

BREVAN HOWARD

Brevan Howard Master Fund Limited
Annual Audited Financial Statements 2007

ANNUAL FINANCIAL STATEMENTS
31 December 2007

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Independent Auditors' Report

We have audited the accompanying financial statements of Brevan Howard Master Fund Limited ("the Company"), which comprise the statement of assets and liabilities and condensed schedule of investments as at 31 December 2007, and the related statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in the United States of America. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2007, and its financial performance and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG

George Town
Grand Cayman

28 February 2008

Statement of Assets and Liabilities

31 December 2007

	2007 US\$	2006 US\$
Assets		
Investments at market value (cost 2007: US\$49,532,205,248; 2006: US\$34,739,694,213)	76,777,276,500	41,976,650,872
Cash	161,292	46,252
Investments purchased under agreements to resell (Note 5)	33,040,169,979	50,263,242,778
Dividends and interest receivable	282,536,611	351,693,946
Due from broker	37,530,524,212	45,063,074,527
Other assets	242,801	315,410
Long-term interest-bearing subscriptions receivable (Note 11)	110,863,929	63,122,691
Receivable from feeder funds	585,557,435	179,843,166
Total assets	148,327,332,759	137,897,989,642
Liabilities		
Securities sold short, at market value (proceeds 2007: US\$48,697,924,529; 2006: US\$44,000,099,801)	71,959,015,990	51,022,219,748
Investments sold under agreements to repurchase (Note 5)	21,513,587,919	29,586,960,019
Accounts payable and accrued expenses	2,525,584	3,741,838
Dividends and interest payable	372,928,195	487,515,247
Redemptions payable	652,357,829	186,861,034
Due to broker	38,555,175,124	45,341,154,212
Total liabilities	133,055,590,641	126,628,452,098
Net assets	15,271,742,118	11,269,537,544
Number of shares outstanding (Note 6)		
US Dollar Class A	4,675,484	5,215,455
US Dollar LP Class A	407,967	484,921
Euro Class A	556,566	616,891
Sterling Class A	134,661	118,750
BH Macro Limited		
US Dollar Class B	510,011	–
Euro Class B	273,480	–
Sterling Class B	132,032	–
Net Asset Value per share		
US Dollar Class A	US\$2,253.60	US\$1,684.89
US Dollar LP Class A	US\$2,025.22	US\$1,514.03
Euro Class A	€2,168.49	€1,646.37
Sterling Class A	£2,381.77	£1,774.37
BH Macro Limited		
US Dollar Class B	US\$1,269.96	–
Euro Class B	€1,254.45	–
Sterling Class B	£1,275.78	–

See accompanying notes to the Financial Statements.

Signed on behalf of the Board by:

Karla Bodden
Director

28 February 2008

Condensed Schedule of Investments

31 December 2007

	Market Value US\$	% of Net Assets
Long Portfolio		
Equities		
Australia (cost US\$31,743,496)		
Consumer, Non-cyclical	505,454	0.00
Basic Materials	17,833,034	0.12
Energy	2,488,016	0.02
Industrial	21,444,156	0.14
	42,270,660	0.28
Austria (cost US\$17,386,137)		
Industrial	17,780,430	0.12
Bermuda (cost US\$12,771,858)		
Financial	9,081,500	0.06
Industrial	2,794,221	0.02
	11,875,721	0.08
Brazil (cost US\$16,890,987)		
Consumer, Non-cyclical	587,922	0.00
Basic Materials	5,505,569	0.04
Communications	5,460,335	0.04
Diversified	2,045,799	0.01
Financial	2,014,368	0.01
Utilities	6,667,000	0.04
	22,280,993	0.14
Canada (cost US\$20,900,557)		
Basic Materials	24,418,243	0.16
Energy	3,703,223	0.02
	28,121,466	0.18
Cayman Islands (cost US\$25,467,347)		
Consumer, Non-cyclical	11,606,000	0.08
Communications	2,991,102	0.02
Energy	11,294,000	0.07
Technology	856,432	0.01
	26,747,534	0.18
Chile (cost US\$2,080,539)		
Consumer, Non-cyclical	874,750	0.01
Communications	1,186,500	0.01
	2,061,250	0.02
China (cost US\$3,769,710)		
Consumer, Cyclical	3,480,858	0.02
Cyprus (cost US\$44,432,297)		
Financial	475,564	0.00
Property	47,728,996	0.31
	48,204,560	0.31

Condensed Schedule of Investments continued

31 December 2007

	Market Value US\$	% of Net Assets
Long Portfolio		
Equities		
Denmark (cost US\$3,040,206)		
Industrial	3,178,922	0.02
Finland (cost US\$5,129,774)		
Industrial	5,005,995	0.03
France (cost US\$9,964,311)		
Communications	8,749,054	0.06
Financial	616,972	0.00
Technology	2,692,634	0.02
	12,058,660	0.08
Germany (cost US\$84,786,633)		
Consumer, Non-cyclical	8,297,560	0.05
Financial	47,803,287	0.31
Industrial	38,045,018	0.25
	94,145,865	0.61
Hong Kong (cost US\$48,352,465)		
Communications	879,000	0.01
Financial	44,059,055	0.29
Funds	6,989,043	0.05
Utilities	2,544,937	0.02
	54,472,035	0.37
India (cost US\$1,411,989)		
Technology	1,384,200	0.01
Indonesia (cost US\$2,742,809)		
Financial	2,608,325	0.02
Israel (cost US\$39,309,048)		
Consumer, Non-cyclical	3,010,328	0.02
Basic Materials	1,238,238	0.01
Communications	3,780,058	0.02
Consumer, Cyclical	3,740,417	0.02
Diversified	1,624,316	0.01
Financial	20,882,117	0.14
Industrial	1,918,603	0.01
Technology	9,583,213	0.06
	45,777,290	0.29

	Market Value US\$	% of Net Assets
Long Portfolio		
Equities		
Japan (cost US\$25,109,621)		
Consumer, Cyclical	2,121,209	0.01
Financial	3,373,230	0.02
Technology	17,433,522	0.11
	22,927,961	0.14
Jersey (cost US\$3,845,081)		
Basic Materials	75,675	0.00
Financial	3,997,498	0.03
	4,073,173	0.03
Korea (cost US\$53,277,316)		
Consumer, Non-cyclical	5,398,750	0.04
Communications	2,684,151	0.02
Consumer, Cyclical	9,823,193	0.06
Diversified	1,882,912	0.01
Financial	13,026,815	0.09
Industrial	6,447,310	0.04
Technology	18,616,981	0.12
	57,880,112	0.38
Malaysia (cost US\$16,907,789)		
Consumer, Non-cyclical	1,304,484	0.01
Communications	5,126,266	0.03
Consumer, Cyclical	3,411,462	0.02
Financial	6,916,377	0.05
Utilities	2,946,640	0.02
	19,705,229	0.13
Mexico (cost US\$1,204,401)		
Consumer, Non-cyclical	1,115,384	0.01
Netherlands (cost US\$6,835,362)		
Energy	1,227,375	0.01
Financial	571,232	0.00
Industrial	5,758,143	0.04
Technology	3,097,575	0.02
	10,654,325	0.07
Norway (cost US\$28,039,101)		
Consumer, Non-cyclical	5,426,745	0.04
Energy	28,226,412	0.18
	33,653,157	0.22
Philippines (cost US\$3,278,565)		
Communications	3,496,364	0.02
Financial	1,298,182	0.01
	4,794,546	0.03

Condensed Schedule of Investments continued

31 December 2007

	Market Value US\$	% of Net Assets
Long Portfolio		
Equities		
Russia (cost US\$10,314,421)		
Consumer, Non-cyclical	27,500	0.00
Basic Materials	2,295,250	0.02
Communications	6,362,250	0.04
Energy	2,840,000	0.02
Utilities	170,670	0.00
	11,695,670	0.08
Singapore (cost US\$36,133,986)		
Consumer, Non-cyclical	6,761,322	0.04
Basic Materials	2,617,043	0.02
Financial	8,329,739	0.05
Industrial	28,713,181	0.19
	46,421,285	0.30
South Africa (cost US\$3,262,480)		
Basic Materials	2,783,500	0.02
Consumer, Cyclical	216,312	0.00
	2,999,812	0.02
Switzerland (cost US\$16,457,129)		
Financial	12,674,750	0.08
Industrial	3,261,459	0.02
	15,936,209	0.10
Taiwan (cost US\$27,804,370)		
Basic Materials	47,553	0.00
Communications	816,428	0.01
Consumer, Cyclical	2,975,052	0.02
Energy	3,984,211	0.03
Financial	4,486,303	0.03
Industrial	9,758,086	0.06
Technology	5,208,757	0.03
	27,276,390	0.18
Thailand (cost US\$23,569,971)		
Consumer, Non-cyclical	1,137,460	0.01
Basic Materials	325,604	0.00
Communications	5,134,907	0.03
Energy	1,449,325	0.01
Financial	15,194,740	0.10
Industrial	4,355,818	0.03
	27,597,854	0.18

	Market Value US\$	% of Net Assets
Long Portfolio		
Equities		
Turkey (cost US\$7,169,071)		
Basic Materials	2,365,385	0.02
Consumer, Cyclical	3,324,786	0.02
Diversified	3,000,019	0.02
Financial	1,012,821	0.01
	9,703,011	0.07
United Arab Emirates (cost US\$989,440)		
Consumer, Non-cyclical	5,769,689	0.04
Financial	1,432,391	0.01
	7,202,080	0.05
United Kingdom (cost US\$8,106,404)		
Basic Materials	1,594,205	0.01
Financial	4,750,000	0.03
	6,344,205	0.04
United States (cost US\$329,493,112)		
Consumer, Non-cyclical	10,411,561	0.07
Basic Materials	25,036,800	0.16
Communications	3,941,376	0.03
Consumer, Cyclical	7,470,126	0.05
Energy	192,715,669	1.26
Financial	32,835,959	0.22
Funds	49,141,640	0.32
Industrial	21,959,609	0.14
Technology	24,156,132	0.16
Utilities	1,230,954	0.01
	368,899,826	2.42
Total equities (cost US\$971,977,783)	1,100,334,993	7.21

Condensed Schedule of Investments continued

31 December 2007

Quantity		Market Value US\$	% of Net Assets
	Fixed Income Securities		
	Argentina (cost US\$41,709,185)		
	Government	33,401,386	0.22
	Canada (cost US\$27,337,868)		
	Basic Materials	27,357,001	0.18
	Cayman Islands (cost US\$17,206,270)		
	Energy	4,169,750	0.03
	Financial	4,135,568	0.03
		8,305,318	0.06
	Channel Islands (cost US\$6,160,890)	–	0.00
	Cyprus (cost US\$35,412,694)		
	Financial	36,105,212	0.24
	Euro (cost US\$15,968,100)		
	Consumer, Non-cyclical	5,882,975	0.04
	Financial	11,242,805	0.07
		17,125,780	0.11
	France (cost US\$2,377,336,941)		
	Government		
241,400,000	FRTR 4% 04/25/13	351,683,457	2.30
247,000	FRTR 4% 10/25/38	323,446	0.00
900,000,000	FRTR 1% 07/25/17	1,235,845,933	8.09
250,000,000	FRTR 1.6% 07/25/15	382,457,187	2.50
510,685,000	FRTR 3% 07/25/12	890,306,202	5.83
		2,860,616,225	18.72
	Germany (cost US\$3,179,375,513)		
	Consumer, Cyclical	13,261,500	0.09
	Financial	7,072,800	0.05
	Government		
179,200,000	DBR 4% 01/04/37	237,672,485	1.56
60,000,000	DBR 4.25% 07/04/39	82,955,103	0.54
485,397,100	DBR 4.75% 07/04/34	724,745,221	4.75
421,183,000	DBR 5.5% 01/04/31	691,983,663	4.53
533,860,000	DBR 5.625% 01/04/28	884,343,735	5.79
381,050,000	DBR 6.25% 01/04/30	681,240,256	4.46
1,420,000	DBR 6.5% 07/04/27	2,581,985	0.02
		3,325,856,748	21.79
	Guernsey (cost US\$32,535,188)		
	Industrial	32,383,920	0.21
	Iceland (cost US\$7,210,231)		
	Industrial	7,084,588	0.05
	Iraq (cost US\$1,470,000)		
	Government	1,333,800	0.01

Quantity		Market Value US\$	% of Net Assets
	Fixed Income Securities		
	Ireland (cost US\$24,924,738)		
	Financial	24,391,500	0.16
	Italy (cost US\$70,304,821)		
	Industrial	25,936,547	0.17
	Government	47,318,890	0.31
		73,255,437	0.48
	Japan (cost US\$1,178,143,901)		
	Government		
5,000,000,000	JAPAN GOVT CPI 1.2% 03/10/17	45,086,061	0.30
10,000,000,000	JAPAN GOVT CPI 1.3% 09/10/17	90,665,357	0.59
5,000,000,000	JGB 0.38% 01/20/20	41,937,155	0.27
40,000,000,000	JGB 1.2% 03/20/12	360,596,377	2.36
12,500,000,000	JGB 1.3% 09/20/12	113,053,572	0.74
3,750,000,000	JGB 2.2% 09/20/26	34,059,607	0.22
19,000,000,000	JGB 2.2% 09/20/27	171,596,349	1.12
5,000,000,000	JGBI 1.2% 06/10/17	45,107,811	0.30
35,000,000,000	JGBI 1.2% 12/10/17	313,407,485	2.05
		1,215,509,774	7.95
	Jersey (cost US\$10,200,000)		
	Financial	11,969,880	0.08
	Energy	1,050,000	0.01
		13,019,880	0.09
	Luxembourg (cost US\$39,529,404)		
	Financial	28,805,000	0.19
	Industrial	9,336,385	0.06
		38,141,385	0.25
	Netherlands (cost US\$4,958,400)		
	Financial	4,375,000	0.03
	Norway (cost US\$9,501,250)		
	Energy	9,580,000	0.06
	Singapore (cost US\$3,287,158)		
	Financial	3,208,800	0.02
	South Africa (cost US\$18,117,571)		
	Communications	1,660,000	0.01
	Consumer, Cyclical	16,311,645	0.11
		17,971,645	0.12
	Spain (cost US\$18,969,304)		
	Consumer, Non-cyclical	19,126,398	0.13
	Supra-National (cost US\$10,974,627)		
	Financial	12,808,333	0.08

