BREVAN HOWARD

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT: FEBRUARY 2012

ADV03233 CONFIDENTIAL DO NOT COPY OR DISTRIBUTE

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

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT: FEBRUARY 2012

T +44 (0)20 7022 6250 www.bhmacro.com

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: $2,120mm[1]

1. Estimated as at 29 February 2012 by BHM's administrator, Northern Trust.

Summary Information

BH Macro Limited NAV per share (estimated as at 29 February 2012)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	592.7	$19.53
EUR Shares	241.1	€19.73
GBP Shares	1,285.8	£20.15

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	0.23*											1.13*

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	0.23*											1.15*

T +44 (0)20 7022 6250 www.bhmacro.com

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	0.25*											1.15*

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 29 February 2012.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

ASC 820 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited Estimates as at 29 February 2012

	% of Gross Market Value
Level 1	54
Level 2	46
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.

T +44 (0)20 7022 6250 www.bhmacro.com

Performance Review

During the month, the Fund generated gains in credit markets and in emerging markets, which were partially offset by losses on positions in developed market rates.

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
February	-0.10	-0.18	0.02	0.20	-0.02	0.07	0.19	0.06	0.23
QTD	-0.07	0.26	0.05	0.33	-0.12	0.18	0.44	0.07	1.13
YTD	-0.07	0.26	0.05	0.33	-0.12	0.18	0.44	0.07	1.13

Monthly and annual figures are estimated by Brevan Howard as at 29 February 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

Market Commentary

US

The outlook for US growth faces cross-currents, with the labour market improving at a steady pace while aggregate demand slows. Job gains have averaged 200,000 per month over the last six months, the unemployment rate has dropped by 0.8 percentage points over the same period and initial claims for unemployment insurance have recently fallen to approximately 350,000 per week. These factors, combined with increases in private sector wages and salaries (rising at an annualised rate of 5%), should provide support for expansion in the coming quarters.

In contrast, indicators of household consumption and business investment have failed to impress, leading us to mark down real GDP growth to approximately 2% for the first quarter of 2012. Although spending on motor vehicles has soared, overall real personal consumption has been flat over the last three months, in part due to higher prices for gasoline and depressed spending on utilities because of the unusually warm winter weather. Key indicators of business capex – orders and shipments of non-defence capital goods – declined in January and, apart from uneven investment in power transmission equipment, were approximately flat over the last three months. Nevertheless, given a generally favourable macro backdrop, we expect consumption and investment to return to moderate growth rates in the coming months.

Looking forward, we believe that the US economy faces three uncertainties and one certainty. In terms of the uncertainties, the unemployment rate has dropped rapidly despite growth being around trend, calling into question the sustainability of this drop. Second, the European financial crisis has eased somewhat but the respite may again prove to be temporary. Third, geopolitical tensions in the Middle East could push up gasoline prices by enough to derail the expansion. One certainty in our view is that the US faces an enormous fiscal drag in 2013. Personal taxes on income, dividends, and capital gains are scheduled to rise sharply; across-the-board cuts to discretionary and defence spending will automatically kick in; and the payroll tax holiday and extended unemployment insurance are due to expire. This combination is likely to subtract more than 3 percentage points from real GDP growth. The question is whether the President and the new Congress will postpone some of these measures, however even if the fiscal drag is cut by half, it would still have a noticeable impact on growth.

EMU

The second Greek bailout package was eventually agreed upon in a lengthy session of the Eurogroup in late February. The deal includes a financial support package to Greece of EUR 130bn, as well as extended private sector involvement in the form of an average 53.5% haircut on the nominal value of outstanding Greek government bonds. The eurosystem agreed to forego all profits from its investments in Greek bonds in exchange for being excluded from the haircuts. The deal was underpinned by a revised debt sustainability analysis by the Troika, which under the refinancing agreement sees the Greek government debt fall to approximately 120% of GDP by 2020. The analysis quoted substantial downside risks to the adjustment, coming from weak implementation and the possibility that an economic recovery will not materialise as predicted. The Greek authorities subsequently launched the debt exchange process which was successfully completed by mid-March, with a 95.7% participation rate after collective action clauses in Greek-law bonds were invoked, while the exchange offer for holders of foreign-law bonds only expired later in the month. The activation of collective action clauses triggered CDS contracts on Greek government bonds.

After the agreement of the Greek bailout package, the Eurogroup discussion turned to the need to enhance the financial firewalls that would mitigate financial contagion to other peripheral economies in the event that the Greek programme goes off-track. At German insistence, the discussion was postponed until after implementation of the Greek debt exchange. Final agreement on the issue is expected some time during March.

Meanwhile during February, the Irish government announced its intention to hold a referendum on the Fiscal Compact. A rejection from Ireland would not affect the implementation of the deal in the euro area as only 12 countries are required to sign the treaty to make it legally binding. However, a no-vote would effectively bar Ireland from accessing the European Stability Mechanism funds. Posing a direct challenge to the Fiscal Compact, the Spanish government announced its budget deficit target for this year as 5.8% of GDP, approximately EUR 15bn above the 4.4% limit agreed by the previous government. This was despite the European Commission having insisted that Spain must adhere to the agreed targets to restore fiscal stability.

