BREVAN HOWARD

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT: FEBRUARY 2013

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

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

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PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS

BH MACRO LIMITED

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BREVAN HOWARD

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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: $2,170 mm[1]

1. Estimated as at 28 February 2013 by BHM's administrator, Northern Trust.

Summary Information

BH Macro Limited NAV per share (estimated as at 28 February 2013)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	606.9	$20.72
EUR Shares	203.6	€20.89
GBP Shares	1,359.6	£21.41

BH Macro Limited NAV per Share % Monthly Change

USD Shares	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	-	-	0.10	0.90	0.15	2.29	2.56	3.11	5.92	0.03	2.96	0.75	20.27
2008	9.89	6.70	-2.79	-2.48	0.77	2.75	1.13	0.75	-3.13	2.76	3.75	-0.68	20.32
2009	5.06	2.78	1.17	0.13	3.14	-0.86	1.36	0.71	1.55	1.07	0.37	0.37	18.04
2010	-0.27	-1.50	0.04	1.45	0.32	1.38	-2.01	1.21	1.50	-0.33	-0.33	-0.49	0.91
2011	0.65	0.53	0.75	0.49	0.55	-0.58	2.19	6.18	0.40	-0.76	1.68	-0.47	12.04
2012	0.90	0.25	-0.40	-0.43	-1.77	-2.23	2.36	1.02	1.99	-0.36	0.92	1.66	3.86
2013	1.01	2.27*											3.30*

EUR Shares	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	-	-	0.05	0.70	0.02	2.26	2.43	3.07	5.65	-0.08	2.85	0.69	18.95
2008	9.92	6.68	-2.62	-2.34	0.86	2.84	1.28	0.98	-3.30	2.79	3.91	-0.45	21.65
2009	5.38	2.67	1.32	0.14	3.12	-0.82	1.33	0.71	1.48	1.05	0.35	0.40	18.36
2010	-0.30	-1.52	0.03	1.48	0.37	1.39	-1.93	1.25	1.38	-0.35	-0.34	-0.46	0.93
2011	0.71	0.57	0.78	0.52	0.65	-0.49	2.31	6.29	0.42	-0.69	1.80	-0.54	12.84
2012	0.91	0.25	-0.39	-0.46	-1.89	-2.20	2.40	0.97	1.94	-0.38	0.90	1.63	3.63
2013	0.97	2.33*											3.33*

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GBP Shares	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	-	-	0.11	0.83	0.17	2.28	2.55	3.26	5.92	0.04	3.08	0.89	20.67
2008	10.18	6.85	-2.61	-2.33	0.95	2.91	1.33	1.21	-2.99	2.84	4.23	-0.67	23.25
2009	5.19	2.86	1.18	0.05	3.03	-0.90	1.36	0.66	1.55	1.02	0.40	0.40	18.00
2010	-0.23	-1.54	0.06	1.45	0.36	1.39	-1.96	1.23	1.42	-0.35	-0.30	-0.45	1.03
2011	0.66	0.52	0.78	0.51	0.59	-0.56	2.22	6.24	0.39	-0.73	1.71	-0.46	12.34
2012	0.90	0.27	-0.37	-0.41	-1.80	-2.19	2.38	1.01	1.95	-0.35	0.94	1.66	3.94
2013	1.03	2.37*											3.43*

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 28 February 2013.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

ASC 820 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited Estimates as at 28 February 2013

	% 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.

Fund Performance Review

During the month, the Fund generated gains mainly in directional positions in European rates and in macro FX trading. Further gains were made in macro equity trading and in curve positions in European rates. Very small losses were incurred in interest rates volatility trading and commodity trading.

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

	Macro	Rates	FX	EMG	Equity	Commodity	Credit	Systematic	TOTAL
February	1.59	0.69	0.05	0.04	0.04	-0.09	-0.01	-0.03	2.27
QTD	2.55	0.15	0.13	0.17	0.07	0.02	0.19	0.01	3.30
2013 YTD	2.55	0.15	0.13	0.17	0.07	0.02	0.19	0.01	3.30

Monthly and annual figures are calculated by Brevan Howard as at 28 February 2013, based on performance data for each period provided by the Fund's administrator, International Fund Services (Ireland) Limited.
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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

Fiscal policy continues to be the major force shaping US macroeconomic developments. The sequester - mandatory across-the-board spending cuts - requires federal government agencies to cut $85 billion from the budget between now and October. According to the Congressional Budget Office's estimate, the sequester will shave 0.6 percentage points from real GDP growth during calendar year 2013. Combined with the fiscal drag from increased payroll taxes as well as increased income tax rates on high-income households, the total fiscal drag this year is expected to be at least 1.5 percentage points. Due to the magnitude of this drag, the economy is unlikely to grow by more than 2% this year.

Financial markets seem unperturbed by the prospect of another year of below-trend growth. Indeed, stocks shrugged off the bad news and moved up on a net basis after a week of volatility at the end of February. A number of explanations may account for this behaviour. First, markets may have to see the hit to growth before they believe it. Second, markets may expect that the sequester will be softened in a few weeks if public opinion coerces the political parties to compromise, which is certainly a possibility. Finally, markets may figure that monetary policy may be sufficient to offset the fiscal drag.

