BREVAN HOWARD

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT

JULY 2011

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PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS

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MONTHLY SHAREHOLDER REPORT: JULY 2011

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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.

Summary Information

BH Macro Limited NAV per share (estimated as at 29 July 2011)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	563.8	$18.04
EUR Shares	331.1	€18.18
GBP Shares	1,110.6	1858p

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	2.20*						4.66*

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*						5.14*

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*						4.79*

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 International Fund Administration Services (Guernsey) Limited. BHM NAV per Share % Monthly Change is calculated by BHAM. 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 July 2011.

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ASC 820 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited Estimates as at 29 July 2011

	% of Gross Market Value
Level 1	56
Level 2	44
Level 3	0

Source: BHAM

* These estimates are unaudited and have been calculated by BHAM 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.

Performance Review

During the month, the Fund made profits mainly in interest rates trading. Small gains were also made in commodities, credit and equities. Small losses were incurred in FX.

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

	Total	Macro	Rates	FX	EMG	Equity	Commodity	Credit	Systematic
July	2.20	0.80	0.99	-0.01	0.17	0.01	0.15	0.04	0.05
Q1	1.95	0.91	-0.13	0.06	0.33	-0.05	-0.04	0.88	0.00
Q2	0.45	-1.23	2.10	-0.21	0.15	-0.14	0.02	-0.25	0.01
QTD	2.20	0.80	0.99	-0.01	0.17	0.01	0.15	0.04	0.05
YTD	4.66	0.47	3.02	-0.17	0.66	-0.18	0.13	0.67	0.06

Monthly, quarter-to-date and year-to-date figures are estimated by BHAM as at 29 July 2011, based on total performance data for each period provided by BHM's Administrator, Northern Trust International Fund Administration Services (Guernsey) Limited.

Methodology and Definition of Monthly 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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Market Review and Outlook

Market Commentary

US

Revised GDP figures showed the economy was barely growing in the first half of the year. Real consumer spending declined for the third month in a row in July and business investment as well as industrial activity continued to slow. In addition, the latest job growth numbers stalled and the unemployment rate rose to 9.2%, stoking fears that the already-weak economy was sliding into recession.

Going forward, the economy faces three new perils. First, consumer balance sheets are actually worsening. House prices have fallen in 11 out of 12 months in the last year. At the end of July, equities were also starting to slide. The nightmare scenario for households would be for the value of their assets to fall faster than they can delever.

Second, the debt limit debate highlighted the enormity of the fiscal challenges in the US. The seemingly inflexible and complicated US political system appears unable to agree on aggressive fiscal consolidation that would put the debt on a sustainable footing. As a consequence, S&P downgraded the debt rating of the US, the Fed, and thousands of related government securities. Perhaps even more corrosive than the downgrade itself is the negative impact on consumer and businesses confidence. Unfortunately, by advertising the parlous state of government finances, animal spirits may yet erode further.

Finally, the woes among peripheral countries in Europe threatened to metastasise to financial markets in the core countries and weaken the overall European economy. With the US, Europe, Japan, and the UK all ailing, the developed world faces the unprecedented prospect of falling into a liquidity trap at a time when the majority of its fiscal and monetary ammunition have been exhausted.

EMU

In July, the EMU debt crisis remained a key theme in global markets. Shortly after the Greek parliament approved further austerity measures, which provided some temporary relief, Germany renewed its call for private sector involvement. This promptly triggered renewed contagion from Greece towards not only Ireland and Portugal, but also Spain and Italy. The problems in Spain and Italy are exacerbated by domestic political uncertainty and a rapidly deteriorating near-term growth picture.

EMU political leaders finally accepted that it was not sufficient to just deal with Greece in the next stage of the crisis resolution, but it was also necessary to tackle contagion directly. On 21 July 2011 European policymakers agreed on a deal envisaging: (i) some limited private sector involvement; (ii) an increase in the scope of the European Financial Stability Facility ("EFSF"), and (iii) further official financing for Greece including lower interest rates and longer maturities. Unfortunately, the measures available to deal with contagion were limited, due to the sheer size of the financing requirements of Spain and Italy. According to the latest EU deal, the EFSF has been granted powers to purchase debt in the secondary market. However, due to the presence of severe restrictions in its operations and the lack of sufficient funds, the EFSF does not yet appear to be a vehicle that is capable of large-scale bond purchases, nor is it able to fully replace the Securities Markets Programme of the ECB.

Despite the European policymakers' action, concerns about Spain and Italy especially continued to escalate after the new plan was announced, with the sovereign spreads

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of both countries surging to new record highs. Substantial risks remain over: (i) the sustainability of Greece's debt, since the reduction in the burden is probably insufficient to bring Greece back to solvency; (ii) the exact size and terms of private sector involvement; and (iii) the ability of Greece to meet its future fiscal and privatisation targets given the likely further deepening of the economic recession. Furthermore, the EFSF's new powers are unlikely to be activated until later this year and are likely to be hampered by the requirement to have unanimous political support from all countries for operations, and there is a lack of sufficient funds to effectively provide a backstop for Italy. Further possible credit rating downgrades of major EMU countries would also impact negatively on the EFSF.

