

BREVAN HOWARD

Brevan Howard Master Fund Limited

Interim Unaudited Consolidated Financial Statements 2011

INTERIM UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS
30 June 2011

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Unaudited Consolidated Statement of Assets and Liabilities

30 June 2011

	2011 US\$'000
Assets	
Investments at market value (cost: US\$49,031,200) (Note 3,5)	61,048,143
Cash (Note 2)	4,252
Investments purchased under agreements to resell (cost: US\$17,082,502) (Note 7)	17,262,105
Dividends and interest receivable	179,989
Due from broker (Note 2)	4,575,478
Long-term interest-bearing subscriptions receivable (Note 12)	146,826
Other assets	99
Total assets	83,216,892
Liabilities	
Investments sold short at market value (proceeds: US\$15,043,583) (Note 3)	25,032,533
Investments sold under agreements to repurchase (proceeds: US\$27,476,038) (Note 7)	27,501,222
Accounts payable and accrued expenses (Note 4,5,6)	2,590
Dividends and interest payable	108,175
Redemptions payable	586,693
Subscriptions in advance	4,233
Due to broker (Note 2)	6,065,112
Performance fee payable (Note 5)	4,347
Equalisation factor (Note 14)	218
Other liabilities	26
Total liabilities	59,305,149
Non-controlling interest	227,887
Net assets (Note 8, 11)	23,683,856
Net Asset Value per share	
US Dollar Class A	\$3,816.79
US Dollar LP Class A	\$3,429.56
Euro Class A	€3,752.60
Sterling Class A	£4,161.13
Yen Class A	¥12,371.00
Australian Dollar Class A	AUD 1,156.92
Brazilian Real Class A	BRL 1,214.91
Canadian Dollar Class A	CAD 1,087.24
Norwegian Krone Class A	NOK 1,113.29
Singapore Dollar Class A	SGD 1,048.10
Gold Class A	XAU 100.26
US Dollar Class B	\$2,151.11
Euro Class B	€2,171.14
Sterling Class B	£2,238.65
US Dollar Class Y	\$128.51
Euro Class Y	€124.29
Sterling Class Y	£124.48
US Dollar Class Z	\$108.02
Euro Class Z	€108.53
Sterling Class Z	£108.31
Yen Class Z	¥10,690.66

Cost and proceeds are presented in US\$'000.

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

J.D. Hunter

Director

22 August, 2011

Unaudited Consolidated Statement of Operations

30 June 2011

	2011 US\$'000
Investment income	
Interest income	423,158
Dividend income (net of withholding tax of US\$993)	2,895
Total income	426,053
Expenses	
Interest expense	266,947
Professional fees and other	2,944
Operational services fee (Note 4)	59,763
Management fee (Note 5)	16,176
Administration fee (Note 6)	13,711
Commission for futures and options	62,105
Dividend expense on investments sold short	3,220
Performance fee (Note 5)	4,523
Total expenses	429,389
Net investment loss	(3,336)
Net realised and unrealised gain/(loss) on investments	
Net realised gain on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase (Note 2)	1,745,898
Net change in unrealised depreciation on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase (Note 2)	(345,307)
Net realised and unrealised gain on investments	1,400,591
Non-controlling interest's share in net income	(6,899)
Net increase in net assets resulting from operations	1,390,356

Withholding tax is presented in US\$'000.

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

Unaudited Consolidated Statement of Changes in Net Assets

30 June 2011

	2011 US\$'000
Net increase in net assets resulting from operations	
Net investment loss	(3,336)
Net realised gain on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase	1,745,898
Net change in unrealised depreciation on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase	(345,307)
Non-controlling interest's share in net income	(6,899)
	1,390,356
Share Capital Transactions	
Issue of shares	
US Dollar Class A	634,775
US Dollar LP Class A	210,936
Euro Class A	80,735
Sterling Class A	187,114
Yen Class A	58,589
Australian Dollar Class A	9,002
Brazilian Real Class A	780
Canadian Dollar Class A	79,261
Norwegian Krone Class A	9,557
Singapore Dollar Class A	33,931
Gold Class A	766
US Dollar Class B	3,377
Sterling Class B	59,152
Sterling Class Y	22,235
US Dollar Class Z	148,912
Euro Class Z	14,668
Sterling Class Z	2,918
Yen Class Z	12,280
Redemptions	
US Dollar Class A	(1,947,833)
US Dollar LP Class A	(288,785)
Euro Class A	(345,789)
Sterling Class A	(242,942)
Yen Class A	(49,303)
Australian Dollar Class A	(140,305)
Canadian Dollar Class A	(79,885)
Swiss Franc Class A	(127,766)
US Dollar Class B	(18,908)
Euro Class B	(52,139)
Sterling Class B	(10,577)
US Dollar Class Y	(30,101)
Euro Class Y	(3,485)
Sterling Class Y	(10,941)
US Dollar Class Z	(105,000)
Euro Class Z	(3,538)
Sterling Class Z	(7,050)
Equalisation write back (Note 15)	36
Net increase in net assets	(504,967)
Net assets – beginning of period	24,188,823
Net assets – end of period	23,683,856

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

Unaudited Consolidated Statement of Cash Flows

30 June 2011

2011
US\$'000

Cash flows from operating activities:

