

BH Macro Limited
Interim Report and Unaudited Financial
Statements 2018

INTERIM REPORT AND UNAUDITED
FINANCIAL STATEMENTS
30 June 2018

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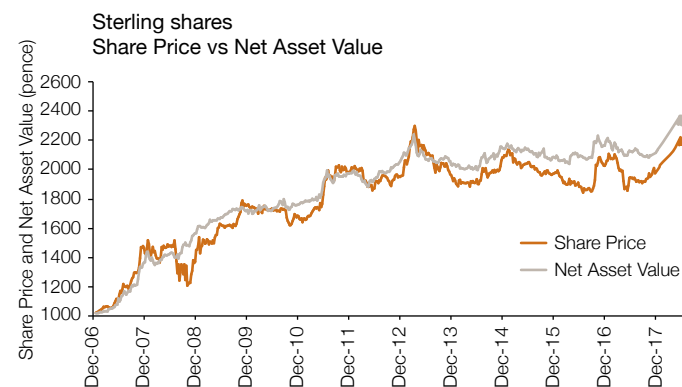
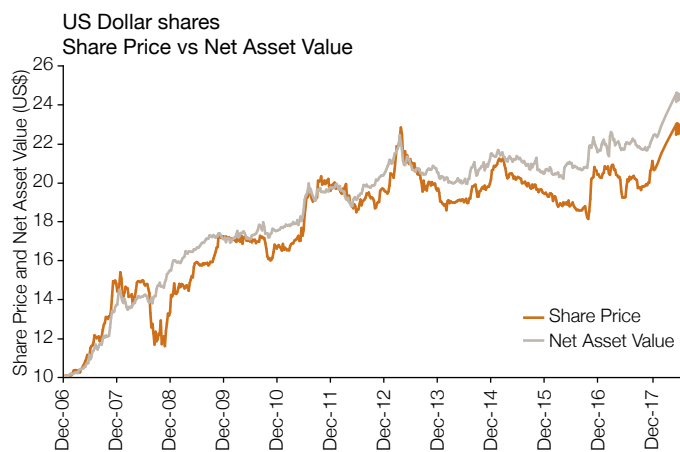


Chairman's Statement

Over the first half of 2018, the Net Asset Value ("NAV") per US dollar share in the Company increased by 9.58% and the NAV per Sterling share increased by 8.70%.

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. For quite some time the Master Fund's performance was constrained by market conditions that offered few opportunities for its macro-directional trading focus. However, in 2018 that has finally begun to change.

The past performance of the Master Fund and the Company has shown correlation with market volatility. This was notably demonstrated by the over 5% increase in NAV following the unexpected result of the US Presidential Election in November 2016. In 2017, however, market volatility returned to its historically low levels and the implementation of President Trump's tax policies in the current year has stimulated US equity markets to reach new highs. However, a brief correction in early 2018 showed what the Master Fund can do when volatility returns and the Company posted a 2.54% increase in NAV (US Dollar shares) and 2.36% (Sterling shares) in January 2018.



There are significant and increasing local and international political risks despite the continuing strength in the equity markets. This was most recently brought to the fore following the Italian elections where the formation of a coalition government caused significant turbulence in the foreign exchange and fixed interest markets. In this period the Master Fund produced its largest monthly return in several years and the Company's NAV increased in May by 8.41% (US Dollar shares) and 8.19% (Sterling shares).

These unpredictable events have given a warning of what the rest of the year may hold. The local market upset following the political developments in Italy has shown that, when volatility returns, the Company offers Shareholders the opportunity to benefit from the Master Fund's long-term track record of preserving capital and achieving positive returns.

As part of the tender offer which completed in April 2017, the Board agreed that the Company would not engage in market purchases of its own shares before 1 April 2019, but 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 per share over the whole of 2018. The average discount at which each of the Company's Sterling and US Dollar shares have traded in relation to monthly NAV per share so far this year has been approximately 9.5%. If a discontinuation vote is triggered for either or both class of share, it will be held in early 2019.

Over the past six months, the Board has continued its regular dialogue with the Manager, reviewing the Master Fund's trading strategies and risk exposures and satisfying itself that the Manager's analytical, trading and risk management capabilities are being maintained to a high standard.

The Company and its Manager have continued to pursue an active programme for public communication and investor relations. There was particular interest from the press following the Company's performance in May. 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 early 2018 the Board commissioned an external evaluation of its performance which confirmed that the Board works in a collegiate, harmonious and effective manner.

Chairman's Statement continued

I have commented before that the Board recognises that improved performance from the Master Fund will be important in securing the future of the Company. The evidence in the first half of 2018 is that the Company's investment in the Master Fund provides a valuable listed avenue for portfolio diversification that is uncorrelated with other asset classes. There are now clear signs that investors are beginning to focus more closely on the political and economic uncertainties lying ahead and any increased volatility arising from this will present further opportunities for the Master Fund's macro-trading strategies.

