

BH Macro Limited

Annual Report and Audited Financial Statements 2017

ANNUAL REPORT AND AUDITED
FINANCIAL STATEMENTS
31 December 2017

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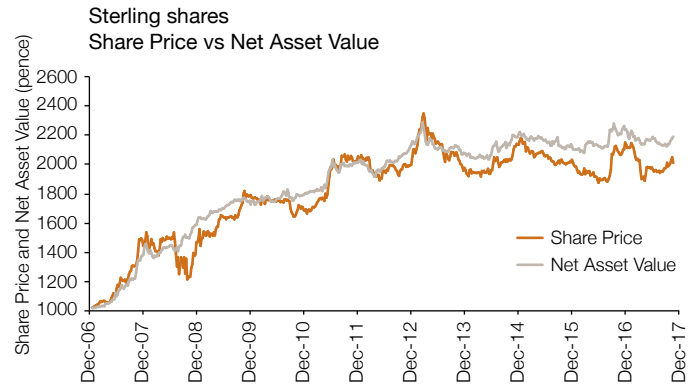
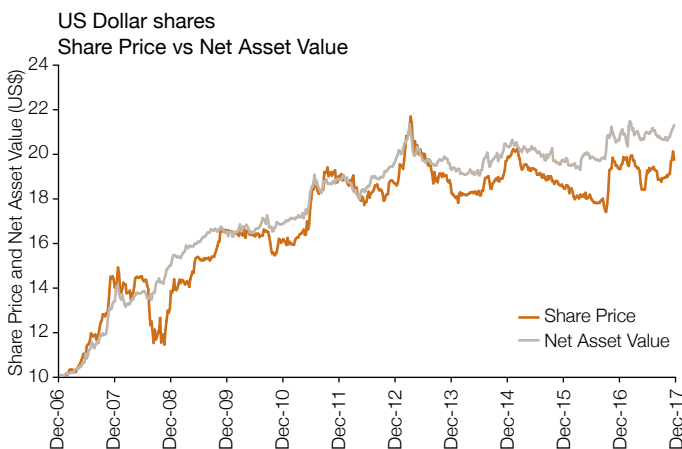
Chairman's Statement

In February and March 2017, Shareholders approved proposals put forward by the Board, in the form of a tender offer and associated structural changes. In the tender, Shareholders holding 52% of the Company's shares by value chose to remain invested in the Company with the remaining 48% taking up the offer in the tender to sell their shares at 96% of Net Asset Value ("NAV"). This has left the Company a smaller, but still substantial, fund with a total NAV at 28 February 2018 of the equivalent of \$485 million. As a result of the tender, the size of the Euro class of the Company's shares fell below \$25million and, under the terms of the tender, the Euro shares were converted into Sterling shares in June and the Euro class was cancelled.

The structural changes delivered a reduction in management and operational services fees from 2.5% to 1% and in due course a shortening of the notice period for termination of the Company's management agreement with its manager, Brevan Howard Capital Management LP (the "Manager") from two years to three months. These were material improvements for Shareholders.

Following this restructuring, Ian Plenderleith retired from the Board, having served as Chairman since the Company was formed in 2007. He presided over the Company as it grew significantly in the early years and provided strong leadership and wise counsel to the Board as the Company adapted to a more challenging investment environment. I would like to thank Ian again for his service to the Company and to wish him well in his retirement.

Over 2017, the Net Asset Value per Sterling share in the Company declined by 4.35% and that per US dollar share declined by 0.30%, despite benefitting from uplifts as a result of the tender offer, amounting to 1.20% for the Sterling shares and 4.46% for the US dollar shares.



The Company's performance is directly related to the performance of Brevan Howard Master Fund Limited (the "Master Fund") into which the Company invests substantially all of its assets. In recent years, the Master Fund's performance has been constrained by market conditions that have offered few opportunities for its macro-directional trading focus: major economies experienced synchronised slow growth; extreme easing in monetary policy resulted in low interest rates and flat yield curves; and there was limited trend movement in exchange rates.

During 2016, as recorded in Ian Plenderleith's Chairman's Statement in the Company's previous Annual Report, the global economic environment began to change. The major economies began to display divergent growth performance; there were similar divergences in monetary policy, with the US finally raising rates, while further easing was being implemented elsewhere; and exchange rates responded accordingly.

These developments in the real economy continued throughout 2017, with the US raising rates three times and the UK finally following suit in November. Despite this, equity markets continued to rise and volatility fell to historic low levels across many financial markets. As a result, opportunities for the Master Fund to achieve trading gains through its strategies continued to be sparse and its performance was disappointing.

The Master Fund has been alert to the importance of seeking to preserve investors' capital. The past performance of the Master Fund and the Company demonstrates low levels of correlation with equity markets, but more significant correlation with market volatility. This was demonstrated by the over 5% increase in NAV following the unexpected result of the US Presidential Election in November 2016 and again by the 2.5% increase in NAV (US Dollar share class) in January 2018.

Chairman's Statement *continued*

Many observers believe that the strength in equity markets cannot continue indefinitely. There are significant local and international political risks and the increased volatility seen in late January 2018 has given a warning of what the current year may hold. As and when the market environment changes, the Company offers Shareholders the opportunity to benefit from the Master Fund's long-term track record of preserving capital and achieving positive returns, uncorrelated with equities and other markets.

Following the completion of the tender offer and the consequent reduction in its size, the Company left the FTSE250 group of companies listed on the London Stock Exchange in June 2017. Subsequently, the Board concluded that the benefits of maintaining the listings of the Company's shares on the Stock Exchanges in Bermuda and Dubai did not justify the expense and, consequently, the listing in Bermuda was terminated in September and the listing in Dubai in December.

The discount at which the Company's shares trade in relation to net asset value has stabilised since the tender offer. The monthly average discount of the Sterling shares so far this year has been 6.90% and of the US Dollar shares 6.68%. As part of the tender offer, the Board agreed that the Company would not engage in market purchases of its own shares before 1 April 2019, but has committed to hold a discontinuation vote for either class of share if that class trades at an average discount of 8% or more to the monthly NAV over the whole of 2018.

The Board has maintained regular dialogue with the Manager, to review the Master Fund's trading strategies and risk exposures and to satisfy itself that the Manager's analytical, trading and risk management capabilities are being maintained to a high standard. The Board holds extended discussions with the Manager at each of its quarterly Board meetings and this dialogue has been intensified in the context of the changes implemented over the past year. One Board meeting a year is held in Brevan Howard's head office in Jersey in order to maintain first-hand contact with the Manager's team there; and Directors hold periodic briefing meetings with Brevan Howard's trading teams in London, New York and Geneva. From these contacts, the Board continues to believe that the management of the Master Fund remains of a very high standard.

The Company and its Manager have continued to pursue an active programme for public communication and investor relations. Up-to-date performance information is provided through NAV data published monthly on a definitive basis and weekly on an estimated basis, as well as through monthly risk reports and shareholder reports. All these reports and further information about the Company are available on its website (www.bhmacro.com).

The Board is independent of the Brevan Howard group. The Directors are very closely focused on safeguarding the interests of Shareholders and believe that the Company observes high standards of corporate governance. In addition to its quarterly scheduled meetings, the Board meets ad hoc on other occasions

as necessary. The work of the Board is assisted by the Audit Committee and the Management Engagement Committee. The Board continues to meet all of the provisions of the Association of Investment Companies' Code of Corporate Governance that are relevant to a company that has no executive management; the details are described below in the Directors' Report. The Board complies with best corporate governance standards in ensuring that its composition provides independence, diversity (including gender diversity, with one of the four Directors being a woman) and necessary skills and experience. The Board has adopted, and implements, policies and procedures to ensure appropriate nominations to the Board and its Committees and succession planning for orderly rotation of Directors. The Board and its Committees undertake an evaluation of their own performance every year; in early 2018 the Board commissioned an external evaluation, which confirmed that the Board works in a collegiate, harmonious and effective manner. The evaluation made a number of recommendations for the medium term structure of the Board which will be adopted if the Company continues beyond any discontinuation vote in early 2019.

The structural changes the Company has implemented over the past year have put it on a strong foundation for the future. However, the Board recognises that improved performance from the Master Fund will be important in securing the future of the Company. Evident political and economic uncertainties lying ahead suggest that more fruitful opportunities will present themselves for the Master Fund's macro-trading strategies. The Board believes that in these conditions the Company's investment in the Master Fund will provide a valuable listed avenue for portfolio diversification that is uncorrelated with other asset classes.

Huw Evans
Chairman

22 March 2018

Board Members

The Directors of the Company, all of whom are non-executive, are listed below:

Huw Evans, (appointed Chairman on 23 June 2017), age 59

Huw Evans is Guernsey resident and qualified as a Chartered Accountant with KPMG (then Peat Marwick Mitchell) in 1983. He subsequently worked for three years in the Corporate Finance department of Schroders before joining Phoenix Securities Limited in 1986. Over the next twelve years he advised a wide range of companies in financial services and other sectors on mergers and acquisitions and more general corporate strategy. Since moving to Guernsey in 2005, he has acted as a professional non-executive Director of a number of Guernsey-based companies and funds. He holds an MA in Biochemistry from Cambridge University. Mr Evans was appointed to the Board in 2010 and was appointed Chairman on 23 June 2017.

Ian Plenderleith, (former Chairman), age 74 (retired 23 June 2017)

Ian Plenderleith retired at the end of 2005 after a three-year term as Deputy Governor of the South African Reserve Bank. He served on the Bank's Monetary Policy Committee and was responsible for money, capital and foreign exchange market operations and for international banking relationships. He previously worked for over 36 years at the Bank of England in London, where he was most recently Executive Director responsible for the Bank's financial market operations and a member of the Bank's Monetary Policy Committee. He had also worked at the International Monetary Fund in Washington DC and served on the Board of the European Investment Bank and on various international committees at the Bank for International Settlements. Mr Plenderleith holds an MA from Christ Church, Oxford University, and an MBA from Columbia Business School, New York. Mr Plenderleith is non-executive Chairman of Morgan Stanley International and of the UK subsidiaries of Sanlam, the South African financial services group. Mr Plenderleith held the role of Chairman of the Board from 2007 until his retirement in 2017.

John Le Poidevin, age 47

John Le Poidevin is Guernsey resident and has over 25 years' business experience. Mr Le Poidevin is a graduate of Exeter University and Harvard Business School, a Fellow of the Institute of Chartered Accountants in England and Wales and a former partner of BDO LLP in London where, as Head of Consumer Markets, he developed an extensive breadth of experience and knowledge of listed businesses in the UK and overseas. He is an experienced non-executive who sits on several plc boards and chairs a number of Audit Committees. He therefore brings a wealth of relevant experience in terms of corporate governance, audit, risk management and financial reporting. Mr Le Poidevin was appointed to the Board in June 2016.

Colin Maltby, (Senior Independent Director), age 67

Colin Maltby is a resident of Switzerland. His career in investment management began in 1975 with NM Rothschild & Sons and included 15 years with the Kleinwort Benson Group, of which he was a Group Chief Executive at the time of its acquisition by Dresdner Bank AG in 1995. Mr Maltby was Chief Executive of Kleinwort Benson Investment Management from 1988 to 1995, Chief Investment Officer of Equitas Limited from its formation in 1996, and Head of Investments at BP from August 2000 to June 2007. He has served as a non-executive Director of various public companies and agencies and as an adviser to numerous institutional investors, including pension funds and insurance companies, and to private equity and venture capital funds in both Europe and the United States. He holds a Double First Class Honours degree in Physics from the University of Oxford and also studied at the Stanford University Graduate School of Business. He is a Fellow of Wolfson College, Oxford and of the Royal Society of Arts and a member of the Institut National Genevois. Mr Maltby was appointed to the Board in June 2015.

Claire Whittet, age 62

Claire Whittet is Guernsey resident and has 40 years' experience in the financial services industry. After obtaining a MA (Hons) in Geography from the University of Edinburgh, Mrs Whittet joined the Bank of Scotland for 19 years and undertook a wide variety of roles. She moved to Guernsey in 1996 and was Global Head of Private Client Credit for Bank of Bermuda before joining Rothschild Bank International Limited in 2003, initially as Director of Lending and latterly as Managing Director and Co-Head until May 2016 when she became a Non-Executive Director. She is an ACIB member of the Chartered Institute of Bankers in Scotland, a member of the Chartered Insurance Institute and holds an IoD Director's Diploma in Company Direction. She is a Non-Executive Director of five other listed investment funds. Mrs Whittet was appointed to the Board in June 2014.

Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges

The following summarises the Directors' directorships in other public companies:

	Exchange
Huw Evans	
Standard Life Investments Property Income Trust Limited	London
VinaCapital Vietnam Opportunity Fund Limited	London
Ian Plenderleith (retired 23 June 2017)	
None	
Colin Maltby	
BGI SICAV SA	London
Ocean Wilsons Holdings Limited	London and Bermuda
John Le Poidevin	
International Public Partnerships Limited	London
Safecharge International Group Limited	London (AIM)
Stride Gaming Plc	London (AIM)
Claire Whittet	
Eurocastle Investment Limited	Euronext
International Public Partnerships Limited	London
Riverstone Energy Limited	London
Third Point Offshore Investors Limited	London
TwentyFour Select Monthly Income Fund Limited	London

Directors' Report

31 December 2017

The Directors submit their Report together with the Company's Audited Statement of Assets and Liabilities, Audited Statement of Operations, Audited Statement of Changes in Net Assets, Audited Statement of Cash Flows and the related notes for the year ended 31 December 2017. The Directors' Report together with the Audited Financial Statements and their related notes (the "Financial Statements") give a true and fair view of the financial position of the Company. They have been prepared properly, in conformity with United States Generally Accepted Accounting Principles ("US GAAP") and are in agreement with the accounting records.

The Company

BH Macro Limited is a limited liability closed-ended investment company incorporated in Guernsey on 17 January 2007.

The Company was admitted to the Official List of the London Stock Exchange ("LSE") in 2007. It had maintained Secondary listings on the Bermuda Stock Exchange and NASDAQ Dubai since 2008, but it de-listed from these two stock exchanges on 30 September 2017 and 31 December 2017, respectively.

The Company offers multiple classes of ordinary shares, which differ in terms of currency of issue. Currently, ordinary shares are issued in US Dollars and Sterling.

On 29 November 2016, the Company announced a Tender Offer (the "Tender Offer") to acquire up to 100% of each class of the Company's issued shares at a price equivalent to 96% of NAV for the relevant class. The Tender Offer was approved by Shareholders at meetings in February and March 2017 and Shareholders holding 52% of the Company's shares by prevailing NAV chose to remain invested in the Company, with the remaining 48% of shares by value being tendered for purchase at 96% of NAV for the relevant class. The acquisition of shares pursuant to the Tender Offer was completed on 25 April 2017. Shares purchased in the Tender Offer were cancelled.

On 3 May 2017, the Company announced that, following the completion of the Tender Offer, the NAV of the Euro share class would likely fall to below the equivalent of US\$25 million on the next net asset value calculation date on 31 May 2017 and, as stated in the shareholder circular for the Tender Offer, the Company therefore intended to convert the remaining Euro shares into shares of the Company's largest share class following the Tender Offer, being Sterling shares. Accordingly, the Company converted all remaining shares in the Euro class into Sterling shares effective 29 June 2017 and all the Euro shares held by the Company in Treasury were cancelled on that date. The Euro share class then closed and its listing was cancelled.

Investment Objective and Policy

The Company is organised as a feeder fund that invests all of its assets (net of short-term working capital requirements) directly in Brevan Howard Master Fund Limited (the "Master Fund"), a hedge fund in the form of a Cayman Islands open-ended investment company, which has as its investment objective the generation of

consistent long-term appreciation through active leveraged trading and investment on a global basis. The Master Fund is managed by Brevan Howard Capital Management LP, the Company's Manager.

The Master Fund has flexibility to invest in a wide range of instruments including, but not limited to, debt securities and obligations (which may be below investment grade), bank loans, listed and unlisted equities, other collective investment schemes, currencies, commodities, futures, options, warrants, swaps and other derivative instruments. The underlying philosophy is to construct strategies, often contingent in nature, with superior risk/return profiles, whose outcome will often be crystallised by an expected event occurring within a pre-determined period of time.

The Master Fund employs a combination of investment strategies that focus primarily on economic change and monetary policy and market inefficiencies.

The Company may employ leverage for the purposes of financing share purchases or buy backs, satisfying working capital requirements or financing further investment into the Master Fund, subject to an aggregate borrowing limit of 20% of the Company's NAV, calculated as at the time of borrowing. Borrowing by the Company is in addition to leverage at the Master Fund level, which has no limit on its own leverage.

Results and dividends

The results for the year are set out in the Audited Statement of Operations on page 23. The Directors do not recommend the payment of a dividend.

Share Capital

The number of shares in issue at the year end is disclosed in note 5 of the Notes to the Audited Financial Statements.

On 5 April 2016, the Company announced a tender offer to acquire up to 25% of the Company's issued shares at discounts ranging from 4% to 8% to the NAV as at 31 May 2016.

The tender, which was completed in late June 2016, was oversubscribed: tenders of Sterling and Euro shares at discounts of 8%, 7% and 6% were accepted in full, and at 5% in part; tenders of US Dollar shares at discounts of 8% and 7% were accepted in full and at 6% in part. Shares purchased in the tender were cancelled.

As detailed above, there was a further tender offer announced on 29 November 2016, which was completed on 25 April 2017.

Viability Statement

The investment objective of the Company is to seek to generate consistent long-term capital appreciation through an investment policy of investing all of its assets (net of funds required for its short-term working capital) in the Master Fund.

Directors' Report *continued*

Viability statement (continued)

The Directors have assessed the viability of the Company over the period to 31 December 2020. The viability statement covers a period of three years, which the Directors consider sufficient given the inherent uncertainty of the investment world and the specific risks to which the Company is exposed.

The continuation of the Company in its present form is dependent on the Management Agreement remaining in place. The Management Agreement is currently terminable on two years' notice by either party. Following the implementation of the Tender Offer and associated structural changes, the notice period of the Management Agreement shall reduce to three months with effect from 1 April 2019. To ensure that the Company maintains a constructive and informed relationship with the Manager, the Directors meet regularly with the Manager to review the Master Fund's performance, and through the Management Engagement Committee, they review the Company's relationship with the Manager and the Manager's performance and effectiveness. The Board had very constructive discussions with the Manager surrounding the Tender Offer and the structural changes and the Manager was supportive of the changes. The Directors currently know of no reason why either the Company or the Manager might serve notice of termination of the Management Agreement over the period of this viability statement.

Besides the possible termination of the Management Agreement, at the Company level, the main risk to the Company's continuation would be adverse investment performance by the Master Fund precipitating extended downwards pressure on the Company's share prices from shareholders seeking to liquidate their investment in the Company by selling their shares; the Company's shares could consequently trade at a significant and persistent discount to NAV. At the EGM and Class Meetings approving the Tender Offer, one of the structural changes approved by shareholders was the modification of the Class Discontinuation vote arrangements to have a Class Discontinuation vote in the event that, during the period 1 January to 31 December 2018, shares trade at an average discount in excess of 8% of the monthly NAV.

Whilst the Directors cannot predict the premium or discount to NAV at which the Company's shares will trade in the future, they note that, following implementation of the Tender Offer, the Company had a constituency of Shareholders who had chosen to remain invested with advantageous structural changes including a reduction in the management fee from 2% to 0.5% per annum. The Directors monitor the average discount of NAV and between 1 January 2018 and 28 February 2018, the average discount to NAV of the US Dollar share class was 6.68% and was 6.90% for the Sterling share class.

The Company's assets exceed its liabilities by a considerable margin. Further, the majority of the Company's most significant expenses, being the fees owing to the Manager and to the Company's administrator, fluctuate by reference to the Company's

investment performance and NAV. The Company is able to meet its expenses by redeeming shares in the Master Fund as necessary.

The Company's investment performance depends upon the performance of the Master Fund and the Manager as manager of the Master Fund. The Directors, in assessing the viability of the Company, pay particular attention to the risks facing the Master Fund. The Manager operates a risk management framework, which is intended to identify, measure, monitor, report and where appropriate, mitigate key risks identified by it or its affiliates in respect of the Master Fund.

After 1 April 2019, in the event that there is downward pressure on the Company's share prices, the Company would be able to consider resuming active discount management actions, including share buybacks, so that as far as possible the share prices would more closely reflect the Company's underlying performance; such actions should mitigate the risk of class closure resolutions being triggered after that date.

The Directors have carried out a robust assessment of the risks and, on the assumption that the risks are managed or mitigated in the ways noted above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Going concern

The Directors, having considered the principal risks to which the Company is exposed which are listed on page 10 and on the assumption that these are managed or mitigated as noted, are not aware of any material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern and, accordingly, consider that it is appropriate that the Company continues to adopt the going concern basis of accounting for these Audited Financial Statements.

The Board

The Board of Directors has overall responsibility for safeguarding the Company's assets, for the determination of the investment policy of the Company, for reviewing the performance of the service providers and for the Company's activities. The Directors, all of whom are non-executive, are listed on page 3 and on the inside back cover.

The Articles provide that, unless otherwise determined by ordinary resolution, the number of Directors shall not be less than two. The Company's policy on Directors' Remuneration, together with details of the remuneration of each Director who served during the year, is detailed in the Directors' Remuneration Report on page 13.

The Board meets at least four times a year and between these formal meetings there is regular contact with the Manager and the Administrator. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Company are brought to the attention of the Directors. The Directors also have access to the Administrator

The Board (continued)

and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

For each Director, the tables below set out the number of Board, Audit Committee and Management Engagement Committee meetings they were entitled to attend during the year ended 31 December 2017 and the number of such meetings attended by each Director.

Scheduled Board Meetings	Held	Attended
Huw Evans	4	4
Ian Plenderleith	*2	2
John Le Poidevin	4	4
Colin Maltby	4	4
Claire Whittet	4	4

Audit Committee Meetings	Held	Attended
Huw Evans	*2	2
John Le Poidevin	4	4
Colin Maltby	*3	3
Claire Whittet	4	4

Management Engagement Committee Meetings	Held	Attended
Claire Whittet	1	1
Huw Evans	1	1
John Le Poidevin	1	1
Colin Maltby	1	1

* Indicates the meetings held during their membership of the relevant Board or Committee during the year ended 31 December 2017.

In addition to these scheduled meetings, fourteen ad hoc meetings and one Extraordinary General Meeting were held during the year ended 31 December 2017, which were attended by those Directors available at the time.

Directors' Independence

In January 2016, the then Chairman, Ian Plenderleith, had served on the Board for over nine years and under the AIC Code of Corporate Governance ("AIC Code") may not have been considered to be independent. The Board however, took the view that independence is not necessarily compromised by the length of tenure on the Board and experience can significantly add to the Board's strength. It was therefore determined that in performing his role as the Chairman (until his retirement on 23 June 2017), Ian Plenderleith remained wholly independent and all the current Directors are considered to be independent.

Directors' interests

The Directors had the following interests in the Company, held either directly or beneficially:

	31.12.17	US Dollar Shares 31.12.16
Huw Evans	Nil	Nil
Ian Plenderleith*	*N/A	Nil
John Le Poidevin	Nil	Nil
Colin Maltby	Nil	Nil
Claire Whittet	Nil	Nil

	31.12.17	**Euro Shares 31.12.16
Huw Evans	N/A	Nil
Ian Plenderleith*	*N/A	Nil
John Le Poidevin	N/A	Nil
Colin Maltby	N/A	Nil
Claire Whittet	N/A	Nil

	31.12.17	Sterling Shares 31.12.16
Huw Evans	3,337	710
Ian Plenderleith*	*N/A	Nil
John Le Poidevin	Nil	Nil
Colin Maltby	Nil	Nil
Claire Whittet	Nil	Nil

* Ian Plenderleith retired from the Board on 23 June 2017.

** The Euro share class closed on 29 June 2017.

Directors' Indemnity

Directors' and officers' liability insurance cover is in place in respect of the Directors.

The Directors entered into indemnity agreements with the Company which provide for, subject to the provisions of the Companies (Guernsey) Law, 2008, an indemnity for Directors in respect of costs which they may incur relating to the defence of proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court. The agreement does not provide for any indemnification for liability which attaches to the Directors in connection with any negligence, unfavourable judgements, breach of duty or trust in relation to the Company.

Directors' Report *continued*

Corporate Governance

To comply with the UK Listing Regime, the Company must comply with the requirements of the UK Corporate Governance Code. The Company is also required to comply with the Code of Corporate Governance issued by the Guernsey Financial Services Commission.

The Company is a member of the Association of Investment Companies (the "AIC") and by complying with the AIC Code is deemed to comply with both the UK Corporate Governance Code and the Guernsey Code of Corporate Governance. The AIC also publishes a Corporate Governance Guide for Investment Companies ("AIC Guide").

To ensure ongoing compliance with the principles and the recommendations of the AIC Code, the Board receives and reviews a report from the Secretary, at each quarterly meeting, identifying whether the Company is in compliance and recommending any changes that are necessary.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function
- whistle-blowing policy

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company with a Board formed exclusively of non-executive Directors. The Company has therefore not reported further in respect of these provisions. The Company does not have employees, hence no whistle-blowing policy is necessary. However, the Directors have satisfied themselves that the Company's service providers have appropriate whistle-blowing policies and procedures and seek regular confirmation from the service providers that nothing has arisen under those policies and procedures which should be brought to the attention of the Board.