Net increase in net assets resulting from operations	1,390,356
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Increase in investments	(7,572,330)
Decrease in investments purchased under agreement to resell	598,000
Increase in dividends and interest receivable	(11,258)
Decrease in other assets	164
Increase in due from broker	(2,140,886)
Increase in due to broker	1,194,658
Decrease in accounts payable and accrued expenses	(3,096)
Decrease in dividends and interest payable	(86,765)
Decrease in performance fee payable	(16,817)
Increase in other liabilities	26
Net cash used in operating activities	(6,647,948)

Cash flows from financing activities

Proceeds on issue of shares	1,542,257
Payment on redemption of shares	(3,376,704)
Equalisation factor	282
Decrease in investments purchased under agreement to resell	1,186,855
Increase in investments sold under agreement to repurchase	7,274,099
Net cash provided by financing activities	6,626,789

Net increase in cash	(21,159)
Cash – beginning of period	25,411
Cash – end of period	4,252

Non-cash financing activities not included herein consist of:

Movement in long-term interest-bearing subscriptions receivable of US\$10,871,608.

Movement in redemptions payable of US\$87,642,976.

As a result of the consolidation of certain subsidiaries detailed in Note 2, a non-controlling interest of US\$227,886,854 was recognised in the Unaudited Consolidated Statement of Asset and Liabilities. As this non-controlling interest does not represent a cash flow for the Master Fund, it has not been included in the Unaudited Consolidated Statement of Cash Flows.

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

Notes to the Interim Unaudited Consolidated Financial Statements

30 June 2011

1. Organisation

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 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 investment strategy is comprised of global investment strategies, and a number of long and short strategies that may have directional risk.

Brevan Howard Capital Management L.P. (the "Manager"), acting through its sole general partner, Brevan Howard Capital Management Limited, is the Manager of the Master Fund.

The Manager has appointed each of: (i) Brevan Howard Asset Management LLP ("BHAM"); (ii) Brevan Howard Investment Products Limited ("BHIPL"); (iii) Brevan Howard (Hong Kong) Limited; (iv) Brevan Howard (Israel) Limited; and (v) DW Investment Management, L.P. as Investment Managers of the Master Fund's assets, in each case subject to risk oversight and treasury management by BHIPL and BHAM respectively. 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 and/or interests in the Master Fund's feeder funds. The feeder funds comprise of Brevan Howard Fund Limited, Brevan Howard L.P. and BH Macro Limited (together 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 Interim Unaudited Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The Interim Unaudited Consolidated 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 and its Subsidiaries 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 and its Subsidiaries as at 30 June 2011 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, options, equities, government and corporate debt securities). Illiquid credit markets have resulted in inactive markets for certain of the Master Fund and its Subsidiaries' financial instruments. As a result, there is no or limited observable market data for these assets and liabilities. Fair value estimates for financial instruments for which no or limited observable market data is available are based on judgments regarding current economic conditions, liquidity discounts, currency, credit, and interest rate risks, loss experience and other factors. These estimates involve significant uncertainties and judgments and cannot be determined with precision. As a result, such calculated fair value estimates may not be realisable in a current sale or immediate settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique, including discount rates, liquidity risks and estimates of future cash flows, could significantly affect these fair value estimates.

Estimates of the fair value Level 3 assets and liabilities as defined by the Accounting Standards Codification ("ASC") 820 of the Master Fund and its Subsidiaries' financial instruments are disclosed in Note 3.

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

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, multifactored options or private placements).

OTC swap, forward and option values are determined based on relevant market information on the underlying reference assets which may include credit spreads, credit event probabilities, index values, individual security values, forward interest rates, variable interest rates, volatility measures and forward currency rates.

Realised gains and losses on investments are calculated using the highest in first out method. Realised and unrealised gains and losses are recorded at the reporting date in the Unaudited Consolidated Statement of Operations.

Income and expense recognition

Interest income and expense including prime broker and ISDA/ISMA interest is recognised in the Unaudited Consolidated Statement of Operations on an accrual 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.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2011

2. Significant accounting policies (continued)

Income and expense recognition (continued)

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

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

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

The Investment Managers monitor the market value of the Master Fund and its Subsidiaries' 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.

Asset-Backed Securities

The Master Fund and its Subsidiaries may invest in asset-backed securities. These securities include mortgage backed securities, collateralised debt obligations and other asset-backed securities representing interests in pools of loans or other receivables. Mortgage backed securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans. The rate of pre-payments on underlying assets will affect the price and volatility of an asset backed security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase.

Collateralised Debt Obligations ("CDOs") include Collateralised Bond Obligations, Collateralised Loan Obligations and other similarly structured securities. The risks of an investment in a CDO depend largely on the type of the collateral securities and the class of the CDO in which the Master Fund and its Subsidiaries invest. CDOs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments, (ii) the quality of the collateral may decline in value or default, (iii) the Master Fund and its Subsidiaries may invest in CDOs that are subordinate to other classes, and (iv) the complex structure of the security may produce disputes with the issuer or unexpected investment results.

Derivative financial instruments

The Master Fund and its Subsidiaries use 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 Unaudited Consolidated Statement of Operations in the period in which the changes occur. The fair value of derivative financial instruments at the reporting date generally reflects the amount that the Master Fund and its Subsidiaries 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 and its Subsidiaries purchase a put or call option, an amount, equal to the premium paid by the Master Fund and its Subsidiaries, 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 and its Subsidiaries 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 and its Subsidiaries 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 and its Subsidiaries.

Unrealised gains or losses on open forward foreign exchange contracts and forward rate agreements represent the Master Fund and its Subsidiaries' 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 Unaudited Consolidated Statement of Assets and Liabilities.