Huw Evans
Chairman

20 August 2018

Board Members

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

Huw Evans, (Chairman), age 60

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.

John Le Poidevin, age 48

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 63

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
Colin Maltby	
BEGI 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

30 June 2018

The Directors submit their Interim Report together with the Company's Interim Unaudited Statement of Assets and Liabilities, Interim Unaudited Statement of Operations, Interim Unaudited Statement of Changes in Net Assets, Interim Unaudited Statement of Cash Flows and the related notes for the period ended 30 June 2018. The Directors' Report together with the Interim Unaudited 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.

Following a tender offer which completed in April 2017, 48% of shares by value being tendered at 96% of NAV for the relevant class were cancelled. This, in turn, led to the Company closing the Euro share class, cancelling its listing and converting the remaining Euro shares into Sterling class shares on 29 June 2017. Currently, ordinary shares are issued in US Dollars and Sterling.

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 period are set out in the Unaudited Statement of Operations on page 18. The Directors do not recommend the payment of a dividend.

Share Capital

The number of shares in issue at the period end is disclosed in note 5 of the Notes to the Interim Unaudited Financial Statements.

Going Concern

The Directors, having considered the principal risks to which the Company is exposed which are listed on page 9 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 Interim Unaudited 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 period, is detailed in the Directors' Remuneration Report on page 12.

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

Directors' Report *continued*

The Board (continued)

For each Director, the tables below set out the number of Board, Audit Committee meetings they were entitled to attend during the period ended 30 June 2018 and the number of such meetings attended by each Director.

Scheduled Board Meetings	Held	Attended
Huw Evans	2	2
John Le Poidevin	2	2
Colin Maltby	2	2
Claire Whittet	2	2

Audit Committee Meetings	Held	Attended
John Le Poidevin	2	2
Colin Maltby	2	2
Claire Whittet	2	2

In addition to these scheduled meetings, five ad hoc committee meetings were held during the period ended 30 June 2018, which were attended by those Directors available at the time.

Directors' Independence

Under the AIC Code of Corporate Governance ("AIC Code"), 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:

	30.06.18	31.12.17	US Dollar Shares 30.06.17
Huw Evans	Nil	Nil	Nil
John Le Poidevin	Nil	Nil	Nil
Colin Maltby	Nil	Nil	Nil
Claire Whittet	Nil	Nil	Nil

	30.06.18	31.12.17	Sterling Shares 30.06.17
Huw Evans	5,270	3,337	3,337
John Le Poidevin	Nil	Nil	Nil
Colin Maltby	Nil	Nil	Nil
Claire Whittet	Nil	Nil	Nil

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 and breach of duty or trust in relation to the Company.

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.

Corporate Governance (continued)

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 12 of these Interim Unaudited 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 21 June 2018, Shareholders re-elected all the Directors of the Company.

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.

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.

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 annual 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 Interim 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 introduced a new Corporate Criminal Offence of 'failing to take reasonable steps to prevent the facilitation of tax evasion', the Board confirms that it is committed to preventing the facilitation of tax evasion and takes all reasonable steps to do so.

Directors' Report continued

Ongoing Charges

Ongoing charges for the six month period ended 30 June 2018, year ended 31 December 2017 and six month period ended 30 June 2017 have been prepared in accordance with the AIC's recommended methodology.

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

30.06.18

	US Dollar Shares	Sterling Shares
Company – Ongoing Charges	0.63%	0.69%
Master Fund – Ongoing Charges	0.65%	0.65%
Performance fee	0.02%	0.35%
Ongoing Charges plus performance fee	1.29%	1.69%

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%

30.06.17

	US Dollar Shares	*Euro Shares	Sterling Shares
Company – Ongoing Charges	1.76%	1.76%	1.55%
Master Fund – Ongoing Charges	0.66%	0.66%	0.65%
Performance fee	0.00%	0.00%	0.00%
Ongoing Charges plus performance fee	2.42%	2.42%	2.20%

* The Euro Share class closed on 29 June 2017.

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.

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. 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.

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.

Internal Controls (continued)

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 European Union Regulation (2017/653) ("the Regulation") which deems it to be a PRIIP. In accordance with the requirements of the Regulation, the Manager published the first standardised three-page Key Information Document ("KID") on the Company 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. One specific aspect of market risk is that of discontinuation. As part of the tender offer which completed in April 2017, the Board 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 per share over the whole of 2018. The average discount at which each of the Company's Sterling and US Dollar shares have traded in relation to monthly NAV per share so far this year has been approximately 9.5%. Consequently, there is a risk that discontinuation votes will be held in early 2019 at which Shareholders may vote to liquidate one or both classes of shares.

