Fund's performance and outlook. BHAM is authorised and regulated by the Financial Services Authority (the "FSA") in the United Kingdom.

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").

The material relating to BHM and the Fund included in this report has been prepared by Brevan Howard and is provided for information purposes only and does not constitute an invitation or offer to subscribe for or purchase shares in the BHM or the Fund. This material is not intended to provide a sufficient basis on which to make an investment decision. Information and opinions presented in this material relating to BHM and the Fund have been obtained or derived from sources believed by Brevan Howard to be reliable, but Brevan Howard makes no representation as to their accuracy or completeness. Any estimates may be subject to error and significant fluctuation, especially during periods of high market volatility or disruption. Any estimates should be taken as indicative values only and no reliance should be placed on them. Estimated results, performance or achievements may materially differ from any actual results, performance or achievements. Except as required by applicable law, BHM, the Fund and Brevan Howard expressly disclaim any obligations to update or revise such estimates to reflect any change in expectations, new information, subsequent events or otherwise. All investments are subject to risk. Prospective investors are advised to seek expert legal, financial, tax and other professional advice before making any investment decisions.

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

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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: $2,041mm[1]

1. Estimated as at 30 December 2011 by BHM's administrator, Northern Trust.

Summary Information

BH Macro Limited NAV per share (estimated as at 30 December 2011)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	587.6	$19.31
EUR Shares	238.5	€19.50
GBP Shares	1,214.7	£19.91

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*

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	-0.55*	12.83*

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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	-0.47*	12.32*

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 30 December 2011.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

ASC 820 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited Estimates as at 30 December 2011

	% of Gross Market Value
Level 1	55
Level 2	45
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.

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Annual Manager Review: 2011

Manager Update – Brevan Howard Capital Management LP

As predicted in the 2010 Annual Manager Review, the global economic, political and regulatory uncertainty of recent years continued in 2011, leading to volatile trading conditions across all asset classes. The performance of each of the BHCM's investment funds under management in 2011 is detailed below:

Fund	2011 performance
Brevan Howard Asia Fund Limited Class A USD	8.86%
Brevan Howard Commodities Strategies Fund Limited Class A USD	-2.86%
Brevan Howard Credit Catalyst Fund Limited Class A USD	1.01%
Brevan Howard Emerging Market Strategies Fund Limited Class A USD	-6.13%
BH Macro Ltd USD	12.04%
Brevan Howard Multi-Strategy Fund Limited Class A USD	5.17%
Brevan Howard Systematic Trading Master Fund Limited Class B USD	1.34%
Brevan Howard Investment Fund II – Macro FX Fund Class A USD	5.16%
Brevan Howard Investment Fund – Emerging Markets Local Fixed Income Fund Class A USD	2.98%

Estimated by Brevan Howard as at 30 December 2011, based on performance data provided by IFS.

BHCM's approach remains unchanged: to allocate fund assets opportunistically to Brevan Howard's global trading talent, whilst at all times preserving and strengthening its industry-leading operational and risk management framework.

Brevan Howard took advantage of market conditions in 2011 to make a significant number of hires – over 30 investment professionals – to further broaden its global talent pool across a number of its funds and global offices, in particular in Geneva, London, Tel Aviv and São Paulo. The new traders have added value to the funds for which they trade by making substantial contributions to performance. Looking to 2012, Brevan Howard will continue to look for opportunities to further enhance its global pool of trading talent.

Brevan Howard also continues to strengthen its operational and corporate governance framework, in response to an operating and trading environment that is increasingly dominated by political, legal and regulatory considerations.

Investor appetite for Brevan Howard-managed funds remained strong in 2011, highlighting the demand for targeted access to the broad range of expertise within Brevan Howard. In particular, 2011 saw the steady growth of Brevan Howard's UCITS business, with strong inflows into the Brevan Howard Emerging Markets Local Fixed Income Fund and the Brevan Howard Macro FX Fund.