Unrealised gains or losses on open futures contracts are 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 Unaudited Consolidated Statement of Assets and Liabilities.

Unrealised gains or losses on swap agreements represent the cumulative fair value change since the last reporting date and are calculated as the present value of the future net cash flows to be received and paid under the agreement.

2. Significant accounting policies (continued)

Derivative financial instruments (continued)

The following table sets forth the fair value of the Master Fund and its Subsidiaries' derivative contracts by certain risk types as of 30 June 2011 in accordance with ASC 815. The values in the table below exclude the effects of cash received or posted pursuant to derivative contracts, and therefore are not representative of the Master Fund and its Subsidiaries' net exposure. The derivative assets and derivative liabilities are included in "Investments at market value" and "Investments sold short at market value", respectively, in the Unaudited Consolidated Statement of Assets and Liabilities.

Derivative contracts for trading activities	Derivative Assets US\$'000	Derivative Liabilities US\$'000
Foreign Exchange Contracts (6,566 open positions)	4,084,054	3,925,606
Commodity Contracts (950 open positions)	1,250,710	928,553
Credit Contracts (979 open positions)	1,042,493	915,139
Equity Contracts (433 open positions)	190,786	136,995
Interest Rate Contracts (4,527 open positions)	12,636,024	9,303,233
Gross Fair Value of Derivative Contracts	19,204,067	15,209,526

The following table sets forth by certain risk types the Master Fund and its Subsidiaries' gains/ (losses) related to derivative activities for the period ended 30 June 2011 in accordance with ASC 815. These gains/(losses) should be considered in the context that derivative contracts may have been executed to economically hedge certain securities and accordingly, certain gains or losses on derivative contracts may offset certain gains or losses attributable to securities. These gains/(losses) are included in "Net realised and unrealised gain/(loss) on investments" in the Unaudited Consolidated Statement of Operations.

	Realised Gains/(Losses) Period Ended 30 June 2011 US\$'000	Change in Unrealised Gains/(Losses) Period Ended 30 June 2011 US\$'000
Foreign Exchange Contracts	(516,236)	(53,851)
Commodity Contracts	275,761	(64,200)
Credit Contracts	(121,091)	45,371
Equity Contracts	(137,854)	2,354
Interest Rate Contracts	757,302	206,235
Total	257,882	135,909

The Master Fund enters into derivative contracts that meet the definition of a credit derivative as defined by ASC 815. These contracts are primarily written and purchased credit default swaps on single issuers, asset-backed securities, credit indices and index or CDO tranches.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2011

2. Significant accounting policies (continued)

Derivative financial instruments (continued)

The following table relates to the Master Fund's written credit derivatives as at 30 June 2011:

Maximum Payout/Notional Amount by Period of Expiration

Contract Type	0-2 Years '000	2-5 Years '000	5 Years or Greater '000	Total '000
Bespoke CDO tranches	11,599	268,735	–	280,334
Corporates	27,897	613,396	65,572	706,865
Credit index – corporate	–	54,371	–	54,371
Credit index – mortgage backed	–	–	236,980	236,980
Credit index tranche – corporate	499,663	94,914	–	594,577
Mortgage backed	–	–	20,335	20,335
Sovereign	49,940	192,642	(72,618)	169,964
Total	589,099	1,224,058	250,269	2,063,426

Maximum Payout/Notional Amount

Contract Type	Written Credit Derivative '000	Offsetting Purchased Credit Derivative '000	Net of Offsetting Purchased Credit Derivative '000	Written Credit Derivative at Fair Value US\$'000
Bespoke CDO tranches	280,334	–	280,334	(84,110)
Corporates	1,417,590	(710,725)	706,865	(1,957)
Credit index – corporate	415,131	(360,760)	54,371	576
Credit index – mortgage backed	265,980	(29,000)	236,980	(60,479)
Credit index tranche – corporate	692,158	(97,581)	594,577	(45,888)
Mortgage backed	20,335	–	20,335	(9,087)
Sovereign	653,825	(483,861)	169,964	(10,224)
Total	3,745,353	(1,681,927)	2,063,426	(211,169)

The Master Fund and its Subsidiaries may execute these types of credit derivatives as it seeks to increase its total return or as a means of hedging credit exposure.

Period of expiration, contract type, maximum payout and fair value are indicators of payment / performance risk. As a provider of credit protection, the Master Fund receives a stream of payments from the counterparty representing the premium on the contract in exchange for guaranteeing the principal payment on a reference security or obligation upon the issuer's default. Upon the occurrence of a specified credit event, as a seller of credit protection, the Master Fund is entitled to take possession of the defaulted underlying security and pay the buyer an amount equal to the notional amount of the swap. It may alternatively pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap reduced by the recovery value of the reference obligation.

Investments sold short

The Master Fund and its Subsidiaries may sell a security it does not own in anticipation of a decline in the market value of that security. When the Master Fund and its Subsidiaries sell 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 and its Subsidiaries are 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 and its Subsidiaries 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 Unaudited Consolidated Statement of Operations. Investments sold short are recorded as liabilities on the Unaudited Consolidated 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.

2. Significant accounting policies (continued)

Foreign currency translation (continued)

The Master Fund and its Subsidiaries do 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 Unaudited Consolidated Statement of Operations.

Use of estimates

The preparation of Consolidated Financial Statements in accordance with US GAAP 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 Interim Unaudited Consolidated 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.

