BREVAN **HOWARD**

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT: JULY 2012

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MONTHLY SHAREHOLDER REPORT: JULY 2012

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: $2,022mm[1,2]

1. Estimated as at 31 July 2012 by BHM's administrator, Northern Trust.

2. This figure is net of the 2012 capital return.

Summary Information

BH Macro Limited NAV per share (estimated as at 31 July 2012)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	567.6	$19.03
EUR Shares	189.2	€19.21
GBP Shares	1,265.1	£19.65

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	2.30*						-1.44*

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	2.34*						-1.50*

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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	2.32*						-1.34*

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 31 July 2012.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

ASC 820 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited Estimates as at 31 July 2012

	% of Gross Market Value
Level 1	62
Level 2	38
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.

Update

We wish to announce that Chris Rokos is retiring as an active partner of Brevan Howard to pursue his personal interests. Chris was one of the co-founders of Brevan Howard at inception. We thank Chris for his important contribution to our success over the last nine years and we wish him well for the future.

Fund Performance Review

During the month, the Fund generated gains predominantly in interest rates trading, mainly from directional positions on the euro rates curve and, to a lesser extent, on the US dollar rates curve. The Fund also benefited from being long interest rate volatility, particularly in sterling. Additional modest gains were generated in FX and in credit positions.

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
July	1.45	0.33	0.18	0.05	0.01	0.01	0.23	0.04	2.30
Q1	-0.42	0.27	0.01	0.23	-0.09	0.16	0.58	0.02	0.75
Q2	-1.69	-2.23	0.05	-0.19	-0.13	-0.13	-0.02	-0.07	-4.37
QTD	1.45	0.33	0.18	0.05	0.01	0.01	0.23	0.04	2.30
YTD	-0.68	-1.64	0.23	0.08	-0.21	0.05	0.79	-0.01	-1.44

Monthly and annual figures are estimated by Brevan Howard as at 31 July 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

US

In July, US growth remained subdued, job creation was lacklustre and inflation continued at a rate below 2%. Real GDP rose by 1.5% in the second quarter and, based on current indications, the growth trajectory is expected to be similar for the third quarter. Consumers appear to be tightening their spending in response to the weakness in the labour market. The unemployment rate is largely unchanged since the beginning of 2012 and wage growth is decelerating, which is to be expected in an economy that has been growing at below trend rates for the last two quarters. Although real income has been freed up by the decline in gasoline prices, consumers are saving rather than spending, and this trend looks likely to continue unless the prospects for growth improve. As a result, real consumption fell in June; the first decline since August 2011 when the debt ceiling crisis dented sentiment. While house prices are beginning to rise gradually and the stock market has stabilised, consumers continue to be concerned about jobs and wages.

Manufacturing has driven the expansion, but it is slowing. Although factory output rebounded in June after having fallen in May, the fundamentals have worsened. Domestic inventory levels appear to be too high compared with sales and, simultaneously, foreign demand is softening. Forward-looking indicators such as the manufacturing ISM point to further weakness in the months ahead. Business investment spending continues to be well-maintained, although the forward-looking indicators for this sector also point to caution. In particular, orders for capital goods remain predominantly unchanged over the last year and have declined outright in the last three months. Housing is strong in the economy as rental prices are competitive, inventory has been reduced and mortgage rates are reaching new low

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levels. However, housing is not a significant enough share of the economy to be able to offset the declines elsewhere.

In Washington, it is highly unlikely that the fiscal cliff debate will be resolved until after the presidential election. Meanwhile, the Federal Reserve is contemplating additional steps to ease financial conditions. Having laid down thresholds for further easing at its meeting in June and having signalled an increased willingness to act at its latest meeting, the Federal Open Market Committee appears to be on a path towards further action, potentially as soon as its next meeting in September. The most straightforward policy would be another asset purchase programme, probably concentrated on agency mortgage-backed securities. In addition, the Fed is considering new policies such as transforming the discount window from an emergency liquidity facility into a lending facility.

EMU

Activity measures show not only that the peripheral country economies continue to contract, but also that the slowdown is spreading to core countries. The EMU composite PMI remained broadly stable in July, but the key orders statistics fell further, from 45.5 to a low of 44.0. Notably, PMI orders fell sharply in Germany, from 47.0 to 44.2, a level very close to the EMU average. Furthermore, the IFO business climate for Germany came in weaker than expected by the consensus, recording the third consecutive monthly fall. On price developments, euro area HICP inflation remained unchanged at 2.4% year-on-year in July. Meanwhile, credit growth in the euro area has virtually come to a standstill, which is a concern for the ECB.

