

BREVAN HOWARD

Brevan Howard Master Fund Limited
Annual Audited Consolidated Financial
Statements 2009

ANNUAL AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
31 December 2009

Contents

01	Independent Auditors' Report
02	Consolidated Statement of Assets and Liabilities
03	Consolidated Condensed Schedule of Investments
18	Consolidated Statement of Operations
19	Consolidated Statement of Changes in Net Assets
20	Consolidated Statement of Cash Flows
21	Notes to the Consolidated Financial Statements
	IBC Management and Administration

Independent Auditors' Report to the Shareholders of Brevan Howard Master Fund Limited

We have audited the accompanying consolidated financial statements of Brevan Howard Master Fund Limited (the "Master Fund"), which comprise the consolidated statement of assets and liabilities and consolidated condensed schedule of investments as at 31 December 2009, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

This report is made solely to the Master Fund's shareholders, as a body. Our audit work has been undertaken so that we might state to the Master Fund's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Master Fund and the Master Fund's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 judgment, 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 entity'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 entity'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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Master Fund as at 31 December 2009, and its consolidated financial performance and its consolidated 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

23 March 2010

Consolidated Statement of Assets and Liabilities

31 December 2009

	2009 US\$ '000
Assets	
Investments at market value (cost: US\$32,267,889) (Note 3) (Note 5)	45,358,294
Cash	368
Investments purchased under agreements to resell (cost: US\$14,253,986) (Note 7)	14,044,361
Dividends and interest receivable	129,339
Due from brokers (Note 2)	3,770,622
Other assets	595
Long term interest-bearing subscriptions receivable (Note 13)	140,470
Total assets	63,444,049
Liabilities	
Investments sold short, at market value (proceeds: US\$7,269,230) (Note 3)	15,624,689
Investments sold under agreements to repurchase (proceeds: US\$16,985,989) (Note 7)	16,791,041
Accounts payable and accrued expenses (Note 4) (Note 6)	4,093
Dividends and interest payable	28,063
Redemptions payable	390,366
Due to broker	8,472,626
Performance fee payable (Note 5)	25,354
Equalisation factor (Note 15)	882
Total liabilities	41,337,114
Minority interest	306,459
Net assets (Note 8) (Note 12)	21,800,476
Net Asset Value per share	
US Dollar Class A	\$3,571.49
US Dollar LP Class A	\$3,209.18
Euro Class A	€3,496.09
Sterling Class A	£3,882.67
Yen Class A	¥11,626.70
Australian Dollar Class A	AUD 1,017.03
Brazilian Real Class A	BRL 1,023.51
Canadian Dollar Class A	CAD 1,012.23
Norwegian Krone Class A	NOK 1,014.43
US Dollar Class B	\$2,012.78
Euro Class B	€2,022.66
Sterling Class B	£2,088.76
US Dollar Class Y	\$124.52
Euro Class Y	€120.02
Sterling Class Y	£120.35

See accompanying notes to the Consolidated Financial Statements.

Signed on behalf of the Board by:

Dennis Hunter
Director

23 March 2010

Consolidated Condensed Schedule of Investments

31 December 2009

	Market Value US\$ '000	% of Net Assets
Long Portfolio		
Equities		
Belgium (cost 4,263)		
Financial	3,462	0.02
Bermuda (cost 5,281)		
Energy	–	0.00
Brazil (cost 6,232)		
Energy	6,201	0.03
Canada (cost 10,228)		
Basic Materials	10,086	0.05
Cayman Islands (cost 4,275)		
Industrial	3,775	0.02
China (cost 12,308)		
Basic Materials	3,254	0.01
Energy	9,975	0.05
	13,229	0.06
Cyprus (cost 1,459)		
Energy	149	0.00
France (cost 7,043)		
Consumer, non-cyclical	253	0.00
Diversified	1,646	0.01
Energy	129	0.00
Financial	8	0.00
Utilities	5,056	0.02
	7,092	0.03
Germany (cost 18,889)		
Consumer, cyclical	12,162	0.06
Consumer, non-cyclical	363	0.00
Technology	3,308	0.01
Utilities	3,327	0.02
	19,160	0.09
Greece (cost 10,747)		
Basic Materials	6,798	0.03
Guernsey (cost 3,098)		
Financial	4,528	0.02

Consolidated Condensed Schedule of Investments continued

31 December 2009

	Market Value US\$ '000	% of Net Assets
Long Portfolio		
Equities (continued)		
Hong Kong (cost 9,723)		
Basic Materials	6,254	0.03
Energy	3,119	0.01
Industrial	958	0.00
	10,331	0.04
Israel (cost 1,107)		
Communications	1,231	0.01
	1,231	0.01
Italy (cost 11,090)		
Energy	6,354	0.03
Financial	1,339	0.01
Industrial	2,350	0.01
	10,043	0.05
Japan (cost 6,520)		
Financial	6,653	0.03
Jersey (cost 4,259)		
Financial	2,217	0.01
Luxembourg (cost 3,077)		
Basic Materials	3,209	0.01
Netherlands (cost 10,304)		
Financial	7,864	0.04
Industrial	13	0.00
Technology	2,525	0.01
	10,402	0.05
Norway (cost 28,570)		
Consumer, non-cyclical	9,876	0.05
Financial	13,310	0.06
Industrial	169	0.00
	23,355	0.11
Russia (cost 28,725)		
Basic Materials	3,116	0.01
Energy	27,140	0.13
	30,256	0.14
Singapore (cost 7,848)		
Industrial	8,483	0.04
Sweden (cost 5,244)		
Consumer, cyclical	4,940	0.02

	Market Value US\$ '000	% of Net Assets
Long Portfolio		
Equities (continued)		
Switzerland (cost 24,698)		
Consumer, non-cyclical	806	0.00
Energy	19,827	0.09
Financial	3,629	0.02
	24,262	0.11
United Kingdom (cost 7,035)		
Financial	4,950	0.02
United States (cost 389,276)		
Basic Materials	31,886	0.15
Consumer, cyclical	7,018	0.03
Consumer, non-cyclical	41,341	0.19
Energy	50,517	0.23
Financial	140,350	0.63
Funds	138,670	0.64
Industrial	4,755	0.02
Technology	20,175	0.09
Utilities	3,300	0.02
	438,012	2.00
Total equities (cost 621,299)	652,824	2.99

Consolidated Condensed Schedule of Investments continued

31 December 2009

Quantity		Market Value US\$ '000	% of Net Assets
	Fixed Income Securities		
	Bermuda (cost 13,067)		
	Energy	3,386	0.02
	Financial	10,637	0.04
		14,023	0.06
	Canada (cost 433,703)		
	Basic Materials	12,938	0.06
	Government	418,410	1.92
		431,348	1.98
	Cayman Islands (cost 13,661)		
	Asset Backed Securities	3,025	0.01
	Energy	9,894	0.05
		12,919	0.06
	Denmark (cost 84,039)		
	Financial	87,246	0.40
	France (cost 2,078,456)		
	Financial	13,617	0.06
	Government		
195,000	BTF 0% 03/11/10	278,602	1.27
650,000	BTF 0% 04/08/10	928,872	4.26
111,000	BTF 0% 06/03/10	158,472	0.73
389,000	BTF 0% 07/01/10	555,026	2.55
75,000	BTF 0% 07/29/10	106,931	0.49
17,500	FRTR 4.5% 04/25/41	26,051	0.12
5,750	FRTR 6.5% 04/25/11	8,808	0.04
		2,076,379	9.52
	Germany (cost 1,992,791)		
	Financial	6,541	0.03
	Government		
300,000	BUBILL 0% 01/27/10 011	429,015	1.97
748,500	BUBILL 0% 03/31/10 017	1,069,734	4.90
75,000	BUBILL 0% 05/19/10 022	107,103	0.49
200,000	BUBILL 0% 06/30/10 25	285,379	1.31
74,000	BUND 2.5% 10/10/14	106,151	0.49
		2,003,923	9.19
	India (cost 3,508)		
	Communication	519	0.00
	Consumer, Non-Cyclical	5,384	0.03
		5,903	0.03
	Ireland (cost 304)		
	Financial	286	0.00