Basis of consolidation

The Master Fund has consolidated the following entities (together the "Subsidiaries") as at 30 June 2011:

- BHMFI Investments Limited, a company incorporated with limited liability on 13 February 2008 under the laws of the Cayman Islands;
- BHMFI Investments II Limited, a company incorporated with limited liability on 7 May 2010 under the laws of the Cayman Islands;
- WCG Strategies Fund Limited, a company incorporated with limited liability on 27 October 2008 under the laws of the Cayman Islands;
- Brevan Howard Systematic Trading Master Fund Limited, a company incorporated with limited liability on 6 January 2010 under the laws of the Cayman Islands;

The Master Fund owns 100% of BHMFI Investments Limited, 100% of BHMFI Investments II Limited, 100% of WCG Strategies Fund Limited and 59.03% of Brevan Howard Systematic Trading Master Fund Limited as at 30 June 2011.

The Interim Unaudited Consolidated Financial Statements include full consolidation of wholly owned subsidiaries and of majority owned subsidiaries, except where the effect on the Master Fund's financial position and results of operations are immaterial. Transactions between the Master Fund and the Subsidiaries have been eliminated on consolidation.

Cash

Cash 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 30 June 2011, deposits held as collateral amounted to US\$3,396,461,138.

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.

3. Fair value measurements

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price).

The fair value hierarchy under ASC 820 prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for instruments that are identical or similar in markets that are not active and model derived valuations for which all significant inputs are observable, either directly or indirectly in active markets;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2011

3. Fair value measurements (continued)

The hierarchy requires the use of observable market data when available. As required by ASC 820, investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following is a summary of the levels within the fair value hierarchy for the Master Fund's investments as at 30 June 2011:

Assets

Fair value measurement at reporting date:	Level 1: US\$'000	Level 2: US\$'000	Level 3: US\$'000	Total US\$'000
Equity Securities	558,166	23,380	–	581,546
Private Placement	–	–	66,776	66,776
Funds	–	1,269,111	–	1,269,111
Fixed Income Securities				
US Government Securities	27,478,029	–	–	27,478,029
Non US Government Securities	9,941,210	–	–	9,941,210
Corporate Debt Securities	1,058,093	23,303	–	1,081,396
Asset Backed Securities	4,339	609,902	27,842	642,083
Mortgage Backed Securities	–	733,469	21,029	754,498
Other Debt Obligations	–	29,427	–	29,427
Derivatives				
Foreign Exchange contracts	1,780	4,082,274	–	4,084,054
Commodity contracts	1,189,296	61,414	–	1,250,710
Credit contracts	–	1,042,493	–	1,042,493
Equity contracts	112,960	77,826	–	190,786
Interest rate contracts	528,740	12,107,284	–	12,636,024
Total assets	40,872,613	20,059,883	115,647	61,048,143

Liabilities

Fair value measurement at reporting date:	Level 1: US\$'000	Level 2: US\$'000	Level 3: US\$'000	Total US\$'000
Equity Securities	347,192	–	–	347,192
Fixed Income Securities				
US Government Securities	1,563,146	–	–	1,563,146
Non US Government Securities	7,902,714	–	–	7,902,714
Corporate Debt Securities	6,024	–	–	6,024
Mortgage Backed Securities	–	3,931	–	3,931
Derivatives				
Foreign Exchange contracts	109	3,925,497	–	3,925,606
Commodity contracts	883,175	45,378	–	928,553
Credit contracts	–	915,139	–	915,139
Equity contracts	79,548	57,447	–	136,995
Interest rate contracts	412,748	8,890,485	–	9,303,233
Total liabilities	11,194,656	13,837,877	–	25,032,533

3. Fair value measurements (continued)

Foreign exchange contracts include foreign exchange futures, forwards, swaps, options and any other derivative contract in which the reference asset is a foreign exchange rate. Commodity contracts include commodity futures and options and any other derivative contract in which the reference asset is a commodity price or index. Credit contracts include credit default swaps, credit index options and any other derivative contract in which the reference asset is a credit event or other credit risk on an underlying entity, financial asset or a credit index. Equity contracts include equity futures, forwards, options, swaps, contracts for difference and any other derivative contract in which the reference asset is an equity price or index. Interest rate contracts include interest rate futures, forwards, swaps, options, caps and floors, swaptions, forward rate agreements and any other derivative contract in which the reference asset is an interest rate or debt security.

The Master Fund and its Subsidiaries policy is to recognise transfers in and transfers out of each level as at the end of each month.

Transfers in and transfers out of Level 3 have occurred due to the change in availability of observable market data.

There were no significant transfers between Level 1 and Level 2 during the period ended 30 June 2011. The Master Fund had no investments measured at fair value on a non-recurring basis during the period ended 30 June 2011.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Master Fund and its Subsidiaries have classified within the Level 3 category. As a result, the unrealised gains and losses for assets within the Level 3 category in the table below may include changes in fair value that were attributable to both observable (e.g. changes in market interest rates) and unobservable (e.g. changes in unobservable long-dated volatilities) inputs.

Level 3 Assets

	Asset Backed Securities US\$'000	Mortgage Backed Securities US\$'000	Other Debt Obligations US\$'000	Private Placement US\$'000	Total US\$'000
Investments					
Beginning balance as of 1 January 2011	5,893	795	2,221	70,491	79,400
Purchases	31,638	39,938	–	2,793	74,369
Sales	(2,576)	(15,740)	(311)	(9,467)	(28,094)
Transfers in to Level 3	9,021	25,566	–	–	34,587
Transfers out of Level 3	(17,822)	(29,787)	(1,942)	–	(49,551)
Realised gain/(loss)	252	2,127	(3)	584	2,960
Change in unrealised gain/(loss)	1,436	(1,870)	35	2,375	1,976
Ending balance as of 30 June 2011	27,842	21,029	–	66,776	115,647

Liabilities

At 30 June 2011, there were no Level 3 investments held short.