Condensed Schedule of Investments continued

31 December 2007

Quantity		Market Value US\$	% of Net Assets
Fixed Income Securities			
Sweden (cost US\$182,393,955)			
	Financial	162,709,314	1.07
	Industrial	35,025,095	0.23
		197,734,409	1.30
Ukraine (cost US\$55,036,300)			
	Financial	35,468,252	0.23
United Arab Emirates (cost US\$10,037,500)			
	Financial	9,900,000	0.06
United Kingdom (cost US\$3,138,987,724)			
	Consumer, Cyclical	19,017,581	0.12
	Consumer, Non-cyclical	123,376,460	0.81
	Energy	9,999,300	0.07
	Financial	36,387,168	0.24
	Government		
191,000,000	UKT 4.25% 12/07/46	372,488,878	2.44
371,800,000	UKT 4.5% 12/07/42	756,690,265	4.95
100,000,000	UKT 4.75% 03/07/20	201,932,570	1.32
579,303,000	UKT 8% 06/07/21	1,536,608,485	10.06
15,000,000	UKTI 1.25% 11/22/55	39,091,186	0.26
	Industrial	150,868,564	0.99
		3,246,460,457	21.26
United States (cost US\$13,811,639,757)			
	Basic Materials	10,050,000	0.07
	Communications	18,946,800	0.12
	Consumer, Cyclical	92,829,567	0.61
	Consumer, Non-cyclical	72,214,799	0.47
	Energy	73,176,250	0.48
	Financial	179,172,370	1.17
	Government		
108,910,000	TII 2% 01/15/14	126,172,121	0.83
38,100,000	TII 2.375% 01/15/25	43,465,125	0.28
496,800,000	TII 2.375% 01/15/27	532,508,452	3.49
103,258,000	TII 2.625% 07/15/17	110,998,776	0.73
128,450,000	TII 3% 07/15/12	160,611,820	1.05
105,000,000	TII 3.875% 04/15/29	172,671,466	1.13
1,823,000,000	T 4.25% 11/15/17	1,827,272,656	11.97
225,400,000	T 4.625% 02/15/17	232,408,531	1.52
125,000,000	T 4.625% 11/15/16	129,140,625	0.85
2,000,000,000	T 4.625% 11/30/08	2,022,968,760	13.25
894,400,000	T 4.75% 8/15/17	931,154,250	6.10
167,930,000	T 7.125% 02/15/23	212,746,319	1.39
6,650,000	T 7.5% 11/15/16	8,242,883	0.05
1,000,000,000	B 02/07/08	997,117,500	6.53
3,000,000,000	B 06/05/08	2,957,892,000	19.37

Quantity		Market Value US\$	% of Net Assets
Fixed Income Securities			
United States (cost US\$13,811,639,757) (continued)			
Mortgage			
30,315,735	FNS 370 2	7,398,934	0.05
332,654	FNS 372 2	81,188	0.00
224,560,349	FNS 377 2	60,526,032	0.40
362,555	FNS 380 2	80,442	0.00
1,780,035	FNS 370 1	1,279,078	0.01
332,654	FNS 372 1	254,480	0.00
28,969,419	FNS 379 1	20,885,141	0.14
196,940,282	FNS 380 1	157,890,717	1.03
474,000,000	FNCL 5.5% 2/08	468,519,375	3.07
31,000,000	FNCL 6% 1/08	31,280,938	0.20
148,000,000	FNCL 6.5% 1/08	151,491,868	0.99
2,027,000,000	FNCL 6.5% 2/08	2,073,082,426	13.57
	Technology	25,307,838	0.17
		13,909,839,527	91.09
Total Fixed Income Securities (cost US\$24,328,729,290)		25,180,360,775	164.90

		Market Value US\$	% of Net Assets
Interest Rate Guarantee Options (cost US\$3,478,492,005)			
AUD	termination dates through November 2010	728,411	0.00
CHF	termination dates through September 2011	10,473,064	0.07
EUR	termination dates through September 2032	2,487,697,663	16.29
GBP	termination dates through February 2036	278,505,201	1.82
HKD	termination dates through May 2012	2,318,160	0.02
JPY	termination dates through January 2009	4,185,283	0.03
KRW	termination dates through August 2012	544,982	0.00
USD	termination dates through April 2037	4,487,658,564	29.39
ZAR	termination dates through October 2008	924,946	0.01
		7,273,036,274	47.63

Forward Rate Agreements

EUR	termination dates through September 2008	135,091,167	0.88
HUF	termination dates through August 2008	760,302	0.00
PLN	termination dates through May 2008	1,067,484	0.01
USD	termination dates through September 2008	8,309,981	0.05
ZAR	termination dates through July 2008	1,226,815	0.01
		146,455,749	0.95

Cross Currency Swaps

USD	termination dates through November 2027	223,224,955	1.46
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Condensed Schedule of Investments continued

31 December 2007

	Market Value US\$	% of Net Assets
Interest Rate Swaps		
AUD termination dates through August 2020	42,403,385	0.28
BRL termination dates through January 2012	79,647,842	0.52
CAD termination dates through March 2037	39,713,227	0.26
CHF termination dates through June 2037	111,205,534	0.73
CNY termination dates through December 2012	2,116,616	0.01
CZK termination dates through June 2017	6,817,397	0.04
EUR termination dates through August 2067	5,799,374,260	37.97
GBP termination dates through October 2067	1,075,678,541	7.04
HKD termination dates through September 2017	24,251,944	0.16
HUF termination dates through June 2017	122,631,868	0.80
ILS termination dates through September 2017	10,741,599	0.07
INR termination dates through June 2017	59,075,262	0.39
JPY termination dates through August 2033	205,358,184	1.34
KRW termination dates through August 2021	92,878,506	0.61
MXN termination dates through November 2017	101,624,474	0.67
NGN termination dates through July 2008	1,689,191	0.01
NOK termination dates through October 2012	9,003,792	0.06
NZD termination dates through October 2016	38,248,738	0.25
PLN termination dates through June 2016	79,908,969	0.52
RUB termination dates through June 2010	1,470,055	0.01
SEK termination dates through May 2037	66,485,310	0.44
SGD termination dates through May 2022	24,624,699	0.16
SKK termination dates through March 2009	35,854,662	0.23
THB termination dates through September 2016	30,085,279	0.20
TWD termination dates through May 2017	3,857,907	0.03
USD termination dates through October 2067	3,818,566,438	25.00
ZAR termination dates through May 2036	228,315,851	1.50
	12,111,629,530	79.30
Credit Default Swaps		
EUR termination dates through March 2025	16,863,764	0.11
GBP termination dates through March 2014	317,139	0.00
USD termination dates through December 2052	568,562,075	3.72
	585,742,978	3.83
Swaptions (cost US\$8,942,908,657)		
AUD termination dates through January 2010	7,407,110	0.05
BRL termination dates through January 2009	611,106	0.00
CAD termination dates through October 2015	15,825,252	0.10
CHF termination dates through August 2026	4,557,355	0.03
EUR termination dates through March 2037	3,430,084,778	22.46
GBP termination dates through January 2036	741,017,938	4.85
HKD termination dates through July 2008	4,534,218	0.03
JPY termination dates through July 2011	41,025,804	0.27
KRW termination dates through July 2012	14,274,354	0.09
USD termination dates through October 2037	9,420,116,925	61.68
	13,679,454,840	89.56

		Market Value US\$	% of Net Assets
FX Contracts		644,516,530	4.22
Exchange Traded Futures			
WTI Crude Oil	termination dates through December 2010 (36,094 contracts)	644,417,628	4.22
US Treasury Note	termination dates through March 2008 (124,789 contracts)	183,773,312	1.20
Wheat	termination dates through July 2009 (6,650 contracts)	83,516,363	0.55
Eurodollar	termination dates through September 2009 (31,347 contracts)	75,763,225	0.50
Euribor 3 month	termination dates through December 2009 (107,303 contracts)	55,107,344	0.36
Brent Crude Oil	termination dates through December 2008 (1,836 contracts)	38,291,378	0.25
Other	termination dates through September 2009 (6,280,521 contracts)	129,211,748	0.85
		1,210,080,998	7.93
Exchange Traded Options (cost US\$1,101,931,412)			
Eurodollar	termination dates through March 2009	1,712,658,625	11.21
Sterling 3 month	termination dates through March 2009	457,710,433	3.00
Other	termination dates through December 2009	232,746,805	1.52
		2,403,115,863	15.73
Commodity Options (cost US\$820,512,283)			
WTI Crude Oil	termination dates through November 2015	1,547,045,660	10.13
Natural Gas	termination dates through November 2013	30,205,181	0.20
Other	termination dates through December 2008	6,354,791	0.04
		1,583,605,632	10.37
Equity Options (cost US\$5,544,624,130)			
DJ Euro Stoxx50e	termination dates through December 2016	4,224,164,138	27.66
DAX	termination dates through December 2011	466,336,320	3.05
S&P 500	termination dates through December 2012	148,138,550	0.97
Nikkei 225	termination dates through March 2010	120,924,428	0.79
FTSE-100	termination dates through December 2009	83,365,876	0.55
Other	termination dates through November 2011	34,096,148	0.22
		5,077,025,460	33.24
Metal Options (cost US\$75,486,559)		95,359,082	0.62
Bond Options (cost US\$8,364,965)		9,020,489	0.06

Condensed Schedule of Investments continued

31 December 2007

	Market Value US\$	% of Net Assets
FX Options (cost US\$2,099,178,164)		
EUR/USD termination dates through June 2027	666,099,399	4.36
EUR/CHF termination dates through April 2017	446,834,053	2.93
USD/JPY termination dates through April 2014	398,148,338	2.61
USD/CHF termination dates through December 2022	384,663,919	2.52
AUD/JPY termination dates through January 2014	138,492,210	0.91
AUD/USD termination dates through December 2008	134,736,771	0.88
USD/BSK termination dates through December 2008	71,268,997	0.47
USD/BRL termination dates through November 2009	65,816,159	0.43
AUD/CHF termination dates through October 2008	61,338,274	0.40
GBP/USD termination dates through December 2008	61,035,358	0.40
USD/KRW termination dates through June 2010	58,436,712	0.38
GBP/JPY termination dates through July 2008	42,333,111	0.28
EUR/JPY termination dates through May 2008	39,839,999	0.26
USD/TRY termination dates through December 2008	37,223,695	0.24
USD/ILS termination dates through April 2009	36,916,123	0.24
TRY/JPY termination dates through March 2009	36,735,431	0.24
USD/CAD termination dates through July 2008	31,767,778	0.21
EUR/GBP termination dates through August 2008	28,786,911	0.19
USD/RUB termination dates through September 2010	28,457,566	0.19
GBP/AUD termination dates through December 2008	26,596,765	0.17
Other termination dates through November 2010	140,655,691	0.92
	2,936,183,260	19.23
Equity Swaps	161,526,266	1.07
Investment in Affiliated Funds (cost US\$1,610,000,000) (Note 13)		
Brevan Howard Emerging Markets Strategies Fund LP	411,147,356	2.69
Brevan Howard Equity Strategies Fund LP	774,703,628	5.07
Brevan Howard P&C Fund LP	48,842,456	0.32
Brevan Howard Strategic Opportunities Fund Limited	563,794,777	3.69
	1,798,488,217	11.77
Investment in Other Funds (cost US\$550,000,000)	558,114,609	3.66
Total investments at Market Value (cost US\$49,532,205,248)	76,777,276,500	502.74

See accompanying notes to Financial Statements.

	Market Value US\$	% of Net Assets
Short Portfolio		
Equities		
Brazil (proceeds US\$(409,950))		
Communications	(470,500)	(0.00)
Cayman Islands (proceeds US\$(413,082))		
Communications	(818,940)	(0.01)
China (proceeds US\$(1,034,844))		
Financial	(1,557,000)	(0.01)
France (proceeds US\$(1,340,558))		
Financial	(1,247,471)	(0.01)
Hong Kong (proceeds US\$(599,835))		
Financial	(2,830,842)	(0.02)
India (proceeds US\$(1,380,521))		
Financial	(1,800,600)	(0.01)
Korea (proceeds US\$(796,169))		
Utilities	(1,061,500)	(0.01)
Malaysia (proceeds US\$(1,597,073))		
Consumer, Non-cyclical	(1,304,484)	(0.01)
Financial	(1,070,618)	(0.01)
	(2,375,102)	(0.02)
Mexico (proceeds US\$(1,852,868))		
Communications	(1,884,000)	(0.01)
Industrial	(2,357)	(0.00)
	(1,886,357)	(0.01)
Spain (proceeds US\$(6,737,232))		
Financial	(6,937,238)	(0.05)
United Kingdom (proceeds US\$(3,289,706))		
Basic Materials	(1,594,205)	(0.01)
United States (proceeds US\$(72,468,708))		
Financial	(7,674,474)	(0.05)
Funds	(62,502,119)	(0.40)
	(70,176,593)	(0.45)
Total equities (proceeds US\$(91,920,546))	(92,756,348)	(0.61)

Condensed Schedule of Investments continued

31 December 2007

Quantity		Market Value US\$	% of Net Assets
	Fixed Income Securities sold short		
	Australia (proceeds US\$(387,725,927))		
	Government	(392,795,597)	(2.57)
	Canada (proceeds US\$(597,279,042))		
	Government	(694,389,338)	(4.55)
	France (proceeds US\$(60,465,969))		
	Government	(68,300,470)	(0.45)
	Germany (proceeds US\$(469,024))		
	Government	(525,745)	(0.00)
	Italy (proceeds US\$(4,185,994,036))		
	Government		
(60,000,000)	BTPS 3.75% 08/01/15	(84,581,847)	(0.55)
(300,000,000)	BTPS 3.75% 08/01/16	(418,665,555)	(2.74)
(1,000,000,000)	BTPS 4% 02/01/17	(1,412,939,150)	(9.25)
(32,400,000)	BTPS 4.25% 08/01/14	(47,526,564)	(0.31)
(450,000,000)	BTPS 5% 08/01/34	(667,351,834)	(4.37)
(603,000,000)	BTPS 5.25% 11/01/29	(928,015,236)	(6.08)
(199,800,000)	BTPS 5.75% 02/01/33	(327,835,022)	(2.15)
(103,030,000)	BTPS 6% 05/01/31	(173,607,706)	(1.14)
(147,000,000)	BTPS 2.35% 09/15/35	(223,913,283)	(1.47)
		(4,284,436,197)	(28.06)
	Japan (proceeds US\$(823,896,801))		
	Government		
(15,000,000,000)	JGB 1.1% 09/20/12	(134,401,535)	(0.88)
(25,000,000,000)	JGB 1.3% 09/20/12	(226,107,145)	(1.48)
(35,000,000,000)	JGB 1.5% 12/20/17	(311,275,388)	(2.04)
(5,000,000,000)	JGB 1.7% 03/20/17	(45,566,284)	(0.30)
(10,000,000,000)	JGB 1.7% 09/20/17	(90,718,248)	(0.59)
(5,000,000,000)	JGB 1.8% 06/20/17	(45,864,104)	(0.30)
		(853,932,704)	(5.59)
	Netherlands (proceeds US\$(1,930,000))		
	Financial	(1,690,000)	(0.01)
	Spain (proceeds US\$(4,142,135,997))		
	Government		
(750,000,000)	SPGB 3.15% 01/31/16	(1,013,952,188)	(6.64)
(750,000,000)	SPGB 3.8% 01/31/17	(1,053,294,638)	(6.90)
(800,000,000)	SPGB 5.5% 07/30/17	(1,271,571,560)	(8.33)
(475,000,000)	SPGB 5 5.75% 07/30/32	(802,869,629)	(5.26)
		(4,141,688,015)	(27.13)