The Company has adopted a policy that the composition of the Board of Directors is at all times such that (i) a majority of the Directors are independent of the Manager and any company in the same group as the Manager (the "Manager's Group"); (ii) the Chairman of the Board of Directors is free from any conflicts of interest and is independent of the Manager's Group; and (iii) no more than one director, partner, employee or professional adviser to the Manager's Group may be a Director of the Company at any one time.

The Company has adopted a Code of Directors' dealings in securities.

The Company's risk exposure and the effectiveness of its risk management and internal control systems are reviewed by the Audit Committee and by the Board at their meetings. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

In view of its non-executive and independent nature, the Board considers that it is not necessary for there to be a Nomination Committee or a Remuneration Committee as anticipated by the AIC Code. The Board as a whole fulfils the functions of the Nomination and Remuneration Committees, although the Board has included a separate Remuneration Report on page 13 of these Audited Financial Statements. The Board has adopted a Nomination Policy covering procedures for nominations to the Board and to Board committees.

For new appointments to the Board, nominations are sought from the Directors and from other relevant parties and candidates are then interviewed by an ad hoc committee of independent Directors. The Board has a breadth of experience relevant to the Company, and the Directors believe that any changes to the Board's composition can be managed without undue disruption. An induction programme is provided for newly-appointed Directors.

In line with the AIC Code, Section 21.3 of the Company's Articles requires all Directors to retire at each Annual General Meeting. At the Annual General Meeting of the Company on 23 June 2017, Shareholders re-elected all the Directors of the Company, with the exception of Ian Plenderleith who did not put himself forward for re-election.

The Board regularly reviews its composition and believes that the current appointments provide an appropriate range of skill, experience and diversity.

The Board, Audit Committee and Management Engagement Committee undertake an evaluation of their own performance and that of individual Directors on an annual basis. In order to review their effectiveness, the Board and its Committees carry out a process of formal self-appraisal. The Board and Committees consider how they function as a whole and also review the individual performance of their members. This process is conducted by the respective Chairman reviewing the Directors' performance, contribution and commitment to the Company.

Until his appointment as Chairman on 23 June 2017, Huw Evans, as Senior Independent Director, took the lead in reviewing the performance of the previous Chairman. Effective from 23 June 2017, Colin Maltby, as Senior Independent Director, has taken the lead in reviewing the performance of the Chairman. The Chairman also has responsibility for assessing the individual Board members' training requirements.

Corporate Governance (continued)

The most recent external evaluation of the Board's performance was completed in February 2018. The evaluation confirmed that the Board works in a collegiate, harmonious and effective manner and made a number of recommendations for the medium term structure of the Board which will be adopted if the Company continues beyond any discontinuation vote in early 2019.

The Board needs to ensure that the Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy. In seeking to achieve this, the Directors have set out the Company's investment objective and policy and have explained how the Board and its delegated Committees operate and how the Directors review the risk environment within which the Company operates and set appropriate risk controls. Furthermore, throughout the Annual Report the Board has sought to provide further information to enable Shareholders to better understand the Company's business and financial performance.

Policy to Combat Fraud, Bribery and Corruption

The Board has adopted a formal policy to combat fraud, bribery and corruption. The policy applies to the Company and to each of its Directors. Further, the policy is shared with each of the Company's service providers.

In respect of the UK Criminal Finances Act 2017 which has introduced a new Corporate Criminal Offence of 'failing to take reasonable steps to prevent the facilitation of tax evasion', the Board confirm that it is committed to preventing the facilitation of tax evasion and takes all reasonable steps to do so.

Ongoing Charges

Ongoing charges for the year ended 31 December 2017 and 31 December 2016 have been prepared in accordance with the AIC's recommended methodology.

The following table presents the Ongoing Charges for each share class.

31.12.17

	US Dollar Shares	*Euro Shares	Sterling Shares
Company – Ongoing Charges	1.46%	1.76%	1.19%
Master Fund – Ongoing Charges	0.65%	0.66%	0.65%
Performance fee	0.00%	0.00%	0.00%
Ongoing Charges plus performance fee	2.11%	2.42%	1.84%

* The Euro share class closed on 29 June 2017

31.12.16

	US Dollar Shares	Euro Shares	Sterling Shares
Company – Ongoing Charges	2.14%	2.18%	2.15%
Master Fund – Ongoing Charges	0.63%	0.63%	0.63%
Performance fee	0.00%	0.00%	0.05%
Ongoing Charges plus performance fee	2.77%	2.81%	2.83%

The Master Fund's Ongoing Charges represent the portion of the Master Fund's operating expenses which have been allocated to the Company. The Company invests substantially all of its investable assets in ordinary US Dollar and Sterling denominated Class B shares issued by the Master Fund. It also invested in Euro shares issued by the Master Fund until the closure of the Company's Euro share class in June 2017. These shares are not subject to management fees and performance fees within the Master Fund. The Master Fund's operating expenses include an operational services fee payable to the Manager of 1/12 of 0.5% per month of the NAV. Please refer to Note 4, which explains changes to the calculation methodology during the prior year.

Performance graphs

The graphs shown on page 1 detail the performance of the Company's NAV and share prices over the year.

Audit Committee

The Company's Audit Committee conducts formal meetings at least three times a year for the purpose, amongst others, of considering the appointment, independence, effectiveness of the audit and remuneration of the auditors and to review and recommend the annual statutory accounts and interim report to the Board of Directors. Full details of its function and activities are set out in the Report of the Audit Committee.

Management Engagement Committee

The Board has established a Management Engagement Committee with formal duties and responsibilities. The Management Engagement Committee meets formally at least once a year and comprises Huw Evans, Colin Maltby Claire Whittet and John Le Poidevin. Ian Plenderleith was also on the Committee until his retirement on 23 June 2017. Claire Whittet is the Chair of the Management Engagement Committee.

The function of the Management Engagement Committee is to ensure that the Company's Management Agreement is competitive and reasonable for the Shareholders, along with the Company's agreements with all other third party service providers (other than the Independent Auditors). The Terms of Reference of the Management Engagement Committee are available from the Administrator.

The principal contents of the Manager's contract and notice period are contained in note 4 to the Financial Statements.

Directors' Report *continued*

Management Engagement Committee (continued)

The Board continuously monitors the performance of the Manager and a review of the Manager is conducted by the Management Engagement Committee annually.

The Manager has wide experience in managing and administering investment companies and has access to extensive investment management resources.

At its meeting on 15 September 2017, the Management Engagement Committee concluded that the continued appointment of the Manager on the terms agreed was in the interests of the Company's Shareholders as a whole. At the date of this report, the Board continues to be of the same opinion.

Internal Controls

Responsibility for the establishment and maintenance of an appropriate system of internal control rests with the Board and to achieve this, a process has been established which seeks to:

- Review the risks faced by the Company and the controls in place to address those risks;
- Identify and report changes in the risk environment;
- Identify and report changes in the operational controls;
- Identify and report on the effectiveness of controls and errors arising; and
- Ensure no override of controls by its service providers, the Manager and Administrator.

A report is tabled and discussed at each Audit Committee meeting, and reviewed once a year by the Board, setting out the Company's risk exposure and the effectiveness of its risk management and internal control systems. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

The Board has delegated the management of the Company, the administration, corporate secretarial and registrar functions including the independent calculation of the Company's NAV and the production of the Annual Report and Financial Statements, which are independently audited. Whilst the Board delegates these functions, it remains responsible for the functions it delegates and for the systems of internal control. Formal contractual agreements have been put in place between the Company and the providers of these services. On an ongoing basis, Board reports are provided at each quarterly Board meeting from the Manager, Administrator and Company Secretary and Registrar. A representative from the Manager is asked to attend these meetings.

In common with most investment companies, the Company does not have an internal audit function. All of the Company's management functions are delegated to the Manager, Administrator and Company Secretary and Registrar which have their own internal audit and risk assessment functions.

Further reports are received from the Administrator in respect of compliance, London Stock Exchange continuing obligations and other matters. The reports were reviewed by the Board. No material adverse findings were identified in these reports.

Packaged Retail and Insurance Based Investment Products ("PRIIPs")

The Company is subject to a new European Union Regulation (2017/653) ("the Regulation") which deems it to be a PRIIP. In accordance with the requirements of the Regulation, the Company published its first standardised three-page Key Information Document ('KID') on 21 December 2017. The KID is available on the Company's website www.bhmacro.com and will be updated at least every 12 months.

Principal Risks and Uncertainties

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. The Board is satisfied that by using the Company's risk matrix in establishing the Company's system of internal controls, while monitoring the Company's investment objective and policy, the Board has carried out a robust assessment of the principal risks and uncertainties facing the Company. The principal risks and uncertainties which have been identified and the steps which are taken by the Board to mitigate them are as follows:

- **Investment Risks:** The Company is exposed to the risk that its portfolio fails to perform in line with the Company's objectives if it is inappropriately invested or markets move adversely. The Board reviews reports from the Manager, which has total discretion over portfolio allocation, at each quarterly Board meeting, paying particular attention to this allocation and to the performance and volatility of underlying investments;
- **Operational Risks:** The Company is exposed to the risks arising from any failure of systems and controls in the operations of the Manager or the Administrator. The Board receives reports annually from the Manager and Administrator on their internal controls;
- **Accounting, Legal and Regulatory Risks:** The Company is exposed to risk if it fails to comply with the regulations of the UK Listing Authority or if it fails to maintain accurate accounting records. The Administrator provides the Board with regular reports on changes in regulations and accounting requirements; and
- **Financial Risks:** The financial risks faced by the Company include market, credit and liquidity risk. These risks and the controls in place to mitigate them are reviewed at each quarterly Board meeting.

The Board reviews and updates the risk matrix to reflect any changes in the control environment.

International Tax Reporting

For purposes of the US Foreign Account Tax Compliance Act, the Company registered with the US Internal Revenue Services ("IRS") as a Guernsey reporting Foreign Financial Institution ("FFI"), received a Global Intermediary Identification Number (5QHZVI.99999.SL.831), and can be found on the IRS FFI list.

The Common Reporting Standard ("CRS") is a global standard for the automatic exchange of financial account information developed by the Organisation for Economic Co-operation and Development ("OECD"), which has been adopted by Guernsey and which came into effect on 1 January 2016. The CRS replaced the intergovernmental agreement between the UK and Guernsey to improve international tax compliance that had previously applied in respect of 2014 and 2015. The Company made its first report for CRS to the Director of Income Tax on 22 June 2017.

Relations with Shareholders

The Board welcomes Shareholders' views and places great importance on communication with the Company's Shareholders. The Board receives regular reports on the views of Shareholders and the Chairman and other Directors are available to meet Shareholders if required. The Annual General Meeting of the Company provides a forum for Shareholders to meet and discuss issues with the Directors of the Company. The Company provides weekly unaudited estimates of NAV, month end unaudited estimates and unaudited final NAVs. The Company also provides a monthly newsletter. These are published via RNS and are also available on the Company's website. Risk reports of the Master Fund are also available on the Company's website.

The Manager maintains regular dialogue with institutional Shareholders, the feedback from which is reported to the Board. Shareholders who wish to communicate with the Board should contact the Administrator in the first instance.

Having reviewed the Financial Conduct Authority's restrictions on the retail distribution of non-mainstream pooled investments, the Company, after taking legal advice, announced on 15 January 2014 that it is outside the scope of those restrictions, so that its shares can continue to be recommended by UK authorised persons to ordinary retail investors.

Significant Shareholders

As at 31 December 2017, the following Shareholders had significant shareholdings in the Company:

	Total Shares Held	% holding in class
Significant Shareholders		
US Dollar Shares		
Vidacos Nominees Limited	916,047	32.93%
Hero Nominees Limited	397,307	14.28%
The Bank of New York (Nominees) Limited	261,086	9.38%
HSBC Global Custody Nominee (UK) Limited	227,610	8.18%
Pershing Nominees Limited	156,543	5.63%
Luna Nominees Limited	145,017	5.21%
Lynchwood Nominees Limited	118,691	4.27%
Euroclear Nominees Limited	105,547	3.79%

	Total Shares Held	% holding in class
Significant Shareholders		
Sterling Shares		
Ferlim Nominees Limited	2,299,861	16.37%
Rathbone Nominees Limited	1,169,840	8.33%
The Bank of New York (Nominees) Limited	1,093,471	7.78%
Harewood Nominees Limited	918,489	6.54%
Pershing Nominees Limited	844,857	6.01%
HSBC Global Custody Nominee (UK) Limited	778,704	5.54%
Vidacos Nominees Limited	726,121	5.17%
BNY (OCS) Nominees Limited	651,641	4.64%
Brooks Macdonald Nominees Limited	606,458	4.32%
Smith & Williamson Nominees Limited	578,868	4.12%
State Street Nominees Limited	563,388	4.01%
Nortrust Nominees Limited	488,762	3.48%

Signed on behalf of the Board by:

Huw Evans
Chairman

John Le Poidevin
Director

22 March 2018

Statement of Directors' Responsibility in Respect of the Annual Report and Audited Financial Statements

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they elected to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America and applicable law.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's Independent Auditor is unaware, and each has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant information and to establish that the Company's Independent Auditor is aware of that information;
- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Chairman's Statement, Directors' Report and Manager's Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

We consider the annual report and audited financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board by:

Huw Evans
Chairman

John Le Poidevin
Director

22 March 2018

Directors' Remuneration Report

31 December 2017

Introduction

An ordinary resolution for the approval of the Directors' Remuneration Report will be put to the Shareholders at the Annual General Meeting to be held in 2018.