The change in unrealised losses for the period ended 30 June 2011 for investments still held at 30 June 2011 amounted to US\$1,976,158 and is reflected in net change in unrealised appreciation/(depreciation) on investments on the Unaudited Consolidated Statement of Operations.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2011

4. Operational services fee

The Manager has received from the Master Fund a fee of 1/12 of 0.50% per month of the NAV, prior to the deduction of management and performance fees, of the Master Fund for the period to 30 June 2011 (the "operational services fee") as at the last valuation day in each month (excluding for these purposes such part of the NAV of the Master Fund which is attributable to (i) any investments made in other investment funds managed by the Manager which also charge an operational services fee, or (ii) the Class Z ordinary shares in the Master Fund). The Manager has appointed BHAM to provide certain services in respect of the Master Fund (including middle-office and back-office services and information technology services), for which the Manager pays BHAM a fee equal to the operational services fee the Manager receives from the Master Fund.

The operational services fee for the period ended 30 June 2011 amounted to US\$59,762,854. The operational services fee receivable at 30 June 2011 is US\$43,750.

5. Management and performance fees

The Manager receives a management fee of 1/12 of 2% (or a pro rata proportion thereof) per month of the NAV (before deduction of that month's management fee and before making any deduction for any accrued performance fee) as at the last valuation day in each month, payable monthly in arrears on Class X shares and Class Y shares. No management fees are payable in respect of Class A shares, Class B shares and Class Z shares.

The Manager also receives a performance fee. The performance fee is equal to the relevant percentage of the appreciation in the NAV per share of that class during that calculation period which is above the base NAV of that class. The base NAV per share is the greater of the NAV per share of the relevant class at the time of issue of such share and the highest NAV per share achieved as at the end of any previous calculation period.

For the Master Fund, the applicable performance fees are 20% for Class X and 25% for Class Y. No performance fees are payable in respect of Class A shares, Class B shares and Class Z shares. Performance fees may be settled in cash or in the cash equivalent of US Treasury Bills at fair value on the date of transfer. In respect of the Subsidiaries, the applicable performance fees for 2011 are 20% for Class A and Class B of Brevan Howard Systematic Trading Master Fund Limited and 20% for Class A of WCG Strategies Fund Limited. Performance fees for the period were US\$4,522,938.

At 30 June 2011 the Master Fund held investments in the following funds (each an "underlying fund investment") managed by one or more of the Brevan Howard group of affiliated entities:

Brevan Howard Equity Strategies Fund L.P.	US\$1,811,061
Brevan Howard Emerging Markets Strategies Fund L.P.	US\$491,999,060
Brevan Howard Investment Fund – Emerging Markets Local Fixed Income Fund Limited	US\$10,254,000
Brevan Howard Credit Catalysts Master Fund Limited	US\$186,148,925
Brevan Howard Strategic Opportunities Fund Limited	US\$119,726,028
WCG Strategies Fund Limited	US\$968,926,304
Brevan Howard Commodities Strategies Fund L.P.	US\$215,344,689
Brevan Howard Investment Fund – Emerging Markets Local Fixed Income Fund	US\$98,742,393
Brevan Howard Systematic Trading Master Fund Limited	US\$328,346,299
Brevan Howard Investment Fund – Absolute Return Bond Plus Fund	US\$98,282,368
BHMF Investments Limited	US\$46,802,326
BHMF Investments II Limited	US\$16,365,756

The return on the Master Fund's investment in these funds is net of applicable performance and management fees. To ensure that the effective rate of management fees and/or performance fees that is ultimately borne by shareholders in the Master Fund or Feeder Funds (in relation to each underlying fund investment) is not greater than the rate of performance and/or management fees applicable to the class of share held by that investor, the Master Fund or Feeder Fund reduces management and performance fees charged in relation to these investment holdings accordingly.

6. Administration fee

Under the terms of the Administrative Services Agreement, as amended, dated 18 February 2011 between International Fund Services (Ireland) Limited ("IFS") and the Master Fund, the Administrator receives a fee based on the month-end NAV of the Master Fund and its Subsidiaries calculated and payable monthly in arrears.

The administration fee on a monthly basis is 1/12 of 14 basis points (on the first \$15 billion month end NAV), 1/12 of 11 basis points (on the next \$15 billion month end NAV) and 1/12 of 9 basis points (on net assets over \$30 billion month end NAV), of the excess of the Master Fund's month end NAV over the sum of NAV that represents the amount of investment made by the Master Fund in other Brevan Howard managed funds administered by IFS held in the same month. The administration fee outstanding at 30 June 2011 is US\$2,204,514.

Administration fees are also incurred on investments made in affiliated and non-affiliated funds by the Master Fund that are not administered by IFS.

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

At 30 June 2011, investments with a market value of US\$17,262,105,497 were pledged to the Master Fund and its Subsidiaries as collateral (investments purchased under agreements to resell) and investments with a value of US\$27,501,222,501 were pledged by the Master Fund and its Subsidiaries as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 30 September 2011 and all agreements to resell mature by 30 September 2011.