Quantity		Market Value US\$ '000	% of Net Assets
	Fixed Income Securities		
	Japan (cost 4,362,094)		
	Government		
10,000,000	JAPAN GOVT CPI 1.1% 12/10/16	103,997	0.48
12,000,000	JAPAN GOVT CPI 1.3% 09/10/2017	125,624	0.58
30,000,000	JGB 1.5% 06/20/19 301	331,565	1.52
10,000,000	JGBI 0.8% 03/10/16	103,437	0.47
25,000,000	JGBI 1.2% 12/10/17	258,233	1.18
100,000,000	JTDB 0% 02/10/10 44	1,078,561	4.95
50,000,000	JTDB 0% 11/22/10 68	538,730	2.47
150,000,000	JTDB 0% 01/12/10 37	1,618,003	7.43
14,200,000	JTDB 0% 02/22/10 67	153,150	0.70
2,500,000	JTDB 0% 03/15/10 72	26,961	0.12
		4,338,261	19.9
	Jersey (cost 24,753)		
	Asset Backed Securities	28,209	0.13
	Energy	2,092	0.01
	Financial	8,028	0.04
		38,329	0.18
	Luxembourg (cost 31,991)		
	Basic Materials	8,574	0.04
	Communications	5,664	0.03
	Energy	2,955	0.01
	Financial	11,725	0.05
		28,918	0.13
	Netherlands (cost 18,770)		
	Communications	5,700	0.03
	Financial	10,005	0.05
	Industrial	7,464	0.03
		23,169	0.11
	South Africa (cost 10,594)		
	Consumer, Cyclical	9,139	0.04
	Spain (cost 18,969)		
	Financial	21,352	0.10
	United Kingdom (cost 590,943)		
	Asset Backed Securities	2,844	0.01
	Basic Materials	4,577	0.02
	Communications	6,894	0.04
	Consumer, Non-Cyclical	28,146	0.13
	Financial	10,941	0.05
	Government	512,563	2.35
	Mortgage Securities	2,654	0.01
		568,619	2.61

Consolidated Condensed Schedule of Investments continued

31 December 2009

Quantity		Market Value US\$ '000	% of Net Assets
	Fixed Income Securities		
	United States (cost 15,739,508)		
	Asset Backed Securities	202,094	0.93
	Basic Materials	28,009	0.13
	Communications	91,333	0.42
	Consumer, Cyclical	93,577	0.43
	Consumer, Non-Cyclical	25,675	0.12
	Financial	1,041,930	4.78
	Government		
300,000	B 0% 02/11/10	299,984	1.38
150,000	B 0% 03/11/10	149,939	0.69
1,015,000	B 0% 03/11/10	1,028,448	4.72
145,000	B 0% 03/11/10	144,941	0.66
150,000	B 0% 03/11/10	149,939	0.69
300,000	B 0% 03/11/10	299,878	1.38
80,000	B 0% 03/11/10	79,968	0.37
160,000	B 0% 03/11/10	159,935	0.73
327,323	B 0% 04/08/10	327,267	1.50
606,063	B 0% 04/08/10	605,960	2.78
330	B 0% 04/08/10	330	0.00
6,035	B 0% 04/08/10	6,034	0.03
5,550	B 0% 04/08/10	5,549	0.03
29,830	B 0% 04/08/10	29,825	0.14
600	B 0% 04/08/10	600	0.00
2,020	B 0% 04/08/10	2,020	0.01
2,210	B 0% 04/08/10	2,210	0.01
2,490	B 0% 04/08/10	2,490	0.01
15,349	B 0% 04/08/10	15,346	0.07
2,200	B 0% 04/08/10	2,200	0.01
482,000	B 0% 06/03/10	481,655	2.21
700,000	B 0% 07/01/10	699,372	3.20
250,000	B 0% 10/21/10	249,255	1.14
1,000,000	B 0% 10/21/10	997,019	4.57
250,000	B 0% 10/21/11	249,548	1.14
250,000	B 0% 08/26/10	249,523	1.14
250,000	SP 0% 08/15/20	159,934	0.73
1,115	T 2.75% 02/15/19	1,031	0.00
2,705	T 1.875% 04/30/14	2,705	0.01
59,500	T 11.25% 02/15/15	84,220	0.39
576,800	T 1% 12/31/11	575,854	2.64
650,000	T 3.25% 12/31/16	644,378	2.96
91,500	T 4.5% 08/15/39	89,670	0.41
28,250	T 7.125% 02/15/23	36,376	0.17
567,350	T 7.25% 08/15/22	737,644	3.38
199,000	T 7.5% 11/15/16	251,642	1.15
500,000	T 7.5% 11/15/24	670,781	3.08
187,000	T 7.875% 02/15/21	252,362	1.16
476,300	T 8% 11/15/21	651,191	2.99
250,000	T 8.125% 05/15/21	343,398	1.58
275,800	T 8.125% 08/15/19	372,718	1.71

Quantity		Market Value US\$ '000	% of Net Assets
Fixed Income Securities			
United States (cost 15,739,508) (continued)			
700,500	T 8.125% 08/15/21	964,939	4.43
150,000	T 8.75% 05/15/20	212,414	0.97
156,000	T 8.75% 08/15/20	221,569	1.02
75,000	T 8.875% 08/15/17	102,562	0.47
128,900	T 9.25% 02/15/16	174,196	0.80
46,459	T 2.0% 09/30/10	47,025	0.22
97,381	T 2.75% 07/31/10	98,811	0.45
82,681	T 2.375% 08/31/10	83,805	0.38
52,365	T 2.625% 07/31/14	52,790	0.24
104,152	T 4.375% 11/15/39	100,003	0.46
134,521	TII .875% 04/15/2010	154,079	0.71
9,850	TII 3.5% 01/15/11	12,718	0.06
2,065	TII .875% 04/15/2010	2,365	0.01
635	TII 1.375% 07/15/18 CPI	641	0.00
67,261	TII 0% 04/15/13	70,103	0.32
122,709	TII 2% 04/15/12	136,893	0.63
108,823	TII 2.375% 04/15/11	122,282	0.56
16,405	TII 3% 07/15/12	21,243	0.10
108,765	TII 3.5% 01/15/11	140,434	0.64
	Industrial	35,356	0.16
	Mortgage Securities	237,643	1.09
	Technology	5,004	0.02
	Utilities	5,006	0.02
		15,597,638	71.54
Venezuela (cost 21,995)			
	Energy	8,876	0.04
	Government	14,985	0.07
		23,861	0.11
Total Fixed Income Securities (cost 25,439,146)		25,281,313	115.96
Private Placement			
Cyprus (cost 43,468)			
	Property	37,660	0.17
Euro (cost 15,641)			
	Funds	16,770	0.08
Israel (cost 2,500)			
	Technology	-	0.00
Italy (cost 4,416)			
	Financial	-	0.00
United Kingdom (cost 169)			
	Funds	-	0.00

