

BREVAN HOWARD

Brevan Howard Master Fund Limited  
Interim Unaudited Consolidated Financial Statements 2009

INTERIM UNAUDITED CONSOLIDATED  
FINANCIAL STATEMENTS  
30 June 2009

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# Unaudited Consolidated Statement of Assets and Liabilities

30 June 2009

	2009 US\$
<b>Assets</b>	
Investments at market value (cost: US\$29,583,873,352) (Note 3)	40,802,165,937
Cash	60,426,152
Investments purchased under agreements to resell (cost: US\$11,704,030,693) (Note 7)	12,119,431,147
Dividends and interest receivable	133,866,588
Due from broker (Note 2)	1,858,821,549
Long term interest-bearing subscriptions receivable (Note 12)	142,138,210
<b>Total assets</b>	<b>55,116,849,583</b>
<b>Liabilities</b>	
Securities sold short, at market value (proceeds: US\$4,082,438,952) (Note 3)	10,647,838,207
Investments sold under agreements to repurchase (proceeds: US\$16,108,823,680) (Note 7)	16,359,095,193
Accounts payable and accrued expenses	2,467,375
Dividends and interest payable	14,763,543
Redemptions payable	852,485,358
Due to broker (Note 2)	8,029,236,873
Equalisation factor (Note 14)	8,892,866
Performance fee payable (Note 5)	14,839,625
<b>Total liabilities</b>	<b>35,929,619,040</b>
<b>Net assets</b>	<b>19,187,230,543</b>
<b>Net Asset Value per share</b>	
US Dollar Class A	\$3,318.14
US Dollar LP Class A	\$2,981.32
Euro Class A	€3,250.83
Sterling Class A	£3,603.34
Yen Class A	¥ 10,826.79
US Dollar Class B	\$1,869.98
Euro Class B	€1,880.73
Sterling Class B	£1,938.46
US Dollar Class Y	\$118.39
Euro Class Y	€114.19
Sterling Class Y	£114.32

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

# Unaudited Consolidated Statement of Operations

30 June 2009

	2009 US\$
<b>Investment income</b>	
Interest income	202,333,030
Dividend income (net of withholding tax of \$262,040)	632,820
<b>Total income</b>	<b>202,965,850</b>
<b>Expenses</b>	
Interest expense	92,878,873
Professional fees and other	1,396,991
Operational services fee (Note 4)	49,204,848
Management fee (Note 5)	14,500,365
Administration fee (Note 6)	13,678,306
Commission for futures and options	17,314,933
Dividend expense on investments sold short	1,599,057
Performance fee (Note 5)	58,757,562
<b>Total expenses</b>	<b>249,330,935</b>
<b>Net investment loss</b>	<b>(46,365,085)</b>
<b>Net realised and unrealised gain on investments</b>	
Net realised gain on investments	5,203,252,317
Net change in unrealised depreciation on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase	(2,076,625,089)
<b>Net gain on investments</b>	<b>3,126,627,228</b>
<b>Net increase in net assets resulting from operations</b>	<b>3,080,262,143</b>

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

# Unaudited Consolidated Statement of Changes in Net Assets

30 June 2009

	2009 US\$
<b>Net increase in net assets resulting from operations</b>	
Net investment loss	(46,365,085)
Net realised gain on investments	5,203,252,317
Net change in unrealised depreciation on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase	(2,076,625,089)
	<b>3,080,262,143</b>
<b>Share Capital transactions</b>	
<b>Proceeds on issue of shares</b>	
US Dollar Class A	2,271,743,848
US Dollar LP Class A	506,772,612
Euro Class A	526,143,886
Sterling Class A	498,532,382
Yen Class A	128,545,401
US Dollar Class B	3,100,326
Euro Class B	1,009,416
Sterling Class B	80,381,384
US Dollar Class Y	1,100,796,633
Euro Class Y	–
Sterling Class Y	16,450,877
<b>Redemptions</b>	
US Dollar Class A	(4,542,776,131)
US Dollar LP Class A	(338,866,399)
Euro Class A	(845,343,685)
Sterling Class A	(135,958,113)
Yen Class A	(1,230,089)
US Dollar Class B	(143,793,643)
Euro Class B	(76,167,107)
Sterling Class B	(39,275,112)
US Dollar Class Y	(2,017,449,923)
Euro Class Y	(12,493,866)
Sterling Class Y	(20,951,030)
Equalisation write back (Note 14)	(26,354)
<b>Net increase in net assets</b>	<b>39,407,456</b>
<b>Net assets at beginning of period</b>	<b>19,147,823,087</b>
<b>Net assets at end of period</b>	<b>19,187,230,543</b>