The size of each of Brevan Howard's current trading funds is shown below:

Fund	Total investor assets US$ MM
Brevan Howard Asia Master Fund Limited	1,731
Brevan Howard Commodities Strategies Master Fund Limited	487
Brevan Howard Credit Catalysts Master Fund Limited	2,102
Brevan Howard Emerging Market Strategies Master Fund Limited	2,104
Brevan Howard Master Fund Limited	26,591
Brevan Howard Multi-Strategy Master Fund Limited	1,613
Brevan Howard Systematic Trading Master Fund Limited	716
Brevan Howard Investment Fund II – Macro FX Fund	893
Brevan Howard Investment Fund – Emerging Markets Local Fixed Income Fund	669

Source: Brevan Howard; rounded to the nearest million; estimated as at 30 December 2011.

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The investment objective of the Brevan Howard Master Fund in 2012 remains to achieve consistent long-term NAV appreciation through active leveraged trading and investment on a global basis. BHCM believes that the Master Fund's performance in 2011 demonstrates that it is well placed to exploit the available trading opportunities in 2012 in pursuit of this objective.

BHCM appreciates the continued support of investors during 2011.

Annual Investment Manager Review: 2011

Brevan Howard Investment Products Limited currently manages the largest allocation of the Fund's assets. Alan Howard has provided the following year-end update to the Company:

BH Macro Limited (USD Shares) ended 2011 up an estimated 12.04% (net of fees). This performance was driven in large part by interest rate trading during the third quarter.

As we wrote in the Fund's Annual Investment Manager Review this time last year, our strategy for 2011 was to strike a better balance between harvesting modest short-term profits and pressing large thematic trades. This strategy proved successful.

During the first half of the year, a balance between general optimism on the state of the global economy on the one hand and fear of possible large event risks on the other hand kept markets in a broad trading range; this allowed the Fund to make steady, modest gains by trading tactically. For example, the Fund held both long and short positions in European interest rates during this period, depending on the market's probabilistic pricing of future ECB rate hikes at any one point in time.

The Fund's long interest rate volatility positions also benefited from this environment, generating steady returns through gamma trading. Tactical opportunities in other areas including yield curves, bond versus swap spreads, commodities and credit also generated positive returns.

The Fund's large gains during the third quarter were due predominantly to pressing the thematic view that markets were ignoring clear signs of economic slowdown and were not correctly pricing the probability of central bank accommodation, particularly the reversal of the ECB rate hikes in April and July. The Fund took significant long positions in G7 interest rates, with a concentration in European short-term and US medium-term rates.

As the economic data softened over the summer and the euro crisis escalated, forward interest rates fell sharply in G7 and the Fund's positions made substantial profits. The Fund's structural volatility positions also paid off from this move, as interest rate option deltas were allowed to expand, thereby increasing the size of the Fund's positioning during the rally. The decision to position early and in size for a decline in interest rates was the primary driver of performance in 2011.

Apart from the basic long rates position, the Fund profited from gains made across several strategies during the third quarter including bond versus swap spreads, libor basis, foreign exchange, commodity and equity trading, while credit proved modestly unprofitable. The Fund's general positioning, although reduced, was maintained into the fourth quarter, resulting in further gains in November which were partially offset by small losses in October and December as markets settled once again into a more mean-reverting, tactical environment, with interest rates and the euro initially rising before resuming their downward path.

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I am particularly pleased to report that a meaningful part the Fund's return was generated by newly recruited traders. At the end of 2010 and in the early part of 2011, the closure of bank prop activities caused by the introduction of the Volcker rules allowed Brevan Howard to add 13 new risk takers to our trading group and 3 new people to our research efforts. These additions made a material contribution to our results in 2011. Brevan Howard has never had a deeper, broader or more talented investment team.

In 2011, we took the unusual step of asking the Fund's Board to return some capital to investors. This was done simply to alleviate ongoing investor concerns about the Fund's size and not because of liquidity issues or a poor opportunity set.

Following the Fund's lacklustre performance in 2010, there was a degree of investor unease over the size of the Fund and whether it was an impediment to performance. It wasn't. As we wrote in this letter last year, the reason 2010 was lacklustre was because the three major themes we positioned for in that year proved unprofitable.