Consolidated Condensed Schedule of Investments continued

31 December 2009

Quantity	Market Value US\$ '000	% of Net Assets
Private Placement		
United States (cost 11,015)		
Funds	7,515	0.03
Technology	–	0.00
	7,515	0.03
Private Placement (cost 77,209)	61,945	0.28

	Market Value US\$ '000	% of Net Assets
Interest Rate Guarantee Options (cost 1,443,069)		
AUD termination dates through December 2017	49,639	0.23
EUR termination dates through December 2049	1,109,167	5.09
GBP termination dates through March 2024	398,300	1.83
HKD termination dates through May 2012	5,450	0.02
JPY termination dates through January 2010	255	0.00
KRW termination dates through September 2011	5,312	0.02
SEK termination dates through September 2015	88	0.00
USD termination dates through October 2036	983,801	4.52
	2,552,012	11.71

Forward Rate Agreements

AUD termination dates through December 2011	659	0.00
EUR termination dates through December 2010	29,024	0.14
ILS termination dates through September 2010	2,665	0.01
NOK termination dates through September 2010	932	0.00
SEK termination dates through December 2010	8,385	0.04
USD termination dates through September 2011	12,882	0.06
	54,547	0.25

Cross Currency Swaps

USD termination dates through December 2012	5,409	0.03
---	--------------	-------------

Interest Rate Swaps

BRL termination dates through January 2012	1,396	0.01
CAD termination dates through September 2015	46,173	0.21
CHF termination dates through September 2036	151,219	0.69
EUR termination dates through December 2059	1,420,799	6.52
GBP termination dates through December 2077	407,630	1.87
HKD termination dates through March 2012	46,582	0.21
HUF termination dates through August 2010	1,560	0.01
ILS termination dates through August 2019	12,184	0.06
JPY termination dates through January 2025	2,825	0.01
KRW termination dates through December 2016	30,127	0.14
MXN termination dates through February 2012	43,001	0.20
NZD termination dates through November 2012	2,572	0.01
PLN termination dates through October 2014	498	0.00
RUB termination dates through December 2010	196	0.00

	Market Value US\$ '000	% of Net Assets
SGD termination dates through December 2014	328	0.00
USD termination dates through December 2058	3,499,522	16.05
ZAR termination dates through March 2028	3,572	0.02
	5,670,184	26.01

Credit Default Swaps

EUR termination dates through December 2014	24,253	0.11
USD termination dates through October 2052	924,069	4.24
	948,322	4.35

Swaptions (cost 1,408,884)

BRL termination dates through July 2010	1,399	0.01
CAD termination dates through August 2011	20,479	0.09
EUR termination dates through December 2028	265,283	1.22
GBP termination dates through October 2037	1,111,323	5.10
JPY termination dates through October 2019	9,856	0.05
KRW termination dates through June 2013	24,104	0.11
USD termination dates through June 2029	1,265,379	5.80
	2,697,823	12.38

FX Contracts

BRL/USD termination dates through September 2011	282,606	1.30
CHF/USD termination dates through March 2018	99,060	0.45
EUR/CHF termination dates through August 2017	227,775	1.04
EUR/USD termination dates through June 2027	708,686	3.25
JPY/USD termination dates through April 2013	338,735	1.55
MXN/USD termination dates through June 2010	123,250	0.57
RUB/USD termination dates through August 2011	1,204,863	5.53
Other termination dates through October 2012	471,404	2.16
	3,456,379	15.85

Exchange Traded Futures

Euribor 3 month termination dates through December 2011 (338,039 contracts)	97,455	0.45
Eurodollar termination dates through December 2011 (102,722 contracts)	31,653	0.15
US Treasury Note termination dates through March 2010 (60,701 contracts)	161,971	0.74
WTI Crude Oil termination dates through December 2015 (2,822 contracts)	26,824	0.12
Other termination dates through December 2014 (183,388 contracts)	31,301	0.14
	349,204	1.60

Exchange Traded Options (cost 631,397)

Euribor 3 month termination dates through December 2010	204,743	0.94
Eurodollar termination dates through June 2011	545,491	2.50
Sterling 3 month termination dates through June 2011	54,312	0.25
Other termination dates through December 2010	73,510	0.34
	878,056	4.03

Consolidated Condensed Schedule of Investments continued

31 December 2009

	Market Value US\$ '000	% of Net Assets
Commodity Options (cost 569,664)		
WTI Crude Oil termination dates through December 2013	412,328	1.89
Other termination dates through August 2012	103,135	0.47
	515,463	2.36
Equity Options (cost 220,253)		
DJ Euro Stoxx 50e termination dates through June 2018	37,763	0.17
S&P 500 termination dates through June 2018	14,339	0.07
Nikkei termination dates through June 2011	62,506	0.29
Other termination dates through January 2011	56,982	0.26
	171,590	0.79
FX Options (cost 950,232)		
AUD/USD termination dates through December 2010	20,451	0.09
EUR/BRL termination dates through October 2011	57,622	0.26
EUR/BSK termination dates through November 2011	20,847	0.10
EUR/GBP termination dates through July 2010	23,886	0.11
EUR/MXN termination dates through April 2010	19,469	0.09
EUR/USD termination dates through January 2018	101,813	0.47
GBP/USD termination dates through November 2010	60,599	0.28
USD/BRL termination dates through December 2010	35,674	0.16
USD/BSK termination dates through November 2010	106,306	0.49
USD/CHF termination dates through October 2027	106,089	0.48
USD/JPY termination dates through April 2014	121,438	0.56
USD/KRW termination dates through November 2010	64,351	0.30
Other termination dates through June 2017	183,714	0.84
	922,259	4.23
Equity Swaps	31,683	0.15
Investments in Affiliated Funds (cost 857,332)		
Brevan Howard India Opportunities Fund LP	108	0.00
Brevan Howard Strategic Opportunities Fund Limited	110,732	0.50
Brevan Howard Emerging Markets Strategies Fund LP	496,175	2.28
Brevan Howard Investment Fund II - Macro FX Fund	202,700	0.93
Brevan Howard Investment Fund - Absolute Return Bond Plus Fund	252,155	1.17
	1,061,870	4.88
Investments in Other Funds (cost 49,404)	47,411	0.21
Total investments at Market Value (cost 32,267,889)	45,358,294	208.06

