BREVAN **HOWARD**

BH MACRO LIMITED
MONTHLY SHAREHOLDER REPORT
MAY 2010

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PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS

BH MACRO LIMITED
MONTHLY SHAREHOLDER REPORT: MAY 2010

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Summary information

BH Macro Limited NAVs per share (as at 28 May 2010)

Shares Class	NAV (USD mm)	NAV per Share
USD Shares	654.6	$17.08
EUR Shares	331.1	€17.13
GBP Shares	747.4	1757p

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								0.02

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								0.03

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								0.09

Source: Underlying BHMF NAV data is provided by the Administrator of BHMF, 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 are calculated 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. In addition, BHMF is subject to an operational services fee of 50bps per annum.

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.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

FAS 157 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited ("BHMF")

Unaudited Estimates as at 28 May 2010

	% of NAV (Gross Market Value)
Level 1	58
Level 2	42
Level 3	0

Source: BHAM

* These estimates are unaudited and have been calculated by BHAM using the same methodology as that used for the 2009 audited financial statements of BHMF. 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.

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Performance Review

During the month, BHMF made profits in Rates, Macro, FX (mostly from short euro exposure) and EMG strategies (see definitions below), including gains in swap spreads, and basis swaps. Small losses were incurred in curve trades, equities and commodities.

Monthly contribution (%) to performance of BH Macro Limited USD Shares by asset class

	Total	Macro	Rates	FX	EMG	Equity	Commodity	Credit	Systematic
May 2010	0.32	0.18	0.26	0.06	0.12	-0.18	-0.09	-0.03	-0.01

Source: BHAM

Methodology and definition of Monthly Contribution to Performance:

Attribution is approximate and has been derived by allocating each trader book in BHMF 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 asset classes are categorised as follows:
"**Macro**": multi-asset global markets, mainly directional (for BHMF, 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

In the April 2010 Shareholder Report, we quoted former Fed Chairman Alan Greenspan's caution from an earlier financial crisis in 1998: it's not credible for the US to remain "an oasis of prosperity unaffected by a world that is experiencing greatly increased stress." In May, asset price movements bore out the wisdom of Greenspan's words. In response to the sovereign crisis in Europe, stocks in the US lurched down about 8% in their worst performance since the depths of last year's financial crisis. Oil prices dropped more than $10 per barrel, the US dollar rallied, and US Treasuries, mortgages and high-quality corporate credit benefited as safe havens.

Judging the net effect of events in May on the US economy is going to be tricky. So far, there has been no appreciable impact on activity indicators, such as the ISM indexes. However, we believe the transmission mechanism is likely to work through financial markets. On the one hand, financial conditions worsened as stocks fell, issuance dried up and inter-bank funding markets tightened. On the other hand, the drop in oil prices and record-low mortgage rates are at least partial offsets. If the current dislocations persist, our view is that the net impact is going to produce a small drag on US growth in the second-half of the year and into 2011. However, uncertainty around such forecasts is especially great since the US could end up benefiting even more as a safe haven or suffer contagion effects from skittish financial markets.

We believe the impact on price inflation is unambiguous. Slower growth, the appreciation of the US dollar and lower commodity prices all point to even greater disinflation. This is an unwelcome development when nominal rates are constrained by the zero lower bound. The Fed may eventually face the dilemma of rising real

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interest rates and a slowing economy.

Meanwhile, recent policy developments have meant that the market has come to share our views in two respects. Firstly, it is going to be a long time before the Fed raises interest rates. With continued disinflation and downside risks to growth, there is simply no reason for the Fed to deviate from its patient policy accommodation. Secondly, the jury is still out on how well the economy can perform as monetary and fiscal stimuli wane. Judging by the developments in May, we believe that it certainly looks premature to declare that US growth is on a self-sustaining trajectory.

EMU

In May, the EMU sovereign debt crisis took centre stage once again. At the beginning of the month, the announcement of the aid package to Greece, which comprised a loan by the EMU countries and the IMF totalling €110 billion over three years, was unable to settle the market. After the announcement, bond yield spreads between peripheral European countries and Germany widened significantly again. The value of the euro maintained a steep rate of decline and the deteriorating environment in financial markets forced EMU policy-makers to take bolder actions.

On the weekend of 9 May 2010, a comprehensive package of measures aimed at preserving financial stability was announced. This package included the creation of a European stabilisation mechanism funded with €60 billion, which should provide direct funding to EMU countries, plus the creation of a Special Purpose Vehicle ("SPV") that is guaranteed on a pro-rata basis by the participating member states up to a volume of €440 billion and will borrow in the market in order to provide funding to EMU countries. The European Central Bank ("ECB") complemented such actions with the announcement of purchases of public and private bonds in the secondary market as well as new provisions of repo liquidity operations. Despite an initial positive reaction, financial markets suffered renewed deterioration as the ECB showed reluctance to step up bond purchases and the details of the SPV revealed an expensive backstop facility. In all, the authorities have not been able, thus far, to stop a crisis in confidence in the EMU and a declining appetite for EMU assets by so-called “real money” international investors and reserve managers, at a time when the issuance of government bonds and the funding needs of banks are increasing.

