

# BH Macro Limited

## Monthly Shareholder Report

31 January 2008

www.bhmacro.com

### Disclaimer / Important information

BH Macro Limited (the "Fund"), is a feeder fund investing in the Brevan Howard Master Fund Limited ("BHM"). Brevan Howard Asset Management LLP ("BHAM") has supplied the following information regarding BHM's January 2008 performance and outlook. BHAM is authorised and regulated by the Financial Services Authority.

This material constitutes a financial promotion for the purposes of the Financial Services and Markets Act 2000 (the "Act") 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 the Fund and may be subject to change in future. Returns may increase or decrease as a result of currency fluctuations.

You should note that, if you invest in the Fund, 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 the Fund should seek their own independent financial advice. BHAM neither provides investment advice to, nor receives and transmits orders from, investors in the Fund 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

### Summary information

#### BH Macro Limited NAVs per share\* (as at 31 January 2008)

Shares Class	NAV* (USD mm)	NAV* per Share
USD Shares	694.38	\$13.22
EUR Shares	549.96	€13.07
GBP Shares	392.87	1330p

#### BH Macro Limited NAV per Share\* % Monthly Change

USD	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												9.89

EUR	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												9.92

GBP	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												10.18

\*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. Data for January 2008 is estimated.

Source: Underlying BHM NAV data is provided by the Administrator of BHM, 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 calculations made 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. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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BH Macro Limited is a closed-ended investment company registered and incorporated in Guernsey on 17 January 2007 (Registration Number: 46235) with its registered office at Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL, Channel Islands.

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### Organisation Update

Brevan Howard is pleased to announce the forthcoming launch of Brevan Howard Multi-Strategy Master Fund ("BHMS") on 3 March 2008.

BHMS will initially have substantially all of its exposure to Brevan Howard Master Fund Limited ("BHMF"). Over time, BHMS's investment profile will change. BHMF's exposures are predominantly to global Fixed Income and FX markets and risk allocation to other asset classes is strictly limited. In contrast, BHMS will have the ability to maintain significant positions in all asset classes such as Credit, Equity and Commodities, rather than be predominantly Fixed Income and FX focused.

Brevan Howard Asset Management LLP ("BHAM") will provide the platform, resources and risk management for BHMS. Capital allocation will be carried out by Alan Howard, CIO of BHAM, supported by the Capital Allocation Committee and senior trading Partners.

### January 2008 Performance review

The majority of BHMF's performance came from fixed income curve, volatility & RV trading in the major currencies.

Other strategies were largely flat on the month.

### Outlook

#### US

Going into 2008, the outlook for the US economy was worsening, but BHAM did not believe that it was necessarily facing recession. The labour market remained resilient, manufacturing activity was buoyed by brisk global growth and 2007 stock-market gains partially offset the decline in household wealth. However, by the second week of January, conditions deteriorated significantly. The unemployment rate jumped to 5.0%, manufacturing activity stagnated and the fall in stock prices negatively impacted household wealth.

Given the increased probability of recession, the Fed's decision to move rapidly into accommodation mode by cutting rates by an unprecedented 125bps was no surprise. The Fed's implementation, however, was rather surprising. Bernanke tipped the market to an inter-meeting cut, did not deliver, and then reacted on a US holiday to a global stock markets sell-off.

Going forward, BHAM expects additional rate cuts as more weakness becomes apparent.

#### Europe

The euro area macro outlook deteriorated further in January, partly due to the sharp fall in stock prices across major markets and negative economic news in the US.

Economic data for the euro area was mixed. The manufacturing sector has shown resilience; in particular, the demand for capex goods remains strong and is supporting activity. Further, the labour market continues to improve, although inter-country divergence of labour market performance has emerged. On the other hand, the service and retail sectors are suffering from the fall-out of the financial crisis and the weakness of euro area consumers. Also, despite the on-going moderation in growth, headline inflation increased further in January.

The ECB is in the uncomfortable situation of trying to balance inflation, slowing

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activity levels and the continued credit-related stress. BHAM believes that the ECB will stay on hold for now.

#### **UK**

Economic activity continued to slow in the UK with further weakness in retail sales, the housing market and commercial property. The manufacturing sector had, so far, been the least affected as it benefited from the stimulus of world growth; however, the January PMI survey for manufacturing turned down sharply, suggesting that, from the UK's perspective, strength in Asian demand is no longer sufficient to overcome weakness in the US and the euro area.

Headline CPI in December was a little stronger than expected, and with large utility price rises announced, the chance of further increases in headline inflation in the coming months has increased.

On balance, BHAM believes the weakening economy calls for lower interest rates, but the near-term inflationary risks mean that the BoE is likely to cut rates only gradually.

#### **Japan**

The BoJ has left monetary policy unchanged since raising the key policy rate to a decade-high 0.5% in February 2007.

The economic outlook deteriorated further in January. Q1 2008 real GDP has a significant risk of being below the potential growth range due to the effects of prolonged financial markets stress globally and slowing industrial production domestically. Indeed, although industrial production has been firm, increasing uncertainty about the US economy has made manufacturers revise downwards their production plans. Core CPI has continued to rise mainly due to the rise in energy and food prices.

The market is increasingly skeptical that the BoJ will hike rates in the near term; indeed, the market is now pricing in rate cuts as the next move.

BHMF has limited exposure to Japanese interest rates.

#### **Enquiries**

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