Remuneration policy

All Directors are non-executive and a Remuneration Committee has not been established. The Board as a whole considers matters relating to the Directors' remuneration. No advice or services were provided by any external person in respect of its consideration of the Directors' remuneration.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate Directors of a quality required to run the Company successfully. The Chairman of the Board is paid a higher fee in recognition of his additional responsibilities, as are the Chairs of the Audit Committee, the Management Engagement Committee and the Senior Independent Director. The policy is to review fee rates periodically, although such a review will not necessarily result in any changes to the rates, and account is taken of fees paid to Directors of comparable companies.

There are no long term incentive schemes provided by the Company and no performance fees are paid to Directors.

No Director has a service contract with the Company but each of the Directors is appointed by a letter of appointment which sets out the main terms of their appointment. The Directors were appointed to the Board for an initial term of three years and Section 21.3 of the Company's Articles requires, as does the AIC Code, that all of the Directors retire at each Annual General Meeting. At the Annual General Meeting of the Company on 23 June 2017, Shareholders re-elected all the Directors except Ian Plenderleith who did not put himself forward for re-election. Director appointments can also be terminated in accordance with the Articles. Should Shareholders vote against a Director standing for re-election, the Director affected will not be entitled to any compensation. There are no set notice periods and a Director may resign by notice in writing to the Board at any time.

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally.

No other remuneration or compensation was paid or payable by the Company during the year to any of the Directors apart from the reimbursement of allowable expenses.

Directors' fees

The Company's Articles limit the fees payable to Directors in aggregate to £400,000 per annum. Until 30 June 2017, the annual fees were £167,000 for the Chairman, £37,500 for Chairs of both the Audit Committee and the Management Engagement Committee and £34,000 for all other Directors.

Changes to the annual fees were made at the Board meeting held on 23 June 2017. Effective from 1 July 2017, the annual fees are £65,000 for the Chairman, £47,500 for Chair of the Audit Committee, £45,000 for each of the Chair of the Management Engagement Committee and the Senior Independent Director.

The fees payable by the Company in respect of each of the Directors who served during the years ended 31 December 2017 and 31 December 2016, were as follows:

	Year ended 31.12.17 £	Year ended 31.12.16 £
Huw Evans	51,250	37,500
Ian Plenderleith***	*79,611	167,000
David Barton****	N/A	Nil
Christopher Legge****	N/A	**18,750
John Le Poidevin	40,750	**17,000
Colin Maltby	39,500	34,000
Claire Whittet	41,250	35,750
Total	252,361	310,000

* Fees are pro rata for length of service during the year ended 31 December 2017.

** Fees are pro rata for length of service during the year ended 31 December 2016.

*** Ian Plenderleith retired from the Board on 23 June 2017.

**** David Barton resigned from and Christopher Legge retired from the board on 29 February 2016 and 24 June 2016 respectively.

Signed on behalf of the Board by:

Huw Evans
Chairman

John Le Poidevin
Director

22 March 2018

Report of the Audit Committee

31 December 2017

On the following pages, we present the Audit Committee's (the "Committee") Report for 2017, setting out the Committee's structure and composition, principal duties and key activities during the year. As in previous years, the Committee has reviewed the Company's financial reporting, the independence and effectiveness of the Independent Auditor and the internal control and risk management systems of the service providers.

Structure and Composition

The Committee consists of John Le Poidevin, Colin Maltby and Claire Whittet. Colin Maltby was appointed Audit Committee member on 23 June 2017. Huw Evans was also a member of the Committee and served as the Chairman until 23 June 2017. On that date, John Le Poidevin was appointed Committee Chairman.

Appointment to the Committee is for a period up to three years which may be extended for two further three year periods provided that the majority of the Committee remains independent of the Manager. Prior to 23 June 2017, Huw Evans was serving his third term. Claire Whittet is currently serving her second term and John Le Poidevin and Colin Maltby are each serving their first term.

The Committee conducts formal meetings at least three times a year. The table in the Directors' Report sets out the number of Committee meetings held during the year ended 31 December 2017 and the number of such meetings attended by each committee member. The Independent Auditor is invited to attend those meetings at which the annual and interim reports are considered. The Independent Auditor and the Committee will meet together without representatives of either the Administrator or Manager being present if the Committee considers this to be necessary.

Principal duties

The role of the Committee includes:

- monitoring the integrity of the published Financial Statements of the Company;
- reviewing and reporting to the Board on the significant issues and judgements made in the preparation of the Company's published Financial Statements, (having regard to matters communicated by the Independent Auditor), significant financial returns to regulators and other financial information;
- monitoring and reviewing the quality and effectiveness of the Independent Auditor and their independence;
- considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration to the Company's Independent Auditor; and
- monitoring and reviewing the internal control and risk management systems of the service providers.

The complete details of the Committee's formal duties and responsibilities are set out in the Committee's Terms of Reference, which can be obtained from the Company's Administrator.

The independence and objectivity of the Independent Auditor is reviewed by the Committee, which also reviews the terms under which the Independent Auditor is appointed to perform non-audit services, which includes consideration of the 2016 Financial Reporting Council Ethical Standard. The Committee has also established policies and procedures for the engagement of the auditor to provide audit, assurance and other services. The services which the Independent Auditor may not provide are any which:

- places them in a position to audit their own work;
- creates a mutuality of interest;
- results in the Independent Auditor functioning as a manager or employee of the Company; or
- puts the Independent Auditor in the role of advocate of the Company.

Independent Auditor

The audit and any non-audit fees proposed by the Independent Auditor each year are reviewed by the Committee taking into account the Company's structure, operations and other requirements during the period and the Committee makes recommendations to the Board.

KPMG Channel Islands Limited ("KPMG CI") has been the Company's Independent Auditor from the date of the initial listing on the London Stock Exchange. The external audit was most recently tendered for the year ended 31 December 2016, where KPMG CI was re-appointed as auditor following the completion of the tender process.

Key Activities in 2017

The following sections discuss the assessment made by the Committee during the year:

Significant Financial Statement Issues

The Committee's review of the interim and annual Financial Statements focused on the following area:

The Company's investment in the Master Fund had a fair value of US\$464.7 million as at 31 December 2017 and represents substantially all the net assets of the Company. The valuation of the investment is determined in accordance with the Accounting Policies set out in note 3 to the Audited Financial Statements. The Financial Statements of the Master Fund for the year ended 31 December 2017 were audited by KPMG Cayman who issued an unqualified audit opinion dated 21 March 2018. The Audit Committee has reviewed the Financial Statements of the Master Fund and the Accounting Policies and determined the fair value of the investment as at 31 December 2017 is reasonable.

This matter was discussed during the planning and final stage of the audit and there was no significant divergence of views between the Committee and the Independent Auditor.

Key activities in 2017 (continued)

The Committee has carried out a robust assessment of the risks to the Company in the context of making the viability statement in these Financial Statements. Furthermore, the Committee has concluded it appropriate to continue to prepare the Financial Statements on the going concern basis of accounting.

Effectiveness of the Audit

The Committee held formal meetings with KPMG CI during the course of the year: 1) before the start of the audit to discuss formal planning, to discuss any potential issues and to agree the scope that would be covered; and 2) after the audit work was concluded to discuss the significant issues including those stated above.

The Committee considered the effectiveness and independence of KPMG CI by using a number of measures, including but not limited to:

- Reviewing the audit plan presented to them before the start of the audit;
- Reviewing and challenging the audit findings report including variations from the original plan;
- Reviewing any changes in audit personnel; and
- Requesting feedback from both the Manager and the Administrator.

Further to the above, during the year, the Committee performed a specific evaluation of the performance of the Independent Auditor. This was supported by the results of questionnaires completed by the Committee covering areas such as the quality of the audit team, business understanding, audit approach and management. This questionnaire was part of the process by which the Committee assessed the effectiveness of the audit. There were no significant adverse findings from the 2017 evaluation.

Audit fees and Safeguards on Non-Audit Services

The table below summarises the remuneration paid by the Company to KPMG CI for audit and non-audit services during the years ended 31 December 2017 and 31 December 2016.

	Year ended 31.12.17 £	Year ended 31.12.16 £
Annual audit	28,000	28,000
Interim review	8,800	8,800
Specified procedures relating to 31 March 2017 Tender offer	10,000	–
Specified procedures relating to 31 May 2016 Tender offer	–	15,000

The Audit Committee has examined the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the Independent Auditor, with particular regard to non-audit fees, and considers KPMG CI, as Independent Auditor, to be independent of the Company. Further, the Committee has obtained KPMG CI's confirmation that the services provided

by other KPMG member firms to the wider Brevan Howard organisation do not prejudice its independence.

Internal Control

The Audit Committee has also reviewed the need for an internal audit function. The Committee has concluded that the systems and procedures employed by the Manager and the Administrator, including their own internal audit functions, currently provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

The Committee examined externally prepared assessments of the control environment in place at the Manager and the Administrator, with each providing a Service Organisation Control ("SOC1") report. No significant findings have been noted during the year.

Conclusion and Recommendation

After reviewing various reports such as the operational and risk management framework and performance reports from the Manager and Administrator, consulting where necessary with KPMG CI, and assessing the significant Financial Statement issues noted in the Report of the Audit Committee, the Committee is satisfied that the Financial Statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised and challenged and are sufficiently robust. At the request of the Board, the Audit Committee considered and was satisfied that the 2017 Annual Report and Audited Financial Statements are fair, balanced and understandable and provide the necessary information for Shareholders to assess the Company's performance, business model and strategy.

The Independent Auditor reported to the Committee that no unadjusted material misstatements were found in the course of its work. Furthermore, both the Manager and the Administrator confirmed to the Committee that they were not aware of any unadjusted material misstatements including matters relating to the presentation of the Financial Statements. The Committee confirms that it is satisfied that the Independent Auditor has fulfilled its responsibilities with diligence and professional scepticism.

Consequent to the review process on the effectiveness of the independent audit and the review of audit and non-audit services, the Committee has recommended that KPMG CI be reappointed for the coming financial year.

For any questions on the activities of the Committee not addressed in the foregoing, a member of the Audit Committee remains available to attend each Annual General Meeting to respond to such questions.

John Le Poidevin
Audit Committee Chairman

22 March 2018

Manager's Report

Brevan Howard Capital Management LP is the Manager of the Company and of Brevan Howard Master Fund Limited (the "Master Fund"). The Company invests all of its assets (net of short-term working capital) in the ordinary shares of the Master Fund.

Performance Review

The month-by-month NAV performance of each currency class of the Company since it commenced operations in 2007 is set out below. The Euro share class closed in June 2017.