Headline macro data in May has shown overall resilience and still reflects the economic acceleration of the past few months, supported by inventory rebuilding and the positive effect of the weaker euro. Nevertheless, a few leading indicators have shown some softening in manufacturing and consumer expectations. The announced programmes of fiscal tightening, not only in the periphery, but also in the core of the EMU is likely to have started to negatively impact household spending intentions as well as domestic orders.

UK

In May, the main developments in the UK were some tentative signs of peaking growth momentum, still resilient or rising inflationary pressure, a fiscally conservative new coalition government and a dovish Bank of England ("BoE") policy message due to the downside risks from the worsening EMU sovereign crisis. While the activity surveys were generally still firm, there were some tentative signs of slowing momentum below the headline data. Furthermore, consumer confidence showed some scaling back of growth expectations and retail activity was broadly flat as strong nominal spending growth was offset by high inflation. Housing market turnover remained subdued, but the recovery in residential construction is well underway.

Inflation indicators point to continued resilience as core CPI continues to surprise the

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market and the BoE on the upside. Inflationary pressures in the production pipeline remain elevated and wage growth has also started to recover. Inflation expectations surveys showed a further rise. Altogether, the evidence for sharp easing in inflation that the BoE expects remains quite weak at this point in time. However, the worsening of the EMU sovereign debt situation, which has led to a fall in confidence as well as to sharper fiscal consolidation plans, poses a significant downside risk to the strength of the UK recovery. For the BoE, this is an important counterweight to the concerns about resilient inflation and rising inflation expectations. On the UK political front, the new Conservative-Liberal coalition government is cutting the deficit earlier and more rapidly than the previous Labour government.

Japan

In Japan, the recovery continued and actually accelerated in the first quarter of this year, as GDP expanded in real terms by 5.0% q/q, following a 4.6% q/q increase in Q4 of 2009. In the current quarter, immediate indications remain relatively solid for manufacturing, on the supply side, and for exports, on the demand side. However, some signs of softening are emerging in some leading indicators of production, as well as in economic sectors more closely related to developments in domestic demand. On the one hand, industrial production grew by a satisfactory 1.3% m/m in April, after 1.2% in March, and the Manufacturing PMI rose from 53.8 to 54.7 in May, the highest level since July 2006. However, on the other hand, industrial production expectations surveyed by the MITI showed a meaningful slowdown for both May and June, while the Services PMI recorded a significant drop from 49.1 to 47.4. Consistently, the Economic Watchers Survey, which reflects the perceptions of domestic providers of services, also showed a moderate decline. Furthermore, the pace of the improvement in the labour market recorded a halt as the job-to-applicant ratio declined slightly, while the pace of deflation actually accelerated as y/y changes in core CPI (excluding food and energy) slowed from -1.1% y/y to -1.5% in April. Political instability escalated following another change of government, whose impact on confidence still has to be assessed.

China

In China, both the manufacturing and the services PMI recorded significant falls in May, indicating that economic growth is likely to have peaked and is poised to slow down. The source of the moderation is domestic at this point in time, as shown by New Orders statistics as well as the dichotomy between import and export dynamics. As a result, the trade surplus is widening sharply again. Looking ahead, China’s exports to Europe, which account for slightly less than 5% of China’s GDP, are likely to be hurt by the indirect effects of the EMU crisis starting from the third quarter. CPI inflation recorded a further uplift in May, from 2.8% y/y to 3.1%, the highest level since October 2008. Furthermore, upward pressures on wages are on the rise as demand for labour outstrips supply, and rising living costs erode purchasing power. Some large manufacturers have raised workers’ wages by 20-30% and we expect more firms to follow suit.

Policy-wise, the People's Bank of China (“PBOC”) raised the reserve requirement ratio ("RRR") for the third time this year, by 50bps to an average of 16.5%. The three RRR hikes to date have substantially tightened money market liquidity. The 7-day repo rate has risen sharply, pushing up both the 3-month and 1-year PBOC bill yields. In the meantime, property tightening policies continue, through tighter collection of land appreciation tax and the imposition of strict standards for second home mortgages. Thus far, we have not detected any signs of policy easing. On the currency side, Chinese authorities have announced their intention to increase the flexibility of the exchange rate of the yuan.

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