

BREVAN HOWARD

BH MACRO LIMITED
MONTHLY SHAREHOLDER REPORT:
JUNE 2018

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BH Macro Limited Overview

Manager: BH Macro Limited ("BHM") is a closed-ended investment company, registered and incorporated in Guernsey on 17 January 2007 (Registration Number: 46235).

Brevan Howard
Capital Management
LP ("BHCM")

BHM invests all of its assets (net of short-term working capital) in the ordinary shares of Brevan Howard Master Fund Limited (the "Fund").

Administrator:

Northern Trust
International Fund
Administration
Services (Guernsey)
Limited ("Northern
Trust")

BHM was admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange on 14 March 2007.

Corporate Broker:

J.P. Morgan
Cazenove

Total Assets: \$499 mm¹

1. As at 29 June 2018. Source: BHM's administrator, Northern Trust.

Listing:

London Stock
Exchange (Premium
Listing)

Summary Information

BH Macro Limited NAV per Share (Calculated as at 29 June 2018)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	64.9	\$23.68
GBP Shares	433.7	£23.33

BH Macro Limited NAV per Share % Monthly Change

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	6.86	-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"). BHM NAV and NAV per Share data is provided by BHM's administrator, Northern Trust. BHM NAV per Share % Monthly Change is calculated by 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. BHM'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 BHM on 27 January 2017 had completed on 1 April 2017.

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

Data as at 29 June 2018

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

ASC 820 Asset Valuation Categorisation on a non look-through basis*

Brevan Howard Master Fund Limited

Unaudited as at 29 June 2018

	% of Gross Market Value*
Level 1	77.0
Level 2	14.4
Level 3	0.0
At NAV	8.6

Source: BHCM

* This data is unaudited and has been calculated by BHCM using the same methodology as that used in the most recent audited financial statements of the Fund. The relative size of each category is subject to change. Sum may not total 100% due to rounding.

Level 1: This represents the level of assets in the portfolio which are priced using unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: This represents the level of assets in the portfolio which are priced using either (i) quoted prices that are identical or similar in markets that are not active or (ii) model-derived valuations for which all significant inputs are observable, either directly or indirectly in active markets.

Level 3: This represents the level of assets in the portfolio which are priced or valued using inputs that are both significant to the fair value measurement and are not observable directly or indirectly in an active market.

At NAV: This represents the level of assets in the portfolio that are invested in other Brevan Howard funds and priced or valued at NAV.

ASC 820 Asset Valuation Categorisation on a look-through basis*

	% of Gross Market Value*
Level 1	83.8
Level 2	16.2
Level 3	0.0

Source: BHCM

* This data reflects the combined ASC 820 levels of the Fund and the underlying allocations in which the Fund is invested, proportional to each of the underlying allocation's weighting in the Fund's portfolio. The data is unaudited and has been calculated by BHCM using the same methodology as that used in the most recent audited financial statements of the Fund and any underlying funds (as the case may be). The relative size of each category is subject to change. Sum may not total 100% due to rounding.

Level 1: This represents the level of assets in the portfolio which are priced using unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: This represents the level of assets in the portfolio which are priced using either (i) quoted prices that are identical or similar in markets that are not active or (ii) model-derived valuations for which all significant inputs are observable, either directly or indirectly in active markets.

Level 3: This represents the level of assets in the portfolio which are priced or valued using inputs that are both significant to the fair value measurement and are not observable directly or indirectly in an active market.

Performance Review

The information in this section has been provided to BHM by BHCM.

In June 2018, modest gains from directional trading in European interest rates were more than offset by several small losses from US yield curve positioning, interest rate volatility strategies, FX positioning across a range of currency pairs as well as from credit and equity trading.

The performance review and attributions are derived from data calculated by BHCM, based on total performance data for each period provided by the Fund's administrator (IFS) and risk data provided by BHCM, as at 29 June 2018.

Performance by Asset Class

Monthly, quarterly and annual contribution (%) to the performance of BHM USD Shares (net of fees and expenses) by asset class as at 29 June 2018

2018	Rates	FX	Commodity	Credit	Equity	Total
June 2018	-0.05	-0.27	-0.04	-0.07	-0.13	-0.57
Q1 2018	0.93	-0.20	0.01	-0.06	-0.07	0.58
Q2 2018	8.54	0.46	-0.02	0.02	-0.02	8.94
YTD 2018	9.55	0.25	-0.01	-0.04	-0.09	9.58

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Methodology and Definition of Contribution to Performance:

Attribution by asset class is produced at the instrument level, with adjustments made based on risk estimates.