USD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	–	–	0.10	0.90	0.15	2.29	2.56	3.11	5.92	0.03	2.96	0.75	20.27
2008	9.89	6.70	(2.79)	(2.48)	0.77	2.75	1.13	0.75	(3.13)	2.76	3.75	(0.68)	20.32
2009	5.06	2.78	1.17	0.13	3.14	(0.86)	1.36	0.71	1.55	1.07	0.37	0.37	18.04
2010	(0.27)	(1.50)	0.04	1.45	0.32	1.38	(2.01)	1.21	1.50	(0.33)	(0.33)	(0.49)	0.91
2011	0.65	0.53	0.75	0.49	0.55	(0.58)	2.19	6.18	0.40	(0.76)	1.68	(0.47)	12.04
2012	0.90	0.25	(0.40)	(0.43)	(1.77)	(2.23)	2.36	1.02	1.99	(0.36)	0.92	1.66	3.86
2013	1.01	2.32	0.34	3.45	(0.10)	(3.05)	(0.83)	(1.55)	0.03	(0.55)	1.35	0.40	2.70
2014	(1.36)	(1.10)	(0.40)	(0.81)	(0.08)	(0.06)	0.85	0.01	3.96	(1.73)	1.00	(0.05)	0.11
2015	3.14	(0.60)	0.36	(1.28)	0.93	(1.01)	0.32	(0.78)	(0.64)	(0.59)	2.36	(3.48)	(1.42)
2016	0.71	0.73	(1.77)	(0.82)	(0.28)	3.61	(0.99)	(0.17)	(0.37)	0.77	5.02	0.19	6.63
2017	(1.47)	1.91	(2.84)	3.84	(0.60)	(1.39)	1.54	0.19	(0.78)	(0.84)	0.20	0.11	(0.30)

EUR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	–	–	0.05	0.70	0.02	2.26	2.43	3.07	5.65	(0.08)	2.85	0.69	18.95
2008	9.92	6.68	(2.62)	(2.34)	0.86	2.84	1.28	0.98	(3.30)	2.79	3.91	(0.45)	21.65
2009	5.38	2.67	1.32	0.14	3.12	(0.82)	1.33	0.71	1.48	1.05	0.35	0.40	18.36
2010	(0.30)	(1.52)	0.03	1.48	0.37	1.39	(1.93)	1.25	1.38	(0.35)	(0.34)	(0.46)	0.93
2011	0.71	0.57	0.78	0.52	0.65	(0.49)	2.31	6.29	0.42	(0.69)	1.80	(0.54)	12.84
2012	0.91	0.25	(0.39)	(0.46)	(1.89)	(2.20)	2.40	0.97	1.94	(0.38)	0.90	1.63	3.63
2013	0.97	2.38	0.31	3.34	(0.10)	(2.98)	(0.82)	(1.55)	0.01	(0.53)	1.34	0.37	2.62
2014	(1.40)	(1.06)	(0.44)	(0.75)	(0.16)	(0.09)	0.74	0.18	3.88	(1.80)	0.94	(0.04)	(0.11)
2015	3.34	(0.61)	0.40	(1.25)	0.94	(0.94)	0.28	(0.84)	(0.67)	(0.60)	2.56	(3.22)	(0.77)
2016	0.38	0.78	(1.56)	(0.88)	(0.38)	3.25	(0.77)	0.16	(0.56)	0.59	5.37	0.03	6.37
2017	(1.62)	1.85	(3.04)	0.54	(0.76)*								(3.07)

* As previously announced by the Company, the Company determined that all remaining shares in the Euro share class be converted into Sterling shares effective as of 29 June 2017 and all Euro shares held by the Company in treasury were cancelled on that date. The Euro share class has been closed and its listing has been cancelled.

GBP	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	–	–	0.11	0.83	0.17	2.28	2.55	3.26	5.92	0.04	3.08	0.89	20.67
2008	10.18	6.85	(2.61)	(2.33)	0.95	2.91	1.33	1.21	(2.99)	2.84	4.23	(0.67)	23.25
2009	5.19	2.86	1.18	0.05	3.03	(0.90)	1.36	0.66	1.55	1.02	0.40	0.40	18.00
2010	(0.23)	(1.54)	0.06	1.45	0.36	1.39	(1.96)	1.23	1.42	(0.35)	(0.30)	(0.45)	1.03
2011	0.66	0.52	0.78	0.51	0.59	(0.56)	2.22	6.24	0.39	(0.73)	1.71	(0.46)	12.34
2012	0.90	0.27	(0.37)	(0.41)	(1.80)	(2.19)	2.38	1.01	1.95	(0.35)	0.94	1.66	3.94
2013	1.03	2.43	0.40	3.42	(0.08)	(2.95)	(0.80)	(1.51)	0.06	(0.55)	1.36	0.41	3.09
2014	(1.35)	(1.10)	(0.34)	(0.91)	(0.18)	(0.09)	0.82	0.04	4.29	(1.70)	0.96	(0.04)	0.26
2015	3.26	(0.58)	0.38	(1.20)	0.97	(0.93)	0.37	(0.74)	(0.63)	(0.49)	2.27	(3.39)	(0.86)
2016	0.60	0.70	(1.78)	(0.82)	(0.30)	3.31	(0.99)	(0.10)	(0.68)	0.80	5.05	0.05	5.79
2017	(1.54)	1.86	(2.95)	0.59	(0.68)	(1.48)	1.47	0.09	(0.79)	(0.96)	0.09	(0.06)	(4.35)

Source: Fund NAV data is provided by the administrator of the Fund, International Fund Services (Ireland) Limited. BH Macro Limited ("BHM") NAV and NAV per Share data is provided by BHM's administrator, Northern Trust International Fund Administration Services (Guernsey) Limited. BHM NAV per Share % Monthly Change is calculated by the Manager ("BHCM"). BHM NAV data is unaudited and net of all investment management fees and all other fees and expenses payable by BHM. In addition, the Fund is subject to an operational services fee of 50bps per annum.

BHCM shall waive its entitlement to a management fee in respect of any performance-related growth of BHM from 3 October 2016 onwards. In addition BHM's investment in the Fund will not bear an operational services fee in respect of any performance-related growth from 3 October 2016 onwards.

Shares in the Company do not necessarily trade at a price equal to the prevailing NAV per Share.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

Performance review (continued)

The NAV per share of the USD share class of the Company depreciated by 0.30% in 2017, and the NAV per share of the Sterling shares depreciated by 4.35% in 2017. At the start of the year, the Master Fund was positioned for a continuation of the “Trump Trade” that had been in-play since the election victory of President Trump in November 2016. The largest exposures were long positions in the US dollar, US equities and interest rate volatility combined with short positions in US, Japanese and UK interest rate markets. Furthermore, given the upcoming elections in France, Germany, Netherlands and possibly Italy, the Master Fund was also positioned for an increase in volatility within European markets. This view was expressed via swap spread and government bond relative value positions together with option and volatility positions in rates and the euro currency.

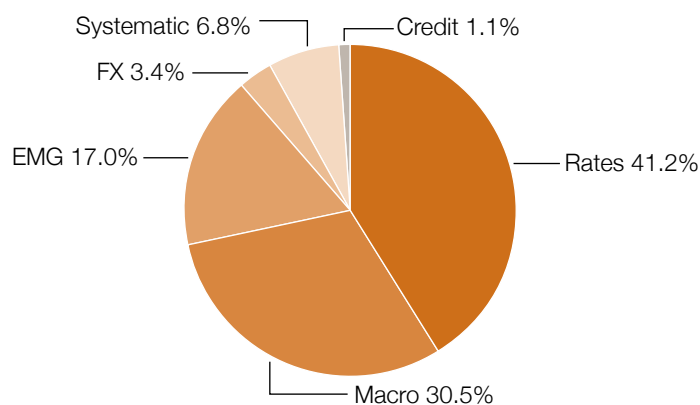
The reversal, early on in the year, in the direction of the US dollar and euro, together with the lack of directional follow-through in US interest rates led to losses, which were partially offset by gains from the European trades.

Losses in Q2 stemmed partially from the very benign outcome in the first round of the French election. Positions designed to benefit from an increase in volatility during the election, without taking a view on the eventual outcome, suffered as a result. These losses were further compounded as the likelihood of snap elections in Italy receded.

During the second half of the year, in what were largely trendless markets, the Master Fund's performance was approximately flat. Positioning in the euro currency was reversed with long euro positions generating profits early in Q3. European swap spread and relative-value bond trading detracted slightly as did volatility positioning across several markets.

The Master Fund's value at risk (“VaR”) fell during the second half of the year to levels in line with recent historic norms, although we would caution that during extended periods of low volatility VaR can be a poor measure of P&L potential, particularly for a portfolio that contains option strategies with asymmetric pay-offs.

Strategy Group Exposure (% of capital allocation*)



Source: Brevan Howard Capital Management LP, as at 29 December 2017. Data may not sum to 100% due to rounding.

* Capital allocations are subject to change.

The above strategies are categorised as follows:

“**Systematic**”: rules-based futures trading

“**Rates**”: developed interest rates markets

“**Macro**”: multi-asset global markets, mainly directional (for the Fund, the majority of risk in this category is in rates)

“**EMG**”: global emerging markets

“**FX**”: global FX forwards and options

“**Credit**”: corporate and asset-backed indices, bonds and CDS

Commentary and Outlook

The global expansion accelerated and broadened in 2017, leaving behind lingering worries about downside risks. At the same time, inflation remained calm in most major economies, except the UK which experienced a sharp increase on the heels of the Brexit-related fall in Sterling. The combination of strong growth and generally modest inflation led to a continuation of monetary policy trends, with the US and Canada gradually removing policy accommodation, the Euro area tapering asset purchases, and Japan maintaining a high level of accommodation. Political risks that loomed large at the start of 2017, such as the upcoming elections in France, Germany, Netherlands and possibly Italy, were favourably resolved with little disruption. This favourable backdrop buoyed financial markets, leading to record highs in many global equity markets, relatively low interest rates, and tight credit spreads.

Manager's Report *continued*

Commentary and Outlook (continued)

As we enter the ninth year of the expansion in 2018, the ageing business cycle would typically be displaying late-cycle dynamics of slower growth and rising inflation. However, this cycle is defying that pattern. Economic activity appears to be accelerating further above trend in most economies and inflation pressures are only beginning to emerge. Despite the age of the business cycle, the data suggest that this cycle is behaving more mid-cycle or even early-cycle in certain sectors like manufacturing. Underpinning this dynamic are the early signs that business investment and productivity are picking up from the doldrums. If those trends continue, they could have far reaching consequences, including continued support for risk assets, higher equilibrium interest rates, and an end to secular stagnation. Tax reform in the US is a further tailwind promoting growth and investment in an economy that's already operating above its potential. If these favorable trends persist, there will be pressure on central banks to provide less accommodation going forward. Policy makers will face a tricky balancing act between strong growth and easy financial conditions, on the one hand, and inflation that generally remains below target, on the other hand.

We look forward to exploiting any opportunities that these factors may create.

Brevan Howard wishes to thank shareholders once again for their continued support.

Brevan Howard Capital Management LP,
acting by its sole general partner,
Brevan Howard Capital Management Limited.

22 March 2018

Independent Auditor's Report to the Members of BH Macro Limited

Our opinion is unmodified

We have audited the financial statements of BH Macro Limited (the "Company"), which comprise the Audited Statement of Assets and Liabilities as at 31 December 2017, the Audited Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2017, and of the Company's financial performance and the Company's cash flows for the year then ended;
- are prepared in conformity with United States Generally Accepted Accounting Principles; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key Audit Matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2016):

	The risk	Our response
<p><i>Valuation of Investment in Brevan Howard Master Fund Limited (the "Master Fund")</i></p> <p><i>\$464,663,000; (2016: \$847,761,000)</i></p> <p><i>Refer to page 14 of the Report of the Audit Committee and note 3 accounting policy</i></p>	<p>Basis:</p> <p>The Company, which is a multi-class feeder fund, had invested 99.9% of its net assets at 31 December 2017 into the ordinary US Dollar and Sterling denominated Class B Shares issued by the Master Fund, which is an open ended investment company.</p> <p>The Company's investment holdings in the Master Fund are valued using the respective net asset value per share class as provided by the Master Fund's administrator.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Confirmed the net asset value per share and holdings per share for each respective share class directly with the administrator of the Master Fund • Reviewing the audit work performed by the auditor of the Master Fund in respect of their audit, to gain insight over the audit work performed on the significant elements of the Master Fund's NAV; and holding discussions on key audit findings with the auditor of the Master Fund
	<p>Risk:</p> <p>The valuation of the Company's Investment in the Master Fund, given it represents the majority of the net assets of the Company, is a significant area of our audit.</p>	<ul style="list-style-type: none"> • Examination of the Master Fund's coterminous audited financial statements to corroborate the net asset value per share • We also considered the Company's investment valuation policies as disclosed in note 3 to the financial statements for conformity with United States Generally Accepted Accounting Principles

Independent Auditor's Report to the Members of BH Macro Limited *continued*

Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at \$13,959,000, determined with reference to a benchmark of Net Assets of \$465,318,000 of which it represents approximately 3% (2016: 3%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$697,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

We have nothing to report on going concern

We are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in note 3 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in this respect.

We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement (pages 5 and 6) that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed or mitigated; and

- the directors' explanation in the Viability Statement (pages 5 and 6) as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the 2016 UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report to you in these respects.

We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 12, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to

liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Barry T. Ryan

for and on behalf of KPMG CHANNEL ISLANDS LIMITED

Chartered Accountants and Recognised Auditors

Guernsey

22 March 2018

Audited Statement of Assets and Liabilities

As at 31 December 2017

	31.12.17 US\$'000	31.12.16 US\$'000
Assets		
Investment in the Master Fund	464,663	847,761
Prepaid expenses	44	76
Cash and bank balances denominated in US Dollars	189	5,564
Cash and bank balances denominated in Euro	–	1,087
Cash and bank balances denominated in Sterling	891	12,252
Total assets	465,787	866,740
Liabilities		
Performance fees payable (note 4)	–	318
Management fees payable (note 4)	197	1,386
Accrued expenses and other liabilities	169	56
Directors' fees payable	70	95
Administration fees payable (note 4)	33	42
Total liabilities	469	1,897
Net assets	465,318	864,843
Number of shares in issue (note 5)		
US Dollar shares	2,782,034	9,975,524
Euro shares	–	1,514,872
Sterling shares	14,046,048	22,371,669
Net asset value per share (notes 7 and 9)		
US Dollar shares	US\$21.62	US\$21.68
Euro shares	–	€21.87
Sterling shares	£21.47	£22.44

See accompanying notes to the Audited Financial Statements.

