BREVAN HOWARD

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT:
MAY 2015

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BREVAN HOWARD

www.bhmacro.com

BH Macro Limited Overview

Manager:

Brevan Howard Capital Management LP ("BHCM")

Administrator:

Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust")

Corporate Broker:

J.P. Morgan Cazenove

Listings:

London Stock Exchange (Premium Listing)

NASDAQ Dubai - USD Class (Secondary listing)

Bermuda Stock Exchange (Secondary listing)

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: $1,746 mm[1]

1. As at 29 May 2015 by BHM's administrator, Northern Trust.

Summary Information

BH Macro Limited NAV per Share (as at 29 May 2015)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	391.8	$21.14
EUR Shares	114.5	€21.30
GBP Shares	1,239.6	£22.00

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	-0.06	0.85	0.01	3.96	-1.73	1.00	-0.05	0.11
2015	3.14	-0.60	0.36	-1.28	0.93								2.53

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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	-0.09	0.74	0.18	3.88	-1.80	0.94	-0.04	-0.11
2015	3.34	-0.61	0.40	-1.25	0.94								2.79

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	-0.09	0.82	0.04	4.29	-1.70	0.96	-0.04	0.26
2015	3.26	-0.58	0.38	-1.20	0.97								2.81

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 BHCM. 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 29 May 2015

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

ASC 820 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited estimates as at 29 May 2015

	% of Gross Market Value*
Level 1	65.6
Level 2	33.6
Level 3	0.8

Source: BHCM

* These estimates are unaudited and have been calculated by BHCM 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.

Performance Review

The information in this section has been provided to BHM by BHCM

During the month, the Fund's performance was driven primarily from gains in FX macro and EUR curve trading. To a lesser extent, EUR swap spreads and rates volatility trading also made positive contributions. There were small losses in USD curve trading, but not significant enough to impact the overall performance.

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	Discount Management	Total
May	0.41	0.45	0.10	-0.01	-0.00	-0.00	-0.03	-0.00	0.00	0.93
Q1 2015	1.66	0.66	0.13	-0.04	0.03	-0.01	0.39	0.03	0.04	2.90
QTD 2015	-0.34	0.06	0.08	-0.05	-0.01	-0.00	-0.07	-0.02	0.00	-0.36
YTD 2015	1.32	0.72	0.21	-0.09	0.03	-0.01	0.31	0.01	0.04	2.53

Monthly, quarter-to-date and year-to-date figures are calculated by BHCM as at 29 May 2015, based on total performance data for each period provided by the Fund's administrator, International Fund Services (Ireland) Limited. Figures rounded to two decimal places.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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
"Discount Management": buyback activity for discount management purposes

Manager's Market Review and Outlook

The information in this section has been provided to BHM by BHCM

US

The data turned around in May, putting the economy on a solid footing and the Federal Reserve on course to raise rates in September. A 280,000 increase in hiring in May brought the total number of jobs created so far this year to more than 1 million, erasing the worries about a substantial slowdown in the labour market from the one-month divot in March. The unemployment rate ticked up to 5.5%, but that owed to a jump in job seekers, which is a healthy sign that the labour market is pulling potential workers from the sidelines. Wages are gradually accelerating according to all of the key surveys. Average hourly earnings, which had been lagging, are moving up at a 2.9% annualised rate over the last three months. That's similar to the methodologically more reliable reads from the Employment Cost Index and compensation per hour. By some estimates, the economy is expected to reach full employment by the end of the year.

Consumption spending had been weak coming into May. The weakness appeared to owe to harsh winter weather and an unexpectedly painful tax season in April. But, these legitimate reasons for lacklustre outlays were beginning to look like special pleading if the numbers didn't pick up soon. However, household spending regained its momentum in May. Motor vehicle sales were terrific, posting the biggest monthly selling pace of the last ten years. Core sales also impressed and were revised up noticeably in prior months' data. The revised pattern of spending now appears to better line up with the weather- and tax-related subtractions. Meanwhile, business investment is an area of concern. The downturn in drilling and mining is still being digested, and manufacturing is working through the competitive effects of a stronger US dollar. Similarly, trade is still a negative for growth, but the sharp subtractions seen in the first quarter looked to have been exaggerated by the West Coast ports strike. A bright spot for the outlook is housing. Housing had been quietly surprising on the upside, but the surprises are no longer so quiet. House prices are accelerating all across the country. On current trends, house prices are anticipated to surpass their prior peak sometime next year. New and existing home sales are increasing and new residential investment has bounced back from the winter as well. With affordability still attractive and credit availability ever so slowly broadening, the likelihood is that the housing sector has room to run. Putting the pieces together, real GDP appears to be growing around 3% so far in the second quarter.