	Market Value US\$ '000	% of Net Assets
Short Portfolio		
Equities		
China (proceeds (2,392))		
Industrial	(2,331)	(0.01)
France (proceeds (19,234))		
Consumer, cyclical	(7,607)	(0.03)
Financial	(3,991)	(0.02)
Industrial	(7,626)	(0.04)
	(19,224)	(0.09)
Germany (proceeds (9,781))		
Consumer, cyclical	(7,131)	(0.03)
Financial	(1,568)	(0.01)
Technology	(1,340)	(0.00)
	(10,039)	(0.04)
Italy (proceeds (3,251))		
Industrial	(1,434)	(0.00)
Japan (proceeds (2,992))		
Financial	(2,897)	(0.01)
Luxembourg (proceeds (2,350))		
Basic Materials	(2,519)	(0.01)
Norway (proceeds (8,482))		
Consumer, non-cyclical	(3,750)	(0.02)
Energy	(4,007)	(0.02)
	(7,757)	(0.04)
Sweden (proceeds (15,104))		
Consumer, cyclical	(16,974)	(0.08)
Industrial	(1,822)	(0.01)
	(18,796)	(0.09)
Switzerland (proceeds (19,146))		
Basic Materials	(1,872)	(0.01)
Consumer, non-cyclical	(12,103)	(0.06)
Financial	(1,845)	(0.01)
Industrial	(5,024)	(0.02)
	(20,844)	(0.10)

Consolidated Condensed Schedule of Investments continued

31 December 2009

	Market Value US\$ '000	% of Net Assets	
Short Portfolio			
United States (proceeds (63,484))			
Communications	(5,327)	(0.02)	
Consumer, cyclical	(3,897)	(0.02)	
Consumer, non-cyclical	(5,693)	(0.03)	
Financial	(16,073)	(0.07)	
Funds	(31,305)	(0.15)	
Industrial	(5,719)	(0.03)	
Technology	(1,450)	(0.00)	
	(69,464)	(0.32)	
Total equities (proceeds (146,216))	(155,305)	(0.71)	
Fixed Income Securities sold short			
Canada (proceeds (722,642))			
Government	(716,942)	(3.29)	
France (proceeds (176,887))			
Government	(175,878)	(0.81)	
Germany (proceeds (105,794))			
Government	(100,180)	(0.46)	
Italy (proceeds (216,545))			
Government	(212,103)	(0.97)	
Japan (proceeds (239,521))			
Government	(229,679)	(1.05)	
United Kingdom (proceeds (672,859))			
Government	(642,556)	(2.95)	
United States (proceeds (1,653,129))			
Government			
(2,705)	T 1.875% 04/30/14	(2,705)	(0.01)
(16,773)	T 2.125% 11/30/14	(16,425)	(0.08)
(2,700)	T 2.25% 05/31/14	(2,689)	(0.01)
(27,900)	T 2.375% 08/31/14	(27,774)	(0.13)
(1,115)	T 2.75% 02/15/19	(1,031)	(0.00)
(8,570)	T 3.125% 05/15/19	(8,146)	(0.04)
(122,775)	T 3.375% 11/15/19	(118,555)	(0.54)
(3,000)	T 4.25% 05/15/39	(2,821)	(0.01)
(750,000)	T 4.375% 11/15/39	(720,117)	(3.30)
(40,370)	T 1% 09/30/11	(40,408)	(0.19)
(82,575)	T 1.125% 06/30/11	(82,988)	(0.38)
(32,810)	T 1.25% 11/30/10	(33,056)	(0.15)
(82,058)	T 2 5/8% 05/31/10	(82,891)	(0.38)
(39,959)	T 2.75% 02/15/19	(36,931)	(0.17)
(177,502)	T 2.875% 06/30/10	(179,887)	(0.83)

		Market Value US\$ '000	% of Net Assets
(69,572)	T 3.125% 05/15/19	(66,126)	(0.30)
(192)	T 3.375% 11/15/19	(185)	(0.00)
(67,785)	T 3.5% 05/31/13	(71,608)	(0.33)
(95,097)	T 3.875% 05/15/18	(96,924)	(0.44)
(15,749)	T 4.5% 04/30/12	(16,915)	(0.08)
(7,877)	T 2.125% 11/30/14	(7,713)	(0.04)
(1,575)	T 3.375% 11/15/19	(1,521)	(0.01)
(1,000)	T 4.25% 05/15/39	(940)	(0.00)
(2,065)	TII .875% 04/15/2010	(2,365)	(0.01)
(635)	TII 1.375% 07/15/18 CPI	(641)	(0.00)
(9,850)	TII 3.5% 01/15/11	(12,718)	(0.06)
		(1,634,080)	(7.49)

Total Fixed Income Securities (proceeds (3,787,377)) **(3,711,418)** **(17.02)**

Interest Rate Guarantee Options (proceeds (509,580))

CHF	termination dates through March 2011	(76,928)	(0.35)
EUR	termination dates through December 2024	(69,344)	(0.32)
GBP	termination dates through September 2012	(19,302)	(0.09)
KRW	termination dates through September 2011	(4,125)	(0.02)
SEK	termination dates through September 2015	(88)	(0.00)
USD	termination dates through September 2028	(266,490)	(1.22)
		(436,277)	(2.00)

Forward Rate Agreements

EUR	termination dates through June 2011	(69,358)	(0.32)
ILS	termination dates through September 2010	(873)	(0.00)
NOK	termination dates through December 2010	(1,456)	(0.01)
SEK	termination dates through December 2010	(11,622)	(0.05)
USD	termination dates through June 2011	(158,735)	(0.73)
		(242,044)	(1.11)

Cross Currency Swaps

USD	termination dates through July 2017	(8,618)	(0.04)
-----	-------------------------------------	----------------	---------------

Interest Rate Swaps

BRL	termination dates through January 2012	(3,709)	(0.02)
CAD	termination dates through October 2039	(26,868)	(0.12)
CHF	termination dates through June 2037	(31,387)	(0.14)
CZK	termination dates through December 2014	(186)	(0.00)
EUR	termination dates through March 2049	(1,015,876)	(4.66)
GBP	termination dates through December 2058	(521,277)	(2.40)
HKD	termination dates through December 2011	(18,416)	(0.09)
HUF	termination dates through August 2010	(14,424)	(0.07)
ILS	termination dates through August 2019	(2,804)	(0.02)
INR	termination dates through May 2014	(86)	(0.00)
JPY	termination dates through January 2025	(1,997)	(0.01)
KRW	termination dates through December 2019	(11,510)	(0.05)

Consolidated Condensed Schedule of Investments continued

31 December 2009

	Market Value US\$ '000	% of Net Assets
MXN termination dates through April 2012	(11,339)	(0.05)
NZD termination dates through January 2014	(1,040)	(0.00)
PLN termination dates through December 2011	(9,687)	(0.04)
USD termination dates through December 2067	(2,223,855)	(10.20)
ZAR termination dates through October 2024	(6,981)	(0.03)
	(3,901,442)	(17.90)

Credit Default Swaps

EUR termination dates through December 2015	(32,897)	(0.15)
USD termination dates through September 2046	(171,371)	(0.79)
	(204,268)	(0.94)

Swaptions (proceeds (989,131))

CHF termination dates through May 2011	(779)	(0.00)
EUR termination dates through October 2010	(142,618)	(0.65)
GBP termination dates through May 2014	(171,357)	(0.79)
JPY termination dates through October 2019	(6,395)	(0.03)
KRW termination dates through December 2010	(10,801)	(0.05)
USD termination dates through October 2017	(1,072,254)	(4.92)
	(1,404,204)	(6.44)

FX Contracts

BRL/USD termination dates through September 2011	(283,381)	(1.30)
CHF/USD termination dates through July 2018	(108,642)	(0.50)
EUR/CHF termination dates through August 2017	(212,983)	(0.98)
EUR/USD termination dates through June 2027	(937,964)	(4.30)
JPY/USD termination dates through April 2013	(324,383)	(1.49)
MXN/USD termination dates through June 2010	(134,553)	(0.61)
RUB/USD termination dates through August 2011	(1,185,962)	(5.44)
Other termination dates through October 2012	(514,612)	(2.36)
	(3,702,480)	(16.98)