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 was adopted by Guernsey and 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 latest report for CRS to the Director of Income Tax on 29 June 2018.

Directors' Report *continued*

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 30 June 2018, the following Shareholders had significant shareholdings in the Company:

	Total Shares Held	% holding in class
Significant Shareholders		
US Dollar Shares		
Vidacos Nominees Limited	898,508	32.80%
Hero Nominees Limited	428,143	15.63%
The Bank of New York (Nominees) Limited	251,654	9.19%
HSBC Global Custody Nominee (UK) Limited	226,811	8.28%
Luna Nominees Limited	140,647	5.13%
Pershing Nominees Limited	115,168	4.20%
Euroclear Nominees Limited	104,312	3.81%
Lynchwood Nominees Limited	95,141	3.47%

	Total Shares Held	% holding in class
Significant Shareholders		
Sterling Shares		
Ferlim Nominees Limited	2,619,697	18.61%
Rathbone Nominees Limited	1,148,628	8.16%
Harewood Nominees Limited	993,793	7.06%
The Bank of New York (Nominees) Limited	917,685	6.52%
HSBC Global Custody Nominee (UK) Limited	860,536	6.11%
Pershing Nominees Limited	848,578	6.03%
Nortrust Nominees Limited	615,315	4.37%
State Street Nominees Limited	587,683	4.17%
BNY (OCS) Nominees Limited	549,493	3.90%
Smith & Williamson Nominees Limited	528,732	3.76%
Brooks Macdonald Nominees Limited	473,669	3.36%

Signed on behalf of the Board by:

Huw Evans
Chairman

John Le Poidevin
Director

20 August 2018

Statement of Directors' Responsibility in Respect of the Interim Report and Unaudited Financial Statements

We confirm to the best of our knowledge that:

- these Interim Unaudited Financial Statements have been prepared in conformity with United States Generally Accepted Accounting Principles and give a true and fair view of the assets, liabilities, financial position and profit or loss; and
- these Interim Unaudited Financial Statements include information detailed in the Chairman's Statement, the Directors' Report, the Manager's Report and the notes to the Interim Unaudited Financial Statements, which provides a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on these Interim Unaudited Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period and any changes in the related party transactions described in the last Annual Audited Financial Statements that could materially affect the financial position or performance of the Company.

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

Signed on behalf of the Board by:

Huw Evans
Chairman

John Le Poidevin
Director

20 August 2018

Directors' Remuneration Report

30 June 2018

Introduction

An ordinary resolution for the approval of the Directors' Remuneration Report was passed by the Shareholders at the Annual General Meeting held on 21 June 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 21 June 2018, Shareholders re-elected all the Directors. 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. 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 period ended 30 June 2018, the year ended 31 December 2017 and the period ended 30 June 2017, were as follows:

	Period ended 30.06.18 £	Year ended 31.12.17 £	Period ended 30.06.17 £
Huw Evans	32,500	51,250	18,750
Ian Plenderleith*	N/A	*79,611	*79,611
John Le Poidevin	23,750	40,750	17,000
Colin Maltby	22,500	39,500	17,000
Claire Whittet	22,500	41,250	18,750
Total	101,250	252,361	151,111

* Ian Plenderleith served as Chairman at a fee of £167,000 pa until his retirement from the Board on 23 June 2017.

Signed on behalf of the Board by:

Huw Evans
Chairman

John Le Poidevin
Director

20 August 2018

Manager's Report

Brevan Howard Capital Management LP is the Manager of the Company and of Brevan Howard Master Fund Limited (the "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 NAV per share of the USD shares of the Company appreciated by 9.58% in the first half of the year, while the NAV per share of the GBP shares appreciated by 8.70%.

The month-by-month NAV performance of the USD and GBP currency classes of the Company since it commenced operations in 2007 is set out below:

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)
2018	2.54	(0.38)	(1.54)	1.07	8.41	(0.57)							9.58

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)
2018	2.36	(0.51)	(1.68)	1.01	8.19	(0.66)							8.70

Source: Fund NAV data is provided by the administrator of the Fund, International Fund Services (Ireland) Limited ("IFS"). 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 and all other fees and expenses payable by BHM. In addition, the Fund is subject to an operational services fee.

With effect from 1 April 2017, the management fee is 0.5% per annum. The Company's investment in the Fund is subject to an operational services fee of 0.5% per annum.

No management fee or operational services fee is charged in respect of performance related growth of NAV for each class of share in excess of its level on 1 April 2017 as if the tender offer commenced by the Company on 27 January 2017 had completed on 1 April 2017.

NAV performance is provided for information purposes only. Shares in the Company do not necessarily trade at a price equal to the prevailing NAV per Share.

