BREVAN HOWARD

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT:
MAY 2014

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Your attention is drawn to the disclaimer at the beginning and end of this document

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This material constitutes a financial promotion for the purposes of the Financial Services and Markets Act 2000 and the handbook of rules and guidance issued from time to time by the FCA (the "FCA Rules").

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Tax treatment depends on the individual circumstances of each investor in BHM and may be subject to change in the future. Returns may increase or decrease as a result of currency fluctuations.

You should note that, if you invest in BHM, your capital will be at risk and you may therefore lose some or all of any amount that you choose to invest. This material is not intended to constitute, and should not be construed as, investment advice. Potential investors in BHM should seek their own independent financial advice. BHAM neither provides investment advice to, nor receives and transmits orders from, investors in the funds to which this material relates nor does it carry on any other activities with or for such investors that constitute "MiFID or equivalent third country business" for the purposes of the FCA Rules.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS

BMANL20140530

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT: MAY 2014

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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

$2,064 mm[1]

1. As at 30 May 2014 by BHM's administrator, Northern Trust.

Summary Information

BH Macro Limited NAV per Share (as at 30 May 2014)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	438.8	$19.84
EUR Shares	161.6	€19.96
GBP Shares	1,463.6	£20.52

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	0.77	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	2.36	1.02	1.99	-0.36	0.92	1.66	3.86
2013	1.01	2.32	0.34	3.45	-0.10	-3.05	-0.83	-1.55	0.03	-0.55	1.35	0.40	2.70
2014	-1.36	-1.10	-0.40	-0.81	-0.08								-3.70

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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	0.86	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	2.40	0.97	1.94	-0.38	0.90	1.63	3.63
2013	0.97	2.38	0.31	3.34	-0.10	-2.98	-0.82	-1.55	0.01	-0.53	1.34	0.37	2.62
2014	-1.40	-1.06	-0.44	-0.75	-0.16								-3.75

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	0.95	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	2.38	1.01	1.95	-0.35	0.94	1.66	3.94
2013	1.03	2.43	0.40	3.42	-0.08	-2.95	-0.80	-1.51	0.06	-0.55	1.36	0.41	3.09
2014	-1.35	-1.10	-0.34	-0.91	-0.18								-3.83

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.

As at 30 May 2014

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

ASC 820 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited Estimates as at 30 May 2014

	% of Gross Market Value*
Level 1	70.1
Level 2	29.6
Level 3	0.3

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 May, the Fund suffered some losses in USD interest rate trading and made some gains in EUR interest rate trading and in credit trading.

Monthly, quarterly 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	-0.34	0.12	0.04	0.05	-0.02	0.02	0.05	0.01	-0.08
Q1 2014	-3.19	-0.07	-0.03	-0.00	-0.06	0.02	0.56	-0.04	-2.83
QTD	-1.18	-0.00	0.03	0.08	-0.07	0.02	0.24	0.00	-0.89
YTD 2014	-4.33	-0.08	0.00	0.07	-0.14	0.04	0.80	-0.04	-3.70

Monthly, quarter-to-date and year-to-date figures are calculated by Brevan Howard as at 30 May 2014, based on total performance data for each period provided by the Fund's administrator, International Fund Services (Ireland) 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

Market Review and Outlook

Market Commentary

US

The data sent conflicting signals last month. While the labour market looks solid, the incoming indicators about GDP growth have been disappointing. Since the start of the year, more than one million jobs have been created at an average pace of more than 200,000 per month. Over the same period, the unemployment rate dropped 0.4 percentage points to 6.3%, considerably better than most analysts were expecting. However, first-quarter GDP was revised to show a decline in growth, which looks likely to be revised down noticeably further still. Data in the current quarter improved as a result of digesting some one-time technical factors, the economy moving past weather related disruptions and inventories realigning with final sales. Nevertheless, even if growth in the second quarter is above 3%, as it is expected, the first half of the year could easily average less than 1% at an annual rate.

The macro question is how to weigh weak growth against a strong labour market. The temporary nature of winter weather-related disruptions which caused downward revisions to first-quarter growth reinforce the view that the labour market is generally a more reliable signal of the economy's trend. Although it will take several more months to evaluate, above-trend growth is still expected for the second half of the year.

Inflation picked up in the last few months. Headline and core prices both accelerated, with core moving up from 1.1% to 1.4% over the last year. Some of the increase reflected base effects falling out of the year-over-year change, but the monthly rates of change have risen in the last two months as well. Meanwhile, wage inflation - which has received increasing attention as slack in the labour market has reduced - remained quite modest. Overall, wage and price inflation are moving up slowly but are far away from suggesting meaningful price pressures.