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

# Unaudited Consolidated Statement of Cash Flows

30 June 2009

	2009 US\$
<b>Cash flows from operating activities:</b>	
<b>Net increase in net assets resulting from operations</b>	<b>3,080,262,143</b>
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Increase in investments	(5,193,077,958)
Decrease in investments purchased under agreement to resell	1,467,992,660
Increase in dividends and interest receivable	(31,983,186)
Decrease in other assets	185,780
Decrease in due from broker	9,785,519,114
Decrease in due to broker	(11,185,947,986)
Decrease in accounts payable and accrued expenses	(668,931)
Decrease in dividends and interest payables	(84,693,488)
Decrease in due to affiliated fund	(855,000,000)
Decrease in performance fee payable	(1,583,721)
<b>Net cash used in operating activities</b>	<b>(3,018,995,573)</b>
<b>Cash flows from financing activities</b>	
Proceeds on issue of shares	5,118,282,071
Payment on redemption of shares	(9,018,223,322)
Equalisation factor	5,471,081
Increase in investments purchased under agreement to resell	(2,123,698,479)
Increase in investments sold under agreement to repurchase	9,096,260,430
<b>Net cash provided by financing activities</b>	<b>3,078,091,781</b>
<b>Net increase in cash</b>	<b>59,096,208</b>
<b>Cash – beginning of period</b>	<b>1,329,944</b>
<b>Cash – end of period</b>	<b>60,426,152</b>

Non cash financing activities not included herein consist of movement in long-term interest bearing subscriptions receivable of US\$15,194,694.

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

# Notes to the Interim Unaudited Consolidated Financial Statements

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

### Security transactions and valuation

Security transactions are accounted for on a trade date basis.

Most positions of the Master Fund are priced at the same time each day. This provides reliable comparative pricing of positions which are traded in different markets. A snapshot of all markets (excluding Pacific Rim and Australasia) is made at 4:00 p.m. GMT. Pacific Rim and Australasia positions are priced as at local end-of-day mid market levels. The investment valuation under the method employed by the Master Fund as at 30 June 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's 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 judgements regarding current economic conditions, liquidity discounts, currency, credit, and interest rate risks, loss experience and other factors. These estimates involve significant uncertainties and judgements 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 FAS 157 hierarchy of the Master Fund's 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 Unaudited Consolidated Statement of Operations.

### Income 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.

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 Unaudited Consolidated Statement of Operations.

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

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

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

# Notes to the Interim Unaudited Consolidated Financial Statements continued

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## 2. Significant accounting policies (continued)

### Derivative financial instruments

The Master Fund uses derivative financial instruments such as forward exchange contracts, options, futures contracts, forward rate agreements and swaps, which are recorded at fair value at the reporting date. Realised and unrealised changes in fair values are included in realised and unrealised gains and losses on investments in the 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 would receive or pay to terminate the contract at the reporting date. Many derivative financial instruments are exchange traded or are traded in the over-the-counter market where market values are normally readily obtainable. Where such market prices are not readily available, fair values will be determined using commercial products which utilise valuation models that are consistent with market pricing methods.

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

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

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

### Investments sold short

The Master Fund may sell a security it does not own in anticipation of a decline in the market value of that security. When the Master Fund sells a security short, it must borrow the security and deliver it to the broker-dealer through which it made the short sale. The Master Fund is required to maintain collateral with the broker-dealer from which the security was borrowed. A gain, limited to the value at which the Master Fund sold the security short, or a loss, unlimited in size, will be recognised upon the termination of a short sale and recorded as a net realised gain or loss on investments in the Unaudited Consolidated Statement of Operations. Securities 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.

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

### Use of estimates

The preparation of Financial Statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 owns 100% of BHM Investments Limited a company incorporated with limited liability on 13 February 2008 under the laws of the Cayman Islands and 100% of Rowhedge Services Limited, a company incorporated in Cyprus on 1 February 2005, together the "Subsidiaries". The financial position and results of operations of the Subsidiaries have been consolidated in the Master Fund's financial statements. Transactions between the Master Fund and the Subsidiaries have been eliminated on consolidation. The cost of the investments in the Subsidiaries were US\$52,834,213 and the value of the Master Fund's investments in the Subsidiaries as at 30 June 2009 were US\$49,504,984.



## 2. Significant accounting policies (continued)

### Cash and cash equivalents

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

### Due from and to brokers

Amounts receivable from and payable to brokers includes settlement of trades along with deposits held as collateral. As at 30 June 2009, deposits held as collateral amounted to US\$5,808,445,883.

### 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

In September 2006, the FASB released Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157) which provides guidance in using fair value to measure assets and liabilities and enhances disclosures about fair value measurements.