Nonetheless, in order to assuage this investor concern, we undertook to return capital if the Fund got larger than $25bn. As a result of strong performance, the Fund exceeded the $25bn AUM level during the summer and, in line with our undertaking, we announced that we would return almost $2bn to investors. Having done so there are no plans at this time to return further capital. However, as always, we will monitor the size of the Fund, the opportunity set, our trading capacity and the market liquidity on an ongoing basis to ensure that we are comfortable with the size of the Fund.

Looking forward, we continue to believe that markets remain at risk of substantial dislocation. The European sovereign and banking issues appear to be approaching a head and may result in extreme outcomes (in either direction). The US fiscal situation remains highly strained and large imbalances remain in emerging market economies. In short, the issues we raised in last year's letter are still unresolved.

In light of the ongoing binary risks, we have taken decisive action to focus on liquid, uncomplicated strategies, to increase the Fund's cash liquidity and to ensure that the exposure of the Fund to potentially vulnerable counterparties is kept to a minimum. One risk that we are particularly careful to avoid is betting on the outcome of the Eurozone crisis. Its resolution will ultimately be a political decision and we have no real edge in understanding which way the politicians may go. For us, the better trade is to look to the macroeconomic picture and position around macroeconomic developments rather than try to second guess the politicians.

As we start 2012 the Fund's positioning is once again quite tactical, with the only structural position being long volatility across multiple asset classes, in particular interest rates.

I want to thank, as I do each year in this letter, all of our investors for their continued support and I assure you once again that all of us at Brevan Howard will do our utmost to deliver another profitable outcome in 2012.

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Annual Performance Review: 2011

Performance by Asset Class

2011 performance comments by asset class for the Fund:

Rates	The Fund made gains in interest rate trading across all of the main strategies and in all quarters. The majority of the gains came from directional and curve trading in EUR and USD interest rate markets. In particular, the Fund made positive P/L during the third quarter (mainly in August) through outright long positions in the short-end of the European and long positions in medium-term maturities of the USD interest rate markets: in both cases rates declined sharply in August. Directional and curve trading were also profitable in the first half of the year and roughly flat in the fourth quarter. The Fund also made profits in relative value trading via basis swaps and swap spreads. Further profits were made in volatility trading in all quarters by being long implied volatility. Despite the fact that the implied volatility levels only rose slightly during the year, trading benefited from high levels of realised volatility in rates. Overall, the Fund's performance in interest rate trading was very strong and was by far the main driver of the positive performance of the Fund.
FX	The Fund had an average exposure of approximately 40% of NAV, with more risk in the first half of the year and in December. Overall, the Fund's performance in FX was marginally negative.
Equity	The Fund's equity risk was relatively small with an average gross exposure of approximately 10% of NAV. Equity trading activity suffered small losses mainly in the second and fourth quarter, partially offset by small gains in the third quarter. Overall, the Fund's performance in equity trading was slightly negative.
Commodity	The Fund's commodity risk in 2011 was higher than in the previous year averaging approximately 13% of the total VaR. The Fund made small positive P/L in the first quarter (primarily from long energy) and in the third quarter (mostly from long gold), with some losses in the remaining quarters coming mostly from energy. Overall, the Fund's performance in commodity trading was slightly positive.
Credit	The Fund made some gains in credit trading in the first half of the year, mainly in ABS and RMBS trading which was partially offset by some losses in the third quarter mainly in corporate credit. Overall, the Fund's performance in credit trading was slightly positive.

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

	Rates	FX	Commodity	Credit	Equity	Total
January 2011	0.78	-0.65	0.18	0.52	-0.18	0.65
February 2011	0.12	-0.05	0.37	-0.03	0.12	0.53
March 2011	0.34	0.01	0.08	0.24	0.09	0.75
April 2011	-0.43	0.30	0.36	0.32	-0.06	0.49
May 2011	1.30	-0.50	-0.09	0.06	-0.22	0.55
June 2011	0.70	-0.35	-0.49	-0.32	-0.12	-0.58
July 2011	2.05	-0.23	0.29	0.00	0.08	2.19
August 2011	5.75	0.04	0.52	-0.18	0.05	6.18
September 2011	0.73	0.28	-0.51	-0.33	0.23	0.40
October 2011	-0.08	-0.65	-0.08	0.26	-0.21	-0.76
November 2011	1.83	0.07	-0.16	-0.18	0.12	1.68
December 2011	-0.20	0.19	-0.16	-0.01	-0.29	-0.47
Q1	1.25	-0.68	0.62	0.74	0.02	1.95
Q2	1.55	-0.54	-0.22	0.07	-0.41	0.45
Q3	8.69	0.09	0.32	-0.53	0.37	8.93
Q4	1.49	-0.37	-0.39	0.07	-0.37	0.43
2011	13.35	-1.58	0.31	0.38	-0.42	12.04