The Federal Reserve has been closely monitoring whether the negatives in the first quarter were ominous portents or transitory set-backs. The evidence suggests the latter interpretation going into the June FOMC meeting. With question marks still remaining about the strength of the expansion, there is no reason for the Fed to get in front of the data. The June meeting stuck to the messaging that policy makers expect the economy to be strong enough to raise rates sometime later this year. If growth and the labour market are back on track, then the September meeting would be a good bet for lift-off.

EMU

In the first quarter of 2015, GDP growth was confirmed to have been relatively firm in the euro area, with a quarterly increase of 1.5% q/q annualised. While growth was robust in France and some peripheral countries such as Spain, it came out below expectations in Germany due to a severe contraction in the contribution of net trade. Looking forward, surveys data as well as the first indications stemming from hard data such as industrial production, car sales and retail sales, point at some loss of momentum in the second quarter.

The recent renewed tightening of financial conditions, stemming from a rebound in oil prices, bond yields, the value of the EUR and a fall in equity prices will likely leave its mark on activity dynamics.

At the same time, prices have started to recover from their lows recorded at the beginning of the year, with both headline and core annual measures increasing in May to 0.3% y/y, helped by higher oil prices and the timing of Easter holidays. Money supply growth continues to be boosted by effect of the ECB quantitative easing programme, showing further acceleration in April. The pace of credit expansion has also improved, but so far lag behind the improvement in the money supply. At its June meeting, the ECB kept largely unchanged its macroeconomic projections, apart from some short-term upward revisions stemming from energy prices. The ECB emphasized that the QE programme would continue as planned and be fully implemented until September 2016 and possibly continue after that if required. However, the comments by the ECB President Draghi on getting used to periods of higher volatility were not well received by the market, which saw bond yields continuing their rebound, especially in the periphery, more directly affected by the Greek crisis.

The political situation in Greece continues to be extremely tense, with discussions and meetings between Greece and the institutions so far not able to strike a compromise deal. After Greece asked to bundle all its loan repayments due to the IMF in June into one payment, they now have to find a solution to get the financing they need before 30 June when that IMF payment will be due. A variety of Greek polls show the population of the indebted country continues to prefer a compromise deal rather than an exit of the monetary union. Although the market impact of Greek problems has remained quite muted in the first months of negotiations, the intensifications of the talks, the stronger stance of both sides as well as the little time left until the end of the bailout extension at the end of June has started to affect financial markets, with contagion through higher yields in peripheral countries. So far the Greek Prime Minister Alex Tsipras has ruled out the possibility of new elections. Latest observations suggest an intensification of the drain in Greece bank deposits, to levels close to the IMF definition of bank run.

UK

Recent growth indicators have been mixed, with the PMI business surveys indicating ongoing moderation, but the housing market indicators gaining momentum. Our forecast remains that UK growth has transitioned from a strong pace in excess of 3% for a few quarters last year to a more moderate pace of 2-2.5% this year. Housing market indicators have clearly turned up since the early part of the year, with both activity and, to a lesser extent, prices, gaining momentum. The reduction in mortgage rates and the absence of further macro-prudential tightening appear to be the main drivers of this recovery. But business surveys remain well below their recent peak, and even employment indicators, which had been strong last year, are showing some signs of moderation. A strong trade-weighted exchange rate will be a moderate headwind, as will subdued growth in the rest of the world. Heightened turmoil in Greece remains an important downside tail-risk even for the UK, via both confidence and financial contagion channels. Domestically, the main risk to growth stems from another round of fiscal austerity that is expected to start shortly. This next wave of austerity is likely to be front-loaded again within the Government's term of office.

Wage inflation remains subdued. Strong actual and potential labour supply increases from immigration, increased participation of younger workers and longer participation of older workers are likely to keep wage growth low relative to the pre-crisis period. These forces are fundamentally changing the relationship between the unemployment rate, which is only half a point away from its pre-crisis level, and wage inflation. Inflation is expected to remain close to zero until late 2015, and by the end of the year it is still likely to be below 1%. Core inflation is subdued too, and the momentum in core inflation is still downward. Against a background of moderate but not booming growth, combined with weak inflationary pressure, there is no urgency at all for the Bank of England to hike rates. If anything, in the coming months, the BoE is more likely to become concerned about the persistent weakness of underlying inflationary pressures than about any risk of overheating. The housing market bears watching, though. Should the current housing recovery turn into a phase of overheating, further macro-prudential tightening is likely.