In that regard, Chairman Bernanke's semi-annual Humphrey-Hawkins testimony on 26 February as well as an important policy speech on low long-term interest rates firmly demonstrated the Fed's commitment to ultra easy monetary policy. Bernanke explicitly rebutted concerns that excessive risk-taking in some financial markets would lead the Fed to prematurely dial back QE3. The Fed gave a green light to investors by essentially saying the Bernanke 'put' is struck at the money.

The Fed is delivering easy monetary policy because the economy is too weak to grow on its own. Even with a commitment to keep rates low until the unemployment rate is below 6.5% (so long as the inflation forecast is below 2.5%) and $85 billion per month in Treasury and MBS purchases, the unemployment rate edged back up to 7.9% in the latest release and core inflation has been below the Fed's 2% target for more than four consecutive years. In face of additional fiscal drag, the Fed's aggressive stance is warranted to achieve its dual mandate.

At the same time, renewed vigour in certain parts of the economy promises that above-trend growth will eventually materialise. Housing is improving across the board, households are steadily repairing their balance sheets, and payroll employment as well as manufacturing output has rebounded from a swoon last year. As we put the worst of the fiscal drag behind us and shocks from the external sector hopefully fade, the underlying positives in the private sector should drive growth above trend by the end of the year.

EMU

In the Italian general elections, the risk scenario of a hung parliament materialised, leaving Bersani's centre-left with a majority in the Chamber but without a majority in the Senate as Monti's bloc performed poorly, while Grillo's Five Star Movement and Berlusconi's PDL exceeded expectations. Government negotiations are expected to be tedious and the risk of new elections remains high, adding to the overall economic uncertainty characterising the entire eurozone.

Having hit a peak in January 2013, the composite eurozone PMI showed a drop in February. The aggregate eurozone figures, still clearly below the 50 mark, mask a growing discrepancy between Germany and the rest of the eurozone. Although the European Commission's Economic Sentiment Indicator surprised to the upside, this survey tends to lag. Crucially, the eurozone unemployment rate reached a record high of 11.9% in January, up from 11.8% in December, rising in most countries in the EMU, with the exceptions of Germany, Belgium and Ireland. Greece continues to have the highest unemployment rate in the EMU at 27.0% in November and rising. In Spain, the unemployment rate stood at 26.2% in January (up from 26.1% in December), in Portugal at 17.6% (up from 17.3%), in Ireland at 14.7% (unchanged) and in Cyprus also at 14.7 (up from 14.6%). Italy saw a jump in its unemployment rate to 11.7% in January from 11.3% in December, while the unemployment rate in France continued to climb, to 10.6% in January from 10.5% in December. Inflation continues to fall: according to Eurostat's flash estimates, eurozone HICP inflation declined to 1.8% y/y in February from 2.0% y/y in January. This was the first time since November 2010 that the headline inflation rate in the eurozone fell below 2.0% y/y. All the factors that previously supported inflation, at least temporarily, seem to be fading. In the absence of upward pressures, inflation is expected to trend even lower in the coming months.

Credit extension to the private sector remains impaired in most of the eurozone. While the annual growth rate of broad money supply M3 rose to 3.5% y/y in January, including increased deposit creation in both the core and the periphery, with the exceptions of Portugal and Cyprus, the overall inflow of deposits so far has not led to a pick-up in lending to the real economy. Indeed, lending to the private sector (adjusted for loans and securitisation) decelerated 0.4% y/y in January. Lending to non-financial corporations declined at an even faster pace of -1.5% y/y in January, after -1.3% y/y in December. Instead of extending new loans, eurozone banks bought government bonds to the tune of €33bn. In its March meeting, the ECB decided to leave interest rates unchanged, despite worse macroeconomic projections and the acknowledgment that bank lending was still highly fragmented across the eurozone and credit is difficult to obtain for companies in some countries.

UK

The data flow continued to show further disappointment, softened in part by some improved housing data and services surveys. Absent volatile factors, we estimate that underlying growth was slightly above zero. We broadly expect this pace for the rest of the year.

While we do not believe that this is a triple dip in any economic sense of the word, activity remains extremely subdued by the standards of previous recoveries. The three key headwinds in 2013 are most likely to remain the same as those that prevailed in 2012: real wage growth remains negative, fiscal austerity continues, and the desired export-led recovery continues to be undermined by weakness in eurozone growth, itself undermined by the eurozone's own fiscal austerity and political uncertainties. The UK's growth performance is expected to remain somewhere between the US (growth a bit below trend) and the eurozone (recession).

There has been good progress in the transmission of the Funding for Lending Scheme ("FLS") in the sense that bank funding costs have fallen and banks have eased credit conditions. There are also some signs of improvement in unsecured bank lending to households (actually rising) and bank lending to corporates (falling less quickly). However new mortgage lending remains close to zero.

The medium-term inflation outlook remains benign, in the sense that there is no runaway inflation problem. Core CPI remains surprisingly resilient above 2%, despite the economy's weakness. However, the downward pressure from spare capacity on prices is clear in the labour market, where wage inflation has actually fallen further below an already low 2%.