Quantity		Market Value US\$	% of Net Assets
Fixed Income Securities sold short			
Sweden (proceeds US\$(151,420,236))			
	Government	(170,295,302)	(1.12)
Turkey (proceeds US\$(3,050,000))			
	Government	(3,145,000)	(0.02)
United Kingdom (proceeds US\$(8,404,870,959))			
	Government		
(433,500,000)	UKT 4% 09/07/16	(827,616,433)	(5.42)
(203,130,000)	UKT 4.25% 03/07/36	(393,973,801)	(2.58)
(412,950,000)	UKT 4.75% 09/07/15	(831,529,381)	(5.44)
(548,750,000)	UKT 5% 03/07/12	(1,116,052,901)	(7.31)
(300,000,000)	UKT 5% 09/07/14	(611,760,994)	(4.01)
(350,000,000)	UKT 5.25% 06/07/12	(717,916,434)	(4.70)
(283,840,000)	UKT 6% 12/07/28	(674,580,754)	(4.42)
(94,000,000)	UKTI 2% 01/26/35	(280,174,808)	(1.83)
(410,000,000)	UKTI 2.5% 05/20/09	(2,165,714,627)	(14.18)
(65,000,000)	UKTI 2.5% 07/26/16	(350,519,422)	(2.30)
(150,000,000)	UKTI 2.5% 08/16/13	(714,874,860)	(4.68)
(57,050,000)	UKTI 1.25% 11/22/27	(125,940,937)	(0.82)
		(8,810,655,352)	(57.69)
United States (proceeds US\$(8,762,767,869))			
	Government		
(1,910,000)	TII 2% 01/15/14	(2,212,733)	(0.01)
(140,800,000)	TII 2.375% 01/15/17	(152,225,188)	(1.00)
(2,235,000)	TII 2.625% 07/15/17	(2,402,548)	(0.02)
(56,250,000)	TII 3.375% 01/15/12	(71,772,884)	(0.47)
(25,000,000)	TII 3.625% 04/15/28	(40,076,077)	(0.26)
(167,300,000)	T 3.375% 11/30/12	(165,378,665)	(1.08)
(127,000,000)	T 4% 02/15/14	(128,468,438)	(0.84)
(284,750,000)	T 4% 11/15/12	(289,955,586)	(1.90)
(5,000,000)	T 4.125% 08/31/12	(5,104,688)	(0.03)
(289,930,000)	T 4.375% 08/15/12	(300,122,852)	(1.97)
(558,200,000)	T 4.5% 02/15/36	(545,553,281)	(3.57)
(405,000,000)	T 4.5% 05/15/10	(417,086,719)	(2.73)
(500,000,000)	T 4.5% 11/15/10	(517,695,315)	(3.39)
(87,500,000)	T 4.75% 02/15/37	(89,017,578)	(0.58)
(1,000,000,000)	T 4.75% 2/15/10	(1,031,406,250)	(6.75)
(1,034,000,000)	T 4.875% 02/15/12	(1,088,931,250)	(7.13)
(250,000,000)	T 5.25% 11/15/28	(268,867,188)	(1.76)
(150,000,000)	T 5.375% 02/15/31	(164,953,125)	(1.08)
(543,890,000)	T 6.625% 02/15/27	(675,953,291)	(4.43)
(6,650,000)	T 7.5% 11/15/16	(8,242,883)	(0.05)

Condensed Schedule of Investments continued

31 December 2007

Quantity		Market Value US\$	% of Net Assets
Fixed Income Securities sold short			
United States (proceeds US\$(8,762,767,869)) (continued)			
Mortgage			
(65,800,000)	FHLMC 4.75% 11/17/15	(66,810,030)	(0.44)
(60,000,000)	FGLMC 5% 1/08	(57,843,750)	(0.38)
(26,000,000)	FNCL 5% 1/08	(25,065,625)	(0.16)
(32,000,000)	FNCL 5% 2/08	(30,832,499)	(0.20)
(194,000,000)	FNCL 5.5% 1/08	(191,878,125)	(1.26)
(2,498,000,000)	FNCL 6% 2/08	(2,518,686,438)	(16.49)
		(8,856,543,006)	(57.98)
Total Fixed Income (proceeds US\$(27,522,005,861))		(28,278,396,726)	(185.17)
Interest Rate Guarantee Options (proceeds US\$(1,649,187,441))			
CAD	termination dates through September 2008	(1,831,450)	(0.01)
CHF	termination dates through September 2011	(42,084,150)	(0.28)
EUR	termination dates through September 2032	(1,698,748,886)	(11.12)
GBP	termination dates through February 2036	(192,837,520)	(1.26)
HKD	termination dates through May 2012	(477,429)	(0.00)
JPY	termination dates through January 2009	(1,338,482)	(0.01)
USD	termination dates through April 2037	(2,545,609,853)	(16.67)
ZAR	termination dates through October 2008	(762,539)	(0.00)
		(4,483,690,309)	(29.35)
Forward Rate Agreements			
EUR	termination dates through September 2008	(125,097,913)	(0.82)
HUF	termination dates through August 2008	(757,743)	(0.00)
ILS	termination dates through April 2009	(346,292)	(0.00)
USD	termination dates through September 2008	(7,260,755)	(0.05)
		(133,462,703)	(0.87)
Cross Currency Swaps			
USD	termination dates through November 2027	(175,407,844)	(1.15)
Interest Rate Swaps			
AUD	termination dates through August 2020	(45,884,484)	(0.30)
BRL	termination dates through January 2012	(129,308,797)	(0.85)
CAD	termination dates through March 2037	(25,221,482)	(0.17)
CHF	termination dates through June 2037	(124,432,101)	(0.81)
CNY	termination dates through December 2012	(3,871,856)	(0.03)
CZK	termination dates through June 2017	(6,502,156)	(0.04)
EUR	termination dates through August 2067	(4,956,293,907)	(32.45)
GBP	termination dates through October 2067	(1,265,772,910)	(8.29)
HKD	termination dates through September 2017	(33,975,314)	(0.22)
HUF	termination dates through June 2017	(117,415,349)	(0.77)
ILS	termination dates through September 2017	(6,705,391)	(0.04)
INR	termination dates through June 2017	(25,070,446)	(0.16)

	Market Value US\$	% of Net Assets
Interest Rate Swaps (continued)		
JPY termination dates through August 2033	(203,570,268)	(1.33)
KRW termination dates through August 2021	(74,319,464)	(0.49)
MXN termination dates through November 2017	(62,199,020)	(0.41)
NOK termination dates through October 2012	(815,656)	(0.01)
NZD termination dates through October 2016	(47,101,363)	(0.31)
PLN termination dates through June 2016	(106,251,502)	(0.70)
SEK termination dates through May 2037	(57,475,571)	(0.38)
SGD termination dates through May 2022	(12,108,031)	(0.08)
SKK termination dates through March 2009	(20,697,026)	(0.14)
THB termination dates through September 2016	(24,114,600)	(0.16)
TWD termination dates through May 2017	(3,292,289)	(0.02)
USD termination dates through October 2067	(4,781,497,103)	(31.31)
ZAR termination dates through May 2036	(227,876,791)	(1.49)
	(12,361,772,877)	(80.96)
Credit Default Swaps		
EUR termination dates through March 2025	(5,794,249)	(0.04)
USD termination dates through December 2052	(296,185,296)	(1.94)
	(301,979,545)	(1.98)
Swaptions (proceeds US\$(9,252,083,044))		
AUD termination dates through January 2010	(4,563,963)	(0.03)
BRL termination dates through January 2009	(169,884)	(0.00)
CAD termination dates through October 2015	(10,364,927)	(0.07)
CHF termination dates through August 2026	(85,228,160)	(0.56)
EUR termination dates through March 2037	(3,357,236,161)	(21.98)
GBP termination dates through January 2036	(320,209,331)	(2.10)
JPY termination dates through July 2011	(40,851,105)	(0.27)
USD termination dates through October 2037	(8,866,028,620)	(58.06)
	(12,684,652,151)	(83.07)

Condensed Schedule of Investments continued

31 December 2007

		Market Value US\$	% of Net Assets
FX Contracts			
EUR/US	termination dates through July 2019	(199,134,441)	(1.30)
TRY/US	termination dates through September 2008	(282,653,810)	(1.85)
Other	termination dates through July 2012	(534,158,038)	(3.50)
		(1,015,946,289)	(6.65)
Exchange Traded Futures			
WTI Crude Oil	termination dates through December 2015 (43,193 contracts)	(586,520,083)	(3.84)
US Treasury Note	termination dates through March 2008 (35,594 contracts)	(52,766,242)	(0.35)
Brent Crude Oil	termination dates through December 2008 (1,749 contracts)	(35,257,648)	(0.23)
Other	termination dates through September 2011 (2,238,439 contracts)	(177,567,535)	(1.16)
		(852,111,508)	(5.58)
Exchange Traded Options (proceeds US\$(916,234,426))			
Eurodollar	termination dates through March 2009	(1,186,427,988)	(7.77)
Sterling 3 month	termination dates through December 2008	(375,568,884)	(2.46)
Euribor 3 month	termination dates through December 2009	(153,272,733)	(1.00)
Other	termination dates through December 2008	(78,275,505)	(0.51)
		(1,793,545,110)	(11.74)
Commodity Options (proceeds US\$(794,770,801))			
WTI Crude Oil	termination dates through November 2012	(1,262,156,523)	(8.26)
Other	termination dates through November 2013	(150,337,062)	(0.98)
		(1,412,493,585)	(9.24)
Equity Options (proceeds US\$(6,673,956,983))			
DJ Euro Stoxx 50e	termination dates through December 2016	(5,445,584,729)	(35.66)
DAX	termination dates through December 2011	(376,405,809)	(2.46)
S&P 500	termination dates through March 2010	(152,542,194)	(1.00)
Other	termination dates through November 2011	(202,598,862)	(1.33)
		(6,177,131,594)	(40.45)
Metal Options (proceeds US\$(61,610,575))		(63,642,980)	(0.41)
Bond Options (proceeds US\$(8,433,063))		(11,769,191)	(0.07)
FX Options (proceeds US\$(1,727,721,790))			
EUR/USD	termination dates through December 2012	(756,559,761)	(4.95)
USD/JPY	termination dates through March 2011	(289,249,068)	(1.89)
USD/CHF	termination dates through August 2012	(199,391,477)	(1.31)
EUR/CHF	termination dates through August 2017	(185,654,343)	(1.22)
AUD/USD	termination dates through December 2008	(156,988,938)	(1.03)
AUD/JPY	termination dates through December 2008	(131,438,522)	(0.86)
EUR/JPY	termination dates through December 2008	(39,025,116)	(0.26)
USD/BSK	termination dates through September 2008	(37,694,913)	(0.25)
USD/CAD	termination dates through December 2008	(35,595,287)	(0.23)
TRY/JPY	termination dates through July 2009	(32,827,174)	(0.21)
GBP/USD	termination dates through November 2008	(26,020,495)	(0.17)
Other	termination dates through October 2010	(147,417,860)	(0.97)
		(2,037,862,954)	(13.35)
Equity Swaps		(82,394,276)	(0.53)
Total Securities sold short at Market Value (proceeds US\$(48,697,924,529))		(71,959,015,990)	(471.19)

See accompanying notes to Financial Statements.

Condensed Schedule of Investments

Prior year comparative 31 December 2006

	Market Value US\$	% of Net Assets
Long Portfolio		
Equities		
Australia (cost US\$10,798,585)		
Basic Materials	6,508,350	0.06
Communications	351,024	0.00
Consumer, Cyclical	346,392	0.00
Energy	339,924	0.00
Financial	3,104,059	0.03
Industrial	1,005,273	0.01
	11,655,022	0.10
Austria (cost US\$1,142,330)		
Industrial	1,115,094	0.01
Bermuda (cost US\$8,688,277)		
Communications	334,913	0.00
Consumer, Cyclical	1,328,904	0.01
Consumer, Non-cyclical	6,847,994	0.06
Energy	2,708,831	0.03
Financial	525,711	0.00
Industrial	1,007,993	0.01
	12,754,346	0.11
Brazil (cost US\$44,044,242)		
Basic Materials	5,952,993	0.05
Communications	3,978,546	0.04
Consumer, Cyclical	5,792,478	0.05
Consumer, Non-cyclical	11,231,586	0.10
Energy	5,674,146	0.05
Financial	11,128,595	0.10
Industrial	3,153,365	0.03
Technology	1,540,447	0.01
Utilities	3,301,536	0.03
	51,753,692	0.46
Canada (cost US\$66,238,959)		
Basic Materials	15,392,441	0.14
Communications	1,291,946	0.02
Consumer, Cyclical	1,169,679	0.01
Consumer, Non-cyclical	1,178,951	0.01
Diversified	375,469	0.01
Energy	50,009,345	0.44
Financial	2,720,143	0.02
Industrial	766,522	0.00
Utilities	392,723	0.00
	73,297,219	0.65