Exchange Traded Futures

Euribor 3 month termination dates through June 2011 (146,115 contracts)	(32,860)	(0.15)
Eurodollar termination dates through December 2017 (25,410 contracts)	(22,513)	(0.10)
UK Gilt termination dates through March 2010 (10,085 contracts)	(37,997)	(0.17)
US Treasury Note termination dates through March 2010 (10,620 contracts)	(12,723)	(0.06)
WTI Crude Oil termination dates through December 2012 (1,323 contracts)	(7,711)	(0.04)
Other termination dates through December 2015 (421,487 contracts)	(27,315)	(0.13)
	(141,119)	(0.65)

Exchange Traded Options (proceeds (596,895))

Eurodollar termination dates through September 2011	(557,028)	(2.56)
Euribor 3 month termination dates through December 2010	(159,937)	(0.73)
Sterling 3 month termination dates through June 2011	(61,315)	(0.28)
Other termination dates through December 2017	(50,570)	(0.23)
	(828,850)	(3.80)

		Market Value US\$ '000	% of Net Assets
Commodity Options (proceeds (473,164))			
WTI Crude Oil	termination dates through December 2012	(297,364)	(1.36)
Other	termination dates through December 2010	(30,672)	(0.14)
		(328,036)	(1.50)
Equity Options (proceeds (113,881))			
S&P 500	termination dates through February 2010	(10,500)	(0.05)
DJ Euro Stoxx 50e	termination dates through December 2010	(46,571)	(0.21)
Hang Seng	termination dates through June 2010	(4,365)	(0.02)
Other	termination dates through January 2011	(35,982)	(0.17)
		(97,418)	(0.45)
FX Options (proceeds (652,986))			
EUR/INR	termination dates through June 2010	(16,478)	(0.08)
EUR/USD	termination dates through October 2012	(93,003)	(0.43)
GBP/USD	termination dates through November 2010	(31,183)	(0.14)
USD/BRL	termination dates through September 2010	(13,374)	(0.06)
USD/CHF	termination dates through August 2011	(15,394)	(0.07)
USD/JPY	termination dates through January 2011	(106,376)	(0.49)
USD/KRW	termination dates through November 2010	(49,819)	(0.22)
USD/MXN	termination dates through June 2010	(14,577)	(0.07)
Other	termination dates through August 2011	(99,767)	(0.46)
		(439,971)	(2.02)
Equity Swaps		(23,239)	(0.11)
Total investments sold short at Market Value (proceeds (7,269,230))		(15,624,689)	(71.67)

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Operations

31 December 2009

	2009 US\$ '000
Investment income	
Interest income	531,317
Dividend income (net of withholding tax of US\$3,311)	9,849
Other Income	1,573
Total income	542,739
Expenses	
Interest expense	223,336
Professional fees and other	6,370
Operational services fee (Note 4)	101,156
Management fee (Note 5)	53,846
Administration fee (Note 6)	30,770
Commission for futures and options	26,628
Dividend expense on investments sold short	7,421
Performance fee (Note 5)	114,115
Total expenses	563,642
Net investment loss	(20,903)
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)	6,443,992
Net change in unrealised depreciation on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase (Note 2)	(1,805,603)
Net gain on investments	4,638,389
Minority interest's share of net income	(34,147)
Net increase in net assets resulting from operations	4,583,339

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

31 December 2009

	2009 US\$ '000
Net increase in net assets resulting from operations	
Net investment loss	(20,903)
Net realised gain on investments	6,443,992
Net change in unrealised depreciation on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase	(1,805,603)
Minority interest's share in net income	(34,147)
	4,583,339
Share capital transactions	
Proceeds on issue of shares	
US Dollar Class A	4,308,304
US Dollar LP Class A	1,214,943
Euro Class A	1,021,885
Sterling Class A	677,640
Yen Class A	318,579
Australian Dollar Class A	169,570
Brazilian Real Class A	101,943
Canadian Dollar Class A	115,559
Norwegian Krone Class A	28,907
US Dollar Class B	3,100
Euro Class B	3,839
Sterling Class B	224,461
US Dollar Class Y	1,153,120
Euro Class Y	76,075
Sterling Class Y	86,466
Redemptions	
US Dollar Class A	(6,495,362)
US Dollar LP Class A	(559,579)
Euro Class A	(1,087,139)
Sterling Class A	(528,155)
Yen Class A	(36,631)
US Dollar Class B	(272,588)
Euro Class B	(123,147)
Sterling Class B	(54,312)
US Dollar Class Y	(2,215,207)
Euro Class Y	(33,010)
Sterling Class Y	(29,924)
Equalisation write back (Note 15)	(23)
Net increase in net assets	2,652,653
Net assets at beginning of year	19,147,823
Net assets at end of year	21,800,476

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

31 December 2009

	2009 US\$ '000
Cash flows from operating activities	
Net increase in net assets resulting from operations	4,583,339
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Increase in investments	(4,465,896)
Decrease in investments purchased under agreement to resell	498,043
Increase in dividends and interest receivable	(27,455)
Increase in other assets	(409)
Decrease in due from broker	7,873,719
Decrease in due to broker	(10,742,559)
Increase in accounts payable and accrued expenses	956
Decrease in dividends and interest payable	(71,394)
Decrease in due to affiliated fund	(855,000)
Increase in performance fee payable	8,931
Net cash used in operating activities	(3,197,725)
Cash flows from financing activities	
Proceeds on issue of shares	9,490,864
Payment on redemption of shares	(12,741,092)
Equalisation factor	(2,536)
Increase in investments purchased under agreement to resell	(3,078,679)
Increase in investments sold under agreement to repurchase	9,528,206
Net cash provided by financing activities	3,196,763
Net decrease in cash	(962)
Cash – beginning of year	1,330
Cash – end of year	368

Non cash financing activities not included herein consist of movement in long-term interest bearing subscriptions receivable of US\$13,526,966.

As a result of the consolidation of certain subsidiaries detailed in Note 2, a minority interest of US\$ 306,459,000 was recognised in the Consolidated Statement of Asset and Liabilities. As this minority interest does not represent a cash flow for the Master Fund, it has not been included in the Consolidated Statement of Cash Flows.

See accompanying notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

31 December 2009

1. The Master Fund

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 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, Brevan Howard (Israel) Limited and Brevan Howard Investment Products Limited as the Investment Managers of a portion 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 and/or interests 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 Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Consolidated Financial Statements are presented in US Dollars.

Financial Accounting Standards Board ("FASB") Financial Accounting Standards Codification

In July 2009, the FASB launched the FASB Financial Accounting Standards Codification (the "Codification") as the single source of U.S. GAAP. While the Codification does not change GAAP, it introduces a new structure to the accounting literature and changes references to accounting standards and other authoritative accounting guidance.

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 31 December 2009 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). 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 ASC 820 hierarchy 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.

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 Consolidated Statement of Operations.

Income and expense recognition

Interest income and expense including prime broker and ISDA/ISMA interest is recognised in the 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.

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 Consolidated Statement of Operations.

Notes to the Consolidated Financial Statements continued

31 December 2009

2. Significant accounting policies (continued)

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.

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 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 have 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 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 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.