Meanwhile, in response to growing financial tensions, at its August policy meeting the ECB launched a six-month long-term refinancing operation at floating rates and purchased small amounts of Irish and Portuguese bonds. The market reaction to these ECB actions was not positive. As a consequence, the ECB was forced to start purchasing Italian and Spanish government bonds as well.

In terms of the macro data, the EMU cycle continued to lose momentum, and activity surveys dropped further in July. In particular, PMIs signalled that EMU growth is falling to well below potential. These reports have indicated not only that the EMU periphery (including Italy) is slipping towards recession, but also that core countries are slowing down rapidly to well below the levels encompassed by the June ECB forecasts. August inflation surprised to the downside, with the HICP flash estimate at 2.5% year-on-year.

UK

The outlook for the UK continues to be one of well below-trend growth and persistent headline inflation. The housing sector continues to be the most vulnerable part of the economy as fiscal austerity, negative real income growth, stagnating house prices and high unemployment generate fierce headwinds. In addition, consumption is likely to be flat or falling throughout this year. Beyond consumption, the surveys have also shown a loss of momentum in activity since the start of this year, especially in manufacturing. We expect that the low point in growth momentum was reached in the second quarter, so we should see a modest improvement in the months ahead. This improvement is largely due to the holiday effect in April. However, as the EMU debt crisis continues to escalate, the improvement is clearly subject to considerable downside risks.

Meanwhile, headline inflation appears likely to rise a little further in the months ahead as measures of underlying inflationary pressures are more benign. Wage inflation remains low, input and producer price inflation have fallen, and inflation expectations surveys have either stabilised or fallen back from their highs earlier in the year. The Bank of England remains firmly on hold and the Monetary Policy Committee ("MPC") is split about whether the economy needs further policy easing or some tightening. The number of MPC members in favour of a rate hike is highly unlikely to rise in the coming months. Given the slowing of the domestic economy and major downside risks emanating from the global environment, further monetary stimulus cannot be ruled out. The bar for further easing appears to be quite high, given material concerns about the anchoring of inflation expectations, with inflation having equalled or exceeded the target 85% of the time during the last five years. We therefore believe that any further policy easing is more likely to be reactive as opposed to proactive in response to substantial further weakness.

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Japan

The recovery of the Japanese economy is ongoing, although a return to pre-quake levels of activity has not yet occurred in the industrial sector. Indeed, while industrial production expanded by a further 3.8% month-on-month in June, the level of production remained more than 5% below the level in February. Retail sales provided more optimistic indications; according to data for June retail sales surpassed the level in February. In July, Composite PMI Orders continued to improve, rising by a further 2.1 points, although they remained below the 50 threshold, at 49.0. The Small Business Survey is also rebounding, although at 47.1 it is still almost 3 points below the levels recorded in February. Overall, a recovery is ongoing for the Japanese economy, but further ground has to be recovered in order to resume the pre-quake activity levels.

At a time of rising risk aversion in global markets, the demand for currencies perceived to be safe havens – such as the Japanese yen – has soared. In order to stem the upward pressure on the yen, in August the Ministry of Finance began unilateral interventions and the Bank of Japan eased its policy stance further by expanding its asset purchase programme from ¥40tn to ¥50tn. Interventions have thus far been relatively successful at stabilising the yen.

China

Underlying trends of the Chinese economy continue to signal a moderate soft landing scenario. The HSBC China Composite PMI fell in July from 51.7 to 50.4, with orders dropping from 52.2 to 51.2. This moderation stemmed from both the manufacturing and the services sector, as both external and domestic demand are slowing. Inflationary pressures at the producer level are easing, as indicated by lowering PMI Output prices, which fell from 51.0 to 50.5, substantially below the 60.7 peak recorded in February. However, inflation remains high at the consumer level, and year-on-year increases in the CPI hit a new cyclical high in July at 6.5%, as pork prices continue to surge.

Policy-wise, the People's Bank of China ("PBOC") hiked its benchmark one-year deposit and lending rate on 6 July 2011 by 25bps to 3.5% and 6.56%, respectively, in line with market expectations. However, the PBOC did not raise the Reserve Requirement Ratio in July – at odds with every month since November last year. Chinese authorities reiterated their prudent tight monetary policy and gave no hint of significant changes in the macro stance in the second half of the year in an effort to stem inflationary pressures and prevent inflation expectations from rising further. However, as money market rates have hit record highs and external demand has slowed quickly, some easing of lending conditions to some firms is possible.

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

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

• There are restrictions on transferring Interests in the Fund.

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