Condensed Schedule of Investments continued

Prior year comparative 31 December 2006

	Market Value US\$	% of Net Assets
Long Portfolio		
Equities		
Cayman Islands (cost US\$6,364,657)		
Basic Materials	674,470	0.01
Consumer, Cyclical	1,278,149	0.01
Consumer, Non-cyclical	500,606	0.00
Energy	2,307,900	0.02
Financial	644,945	0.01
Industrial	1,412,781	0.01
	6,818,851	0.06
Chile (cost US\$5,782,417)		
Basic Materials	1,008,000	0.01
Communications	1,192,500	0.01
Consumer, Non-cyclical	848,000	0.01
Financial	1,687,000	0.01
Utilities	1,215,520	0.01
	5,951,020	0.05
China (cost US\$10,058,693)		
Basic Materials	975,482	0.01
Communications	1,553,744	0.01
Consumer, Cyclical	2,561,449	0.02
Consumer, Non-cyclical	1,201,819	0.01
Energy	1,847,765	0.02
Industrial	4,046,717	0.04
Utilities	345,940	0.00
	12,532,916	0.11
Cyprus (cost US\$2,847,509)		
Financial	2,880,171	0.03
Denmark (cost US\$2,032,648)		
Consumer, Non-cyclical	2,065,568	0.02
France (cost US\$6,998,803)		
Communications	5,536,043	0.05
Consumer, Non-cyclical	2,066,355	0.02
	7,602,398	0.07
Germany (cost US\$6,421,462)		
Basic Materials	1,022,184	0.01
Consumer, Non-cyclical	2,929,281	0.03
Industrial	2,466,049	0.02
	6,417,514	0.06

	Market Value US\$	% of Net Assets
Long Portfolio		
Equities		
Hong Kong (cost US\$17,424,889)		
Communications	1,244,953	0.01
Consumer, Cyclical	1,176,158	0.01
Diversified	2,773,537	0.02
Energy	4,292,580	0.04
Financial	9,129,000	0.08
Utilities	1,040,590	0.01
	19,656,818	0.17
Hungary (cost US\$1,304,402)		
Financial	2,244,326	0.02
India (cost US\$299,917)		
Financial	561,735	0.01
Indonesia (cost US\$52,031)		
Consumer, Cyclical	56,252	0.00
Israel (cost US\$4,625,863)		
Communications	3,268,091	0.03
Consumer, Non-cyclical	2,339,250	0.02
Financial	353,938	0.00
	5,961,279	0.05
Japan (cost US\$26,825,080)		
Basic Materials	4,429,889	0.04
Communications	483,984	0.00
Consumer, Cyclical	8,358,527	0.07
Financial	6,372,218	0.06
Industrial	3,454,642	0.03
Technology	6,671,514	0.06
	29,770,774	0.26
Jersey (cost US\$4,377,431)		
Basic Materials	809,000	0.01
Financial	4,443,951	0.04
	5,252,951	0.05
Kazakhstan (cost US\$999,000)		
Energy	1,157,250	0.01

Condensed Schedule of Investments continued

Prior year comparative 31 December 2006

	Market Value US\$	% of Net Assets
Long Portfolio		
Equities		
Korea (cost US\$24,339,230)		
Communications	5,259,506	0.05
Consumer, Cyclical	2,797,827	0.02
Consumer, Non-cyclical	1,030,987	0.01
Diversified	1,602,754	0.01
Financial	4,719,787	0.04
Industrial	5,081,269	0.05
Technology	6,917,926	0.06
	27,410,056	0.24
Luxembourg (cost US\$1,232,500)		
Basic Materials	1,271,250	0.01
Malaysia (cost US\$9,291,497)		
Communications	635,809	0.00
Consumer, Cyclical	728,946	0.01
Consumer, Non-cyclical	645,434	0.01
Financial	5,567,561	0.05
Industrial	2,315,442	0.02
Utilities	1,268,224	0.01
	11,161,416	0.10
Mexico (cost US\$4,598,657)		
Communications	2,409,500	0.02
Financial	1,040,815	0.01
Industrial	1,362,894	0.01
	4,813,209	0.04
Netherlands (cost US\$24,009,129)		
Consumer, Cyclical	2,047,500	0.02
Consumer, Non-cyclical	21,784,050	0.19
	23,831,550	0.21
Norway (cost US\$30,317,472)		
Consumer, Non-cyclical	7,024,069	0.06
Energy	21,037,300	0.19
Industrial	10,011,496	0.09
	38,072,865	0.34
Philippines (cost US\$2,627,145)		
Communications	1,512,220	0.01
Financial	1,910,132	0.02
	3,422,352	0.03

	Market Value US\$	% of Net Assets
Long Portfolio		
Equities		
Russia (cost US\$14,664,619)		
Basic Materials	3,513,228	0.03
Consumer, Non-cyclical	2,777,240	0.02
Energy	4,486,550	0.04
Financial	2,662,200	0.02
Utilities	3,580,964	0.03
	17,020,182	0.14
Singapore (cost US\$37,510,541)		
Communications	736,159	0.01
Consumer, Cyclical	406,739	0.00
Consumer, Non-cyclical	2,005,090	0.02
Diversified	2,113,201	0.02
Energy	821,634	0.01
Financial	22,618,996	0.20
Industrial	17,373,187	0.15
Technology	276,809	0.00
	46,351,815	0.41
South Africa (cost US\$6,741,264)		
Basic Materials	2,405,611	0.02
Communications	207,672	0.00
Consumer, Cyclical	644,334	0.01
Consumer, Non-cyclical	415,860	0.00
Diversified	647,271	0.01
Energy	405,007	0.00
Financial	1,647,843	0.01
Industrial	410,576	0.01
Technology	217,886	0.00
	7,002,060	0.06
Switzerland (cost US\$6,202,259)		
Consumer, Cyclical	211,100	0.00
Consumer, Non-cyclical	5,983,005	0.05
	6,194,105	0.05
Taiwan (cost US\$8,820,931)		
Basic Materials	3,531,737	0.03
Communications	750,280	0.01
Financial	2,928,871	0.03
Industrial	1,088,134	0.01
Technology	1,645,172	0.01
	9,944,194	0.09

Condensed Schedule of Investments continued

Prior year comparative 31 December 2006

	Market Value US\$	% of Net Assets
Long Portfolio		
Equities		
Thailand (cost US\$9,957,884)		
Basic Materials	163,018	0.00
Communications	127,761	0.00
Consumer, Cyclical	173,938	0.00
Consumer, Non-cyclical	782,732	0.01
Energy	2,199,897	0.02
Financial	7,783,809	0.07
	11,231,155	0.10
Turkey (cost US\$699,523)		
Communications	800,594	0.01
United Kingdom (cost US\$5,166,806)		
Basic Materials	3,365,462	0.03
Consumer, Cyclical	657,772	0.01
Financial	541,147	0.00
	4,564,381	0.04
United States (cost US\$76,785,885)		
Basic Materials	4,500,000	0.04
Communications	983,785	0.01
Consumer, Cyclical	242,250	0.00
Consumer, Non-cyclical	21,580,882	0.19
Energy	25,182,268	0.22
Financial	43,437,400	0.39
Funds	8,130,900	0.07
Technology	1,941,000	0.02
	105,998,485	0.94
Venezuela (cost US\$998,600)		
Communications	985,000	0.01
Total equities (cost US\$491,291,137)	579,579,865	5.14

Quantity		Market Value US\$	% of Net Assets
	Fixed Income Securities		
	Argentina (cost US\$1,529,185)		
	Government	2,474,445	0.02
	Australia (cost US\$112,381,178)		
	Government	117,060,327	1.04
	Austria (cost US\$328,493,801)		
	Government	320,090,538	2.84
	Canada (cost US\$347,545,609)		
	Government	336,671,945	2.99
	Industrial	6,588,179	0.06
		343,260,124	3.05
	Finland (cost US\$3,946,500)		
	Basic Materials	3,982,480	0.04
	France (cost US\$3,454,461,223)		
	Government		
260,100,000	FRTR 4% 04/25/09	342,571,800	3.04
158,700,000	FRTR 4% 04/25/13	209,192,248	1.86
36,200,000	FRTR 4.25% 04/25/19	48,645,250	0.43
81,502,000	FRTR 5% 4/25/12	112,486,296	1.00
156,500,000	FRTR 4% 04/25/14	206,179,160	1.83
134,000,000	BTNS 1.25% 07/25/10 BTNe	177,846,734	1.58
816,000,000	FRTR 1% 07/25/17 OATi	997,657,228	8.85
408,300,000	FRTR 1.6% 07/25/11 OATi	557,867,524	4.95
330,500,000	FRTR 1.6% 07/25/15 OATe	447,245,101	3.97
43,500,000	FRTR 2.25% 07/25/20 OATe	64,052,838	0.57
29,160,000	FRTR 2.5% 07/25/13 OATi	42,576,775	0.38
259,435,000	FRTR 3.00% 07/25/12 OATe	400,767,381	3.57
		3,607,088,335	32.01
	Germany (cost US\$2,934,645,509)		
	Government		
4,000,000	Consumer, Cyclical	5,309,974	0.05
4,000,000	Cognis 0% 01/15/15	5,493,983	0.05
440,470,000	DBR 4.25% 01/04/14 03	589,338,043	5.23
51,200,000	DBR 4.75% 07/04/28 98	73,497,611	0.65
2,000,000	KABEL DEUTSCHLAND GMBH 10.625% 7/1/14	2,240,000	0.02
40,000,000	DBRI 1.5% 04/15/16	51,835,385	0.46
129,263,000	DBR 5.5% 01/04/31 00	205,477,467	1.82
741,180,000	DBR 5.625% 01/04/28 98	1,180,791,377	10.48
522,550,000	DBR 6.25% 01/04/30 00	902,541,743	8.01
1,420,000	DBR 6.5% 07/04/27 97	2,479,622	0.02
194,000	Industrial	262,149	0.00
		3,019,267,354	26.79

Condensed Schedule of Investments continued

Prior year comparative 31 December 2006

Quantity		Market Value US\$	% of Net Assets
	Fixed Income Securities		
	Greece (cost US\$2,664,100)		
	Energy	2,622,128	0.02
	Iraq (cost US\$1,470,000)		
	Government	1,305,300	0.01
	Ireland (cost US\$19,924,738)		
	Financial	21,038,992	0.19
	Israel (cost US\$307,152,338)		
	Government	320,504,603	2.84
	Italy (cost US\$431,495,129)		
	Government	459,757,730	4.08
	Japan (cost US\$2,515,926,504)		
	Government		
6,500,000,000	Japan Govt CPI 1% 06/10/16	53,649,926	0.48
5,000,000,000	Japan 35 0.49% 7/20/20	39,506,299	0.35
15,000,000,000	JGB 0.38% 01/20/20 32	118,078,336	1.05
2,500,000,000	JGB 0.54% 11/20/19 31	19,700,721	0.18
3,000,000,000	JGB 0% 03/20/17 15	24,094,578	0.21
10,000,000,000	JGB 0% 05/22/17 16	80,105,298	0.71
15,000,000,000	JGB 1.5% 06/20/11 58	127,860,496	1.13
20,000,000,000	JGB 0% 06/20/16 12	161,974,320	1.44
27,250,000,000	JGB 2.2% 09/20/26 90	234,186,485	2.08
10,000,000,000	JGB 0% 07/20/17 17	79,811,384	0.71
20,000,000,000	JGB 0% 09/20/16 13	161,050,683	1.43
10,000,000,000	JGB 0% 09/21/15 9	82,204,592	0.73
10,000,000,000	JGB 0% 12/20/16 14	80,483,264	0.71
20,000,000,000	JGB 0.90% 12/20/12 245	163,893,710	1.45
15,000,000,000	JGB 1.30% 03/20/15 269	123,739,692	1.10
10,000,000,000	JGB 1.3% 12/20/13 257	83,307,644	0.74
45,000,000,000	JGB 1.4% 12/20/13 256	377,392,251	3.35
15,000,000,000	JGB 1.7% 12/20/16 284	126,506,423	1.12
40,000,000,000	JGB 1.9% 06/20/14 262	346,136,845	3.07
		2,483,682,947	22.04
	Luxembourg (cost US\$35,774,072)		
	Basic Materials	18,538,907	0.16
	Energy	5,914,575	0.05
	Financial	17,042,500	0.16
		41,495,982	0.37
	Netherlands (cost US\$603,313,504)		
	Financial	15,028,189	0.13
	Government		
416,100,000	Nether 5% 07/15/12	575,175,819	5.11
		590,204,008	5.24

Quantity		Market Value US\$	% of Net Assets
	Fixed Income Securities		
	Norway (cost US\$11,011,250)		
	Energy	11,261,250	0.10
	South Africa (cost US\$256,973,904)		
	Communications	20,017,374	0.17
	Government	251,059,198	2.23
		271,076,572	2.40
	Sweden (cost US\$417,622,928)		
	Financial	313,378,249	2.78
	Government	127,778,801	1.13
		441,157,050	3.91
	Turkey (cost US\$208,074,219)		
	Government	221,381,875	1.96
	United Kingdom (cost US\$3,393,190,176)		
	Communications	2,579,911	0.02
	Consumer, Non-cyclical	12,899,557	0.11
	Financial	19,015,268	0.17
	Government		
35,000,000	UKT 4.25% 12/07/27	66,536,891	0.59
30,000,000	UKT 4.25% 12/07/55	61,716,272	0.55
100,000,000	UKT 4.75% 03/07/20	197,018,949	1.75
78,650,000	UKT 5% 03/07/25	162,643,442	1.44
1,073,703,000	UKT 8% 06/07/21	2,823,775,361	25.06
3,000,000	OTE Plc 3.873% 11/21/09 GTMN	3,943,050	0.03
70,000,000	UKTI 1.25% 11/22/55 3MO	167,041,563	1.48
	Industrial	3,939,399	0.04
		3,521,109,663	31.24
	United States (cost US\$8,393,318,307)		
	Communications	14,365,200	0.13
	Consumer, Cyclical	33,398,011	0.30
	Consumer, Non-Cyclical	7,766,783	0.07
	Government		
2,517,000	T 2.75% 08/15/07	2,481,015	0.02
1,975,000	T 3.75% 05/15/08	1,944,526	0.02
282,000,000	T 4.625% 12/31/11	281,100,837	2.49
9,000,000	T 5.125% 05/15/16	9,272,461	0.08
435,400,000	T 5.375% 02/15/31	465,937,528	4.13
210,800,000	T 6.25% 08/15/23	242,387,062	2.15
69,550,000	T 7.125% 02/15/23	86,491,945	0.77
492,000,000	T 7.875% 02/15/21	640,407,190	5.68
50,000,000	T 8.125% 08/15/19	65,379,883	0.58
1,700,000	T 8.125% 08/15/21	2,262,328	0.02
235,800,000	T 8.5% 02/15/20	318,477,375	2.83