On 1 January 2009, the Master Fund and its Subsidiaries adopted amended accounting principles related to the disclosures about derivative instruments and hedging activities (Accounting Standards Codification ("ASC") 815) which require enhanced disclosures about the Master Fund and its Subsidiaries' derivatives and hedging activities. The following table sets forth the fair value of the Master Fund and its Subsidiaries' derivative contracts by certain risk types as of 31 December 2009. 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.

Balance Sheet Disclosure

Derivative contracts for trading activities	Derivative Assets US\$ '000	Derivative Liabilities US\$ '000
Foreign Exchange Contracts	\$ 4,431,179	\$ 4,151,684
Commodity Contracts	\$ 510,659	\$ 346,253
Credit Contracts	\$ 948,322	\$ 204,268
Equity Contracts	\$ 218,822	\$ 134,047
Interest Rate Contracts	\$ 12,143,624	\$ 6,921,017
Other Contracts	\$ 326	\$ 697
Gross Fair Value of Derivative Contracts	\$ 18,252,932	\$ 11,757,966

The following table sets forth by certain risk types the Master Fund and its Subsidiaries' gains/(losses) related to derivative activities for the year ended 31 December 2009 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 Consolidated Statement of Operations.

Profit & Loss Disclosure

	Realised Gains/(Losses) Year Ended 31 December 2009 US\$ '000	Unrealised Gains/(Losses) Year Ended 31 December 2009 US\$ '000
Foreign Exchange Contracts	\$ (316,877)	\$ 130,395
Commodity Contracts	\$ 205,709	\$ (211,211)
Credit Contracts	\$ (505,325)	\$ 543,303
Equity Contracts	\$ (291,004)	\$ 148,220
Interest Rate Contracts	\$ 6,244,365	\$ (2,228,901)
Other Contracts	\$ (3,281)	\$ (2,679)
Total	\$ 5,333,587	\$ (1,620,873)

Investments sold short

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

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 Consolidated Statement of Operations.

Notes to the Consolidated Financial Statements continued

31 December 2009

2. Significant accounting policies (continued)

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 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 31 December 2009:

- WCG Strategies Fund Limited, a company incorporated with limited liability on 27 October 2008 under the laws of the Cayman Islands;
- Brevan Howard Credit Catalysts Master Fund Limited, a company incorporated with limited liability on 1 April 2009 under the laws of the Cayman Islands;
- Brevan Howard Equity Strategies Master Fund Limited, a company incorporated with limited liability on 11 April 2006 under the laws of the Cayman Islands;

The Master Fund owns 100% of WCG Strategies Fund Limited, 72.74% of Brevan Howard Credit Catalysts Master Fund Limited and 69.46% of Brevan Howard Equity Strategies Master Fund Limited.

The Consolidated Financial Statements include full consolidation of 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 consolidated 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 31 December 2009, deposits held as collateral amounted to US\$5,123,532,761.

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.

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 and its Subsidiaries' investments as at 31 December 2009:

Assets

Fair value measurement at reporting date using:	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
Equity Securities	\$ 605,576	\$ –	\$ –	\$ 605,576
Private Placement	\$ –	\$ 47,248	\$ 61,945	\$ 109,193
Corporate Debt Securities	\$ 1,581,493	\$ 11,228	\$ –	\$ 1,592,721
Other Debt Obligations	\$ 15,450	\$ 20,300	\$ –	\$ 35,750
Derivatives	\$ 1,606,153	\$ 16,646,779	\$ –	\$ 18,252,932
Funds	\$ –	\$ 1,109,280	\$ –	\$ 1,109,280
Non US Government Securities	\$ 9,344,363	\$ –	\$ –	\$ 9,344,363
US Government Securities	\$ 13,832,010	\$ –	\$ –	\$ 13,832,010
Mortgage Backed Securities	\$ –	\$ 419,732	\$ 56,737	\$ 476,469
Total assets	\$ 26,985,045	\$ 18,254,567	\$ 118,682	\$ 45,358,294

Liabilities

Fair value measurement at reporting date using:	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
Equity Securities	\$ 155,305	\$ –	\$ –	\$ 155,305
Derivatives	\$ 1,208,354	\$ 10,549,612	\$ –	\$ 11,757,966
US Government Securities	\$ 1,634,080	\$ –	\$ –	\$ 1,634,080
Non US Government Securities	\$ 2,077,338	\$ –	\$ –	\$ 2,077,338
Total liabilities	\$ 5,075,077	\$ 10,549,612	\$ –	\$ 15,624,689

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

Investments	Equity Securities US\$ '000	Mortgage Backed Securities US\$ '000
Beginning balance as of 1 January 2009	\$ 35,878	\$ –
Net purchases	\$ 19,185	\$ 89,125
Net transfers out of Level 3	\$ –	\$ (42,218)
Realised (loss)/gain	\$ (31)	\$ 13,482
Change in unrealised gain/(loss)	\$ 6,913	\$ (3,652)
Ending balance as of 31 December 2009	\$ 61,945	\$ 56,737

Notes to the Consolidated Financial Statements continued

31 December 2009

3. Fair value measurements (continued)

Securities sold short

At 31 December 2009 there were no Level 3 securities sold short.

Realised and unrealised gains and losses are included in net gain on investments on the Consolidated Statement of Operations. The change in unrealised gains for the year ended 31 December 2009 for investments still held at 31 December 2009 amounted to US\$3,260,601 and is reflected in net change in unrealised depreciation on investments on the Consolidated Statement of Operations.

4. Operational services fee

BHAM 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 year to 31 December 2009 (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 any investments made in other investment funds managed by the manager which also charge an operational services fee) in respect of the services which are provided by BHAM to the Master Fund (including middle-office and back-office services and information technology services) and the use of BHAM's assets and resources on behalf of the Master Fund.

The operational services fee for the year ended 31 December 2009 amounted to US\$101,155,431. The operational services fee outstanding at 31 December 2009 was US\$17,443.

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 and Class B 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. Management and performance fees on Class A and Class B shares are paid to the Manager by Brevan Howard Fund Limited, Brevan Howard L.P. and BH Macro Limited (together the "Feeder Funds") and are not charged by the Master Fund. 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

2009 are 20% for Class X and Class Y of Brevan Howard Credit Catalysts Master Fund Limited, 20% for Class A of WCG Strategies Fund Limited and 20% for Class X of Brevan Howard Equity Strategies Master Fund Limited. Performance fees for the year were US\$114,115,362.

At 31 December 2009 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\$374,775,198

Brevan Howard Emerging Markets Strategies Fund L.P.
US\$496,174,798

Brevan Howard Credit Catalysts Master Fund Limited
US\$378,092,232

Brevan Howard Strategic Opportunities Fund Limited
US\$110,732,409

Brevan Howard Investment Fund – Absolute Return Bond Plus
Fund US\$252,155,250

Brevan Howard Investment Fund II – Macro FX Fund
US\$202,700,200

WCG Strategies Fund Limited US\$1,092,666,210

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 to the Master Fund (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 to the Master 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 26 February 2007 between International Fund Services (Ireland) Limited ("IFS") and the Master Fund, as amended, 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, payable on a monthly basis, is 1/12 of 15 basis points 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 funds held in the same month. The administration fee outstanding at 31 December 2009 is US\$2,864,093.