Signed on behalf of the Board by:

Huw Evans
Chairman

John Le Poidevin
Director

22 March 2018

Audited Statement of Operations

For the year ended 31 December 2017

	01.01.17 to 31.12.17 US\$'000	01.01.16 to 31.12.16 US\$'000
Net investment loss allocated from the Master Fund		
Interest income	1,190	18,854
Dividend income (net of withholding tax: 31 December 2017: US\$19,017; 31 December 2016: US\$26,177)	62	73
Expenses	(12,274)	(20,785)
Net investment loss allocated from the Master Fund	(11,022)	(1,858)
Company income		
Fixed deposit income	2	–
Foreign exchange gains (note 3)	50,659	(159,828)
Total Company income	50,661	(159,828)
Company expenses		
Performance fees (note 4)	–	351
Management fees (note 4)	14,369	20,871
Other expenses	1,575	1,766
Directors' fees	326	427
Administration fees (note 4)	141	208
Total Company expenses	16,411	23,623
Net investment gain/(loss)	23,228	(185,309)
Net realised and unrealised (loss)/gain on investments allocated from the Master Fund		
Net realised gain on investments	11,279	43,035
Net unrealised loss on investments	(29,782)	(7,971)
Net realised and unrealised (loss)/gain on investments allocated from the Master Fund	(18,503)	35,064
Net increase/(decrease) in net assets resulting from operations	4,725	(150,245)

See accompanying Notes to the Audited Financial Statements.

Audited Statement of Changes in Net Assets

For the year ended 31 December 2017

	01.01.17 to 31.12.17 US\$'000	01.01.16 to 31.12.16 US\$'000
Net increase/(decrease) in net assets resulting from operations		
Net investment gain/(loss)	23,228	(185,309)
Net realised gain on investments allocated from the Master Fund	11,279	43,035
Net unrealised loss on investments allocated from the Master Fund	(29,782)	(7,971)
	4,725	(150,245)
Share capital transactions		
Purchase of own shares		
US Dollar shares	–	(50,853)
Euro shares	–	(17,894)
Sterling shares	–	(124,878)
Tender offer		
US Dollar shares	(140,757)	(70,174)
Euro shares	(13,908)	(17,827)
Sterling shares	(249,585)	(198,179)
Total share capital transactions	(404,250)	(479,805)
Net decrease in net assets	(399,525)	(630,050)
Net assets at the beginning of the year	864,843	1,494,893
Net assets at the end of the year	465,318	864,843

See accompanying Notes to the Audited Financial Statements.

Audited Statement of Cash Flows

For the year ended 31 December 2017

	01.01.17 to 31.12.17 US\$'000	01.01.16 to 31.12.16 US\$'000
Cash flows from operating activities		
Net increase/(decrease) in net assets resulting from operations	4,725	(150,245)
Adjustments to reconcile net increase/(decrease) in net assets resulting from operations to net cash provided by operating activities:		
Net investment loss allocated from the Master Fund	11,022	1,858
Net realised gain on investments allocated from the Master Fund	(11,279)	(43,035)
Net unrealised loss on investments allocated from the Master Fund	29,782	7,971
Purchase of investment in the Master Fund	(17,341)	(32,746)
Proceeds from sale of investment in the Master Fund	414,331	549,978
Foreign exchange (gains)/losses	(50,659)	159,828
Decrease in prepaid expenses	32	15
(Decrease)/increase in performance fees payable	(318)	45
Decrease in management fees payable	(1,189)	(1,027)
Increase/(decrease) in accrued expenses and other liabilities	114	(128)
Decrease in directors' fees payable	(25)	(19)
Decrease in administration fees payable	(9)	(31)
Net cash provided by operating activities	379,186	492,464
Cash flows from financing activities		
Purchase of own shares	–	(195,323)
Tender offer	(404,250)	(286,180)
Net cash used in financing activities	(404,250)	(481,503)
Change in cash	(25,064)	10,961
Cash, beginning of the year	18,903	35,587
Effect of exchange rate fluctuations	7,241	(27,645)
Cash, end of the year	1,080	18,903
Cash, end of the year		
Cash and bank balances denominated in US Dollars	189	5,564
Cash and bank balances denominated in Euro ¹	–	1,087
Cash and bank balances denominated in Sterling ²	891	12,252
	1,080	18,903
1. Cash and bank balances in Euro (EUR'000)	–	1,036
2. Cash and bank balances in Sterling (GBP'000)	664	10,022

See accompanying Notes to the Audited Financial Statements.

Notes to the Audited Financial Statements

For the year ended 31 December 2017

1. The Company

BH Macro Limited (the "Company") is a limited liability closed-ended investment company incorporated in Guernsey on 17 January 2007.

The Company was admitted to the Official List of the London Stock Exchange ("LSE") in 2007. It had maintained Secondary listings on the Bermuda Stock Exchange and NASDAQ Dubai since 2008, but it de-listed from these two stock exchanges on 30 September 2017 and 31 December 2017, respectively.

The Company offers multiple classes of ordinary shares, which differ in terms of currency of issue. Currently, ordinary shares are issued in US Dollars and Sterling.

On 29 November 2016, the Company announced a Tender Offer (the "Tender Offer") to acquire up to 100% of each class of the Company's issued shares at a price equivalent to 96% of NAV for the relevant class. The Tender Offer was approved by Shareholders at meetings in February and March 2017 and Shareholders holding 52% of the Company's shares by prevailing NAV chose to remain invested in the Company, with the remaining 48% of shares by value being tendered for purchase at 96% of NAV for the relevant class. The acquisition of shares pursuant to the Tender Offer was completed on 25 April 2017. Shares purchased in the Tender Offer were cancelled.

On 3 May 2017, the Company announced that, following the completion of the Tender Offer, the NAV of the Euro share class would likely fall to below the equivalent of US\$25 million on the next net asset value calculation date on 31 May 2017 and, as stated in the shareholder circular for the Tender Offer, the Company therefore intended to convert the remaining Euro shares into shares of the Company's largest share class following the Tender Offer, being Sterling shares. Accordingly, the Company converted all remaining shares in the Euro class into Sterling shares effective 29 June 2017 and all the Euro shares held by the Company in Treasury were cancelled on that date. The Euro share class then closed and its listing was cancelled.

2. Organisation

The Company is organised as a feeder fund and seeks to achieve its investment objective by investing all of its investable assets, net of short-term working capital requirements, in the ordinary US Dollar, Euro (up to the point of closure) and Sterling denominated Class B shares issued by Brevan Howard Master Fund Limited (the "Master Fund") and, as such, the Company is directly and materially affected by the performance and actions of the Master Fund.

The Master Fund is an open-ended investment company with limited liability formed under the laws of the Cayman Islands on 22 January 2003. The investment objective of the Master Fund is to generate consistent long-term appreciation through active leveraged trading and investment on a global basis. The Master Fund employs a combination of investment strategies that focus

primarily on economic change and monetary policy and market inefficiencies. The underlying philosophy is to construct strategies, often contingent in nature with superior risk/return profiles, whose outcome will often be crystallised by an expected event occurring within a pre-determined period of time. New trading strategies will be added as investment opportunities present themselves.

As such the Audited Financial Statements of the Company should be read in conjunction with the Audited Financial Statements of the Master Fund which can be found on the Company's website, www.bhmacro.com.

At the date of these Audited Financial Statements, there were two other feeder funds in operation in addition to the Company that invest all of their assets (net of working capital) in the Master Fund. Furthermore, Brevan Howard Multi-Strategy Master Fund Limited, another fund managed by the Manager, invests some of its assets in the Master Fund as at the date of these Financial Statements.

Off-balance sheet, market and credit risks of the Master Fund's investments and activities are discussed in the notes to the Master Fund's Audited Financial Statements. The Company's investment in the Master Fund exposes it to various types of risk, which are associated with the financial instruments and markets in which the Brevan Howard underlying funds invest.

Market risk represents the potential loss in value of financial instruments caused by movements in market factors including, but not limited to, market liquidity, investor sentiment and foreign exchange rates.

The Manager

Brevan Howard Capital Management LP (the "Manager") is the manager of the Company. The Manager is a Jersey Limited Partnership, the general partner of which is Brevan Howard Capital Management Limited, a Jersey Limited Company (the "General Partner"). The General Partner is regulated in the conduct of fund services business by the Jersey Financial Services Commission pursuant to the Financial Services (Jersey) Law 1998 and the Orders made thereunder.

The Manager also manages the Master Fund and in that capacity, as at the date of these Financial Statements, has delegated the function of investment management of the Master Fund to Brevan Howard Asset Management LLP, Brevan Howard (Hong Kong) Limited, Brevan Howard (Israel) Limited, Brevan Howard Investment Products Limited, Brevan Howard US Investment Management LP, Brevan Howard Private Limited, DW Partners, LP and BH-DG Systematic Trading LLP.

3. Significant accounting policies

The Annual Audited Financial Statements, which give a true and fair view, are prepared in conformity with United States Generally Accepted Accounting Principles and comply with the Companies (Guernsey) Law, 2008. The functional and reporting currency of the Company is US Dollars.

3. Significant accounting policies (continued)

As further described in the Directors' Report, these Audited Financial Statements have been prepared using the going concern basis of accounting.

The Company is an Investment Entity which has applied the provisions of Accounting Standards Codification ("ASC") 946.

The following are the significant accounting policies adopted by the Company:

Valuation of investments

The Company records its investment in the Master Fund at fair value. Fair value is determined as the Company's proportionate share of the Master Fund's capital, which approximates fair value. At 31 December 2017, the Company is the sole investor in the Master Fund's ordinary US Dollar and Sterling Class B shares as disclosed below. Within the table below, the investment in each share class in the Master Fund is included, with the overall total investment shown in the Audited Statement of Assets and Liabilities.

	Percentage of Master Fund's capital	NAV per Share (Class B)	Shares held in the Master Fund (Class B)	Investment in Master Fund CCY'000	Investment in Master Fund US\$'000
31 December 2017					
US Dollar	1.25%	\$2,786.39	21,536	\$60,007	60,007
Sterling	8.40%	£2,901.80	103,788	£301,173	404,656
					464,663
31 December 2016					
US Dollar	1.76%	\$2,887.21	73,103	\$211,064	211,064
Euro	0.29%	€2,892.07	11,118	€32,152	33,722
Sterling	5.16%	£3,038.32	162,324	£493,191	602,975
					847,761

ASC Topic 820 defines fair value as the price that the Company would receive upon selling a security in an orderly transaction to an independent buyer in the principal or most advantageous market of the security.

The valuation and classification of securities held by the Master Fund is discussed in the notes to the Master Fund's Audited Financial Statements which are available on the Company's website, www.bhmacro.com.

Income and expenses

The Company records monthly its proportionate share of the Master Fund's income, expenses and realised and unrealised gains and losses. In addition, the Company accrues its own income and expenses.

Use of estimates

The preparation of Financial Statements in conformity with United States Generally Accepted Accounting Principles 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 those Financial Statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

Leverage

The Manager has discretion, subject to the prior approval of a majority of the independent Directors, to employ leverage for and on behalf of the Company by way of borrowings to effect share purchases or share buy-backs, to satisfy working capital requirements and to finance further investments in the Master Fund.

The Company may borrow up to 20% of its NAV, calculated as at the time of borrowing. Additional borrowing over 20% of NAV may only occur if approved by an ordinary resolution of the Shareholders.

Notes to the Audited Financial Statements continued

For the year ended 31 December 2017

3. Significant accounting policies (continued)

Foreign exchange

Investment securities and other assets and liabilities of the Sterling share class and, up until its closure, the Euro share class are, or were, translated into US Dollars, the Company's reporting currency, using exchange rates at the reporting date. Transactions reported in the Audited Statement of Operations are translated into US Dollar amounts at the date of such transactions. The share capital and other capital reserve accounts are translated at the historic rate ruling at the date of the transaction. Exchange differences arising on translation are included in the Audited Statement of Operations. This adjustment has no effect on the value of net assets allocated to the individual share classes.

Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits.

Allocation of results of the Master Fund

Net realised and unrealised gains/losses of the Master Fund are allocated to the Company's share classes based upon the percentage ownership of the equivalent Master Fund class.

Treasury shares

Where the Company purchases its own share capital, the consideration paid, which includes any directly attributable costs, is recognised as a deduction from equity Shareholders' funds through the Company's reserves.

When such shares are subsequently sold or reissued to the market, any consideration received, net of any directly attributable incremental transaction costs, is recognised as an increase in equity Shareholders' funds through the share capital account. Where the Company cancels treasury shares, no further adjustment is required to the share capital account of the Company at the time of cancellation. Shares held in treasury are excluded from calculations when determining NAV per share as detailed in note 7 and in the Financial Highlights in note 9.