Data as at 30 June 2018

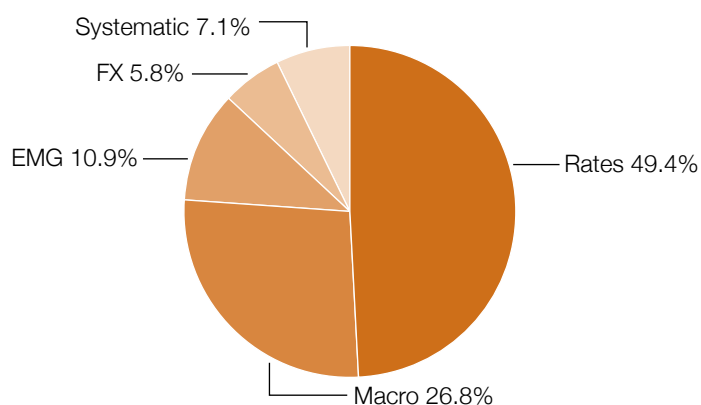
PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

Manager's Report *continued*

Performance Review (continued)

The Fund's main exposures at the start of 2018 were short directional, combined with long volatility, positions in US interest rates as well as long positions in US equity indices. The Fund was also short the US dollar versus a basket of currencies. These themes played out well in the early part of the year; in particular the opportunity set for US interest rate trading appeared to improve with the Fed continuing in its attempt to normalise its policy stance. Further gains were generated from directional trading of UK interest rates as the Bank of England responded to weaker data by temporarily softening its own stance on policy normalisation. As market stresses increased towards the latter part of the period under review, the Fund made additional gains from a variety of trades across multiple asset classes.

Strategy Group Exposure (% of capital allocation*)



Source: Brevan Howard Capital Management LP, as at 30 June 2018. 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

Commentary and Outlook

In the first half of 2018, the global economy continued to advance at an above-trend pace. However, there has been considerably more dispersion compared with last year among both advanced and emerging market economies. In addition, investors are grappling with a range of new risks to the outlook. Tighter monetary policy from the Federal Reserve and the associated appreciation in the US dollar is putting pressure on vulnerable emerging market economies. Trade tensions are escalating with little visibility on the ultimate economic and financial market effects. Finally, populist political trends are stretching the status quo, especially in Britain and Italy.

The IMF forecasts global growth rates of nearly 4% for both this year and next, but the rising risks point to some downside skew in that projection. Growth is healthy in the advanced economies, but has slowed from last year's breakneck pace in the Euro area, Japan and Britain. The US has been the standout, clocking up real GDP growth that looks to be better than 3% at an annual rate in the first half of 2018. Notably, the unemployment rate in the US plumbed lows last seen in the 1960s and core inflation rose 2% in the last year.

In emerging economies, China continues to grow at a solid rate and monetary authorities are ready to ease further still in order to maintain the momentum. In response to the differential monetary policies between the US and China, the renminbi slid significantly in the last few months. If the trend continues, investors may fear disorderly capital flight following similar moves in 2015. Other emerging market central banks are under similar pressure to respond to a stronger US dollar by defending their currencies with rate rises. The most vulnerable economies like Argentina and Turkey have already demonstrated acute strain with sharp depreciations in their currencies, capital outflows, and declines in equity prices. Going forward, it is an open question how other EM economies will cope with higher interest rates and an appreciation in the US dollar that makes it harder for domestic borrowers to pay back more expensive dollar-denominated debt. Although interest rates are relative low, Fed tightening has been the root cause of many international financial crises in the past. The other major factor among emerging economies has been higher oil prices, which have dented prospects for importers while flattering exporters.

Commentary and Outlook (continued)

No issue has attracted more attention this year than trade tensions. Higher tariffs are a negative supply shock that slows growth and raises inflation. In a worst-case scenario with adverse effects on confidence, asset prices and investment, an all-out trade war could cause a global recession. At this point, it is anyone's guess how this will play out. The Trump administration clearly has China in its sights and tariffs could eventually extend to almost all Chinese imports into the US. Germany and especially motor vehicles may become a focus of targeted trade action. Finally, the negotiations among the NAFTA countries may or may not be constructive.

Lastly, political developments are going to shape markets in unpredictable ways going forward. The road ahead for Brexit is foggy. Italian politics threatens the European consensus on immigration, fiscal spending, and monetary policy. It seems like a safe bet to assume that populist politics will continue to throw curveballs to the market going forward.

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.