Condensed Schedule of Investments continued

Prior year comparative 31 December 2006

Quantity		Market Value US\$	% of Net Assets
Fixed Income Securities			
United States (cost US\$8,393,318,307) (continued)			
488,730,000	T 8.75% 08/15/20	675,459,223	5.99
313,550,000	T 8.875% 02/15/19	429,012,339	3.81
200,000,000	T 9.125% 05/15/18	275,289,062	2.44
270,000	T 0.875% 04/15/10	290,100	0.00
1,020,000	TII 2% 07/15/14	1,133,306	0.01
50,000,000	TII 2.375% 01/15/25	53,094,077	0.47
45,000,000	TII 2.375% 04/15/11	45,486,563	0.40
1,195,000	TII 3% 07/15/12	1,547,306	0.01
40,000,000	TII 3.5% 01/15/11	48,204,965	0.43
7,000,000	B 01/11/07	6,987,423	0.06
11,350,000	B 02/15/07	11,274,102	0.10
1,000,000	B 03/01/07	825,000	0.01
500,000,000	SP 0% 11/15/18	282,655,500	2.51
684,000	T 10.625% 08/15/15	968,368	0.01
1,837,000	T 11.25% 02/15/15	2,641,118	0.02
2,635,000	T 3.625% 07/15/09	2,565,214	0.02
47,000,000	T 4.875% 08/15/16	47,582,910	0.42
3,000,570,000	B 06/07/07	2,937,444,008	26.07
2,300,000	B 06/14/07	1,226,667	0.01
Mortgage			
613,100,000	FHLMC 4.125% 07/12/10	597,079,697	5.30
275,000,000	FHLMC 4.125% 10/18/10	267,341,250	2.37
51,691,538	FHS 235 IO	12,462,507	0.11
42,343,795	FNS 363 2	10,063,268	0.09
192,626,749	FNS 377 2	47,163,455	0.42
17,758,587	FHS 232 PO	12,924,399	0.11
31,000,000	FNCL 5% 02/07 TBA	29,931,951	0.27
42,000,000	FNCL 5.5% 01/07 TBA	41,507,810	0.37
237,000,000	FNCL 5.5% 02/07 TBA	234,204,135	2.08
101,947,255	FNS 360 1 PO	74,183,265	0.67
123,478,685	FNS 377 1 PO	89,001,121	0.79
		8,411,222,253	74.64
Total Fixed Income Securities (cost US\$23,780,914,174)		24,211,043,956	214.84

	Market Value US\$	% of Net Assets
Interest Rate Guarantee Options (cost US\$2,195,572,147)		
AUD termination dates through June 2010	2,717,592	0.02
CHF termination dates through September 2010	163,148	0.00
EUR termination dates through December 2026	1,177,233,288	10.45
GBP termination dates through June 2036	368,319,716	3.27
HKD termination dates through November 2008	316,254	0.00
KRW termination dates through October 2011	207,584	0.00
NZD termination dates through June 2007	72,663	0.00
USD termination dates through October 2036	1,096,115,187	9.73
	2,645,145,432	23.47
Forward Rate Agreements		
CZK termination dates through September 2007	2,424,240	0.02
EUR termination dates through May 2007	4,156,265	0.04
GBP termination dates through February 2007	3,226,858	0.03
HUF termination dates through July 2007	1,364,800	0.01
ILS termination dates through November 2008	5,183,587	0.05
PLN termination dates through July 2007	896,252	0.01
SEK termination dates through June 2007	1,288,446	0.01
USD termination dates through February 2008	258,783	0.00
ZAR termination dates through October 2008	544,069	0.00
	19,343,300	0.17
Cross Currency Swaps		
USD termination dates through August 2020	2,891,455	0.03
Interest Rate Swaps		
AUD termination dates through August 2017	13,719,114	0.12
BRL termination dates through May 2045	130,814,028	1.16
CAD termination dates through December 2036	52,208,301	0.46
CHF termination dates through May 2036	89,404,826	0.79
CZK termination dates through May 2016	11,748,881	0.10
EGP termination dates through January 2007	29,641,219	0.26
EUR termination dates through May 2055	1,370,492,112	12.16
GBP termination dates through November 2056	663,711,889	5.89
HKD termination dates through October 2016	6,893,055	0.06
HUF termination dates through December 2016	71,721,501	0.64
ILS termination dates through December 2011	8,840,187	0.08
INR termination dates through September 2011	4,849,811	0.04
ISK termination dates through December 2008	195,774	0.00
JPY termination dates through December 2036	248,780,699	2.21
KRW termination dates through August 2021	33,773,809	0.30
MXN termination dates through November 2016	221,913,517	1.97
MYR termination dates through November 2013	1,596,668	0.01
NOK termination dates through December 2016	7,628,234	0.07
NZD termination dates through December 2016	15,907,560	0.14
PLN termination dates through December 2016	91,716,573	0.81
RUB termination dates through May 2009	24,015	0.00
SEK termination dates through November 2036	58,405,831	0.52

Condensed Schedule of Investments continued

Prior year comparative 31 December 2006

	Market Value US\$	% of Net Assets
Interest Rate Swaps (continued)		
SGD termination dates through November 2021	28,629,547	0.25
SKK termination dates through August 2008	14,853,397	0.13
THB termination dates through September 2016	20,354,499	0.18
TWD termination dates through December 2016	193,811	0.00
USD termination dates through October 2056	1,927,876,529	17.11
ZAR termination dates through May 2036	84,450,511	0.77
	5,210,345,898	46.23
Credit Default Swaps		
USD termination dates through March 2037	192,041,251	1.70
EUR termination dates through March 2016	2,755,679	0.02
	194,796,930	1.72
Swaptions (cost US\$5,609,138,347)		
AUD termination dates through September 2008	27,278,344	0.24
CAD termination dates through October 2015	25,282,306	0.22
CHF termination dates through August 2026	17,911,640	0.16
EUR termination dates through June 2026	2,127,725,345	18.88
GBP termination dates through January 2036	450,682,156	4.00
JPY termination dates through May 2013	73,844,673	0.66
KRW termination dates through November 2011	17,143,939	0.15
MXN termination dates through July 2007	1,418,950	0.01
NZD termination dates through June 2007	4,514,916	0.04
SEK termination dates through July 2017	5,229,105	0.05
USD termination dates through October 2036	2,818,023,987	25.01
	5,569,055,361	49.42

	Market Value US\$	% of Net Assets
FX Contracts	75,162,411	0.67
Exchange Traded Futures (4,601,246 contracts)	445,369,300	3.95
Exchange Traded Options (cost US\$425,222,671)		
Eurodollar termination dates through December 2007	242,729,688	2.15
Euribor 3 month termination dates through December 2007	109,985,881	0.98
Other termination dates through December 2008	84,616,032	0.75
	437,331,601	3.88
Commodity Options (cost US\$614,064,087)		
WTI Crude Oil termination dates through November 2010	563,272,939	5.00
Natural Gas termination dates through November 2010	31,963,620	0.28
	595,236,559	5.28
Equity Options (cost US\$180,318,453)		
Nikkei 225 termination dates through December 2008	179,941,639	1.60
S&P 500 termination dates through January 2014	58,323,235	0.52
Other termination dates through November 2011	49,222,749	0.43
	287,487,623	2.55
Metal Options (cost US\$286,033,457)	352,532,989	3.13
Bond Options (cost US\$50,759,926)	36,684,158	0.33
FX Options (cost US\$569,841,484)		
EUR/CHF termination dates through December 2013	181,998,596	1.61
USD/JPY termination dates through April 2014	166,209,746	1.47
GBP/JPY termination dates through July 2008	148,757,031	1.32
USD/HKD termination dates through November 2007	27,376,622	0.25
Other termination dates through January 2014	145,502,908	1.29
	669,844,903	5.94
Equity Swaps	58,068,774	0.52
Investment in Affiliated Funds (cost US\$536,538,330)		
Brevan Howard Asia Fund Ltd (formerly known as Ernst Capital Management Fund Ltd)	42,844,704	0.38
Brevan Howard Equity Strategies Fund LP	543,885,654	4.83
	586,730,358	5.21
Total investments at Market Value (cost \$34,739,694,213)	41,976,650,872	372.48

See accompanying notes to Financial Statements.

Condensed Schedule of Investments continued

Prior year comparative 31 December 2006

	Market Value US\$	% of Net Assets
Short Portfolio		
Equities		
Australia (proceeds US\$(9,600,393))		
Basic Materials	(3,434,051)	(0.03)
Communications	(1,061,389)	(0.01)
Consumer, Cyclical	(372,301)	(0.00)
Consumer, Non-cyclical	(1,069,244)	(0.01)
Energy	(2,198,855)	(0.02)
Financial	(378,237)	(0.01)
Industrial	(1,419,044)	(0.01)
Utilities	(370,919)	(0.00)
	(10,304,040)	(0.09)
Bermuda (proceeds US\$(3,183,927))		
Communications	(174,385)	(0.00)
Consumer, Cyclical	(1,169,316)	(0.01)
Consumer, Non-cyclical	(307,312)	(0.00)
Diversified	(385,991)	(0.00)
Financial	(397,181)	(0.01)
Industrial	(385,129)	(0.01)
Technology	(373,246)	(0.00)
	(3,192,560)	(0.03)
Brazil (proceeds US\$(549,314))		
Basic Materials	(616,000)	(0.01)
Canada (proceeds US\$(12,574,261))		
Basic Materials	(1,910,625)	(0.02)
Communications	(774,777)	(0.01)
Consumer, Cyclical	(767,843)	(0.01)
Consumer, Non-cyclical	(1,560,103)	(0.01)
Energy	(6,027,036)	(0.05)
Industrial	(1,143,696)	(0.01)
Technology	(397,599)	(0.00)
	(12,581,679)	(0.11)
Cayman Islands (proceeds US\$(1,145,897))		
Communications	(946,860)	(0.01)
Utilities	(387,531)	(0.00)
	(1,334,391)	(0.01)
China (proceeds US\$(2,635,463))		
Basic Materials	(1,093,295)	(0.01)
Financial	(2,054,423)	(0.02)
Industrial	(1,073,784)	(0.01)
	(4,221,502)	(0.04)

	Market Value US\$	% of Net Assets
Short Portfolio		
Hong Kong (proceeds US\$(7,887,099))		
Communications	(380,806)	(0.00)
Consumer, Cyclical	(812,808)	(0.01)
Consumer, Non-cyclical	(404,462)	(0.00)
Diversified	(1,492,253)	(0.01)
Energy	(920,100)	(0.02)
Financial	(3,903,411)	(0.03)
Industrial	(297,167)	(0.00)
Technology	(405,359)	(0.01)
	(8,616,366)	(0.08)
Japan (proceeds US\$(15,212,090))		
Communications	(3,388,955)	(0.03)
Consumer, Cyclical	(2,338,705)	(0.02)
Consumer, Non-cyclical	(3,185,192)	(0.03)
Financial	(1,003,286)	(0.01)
Industrial	(4,432,868)	(0.04)
Technology	(445,808)	(0.00)
	(14,794,814)	(0.13)
Korea (proceeds US\$(796,169))		
Utilities	(1,139,500)	(0.01)
Malaysia (proceeds US\$(644,794))		
Consumer, Non-cyclical	(645,434)	(0.01)
Mexico (proceeds US\$(623,810))		
Industrial	(678,706)	(0.01)
Netherlands Antilles (proceeds US\$(189,168))		
Consumer, Non-cyclical	(155,334)	(0.00)
Singapore (proceeds US\$(3,768,727))		
Communications	(160,317)	(0.00)
Consumer, Cyclical	(472,402)	(0.00)
Consumer, Non-cyclical	(728,428)	(0.01)
Diversified	(160,511)	(0.00)
Financial	(941,064)	(0.01)
Industrial	(1,251,633)	(0.01)
Technology	(156,390)	(0.00)
	(3,870,745)	(0.03)

Condensed Schedule of Investments continued

Prior year comparative 31 December 2006

	Market Value US\$	% of Net Assets
Short Portfolio		
South Africa (proceeds US\$(7,099,209))		
Basic Materials	(2,232,879)	(0.02)
Communications	(477,212)	(0.00)
Consumer, Cyclical	(1,294,719)	(0.01)
Consumer, Non-cyclical	(1,023,638)	(0.01)
Diversified	(518,686)	(0.01)
Financial	(502,822)	(0.01)
Industrial	(1,537,332)	(0.01)
Technology	(257,304)	(0.00)
	(7,844,592)	(0.07)
Thailand (proceeds US\$(441,046))		
Consumer, Cyclical	(85,934)	(0.00)
Financial	(362,764)	(0.00)
	(448,698)	(0.00)
United Kingdom (proceeds US\$(700,594))		
Consumer, Non-cyclical	(260,440)	(0.00)
Financial	(251,345)	(0.00)
Technology	(254,144)	(0.00)
	(765,929)	(0.01)
United States (proceeds US\$(36,778,203))		
Consumer, Non-cyclical	(120,171)	(0.00)
Energy	(6,917,400)	(0.06)
Funds	(30,657,413)	(0.27)
	(37,694,984)	(0.33)
Total equities (proceeds US\$(103,830,164))	(108,905,274)	(0.97)

Quantity		Market Value US\$	% of Net Assets
Fixed Income Securities sold short			
Austria (proceeds US\$(268,144,788))			
	Government	(260,622,462)	(2.31)
Canada (proceeds US\$(1,451,518,814))			
	Government		
(269,000,000)	CAN 4% 06/01/16	(230,521,743)	(2.05)
(381,900,000)	CAN 5% 06/01/14	(348,833,711)	(3.10)
(460,800,000)	CAN 5.75% 06/01/33	(500,737,456)	(4.44)
(317,000,000)	CAN 5.75% 06/01/29 WL43	(336,569,487)	(2.99)
(18,100,000)	CAN 4.25% 12/01/08	(15,670,857)	(0.13)
		(1,432,333,254)	(12.71)
Colombia (proceeds US\$(12,700,000))			
	Government	(12,395,000)	(0.11)
France (proceeds US\$(982,263,036))			
	Government		
(146,133,000)	BTNS 2.5% 07/12/10	(183,253,900)	(1.63)
(126,300,000)	FRTR 3.25% 04/25/16	(156,718,721)	(1.39)
(415,900,000)	FRTR 3.5% 04/25/15	(528,804,095)	(4.69)
(69,830,000)	FRTR 6.5% 04/25/11	(100,959,167)	(0.90)
(17,500,000)	FRTR 5% 10/25/16	(24,857,891)	(0.22)
		(994,593,774)	(8.83)
Germany (proceeds US\$(698,454,035))			
	Government		
(45,850,000)	DBR 3.5% 01/04/16 05	(58,259,205)	(0.52)
(400,000,000)	DBR 3.75% 01/04/15 04	(518,603,080)	(4.60)
(12,240,000)	DBR 3.75% 07/04/13 03	(15,913,495)	(0.14)
(8,440,000)	DBR 4% 07/04/16 06	(11,132,772)	(0.10)
(60,287,900)	DBR 4.75% 07/04/34 03	(87,718,017)	(0.78)
		(691,626,569)	(6.14)
Italy (proceeds US\$(6,521,295,454))			
	Government		
(197,000,000)	BTPS 2.35% 09/15/35 CPI	(284,235,001)	(2.52)
(360,500,000)	BTPS 3.75% 08/01/16	(458,376,540)	(4.07)
(765,000,000)	BTPS 4% 02/01/37	(937,406,907)	(8.32)
(480,760,000)	BTPS 5% 08/01/34	(691,742,394)	(6.14)
(1,000,000,000)	BTPS 5.25% 08/01/17	(1,433,101,524)	(12.71)
(770,000,000)	BTPS 5.25% 11/01/29	(1,133,824,357)	(10.06)
(440,500,000)	BTPS 5.75% 02/01/33	(699,165,591)	(6.20)
(563,010,000)	BTPS 6% 05/01/31	(914,944,849)	(8.12)
(41,270,000)	BTPS 5.5% 11/01/10	(57,181,851)	(0.51)
		(6,609,979,014)	(58.65)

