BREVAN HOWARD

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT: OCTOBER 2012

ADV03796 CONFIDENTIAL DO NOT COPY OR DISTRIBUTE

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

Important Legal Information and Disclaimer

BH Macro Limited (“BHM") is a feeder fund investing in Brevan Howard Master Fund Limited (the "Fund"). Brevan Howard Asset Management LLP ("BHAM") and Brevan Howard Capital Management LP (together with BHAM, “Brevan Howard”) have supplied the information herein regarding BHM’s and the Fund’s performance and outlook. BHAM is authorised and regulated by the Financial Services Authority (the “FSA”) in the United Kingdom.

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 FSA (the "FSA Rules").

The material relating to BHM and the Fund included in this report has been prepared by Brevan Howard and is provided for information purposes only and does not constitute an invitation or offer to subscribe for or purchase shares in the BHM or the Fund. 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 by Brevan Howard to be reliable, but Brevan Howard makes no 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 Brevan Howard expressly disclaim any obligations to update or revise such estimates to reflect any change in expectations, new information, subsequent events or otherwise. All investments are subject to risk. Prospective investors are advised to seek expert legal, financial, tax and other professional advice before making any investment decisions.

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 FSA Rules.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS

BH MACRO LIMITED

BREVAN HOWARD

MONTHLY SHAREHOLDER REPORT: OCTOBER 2012

T +44 (0)20 7022 6250 www.bhmacro.com

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: $2,122 mm[1,2]

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

2. This figure is net of the 2012 capital return.

Summary Information

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

Share Class	NAV (USD mm)	NAV per Share
USD Shares	583.1	$19.55
EUR Shares	197.3	€19.71
GBP Shares	1,342.1	£20.17

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	-1.77	-2.23	2.36	1.02	1.99	-0.39*			1.21*

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	-2.20	2.40	0.97	1.94	-0.41*			1.04*

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT: OCTOBER 2012

T +44 (0)20 7022 6250 www.bhmacro.com

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	-2.19	2.38	1.01	1.95	-0.38*			1.27*

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 October 2012.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

ASC 820 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited Estimates as at 31 October 2012

	% of Gross Market Value
Level 1	63
Level 2	37
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.

Fund Performance Review

During the month, the Fund generated small gains in credit, mainly CMBS and RMBS and on directional positions in European government bonds. These gains were more than offset by small losses in interest rates volatility trading, interest rates directional trading and to a lesser extent by small losses in commodity and FX trading.

T +44 (0)20 7022 6250 www.bhmacro.com

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
October	-0.33	-0.17	-0.02	0.16	-0.03	-0.11	0.17	-0.06	-0.39
Q1	-0.42	0.27	0.01	0.23	-0.09	0.16	0.58	0.02	0.75
Q2	-1.69	-2.23	0.05	-0.19	-0.13	-0.13	-0.02	-0.07	-4.37
Q3	2.84	1.18	-0.02	0.45	-0.01	0.31	0.62	0.03	5.46
QTD	-0.33	-0.17	-0.02	0.16	-0.03	-0.11	0.17	-0.06	-0.39
YTD	0.34	-0.98	0.02	0.65	-0.26	0.23	1.36	-0.09	1.21

Monthly and annual figures are estimated by Brevan Howard as at 31 October 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

The presidential election campaign dominated the headlines in October. While the outcome was unknown at the time, the election subsequently affirmed the polling, which pointed to re-election for President Obama and split leadership in Congress - in other words, an affirmation of the status quo.

Maintaining the status quo dashed some observers' hopes - misplaced in our view - that the US would enjoy a honeymoon from partisan politics after the election. In fact, the US faces the same contentious issues with the same leadership as before. The biggest issue is that the federal budget is on an unsustainable path which has to be dealt with almost immediately due to the looming fiscal cliff. In previous efforts, President Obama and Congress avoided making any compromises or difficult choices. As a consequence, the Bush era tax cuts automatically expire at the start of next year, budget sequestration dramatically slashes both domestic and defence spending, while the payroll tax cut and extended unemployment insurance benefits end.

Just letting the payroll tax cut end would shave nearly 1 percentage point from real GDP growth in 2013. However if all the tax cuts expire and spending cuts occur as well, this would cause as much as 4 percentage points of fiscal drag - easily enough to cause a recession. So the fundamental question is not how to avert fiscal contraction - that is going to happen regardless - it is how to cut the deficit in a way that does not cause a severe and immediate recession. At this point, no one seems to have an answer to that question, an uncertainty that definitely was not resolved by the election.

Businesses appear to be faring the worst in response to concerns about the fiscal cliff and slower global growth. Real business fixed investment and exports both declined in the third quarter and the forward-looking indicators point to ongoing headwinds. For example, orders for core capital goods are below the level of shipments and down significantly from a year ago. Additionally surveys of capex intentions have weakened noticeably.

By contrast, consumption outlays and housing have been surprisingly strong. Household spending has advanced at a good pace in response to improved sentiment, even though real incomes have stagnated. The gains in spending and sentiment are likely related to the brighter prospects for housing. New and existing home sales are growing because of record-low affordability and tighter inventories, new construction has picked up and prices are beginning to appreciate all around the US. This trend could continue if there is a favourable resolution to the fiscal cliff.