Refer to note 8 for details of changes to the purchases by the Company of its share capital.

4. Management, performance and administration agreements

Management and performance fee

The Company has entered into a management agreement with the Manager to manage the Company's investment portfolio. Until 2 October 2016, the Manager received a management fee of 1/12 of 2% (or a pro rata proportion thereof) per month of the Net Asset Value (the "NAV") of each class of shares (before deduction of that month's management fee and before making any deduction for any accrued performance fee) as at the last business day in each month, payable monthly in arrears. The management fee charged by the Company is reduced by the

Company's share of management fees incurred by the Master Fund through any underlying investments of the Master Fund that share the same Manager as the Company. The investment in the Class B shares of the Master Fund is not subject to management fees, but is subject to an operational services fee payable to the Manager of 1/12 of 0.5% per month of the NAV.

From 3 October 2016, the Manager will not charge the Company a management fee in respect of any increase in the NAV of each class of shares above the relevant NAV at that date resulting from performance or any own share purchases or redemptions. The Company's investment in the Master Fund also will not bear an operational services fee in respect of performance related growth in its investment in the Master Fund from that date.

The following changes were made to the Company's structure and Management Agreement with effect from 1 April 2017:

- the management fee was reduced to 1/12 of 0.5% per month of the NAV;
- the investment in the Class B shares of the Master Fund remains subject to an operational services fee of 1/12 of 0.5% per month of the NAV; and
- the management fee and operational services fee concession described above will continue to apply in respect of performance related growth in the Company's NAV for each class of share in excess of its level on 1 April 2017 as if the Tender Offer had completed on that date.

During the year ended 31 December 2017, US\$14,368,940 (31 December 2016: US\$20,870,959) was earned by the Manager as net management fees. At 31 December 2017, US\$197,034 (31 December 2016: US\$1,385,840) of the fee remained outstanding.

The Management fee charge included a balance of US\$8,350,050 (31 December 2016: US\$Nil), which was incurred in accordance with the terms of the Tender Offer that concluded on 25 April 2017. Under the terms of the Tender Offer, the Manager was entitled to a fee of 2% of the NAV of the shares tendered, instead of 4%, that would have been payable if the Company served notice of termination of the management agreement between the Company and the Manager on less than 24 months' notice.

The Manager is also entitled to an annual performance fee for each share class. The performance fee is equal to 20% of the appreciation in the NAV per share of that class during that calculation period which is above the base NAV per share of that class, other than that arising to the remaining shares of the relevant class from any repurchase, redemption or cancellation of any share in the calculation period. 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.

4. Management, performance and administration agreements (continued)

Management and performance fee (continued)

The Manager will be paid an estimated performance fee on the business day preceding the last business day of each calculation period. Within 5 business days of the publication of the final NAV of each class of shares as at the end of the calculation period, any difference between the actual performance fee and the estimated amount will be paid to or refunded by the Manager, as appropriate. Any accrued performance fee in respect of shares which are converted into another share class prior to the date on which the performance fee would otherwise have become payable in respect of those shares will crystallise and become payable on the date of such conversion. The performance fee is accrued on an on-going basis and is reflected in the Company's published NAV. During the year ended 31 December 2017 US\$Nil (31 December 2016: US\$350,887) was earned by the Manager as performance fees. At 31 December 2017, US\$Nil (31 December 2016: US\$317,812) of the fee remained outstanding.

The Master Fund may hold investments in other funds managed by the Manager. To ensure that Shareholders of the Company are not subject to two tiers of fees, the fees paid to the Manager as outlined above are reduced by the Company's share of any fees paid to the Manager by the underlying Master Fund investments, managed by the Manager.

The Management Agreement may be terminated by either party giving the other party not less than 24 months' written notice. In certain circumstances the Company will be obliged to pay compensation to the Manager of the aggregate management fees which would otherwise have been payable during the 24 months following the date of such notice and the aggregate of any accrued performance fee in respect of the current Calculation Period. Compensation is not payable if more than 24 months' notice of termination is given.

Under the terms of the Tender Offer, from 1 April 2019, the notice period for termination of the Management Agreement without cause by both the Company and the Manager will be reduced from 24 months to three months.

Administration fee

The Company has appointed Northern Trust International Fund Administration Services (Guernsey) Limited as Administrator and Corporate Secretary. The Administrator is paid fees based on the NAV of the Company, payable quarterly in arrears. The fee is at a rate of 0.015% of the average month end NAV of the Company, subject to a minimum fee of £67,500 per annum. In addition to the NAV based fee, the Administrator is also entitled to an annual fee of £36,000 for certain additional administration services. The Administrator is entitled to be reimbursed for out-of-pocket expenses incurred in the course of carrying

out its duties as Administrator. During the year ended 31 December 2017, US\$140,721 (31 December 2016: US\$208,383) was earned by the Administrator as administration fees. The amounts outstanding are disclosed on the Audited Statement of Assets and Liabilities.

5. Share capital

Issued and authorised share capital

The Company has the power to issue an unlimited number of ordinary shares with no par value and an unlimited number of shares with a par value. Shares may be divided into at least two classes denominated in US Dollar and Sterling, following the Euro share class closure. Further issue of shares may be made in accordance with the Articles. Shares may be issued in differing currency classes of ordinary redeemable shares including C shares. The treasury shares have arisen as a result of the discount management programme as described in note 8. The tables below show the movement in ordinary and treasury shares.

Notes to the Audited Financial Statements continued

For the year ended 31 December 2017

5. Share capital (continued)

Issued and authorised share capital (continued)

	US Dollar shares	Euro shares	Sterling shares
Number of ordinary shares			
In issue at 1 January 2017	9,975,524	1,514,872	22,371,669
Share conversions	(261,016)	(890,769)	954,079
Tender offer shares transferred to treasury (note 8)	(6,932,474)	(624,103)	(9,279,700)
In issue at 31 December 2017	2,782,034	–	14,046,048
Number of treasury shares			
In issue at 1 January 2017	1,406,228	271,854	2,650,652
Tender offer shares transferred to treasury (note 8)	6,932,474	624,103	9,279,700
Shares cancelled	(1,075,000)	(271,854)	(1,200,000)
Tender offer shares cancelled (note 8)	(6,932,474)	(624,103)	(9,279,700)
In issue at 31 December 2017	331,228	–	1,450,652
Percentage of class	10.64%	–	9.36%

There were no on market purchases in the year ended 31 December 2017.

	US Dollar shares	Euro shares	Sterling shares
Number of ordinary shares			
In issue at 1 January 2016	17,202,974	4,163,208	33,427,871
Share conversions	(737,163)	(939,574)	1,318,504
Purchase of shares into Treasury	(2,685,193)	(847,431)	(4,562,483)
Tender offer shares transferred to treasury (note 8)	(3,805,094)	(861,331)	(7,812,223)
In issue at 31 December 2016	9,975,524	1,514,872	22,371,669
Number of treasury shares			
In issue at 1 January 2016	1,537,035	362,723	2,943,169
On market purchases*	2,685,193	847,431	4,562,483
Tender offer shares transferred to treasury (note 8)	3,805,094	861,331	7,812,223
Shares cancelled	(2,816,000)	(938,300)	(4,855,000)
Tender offer shares cancelled (note 8)	(3,805,094)	(861,331)	(7,812,223)
In issue at 31 December 2016	1,406,228	271,854	2,650,652
Percentage of class	12.36%	15.22%	10.59%

* On market purchases for the year ended 31 December 2016

Treasury shares	Number of shares purchased	Cost (US\$)	Cost (in currency)
US Dollar shares	2,685,193	50,853,441	\$50,853,441
Euro shares	847,431	17,893,603	€16,080,450
Sterling shares	4,562,483	124,878,082	£90,182,054

Share classes

In respect of each class of shares a separate class account has been established in the books of the Company. An amount equal to the aggregate proceeds of issue of each share class has been credited to the relevant class account. Any increase or decrease in the NAV of the Master Fund US Dollar shares and Master Fund Sterling shares as calculated by the Master Fund is allocated to the relevant class account in the Company. Each class account is allocated those costs, pre-paid expenses, losses, dividends, profits, gains and income which the Directors determine in their sole discretion relate to a particular class.

5. Share capital (continued)

Share classes (continued)

On 3 May 2017, the Company announced that, following the completion of the Tender Offer, the NAV of the Euro share class would likely fall to below the equivalent of US\$25 million on the next net asset value calculation date on 31 May 2017 and as stated in the shareholder circular for the Tender Offer, the Company therefore intended to convert the remaining Euro shares into shares of the Company's largest share class following the Tender Offer, being Sterling shares.

Accordingly, the Company determined that all remaining shares in the Euro class would be converted into Sterling shares with effect 29 June 2017 and all the Euro shares held by the Company in Treasury were cancelled on that date. The Euro share class then closed and its listing was cancelled.

Voting rights of shares

Ordinary shares carry the right to vote at general meetings of the Company and to receive any dividends attributable to the ordinary shares as a class declared by the Company and, in a winding-up will be entitled to receive, by way of capital, any surplus assets of the Company attributable to the ordinary shares as a class in proportion to their holdings remaining after settlement of any outstanding liabilities of the Company.

As prescribed in the Company's Articles, the different classes of ordinary shares have different values attributable to their votes. The attributed values have been calculated on the basis of the Weighted Voting Calculation (as described in the Articles) which takes into account the prevailing exchange rates on the date of initial issue of ordinary shares. On a vote, a single US Dollar ordinary share has 0.7606 votes and a single Sterling ordinary share has 1.4710 votes.

Treasury shares do not have any voting rights.

Repurchase of ordinary shares

Under the Company's Articles, Shareholders of a class of shares have the ability to call for repurchase of that class of shares in certain circumstances. See note 8 for further details.

Further issue of shares

As approved by the Shareholders at the Annual General Meeting held on 23 June 2017, the Directors have the power to issue further shares totalling 990,034 US Dollar shares and 4,395,593 Sterling shares respectively. This power expires fifteen months after the passing of the resolution or on the conclusion of the next Annual General Meeting of the Company, whichever is earlier, unless such power is varied, revoked or renewed prior to that Meeting by a resolution of the Company in general meeting.

Distributions

The Master Fund has not previously paid dividends to its investors. This does not prevent the Directors of the Company from declaring a dividend at any time in the future if the Directors

consider payment of a dividend to be appropriate in the circumstances. If the Directors declare a dividend, such dividend will be paid on a per class basis.

As announced on 15 January 2014, the Company intends to be operated in such a manner to ensure that its shares are not categorised as non-mainstream pooled investments. This may mean that the Company may pay dividends in respect of any income that it receives or is deemed to receive for UK tax purposes so that it would qualify as an investment trust if it were UK tax-resident.

Further, the Company will first apply any such income in payment of its management and performance fees.

Treasury shares are not entitled to distributions.

Share conversion scheme

The Company has implemented a Share Conversion Scheme. The scheme provides Shareholders with the ability to convert some or all of their ordinary shares in the Company of one class into ordinary shares of the other class. Shareholders are able to convert ordinary shares on the last business day of every month. Each conversion will be based on the NAV (note 7) of the shares of the class to be converted.

6. Taxation

Overview

The Company is exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

Uncertain tax positions

The Company recognises the tax benefits of uncertain tax positions only where the position is more-likely-than-not (i.e. greater than 50%), to be sustained assuming examination by a tax authority based on the technical merits of the position. In evaluating whether a tax position has met the recognition threshold, the Company must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognise in the Company's Audited Financial Statements. Income tax and related interest and penalties would be recognised by the Company as tax expense in the Audited Statement of Operations if the tax positions were deemed not to meet the more-likely-than-not threshold.

The Company analyses all open tax years for all major taxing jurisdictions. Open tax years are those that are open for examination by taxing authorities, as defined by the Statute of Limitations in each jurisdiction. The Company identifies its major tax jurisdictions as the Cayman Islands and foreign jurisdictions where the Company makes significant investments. The Company has no examinations by tax authorities in progress.

Notes to the Audited Financial Statements continued

For the year ended 31 December 2017

6. Taxation (continued)

Uncertain tax positions (continued)

The Directors have analysed the Company's tax positions, and have concluded that no liability for unrecognised tax benefits should be recorded related to uncertain tax positions. Further, the Directors are not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognised tax benefits will significantly change in the next twelve months.

7. Publication and calculation of Net Asset Value ("NAV")

The NAV of the Company is equal to the value of its total assets less its total liabilities. The NAV per share of each class will be calculated by dividing the NAV of the relevant class account by the number of shares of the relevant class in issue on that day.

The Company publishes the NAV per share for each class of shares as calculated by the Administrator based in part on information provided by the Master Fund, monthly in arrears, as at each month-end.

The Company also publishes an estimate of the NAV per share for each class of shares as calculated by the Administrator based in part on information provided by the Master Fund, weekly in arrears.