Condensed Schedule of Investments continued

Prior year comparative 31 December 2006

Quantity		Market Value US\$	% of Net Assets
	Fixed Income Securities sold short		
	Japan (proceeds US\$(685,694,231))		
	Government		
(25,000,000,000)	JGB 1.1% 09/20/12 243	(207,678,265)	(1.84)
(10,000,000,000)	JGB 1.2% 09/20/12 242	(83,538,635)	(0.74)
(40,000,000,000)	JGB 1.3% 09/20/12 241	(336,023,859)	(2.98)
(6,500,000,000)	JGB 1.9% 06/20/16 280	(55,931,745)	(0.50)
		(683,172,504)	(6.06)
	Netherlands (proceeds US\$(474,439,862))		
	Government	(462,141,890)	(4.10)
	Sweden (proceeds US\$(422,730,223))		
	Government	(446,068,974)	(3.96)
	United Kingdom (proceeds US\$(7,887,317,384))		
	Government		
(7,000,000)	UKTI 1.25% 11/22/27 3MO	(14,207,337)	(0.13)
(100,700,000)	UKT 4.25% 03/07/36	(196,986,944)	(1.75)
(205,920,000)	UKT 4.75% 06/07/10	(398,568,097)	(3.54)
(1,200,796,000)	UKT 4.75% 09/07/15	(2,338,436,917)	(20.75)
(523,750,000)	UKT 5% 03/07/12	(1,025,727,759)	(9.10)
(100,000,000)	UKT 5.75% 12/07/09	(199,013,147)	(1.77)
(492,680,000)	UKT 6% 12/07/28	(1,171,494,354)	(10.40)
(109,000,000)	UKTI 2% 01/26/35	(296,570,600)	(2.63)
(315,000,000)	UKTI 2.5% 05/20/09	(1,563,053,580)	(13.87)
(65,000,000)	UKTI 2.5% 07/26/16	(328,407,706)	(2.91)
(150,000,000)	UKTI 2.5% 08/16/13	(674,254,602)	(5.98)
		(8,206,721,043)	(72.82)

Quantity		Market Value US\$	% of Net Assets
Fixed Income Securities sold short			
United States (proceeds US\$(16,290,835,638))			
Government			
(270,000)	TII 0.875% 04/15/10	(290,100)	(0.00)
(23,500,000)	TII 2% 01/15/16	(23,030,982)	(0.20)
(1,020,000)	TII 2% 07/15/14	(1,133,306)	(0.01)
(1,195,000)	TII 3% 07/15/12	(1,547,306)	(0.01)
(25,000,000)	TII 3.625% 04/15/28	(37,527,875)	(0.33)
(2,300,000)	B 06/14/07	(1,226,667)	(0.01)
(1,000,000)	B 03/01/07	(825,000)	(0.01)
(570,000)	B 06/07/07	(558,008)	(0.00)
(7,000,000)	B 01/11/07	(6,987,423)	(0.06)
(11,350,000)	B 02/15/07	(11,274,102)	(0.10)
(2,517,000)	US Treasury Note 2.75% 08/15/07	(2,481,015)	(0.02)
(116,300,000)	US Treasury Note 3.5% 08/15/09	(112,779,199)	(1.00)
(656,845,000)	US Treasury Note 3.5% 11/15/09	(635,292,273)	(5.64)
(700,000,000)	US Treasury Note 3.625% 01/15/10	(678,371,092)	(6.02)
(547,500,000)	US Treasury Note 3.875% 09/15/10	(532,283,349)	(4.72)
(601,000,000)	US Treasury Note 4% 02/15/14	(575,504,456)	(5.11)
(106,600,000)	US Treasury Note 4% 02/15/15	(101,598,961)	(0.90)
(359,350,000)	US Treasury Note 4% 11/15/12	(347,025,420)	(3.08)
(202,900,000)	US Treasury Note 4.125% 08/15/10	(199,079,774)	(1.77)
(51,700,000)	US Treasury Note 4.25% 01/15/11	(50,855,836)	(0.45)
(543,591,000)	US Treasury Note 4.25% 08/15/13	(530,171,097)	(4.70)
(903,100,000)	US Treasury Note 4.375% 08/15/12	(890,347,244)	(7.90)
(908,200,000)	US Treasury Note 4.5% 02/15/36	(862,435,239)	(7.65)
(237,000,000)	US Treasury Note 4.5% 02/28/11	(235,310,448)	(2.09)
(1,617,000,000)	US Treasury Note 4.5% 11/15/15	(1,592,843,680)	(14.13)
(350,000,000)	US Treasury Note 4.75% 05/15/14	(351,093,750)	(3.12)
(49,000,000)	US Treasury Note 4.75% 03/31/11	(49,094,746)	(0.44)
(1,650,000,000)	US Treasury Note 4.875% 02/15/12	(1,665,694,338)	(14.78)
(8,100,000)	US Treasury Note 4.875% 8/15/09	(8,124,363)	(0.07)
(1,235,000,000)	US Treasury Note 5% 02/15/11	(1,250,944,048)	(11.10)
(750,500,000)	US Treasury Note 5% 08/15/11	(761,244,466)	(6.75)
(250,000,000)	US Treasury Note 5.25% 11/15/28	(261,997,070)	(2.32)
(1,597,600,000)	US Treasury Note 5.75% 08/15/10	(1,653,359,978)	(14.67)
(341,000,000)	US Treasury Note 6% 08/15/09	(351,369,866)	(3.12)
(1,700,000)	US Treasury Note 8.125% 05/15/21	(2,262,328)	(0.02)
(730,000)	US Treasury Note 8.75% 08/15/20	(1,008,911)	(0.01)
(684,000)	US Treasury Note 10.625% 08/15/15	(968,369)	(0.01)
(1,837,000)	US Treasury Note 11.25% 02/15/15	(2,641,118)	(0.02)
(2,635,000)	US Treasury Note 3.625% 07/15/09	(2,565,214)	(0.02)
(1,975,000)	US Treasury Note 3.75% 05/15/08	(1,944,526)	(0.02)
(57,800,000)	US Treasury Note 3.875% 02/15/13	(55,366,078)	(0.49)
(577,500,000)	US Treasury Note 4.5% 02/15/16	(568,454,005)	(5.04)
(13,475,000)	US Treasury Note 4.625% 10/31/11	(13,429,469)	(0.12)
(688,000,000)	US Treasury Note 4.625% 11/15/16	(683,847,810)	(6.07)
(18,800,000)	US Treasury Note 6.25% 08/15/23	(21,617,062)	(0.19)

Condensed Schedule of Investments continued

Prior year comparative 31 December 2006

Quantity		Market Value US\$	% of Net Assets
Fixed Income Securities sold short			
United States (proceeds US\$(16,290,835,638)) (continued)			
Mortgage			
(175,000,000)	FNCL 5% 3/07 TBA	(168,916,003)	(1.50)
(231,000,000)	FNCL 5.5% 3/07 TBA	(228,148,582)	(2.02)
(48,000,000)	FNCL 6% 2/07 TBA	(48,292,498)	(0.43)
(175,000,000)	FHLMC 4.375% 07/17/15	(168,021,000)	(1.49)
(150,000,000)	FHLMC 4.75% 11/17/15	(147,633,000)	(1.31)
(150,000,000)	FNMA 4.375% 10/15/15	(143,923,500)	(1.28)
		(16,042,741,950)	(142.35)
Total Fixed Income (proceeds US\$(35,695,393,465))		(35,842,396,434)	(318.05)

	Market Value US\$	% of Net Assets
Interest Rate Guarantee Options (proceeds (US\$1,099,541,388))		
AUD termination dates through June 2010	(3,356,283)	(0.03)
CAD termination dates through July 2007	(3,574,221)	(0.03)
CHF termination dates through September 2010	(24,925,304)	(0.22)
EUR termination dates through December 2026	(664,852,898)	(5.90)
GBP termination dates through June 2036	(306,489,188)	(2.72)
JPY termination dates through April 2012	(74,483,616)	(0.66)
NZD termination dates through June 2007	(34,081)	(0.00)
USD termination dates through October 2036	(543,829,805)	(4.83)
	(1,621,545,396)	(14.39)
Forward Rate Agreements		
EUR termination dates through May 2007	(4,781,141)	(0.04)
GBP termination dates through February 2007	(3,248,201)	(0.03)
HUF termination dates through July 2007	(2,147,928)	(0.02)
SEK termination dates through June 2007	(4,993,648)	(0.04)
ZAR termination dates through October 2008	(376,608)	(0.00)
USD termination dates through February 2008	(1,325,555)	(0.02)
	(16,873,081)	(0.15)
Cross Currency Swaps		
USD termination dates through August 2020	(4,047,925)	(0.04)
Interest Rate Swaps		
AUD termination dates through August 2017	(11,580,110)	(0.10)
BRL termination dates through May 2045	(55,035,698)	(0.49)
CAD termination dates through December 2036	(25,165,079)	(0.22)
CHF termination dates through May 2036	(62,794,108)	(0.56)
CZK termination dates through May 2016	(10,639,111)	(0.09)
EUR termination dates through May 2055	(2,163,722,870)	(19.20)
GBP termination dates through November 2056	(845,018,606)	(7.50)
HKD termination dates through October 2016	(7,215,706)	(0.06)
HUF termination dates through December 2016	(76,492,769)	(0.68)
ILS termination dates through December 2011	(1,271,471)	(0.01)
INR termination dates through September 2011	(8,365,785)	(0.07)
JPY termination dates through December 2036	(266,693,490)	(2.37)
KRW termination dates through August 2021	(19,301,179)	(0.17)
MXN termination dates through November 2016	(174,303,809)	(1.55)
MYR termination dates through November 2013	(287,526)	(0.00)
NOK termination dates through December 2016	(7,038,214)	(0.06)
NZD termination dates through December 2016	(13,610,647)	(0.12)
PLN termination dates through December 2016	(100,942,537)	(0.90)
RUB termination dates through May 2009	(11,219)	(0.00)
SEK termination dates through November 2036	(44,506,117)	(0.39)
SGD termination dates through November 2021	(20,701,332)	(0.18)
SKK termination dates through August 2008	(10,253,679)	(0.09)
THB termination dates through September 2016	(14,202,426)	(0.13)
TWD termination dates through December 2016	(1,567,487)	(0.01)
USD termination dates through October 2056	(1,490,551,857)	(13.23)
ZAR termination dates through May 2036	(110,357,631)	(0.97)
	(5,541,630,463)	(49.17)

Condensed Schedule of Investments continued

Prior year comparative 31 December 2006

	Market Value US\$	% of Net Assets
Credit Default Swaps		
USD termination dates through March 2037	(146,546,218)	(1.30)
EUR termination dates through March 2016	(5,576,493)	(0.05)
	(152,122,711)	(1.35)
Swaptions (proceeds US\$(5,552,658,665))		
AUD termination dates through September 2008	(33,695,208)	(0.30)
CAD termination dates through October 2015	(9,439,793)	(0.08)
CHF termination dates through August 2026	(136,324,818)	(1.21)
EUR termination dates through June 2026	(2,246,117,427)	(19.93)
GBP termination dates through January 2036	(149,710,530)	(1.33)
JPY termination dates through May 2013	(52,762,147)	(0.47)
MXN termination dates through July 2007	(1,635,988)	(0.01)
NZD termination dates through June 2007	(5,202,065)	(0.05)
SEK termination dates through July 2007	(51,394)	(0.00)
USD termination dates through October 2036	(2,847,720,386)	(25.27)
	(5,482,659,756)	(48.65)

	Market Value US\$	% of Net Assets
FX Contracts	(183,570,299)	(1.63)
Exchange Traded Futures (2,798,237 contracts)	(545,193,344)	(4.84)
Exchange Traded Options (proceeds US\$(352,238,801))		
Eurodollar termination dates through December 2007	(184,771,125)	(1.64)
Euribor 3 month termination dates through December 2007	(77,373,822)	(0.69)
Sterling 3 month termination dates through December 2007	24,805,903	(0.22)
Other termination dates through December 2007	(16,875,464)	(0.15)
	(303,826,314)	(2.70)
Commodity Options (proceeds US\$(638,033,160))		
WTI Crude Oil termination dates through November 2010	(519,250,646)	(4.61)
Natural Gas termination dates through November 2010	(41,230,388)	(0.36)
	(560,481,034)	(4.97)
Equity Options (proceeds US\$(174,336,472))		
Nikkei 225 termination dates through December 2008	(173,515,539)	(1.54)
S&P 500 termination dates through December 2008	(46,059,927)	(0.41)
Other termination dates through December 2014	(28,871,767)	(0.25)
	(248,447,233)	(2.20)
Metal Options (proceeds US\$(109,348,108))	(125,619,751)	(1.11)
Bond Options (proceeds US\$(36,695,732))	(31,899,721)	(0.28)
FX Options (proceeds US\$(238,023,845))		
Termination dates through January 2014	(205,251,268)	(1.82)
Equity Swaps	(47,749,745)	(0.42)
Total Securities sold short at Market Value (Proceeds US\$(44,000,099,801))	(51,022,219,748)	(452.74)

See accompanying notes to Financial Statements.

