BREVAN **HOWARD**

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT:
MAY 2012

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BH MACRO LIMITED
MONTHLY SHAREHOLDER REPORT: MAY 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: $2,002mm[1]

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

Summary Information

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

Share Class	NAV (USD mm)	NAV per Share
USD Shares	570.7	$19.03
EUR Shares	206.1	€19.20
GBP Shares	1,224.9	£19.63

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	-1.78*								-1.47*

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*								-1.59*

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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*								-1.43*

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 May 2012.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

ASC 820 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited Estimates as at 31 May 2012

	% of Gross Market Value
Level 1	53
Level 2	47
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.

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Performance Review

During the month, the Fund incurred losses predominantly in interest rates trading, mainly from directional positions with additional losses from credit positions. These were partially offset by gains in FX macro trading.

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
May	-0.24	-0.86	0.05	-0.56	-0.06	-0.07	-0.04	0.01	-1.78
Q1	-0.42	0.27	0.01	0.22	-0.09	0.16	0.57	0.02	0.75
QTD	-0.79	-0.70	0.04	-0.52	-0.10	-0.11	-0.02	0.00	-2.20
YTD	-1.22	-0.44	0.05	-0.30	-0.20	0.05	0.56	0.02	-1.47

Monthly and annual figures are estimated by Brevan Howard as at 31 May 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 May, job growth slowed noticeably as payrolls disappointed and previous months' growth figures were revised downwards. With an average of less than 100,000 new jobs being created per month over the last three months, employment is not expanding rapidly enough to materially reduce the unemployment rate. Indeed, the unemployment rate ticked up to 8.2% in May and is little changed from the 8.3% rate recorded at the start of the year. It remains uncertain as to whether the recent trend is weather-related payback from the brisk gains experienced earlier in the year, a soft patch or the start of something worse.

Real GDP rose at a trend-like pace of 2% in the first quarter and appears to remain on that trajectory as the second quarter comes to an end. Private-sector demand has expanded at a 3% pace, led by sturdy consumption, double-digit gains in housing investment (albeit from a low level), and modest business investment spending. Offsetting the above-trend private sector demand is the drag from both the public sector and from foreign trade; US government spending is expected to reduce GDP growth for the seventh consecutive quarter and net exports have declined since the end of the third quarter last year.

Earlier in the year it was anticipated that the strength in the private sector - especially the long-awaited upturn in housing - could outweigh the weaknesses in the public sector and in foreign trade. However, the renewed flare-up of the financial crisis in Europe threatens to tip the balance towards below trend growth in the US. The direct linkages between the US and Europe are relatively small; for example, the eurozone accounts for less than 15% of US exports. However, tighter financial conditions - equities were down more than 6% in May (eg, S&P 500 down 6.23%), credit spreads widened, and the US dollar appreciated significantly - are likely to act as a drag on growth, despite the lift provided by lower energy prices. With stocks down, labour income growth decidedly soft and the household saving rate already dangerously low, it may only be a matter of time before consumption outlays slow. Moreover, businesses may already be treading cautiously in the face of the seemingly endless distress emanating from Europe, question marks over growth in emerging markets, and the looming fiscal cliff facing the US early next year.

In response to weaker data, tighter financial conditions and the downside risks to growth, the Federal Reserve is contemplating whether to ease policy at its upcoming meeting. Previously, moderate growth was sufficient for the Fed to avoid intervention. If, however, the forecast deteriorates sufficiently, the Fed is likely to take action to foster a stronger expansion, by either or both of additional asset purchases and guidance on the length of time over which rates will be held near zero.

EMU

The cyclical slowdown is spreading from the periphery to the core of the EMU. Nevertheless, domestic demand in Germany remains relatively buoyant, particularly in the real estate sector, boosted by all-time low financing costs and high nominal wage increases. In the peripheral countries, unemployment rates have continued to rise towards record levels. Overall, the majority of recent surveys and actual data indicate a significant contraction during the second quarter, following the stagnation of GDP in the first quarter. The sharp decline in energy prices since April 2012 has contributed to a fall in euro area inflation from 2.6% in April to 2.4% in May. The April money and credit data showed further slowdown of bank lending in the majority of countries and some signs of deposit outflows in Spain. Despite the moderation visible in both activity and price indicators, the ECB staff forecasts for both GDP and HICP remained largely unchanged. Consistent with this, the ECB Governing Council kept its policy interest rate unchanged at its June meeting, despite some ECB Council members voting for a rate cut.

On 9 June 2012, the Eurogroup announced its decision to award financing of up to EUR 100bn to Spain, to support its struggling banks. Despite being a considerable sum, it is unlikely to provide a lasting solution to the Spanish and EMU crisis. The New Democracy party won the elections in Greece and needs now to form a coalition government with other political forces supporting the memorandum with the European Union. Looking forward, a key event in June is the end-of-June EU leaders' summit, from which a roadmap for the future reform of EMU governance is expected.