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 31 December 2009, investments with a market value of US\$14,044,361,164 were pledged to the Master Fund and its Subsidiaries as collateral (investments purchased under agreements to resell) and investments with a value of US\$16,791,041,039 were pledged by the Master Fund and its Subsidiaries as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 12 May 2010 and all agreements to resell mature by 15 April 2010.

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;
- NOK400,000 divided into 40,000,000 ordinary shares of NOK0.01 par value

all of which may be issued as Class A, Class B, Class X or Class Y 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 LP. 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 and Yen 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. Class Y US Dollar, Euro and Sterling are held by Brevan Howard Global Opportunities Master Fund Limited and Brevan Howard Multi-Strategy Master Fund Limited.

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

Notes to the Consolidated Financial Statements continued

31 December 2009

8. Share capital (continued)

	2009 Shares
Shares in issue at start of year	
US Dollar Class A	4,107,260
US Dollar LP Class A	403,738
Euro Class A	452,323
Sterling Class A	196,654
US Dollar Class B	488,816
Euro Class B	193,095
Sterling Class B	167,232
US Dollar Class Y	12,347,349
Euro Class Y	373,381
Sterling Class Y	1,085,300
Shares issued during the year	
US Dollar Class A	1,303,476
US Dollar LP Class A	402,641
Euro Class A	225,972
Sterling Class A	126,222
Yen Class A	2,814,364
Australian Dollar Class A	184,322
Brazilian Real Class A	178,148
Canadian Dollar Class A	124,405
Norwegian Krone Class A	164,335
US Dollar Class B	1,734
Euro Class B	1,418
Sterling Class B	73,092
US Dollar Class Y	10,421,422
Euro Class Y	475,178
Sterling Class Y	463,220
Shares redeemed during the year	
US Dollar Class A	(1,857,668)
US Dollar LP Class A	(176,406)
Euro Class A	(233,175)
Sterling Class A	(89,194)
Yen Class A	(278,945)
US Dollar Class B	(145,408)
Euro Class B	(48,497)
Sterling Class B	(19,211)
US Dollar Class Y	(19,232,096)
Euro Class Y	(207,245)
Sterling Class Y	(173,183)

	2009 Shares
Shares in issue at end of year	
US Dollar Class A	3,553,068
US Dollar LP Class A	629,973
Euro Class A	445,120
Sterling Class A	233,682
Yen Class A	2,535,419
Australian Dollar Class A	184,322
Brazilian Real Class A	178,148
Canadian Dollar Class A	124,405
Norwegian Krone Class A	164,335
US Dollar Class B	345,142
Euro Class B	146,016
Sterling Class B	221,113
US Dollar Class Y	3,536,675
Euro Class Y	641,314
Sterling Class Y	1,375,337

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

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 Consolidated Financial Statements.

The Master Fund adopted amended accounting principles related to the accounting for uncertainty in income taxes (ASC 740) as of 1 January 2009. ASC 740 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 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 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 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 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.

Notes to the Consolidated Financial Statements continued

31 December 2009

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

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.

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 year 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.

	Assets US\$ '000	Fair value at 31 December 2009 Liabilities US\$ '000
Interest rate guarantee options	2,552,012	(436,277)
Forward rate agreements	54,547	(242,044)
Interest rate swaps	5,670,184	(3,901,442)
Cross currency swaps	5,409	(8,618)
Credit default swaps	948,322	(204,268)
Swaptions	2,697,823	(1,404,204)
FX contracts	3,456,379	(3,702,480)
Exchange traded futures	349,204	(141,119)
Exchange traded options	878,056	(828,850)
Commodity options	469,260	(328,036)
Equity options	171,590	(97,418)
FX options	968,462	(439,971)
Equity swaps	31,683	(23,239)
	18,252,931	(11,757,966)

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.

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 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 receives 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 Consolidated Financial Statements continued

31 December 2009

11. Financial Highlights

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

Per share operating performance	US Dollar Class A US\$	Euro Class A €	Sterling Class A £	Yen Class A JPY	Australian Dollar Class A AUD	Brazilian Real Class A BRL	Canadian Dollar Class A CAD	Norwegian Krone Class A NOK	US Dollar LP Class A US\$
Net asset value, beginning of year	2,876.33	2,804.52	3,117.32	–	–	–	–	–	2,584.57
Shares issued during year	–	–	–	10,000.00	1,000.00	1,000.00	1,000.00	1,000.00	–
Income from investment operations									
Net investment gain	14.15	13.73	15.14	70.12	0.99	0.97	0.95	1.33	19.28
Net realised and unrealised gain on investments	681.01	677.84	750.21	1,556.58	16.04	22.54	11.28	13.10	605.33
Total from investment operations	695.16	691.57	765.35	1,626.70	17.03	23.51	12.23	14.43	624.61
Net asset value, end of year	3,571.49	3,496.09	3,882.67	11,626.70	1,017.03	1,023.51	1,012.23	1,014.43	3,209.18
Total return before performance fee	24.17%	24.66%	24.55%	16.27%	1.70%	2.35%	1.22%	1.44%	24.17%
Performance fee	–	–	–	–	–	–	–	–	–
Total return after performance fee	24.17%	24.66%	24.55%	16.27%	1.70%	2.35%	1.22%	1.44%	24.17%
Supplemental Data	US\$ '000	€ '000	£ '000	JPY '000	AUD '000	BRL '000	CAD '000	NOK '000	US\$ '000
Net assets 31 December 2009	12,689,735	1,556,182	907,307	29,478,561	187,462	182,336	125,927	166,707	2,021,700
Average net assets for 2009	12,506,619	1,399,140	907,504	18,436,941	104,456	172,830	115,323	138,588	1,535,744
Ratio to average net assets									
Operating expense	1.10%	1.09%	1.11%	1.15%	0.80%	1.01%	0.99%	0.97%	1.10%
Interest expense	1.10%	1.10%	1.08%	1.07%	0.97%	1.03%	1.01%	1.03%	1.09%
Performance fee	–	–	–	–	–	–	–	–	–
	2.20%	2.19%	2.19%	2.22%	1.77%	2.04%	2.00%	2.00%	2.19%
Net investment income	0.41%	0.42%	0.44%	0.60%	0.92%	0.59%	0.60%	0.68%	0.47%

Operating expenses are total expenses from the Consolidated Statement of Operations, less interest expense and performance fee. Operating expenses, interest expense and net investment income/(loss) are annualised. Total returns and ratios on performance fees are not annualised.

