

BH Macro Limited

Monthly Shareholder Report

31 October 2007

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 October 2007)

Shares Class	NAV* (USD mm)	NAV* per Share
USD Shares	624.8	\$11.60
EUR Shares	475.1	€11.49
GBP Shares	332.5	1161p

BH Macro Limited NAV per Share* % Monthly Change

2007	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
USD	-	-	0.10	0.90	0.15	2.29	2.56	3.11	5.92	0.07			15.98
EUR	-	-	0.05	0.70	0.02	2.26	2.43	3.07	5.65	-0.01			14.93
GBP	-	-	0.11	0.83	0.17	2.28	2.55	3.26	5.92	0.08			16.07

* 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 October 2007 is estimated.

Source: Underlying Master Fund NAV data is provided by the Administrator of the Master Fund, 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.

Performance review

The start of October saw a sharp correction to recent trends as rates rose and yield curves flattened in major markets. This correction was unwound by month end. Likewise, FX and fixed income volatility fell during October before rebounding towards the end of the month.

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

The Master Fund generated profit in FX by being short USD versus a range of currencies. Emerging market rates, commodities and credit also contributed positively to P/L.

Outlook

US

The Fed Funds rate was cut by another 25bps in October to 4.50%. Policy-makers believe that the 75 bps of cuts in the last two months will promote moderate growth in 2008 and balance the upside risks to inflation and the downside risks to growth. By contrast, markets are pricing in further easing due to weakness in housing and continued bad news from the financial sector. This view may be correct but, with the exception of housing, the incoming data broadly point to resilience. Real GDP rose almost 4% in the Q3 and payrolls expanded at a healthy pace.

Going forward, the limited evidence for Q4 so far suggests that growth will slow to 2% or a little below. The key consideration will be to what extent the weakness in housing spills over into consumer and business spending, and this is as yet unknown since there are typically lengthy lags between changes in house prices and household behaviour.

BHAM believes the financial market turmoil and the economic outlook point to the curve steepening further.

Europe

At the beginning of October, the ECB indicated two things to the market: first, they no longer consider their monetary policy to be on the accommodative side due to the dislocation in the money market and the tightening of credit standards; secondly, they need to gather information on the impact of the market turmoil on the economy before making a policy change.

Since then, indications from the real economy have worsened the ECB's dilemma. On the one hand, the risk to inflation has clearly materialized in the euro area on the back of strong increases in oil and food prices. On the other hand, the leading indicators of activity weakened further in October, coupled with the negative effects resulting from euro appreciation and the new high price of oil.

The ECB has yet to decide how to solve this complex trade-off. The dislocation in the money market should prevent the ECB from acting in the short term. BHAM believes that the ECB will remain on hold for the immediate future.

UK

The BoE kept the base rate on hold at 5.75% in October. The BoE needs to see conclusive evidence of activity slowdown before announcing there are no further risks to inflation.

October data was mixed. Activity data proved strong with Q3 retail sales and overall

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GDP growth above trend. Also, food and oil prices have risen and there has been an acceleration of wage levels. However, results of the most leading surveys have started to reveal a softening and there is evident deceleration in the housing market. The data on CPI released in October surprised by being on the down side.

The recent market turmoil has added downside risk to the BoE's outlook. Furthermore, BHAM believes the broad financial market turmoil and the economic outlook are likely to lead to a steepening of the curve.

Japan

The BoJ has left monetary policy unchanged since raising the key policy rate to a decade-high 0.5% in February this year. However, in its semi-annual forecast for economic growth and prices at the end of October, the BoJ confirmed its view that the economy is expanding and expressed its desire to normalize policy rates. Despite this, the market is increasingly skeptical that the BoJ will hike rates in the near term.

The Master Fund has limited exposure to Japanese interest rates.

Positioning

The following table broadly summarises the Master Fund's positioning as at the end of October:

Fixed income: long USD very short end
Fixed income: curve steepeners in USD, EUR & GBP
Fixed income options: long vega in EUR and GBP
FX: long vega from straddles across a range of currency pairs
Equity: flat
Commodities: moderate longs in Energy

Enquiries

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