20 August 2018

Independent Review Report to BH Macro Limited

Conclusion

We have been engaged by BH Macro Limited (the "Company") to review the Interim Unaudited Financial Statements included in the Interim Report for the six months ended 30 June 2018 of the Company which comprises the Unaudited Statement of Assets and Liabilities, the Unaudited Statement of Operations, the Unaudited Statement of Changes in Net Assets, the Unaudited Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements for the period ended 30 June 2018 do not give a true and fair view of the financial position of the Company as at 30 June 2018 and of its financial performance and its cash flows for the six month period then ended in conformity with U.S generally accepted accounting principles and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Emphasis of matter

We draw attention to Note 8 of the Interim Unaudited Financial Statements, which sets out the requirements outlined in the Company's Articles of Incorporation that 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 hold 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. The average discount to monthly NAV per share for the seven month period ended 31 July 2018 was approximately 9.5% for both the Sterling share class and the US Dollar share class. Our conclusion is not modified in respect of this matter.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the Interim Report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the unaudited interim financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The Interim Report and Unaudited Financial Statements are the responsibility of, and have been approved by, the directors. The directors are responsible for preparing the Interim Report and Unaudited Financial Statements in accordance with the DTR of the UK FCA.

The Interim Unaudited Financial Statements included in this Interim Report have been prepared in conformity with U.S generally accepted accounting principles.

Our responsibility

Our responsibility is to express to the Company a conclusion on the Interim Unaudited Financial Statements included in this Interim Report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement letter to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Barry Ryan

for and on behalf of KPMG CHANNEL ISLANDS LIMITED
Chartered Accountants, Guernsey

20 August 2018

Unaudited Statement of Assets and Liabilities

As at 30 June 2018

	30.06.18 (Unaudited) US\$'000	31.12.17 (Audited) US\$'000	30.06.17 (Unaudited) US\$'000
Assets			
Investment in the Master Fund	499,195	464,663	451,222
Master Fund redemption proceeds receivable	100	–	–
Prepaid expenses	95	44	181
Cash and bank balances denominated in US Dollars	94	189	219
Cash and bank balances denominated in Euro	–	–	73
Cash and bank balances denominated in Sterling	949	891	1,065
Total assets	500,433	465,787	452,760
Liabilities			
Performance fees payable (note 4)	1,481	–	–
Management fees payable (note 4)	193	197	186
Accrued expenses and other liabilities	151	169	171
Directors' fees payable	–	70	99
Administration fees payable (note 4)	24	33	74
Total liabilities	1,849	469	530
Net assets	498,584	465,318	452,230
Number of shares in issue (note 5)			
US Dollar shares	2,739,468	2,782,034	2,849,663
Sterling shares	14,077,945	14,046,048	13,995,456
Net asset value per share (notes 7 and 9)			
US Dollar shares	US\$23.68	US\$21.62	US\$21.53
Sterling shares	£23.33	£21.47	£21.50

See accompanying Notes to the Interim Unaudited Financial Statements.

Signed on behalf of the Board by:

Huw Evans
Chairman

John Le Poidevin
Director

20 August 2018

Unaudited Statement of Operations

For the period from 1 January 2018 to 30 June 2018

	01.01.18 to 30.06.18 (Unaudited) US\$'000	01.01.17 to 31.12.17 (Audited) US\$'000	01.01.17 to 30.06.17 (Unaudited) US\$'000
Net investment loss allocated from the Master Fund			
Interest income	2,007	1,190	55
Dividend income (net of withholding tax: 30 June 2018: 17,643; US\$ 31 December 2017: US\$19,017; 30 June 2017: US\$5,680)	3	62	26
Expenses	(8,946)	(12,274)	(12,809)
Net investment loss allocated from the Master Fund	(6,936)	(11,022)	(12,728)
Company income			
Fixed deposit income	–	2	2
Foreign exchange gains (note 3)	–	50,659	36,482
Total Company income	–	50,661	36,484
Company expenses			
Performance fees (note 4)	1,531	–	–
Management fees (note 4)	1,190	14,369	13,036
Other expenses	268	1,575	1,223
Directors' fees	135	326	195
Administration fees (note 4)	46	141	72
Foreign exchange losses (note 3)	8,249	–	–
Total Company expenses	11,419	16,411	14,526
Net investment (loss)/gain	(18,355)	23,228	9,230
Net realised and unrealised gain/(loss) on investments allocated from the Master Fund			
Net realised gain on investments	6,681	11,279	2,995
Net unrealised gain/(loss) on investments	44,940	(29,782)	(20,588)
Net realised and unrealised gain/(loss) on investments allocated from the Master Fund	51,621	(18,503)	(17,593)
Net increase/(decrease) in net assets resulting from operations	33,266	4,725	(8,363)

See accompanying Notes to the Interim Unaudited Financial Statements.