Statement of Operations

31 December 2007

	2007 US\$	2006 US\$
Investment income		
Interest income	3,520,108,376	3,295,954,920
Dividend income (net of withholding tax \$2,565,808 (2006: \$3,334,833))	14,180,314	15,912,488
Other income	10,718	3,587
Total income	3,534,299,408	3,311,870,995
Expenses		
Interest	3,235,871,019	3,218,264,577
Professional fees and other	3,040,717	5,221,325
Operational services fee (Note 3)	40,289,484	31,832,763
Administration fee (Note 4)	18,058,551	12,681,136
Commission for futures and options	48,365,639	32,962,361
Dividend expense on investments sold short	3,229,942	15,295,617
Total expenses	3,348,855,352	3,316,257,779
Net investment gain/(loss)	185,444,056	(4,386,784)
Net realised and unrealised gain on investments		
Net realised gain on investments	818,260,787	2,076,063,334
Net unrealised appreciation/(depreciation) on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase	3,212,919,610	(517,643,332)
Net gain on investments	4,031,180,397	1,558,420,002
Net increase in net assets resulting from operations	4,216,624,453	1,554,033,218

See accompanying notes to Financial Statements.

Statement of Changes in Net Assets

31 December 2007

	2007 US\$	2006 US\$
Net increase in net assets resulting from operations		
Net investment gain/(loss)	185,444,056	(4,386,784)
Net realised gain on investments	818,260,787	2,076,063,334
Net unrealised appreciation/(depreciation) on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase	3,212,919,610	(517,643,332)
	4,216,624,453	1,554,033,218
Share Capital transactions		
<i>Proceeds on issue of shares</i>		
US Dollar Class A	103,133,563	1,074,043,226
US Dollar LP Class A	17,794,529	205,477,000
Euro Class A	17,984,935	265,929,167
Sterling Class A	62,055,087	90,011,748
<i>BH Macro Limited</i>		
US Dollar Class B	548,941,746	–
Euro Class B	444,283,515	–
Sterling Class B	281,598,974	–
Shares sold on a long-term subscription basis (Note 11)		
US Dollar Class A	35,000,000	30,000,000
Sterling Class A	12,741,238	13,122,691
Redemptions		
US Dollar Class A	(1,246,833,035)	(461,930,411)
US Dollar LP Class A	(159,375,525)	(42,489,301)
Euro Class A	(185,447,888)	(76,048,482)
Sterling Class A	(16,562,831)	(1,809,731)
<i>BH Macro Limited</i>		
US Dollar Class B	(30,145,204)	–
Euro Class B	(83,748,069)	–
Sterling Class B	(15,840,914)	–
Net increase in net assets	4,002,204,574	2,650,339,125
Net assets at beginning of year	11,269,537,544	8,619,198,419
Net assets at end of year	15,271,742,118	11,269,537,544

See accompanying notes to Financial Statements.

Statement of Cash Flows

31 December 2007

	2007 US\$	2006 US\$
Cash flows from operating activities		
Net increase in net assets resulting from operations	4,216,624,453	1,554,033,218
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Increase in investments	(13,863,829,388)	(10,671,261,652)
(Decrease)/increase in investments sold under agreements to repurchase	(8,073,372,100)	5,316,213,632
Decrease in investments purchased under agreements to resell	17,223,072,797	2,574,219,819
Decrease in dividends and interest receivable	69,157,337	91,071,711
Decrease in other assets	72,609	11,476
Increase in receivable from feeder funds	(405,714,269)	(179,843,166)
Decrease/(increase) in amounts due from broker	7,532,550,316	(26,931,106,892)
(Decrease)/increase in amounts due to broker	(6,785,979,088)	27,428,624,003
(Decrease)/increase in accounts payable and accrued expenses	(1,216,254)	2,084,914
Increase/(decrease) in redemptions payable	465,496,796	(106,200,569)
Decrease in dividends and interest payable	(114,587,052)	(131,004,320)
Net cash used in operating activities	262,276,157	(1,053,157,826)
Cash flows from financing activities		
Proceeds on issue of shares	1,475,792,349	1,635,461,141
Payment on redemption of shares	(1,737,953,466)	(582,277,925)
Net cash (used in)/provided by financing activities	(262,161,117)	1,053,183,216
Net increase in cash and cash equivalents	115,040	25,390
Cash and cash equivalents – beginning of year	46,252	20,862
Cash and cash equivalents – end of year	161,292	46,252

Non-cash financing activities not included herein consist of movement in long-term interest-bearing subscriptions receivable of US\$47,741,239 (2006: US\$43,122,691).

Interest paid during the year was US\$3,334,016,524 (2006: US\$3,383,468,576).

See accompanying notes to Financial Statements.

Notes to the Financial Statements

31 December 2007

1. The Company

Brevan Howard Master Fund Limited (the "Master Fund") is an exempted limited liability company which was incorporated under the Companies Law of the Cayman Islands on 22 January 2003 and commenced trading on 1 April 2003. The Master Fund was registered under the Mutual Funds Law of the Cayman Islands on 4 March 2003.

The Master Fund seeks to generate consistent long-term appreciation through active leveraged trading and investment on a global basis. The Master Fund's portfolio is comprised of global investment strategies, and a number of long and short strategies that may have directional risk.

Brevan Howard Offshore Management Limited has been appointed as Manager of the Master Fund. The Manager has appointed (i) Brevan Howard Asset Management LLP ("BHAM") as the principal Investment Manager of the Master Fund and (ii) Brevan Howard US Asset Management LP, Brevan Howard (Hong Kong) Limited and Brevan Howard (Israel) Limited as the Investment Managers of part of the Master Fund's assets, in each case subject to risk oversight and treasury management by BHAM. The Manager may in future appoint additional investment managers provided that they are affiliates of the Manager or the Investment Managers. The Manager and the Investment Managers (and/or their members, directors, employees, related entities and connected persons and their respective members, directors and employees) may subscribe, directly or indirectly, for shares in the Feeder Funds.

The registered office of the Master Fund is at M&C Corporate Services Limited, P.O. Box 309, George Town, Grand Cayman, KY1-1104, Cayman Islands.

2. Significant accounting policies

Basis of preparation

The accompanying Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Financial Statements are presented in US Dollars.

Security transactions and valuation

Security transactions are accounted for on a trade date basis.

Most positions of the Master Fund are priced at the same time each day. This provides reliable comparative pricing of positions which are traded in different markets. A snapshot of all markets (excluding Pacific Rim and Australasia) is made at 4:00 p.m. GMT. Pacific Rim and Australasia positions are priced as at local end-of-day mid-market levels. The investment valuation under the method employed by the Master Fund as at 31 December 2007 is not materially different to the investment valuation using the last quoted price.

Instruments with directly observable prices are priced to independent external data sources (e.g. exchange traded futures and options).

Some instruments may be priced using models in which some or all parameters are not directly driven by market-observable levels (e.g. unlisted securities or multifactor options).

Investments in other funds are valued at the latest available reported NAV of the respective fund received from the fund's administrator. In some cases, these may be unaudited NAVs.

Realised gains and losses on investments are calculated using the specific identification method. Realised and unrealised gains and losses are recorded at the reporting date in the Statement of Operations.

Income recognition

Interest income and expense is recognised in the Statement of Operations on an accruals basis.

Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income on long positions is recognised on the ex-dividend date and dividend income declared on short positions existing on the record date is recognised on the ex-dividend date as an expense in the Statement of Operations.

Investments purchased under agreements to resell and investments sold under agreements to repurchase

The Master Fund enters into investments purchased under agreements to resell and investments sold under agreements to repurchase. These agreements are accounted for as collateralised investment and are recorded at cost plus accrued interest.

The Investment Manager monitors the market value of the Master Fund's underlying contract amounts, including accrued interest, and requests or provides additional collateral where deemed appropriate. Interest on investments purchased under agreements to resell and investments sold under agreements to repurchase is accrued on a daily basis.

Derivative financial instruments

The Master Fund uses derivative financial instruments such as forward exchange contracts, options, futures contracts, forward rate agreements and swaps, which are recorded at fair value at the reporting date. Realised and unrealised changes in fair values are included in realised and unrealised gains and losses on investments in the Statement of Operations in the period in which the changes occur.

Notes to the Financial Statements

31 December 2007

2. Significant accounting policies (continued)

Derivative financial instruments (continued)

The fair value of derivative financial instruments at the reporting date generally reflects the amount that the Master Fund would receive or pay to terminate the contract at the reporting date. Many derivative financial instruments are exchange traded or are traded in the over-the-counter market where market values are normally readily obtainable. Where such market prices are not readily available, fair values will be determined using commercial products which utilise valuation models that are consistent with market pricing methods.

When the Master Fund purchases a put or call option, an amount, equal to the premium paid by the Master Fund, is recorded as an investment and is subsequently adjusted to the current fair value of the option purchased on the reporting date.

Premiums paid for purchasing options that expire unexercised are treated by the Master Fund on the expiration date as realised losses from investments. The difference between the premium and the amount received on writing an option to effect a closing transaction, including brokerage commissions, is also treated as a realised loss, or, if the premium is less than the amount received from the closing transaction, as a realised gain. If a call option is exercised, the premium is added to the cost of purchase of the underlying security or currency in determining whether the Master Fund has realised a gain or loss. If a put option is exercised, the premium reduces the proceeds of the securities sold by the Master Fund.

Unrealised gain or loss on open forward foreign exchange contracts and forward rate agreements represents the Master Fund's net equity therein and is calculated as the present value of the difference between the contract date rate and the applicable forward rate at the reporting date, applied to the face amount of the forward contract. The unrealised gain or loss at the reporting date is included in the Statement of Assets and Liabilities.

Unrealised gain or loss on open futures contracts is calculated as the difference between the contract price at trade date and the contract's revaluation price. Any payments made to satisfy initial and variation margin are reflected as due to and due from broker balances on the Statement of Assets and Liabilities.

Unrealised gain or loss on swap agreements represents the cumulative fair value change since the last reporting date and is calculated as the present value of the future net cash flows to be received and paid under the agreement.

Investments sold short

The Master Fund may sell a security it does not own in anticipation of a decline in the market value of that security. When the Master Fund sells a security short, it must borrow the security and deliver it to the broker-dealer through which it made the short sale.

The Master Fund is required to maintain collateral with the broker-dealer from which the security was borrowed. A gain, limited to the value at which the Master Fund sold the security short, or a loss, unlimited in size, will be recognised upon the termination of a short sale and recorded as a net realised gain or loss on investments in the Statement of Operations. Securities sold short are recorded as liabilities on the Statement of Assets and Liabilities.

Foreign currency translation

Investment securities and other assets and liabilities denominated in foreign currencies are translated into US Dollar amounts at prevailing exchange rates at the reporting date. Purchases and sales of investment securities in foreign currencies and income and expense items denominated in foreign currencies are translated into US Dollar amounts at the exchange rate on the respective dates of such transactions.

The Master Fund does not isolate that portion of the results of operations resulting from changes in currency exchange rates on investments from the fluctuations arising from changes in market prices of securities held. All currency gains and losses are included in net realised and unrealised gain or loss from investments in the Statement of Operations.

Use of estimates

The preparation of Financial Statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates. In particular, valuation models used to determine the fair value of unlisted derivative instruments require the use of a number of assumptions.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and bank balances.

Due from and to brokers

Amounts receivable from and payable to brokers includes settlement of trades along with deposits held as collateral. As at 31 December 2007, deposits held as collateral amounted to US\$196,734,793 (2006: US\$775,186,863).

Allocation of income and expenses between share classes

Income and expenses that are identifiable with a particular class are allocated to that class in computing its Net Asset Value (NAV).

Income and expenses that are common to all classes are allocated between classes based on their monthly NAVs.

Recent Accounting Standards

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards 157, *Fair Value Measurements*, which establishes a framework under generally accepted accounting principles for companies to measure fair value and expands the disclosures about fair value measurements. This statement is effective for fiscal years beginning after November 15, 2007. It is expected that this statement will not have a material impact on the fair value measurements used by the Fund. The additional disclosures required by the statement will be included upon adoption of this statement.

3. Operational services fee

BHAM has received from the Master Fund a fee of 1/12 of 0.30% per month of NAV of the Master Fund (the "operational services fee") as at the last valuation day in each month in respect of the operation of the software programme licensed to it by Murex S.A. and other services as are or may be provided by BHAM and which are intended to benefit shareholders directly or indirectly, such as middle-office and back-office services, information technology and quantitative modelling services.

The operational services fee for the period ended 31 December 2007 amounted to \$40,289,484 (2006: \$31,832,763). The operational services fee outstanding at 31 December 2007 is \$35,645 (2006: \$3,242 receivable).

Management and performance fees are also paid to Brevan Howard Offshore Management Limited by Brevan Howard Fund Limited, Brevan Howard LP and BH Macro Limited (together the "Feeder Funds").

4. Administration fee

Under the terms of the Administrative Services Agreement, as amended, dated 26 February 2007 between International Fund Services (Ireland) Limited (the "Administrator") and the Master Fund, the Administrator receives a fee based on the month-end NAV of the Master Fund calculated and payable monthly in arrears.

This fee is quoted in basis points per annum of the Master Fund's month end NAV as follows:

For the period 1 January 2006 to 31 May 2006, the administration fee was as follows:

Net assets	bp p.a.
On the first \$500 million	25
On the next \$250 million	18
On the next \$250 million	13
Net assets in excess of \$1 billion	9

From 1 June 2006, the administration fee was 1/12 of 14 basis points per annum, and from 1 September 2007 1/12 of 15 basis points per annum, of the excess of the Master Fund's month end Net Asset Value over the sum of Net Asset Value that represents the amount of investment made by the Master Fund in other Brevan Howard funds in the same month. The administration fee outstanding at 31 December 2007 is US\$1,779,343 (2006: US\$1,269,270).

5. Investments purchased under agreements to resell and investments sold under agreements to repurchase

At 31 December 2007, investments with a market value of \$33,040,169,979 (2006: \$50,263,242,778) were pledged to the Master Fund as collateral (investments purchased under agreements to resell) and investments with a value of \$21,513,587,919 (2006: \$29,586,960,019) were pledged by the Master Fund as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 13 March 2008 and agreements to resell mature by 10 November 2008.

6. Share capital

The Master Fund has an authorised share capital of:

- €50,000 divided into 5,000,000 ordinary shares of €0.01 par value;
- US\$200,000 divided into 20,000,000 ordinary shares of US\$0.01 par value; and
- £50,000 divided into 5,000,000 ordinary shares of £0.01 par value,

which are issued as Class A or Class B shares in any number of series.