8. Share capital

The Master Fund has an authorised share capital of:

- €100,000 divided into 10,000,000 ordinary shares of €0.01 par value;
- US\$400,000 divided into 40,000,000 ordinary shares of US\$0.01 par value;
- £100,000 divided into 10,000,000 ordinary shares of £0.01 par value;
- ¥10,000,000 divided into 10,000,000 ordinary shares of ¥1.00 par value;
- AUD400,000 divided into 40,000,000 ordinary shares of AUD0.01 par value;
- BRL400,000 divided into 40,000,000 ordinary shares of BRL0.01 par value;
- CAD400,000 divided into 40,000,000 ordinary shares of CAD0.01 par value;
- CHF400,000 divided into 40,000,000 ordinary shares of CHF0.01 par value;
- NOK400,000 divided into 40,000,000 ordinary shares of NOK0.01 par value;
- SGD400,000 divided into 40,000,000 ordinary shares of SGD0.01 par value.

All of which may be issued as Class A, Class B, Class X, Class Y and Class Z 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 and Brevan Howard L.P. and may be issued as US\$ shares or Gold shares. These series commenced on 1 April 2003 and 1 February 2004 respectively. All Class A US Dollar, Euro, Sterling, Australian Dollar, Canadian Dollar, Brazilian Real, Norwegian Krone, Singapore Dollar and Yen shares are held by Brevan Howard Fund Limited, whilst all Class A US Dollar L.P. shares are held by Brevan Howard L.P. All Class B US Dollar, Euro and Sterling shares are held by BH Macro Limited. Class Y US Dollar, Euro and Sterling shares are held by Brevan Howard Global Opportunities Master Fund Limited. Class Z US Dollar, Euro, Sterling and Yen shares are held by Brevan Howard Multi-Strategy Master Fund Limited.

The rights of the Class X US Dollar, Euro and Sterling Shares are substantially the same as those set out in respect of Class A US Dollar, Euro and Sterling Shares respectively in the Feeder Fund Prospectus save that no redemption fees are payable in respect of such shares.

The rights of the Class Y US Dollar, Euro and Sterling Shares are substantially the same as those set out in respect of Class B US Dollar, Euro and Sterling Shares respectively in the Feeder Fund Prospectus.

The rights of the Class Z US Dollar, Euro, Sterling and Yen Shares are substantially the same as those set out in respect of Class A US Dollar, Euro and Sterling Shares respectively in the Feeder Fund Prospectus.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2011

8. Share capital (continued)

	2011 Shares
Shares in issue at start of period	
US Dollar Class A	3,699,216
US Dollar LP Class A	829,180
Euro Class A	387,470
Sterling Class A	257,679
Yen Class A	4,305,902
Australian Dollar Class A	759,348
Brazilian Real Class A	86,533
Canadian Dollar Class A	67,220
Norwegian Krone Class A	285,802
Singapore Dollar Class A	200,631
Swiss Franc Class A	120,493
US Dollar Class B	265,152
Euro Class B	122,777
Sterling Class B	282,768
US Dollar Class Y	838,792
Euro Class Y	135,797
Sterling Class Y	1,498,660
US Dollar Class Z	1,895,050
Euro Class Z	305,935
Sterling Class Z	105,626
Yen Class Z	137,730
Shares issued during the period	
US Dollar Class A	168,138
US Dollar LP Class A	62,456
Euro Class A	15,365
Sterling Class A	29,289
Yen Class A	389,657
Australian Dollar Class A	7,615
Brazilian Real Class A	1,035
Canadian Dollar Class A	75,286
Norwegian Krone Class A	46,526
Singapore Dollar Class A	41,670
Gold Class A	5
US Dollar Class B	1,594
Sterling Class B	16,786
Sterling Class Y	111,538
US Dollar Class Z	1,397,674
Euro Class Z	97,504
Sterling Class Z	16,592
Yen Class Z	93,893

8. Share capital (continued)

	2011 Shares
Shares redeemed during the period	
US Dollar Class A	(515,307)
US Dollar LP Class A	(85,161)
Euro Class A	(65,472)
Sterling Class A	(35,672)
Yen Class A	(328,024)
Australian Dollar Class A	(121,284)
Canadian Dollar Class A	(70,863)
Swiss Franc Class A	(120,493)
US Dollar Class B	(8,932)
Euro Class B	(17,672)
Sterling Class B	(2,943)
US Dollar Class Y	(235,322)
Euro Class Y	(19,565)
Sterling Class Y	(55,124)
US Dollar Class Z	(980,176)
Euro Class Z	(23,396)
Sterling Class Z	(39,777)
Shares in issue at end of period	
US Dollar Class A	3,352,047
US Dollar LP Class A	806,475
Euro Class A	337,363
Sterling Class A	251,296
Yen Class A	4,367,535
Australian Dollar Class A	645,679
Brazilian Real Class A	87,568
Canadian Dollar Class A	71,643
Norwegian Krone Class A	332,328
Singapore Dollar Class A	242,301
Gold Class A	5
US Dollar Class B	257,814
Euro Class B	105,105
Sterling Class B	296,611
US Dollar Class Y	603,470
Euro Class Y	116,232
Sterling Class Y	1,555,074
US Dollar Class Z	2,312,548
Euro Class Z	380,043
Sterling Class Z	82,441
Yen Class Z	231,623

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

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2011

9. 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 for a period of 20 years 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 Interim Unaudited Consolidated Financial Statements.

