

BH Macro Limited

Monthly Shareholder Report

31 May 2008

www.bhmacro.com

Disclaimer / Important information

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PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS

Summary information

BH Macro Limited NAVs per share** (as at 31 May 2008)

Shares Class	NAV* (USD mm)	NAV* per Share
USD Shares	714.50	\$13.47
EUR Shares	575.78	€13.38
GBP Shares	409.41	1364p

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	6.70	-2.79	-2.48	0.80*								12.03*

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	6.68	-2.62	-2.34	0.89*								12.50*

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	6.86	-2.61	-2.33	0.97*								13.08*

*Data for May 2008 is estimated.

**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 April 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.

May 2008 Performance review

During May, the Brevan Howard Master Fund Limited (the "Master Fund") made profits in volatility and relative value trading in fixed income. Further gains were made in commodities and emerging markets.

The Master Fund lost money in fixed income directional and curve trades.

Outlook

US

Inflation in general and oil prices in particular were the focal points for markets in May. Oil prices jumped by \$15 per barrel to an inflation-adjusted record high. As a consequence, forecasts for headline inflation were revised up significantly. A number of forecasters are predicting that headline inflation should peak at 5% or more in the coming months. By contrast, core inflation and wage inflation remained moderate. However, the sheer magnitude of energy inflation and, to a lesser extent, food inflation caused fluctuations in some measures of inflation expectations. Without anchored inflation expectations policy-makers cannot ameliorate the negative impact of the oil shock on aggregate demand.

Meanwhile, major elements of the economy remained in recession in May: employment contracted for the fourth consecutive month; real personal income and spending declined; and industrial production dropped at its fastest pace in almost three years. Moreover, the prospects for growth remain gloomy as the economy confronts accelerating declines in house prices, constraints on credit and the impact of sharply higher energy prices.

Higher inflation and poor prospects for growth are a bad combination for the economy and asset markets. BHAM expects the Fed to be less hawkish than the market is currently pricing.

Europe

The rise in oil prices in May contributed to a further deterioration in the euro area inflation outlook, with euro area HICP inflation reaching 3.6% in May, 1.6 percentage points above the ECB's price stability boundary. If oil prices persist at current levels, euro area inflation is set to edge further up over the coming months.

The release of the Q1 2008 growth data has shown that the euro area has been expanding at an above-trend pace. Despite the on-going softening in business and consumer surveys, this growth highlighted that the deceleration of euro area activity has been relatively moderate so far and possibly not quick enough to curb the current inflationary pressures.

The market is currently pricing in policy tightening by year end. BHAM believes that the ECB council is still divided about the future course of monetary policy, although it is likely they will tighten if inflation expectations start to drift up.

UK

The stagflationary tension between the downside risks to growth and the upside risks to inflation increased substantially over the past month. On the growth side, there was a substantial weakening in the surveys across all major sectors of the economy, with particular weakness in consumer-related sectors and construction. Further, the labour market has now clearly turned, with unemployment rising. On

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the inflation side, there was also negative news as headline CPI jumped up unexpectedly. This news, together with further rises in energy prices, has led the BoE to revise up its inflation forecast substantially: inflation is set to rise by 1.5-2 percentage points above the BoE's target over the coming months. As such, BHAM believes immediate further rate cuts are now less likely, until at least there is more clarity on the size and persistence of the rise in headline inflation.

Japan

Real GDP in Q1 2008 exceeded the potential growth for the second consecutive quarter as household consumption and net exports were firm. However, economic sentiment, including corporations and households, continued to deteriorate due to the uncertainty of the US economy and increases in costs, including raw materials and wages. Industrial production contracted in April for the second consecutive month. Economic slowdown has started placing some downward pressure on labour market, although employment is expected to continue to expand due to a perceived labour shortage. Also, core CPI (excluding perishables) is now expected to remain over +1.0% YoY, driven primarily by the rise in oil prices.

Since the economic outlook is still uncertain, a rate hike by the BoJ is unlikely in the near term. The prerequisite for a rate hike is still normalization in global markets and stabilization of the US economy.

Enquiries

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