The second ECB three-year long-term re-financing operation ("LTRO") saw a gross allotment of EUR 529.5bn. The total roll of maturing operations is approximately EUR 220bn, meaning that the net new liquidity added to the system amounted to approximately EUR 310bn. Following the allotment, the Italian bond market rallied strongly, suggesting that some of the funds were invested by banks in Italian government paper. After the two LTROs, the eurosystem’s balance sheet now exceeds the EUR 3 trillion mark, almost a three-fold increase since the crisis started. Nearly a third of the refinancing extended by the ECB is now in 3-year maturity, while the maturity of the regular re-financing operations, which normally constitute the bulk of ECB lending to banks, is one week. Concerned about the growing risks to the eurosystem's balance sheet, the Bundesbank President wrote a letter to the ECB President. He highlighted the risk exposure faced by those national central banks in the eurosystem which are on the creditor side of the large imbalances accumulated in the euro area payment system (TARGET2), given the fact that the eurosystem is substituting for the private cross-border interbank market in the euro area. In its regular monthly policy meeting a week after the LTRO, the ECB Governing Council decided to leave interest rates unchanged. The ECB staff projections for real GDP were revised slightly downwards, while projections for inflation were revised upwards.

Incoming macroeconomic data has confirmed the broad economic stabilisation of the euro area after the 2011 fourth quarter GDP growth rate was confirmed to have contracted by 0.3% quarter-on-quarter. The latest headline composite PMI fell slightly, largely reflecting the adverse weather conditions in February. On the financial side, monthly growth in money and credit aggregates also showed some stabilisation although the data still highlight risks of a credit crunch in the near-term. The most worrying piece of data this month was the eurozone unemployment rate, which climbed to 10.7% in January and to 21.6% among those aged under 25.

UK

The increase in momentum evident in UK data over recent months has been maintained, but did not increase further in February. The recent improvement in the housing market is likely to have been largely due to accelerated activity ahead of the expiry of the stamp duty holiday in March. GDP should rebound in the first quarter, so the economy is likely to avoid two consecutive negative growth quarters. The drag on real income growth caused by high inflation that prevailed in 2011 is subsiding. Inflation has already come down to halfway between its peak and the 2% Bank of England target, and we expect a further moderation over the course of this year. With nominal wage growth at approximately 2-2.5%, real wage growth is likely to be around zero in 2012, a marked improvement relative to the sharp real wage contraction in 2011.

The bigger picture in the UK is still one of a below-trend recovery, as fiscal austerity and household and bank deleveraging present substantial headwinds to growth. Current spending by the UK government is now contracting outright, its weakest growth rate since the 1950s. Money growth has started to pick up slightly, although it remains subdued. The risk of an externally-driven further downturn driven by the euro area crisis has eased, largely due to the ECB liquidity action and the Greek debt restructuring. However, the deeper balance of payments problems in the euro area remain unresolved, and cannot be resolved by liquidity assistance alone. The UK remains highly exposed to this situation.

Against this backdrop of marginally improved short-term news, but a still subdued medium-term outlook, the Bank of England added a further GBP 50bn of quantitative easing in February, taking the total target up to GBP 325bn. This represents a fifth of GDP or a third of the stock of gilts outstanding. Additional easing is not ruled out, but would require a renewed deterioration in growth prospects or a sharper-than-expected fall in inflation.

Japan

Japan is going through a phase of moderate cyclical upswing led by domestic demand, as foreign demand dynamics remain subdued. The renewed easing by the Bank of Japan and the consequent weakening of the Yen are also contributing to the boost in sentiment. Indeed, in February, the composite PMI orders index increased by a full point, to 50.8, on the back of a 1.3 point acceleration in the services component of the survey, and a more subdued 0.2 point rise in manufacturing. This reflects a significant acceleration in domestic orders, which was partially offset by a remarkable deceleration of exports, from 50.2 to 47.1, a three month low. Other surveys geared on domestic demand also increased, such as the Economic Watchers Survey. One should also note that 2011 fourth quarter GDP was revised up significantly, from -2.3% to -0.7% quarter-on-quarter. On the inflation front, there are only glimmers of easing deflation, as the core (excluding food and energy) national CPI year-on-year growth rate increased in January from -1.1% to -0.9%, defying expectations that it would remain unchanged.

China

The Chinese economy appears to be on a gently moderating path. While the HSBC composite orders PMI indicator remained unchanged at a relatively low 50.9 level in February, actual data – which had somewhat overshot surveys in recent months – showed a moderate slowing down. Nevertheless, a hard-landing of the economy is highly unlikely, particularly in a year of political changeover. Chinese authorities set a 7.5% year-on-year GDP growth target for 2012, communicating to the market their objective of lower, but sustainable, expansion.

Importantly, inflationary pressures appear to be easing, which may leave room for some policy-easing in due course. In February, consumer price inflation fell significantly from the higher-than-expected reading in January – which was largely due to the impact of the Chinese New Year on food prices. The CPI year-on-year growth rate fell from 4.5% to 3.2%, undershooting consensus expectations. PPI inflation also declined, from 4.5% to 3.2%. China set a 4% target for CPI inflation in 2012, taking into account imported inflation, increases in the prices of production factors (labour, land, etc) and utility price increases. Policy-wise, the PBOC cut the Reserve Requirement Ratio by 50bps, effective on 24 February, with the aim of easing the interbank liquidity crunch. Both M2 and credit are on a smoothly downward path; at 13.2%, the M2 year-on-year growth rate is lower than the 14% target set for 2012, reflecting a still prudent stance on monetary policy. In 2011, M2 expanded by 13.6%, below the 16% objective.

Enquiries

Northern Trust International Fund Administration Services (Guernsey) Limited
Harry Rouillard +44 (0) 1481 74 5315

T +44 (0)20 7022 6250 www.bhmacro.com

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.