BREVAN HOWARD

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT: SEPTEMBER 2012

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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: $2,131mm[1,2]

1. Estimated as at 28 September 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 28 September 2012)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	583.1	$19.61
EUR Shares	201.0	€19.77
GBP Shares	1,346.5	£20.23

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	1.92*				1.53*

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	1.87*				1.38*

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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	-2.19	2.38	1.01	1.87*				1.58*

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 28 September 2012.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

ASC 820 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited Estimates as at 28 September 2012

	% of Gross Market Value
Level 1	62
Level 2	38
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 gains in all asset classes but predominantly in interest rates trading, mainly from curve-steepening positions in EUR and USD and on directional positions in European government bonds. To a lesser extent profits were also registered in credit, mainly ABS, and in tactical macro trading.

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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
September	0.85	0.35	-0.10	0.32	0.01	0.11	0.35	0.02	1.92
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	2.81	1.17	-0.02	0.44	-0.01	0.30	0.61	0.02	5.39
YTD	0.64	-0.82	0.03	0.48	-0.23	0.33	1.17	-0.03	1.53

Monthly and annual figures are estimated by Brevan Howard as at 28 September 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 Federal Reserve ("Fed") eased monetary policy in dramatic fashion in September, a move that surprised markets and boosted risk sentiment.

The Fed's action was innovative for two reasons. First, the new asset purchase programme – USD 40 billion ("bn") per month of purchases of agency mortgage-backed securities - is tied to achieving a "substantial improvement" in the labour market. Reasonable people can debate about what a "substantial improvement" means, but most policy makers are probably looking for the unemployment rate to fall to around 7% before ending the programme. Thus, "QE3" is likely to last more than a year and ultimately end up being greater than USD1 trillion.

Second, the Fed stated interest rates will remain extraordinarily accommodative even after the recovery strengthens. This is the first time a central bank has promised easy money even after traditional approaches such as a Taylor Rule would prescribe rate hikes. Taken together, the Fed's actions are a bold commitment to reflationary policy.

Unfortunately, the bad news is that the economy needs help. Although manufacturing appears to have stabilised, the indicators on capital expenditures continue to deteriorate. Orders for core capital goods are declining on a year-on-year basis and have fallen 5% below the level of shipments of core capital goods. Previously when orders have run that far below shipments, it has been a signal of a recession in investment. Apparently, the slowdown in global growth and concerns about the fiscal cliff are having a tangible impact on US businesses' decisions.

The latest employment report contained a few positives. The unemployment rate declined to 7.8%, although a careful look at the details suggests that some of the drop

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may be reversed in the coming months. Meanwhile, the work week ticked up and average hourly earnings increased, even as overall payroll employment recorded another lacklustre gain of about 100,000. Our view is that US growth and employment will expand at a sub-par pace through to the end of the year.

EMU

Eurozone incoming data continues to show no signs of an easing of the underlying conditions, despite a rebound, likely temporarily, of industrial production in August. Indeed in September, the Composite PMI fell from 46.3 to 46.1. The unemployment rate is now rising in all countries, including Germany, and in France the number of jobless people passed three million. Simultaneously, inflation rates have proven stubbornly sticky, due to high energy prices and indirect tax hikes in countries undergoing fiscal adjustment programmes. August money and credit data were again disappointing, showing, in particular, further deceleration in private loans. Financial markets reacted positively to the ECB's announcement of the Outright Monetary Transactions ("OMT") bond purchase programme, especially to its potentially unlimited size, despite the lack of details and the conditionality yet to be agreed before the programme can be activated. Currently, the Spanish government shows no urgency to apply for the programme. In its October policy meeting the ECB decided to keep interest rates on hold. While the incoming data has been mixed, the improvement in financial market sentiment – largely due to the announcement of the OMT programme – provides the ECB some respite, at least until the new macroeconomic projections are published in December.

The Spanish and French governments published their 2013 budgets showing very different approaches to the same goal of narrowing the public deficit and reaching agreed EU fiscal targets. In Spain, the conservative government's budget focuses on additional spending cuts, mainly on welfare programmes, while in France the socialist government has put emphasis on raising additional revenue by increasing income and corporate tax rates. Regardless, in both countries, the achievement of budget targets looks challenging. The Bank of Spain published the results of the widely criticised bottom-up bank stress test exercise which broadly confirmed the results of the earlier top-down exercise. The aggregate capital shortfall in the system was set at about EUR60bn, of which EUR40bn is planned to be financed from the EUR100bn EU bank bailout package agreed earlier this year. As the next step of the financial sector programme, the Spanish authorities are planning to launch a bad bank scheme in December which will be partly privately financed and will host mostly non-performing or defaulted developer loans.