EMU

Data releases in the euro area are confirming the picture of a more broad-based economic downturn extending to the core countries, as shown by the sharp drop of business surveys in Germany and France especially. Industrial production has fallen sharply in September across the whole eurozone, more than unwinding the noisy improvement over the summer. There are growing risks of social tensions as unemployment in the eurozone reached a new all-time high of 11.6% in September, reflecting increases in nearly all member states, especially in Spain and Greece. On the monetary side, data on money and credit developments show a mixed picture. Banks' funding situation improved as illustrated by further increases in short-term deposits. However, there are no signs that the improved funding is translating into additional bank lending to the non-financial sectors. In addition, the ECB's latest bank lending survey indicated a renewed tightening in bank lending standards suggesting that banks are becoming increasingly concerned about the possible impact of the deteriorating macro environment on their borrowers' credit quality. Inflation is on a downward path which is expected to be below 2% in early 2013. In its November meeting the ECB governing council decided to leave interest rates unchanged and also did not unveil any new non-standard policy measures. The ECB recognised that the incoming data readings mean that the downside risks to growth are becoming increasingly apparent; however the ECB stopped short of pre-announcing any interest rate cuts in upcoming meetings.

UK

We believe underlying growth in the UK is around 0.0-0.5%. Around this very weak trend, some unusual holiday patterns related to this year's Jubilee celebrations are causing substantial volatility in output. This volatility led to some excessive pessimism in the second quarter, which has now subsided, and is causing some unjustified optimism for the third quarter, fuelled by a 1.0% quarterly GDP growth rate. Any talk of "emerging from recession" or "green shoots" is misguided: the UK was never really in a meaningful double dip recession and there are no significant green shoots. The overall picture is that the UK's growth is somewhere between the US (growth a bit below trend) and the eurozone (recession). The domestic headwinds show no sign of abating: deleveraging across the private sector, banks and the public sector are ongoing. Only an export and investment led recovery could offset this, however the EMU recession and the associated uncertainty have made that all but impossible. Credit growth to households and firms has been zero for four years now. The housing market remains stagnant in both activity and prices. On the inflation front, the medium-

T +44 (0)20 7022 6250 www.bhmacro.com

term picture remains benign. Inflation expectation surveys are close to long-run averages and wage growth remains subdued.

The Bank of England ("BoE") has reached its QE target of GBP 375bn. In recent months, the BoE has also launched a Funding for Lending Scheme ("FLS"), intended to lower bank funding cost and generate loans to the real economy. There has been good progress towards lowering bank funding costs, but there have been no meaningful lowering of interest rates on loans yet. While banks have declared an intention to lend more, actual lending has not risen yet.

Fiscal policy has so far not wavered from the mantra of “sticking with the austerity plan”. Any growth disappointments have led to a higher deficit path via automatic stabilisers, but have been accompanied by promises of more austerity in years to come. We do not expect any significant change from this fiscal strategy. With tight fiscal policy, ongoing domestic deleveraging headwinds and an EMU recession continuing to hinder UK recovery prospects, weak growth and monetary stimulus therefore look set to continue. However, a combination of BoE pessimism on what further QE can achieve and optimism on what the FLS can achieve, could result in a pause in QE as the monetary instrument of choice.

Japan

The slowdown of the Japanese economy gathered pace in the third quarter of 2012, as the dispute with China compounded other factors, both external and domestic, which were already hindering activity. As a result, Japan’s GDP contracted significantly in the third quarter, following four quarters of expansion. In particular, the contraction of activity accelerated in September with almost all indicators showing a substantial drop: from industrial production, which fell by a huge 4.1% month-on-month – largely undershooting expectations – to exports – which contracted in volumes by 3.5% month-on-month – to overall consumption, which dropped by 0.7% month-on-month. In October most indicators continued to show deterioration, from the Manufacturing PMI to, in particular, the Economic Watcher survey, which tracks domestically oriented small business. A glimmer of hope was provided by the Services PMI, which increased from 48.9 to 50.0, hitting that threshold for the first time since April 2012. The policy action seems thus far unable to stop the slowdown, not least because of the rising political uncertainty and the declining support for the government. The Bank of Japan has boosted monetary expansion but with limited impact on the value of the yen, a crucial ingredient of any successful anti-cyclical manoeuvre. In this gloomy environment it is no wonder that the labour market is showing some cracks – the jobs-to-applicant ratio fell for the first time since 2009 – and all price indicators show no abating of deflation trends.

China

In October, economic data continued to show a broad-based, albeit moderate, improvement in macroeconomic conditions in China. The PMIs, as well as industrial production, retail sales and trade data pointed in the same direction, suggesting that the easing of fiscal and financial conditions which preceded the political changeover in November have produced the desired effect. Housing and construction sector figures, crucial for the Chinese cycle, have improved too with no sign of renewed tensions on housing prices. Consumer price inflation remained tame as well, although PPI data indicate that it has likely bottomed out. Policy-wise, the People's Bank of China continued to inject liquidity in the open market operation through reverse repo issuance, although the injections are not massive and rather based on interbank liquidity demand. Indeed the 7-day repo fixing rate, which reflects the interbank liquidity demand-supply balance, has hovered around 3.5% since July. CNY appreciation expectations resumed and the CNY spot rate against the USD appreciated by 1.7% since September. The 18th party congress is not expected to have an impact on short-term macroeconomic policy.

Enquiries

Northern Trust International Fund Administration Services (Guernsey) Limited

Harry Rouillard +44 (0) 1481 74 5315

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.