Monthly, quarterly and annual figures are estimated by Brevan Howard as at 30 December 2011, based on total performance data for each period provided by the Fund's administrator, International Fund Services (Ireland) Limited ("IFS").

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

	Rates	Vega	FX	Equity	Commodity	Credit	Total
January 2011	27	20	23	4	17	9	100
February 2011	35	17	15	4	20	9	100
March 2011	27	15	23	11	17	8	100
April 2011	31	13	26	5	17	8	100
May 2011	36	14	22	4	17	6	100
June 2011	39	17	17	4	16	7	100
July 2011	46	16	19	2	10	7	100
August 2011	50	11	16	4	14	4	100
September 2011	53	10	19	6	5	7	100
October 2011	48	14	10	11	9	8	100
November 2011	47	16	15	4	11	7	100
December 2011	29	16	31	7	6	10	100

Source: Brevan Howard

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

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Performance by Strategy Group

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
January 2011	-0.27	0.49	0.01	0.05	-0.03	-0.07	0.48	-0.01	0.65
February 2011	0.63	-0.58	0.04	0.13	-0.03	0.09	0.21	0.05	0.53
March 2011	0.54	-0.04	0.01	0.14	0.02	-0.07	0.18	-0.04	0.75
April 2011	-0.48	0.22	0.12	0.15	-0.09	0.21	0.24	0.10	0.49
May 2011	0.00	0.86	-0.12	-0.03	-0.01	-0.03	-0.10	-0.04	0.55
June 2011	-0.76	1.04	-0.22	0.02	-0.05	-0.16	-0.39	-0.05	-0.58
July 2011	0.80	0.98	-0.01	0.17	0.01	0.15	0.04	0.05	2.19
August 2011	3.11	2.19	0.19	0.66	0.10	0.09	-0.19	0.02	6.18
September 2011	0.29	0.47	0.14	-0.26	0.08	-0.20	-0.11	-0.02	0.40
October 2011	-0.87	0.37	-0.26	0.24	-0.09	-0.01	-0.09	-0.06	-0.76
November 2011	0.21	1.37	0.13	0.05	0.03	-0.05	-0.04	-0.01	1.68
December 2011	-0.22	-0.11	0.08	-0.06	-0.06	-0.02	-0.09	0.00	-0.47
2011	3.09	7.54	0.12	1.33	-0.12	-0.06	0.14	0.00	12.04

Monthly and annual figures are estimated by Brevan Howard as at 30 December 2011, based on performance data for each period provided by the Fund's administrator, IFS.

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: December 2011

The NAV per share of BHM USD Shares depreciated by an estimated 0.47% (net of fees) in December.

During the month, the Fund made small losses in all asset classes apart from FX trading.

Monthly, quarterly 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
December	-0.22	-0.11	0.08	-0.06	-0.06	-0.02	-0.09	0.00	-0.47
Q1	0.91	-0.13	0.06	0.33	-0.05	-0.04	0.88	0.00	1.95
Q2	-1.23	2.10	-0.21	0.15	-0.14	0.02	-0.25	0.01	0.45
Q3	4.28	3.72	0.33	0.59	0.20	0.04	-0.27	0.06	8.93
Q4	-0.85	1.57	-0.05	0.22	-0.11	-0.07	-0.22	-0.06	0.43
2011	3.09	7.54	0.12	1.33	-0.12	-0.06	0.14	0.00	12.04

Monthly, quarterly and annual figures are estimated by Brevan Howard as at 30 December 2011, based on performance data for each period provided by BHM's administrator, Northern Trust. Figures rounded to two decimal places.