8. Discount management programme

The Company has previously implemented a number of methods in order to seek to manage any discount to NAV at which the Company's shares trade.

Market purchases

Until October 2016, the Company regularly utilised its ability to make market purchases of its shares as part of the discount management programme. The purchase of these shares was funded by the Company redeeming underlying shares in the Master Fund. The number of shares held in treasury as at 31 December 2017 are disclosed in note 5.

However, following the announcement of the results of the Tender Offer on 24 February 2017, the Company is no longer permitted to redeem its investment in the Master Fund to finance own-share purchases until 1 April 2019. The Company, therefore, does not intend to make any own-share purchases in that period. The Company would be required to pay a redemption fee to the Master Fund of 10% on any other redemptions from the Master Fund (except for any redemptions required by the Company for working capital purposes, in which case no fee will apply).

Tender offers

On 5 April 2016, the Company announced a tender offer to acquire up to 25% of the Company's shares at discounts ranging from 4% to 8%. The purpose of the tender was to permit those Shareholders who wished to realise some (or possibly all) of their investment in the Company to do so, subject to the terms of the tender offer, while also offering potential enhancements to the Company's NAV for Shareholders who remained invested in the Company. The discounts were set by taking account of both the

approximate discounts to NAV at which the Company's shares had traded in the past 12 months and the Company's probable liquidation value.

This tender, which was completed in late June 2016, was oversubscribed: tenders of Sterling and Euro shares at discounts of 8%, 7% and 6% were accepted in full, and at 5% in part; tenders of Dollar shares at discounts of 8% and 7% were accepted in full, and at 6% in part. Shares purchased in the tender were cancelled.

On 29 November 2016, the Company announced a further tender offer to acquire up to 100% of each class of the Company's issued shares at a price equivalent to 96% of NAV for the relevant class.

This Tender Offer was approved by Shareholders at meetings in February and March 2017 and Shareholders holding 52% of the Company's shares by prevailing NAV chose to remain invested in the Company, with the remaining 48% of shares by value being tendered for purchase at 96% of NAV. The acquisition of shares pursuant to the Tender Offer was completed on 25 April 2017. Shares purchased in the tender were cancelled.

Annual offer of partial return of capital

Under the Company's Articles of Incorporation, once in every calendar year the Directors had discretion to determine that the Company make an offer of a partial return of capital in respect of such number of shares of the Company in issue as they determined, provided that the maximum amount distributed did not exceed 100% of the increase in NAV of the Company in the prior calendar year.

The Directors had discretion to determine the particular class or classes of shares in respect of which a partial return of capital would be made, the timetable for that partial return of capital and the price at which the shares of each relevant class were returned.

The decision to make a partial return of capital in any particular year and the amount of the return depended, among other things, on prevailing market conditions, the ability of the Company to liquidate its investments to fund the capital return, the success of prior capital returns and applicable legal, regulatory and tax considerations.

As part of the Tender Offer that was completed on 25 April 2017 and changes to the Company's structure, the annual partial capital return provisions have been disapplied for the years ending 31 December 2016, 2017 and 2018.

Class closure resolutions

Also under the Articles of Incorporation, the Company had an obligation to propose class closure resolutions if, in any fixed discount management period (1 January to 31 December each year), the average daily closing market price of the relevant class of shares during such period was 10% or more below the average NAV per share of the relevant class taken over the 12 monthly NAV Determination Dates in that fixed discount management period.

8. Discount management programme (continued)

Class closure resolutions (continued)

As part of the Tender Offer that was completed on 25 April 2017 and changes to the Company's structure, these class closure provisions have also been disapplied for the years ending 31 December 2016, 2017 and 2018.

However if, in the period from 1 January 2018 to 31 December 2018, any class of shares trades at an average discount at or in excess of 8% of the monthly NAV, the Company will propose a vote of the relevant class to discontinue that class. Any such class discontinuation vote will take place on or prior to 28 February 2019.

In that event and if a Class Discontinuation Vote is passed by three-quarters of the votes cast on the resolution, holders of shares of the relevant class will be able to opt to receive:

- 97.5 per cent of the NAV per share of the relevant class as at 31 March 2019 (with the remaining 2.5% of the NAV per share being retained by the Master Fund); or
- 50 per cent of the NAV per share of the relevant class as at 31 March 2019 and 50% of the NAV per share as at 30 June 2019.

From 1 April 2019, the Company's class closure provisions and annual partial capital return will be reinstated and applicable in respect of the twelve month period ending on 31 December 2019 and thereafter, except that the relevant trigger for the class closure provisions will be 8% discount to the net asset value of the relevant class of shares over the relevant period, instead of the previous 10% threshold.

The arrangements are described more fully in the Company's principal documents which were approved at the EGM on 24 February 2017.

9. Financial highlights

The following tables include selected data for a single ordinary share of each of the ordinary share classes in issue at 31 December 2017 and other performance information derived from the Financial Statements.

The per share amounts and ratios which are shown reflect the income and expenses of the Company for each class of ordinary share.

	31.12.17 US Dollar shares US\$	31.12.17 [^] Euro shares €	31.12.17 Sterling shares £
Per share operating performance			
Net asset value at beginning of the year	21.68	21.87	22.44
Income from investment operations			
Net investment loss*	(1.80)	(1.03)	(1.01)
Net realised and unrealised loss on investment	(0.71)	(0.74)	(0.83)
Other capital items**	2.45	1.10	0.87
Total loss	(0.06)	(0.67)	(0.97)
Net asset value, end of the year/period	21.62	21.20	21.47
Total loss before performance fee	(0.30%)	(3.07%)	(4.35%)
Total loss after performance fee[^]	(0.30%)	(3.07%)	(4.35%)

[^] Net asset value and returns on the Euro share class have been calculated up to 31 May 2017, which was the NAV date preceding the conversion of shares to the Sterling share class.

Notes to the Audited Financial Statements continued

For the year ended 31 December 2017

9. Financial highlights (continued)

Total return reflects the net return for an investment made at the beginning of the year and is calculated as the change in the NAV per ordinary share during the year from 1 January 2017 to 31 December 2017. An individual shareholder's return may vary from these returns based on the timing of their purchase or sale of shares.

	31.12.17 US Dollar shares US\$ '000	31.12.17^^ Euro shares US\$ '000	31.12.17 Sterling shares US\$ '000
Supplemental data			
Net asset value, end of the year	60,136	–	301,565
Average net asset value for the year	99,784	21,875	348,983

	31.12.17 US Dollar shares	31.12.17 Euro shares	31.12.17 Sterling shares
Ratio to average net assets			
Operating expenses			
Company expenses***	4.52%	2.25%	2.52%
Master Fund expenses****	1.41%	0.53%	1.31%
Master Fund interest expense*****	1.19%	1.48%	0.74%
Performance fee	–	–	–
	7.12%	4.26%	4.57%
Net investment loss before performance fee*	(6.98%)	(4.28%)	(4.33%)
Net investment loss after performance fees*	(6.98%)	(4.28%)	(4.33%)

^^ The average Euro share class net asset value for the year is calculated based on published NAVs from the start of the year up to the Euro share class closure.

	31.12.16 US Dollar shares US\$	31.12.16 Euro shares €	31.12.16 Sterling shares £
Per share operating performance			
Net asset value at beginning of the year	20.33	20.56	21.21
Income from investment operations			
Net investment loss*	(0.46)	(0.45)	(0.50)
Net realised and unrealised gain on investment	1.00	0.81	0.91
Other capital items**	0.81	0.95	0.82
Total return	1.35	1.31	1.23
Net asset value, end of the year	21.68	21.87	22.44
Total return before performance fee	6.63%	6.37%	5.84%
Performance fee	–	–	(0.05%)
Total return after performance fee	6.63%	6.37%	5.79%

Total return reflects the net return for an investment made at the beginning of the year and is calculated as the change in the NAV per ordinary share during the year from 1 January 2016 to 31 December 2016. An individual shareholder's return may vary from these returns based on the timing of their purchase or sale of shares.

9. Financial highlights (continued)

	31.12.16 US Dollar shares US\$ '000	31.12.16 Euro shares US\$ '000	31.12.16 Sterling shares US\$ '000
Supplemental data			
Net asset value, end of the year	216,252	33,128	502,083
Average net asset value for the year	261,058	55,907	560,351
Ratio to average net assets			
	31.12.16 US Dollar shares	31.12.16 Euro shares	31.12.16 Sterling shares
Operating expenses			
Company expenses***	2.15%	2.21%	2.15%
Master Fund expenses****	1.02%	1.03%	1.04%
Master Fund interest expense*****	0.86%	0.82%	0.90%
Performance fee	0.00%	0.00%	0.05%
	4.03%	4.06%	4.14%
Net investment loss before performance fees*	(2.32%)	(2.26%)	(2.33%)
Net investment loss after performance fees*	(2.32%)	(2.26%)	(2.38%)

Notes

- * The net investment loss figures disclosed above, does not include net realised and unrealised gains/losses on investments allocated from the Master Fund.
- ** Included in other capital items are the discounts and premiums on conversions between share classes and on the sale of treasury shares as well as any partial capital return effected in the relevant period as compared to the NAV per share at the beginning of the year.
- *** Company expenses are as disclosed in the Audited Statement of Operations excluding the performance fee and Foreign Exchange.
- **** Master Fund expenses are the operating expenses of the Master Fund excluding the interest and dividend expenses of the Master Fund.
- ***** Master Fund interest expense includes interest and dividend expenses on investments sold short.

10. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions.

Management and performance fees are disclosed in note 4.

Directors' fees are disclosed in the Directors' Remuneration Report on page 13.

Directors' interests are disclosed in the Directors' Report on page 7 and also the Board Members section on page 3.

11. Subsequent events

The Directors have evaluated subsequent events up to 22 March 2018, which is the date that the Audited Financial Statements were available to be issued, and have concluded there are no further items that require disclosure or adjustment to the Audited Financial Statements.

Historic Performance Summary

As at 31 December 2017

	31.12.17 US\$'000	31.12.16 US\$'000	31.12.15 US\$'000	31.12.14 US\$'000	31.12.13 US\$'000
Net increase/(decrease) in net assets					
resulting from operations	4,725	(150,245)	(91,220)	(122,858)	105,344
Total assets	465,787	866,740	1,499,648	1,768,337	2,255,031
Total liabilities	(469)	(1,897)	(4,755)	(5,519)	(8,176)
Net assets	465,318	864,843	1,494,893	1,762,818	2,246,855

Number of shares in issue

US Dollar shares	2,782,034	9,975,524	17,202,974	18,332,029	24,967,761
Euro shares	–	1,514,872	4,163,208	5,112,916	6,792,641
Sterling shares	14,046,048	22,371,669	33,427,871	37,717,793	43,602,671

Net asset value per share

US Dollar shares	US\$21.62	US\$21.68	US\$20.33	US\$20.62	US\$20.60
Euro shares	–	€21.87	€20.56	€20.72	€20.74
Sterling shares	£21.47	£22.44	£21.21	£21.40	£21.34

Affirmation of the Commodity Pool Operator

31 December 2017

To the best of my knowledge and belief, the information detailed in this Annual Report and these Audited Financial Statements is accurate and complete.

By:



Name: Jonathan Wrigley

Title: Group Head of Finance and Authorised Signatory

Brevan Howard Capital Management Limited as general partner of Brevan Howard Capital Management LP, the manager and commodity pool operator of BH Macro Limited

22 March 2018

Notes

Notes

Company Information

Directors

Huw Evans (*Chairman, from 23 June 2017*)

Ian Plenderleith (*Chairman, until 23 June 2017*)

Claire Whittet

Colin Maltby

John Le Poidevin

(All Directors are non-executive and independent for the purpose of Listing Rule 15.2.12-A)

Registered Office

PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey
Channel Islands GY1 3QL

Manager

Brevan Howard Capital Management LP
6th Floor
37 Esplanade
St Helier
Jersey
Channel Islands JE2 3QA

For the latest information

www.bhmacro.com

Administrator and Corporate Secretary

Northern Trust International Fund
Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey
Channel Islands GY1 3QL

Independent Auditor

KPMG Channel Islands Limited
Gategny Court, Gategny Esplanade
St Peter Port
Guernsey
Channel Islands GY1 1WR

Registrar and CREST Service Provider

Computershare Investor Services (Guernsey) Limited
1st Floor
Tudor House
Le Bordage
St Peter Port
Guernsey
Channel Islands GY1 1DB

Legal Advisors (Guernsey Law)

Carey Olsen
Carey House
Les Banques
St Peter Port
Guernsey
Channel Islands GY1 4BZ

Legal Advisors (UK Law)

Hogan Lovells LLP
Atlantic House
Holborn Viaduct
London EC1A 2FG

Corporate Broker

JPMorgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Tax Adviser

Deloitte LLP
PO Box 137,
Regency Court
Gategny Esplanade
St Peter Port
Guernsey
Channel Islands GY1 3HW