Unaudited Statement of Changes in Net Assets

For the period from 1 January 2018 to 30 June 2018

	01.01.18 to 30.06.18 (Unaudited) US\$'000	01.01.17 to 31.12.17 (Audited) US\$'000	01.01.17 to 30.06.17 (Unaudited) US\$'000
Net increase/(decrease) in net assets resulting from operations			
Net investment (loss)/gain	(18,355)	23,228	9,230
Net realised gain on investments allocated from the Master Fund	6,681	11,279	2,995
Net unrealised gain/(loss) on investments allocated from the Master Fund	44,940	(29,782)	(20,588)
	33,266	4,725	(8,363)
Tender offer			
US Dollar shares	–	(140,757)	(140,757)
Euro shares	–	(13,908)	(13,908)
Sterling shares	–	(249,585)	(249,585)
Total share capital transactions	–	(404,250)	(404,250)
Net increase/(decrease) in net assets	33,266	(399,525)	(412,613)
Net assets at the beginning of the period/year	465,318	864,843	864,843
Net assets at the end of the period/year	498,584	465,318	452,230

See accompanying Notes to the Interim Unaudited Financial Statements.

Unaudited Statement of Cash Flows

For the period from 1 January 2018 to 30 June 2018

	01.01.18 to 30.06.18 (Unaudited) US\$'000	01.01.17 to 31.12.17 (Audited) US\$'000	01.01.17 to 30.06.17 (Unaudited) US\$'000
Cash flows from operating activities			
Net increase/(decrease) in net assets resulting from operations	33,266	4,725	(8,363)
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	6,936	11,022	12,728
Net realised gain on investments allocated from the Master Fund	(6,681)	(11,279)	(2,995)
Net unrealised (gain)/loss on investments allocated from the Master Fund	(44,940)	29,782	20,588
Increase in Master Fund redemption proceeds receivable	(100)	–	–
Purchase of investment in the Master Fund	–	(17,341)	(17,341)
Proceeds from sale of investment in the Master Fund	1,739	414,331	412,988
Foreign exchange losses/(gains)	8,249	(50,659)	(36,482)
(Increase)/decrease in prepaid expenses	(51)	32	(105)
Increase/(decrease) in performance fees payable	1,481	(318)	(318)
Decrease in management fees payable	(4)	(1,189)	(1,200)
(Decrease)/increase in accrued expenses and other liabilities	(18)	114	115
(Decrease)/increase in Directors' fees payable	(70)	(25)	4
(Decrease)/increase in administration fees payable	(9)	(9)	32
Net cash (used in)/provided by operating activities	(202)	379,186	379,651
Cash flows from financing activities			
Tender offer	–	(404,250)	(404,250)
Net cash used in financing activities	–	(404,250)	(404,250)
Change in cash	(202)	(25,064)	(24,599)
Cash, beginning of the period/year	1,080	18,903	18,903
Effect of exchange rate fluctuations	165	7,241	7,053
Cash, end of the period/year	1,043	1,080	1,357
Cash, end of the period/year			
Cash and bank balances denominated in US Dollars	94	189	219
Cash and bank balances denominated in Euro ¹	–	–	73
Cash and bank balances denominated in Sterling ²	949	891	1,065
	1,043	1,080	1,357
1. Cash and bank balances in Euro (EUR'000)	–	–	64
2. Cash and bank balances in Sterling (GBP'000)	719	664	820

See accompanying Notes to the Interim Unaudited Financial Statements.

Notes to the Interim Unaudited Financial Statements

For the period from 1 January 2018 to 30 June 2018

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.

Following a tender offer which completed in April 2017, 48% of shares by value being tendered at 96% of NAV for the relevant class were cancelled. This, in turn, led to the Company closing the Euro share class, cancelling its listing and converting the remaining Euro shares into Sterling class shares on 29 June 2017. Currently, ordinary shares are issued in US Dollars and Sterling.

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

At the date of these Interim Unaudited 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 Interim Unaudited 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 most recent 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. These Interim Unaudited Financial Statements have been prepared following the same accounting policies and methods of computation as the most recent Annual Audited Financial Statements. The functional and reporting currency of the Company is US Dollars. As further described in the Directors' Report, these Interim Unaudited 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.

Notes to the Interim Unaudited Financial Statements

continued

For the period from 1 January 2018 to 30 June 2018

3. Significant accounting policies (continued)

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 30 June 2018, 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 Interim Unaudited 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
30 June 2018					
US Dollar	1.95%	\$3,063.81	21,129	\$64,734	64,734
Sterling	13.06%	£3,175.61	103,626	£329,075	434,461
					499,195
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
30 June 2017					
US Dollar	0.81%	\$2,763.85	22,133	\$61,174	61,174
Sterling	5.11%	£2,895.64	103,705	£300,291	390,048
					451,222

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 Interim Unaudited 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.

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

If such shares were to be subsequently sold or reissued to the market, any consideration received, net of any directly attributable incremental transaction costs, would be 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. 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.

The Manager does not charge the Company a management fee in respect of any increase in the NAV of each class of shares above the NAV at 3 October 2016 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 3 October 2016.