FAS 157 establishes a fair value hierarchy that 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 under FAS 157 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 FAS 157, 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 2009:

### Investments

Fair value measurements at reporting date using:	Investments at market value US\$
Level 1: Quoted prices in active markets	22,779,128,943
Level 2: Significant other observable inputs	17,962,943,311
Level 3: Significant unobservable inputs	60,093,683
<b>Total investments</b>	<b>40,802,165,937</b>

### Securities sold short

Fair value measurements at reporting date using:	Securities sold short at market value US\$
Level 1: Quoted prices in active markets	2,243,596,640
Level 2: Significant other observable inputs	8,404,241,567
Level 3: Significant unobservable inputs	–
<b>Total Securities sold short</b>	<b>10,647,838,207</b>

# Notes to the Interim Unaudited Consolidated Financial Statements continued

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## 3. Fair value measurements (continued)

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 has 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.

### Investments

<b>LEVEL 3</b>	<b>Investment at Market value US\$</b>
Balance as at 1 January 2009	35,877,967
Realised and unrealised gains (losses)	894,243
Purchases, sales and settlements	23,321,473
Net transfers in and/or out of Level 3	–
As at 30 June 2009	60,093,683

### Securities sold short

At 30 June 2009 there were no Level 3 securities sold short.

Realised and unrealised gains and losses are included in net gain on investments on the Unaudited Consolidated Statement of Operations. The change in unrealised gains (losses) for the period ended 30 June 2009 for investments still held at 30 June 2009 of \$894,243 is reflected in net change in unrealised appreciation on investments on the Unaudited 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 NAV of the Master Fund for the period to 30 June 2009 (the "operational services fee") as at the last valuation day in each month in respect of the operation of the software programme licensed to it by Murex S.A. and other services as are or may be provided by BHAM and which are intended to benefit shareholders directly or indirectly, such as middle-office and back-office services, information technology and quantitative modeling services.

The operational services fee for the period ended 30 June 2009 amounted to US\$49,204,848. The operational services fee outstanding at 30 June 2009 is US\$11,084.

## 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.

Currently the classes to which a performance fee applies are Class X and Class Y. The relevant percentage in relation to Class X is 20% and for Class Y the relevant percentage is 25%. Performance fees for the period were US\$58,757,562.

At 30 June 2009 the Master Fund held investments in the following funds managed by one or more of the Brevan Howard group of affiliated entities:

## 5. Management and performance fees (continued)

Brevan Howard Equity Strategies Fund L.P.  
US\$356,932,492

Brevan Howard Emerging Markets Strategies Fund L.P.  
US\$529,520,783

Brevan Howard Credit Catalysts Master Fund Limited  
US\$309,351,109

Brevan Howard Strategic Opportunities Fund Limited  
US\$101,442,991

Brevan Howard Investment Fund – Absolute Return Bond Plus Fund  
US\$249,850,899

Brevan Howard Investment Fund II – Macro FX Fund  
US\$199,438,010

WCG Strategies Fund Limited  
US\$1,016,605,115

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 to the Master Fund 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 to the Master Fund reduces management and performance fees charged in relation to these investment holdings accordingly.

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

## 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 calculated and payable monthly in arrears.

The administration fee is 1/12 of 15 basis points per annum, of the excess of the Master Fund's month end Net Asset Value over the sum of Net Asset Value that represents the amount of investment made by the Master Fund in other Brevan Howard funds in the same month. The administration fee outstanding at 30 June 2009 is US\$2,215,340.

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 2009, investments with a market value of US\$12,119,431,147 were pledged to the Master Fund as collateral (investments purchased under agreements to resell) and investments with a value of US\$16,359,095,193 were pledged by the Master Fund as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 27 October 2009 and agreements to resell mature by 23 November 2009.

## 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, and
- ¥10,000,000 divided into 10,000,000 ordinary shares of ¥1.00 par value

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

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

Pursuant to the minutes of the Board of Directors meeting on 16 May 2008, it was resolved that the following additional classes of ordinary shares of the Master Fund be created from the authorised but unissued share capital of the Master Fund:

- ordinary shares of US\$0.01 to be issued as "Class X US\$ Shares";
- ordinary shares of €0.01 to be issued as "Class X Euro Shares";
- ordinary shares of £0.01 to be issued as "Class X Sterling Shares";
- ordinary shares of US\$0.01 to be issued as "Class Y US\$ Shares";
- ordinary shares of €0.01 to be issued as "Class Y Euro Shares"; and
- ordinary shares of £0.01 to be issued as "Class Y Sterling Shares".