Our growth and inflation forecasts imply that the Bank of England ("BoE") will continue to be faced with the dilemma of growth that is well below trend while inflation remains somewhat resilient above the target. However, the BoE has made it clear that continued overshoots of inflation relative to target are not a constraint on further monetary stimulus. In February, three MPC members, including Governor King, voted for additional QE, and it would likely take only a nudge in the data to change the minds of some of the others. There has also been renewed talk of additional credit easing, although there are no details about which assets would be purchased or whether the government or the BoE would do the purchasing. The increase in inflation tolerance looks set to continue when Carney takes over as BoE governor in July. Carney has let it be known that he favours monetary activism, despite overshoots in the inflation target, until economic growth has reached "escape velocity". He also appears to be willing to communicate more explicitly about the future path of interest rates and the magnitude and time horizon over which inflation overshoots will be tolerated. Carney does not vigorously support, but also does not want to rule out, a temporary move to nominal GDP targeting.

At the March Budget, the government appeared to support further monetary activism by tweaking the BoE's remit to allow for longer time horizons for inflation to return to target and indicating they are looking into possible extensions of the FLS. They continued with the mantra of "sticking with the austerity plan" and largely blamed a downward revision to growth on "EMU and global factors". The loss of the AAA sovereign rating, which we warned specifically in recent months, was not a major market event, although it imposed some political cost on the coalition government.

Japan

Abenomics remained on track in February. Japan succeeded in averting censure at the 14-15 February G20 meetings in Moscow and Abe received an endorsement of his economic policies during his summit with Obama the following weekend in Washington. Together, the two events gave Japan the green light to continue aggressive monetary easing, with the tendency to drive the yen lower. On structural reforms, the US also agreed to sign a memorandum with Japan regarding Japan's entry into the Trans-Pacific Partnership ("TPP") free trade negotiations, which gave Abe space to enter the talks without making an a priori commitment to eliminate all tariffs, which would risk alienating important political constituents. Abe is making a public case to join the TPP, arguing it would add 0.5% to GDP growth and compel the economy to become more competitive.

The Abe administration succeeded in pushing its ¥13tn supplementary budget through the Diet, of which more than ¥5tn is a public works program aimed at increasing real GDP growth by 2% in FY 2013 and creating 600,000 jobs. However, labour shortages and soaring construction material prices are two major hurdles to quickly implementing the numerous public works projects, underscoring the structural constraints to a quick turnaround for Japan's economy.

The yen fluctuated around the 92-94 level versus the US dollar for most of February, following strong gains in December and January while the Nikkei continued to rally, rising by over 3% in the month. FX markets are waiting for more decisive policies from the Bank of Japan ("BoJ"), which should come after the new leadership holds its first meeting on 3-4 April. Kuroda and two deputy candidates all advocate bolder monetary easing but policy changes will require the support of a majority of the BoJ's Board of Governors.

Economic indicators are showing more signs of a recovery. The Markit manufacturing PMI continued to rise to 48.5 in February from 47.7 in January, and monthly average wages rose in January for the first time in nine months. However, industrial production in January was weaker than market forecasts and the trade deficit persisted according to the first 10 days provisional data in February. Public opinion of the Abe administration is off to the best start of any new administration in the post-Kuizumi era, as approval ratings continue to soar to new highs according to various surveys. However critical challenges remain in the context of European risks and territorial disputes as well as the intrinsic structural deficiencies of Japan's economy which cannot be reversed.

China

China's PMIs weakened across the board in February, after strengthening for five consecutive months. While the Chinese New Year may have contributed to the lower PMI, it is unlikely to be the sole explanation. Likely, the growth momentum has moderated compared with the last quarter of 2012, although we will only know with certainty in March. CPI rebounded sharply to over 3.0% y/y in February, on the back of an unfavourable base effect, while PPI dynamics remained in deflationary territory. Property prices continue to surge, increasing by 0.8% m/m in February and compounding the 1.0% m/m rise recorded in January.

The People's Bank of China continued withdrawing liquidity in open market operations both in January and February in order to sterilise the excessive liquidity caused by surging capital inflows. Monetary policy is poised to stay neutral (i.e. neither cuts, nor hikes in either official rates or the required reserve ratio) in the first half of the year. Chinese policymakers presented their 2013 macroeconomic targets: GDP growth at 7.5%, as in 2012; CPI inflation at 3.5% y/y, below the 2012 target; M2 expansion at 13.0% y/y, also below the 2012 target; fiscal budget deficit target at 2% of GDP, higher than the 1.5% set in 2012. Those targets reflect the government policy stance: prudent monetary policy and proactive fiscal policy. The State Council announced measures to curb property price inflation, mainly focusing on increase supply and curbing speculative demand in cities with excessive property price rises.

Enquiries

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Risk Factors

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

• The Fund is speculative and involves substantial risk.

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

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

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

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

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

• There are restrictions on transferring interests in the Fund.

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

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

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

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

• The Fund is subject to conflicts of interest.

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

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

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

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