The above asset classes are categorised as follows:

"Rates": interest rates markets

"FX": FX forwards and options

"Commodity": commodity futures and options

"Credit": corporate and asset-backed indices, bonds and CDS

"Equity": equity markets including indices and other derivatives

Performance by Strategy Group

Monthly, quarterly and annual contribution (%) to the performance of BHM USD Shares (net of fees and expenses) by strategy group as at 29 June 2018

2018	Macro	Systematic	Rates	FX	Equity	Credit	EMG	Commodity	Total
June 2018	-1.60	0.04	0.80	-0.03	-0.00	0.01	0.22	-0.00	-0.57
Q1 2018	0.87	0.02	-0.46	-0.09	-0.00	-0.03	0.28	-0.00	0.58
Q2 2018	4.29	0.05	2.91	0.34	-0.00	-0.06	1.33	-0.00	8.94
YTD 2018	5.20	0.07	2.44	0.24	-0.00	-0.09	1.61	-0.00	9.58

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

Methodology and Definition of Contribution to Performance:

Strategy Group attribution is approximate and has been derived by allocating each trader book in the Fund to a single category. In cases where a trader book has activity in more than one category, the most relevant category has been selected.

The above strategies are categorised as follows:

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

"Systematic": rules-based futures trading

"Rates": developed interest rates markets

"FX": global FX forwards and options

"Equity": global equity markets including indices and other derivatives

"Credit": corporate and asset-backed indices, bonds and CDS

"EMG": global emerging markets

"Commodity": liquid commodity futures and options

Manager Update The Manager anticipates that with effect from 1 September the Fund will continue to access the trading expertise of a number of its traders indirectly via an initial allocation of approximately \$750 million to a new fund, Brevan Howard Alpha Strategies Master Fund Limited (the "Alpha Strategies Fund"). The Alpha Strategies Fund will also provide external investors with the opportunity to invest in a fund that is directly managed by this group of traders, whilst giving such traders the potential to manage additional external assets without the need to manage two pools of capital. Immediately following the Fund's investment in the Alpha Strategies Fund, it is anticipated that the Fund's holdings in other Brevan Howard-managed funds will rise to approximately 65% of the Fund's assets as a result.

Manager's Market Review and Outlook The information in this section has been provided to BHM by BHCM

US

The labour market continued to impress in June. Payroll employment rose by more than 200,000. The unemployment rate rose to 4.0%, but that was mostly because of stronger labour force participation. The y/y change in wage growth was 2.7%, in the middle of the narrow range seen this year. Looking forward, the momentum in the labour market suggests further declines in the unemployment rate in the second half of the year, returning to the lows last seen in the 1960s.

Growth surged in Q2, paced by robust consumption spending and positive trade numbers. Some of the increase in exports may reflect temporary timing effects from soybean exports that jumped in order to avoid the imposition of Chinese tariffs. Taken as a whole, H1 growth looks to have averaged 3% at an annual rate. With fiscal effects building as the year goes on, it is not unreasonable to expect a similar performance in the second half of the year. Trade tensions are an obvious downside risk. However, the timing and composition of the Trump administration's tariffs is unclear at this point, let alone the foreign response.

Inflation hit a milestone in June. After having languished below 2% for many years, personal consumption expenditures ("PCE") inflation excluding food and energy hit 2% over the last year. Total PCE inflation rose 2.3% over the same period. Hitting this milestone instils confidence in policymakers that they can gradually remove monetary policy accommodation. Indeed, the Federal Reserve ("Fed") raised interest rates again in June and pointed to two more rate hikes this year and a modestly restrictive stance of policy taking hold in 2019 and beyond. The hope is that the gradual pace of rate hikes to restrictive territory, will balance the upside and downside risks, and bring the economy into a soft landing. Prior efforts by the Fed to promote a soft landing show how difficult it is to nudge up the unemployment rate without causing a recession.

UK

After what appeared to be a temporary slowdown in the first quarter, economic activity in the UK has returned to its earlier moderate pace. However, Brexit as well as recent internal politics struggles, act as a headwind on the economy. According to the Office of National Statistics' new monthly GDP report, the economy had grown 0.2% 3m/3m in May, unchanged from the 0.2% pace seen in Q1 (revised up from the initial estimate of 0.1%). However, due to base effects, as well as recent indicators, it is expected that GDP will pick up to 0.4% q/q in Q2, in line with the Bank of England's ("BoE") forecast as of the May Inflation Report. The main message is that the slowdown in Q1 was likely due to temporary factors, such as weather which had weighed meaningfully on construction. In general, business surveys such as the June Purchasing Managers' Indexes ("PMI"), which have recovered 2.8pts from the recent lows in March, suggest that growth should remain around a pace of 0.4% q/q, a modest rate compared to historical average, but enough to absorb the little remaining slack in the economy.