ASC 740, Income Taxes, established financial accounting and disclosure requirements for recognition and measurement of tax positions taken or expected to be taken on a tax return. The Manager has reviewed the Master Fund's tax positions for all open tax years and has concluded that no provision for income tax is required in the Master Fund's interim Unaudited Consolidated Financial Statements.

The Master Fund is subject to potential examination by certain taxing authorities in various jurisdictions. The tax liability is also subject to ongoing interpretation of laws by taxing authorities. The tax years under potential examination vary by jurisdiction.

10. 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 and its Subsidiaries holds, the Master Fund and its Subsidiaries could incur losses greater than the unrealised amounts recorded in the Unaudited Consolidated Statement of Assets and Liabilities. The principal credit risk is that the counterparty to the Master Fund and its Subsidiaries will default and fail to fulfill the terms of the agreement.

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

Futures contracts expose the Master Fund and its Subsidiaries to credit, market and liquidity risks. The Master Fund and its Subsidiaries are 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 Unaudited Consolidated Statement of Assets and Liabilities. Liquidity risk represents the possibility that the Master Fund and its Subsidiaries 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 and its Subsidiaries to market and liquidity risks. The Master Fund and its Subsidiaries are 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 and its Subsidiaries 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 and its Subsidiaries are subject to credit risk since the counterparty is obligated to make payments under the terms of the option contract if the Master Fund and its Subsidiaries exercise the option. As a purchaser of an option contract, the Master Fund and its Subsidiaries are only subject to market risk to the extent of the premium paid.

The Master Fund and its Subsidiaries purchase 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.

The Master Fund and its Subsidiaries invest in fixed income securities and bank loans. Until such investments are sold or mature, the Master Fund and its Subsidiaries are exposed to credit risk relating to whether the issuer will meet its obligation as it comes due.

Entering into credit default swap agreements and contracts for difference exposes the Master Fund and its Subsidiaries 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 and its Subsidiaries may therefore be significantly greater than this initial commitment.

In connection with investments sold under agreements to repurchase, it is the Master Fund and its Subsidiaries' policy that their prime brokers take 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 and its Subsidiaries may be delayed or insufficient.

In accordance with ASC 815 the Master Fund records its trading-related derivative activities on a fair value basis (as described in Note 2).

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

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

	Fair value at 30 June 2011	
	Assets US\$'000	Liabilities US\$'000
Interest rate guarantee options	1,735,768	641,010
Forward rate agreements	33,548	191,865
Interest rate swaps	4,727,792	4,877,811
Cross currency swaps	798,174	770,778
Credit default swaps	1,042,494	915,139
Swaptions	5,284,629	2,872,648
FX contracts	1,944,374	2,198,640
Exchange traded futures	315,300	259,446
Exchange traded options	647,225	579,226
Commodity options	1,156,345	827,880
Equity options	166,894	101,928
FX options	1,341,250	956,079
Equity swaps	10,059	17,076
Rights	215	–
	19,204,067	15,209,526

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 and its Subsidiaries maintain 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 fulfill their obligations or the value of any collateral becomes inadequate.

BHIPL 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 the segregation of collateral where possible, and using master netting agreements whenever possible.

Liquidity risk

The Master Fund's and its Subsidiaries investment portfolios are leveraged and are actively managed to ensure there is sufficient liquidity to meet collateral calls, shareholder redemption requests and trading and other liabilities as they become due.

The Master Fund and its Subsidiaries seek to trade mainly in investments that are sufficiently liquid and readily realisable at close to fair value in order to meet any potential liquidity requirement. To this end, the Master Fund and its Subsidiaries monitor the speed at which the portfolio can be liquidated under ordinary market conditions and further monitors liquidity by a number of additional measures. Deteriorating market conditions, however, may hamper the ability of the fund to liquidate its investments in an orderly manner.

From time to time, market participants with which the Master Fund and its Subsidiaries effect transactions might cease making markets or quoting prices in certain instruments, may only continue to do so in limited size, or may widen the spreads at which they are prepared to transact. In such instances, the Master Fund and its Subsidiaries might be unable to enter into desired transactions, or close out existing transactions, at normal market levels, which might adversely affect its performance.

The Master Fund's and its Subsidiaries liquidity risk is monitored on a daily basis by staff of the Investment Managers, independent of the portfolio management team, using measures of risk and unencumbered cash and cash equivalents, and includes an escalation process in circumstances where liquidity approaches tolerance levels.

The Master Fund and its Subsidiaries may restrict redemptions in accordance with their Articles of Association if they receive requests for the redemption of Shares on any Redemption Day representing in aggregate more than ten per cent of the total number of Ordinary Shares then in issue on a class by class basis.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2011

11. Related party transactions

With effect from 18 June 2010, Brevan Howard Capital Management L.P. acting through its sole general partner, Brevan Howard Capital Management Limited, became the Manager of the Master Fund. The Manager has appointed each of: (i) BHAM; (ii) BHIPL; (iii) Brevan Howard (Hong Kong) Limited; (iv) Brevan Howard (Israel) Limited; and (v) DW Investment Management, L.P. as 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 5 to the Interim Unaudited Consolidated Financial Statements.

Brevan Howard Multi-Strategy Master Fund Limited ("BHMS") is a Cayman incorporated limited liability company that is permitted to invest its assets in any investment funds of which one or more of the Brevan Howard group of affiliated companies is the manager or investment manager. The Manager of the Master Fund, is also the manager of BHMS. BHMS held 1.50% (US\$354,608,476) of the net assets of the Master Fund through a holding of US Dollar, Euro, Sterling and Yen Class Z shares as at 30 June 2011.