Japan

The Bank of Japan (BoJ) left policy unchanged in its latest meeting and slightly upgraded its view on the economic recovery. Since then, the flow of news indicates that activity is improving. First-quarter GDP was revised up to 3.9% annualised rate, however an important element was the contribution from inventories as the drawdown in inventories in the first quarter was much less than in the fourth quarter. Fixed capital investment rose, while personal consumption moved up at the same moderate rate as in the fourth quarter. The Economy Watchers' survey slipped somewhat in May but remained at a solid level. In contrast, the Shoko-Chukin survey moved up in June, though it is still below the levels seen before the tax increase in April 2014. Industrial production appears to be trending up moderately from the low seen last summer.

The range of inflation data suggest that Japan is not in any immediate danger of backsliding into deflation. The pace, however, is still away from the BoJ's 2% target. After being flat on balance over the last half of 2014 and into January, western-core inflation moved up 0.1% for three consecutive months through April. Core has been noisier and a bit weaker due to energy prices. Tokyo prices, which have trended weaker, also moved up 0.1% in May. Looking forward, some of the long-term fundamentals suggest a further improvement, but it would be premature to suggest 2% is in hand. Reports suggest that wages accelerated over the spring negotiations. The Cabinet Office's estimate of the output gap narrowed in the first quarter, given the first-quarter increase in GDP, but it is still off by -1.9%. The yen has depreciated about 5% against the US dollar in the past several weeks, and oil prices have come off of their low from mid-March. Each of those is expected to provide some near-term support. Inflation expectations in April reversed much of their winter downtick. Scanner-price data collected by the University of Tokyo also picked up and rose in May for the first time over a month since late 2011. While this data does not actually add much to CPI forecasts, it is directionally consistent with the view that the re-inflation project is back on track.

China

In May, activity in China has still not yet shown clear signs of a turnaround. The PMIs produced by both Markit (HSBC) and the National Bureau of Statistics improved only marginally, and the synthetic HSBC Composite PMI fell further from 51.3 in April to 51.2 in May. Details of the surveys were mixed, with new orders rising but new export orders falling. Disinflationary pressures also intensified, and employment remained in contraction territory. Real activity indicators including industrial production, retail sales, fixed-asset investment softened further. Industrial production growth YTD stabilised at a low level of 6.2% y/y, the lowest since the 2008 financial crisis. CPI yearly inflation fell to 1.2% y/y in May, below the 1.3% consensus mostly due to falling food prices, while PPI remained in negative territory at -4.6% y/y, thus providing room for more policy easing. The trade surplus recorded another decent surplus of US$60bn in May, better than the expected figure of US$45bn. However, details of the report were not encouraging, as export growth remained weak and imports have continued to fall in both value and quantity terms on an annualised basis.

The 7-day PBoC repo rate, after falling by nearly 300 bps to 2% in May, has recently bounced back to 2.7%. The A-share market, after rallying further above a 5000 level and thus approaching its historical high of 6000 in 2007, has recently pulled back. That said, without an acceleration in credit and investment, it is still questionable whether China could engineer a sustainable and strong recovery.

Enquiries

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Important Legal Information and Disclaimer

BH Macro Limited ("BHM") is a feeder fund investing in Brevan Howard Master Fund Limited (the "Fund"). Brevan Howard Capital Management LP ("BHCM") has supplied certain information herein regarding BHM's and the Fund's performance and outlook.

The material relating to BHM and the Fund included in this report is provided for information purposes only, does not constitute an invitation or offer to subscribe for or purchase shares in BHM or the Fund and is not intended to constitute "marketing" of either BHM or the Fund as such term is understood for the purposes of the Alternative Investment Fund Managers Directive as it has been implemented in states of the European Economic Area. This material is not intended to provide a sufficient basis on which to make an investment decision. Information and opinions presented in this material relating to BHM and the Fund have been obtained or derived from sources believed to be reliable, but none of BHM, the Fund or BHCM make any representation as to their accuracy or completeness. Any estimates may be subject to error and significant fluctuation, especially during periods of high market volatility or disruption. Any estimates should be taken as indicative values only and no reliance should be placed on them. Estimated results, performance or achievements may materially differ from any actual results, performance or achievements. Except as required by applicable law, BHM, the Fund and BHCM expressly disclaim any obligations to update or revise such estimates to reflect any change in expectations, new information, subsequent events or otherwise.

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. All investments are subject to risk. You are advised to seek expert legal, financial, tax and other professional advice before making any investment decisions.

THE VALUE OF INVESTMENTS CAN GO DOWN AS WELL AS UP. YOU MAY NOT GET BACK THE AMOUNT ORIGINALLY INVESTED AND YOU MAY LOSE ALL OF YOUR INVESTMENT. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS.

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 gaining exposure to the Fund) should consult an authorised person specialising in advising on such investments. Any person acquiring shares in BHM must be able to bear the risks involved. These include 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 Fund's 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.

• 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 and its investment managers are 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 of BHM or the Fund and therefore reference should be made to publicly available documents and information.