Per share operating performance	US Dollar Class B US\$	Euro Class B €	Sterling Class B £	US Dollar Class Y US\$	Euro Class Y €	Sterling Class Y £
Net asset value, beginning of year	1,620.96	1,622.50	1,676.97	106.78	102.61	102.96
Shares issued during year	–	–	–	–	–	–
Income from investment operations						
Net investment gain/(loss)	8.03	8.01	8.21	(7.15)	(7.00)	(7.00)
Net realised and unrealised gain on investments	383.79	392.15	403.58	24.89	24.41	24.39
Total from investment operations	391.82	400.16	411.79	17.74	17.41	17.39
Net asset value, end of year	2,012.78	2,022.66	2,088.76	124.52	120.02	120.35
Total return before performance fee	24.17%	24.66%	24.56%	18.53%	18.87%	18.84%
Performance fee	–	–	–	(1.92%)	(1.90%)	(1.95%)
Total return after performance fee	24.17%	24.66%	24.56%	16.61%	16.97%	16.89%
Supplemental Data						
	US\$ '000	€ '000	£ '000	US\$ '000	€ '000	£ '000
Net assets 31 December 2009	694,693	295,342	461,851	440,395	76,972	165,523
Average net assets for 2009	777,550	310,834	374,204	925,393	59,246	134,578
Ratio to average net assets						
Operating expense	1.10%	1.09%	1.10%	3.20%	3.19%	3.16%
Interest expense	1.10%	1.10%	1.09%	1.13%	1.11%	1.11%
Performance fee	–	–	–	6.63%	4.58%	4.91%
	2.20%	2.19%	2.19%	10.96%	8.88%	9.18%
Net investment income/(expense)	0.39%	0.39%	0.43%	(7.96%)	(5.53%)	(5.95%)

Operating expenses are total expenses from the Consolidated Statement of Operations, less interest expense and performance fee. Operating expenses, interest expense and net investment income/(loss) are annualised. Total returns and ratios on performance fees are not annualised.

Notes to the Consolidated Financial Statements continued

31 December 2009

12. 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, Brevan Howard (Israel) Limited and Brevan Howard Investment Products Limited as the Investment Managers of the Master Fund's assets. The transactions with the Investment Managers and fees payable at the year end are disclosed in Note 5 to the Consolidated Financial Statements.

In 2008 the Master Fund entered into a total return swap with Brevan Howard Multi-Strategy Master Fund Limited ("BHMS") to facilitate BHMS's exposure to the performance of a notional amount of US\$855,000,000 of ordinary shares of the Master Fund (the "Reference Assets"). Under the swap the Master Fund paid BHMS cash flows and capital appreciation from the Reference Assets and BHMS paid the Master Fund a financing fee based on LIBOR + 20 bps and payments to offset any capital depreciation of the Reference Assets. The Master Fund closed out the total return swap contract on 1 February 2009. BHMS also held 1.94% (US\$423,905,860) of the net assets of the Master Fund through a holding of US Dollar Class Y shares as at 31 December 2009.

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"). Brevan Howard Offshore Management Limited, the Manager of Brevan Howard Master Fund Limited ("BHMF") 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 31 December 2009 BHGOMF held 1.91% (US\$416,031,920) of the net assets of the Master Fund.

Armour Reinsurance Group Limited ("Armour Re") held an investment of US\$126,349,132 in the US Dollar Class Y shares of the Master Fund as at 31 December 2008. This holding was fully redeemed in March 2009. As at 31 December 2008 Armour Re was wholly owned by Armour Group Holdings Limited, which is wholly owned by Brevan Howard P&C Master Fund Limited ("P&C"). Of the 7 Directors of the Master Fund, 3 are also on the Board of Directors of P&C. Armour Group Holdings disposed of its interest in Armour Re in June 2009. Brevan Howard Group Holdings Limited ("BHG") owns 100% of BHOML, the Manager of the Master Fund, and owned 50% of the Manager of P&C, Brevan Howard P&C Partners Limited, at 31 December 2008. BHG's holding in the Manager of P&C was disposed of in June 2009. In May 2009 a receivable balance was purchased from Armour Re to the Master Fund for consideration of US\$1,881,808. On 26 August 2009 and 17 December 2009, amounts of US\$54,984 and US\$1,257,157 respectively were received by the Master Fund leaving a receivable balance of US\$569,667. This receivable balance represents debts due from several reinsurance companies. This balance was valued at cost as at 31 December 2009.

As at 31 December 2009 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.

13. Long-term interest-bearing subscriptions

The subscriptions receivable amount of US\$140,470,482 is due from Brevan Howard Fund Limited and relates to nil-paid US Dollar Class C, nil-paid Sterling Class C and partly-paid Sterling 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 following table details the share transactions during the year:

	In Issue At Start of Year	Issued in Year	In Issue At End of Year
Nil Paid US Dollar Class C	299,133	86,093	385,226
Nil Paid Sterling Class C	31,325	31,794	63,119
Partly Paid Sterling Class D	189,283	–	189,283

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 LP 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 2006	January 2009	–	4.40%
Nil Paid US Dollar Class C	January 2007	January 2010	193,502	4.56%
Nil Paid US Dollar Class C	January 2008	January 2011	105,631	3.31%
Nil Paid US Dollar Class C	January 2009	January 2012	86,093	1.03%
Nil Paid Sterling Class C	January 2008	January 2011	31,325	4.36%
Nil Paid Sterling Class C	January 2009	January 2012	31,794	2.70%

This funding fee is withheld from the redemption proceeds at the end of the term and is payable to the Feeder Fund. The Directors of the Feeder Fund have resolved to call the Nil Paid Class C shares if the prevailing NAV 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 three-month 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 Directors of the Master Fund have discretion to call for the outstanding Class D share capital to be paid up at any time.

14. Investment in affiliated funds

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

15. 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 year end the equalisation factor accrued but not crystallised was US\$882,501 while the portion that crystallised in the period represented a write-back of US\$23,462.

16. Subsequent Events

In May 2009, the FASB issued amended accounting principles related to subsequent events, which codify the guidance regarding the disclosure of events occurring subsequent to the balance sheet date. These amended principles do not change the definition of a subsequent event (i.e., an event or transaction that occurs after the balance sheet date but before the financial statements are issued) but require disclosure of the date through which subsequent events were evaluated when determining whether adjustment to or disclosure in the financial statements is required. For the year ended 31 December 2009, the Master Fund and its Subsidiaries evaluated subsequent events through 23 March 2010. Since these amended principles require only additional disclosures concerning subsequent events, adoption of the standard did not affect the Master Fund and its Subsidiaries' financial condition, results of operations or cash flows.

Notes

Management and Administration

Directors

Karla Bodden
Dennis Hunter
Nagi Kawkabani
Bruce Levitt
Jonas Rinné
Phil Schmitt
James Vernon

Registered Office

113 South Church Street
PO Box 309
George Town
Grand Cayman KY1-1104
Cayman Islands

Manager

Brevan Howard Offshore Management Limited
113 South Church Street
PO Box 309
George Town
Grand Cayman KY1-1104
Cayman Islands

Investment Managers

Brevan Howard Asset Management LLP
Almack House
28 King Street
London SW1Y 6XA

Brevan Howard US Asset Management LP
5th Floor
590 Madison Avenue
New York
NY 10022
USA

Brevan Howard (Hong Kong) Limited
Suite 1201-02
ICBC Tower
Citibank Plaza
3 Garden Road
Hong Kong

Brevan Howard Investment Products Limited
4th Floor
One Esplanade
St Helier
Jersey JE2 3QA
Channel Islands

Brevan Howard (Israel) Limited
7th Floor
7 Menachem Begin Street
Gibor Sport Building
Ramat-Gan
Israel 52521

Auditors

KPMG
PO Box 493
Century Yard Building
Grand Cayman KY1-1106
Cayman Islands

Legal Advisors (Cayman Law)

Maples and Calder
113 South Church Street
PO Box 309
George Town
Grand Cayman KY1-1104
Cayman Islands

Legal Advisors (UK Law)

Simmons & Simmons
Citypoint
One Ropemaker Street
London EC2Y 9SS

Administrator

International Fund Services (Ireland) Limited
3rd Floor
Bishop's Square
Redmond's Hill
Dublin 2
Ireland