At its August policy meeting, the ECB stated that “risk premia that are related to fears of the reversibility of the euro are unacceptable, and they need to be addressed in a fundamental manner.” The ECB called on governments to “stand ready to activate the EFSF/ESM in the bond market when exceptional financial market circumstances and risks to financial stability exist – with strict and effective conditionality in line with the established guidelines. The adherence of governments to their commitments and the fulfilment by the EFSF/ESM of their role are necessary conditions.” If and when those conditions are met, “the Governing Council, within its mandate to maintain price stability over the medium term and in observance of its independence in determining monetary policy, may undertake outright open market operations of a size adequate to reach its objective.” The ECB added that concerns of investors over the seniority of ECB bond purchases would be addressed. In addition, “the Governing Council may consider undertaking further non-standard monetary policy measures according to what is required to repair monetary policy transmission. Over the coming weeks, we will design the appropriate modalities for such policy measures.” In the Q&A, Draghi added that the ECB would focus “on the shorter part of the yield curve, which will introduce discipline also on the long part”, without further specifying the maturities.

UK

Activity data in the UK continued to show weakness across the board during July. A wide range of surveys, as well as the official GDP data, suggest that underlying growth is just below zero. This is spectacularly weak for an economy in an apparent recovery phase, being stimulated by more than three years of near zero interest rates and quantitative easing worth a third of GDP. Fiscal austerity, combined with household and bank deleveraging, continue to represent substantial headwinds to growth. Added to these headwinds is a slowing of growth in major export destinations – especially the euro area – which appears to have cut off the one remaining avenue of recovery for the UK. A return to above-trend growth is unlikely until these forces start to abate meaningfully. Net new bank lending to households and firms has been zero for more than three years now.

Inflation continues to fall, even a little faster than most forecasters expected. It now seems increasingly likely that inflation will fall back to a rate close to target in the coming quarters. Inflation expectation surveys have all fallen back to around their long-term average. The combination of a weakening growth outlook and a lower inflation outlook paved the way for further monetary stimulus in July. In June, the BoE announced a series of further liquidity measures to assist banks, and in July the BoE added a further £50bn of quantitative easing. An additional round of easing at the November meeting seems a likely scenario at this point, unless growth accelerates rapidly in the coming months. On the fiscal side, last year's weak growth is starting to take its toll on the budget deficit, and it seems highly unlikely that the government will achieve its deficit forecast for this year. Given that the underlying deficit – adjusted for some one-off effects – was expected to stabilise at worst, our forecast is that it actually widens again. This would challenge the government's "stick with the plan" austerity policy, but nevertheless we believe that the government will only make small tweaks to their fiscal plan, not wholesale changes.

Japan

The Japanese economy continues to moderate, with the slowdown due to both weakening external demand and fading fiscal stimulus. Indeed, the July composite PMI fell from 49.1 to 47.4, the lowest since September 2011, as both the manufacturing sector and the services sector PMI fell significantly. Indeed, the manufacturing PMI fell from 49.9 to 47.9, as the key export orders component almost collapsed, dropping by more than 4 points to a very depressed 43.2 level. Meanwhile, the services PMI, more geared towards domestic demand, fell from 49.3 to 47.5. Moreover, actual activity indicators ended the second quarter on a weak note; industrial production undershot expectations, falling by 0.1% in June and compounding the very steep drop recorded in May. In the second quarter, industrial production contracted by a huge 8.4% quarter-on-quarter annualised compared to the first quarter. Moreover, automobile sales are falling, in line with the end of the consumer incentives in this sector. The labour market remains robust, but this is unlikely to continue given the extent of the moderation of activity; wage dynamics are already showing signs of softening. The waning of previously strong support for the government leadership can only increase uncertainty, thus contributing to the ongoing slowdown.

China

The economy of China is stabilising, due to the fiscal stimulus which was introduced and the easing of credit conditions. The July official manufacturing PMI dropped by only 0.1 point to 50.1 from 50.2 in June, a decline significantly less than that expected due to seasonal factors (of approximately 0.8 points), thus signalling moderate improvement. In particular, the stock of finished goods declined sharply in July – by 4.3 points to 48.0, not far from the 47.1 historical average – suggesting that the destocking is occurring more quickly than expected at this stage. However, the new export order index declined further to 46.6, the second lowest level since February 2009 and highly indicative of the weakness of external demand. The non-manufacturing PMI inched down by 1.1 points to 55.6, almost reversing the gain recorded in June, due to ongoing weakness in construction. Actual July activity indicators were subdued, especially in the industrial sector, which is more exposed to the slowdown in external demand.

Industrial production undershot expectations, although it appears to have bottomed out on a 3 month on 3 month metric.

CPI growth eased further below 2% year-on-year, but indications are that inflation is bottoming out. Property price rose further on a monthly basis in July, but this is not good news for the market as it suggests no easing of the measures in place to control property prices. Policy-wise, President Hu reiterated that stabilising growth is the priority for the second half of the year and that he aims to continue to support the real economy with both monetary and fiscal policies.

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.