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 (previously 1/12 of 2%);
- 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 period ended 30 June 2018, US\$1,190,736 (31 December 2017: US\$14,368,940 and 30 June 2017: US\$13,036,669) was earned by the Manager as net management fees. At 30 June 2018, US\$193,118 (31 December 2017: US\$197,034 and 30 June 2017: US\$185,603) of the fee remained outstanding.

In the prior year, the Management fee charge included a balance of US\$8,350,050 which was incurred in accordance with the terms of the Tender Offer that concluded on 25 April 2017. There was no additional charge in the current period. 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 had the Company served notice of termination of the management agreement between the Company and the Manager on less than 24 months' notice.

Notes to the Interim Unaudited Financial Statements

continued

For the period from 1 January 2018 to 30 June 2018

4. Management, performance and administration agreements (continued)

Management and performance fee (continued)

The Manager is also entitled to an annual performance fee for both share classes. 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.

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 ongoing basis and is reflected in the Company's published NAV. During the period ended 30 June 2018, US\$1,530,947 (31 December 2017: US\$Nil and 30 June 2017: US\$Nil) was earned by the Manager as performance fees. At 30 June 2018, US\$1,480,830 (31 December 2017: US\$Nil and 30 June 2017: US\$Nil) 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, 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, with effect from 1 April 2019.

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 £6,000 (31 December 2017 and 30 June 2017: £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 period ended 30 June 2018, US\$46,444 (31 December 2017: US\$140,721 and 30 June 2017: US\$72,210) was earned by the Administrator as administration fees. The amounts outstanding are disclosed on the Unaudited 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.

5. Share capital (continued)**Issued and authorised share capital (continued)**
For the period from 1 January 2018 to 30 June 2018

	US Dollar shares	Euro shares*	Sterling shares
Number of ordinary shares			
In issue at 1 January 2018	2,782,034	–	14,046,048
Share conversions	(42,566)	–	31,897
In issue at 30 June 2018	2,739,468	–	14,077,945
Number of treasury shares			
In issue at 1 January 2018 and 30 June 2018	331,228	–	1,450,652
Percentage of class	10.79%	–	9.34%

For the year ended to 31 December 2017

	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%

For the period from 1 January 2017 to 30 June 2017

	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	(193,387)	(890,769)	903,487
Tender offer shares transferred to treasury (note 8)	(6,932,474)	(624,103)	(9,279,700)
In issue at 30 June 2017	2,849,663	–	13,995,456
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 30 June 2017	331,228	–	1,450,652
Percentage of class	10.41%	–	9.39%

* The Euro share class closed on 29 June 2017

Notes to the Interim Unaudited Financial Statements

continued

For the period from 1 January 2018 to 30 June 2018

5. Share capital (continued)

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, prepaid expenses, losses, dividends, profits, gains and income which the Directors determine in their sole discretion relate to a particular class.

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 21 June 2018, the Directors have the power to issue further shares totaling 919,366 US Dollar shares and 4,687,366 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 Interim Unaudited Financial Statements. Income tax and related interest and penalties would be recognised by the Company as tax expense in the Interim Unaudited 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.

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.

6. Taxation (continued)

Uncertain tax positions (continued)

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 30 June 2018 are disclosed in note 5.

However, following the completion of the Tender Offer in April 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 before that date. 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 offer

On 29 November 2016, the Company announced a 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 completed in 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. As part of the Tender Offer that completed in 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 hold 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.

Notes to the Interim Unaudited Financial Statements

continued

For the period from 1 January 2018 to 30 June 2018

8. Discount management programme (continued)

Class closure resolutions (continued)

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. The average discount at which each of the Company's Sterling and US Dollar shares have traded in relation to monthly NAV per share so far this year has been approximately 9.5%.

9. Financial highlights

The following tables include selected data for a single ordinary share of each of the ordinary share classes in issue at 30 June 2018 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.

	30.06.18 US Dollar shares US\$	30.06.18 Euro shares^ €	30.06.18 Sterling shares £
Per share operating performance			
Net asset value at beginning of the period	21.62	–	21.47
Income from investment operations			
Net investment loss*	(0.39)	–	(0.47)
Net realised and unrealised gain on investment	2.45	–	2.33
Other capital items**	–	–	–
Total gain	2.06	–	1.86
Net asset value, end of the period	23.68	–	23.33
Total income before performance fee	9.63%	–	9.07%
Performance fee	(0.05%)	–	(0.37%)
Total gain after performance fee	9.58%	–	8.70%

An individual Shareholder's return may vary from these returns based on the timing of their purchase or sale of shares. All figures contained herein in repeat of the period ended 30 June 2018 are not annualised.