BH Global Limited ("BHG") is a Guernsey incorporated closed-ended investment company listed on the London Stock Exchange that invests all of its assets in the Brevan Howard Global Opportunities Master Fund Limited ("BHGOMF"). The Manager of the Master Fund, is also the manager of BHG and BHGOMF. BHGOMF is permitted to invest in any investment funds of which one or more of the Brevan Howard group of affiliated entities is the manager or investment manager. At 30 June 2011 BHGOMF held 1.73% (US\$409,273,929) of the net assets of the Master Fund.

As at 30 June 2011 the Master Fund held investments in funds managed by one or more of the Brevan Howard group of affiliated entities as set out in Note 5.

12. Long-term interest-bearing subscriptions receivable

The subscriptions receivable amount of US\$146,826,485 is due from Brevan Howard Fund Limited and relates to Nil Paid US Dollar Class C and Nil Paid Sterling Class C 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 (US Dollar Class A and Sterling Class A shares), resulting in the recognition of a corresponding receivable balance.

The following table details the share transactions during the period:

	In Issue At Start of Period	Issued during the Period	Redeemed during the Period	In Issue At End of Period
Nil Paid US Dollar Class C	227,933	46,467	(104,903)	169,497
Nil Paid Sterling Class C	138,926	42,817	(32,147)	149,596

The Nil Paid US Dollar Class C and Nil Paid Sterling Class C shares are issued to Brevan Howard Employee Benefit Trust Number 3, Brevan Howard Employee Benefit Trust Number 7, BH Partners L.P. and BH Partners 2009 LP. The Partly Paid Sterling Class D shares are issued to, or for the benefit of, Partners of BHAM.

A guarantee to pay any unmet capital calls covering the issue of the Class C shares has been given to the Feeder Fund by the Manager.

Accrued interest receivable in the form of a funding fee has been recognised by the Feeder Fund as follows:

Share Class	Issue Date	Redemption Date	Number of Issued Shares	Funding Fee Rate
Nil Paid US Dollar Class C	January 2009	January 2012	83,339	1.03%
Nil Paid US Dollar Class C	January 2010	January 2013	39,691	1.32%
Nil Paid US Dollar Class C	January 2011	January 2014	46,467	1.50%
Nil Paid Sterling Class C	January 2009	January 2012	31,794	2.70%
Nil Paid Sterling Class C	January 2010	January 2013	74,985	1.85%
Nil Paid Sterling Class C	January 2011	January 2014	42,817	0.98%

12. Long-term interest-bearing subscriptions receivable (continued)

This funding fee, together with the long-term interest-bearing subscriptions receivable, is withheld from the redemption proceeds at the end of the term by the Feeder Fund. The Directors of the Feeder Fund have resolved to call any Nil Paid Class C shares if the prevailing NAV of such share falls below 90% of the NAV at issuance.

For the Partly Paid Sterling Class D shares, accrued interest receivable is being recognised by the Feeder Fund at a rate equal to threemonth US Dollar Libor reset every quarter for the unpaid amount of the Class D shares issued in October 2006, May 2007 and February 2008, payable on redemption, and is allocated to the Master Fund. The Class D share capital is now fully paid up.

13. Investment in affiliated funds

The Master Fund has invested in a number of affiliated funds as set out in Note 5.

14. Equalisation Factor

Where Shares are subscribed for at a time when the NAV per Share is greater than the Peak NAV per Share of the relevant Class, the investor will be required to pay an amount in excess of the then current NAV per Share of that Class equal to the Relevant Percentage of the difference between the then current NAV per Share of that Class (before accrual for the Performance Fee) and the Peak NAV per Share of that Class (an "Equalisation Credit").

At the date of subscription the Equalisation Credit will equal the Performance Fee per Share accrued with respect to the other Shares of the same Class in the Master Fund (the "Maximum Equalisation Credit"). The Equalisation Credit is payable to account for the fact that the NAV per Share of that Class has been reduced to reflect an accrued Performance Fee to be borne by existing Shareholders of the same Class and serves as a credit against Performance Fees that might otherwise be payable by the Master Fund but that should not, in equity, be charged against the Shareholder making the subscription because, as to such Shares, no favourable performance has yet occurred. The Equalisation Credit ensures that all holders of Shares of the same Class have the same amount of capital at risk per Share.

The additional amount invested as the Equalisation Credit will be at risk in the Master Fund and will therefore appreciate or depreciate based on the performance of the relevant Class subsequent to the issue of the relevant Shares but will never exceed the Maximum Equalisation Credit. In the event of a decline as at any Valuation Day in the NAV per Share of those Shares, the Equalisation Credit will also be reduced by an amount equal to the Relevant Percentage of the difference between the NAV per Share (before accrual for the Performance Fee) at the date of issue and as at that Valuation Day. Any subsequent appreciation in the NAV per Share of the relevant Class will result in the recapture of any reduction in the Equalisation Credit but only to the extent of the previously reduced Equalisation Credit up to the Maximum Equalisation Credit.

At the period end the equalisation factor accrued but not crystallised was US\$27,294 while the portion that crystallised during the period represented a write-back of US\$35,909.

15. Subsequent Events

For the period ended 30 June 2011, the Master Fund and its Subsidiaries evaluated subsequent events through 22 August 2011. No material events which would require to be disclosed in the Financial Statements occurred during this period.

Notes

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