UK

Activity data in the UK has rapidly moved from being modestly positive to mixed, and then to weak. The plummet of manufacturing surveys and construction indicators in May was matched by a steep drop in actual industrial production. In the tradable goods sector, the UK is unlikely to diverge too far from the eurozone, given the close trade and financial links. As such, renewed worries over the future of the EMU and the

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ongoing slowing of EMU growth are taking their toll on the UK. The labour market has held up surprisingly well in recent months, but there are fears that this will not last in the face of the external developments. Sectors of the UK economy that are largely domestically-oriented showed higher resiliency: the services PMI stood at relatively robust levels in May, and housing market activity, consumer confidence, retail sales and car sales all remain stable, albeit at subdued levels. Fiscal austerity, as well as household and bank deleveraging, continue to represent substantial headwinds to growth. Indeed, a return to above-trend growth is unlikely until these forces start to abate meaningfully. Furthermore, net new bank lending to households and firms has been zero for approximately three years now.

Money growth has started to pick up slightly, although it remains subdued. Within this medium-term deleveraging environment, growth has fluctuated between modest but below trend levels and even weaker levels, close to zero. In the past few months, the UK has moved from the former to the latter. Inflation, currently at 3.0%, is expected to continue to fall gradually, although it is likely to end the year still above target, between 2.5% and 3.0%, and to remain above target for the majority of next year as well. When the growth outlook was moderately positive, such an inflation outlook was resilient enough to prevent the need for further monetary stimulus from the Bank of England ("BoE"). However, with the growth outlook now weakening, the BoE Governor signalled that further stimulus will be necessary, despite resilient inflation.

Japan

After an impressive first quarter, during which GDP expanded at a strong 4.7% quarter-on-quarter pace, activity in Japan appears to be slowing during the second quarter of the year. This indication stems from both the hard data available (up to April) and surveys released in May. Indeed, industrial production undershot expectations in April, increasing by a mere 0.2% month-on-month, while the 3 month on 3 month rate of increase slowed to less than 3% annualised, well below the 7% recorded back in February. In April, retail sales contracted by 0.3% month-on-month. In May, the Japan composite PMI fell further, from 51.3 to 50.1, down 3 points from the peak recorded back in March. At the same time, the Economic Watchers Survey, more geared towards domestically-oriented activity, fell from 50.9 to 47.2, also undershooting the consensus forecast (50.0) by a significant margin. Overall, the slowdown in the Japanese economy is due to both overseas and domestic demand factors; on the one hand, the moderation in global activity and the appreciation of the yen serve to dent exports, and on the other hand the positive impact of the internal stimulus is gradually fading.

The Tokyo core CPI for May (ie, excluding food and energy) showed evidence of further significant deflation, as the pace of contraction intensified from -1.0% to -1.3% year-on-year, well below market expectations (-1.0%). However, the Bank of Japan seems reluctant to provide additional stimulus in the short-term.

China

On 8 June 2012, Chinese authorities announced a cut in official rates (by 25bps) for the first time since 2008, amid indications of a significant downshift in activity and a moderation in inflationary pressures.

In June, while supply-side indicators were weak and undershot expectations, trade statistics overshot the consensus. China's manufacturing PMI in May was lower than the market expected, falling by 2.9 points, to 50.4, due to both weak new orders (down

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4.7 points, to 49.8) and weak production (down 4.3 points, to 52.9). In May, industrial production growth accelerated marginally, from 9.3% to 9.6% year-on-year, below the 9.8% consensus. Meanwhile, the 3 month on 3 month seasonally-adjusted annual growth rate eased further, from approximately 10% to approximately 7%. These data support the view that second quarter sequential GDP growth will be lower than that in the first quarter, with year-on-year growth falling below 8%. Meanwhile, inflationary pressures eased as CPI growth moderated from 3.4% year-on-year in April to 3.0% year-on-year in May, and PPI growth fell from -0.7% year-on-year in April to -1.4% year-on-year in May.

Policy-wise, the stabilisation of growth appears to have become the priority, although authorities made it clear that there will be no large stimulus package and, in particular, no easing in the property sector. Following the April data releases, The People's Bank of China ("PBOC") cut the reserve requirement ratio by 50bps, effective on 18 May. In addition, the PBOC cut the benchmark deposit and lending interest rates by 25bps, effective on 8 June, shortly before the May data releases. In the meantime, the PBOC increased the deposit rate ceiling to 1.1 times the benchmark rate and lowered the lending rate floor to 0.8 times the benchmark rate; a further step towards interest rate liberalisation. However, this move may erode the effectiveness of the rate cut on activity; the top five banks and city commercial banks increased the 1 year deposit rate.

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.