	30.06.18 US Dollar shares US\$'000	30.06.18 Euro shares^ €'000	30.06.18 Sterling shares £'000
Supplemental data			
Net asset value, end of the period	64,882	–	328,499
Average net asset value for the period	62,728	–	313,433

9. Financial highlights (continued)

	30.06.18 US Dollar shares	30.06.18 Euro shares [^]	30.06.18 Sterling shares
Ratio to average net assets			
Operating expenses			
Company expenses ^{***}	0.31%	–	0.34%
Master Fund expenses ^{****}	0.96%	–	0.97%
Master Fund interest expense ^{*****}	0.85%	–	0.86%
Performance fee	0.02%	–	0.36%
	2.14%	–	2.53%
Net investment loss before performance fee*	(1.71%)	–	(1.75%)
Net investment loss after performance fees*	(1.73%)	–	(2.11%)

	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/period	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 return	(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%)

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 ^{^^} €'000	31.12.17 Sterling shares £'000
Supplemental data			
Net asset value, end of the year/period	60,136	–	301,565
Average net asset value for the year/period	99,784	21,875	348,983

Notes to the Interim Unaudited Financial Statements

continued

For the period from 1 January 2018 to 30 June 2018

9. Financial highlights (continued)

	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%
	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%)
	30.06.17 US Dollar shares US\$	30.06.17 Euro shares^ €	30.06.17 Sterling shares £
Per share operating performance			
Net asset value at beginning of the period	21.68	21.87	22.44
Income from investment operations			
Net investment loss*	(1.44)	(1.03)	(0.94)
Net realised and unrealised loss on investment	(0.63)	(0.74)	(0.82)
Other capital items**	1.92	1.10	0.82
Total loss	(0.15)	(0.67)	(0.94)
Net asset value, end of the period	21.53	21.20	21.50
Total loss before performance fee	(0.69%)	(3.07%)	(4.19%)
Total loss after performance fee^	(0.69%)	(3.07%)	(4.19%)

An individual shareholder's return may vary from these returns based on the timing of their purchase or sale of shares. All figures contained herein in repeat of the period ended 30 June 2017 are not annualised.

	30.06.17 US Dollar shares US\$'000	30.06.17^^ Euro shares^ €'000	30.06.17 Sterling shares £'000
Supplemental data			
Net asset value, end of the period	61,347	–	300,934
Average net asset value for the period	138,239	21,875	394,978
	30.06.17 US Dollar shares	30.06.17 Euro shares^	30.06.17 Sterling shares
Ratio to average net assets			
Operating expenses			
Company expenses***	3.09%	2.25%	1.95%
Master Fund expenses****	0.53%	0.53%	0.52%
Master Fund interest expense*****	1.53%	1.48%	1.38%
	5.15%	4.26%	3.85%
Net investment loss before performance fee*	(5.17%)	(4.28%)	(3.82%)
Net investment loss after performance fees*	(5.17%)	(4.28%)	(3.82%)

9. Financial highlights (continued)

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/year as compared to the NAV per share at the beginning of the period/year.
- *** Company expenses are as disclosed in the Unaudited Statement of Operations excluding the performance fee and foreign exchange gains/losses.
- **** 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.
- ^ 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.
- ^^ 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.

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.

The Company's Articles limit the fees payable to Directors in aggregate to £400,000 per annum. 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.

As at 30 June 2018, Huw Evans held 5,270 shares (31 December 2017: 3,337 shares) in the Sterling share class.

11. Subsequent events

The Directors have evaluated subsequent events up to 20 August 2018, which is the date that the Interim Unaudited Financial Statements were available to be issued, and have concluded there are no further items that require disclosure or adjustment to the Interim Unaudited Financial Statements.

Historic Performance Summary

As at 30 June 2018

	30.06.18 US\$'000	31.12.17 US\$'000	31.12.16 US\$'000	31.12.15 US\$'000	31.12.14 US\$'000
Net increase/(decrease) in net assets					
resulting from operations	33,266	4,725	(150,245)	(91,220)	(122,858)
Total assets	500,433	465,787	866,740	1,499,648	1,768,337
Total liabilities	(1,849)	(469)	(1,897)	(4,755)	(5,519)
Net assets	498,584	465,318	864,843	1,494,893	1,762,818

Number of shares in issue

US Dollar shares	2,739,468	2,782,034	9,975,524	17,202,974	18,332,029
Euro shares	–	–	1,514,872	4,163,208	5,112,916
Sterling shares	14,077,945	14,046,048	22,371,669	33,427,871	37,717,793

Net asset value per share

US Dollar shares	US\$23.68	US\$21.62	US\$21.68	US\$20.33	US\$20.62
Euro shares	–	–	€21.87	€20.56	€20.72
Sterling shares	£23.33	£21.47	£22.44	£21.21	£21.40

Company Information

Directors

Huw Evans

Claire Whittet

Colin Maltby

John Le Poidevin

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

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