At the Federal Reserve, tapering is on auto-pilot and lift-off in interest rates is pencilled in for the second-half of 2015. In the meanwhile, the Fed is working on a new plan for how to exit. In the blueprint that is taking shape, the Fed will keep its balance sheet unchanged for some time after the first increase in interest rates. That means there will be asset purchases to replace maturing securities, which is an unprecedented development that will tend to flatten the yield curve. The rationale is to minimise the possible disruptions that may occur around lift-off by using only the tried and tested interest-rate tool. The underlying message is that the Fed wants to keep financial conditions easy even while it raises rates.

EMU

In the run up to the ECB June policy meeting, the euro area HICP inflation rate declined to the new post-crisis low in May of just 0.5% y/y from 0.7% in April. This drop further solidified the expectations of a substantial policy move in the June ECB meeting, which had been all but preannounced by President Draghi in the press conference following the May meeting. The disappointing 2014 Q1 GDP number and some softening in the recent manufacturing PMIs also supported these expectations. In the event, the ECB decided to opt for a relatively small rate cut (10bps) taking the lower end of the rates corridor to negative territory for the first time. The downward bias on rates in the ECB forward guidance was removed as President Draghi said that rates are now at the lower bound. Instead, President Draghi emphasized that the ECB is prepared to act swiftly again, if needed, using unconventional tools.

The ECB also launched new targeted long term refinancing operations (“TLTRO”s). These operations will have both a stock and flow component. In the stock part, banks can initially borrow up to 7% of their current loan book (i.e. all loans to nonfinancial corporates and all loans to households except mortgages). The sum of these at the end of April was €5.7 trillion and 7% of this is €400 billion. In the flow part, the banks can borrow up to three times the amount of additional lending they make this year relative to what they did last year. The terms of the TLTRO are four year maturity and an interest rate that is 10bp above the current refinancing rate (i.e. 0.25%). Additionally, the full allotment framework was extended until end-2016. Regarding ABS purchases, the ECB only said it would "intensify" its preparatory work for the outright purchases of ABS where underlying assets are all types of loans to non-financial sectors, i.e. not just by SME loans. There is little detail on when this could start and what quantities could be involved.

The overall impact of the measures is hard to quantify at this stage, but the extent to which the new operations will feed into excess liquidity and bank lending to the real economy will be limited by the banks’ need to replace short term funding and the banks’ still strong aversion to credit risk. The impact of the recent interest rate decision on inflation will also be limited in the short term, unless it manages to spark a more sustained weakening of the euro. On the more medium term, these measures should help improve banks’ balance sheets and profitability and thus in the margin also their risk appetite, thus stimulating lending also to weaker borrowers. Meanwhile, the continuing misses by the ECB of its inflation target and further slipping in inflation expectations will add to pressures on the central bank to do more. However, given that a large part of the measures announced in the June meeting will only be implemented later this year and next, any concrete action is unlikely before the last quarter of the current year.

Last, but not least, the ECB staff's inflation projection was revised meaningfully downward: by 0.3 points to 0.7% y/y for 2014, and by 0.2 points to 1.1% y/y for 2015. For 2016, the inflation projection was nudged down by one tenth to 1.4% y/y and importantly, inflation in the last quarter of 2016 is now foreseen by the ECB at 1.5% y/y (compared to 1.7% y/y before). GDP growth was revised down 0.2 points to 1.0% y/y for this year, due to the disappointment in the first quarter of the year. However, GDP growth was revised up for 2015, by 0.2 point to 1.7% y/y, and left unchanged at 1.8% y/y for 2018.

UK

The ongoing theme in the UK data is strong growth with benign inflation. Monthly business indicators over the past months have stabilised at high levels or eased back slightly, but have generally remained resilient, pointing to GDP growth above 3%. Consumer confidence has risen above pre-crisis levels, as have car registrations. Unemployment claims data point to ongoing rapid improvement in the labour market, consistent with growth well above trend. It is expected that the UK is probably only 1-2 years away from full employment. The composition of growth is also becoming better balanced, which reduces the risk that it will fall back sharply. The initial growth pick-up relied heavily on housing and savings-financed consumption. But more recent data show better balanced growth in two respects. First, business investment is making an increasing contribution to growth. Second, rising real household income growth is putting consumption growth on a more sustainable footing. External rebalancing remains a more distant prospect, as this relies on eurozone demand improving by more than currently seems likely. The BoE have also resigned themselves to this.

Inflation remains benign, hovering a few tenths below target and likely to stabilise for the rest of the year. Wage inflation, on the other hand, shows some early signs of picking up from its historical lows of around 1%. As the year progresses, it is expected wage inflation will normalise further, although since productivity growth is also expected to improve, this would not represent much of a rise in underlying inflationary pressure. The BoE switched from quantitative to qualitative guidance in February, and had been using the mantra that rate hikes will be gradual, limited and not yet. Given the speed at which slack is being reduced, the date of rate lift-off is clearly approaching. Moreover, an increasing number of Monetary Policy Committee ("MPC") members are realising that, in order to preserve the "gradual" nature of rate hikes, it is important not to delay the start of the normalisation process too long. A first rate hike around turn of the year now seems the most likely scenario.