The Class A US Dollar share class is divided into two series of shares, relating to Brevan Howard Fund Limited ("US\$") and Brevan Howard LP ("US\$LP"). These series commenced on 1 April 2003 and 1 February 2004 respectively. All Class A US Dollar, Euro and Sterling shares are held by Brevan Howard Fund Limited, whilst all Class A US Dollar LP shares are held by Brevan Howard LP. All Class B US Dollar, Euro and Sterling shares are held by BH Macro Limited.

Notes to the Financial Statements continued

31 December 2007

6. Share capital (continued)

	2007 Units	2006 Units
Shares in issue at start of year		
US Dollar Class A	5,215,455	4,823,798
US Dollar LP Class A	484,921	374,914
Euro Class A	616,891	520,986
Sterling Class A	118,750	84,535
BH Macro Limited		
US Dollar Class B	–	–
Euro Class B	–	–
Sterling Class B	–	–
Shares issued during the year		
US Dollar Class A	79,365	673,883
US Dollar LP Class A	11,284	139,610
Euro Class A	7,515	132,205
Sterling Class A	20,280	34,760
BH Macro Limited		
US Dollar Class B	534,299	–
Euro Class B	324,922	–
Sterling Class B	138,389	–
Shares redeemed during the year		
US Dollar Class A	(619,336)	(282,226)
US Dollar LP Class A	(88,238)	(29,603)
Euro Class A	(67,838)	(36,300)
Sterling Class A	(4,369)	(545)
BH Macro Limited		
US Dollar Class B	(24,288)	–
Euro Class B	(51,442)	–
Sterling Class B	(6,357)	–
Shares in issue at end of year		
US Dollar Class A	4,675,484	5,215,455
US Dollar LP Class A	407,967	484,921
Euro Class A	556,566	616,891
Sterling Class A	134,661	118,750
BH Macro Limited		
US Dollar Class B	510,011	–
Euro Class B	273,480	–
Sterling Class B	132,032	–

It is envisaged that no income or gains are to be distributed by way of dividend.

7. Taxes

Under current Cayman Islands laws, the Master Fund is not required to pay any taxes in the Cayman Islands on either income or capital gains. The Master Fund has received an undertaking from the Governor in Cabinet in the Cayman Islands exempting it from any such taxes at least until 11 February 2023. The only taxes payable by the Master Fund on its income are withholding taxes applicable to certain income. Accordingly, no provision for taxes is recorded in these Financial Statements.

8. Financial instruments with off-balance sheet risk or concentration of credit risk

Derivative financial instruments may result in off-balance sheet market and credit risk. Market risk is the possibility that future changes in market price may make a financial instrument less valuable or more onerous. If the markets should move against one or more positions that the Master Fund holds, the Master Fund could incur losses greater than the unrealised amounts recorded in the Statement of Assets and Liabilities. The principal credit risk is that the counterparty to the Master Fund will default and fail to fulfil the terms of the agreement.

Securities sold short have market risk to the extent that the Master Fund, in satisfying its obligation, may have to purchase securities to cover a short position at a higher value than that recorded on the Statement of Assets and Liabilities.

Futures contracts expose the Master Fund to credit, market and liquidity risks. The Master Fund is exposed to market risk such that changes in the market values of the securities or indices underlying a contract may exceed the amount recognised in the Statement of Assets and Liabilities. Liquidity risk represents the possibility that the Master Fund may not be able to rapidly adjust the size of its futures position in times of high volatility and financial stress at a reasonable price.

Forward contracts expose the Master Fund to market and liquidity risks. The Master Fund is exposed to market risk to the extent that adverse changes occur in the value of the underlying asset. Liquidity risk represents the possibility that the Master Fund may not be able to rapidly adjust the size of its forwards positions in times of high volatility and financial stress at a reasonable price.

As a purchaser of an option contract, the Master Fund is subject to credit risk since the counterparty is obligated to make payments under the terms of the option contract if the Master Fund exercises the option. As a purchaser of an option contract, the Master Fund is only subject to market risk to the extent of the premium paid. The Master Fund purchases both exchange-traded and over-the-counter options. For exchange-traded option contracts, the stock exchange acts as the counterparty to specific transactions and therefore bears the risk of delivery to and from counterparties of specific positions. Over-the-counter option contracts are not guaranteed by any regulated stock exchange.

Entering into credit default swap agreements and contracts for difference expose the Master Fund to market risks equivalent to actually holding securities of the notional value but typically involve little capital commitment relative to the exposure achieved. The gains or losses of the Master Fund may therefore be significantly greater than this initial commitment.

In connection with investments sold under agreements to repurchase, it is the Master Fund's policy that its prime broker takes possession of the underlying collateral securities. If the seller defaults and the fair value of the collateral declines, realisation of the collateral by the Master Fund may be delayed or insufficient.

In accordance with SFAS No. 133, the Master Fund records its trading-related derivative activities on a fair value basis (as described in Note 2).

Notes to the Financial Statements continued

31 December 2007

8. Financial instruments with off-balance sheet risk or concentration of credit risk (continued)

Assets and liabilities in the table below represent the fair value of the Master Fund's holdings at year end. These assets and liabilities are not representative of the outstanding credit risk to the Master Fund due to the existence of master netting agreements. The table reflects the gross fair value of the Master Fund's derivative instruments.

	Fair value at 31 December, 2007		Fair value at 31 December, 2006	
	Assets US\$	Liabilities US\$	Assets US\$	Liabilities US\$
Interest rate guarantee options	7,273,036,274	(4,483,690,309)	2,645,145,432	(1,621,545,396)
Forward rate agreements	146,455,749	(133,462,703)	19,343,300	(16,873,081)
Interest rate swaps	12,111,629,530	(12,361,772,877)	5,210,345,898	(5,541,630,463)
Cross currency swaps	223,224,955	(175,407,844)	2,891,455	(4,047,925)
Credit default swaps	585,742,978	(301,979,545)	194,796,930	(152,122,711)
Swaptions	13,679,454,840	(12,684,652,151)	5,569,055,361	(5,482,659,756)
FX contracts	644,516,530	(1,015,946,289)	75,162,411	(183,570,299)
Exchange traded futures	1,210,080,998	(852,111,508)	445,369,300	(545,193,344)
Exchange traded options	2,403,115,863	(1,793,545,110)	437,331,600	(303,826,314)
Commodity options	1,583,605,632	(1,412,493,585)	595,236,559	(560,481,034)
Equity options	5,077,025,460	(6,177,131,594)	287,487,623	(248,447,233)
Metal options	95,359,082	(63,642,980)	352,532,989	(125,619,751)
Bond options	9,020,489	(11,769,191)	36,684,158	(31,899,721)
FX options	2,936,183,260	(2,037,862,954)	669,844,903	(205,251,268)
Equity swaps	161,526,266	(82,394,276)	58,068,774	(47,749,745)
	48,139,977,906	(43,587,862,916)	16,599,296,693	(15,070,918,040)

Fair values represent the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Master Fund maintains trading relationships with counterparties that include domestic and foreign brokers-dealers and financial institutions; these relationships could result in the concentration of the credit risk if counterparties fail to fulfil their obligations or the value of any collateral becomes inadequate.

BHAM has formulated credit review policies that attempt to control credit risk by following an established credit approval process, daily monitoring of net exposure to individual counterparties, requiring additional collateral where appropriate, and using master netting agreements whenever possible.

9. Financial highlights

The following tables include selected data for share classes outstanding throughout the year and other performance information derived from the Financial Statements. The per share amounts and ratios which are shown reflect the income and expenses of the Master Fund.

2007							
Per share operating performance	US Dollar Class A US\$	Euro Class A €	Sterling Class A £	US Dollar LP Class A US\$	BH Macro Class B US\$	BH Macro Class B €	BH Macro Class B £
Net Asset Value, beginning of year	1,684.89	1,646.37	1,774.37	1,514.03	–	–	–
Proceeds from shares issued during the year	–	–	–	–	1,000.00	1,000.00	1,000.00
Income from investment operations							
Net investment gain	26.68	25.75	28.08	23.89	8.86	8.71	8.85
Net realised and unrealised gain on investments	542.03	496.37	579.32	487.30	261.10	245.74	266.93
Total from investment operations	568.71	522.12	607.40	511.19	269.96	254.45	275.78
Net Asset Value, end of year	2,253.60	2,168.49	2,381.77	2,025.22	1,269.96	1,254.45	1,275.78
Total return	33.75%	31.71%	34.23%	33.76%	27.00%	25.45%	27.58%
2006							
Per share operating performance	US Dollar Class A US\$	Euro Class A €	Sterling Class A £	US Dollar LP Class A US\$	BH Macro Class B US\$	BH Macro Class B €	BH Macro Class B £
Net Asset Value, beginning of year	1,453.10	1,452.52	1,535.38	1,305.78	–	–	–
Income from investment operation							
Net investment	(2.46)	(2.48)	(2.54)	(2.27)	–	–	–
Net realised and unrealised gain on investments	234.25	196.33	241.53	210.52	–	–	–
Total from investment operations	231.79	193.85	238.99	208.25	–	–	–
Net Asset Value, end of year	1,684.89	1,646.37	1,774.37	1,514.03	–	–	–
Total return	15.95%	13.35%	15.57%	15.95%	–	–	–

Notes to the Financial Statements continued

31 December 2007

9. Financial highlights (continued)

Per share operating performance	US Dollar Class A US\$	Euro Class A €	Sterling Class A £	US Dollar LP Class A US\$	BH Macro Class B US\$	BH Macro Class B €	BH Macro Class B £
Net assets 31 December 2007	10,536,688,197	1,206,906,082	320,731,679	826,224,171	647,691,717	343,067,908	168,444,324
Net assets 31 December 2006	8,787,494,364	1,015,630,905	210,706,391	734,185,245	–	–	–
Average net assets for 2007	9,795,502,350	1,119,354,963	269,323,200	801,046,758	543,065,965	316,859,637	139,121,301
Average net assets for 2006	8,313,932,756	964,525,498	191,907,061	638,722,357	–	–	–

Ratio to average net assets 2007

Operating expense	0.83%	0.82%	0.82%	0.83%	0.81%	0.80%	0.81%
Net investment gain	1.39%	1.38%	1.33%	1.39%	1.04%	1.03%	1.04%

Ratio to average net assets 2006

Operating expense	0.93%	0.93%	0.93%	0.93%	–	–	–
Net investment (loss)/gain	(0.07%)	(0.02%)	(0.03%)	0.10%	–	–	–

Operating expenses are total expenses from the Statement of Operations, less interest.

Operating expenses and net investment gain are annualised.

10. Related party transactions

Brevan Howard Offshore Management Limited has been appointed as Manager of the Master Fund. The Manager has appointed Brevan Howard Asset Management LLP, Brevan Howard US Asset Management LP, Brevan Howard (Hong Kong) Limited and Brevan Howard (Israel) Limited as the Investment Managers of the Master Fund's assets. The transactions with the Investment Managers and fees payable at the period end are disclosed in Note 3 to the Financial Statements.

As stated in Note 3, performance fees are paid to the Manager by the Feeder Funds. These payments are funded through redemption of shares held in the Master Fund as at the year end. However, to enable the Feeder Funds to pay the performance fees immediately after 31 December 2007, it was agreed that advance payments would be made to the Feeder Funds by the Master Fund based upon an estimate of the performance fees expected to be payable as at the year end, except BH Macro, in respect of which an estimated performance fee was paid in December 2007. As a result of these advance payments, on 31 December 2007 the Master Fund held receivable balances due from Brevan Howard Fund Limited and Brevan Howard LP of \$541,849,166 (2006: \$167,669,453) and \$43,708,269 (2006: \$12,173,713) respectively. The receivable balances were settled subsequent to 31 December 2007 through redemptions effected and cash received from the Feeder Funds.

11. Long-term interest-bearing subscriptions

The subscriptions receivable amount of \$110,863,929 (2006: \$63,122,691) is due from Brevan Howard Fund Limited ("Feeder Fund") and relates to nil paid Class C and partly paid Class D shares issued by the Feeder Fund. Upon issuance of these nil and partly paid shares by the Feeder Fund, additional shares were issued by the Master Fund, resulting in the recognition of a corresponding receivable balance.

The Feeder Fund has issued in the period 207,112 nil paid Class C shares to Brevan Howard Employee Benefit Trust Number 3. The number of nil paid Class C shares in issue is 566,155 (2006: 359,043). A guarantee to pay any unmet capital calls covering the issue of the Class C shares has been given to the Feeder Fund by Brevan Howard Offshore Management Limited, the Manager of the Master Fund. Accrued interest receivable in the form of a funding fee has been recognised by the Feeder Fund at a rate of 3.7543% for the first allotment of 152,803 Class C shares issued in March 2005 (redeemable on or before 1 January 2008), 4.4025% for the second allotment of 206,240 shares issued in January 2006 (redeemable on or before 1 January 2009) and 4.56085% for the third allotment of 207,112 shares issued in January 2007 (redeemable on or before 1 January 2010). This funding fee is withheld from the redemption proceeds at the end of the term and is payable to the Feeder. The Directors of the Feeder have resolved to call the shares if the prevailing NAV falls below 90% of the NAV at issuance.

The Feeder Fund has also issued in the period 65,839 shares of 50% partly paid Class D shares to partners of Brevan Howard Asset Management LLP. The number of partly paid Class D shares in issue is 142,741 (2006: 76,902). Accrued interest receivable is being recognised by the Feeder Fund at a rate equal to three-month US Dollar Libor reset every quarter for the unpaid amount of the Class D shares issued in October 2006 and May 2007, payable on redemption, and is allocated to the Master Fund. The Directors of the Master Fund have discretion to call for the outstanding Class D share capital to be paid up at any time.

12. Comparative amounts

Comparative amounts for the prior year have been re-grouped and re-stated on a basis consistent with 2007.

13. Investment in affiliated funds

The Master Fund has invested seed capital in a number of affiliated funds, of which the investment in Brevan Howard Equity Strategies Fund LP exceeds 5% of the Net Asset Value of the Master Fund. This feeder fund invests all of its assets in Brevan Howard Equity Strategies Master Fund Limited, which has a principal objective to seek to provide consistent long-term appreciation in the value of its assets through active, leveraged trading and investment, on a global basis, principally in a portfolio of equity, equity-related and debt instruments and foreign exchange and derivatives relating to such instruments. The investment is redeemable at three months' notice.

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