Methodology and Definition of Monthly Contribution to Performance:

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"**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

Market Commentary

US

In terms of market sentiment and the macroeconomic outlook, 2011 was a year of two halves for the US. In the first half of the year, markets and commentators expressed optimistic views about the future. Equities hit a high during the second quarter, with major indices up almost 10%. At the same time, buoyant forecasts were relying upon increasingly strained rationalisations in the face of worse-than-expected data. In the third quarter, another EU summit failed to deliver the measures required to resolve the European sovereign debt crisis and the normally pro forma vote to increase the US debt ceiling turned into a fiasco that cost the US its AAA credit rating. In response to these developments, investor and consumer sentiment collapsed, equities swung to 10% losses on the year, and the economy barely avoided a recession. Investors fled to the traditional safe havens of US Treasuries, German Bunds, the US dollar, and the Japanese yen.

By the end of the year, the US economy regained its footing, led by brisk business capital expenditure, improved consumer spending, and moderate gains in payroll employment. In addition, inflationary pressures eased, as total and core consumer

inflation fell below an annualised rate of 1% in the fourth quarter, import and producer prices declined, and longer-term inflation expectations drifted into the lower end of their range for the last decade.

Additional monetary policy easing by the Federal Reserve ("Fed") and European Central Bank ("ECB") played a role in stabilising the economy in the second half of the year. In September, the Fed rolled out a Treasury duration extension programme and renewed its purchases of mortgage-backed securities. As a result, the Fed committed to buying virtually all of the net issuance of longer-term Treasury duration through to the middle of 2012, a move that, if nothing else, signalled that monetary policy would be utilised if the economy threatened to rollover. Despite the rollercoaster ride, equity markets were largely unchanged in 2011, Treasury interest rates ended at historic lows and economic growth registered somewhere near its long-term trend.

Looking to 2012, investors appear to be expecting moderate growth, inflation and financial market returns. At Brevan Howard, we expect the continuation of enormous uncertainty. On the one hand, policymakers appear to have a much-improved grasp of the dangers posed by the banking and sovereign debt crisis in Europe. Furthermore, we are one year further along the long road of deleveraging household balance sheets and repairing the housing market. On the other hand, we are about to witness an unprecedented policy move. In the US, Eurozone and UK, fiscal austerity is being prescribed as the cure following the bursting of the credit bubble and to overcome the malaise following a balance-sheet recession. Unfortunately, there is no historical example of when this approach has been successful. In the Great Depression, economies grew to the extent they pursued Keynesian stimulus and sizable depreciations in the exchange rate of their currencies. Presently, enthusiasm for additional stimulus appears to have come to an end and the room for competitive devaluation appears limited given that the largest economies are in a liquidity trap and emerging markets are slowing markedly. Financial markets and the economy are at the mercy of the convergence of these positive and negative forces in 2012. As such, developments in 2012 look set to mirror the ups and downs of 2011.

EMU

In response to the escalating tensions in the government bond markets, European leaders agreed on a “fiscal compact” in December: an agreement to rewrite the EU Treaty to tighten fiscal rules and for enforcement of not only countries participating in the EMU, but also for other countries participating in the EU. The last minute negotiations featured a clash between continental European leaders, led by France and Germany, and the UK, which subsequently vetoed the new EU Treaty. The agreement also encompasses a stipulation that participating countries should aim to keep their structural (through-the-cycle) primary fiscal deficits below 0.5% of GDP, and failure to obey the rule may result in the country being taken to the European Court of Justice.

In early January, the credibility of existing deficit rules suffered a further blow when the newly elected government in Spain announced that it had discovered that the country’s fiscal situation was significantly worse than reported by its predecessor and that the 2011 fiscal deficit far exceeded the target of 6% of GDP. Economic survey and data releases in December continued to paint a picture of ongoing economic recession and increasing divergence between Germany and the European peripheral economies. In particular, the pace of activity in Germany, although slowing down significantly in the fourth quarter, still far exceeds that of the peripheral economies, which are all falling into a deep recession. Furthermore, contractionary forces are also spreading to the creditor countries, with consumer confidence suffering in, amongst others, the

Netherlands, Belgium and France. EMU GDP is expected to have contracted in the fourth quarter of 2011 and the outlook for 2012 is not encouraging either, due to the combination of fiscal austerity and crunch of credit conditions which cripple many of the EMU economies.