Furthermore, employment intentions in general remain firm, a good sign that the

unemployment rate will extend its multi-decade lows, currently reading 4.2%. In turn, further tightness in the labour market should support wage growth and underlying inflation dynamics more generally. Although volatile, unit labour costs, which roughly measure labour compensation in excess of productivity, serve as a good example of this and are now running at 3.1% y/y, the highest rate since Q2 of 2013. Actual average weekly earnings are also near recent highs, recording 2.8% 3m/12m in April. Meanwhile, consumer price inflation is running at 2.4% y/y as of May, with core inflation (which strips out volatile items such as food and energy, and serves as a gauge of underlying inflationary pressure), is running around 2.1%, slightly above the BoE's target of 2%. As such, at the BoE's most recent Monetary Policy Committee ("MPC") meeting in June, three members voted to raise the official bank rate a further 0.25%, whilst the six person majority voted to keep rates unchanged at 0.5% (the BoE's chief economist, Andy Haldane, joined the other two members who voted for a rate rise in the previous meeting). The moderation in recent data had dissuaded the majority of MPC members from voting for a rate rise in May and June, but the MPC's judgement is that the slowdown was temporary and growth should resume its 0.4% q/q pace from Q2. As such, the monetary policy statement concluded that if the economy were to develop broadly in line with the May Inflation Report projections, 'an ongoing tightening of monetary policy over the forecast period would be appropriate to return inflation sustainably to its target at a conventional horizon'. Should economic data align with its view, as expected to, the MPC would probably raise the official bank rate as soon as August.

One of the major risks to this view is the evolution of UK politics. According to the latest White Paper, the UK aims to achieve a post-Brexit 'association agreement' with the EU, including a 'free-trade area' for goods and a looser arrangement for financial services. On account of the proposal which was set out at Chequers, various ministers of the government who were leaning towards a harder Brexit have resigned, including both Boris Johnson and David Davis. Although not the base case, one concern is the possibility of a leadership election. There would need to be signatures from 48 Conservative MPs to trigger a vote of no confidence in the Prime Minister, which the Prime Minister would have to then lose, before a leadership election took place.

EMU

Indicators released in June showed a stabilization of the pace of economic activity in the euro area, following the downshift recorded by GDP in Q1 2018 to 1.5%, from 2.8% annualised in H2 2017. At the same time, these indicators do not point to a reacceleration of the rhythm of production in the second half of the year. Indeed, the main business confidence indicators were mixed. The EMU Composite PMI increased by 0.7 points to 54.8, a level in line with the average of Q2. However, the Germany Ifo Business Climate Index fell a further 0.5 points, to 101.8. Actual activity indicators were also mixed. May data showed a substantial rebound for industrial production (1.3% m/m), a small increase for construction (0.3%), and flat retail sales. Whereas, car sales dropped in June by 0.6% m/m. Overall, EMU GDP seems to have expanded in Q2 at a similar pace to Q1.

On the inflation front, June Harmonised Index of Consumer Prices ("HICP") data saw a further, slight, increase for the Headline (from 1.9% to 2.0% y/y), driven by energy prices, but a renewed fall for Core inflation (from 1.1% to 0.9% y/y). Averaging Q2 data, core inflation stood constant at a mere 0.97% y/y level, which is not encouraging on the underlying price dynamics converging to the European Central Bank target anytime soon, this also takes into consideration the high value of the euro.

Japan

Analysts are waiting for the Bank of Japan ("BoJ") meeting at the end of July for a signal of a change in the direction of policy. The press rumour is that the BoJ will roll back its expectations for inflation over the three year horizon. Analysts argue that this represents a pullback in the Abe-Kuroda project.

The core CPI rose in May, pushed up by energy prices. Western core prices, which exclude all food and energy, were flat in May, and have moved sideways on balance over two years. Tokyo prices improved a bit in June, but it is the first increase in prices excluding food and energy since February.

On the other hand, there have been some promising hints in more indirect measures of inflation; most notably wage inflation is perking up. Both gross and contractual nominal earnings in the monthly labour survey have accelerated, with the latter up 1.5% over the twelve months ending in May, its fastest rate in over twenty years. Diffusion indexes of company selling and input prices moved up in the latest Tankan survey. The yen has recently depreciated against the dollar; so far the move just wipes out the opposite swing over the first quarter of the year, and it is obvious that the yen cannot be counted on to be a sustained source of reflationary pressure. However, at this point in the cycle the absence of countervailing pressures from an appreciating currency can help support a bigger increase in inflation than is otherwise typical.