The finance ministers of Finland, Germany and the Netherlands issued a joint statement in which they repeated their earlier position that they do not see past government capital injections to ailing banks as eligible to be transferred to the ESM firewall mechanism. This position, should it prevail, would complicate the adjustment efforts of Spain and Ireland. The authorities of the AAA-rated countries also have reservations for the activation of OMT purchases for Spain, mainly out of discontent that several new bailout packages (including Greece and Cyprus) would possibly have to be presented separately to national parliaments within a short timeframe.

UK

Underlying growth in the UK is estimated at around 0.0-0.5%. Surrounding this weak trend were some unusual holiday patterns related to this year's Jubilee celebrations which are distorting monthly and quarterly data (temporarily pulling down second quarter growth and pushing up third quarter growth). This created some confusion as it led to excessive pessimism in the second quarter, which is now subsiding and may cause some unjustified optimism for the third quarter. Any talk of “emerging from recession” or “green shoots” is misguided: the UK was never really in a significant double dip recession, and there are no meaningful green shoots. The bigger picture is that UK growth lies somewhere between the US (growth slightly 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 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-term picture remains benign: inflation expectation surveys are close to long-run averages and wage growth continues to be subdued.

The Bank of England's ("BoE") QE target of GBP375bn is anticipated to be reached in November. In recent months, the BoE has also launched a Funding for Lending Scheme, intended to lower bank funding costs and generate loans to the real economy. There has been progress towards lowering bank funding costs, but there have been no signs of lower interest rates on loans, or of increased lending. Fiscal policy has not yet wavered from the mantra of “sticking with the austerity plan”. Disappointing growth figures have led to a higher deficit path via automatic stabilisers, but have been accompanied by promises of further 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 look set to continue.

Japan

The Japanese economy is anticipated to record a contraction in growth for the third quarter. This outcome is supported by hard data currently available, showing a further steep drop in industrial production during August which again undershot expectations (dropping 1.3% month on month versus a consensus forecast fall of 0.5%) and car registrations. However, September's PMI survey offers some hope of activity stabilising. Indeed, the composite PMI increased slightly for the second consecutive month to 48.6, which while sub-par, is still 1.2 points above the cyclical low of July. This improvement was driven by the services sector (up from 48.2 to 49.7), geared by domestic demand and less affected by the softness in global activity. While the Bank of Japan's easing seems inadequate to weaken the yen, uncertainty on the economic outlook arises from the political landscape and the timing of the next elections. Though deflation tensions were stable in August they appear to have intensified during September. In August the national core inflation index (excluding food and energy) decreased at an annual pace of 0.3%, in line with July, while in September, the Tokyo core inflation index decreased by 1.1% year-on-year ("y/y"), in deceleration from the 0.9% drop recorded in August.

China

Relative to past trends, China's growth remains subdued. However, recent data provide mixed indications. September's official manufacturing PMI rose 0.6 points to 49.8: this figure is still weak, considering the usually strong seasonal effect in September. A positive sign was in finished goods inventories, which fell to levels approaching the 2005-2011 average, suggesting that the de-stocking process could be drawing to an end, thus exerting less of a drag on industrial production going forward. On the non-manufacturing side, while the official PMI fell by 2.6 points to 53.7, the lowest level since March 2011, the Services PMI compiled by Markit showed a bounce. The CPI y/y growth rate bottomed in July at 1.8%. In September inflation fell slightly from the 2.0% recorded in August. On the policy front, the People's Bank of China ("PBOC") injected net Rmb365bn liquidity into the banking system through large issuances of reverse repo ahead of the National Day holiday, 1-7 October. Reverse repos have become a significant tool to fine tune liquidity. This liquidity injection is equivalent to a 50bp reserve requirement ratio cut. The third quarter statement by the PBOC monetary policy committee reiterated a prudent approach to monetary policy. Chinese authorities believe that the current growth is still within target and does not appear to envisage any major policy easing going forward.

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.