In parallel to the MPC, there is a debate on the Financial Policy Committee ("FPC") about the extent to which the housing market is posing a financial stability problem. A first FPC step has been to introduce the Mortgage Market Review, which formalises the procedure for checking and documenting affordability. The FPC could take a second step in the coming months and specify what level of interest rates should be used in affordability metrics. Meanwhile, two major banks have already voluntarily capped the income multiples of certain mortgages. Only if FPC measures actually slow the housing market and the rest of the economy with it, would it allow the MPC to delay rate hikes. For now, the MPC is more focused on (lack of) slack in the labour market than on the housing market, so housing market discussions are not at the core of the monetary policy debate.

Japan

Japan and its economic statistics are currently working their way through the fallout of the consumption tax hike. With only one previous relevant example of a tax hike to go on, one can only approximately adjust the data to pull out the underlying trend. Consumer prices jumped in April, with the CPI running up 1.9% m/m in April on a seasonally adjusted basis. Core prices increased 2.1% m/m, while western core prices rose 1.8% m/m. These increases are approximately in line with the recent trend in data and estimated pass through of the various components. For instance, imputed rent, which represents 15.5% of the CPI and a greater fraction of western core prices, is not taxed. Tokyo prices data, which run through May, edged down -0.1% m/m on a seasonally adjusted basis. Tokyo core inflation, on the other hand, was stronger, rising 0.3% m/m, in part due to the pass through of the consumption tax hike in electricity prices. Those lagged a month due to the billing cycle.

Retail sales rose sharply in March as consumers pulled forward whatever purchases they could in advance of the tax increase, but then fell sharply in April. Survey data show a similar pattern. The Shoko-Chukin survey of small and medium-sized enterprises partially bounced back up in May, though its level is noticeably lower than what was seen over the winter. Real GDP increased sharply in the first quarter, pushed up by a sharp increase in consumption that will likely be offset in the subsequent quarter. Monetary policy authorities continue to believe that as the exchange-rate effects on inflation wane, normal Phillips-curve effects will take over as labour markets tighten and the output gap is closed. Over the long-run, the data indicate some backsliding with western core prices flat through the first three months of the year before moving up sharply in April on the tax increase that clouds the underlying trend.

Governor Kuroda’s latest remarks at a conference in Jordan suggests that the BoJ may be pushing out its estimate of when inflation reaches the 2% target, even while thinking that export-demand prospects may be improving. Two third-arrow reforms (fiscal and monetary) look like they are progressing but have not yet been completed. The Welfare Ministry is currently developing its medium-term plan for the Government Pension Investment Fund (“GPIF”) based on the medium-term financing review already completed. Press reports indicate that the GPIF could release new asset allocations in August. Corporate tax reform will likely be an element of the administration’s economic package expected to be announced soon. The details of the proposed tax reform, however, will be worked out over the rest of the year.

China

Overall, in May, both actual data and survey data indicated that the Chinese economy may have stabilised due to mini-stimulus measures and improved external demand. Industrial production growth stood at 8.7% y/y, as fixed assets investments growth also was about constant, while retail sales marked a moderate progression. On the survey side, both the

NBS and HSBC PMI improved from their low April levels, though the latter still stayed below the 50 threshold. Trade data, as well as survey data, showed that the improvement of activity has stemmed mainly from the export side rather than domestic demand.

In an effort to boost the supply of funds to the economy, the China Banking Regulatory Commission ("CBRC") is set to give banks more capacity to lend. The CBRC deputy chairman Wang said that the loan-to-deposit ratio of 75% is written in the law and thus cannot be modified. However, the CBRC is considering adjusting the current loan-to-deposit ratio by re-defining the classification of loans and deposits in the formula. For example, loans to SMEs/rural projects could be excluded from the formula. In the memo of the State Council regular meeting held on May 30, Premier Li announced targeted Reserve Required Ratio ("RRR") cuts to those banks whose share of lending to rural and small enterprises meet certain criteria. This is similar to the targeted RRR cut to certain rural cooperative credit unions announced earlier. Other than confidence-boosting, the impact of such targeted RRR cuts on liquidity and macro is likely contained. Meanwhile, it weakens expectation of a broad RRR cut. Ten provinces/cities were selected as "experimental areas" that may issue their own local government bond. The Ministry of Finance announced this week that those bonds will be rated by reputable rating agencies before their issuance.

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.