# Notes to the Interim Unaudited Consolidated Financial Statements continued

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## 8. Share capital (continued)

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

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

	2009 Shares
<b>Shares in issue at start of period</b>	
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
<b>Shares issued during the period</b>	
US Dollar Class A	711,735
US Dollar LP Class A	174,990
Euro Class A	125,637
Sterling Class A	96,757
Yen Class A	1,173,053
US Dollar Class B	1,734
Euro Class B	376
Sterling Class B	29,360
US Dollar Class Y	9,785,527
Sterling Class Y	100,123
<b>Shares redeemed during the period</b>	
US Dollar Class A	(1,295,965)
US Dollar LP Class A	(106,340)
Euro Class A	(184,623)
Sterling Class A	(26,437)
Yen Class A	(11,084)
US Dollar Class B	(79,269)
Euro Class B	(32,303)
Sterling Class B	(14,697)
US Dollar Class Y	(17,400,951)
Euro Class Y	(85,777)
Sterling Class Y	(127,051)

**8. Share capital (continued)**

	2009 Shares
<b>Shares in issue at end of period</b>	
US Dollar Class A	3,523,030
US Dollar LP Class A	472,388
Euro Class A	393,337
Sterling Class A	266,974
Yen Class A	1,161,969
US Dollar Class B	411,281
Euro Class B	161,168
Sterling Class B	181,895
US Dollar Class Y	4,731,925
Euro Class Y	287,604
Sterling Class Y	1,058,372

*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 at least until 11 February 2023. The only taxes payable by the Master Fund on its income are withholding taxes applicable to certain income. Accordingly, no provision for taxes is recorded in these Unaudited Consolidated Financial Statements.

**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 holds, the Master Fund 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 will default and fail to fulfil the terms of the agreement.

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

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

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

As a purchaser of an option contract, the Master Fund is subject to credit risk since the counterparty is obligated to make payments under the terms of the option contract if the Master Fund exercises the option. As a purchaser of an option contract, the Master Fund is only subject to market risk to the extent of the premium paid.

The Master Fund purchases both exchange-traded and over-the-counter options. For exchange-traded option contracts, the stock exchange acts as the counterparty to specific transactions and therefore bears the risk of delivery to and from counterparties of specific positions. Over-the-counter option contracts are not guaranteed by any regulated stock exchange.

# Notes to the Interim Unaudited Consolidated Financial Statements continued

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

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

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

In accordance with FAS No. 133, 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 holdings at the period end. These assets and liabilities are not representative of the outstanding credit risk to the Master Fund due to the existence of master netting agreements. The table reflects the gross fair value of the Master Fund's derivative instruments.

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

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

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

### Lehman Brothers

The Master Fund has limited direct trading and prime brokerage exposure to Lehman Brothers Holdings Inc., Lehman Brothers International (Europe) Limited and Lehman Brothers Special Financing Inc. On the 15th of September 2008, Lehman Brothers Holdings Inc announced its intention to file a petition under Chapter 11 of the U.S. Bankruptcy Code. Given the significant uncertainty regarding the recoverability of this asset, the directors have provided in full for the amount outstanding.

### Liquidity risk

The Master Fund's investment portfolio is leveraged and is 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 seeks 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 monitors 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 effects 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 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 liquidity risk is monitored on a daily basis by staff of the Investment Manager, 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 may restrict redemptions in accordance with its Articles of Association if it 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.

## 11. 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 period end are disclosed in Note 4 to the 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 2.30% (US\$440,786,373) of the net assets of the Master Fund through a holding of US Dollar Class Y shares as at 30 June 2009.



## 11. Related party transactions (continued)

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 30 June 2009 BHGOMF held 1.90% (US\$364,723,723) 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 ("BHGH") 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. BHGH's holding in the Manager of P&C was disposed of in June 2009. In May 2009 a receivable balance was re-assigned from Armour Re to the Master Fund for consideration of US\$1,881,808. This receivable balance represented debts due from several reinsurance companies. This balance was valued at cost as at 30 June 2009.

As at 30 June 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.

## 12. Long-term interest-bearing subscriptions

The subscriptions receivable amount of US\$142,138,210 is due from the Feeder Fund 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 period:

	In Issue At Start of Period	Issued in Period	In Issue At End of Period
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 and the Partly Paid Sterling Class D shares are issued to 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	206,240	4.40%
Nil Paid US Dollar Class C	January 2007	January 2010	207,112	4.56%
Nil Paid US Dollar Class C	January 2008	January 2011	110,262	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%

# Notes to the Interim Unaudited Consolidated Financial Statements continued

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

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 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.

## 13. Investment in affiliated funds

The Master Fund has invested seed capital 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\$8,892,866 while the portion that crystallised in the period represented a write-back of US\$26,354.



## Notes

# Notes

# Management and Administration

## Directors

Karla Bodden  
Dennis Hunter  
Nagi Kawkabani  
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  
1st Floor  
Charles Bisson House  
30-32 New Street  
St Helier  
Jersey JE2 3TE  
Channel Islands

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

## Auditor

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