After the agreement on the "fiscal compact", the ECB announced a further 25bps cut in interest rates and further non-standard policy measures. In particular, a new 3-year Long Term Refinancing Operation ("LTRO") allowed euro area banks to lengthen the maturity of their liabilities at very low rates and against a wider spectrum of collateral. The demand at the first 3-year LTRO was substantial and an increase in banks' purchases was noted only for Spanish and Italian bonds, especially of short-term maturities.

UK

The outlook for the UK remained unchanged in December. Growth in the fourth quarter appears likely to be slightly negative. Various activity surveys have either stabilised at low levels or rebounded marginally, but no major indicators point to a further deterioration. The labour market, which showed a renewed and deep employment contraction in the middle of the year, contracted at a more moderate pace towards the end of 2011.

The significant change from 2011 to 2012 is that household income dynamics are likely to improve, but the external sector looks set to deteriorate. The improvement in household income dynamics is a result of the drop in inflation. This process has already started and inflation is likely to fall substantially as the year progresses. Underlying inflation indicators, such as wage inflation, have remained low over the last few years. Headline inflation is now likely to converge to this low pace, as VAT, energy and food price spikes drop out of the calculation. Household real income growth will improve in real terms from a sharp contraction to broadly flat or slightly positive, but given the substantial household deleveraging that still needs to take place, the higher income growth is not likely to produce a commensurate improvement in consumption growth.

The deterioration in the external sector stems mainly from the weakening Eurozone growth, the associated tightening in global financial conditions due to bank deleveraging, and the loss of growth momentum in many other parts of the world. Whether the UK stagnates in 2012 or contracts outright will be primarily driven by developments in the Eurozone. Fiscal austerity in the UK is set to continue in 2012 at a similar pace to 2011 and as a consequence government spending is likely to be a drag on growth for the next five years or so. This fiscal outlook, combined with the need for households to continue to deleverage and an increasingly subdued external outlook, means that a sustained period of above-trend GDP growth appears unlikely in 2012.

Japan

In December, data releases confirmed that November was a particularly disappointing month for the Japanese economy, which has not yet recovered from the tragic disasters of March 2011. Indeed, in November industrial production contracted steeply by 2.6% month-on-month, significantly undershooting the anticipated marginal fall. At the same time, retail trading missed consensus expectations. This data appears to be consistent with a fully-fledged contraction of GDP in the fourth quarter, after the strong rebound experienced in the third quarter. However, in line with the indications of other geographical regions, activity should have finished 2011 on a firmer footing: after

dipping to 48.9 in November, the Japanese composite PMI rose back above the 50 threshold in December, to 50.1, on the back of improvements in both manufacturing and services.

The significant resource gap and the ongoing appreciation of the yen continue to exert deflationary pressures. Indicators of CPI core inflation (excluding food and energy) are still falling at a higher pace than 1% year-on-year. The outlook for Japan is for subdued growth in 2012, as the support from domestic policies will be limited and the global growth environment remains mixed.

China

In China, the HSBC metric for the composite PMI increased marginally in December, from 49.7 to 49.9, but remained below the 50 threshold. The improvement was confined to the manufacturing sector, while the non-manufacturing sector remained stable, as the property slowdown continues to weigh. At slightly above 9%, fourth quarter GDP sequential growth was a touch stronger than the third quarter, and it was driven mainly by industrial production.

Inflation expectations have eased according to the People's Bank of China survey, but the CPI remained above 4% in December, as food prices picked up strongly. Price metrics in the PMI surveys rebounded in December. Policy-wise, the Central Economic Work Conference made it clear that the key themes for 2012 are stability and progress, because 2012 is an important year for the political power transfer. Stability refers to macroeconomic policies, economic growth, inflation and the social environment, while progress refers to the improvement of the growth model, which should aim for the strengthening of domestic demand and the enhancement of the industrial sector. The Reserve Requirement Ratio is likely to be cut further in 2012. China is planning to implement its proactive fiscal policy mainly via tax cuts and increases in government spending. Overall, China is likely to deliver GDP growth of 8% or more in 2012.

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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 will 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.