The weighted average of reported inflation expectations in the consumer survey has been moving sideways of late, and fell 0.1ppts in June to 2.1%. That is consistent with the argument that the BoJ is not actively trying to push up expectations by demonstrating a 'whatever-it-takes' resolve. It does not prevent a pick-up in inflation, but that will have to be accomplished the old fashioned way through tighter labour markets, output gaps, etc. It means that if Japanese inflation is going to pick up, expectations will be a lagging indicator, rather than a leading one.

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Important Legal Information and Disclaimer

BH Macro Limited ("BHM") is a feeder fund investing in Brevan Howard Master Fund Limited (the "Fund"). Brevan Howard Capital Management LP ("BHCM") has supplied certain information herein regarding BHM's and the Fund's performance and outlook.

The material relating to BHM and the Fund included in this report is provided for information purposes only, does not constitute an invitation or offer to subscribe for or purchase shares in BHM or the Fund and is not intended to constitute "marketing" of either BHM or the Fund as such term is understood for the purposes of the Alternative Investment Fund Managers Directive as it has been implemented in states of the European Economic Area. This material is not intended to provide a sufficient basis on which to make an investment decision. Information and opinions presented in this material relating to BHM and the Fund have been obtained or derived from sources believed to be reliable, but none of BHM, the Fund or BHCM make any representation as to their accuracy or completeness. Any estimates may be subject to error and significant fluctuation, especially during periods of high market volatility or disruption. Any estimates should be taken as indicative values only and no reliance should be placed on them. Estimated results, performance or achievements may materially differ from any actual results, performance or achievements. Except as required by applicable law, BHM, the Fund and BHCM expressly disclaim any obligations to update or revise such estimates to reflect any change in expectations, new information, subsequent events or otherwise.

Tax treatment depends on the individual circumstances of each investor in BHM and may be subject to change in the future. Returns may increase or decrease as a result of currency fluctuations.

You should note that, if you invest in BHM, your capital will be at risk and you may therefore lose some or all of any amount that you choose to invest. This material is not intended to constitute, and should not be construed as, investment advice. All investments are subject to risk. You are advised to seek expert legal, financial, tax and other professional advice before making any investment decisions.

THE VALUE OF INVESTMENTS CAN GO DOWN AS WELL AS UP. YOU MAY NOT GET BACK THE AMOUNT ORIGINALLY INVESTED AND YOU MAY LOSE ALL OF YOUR INVESTMENT. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS.

Risk Factors

Acquiring shares in BHM may expose an investor to a significant risk of losing all of the amount invested. Any person who is in any doubt about investing in BHM (and therefore gaining exposure to the Fund) should consult an authorised person specialising in advising on such investments. Any person acquiring shares in BHM must be able to bear the risks involved. These include the following:

- The Fund is speculative and involves substantial risk.
- The Fund will be leveraged and will engage in speculative investment practices that may increase the risk of investment loss. The Fund may invest in illiquid securities.
- Past results of the Fund's investment managers are not necessarily indicative of future performance of the Fund, and the Fund's performance may be volatile.
- An investor could lose all or a substantial amount of his or her investment.
- The Fund's investment managers have total investment and trading authority over the Fund, and the Fund is dependent upon the services of the investment managers.
- Investments in the Fund are subject to restrictions on withdrawal or redemption and should be considered illiquid. There is no secondary market for investors' interests in the Fund and none is expected to develop.
- The investment managers' incentive compensation, fees and expenses may offset the Fund's trading and investment profits.
- The Fund is not required to provide periodic pricing or valuation information to investors with respect to individual investments.
- The Fund is not subject to the same regulatory requirements as mutual funds.
- A portion of the trades executed for the Fund may take place on foreign markets.
- The Fund and its investment managers are subject to conflicts of interest.
- The Fund is dependent on the services of certain key personnel, and, were certain or all of them to become unavailable, the Fund may prematurely terminate.
- The Fund's managers will receive performance-based compensation. Such compensation may give such managers an incentive to make riskier investments than they otherwise would.
- The Fund may make investments in securities of issuers in emerging markets. Investment in emerging markets involve particular risks, such as less strict market regulation, increased likelihood of severe inflation, unstable currencies, war, expropriation of property, limitations on foreign investments, increased market volatility, less favourable or unstable tax provisions, illiquid markets and social and political upheaval.

The above summary risk factors do not purport to be a complete description of the relevant risks of an investment in shares of BHM or the Fund and therefore reference should be made to publicly available documents and information.