BREVAN HOWARD

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT:
JULY 2018

YOUR ATTENTION IS DRAWN TO THE DISCLAIMER AT THE END OF THIS DOCUMENT

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT: JULY 2018

BREVAN HOWARD

www.bhmacro.com

BH Macro Limited

Manager:

Brevan Howard Capital Management LP ("BHCM")

Administrator:

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

Corporate Broker:

J.P. Morgan Cazenove

Listing:

London Stock Exchange (Premium Listing)

Overview

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

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

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.

Total Assets: $500 mm[1]

1. As at 31 July 2018. Source: BHM's administrator, Northern Trust.

Summary Information

BH Macro Limited NAV per Share (Calculated as at 31 July 2018)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	64.3	$23.90
GBP Shares	435.6	£23.52

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	0.91						10.58

YOUR ATTENTION IS DRAWN TO THE DISCLAIMER SET OUT AT THE END OF THIS DOCUMENT.
© BH MACRO LIMITED (2018). ALL RIGHTS RESERVED. BMANL20180731

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT: JULY 2018

BREVAN HOWARD

www.bhmacro.com

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	0.82						9.59

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 31 July 2018

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

© BH MACRO LIMITED (2018). ALL RIGHTS RESERVED. BMANL20180731

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

Brevan Howard Master Fund Limited

Unaudited as at 31 July 2018

	% of Gross Market Value*
Level 1	76.9
Level 2	13.8
Level 3	0.0
At NAV	9.4

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	84.3
Level 2	15.7
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.

© BH MACRO LIMITED (2018). ALL RIGHTS RESERVED. BMANL20180731

Performance Review

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

In July 2018, FX and interest rate trading were both positive with FX gains spread across a range of EM and DM currency pairs. Gains were also generated from directional and relative value trading, primarily of US interest rates, which were partially offset by smaller losses in European rates.

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 31 July 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 31 July 2018

2018	Rates	FX	Commodity	Credit	Equity	Total
July 2018	0.62	0.44	-0.05	-0.11	0.01	0.91
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
QTD 2018	0.62	0.44	-0.05	-0.11	0.01	0.91
YTD 2018	10.23	0.69	-0.05	-0.14	-0.08	10.58

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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 31 July 2018

2018	Macro	Systematic	Rates	FX	Equity	Credit	EMG	Commodity	Total
July 2018	0.02	-0.08	0.71	0.04	-0.00	0.00	0.22	-0.00	0.91
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
QTD 2018	0.02	-0.08	0.71	0.04	-0.00	0.00	0.22	-0.00	0.91
YTD 2018	5.22	-0.01	3.16	0.28	-0.00	-0.08	1.84	-0.00	10.58

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

© BH MACRO LIMITED (2018). ALL RIGHTS RESERVED. BMANL20180731

Manager's Market Review and Outlook

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

US

Growth in the US surged at an annual rate of 4.1% in Q2, paced by brisk consumption spending, solid investment outlays, and a jump in exports. Inventory investment subtracted a full percentage point from real GDP growth and the need to restock going forward may be a significant tailwind for growth in the second half of the year. So far, there is no tangible evidence that trade tensions or higher tariffs are exerting an appreciable drag on the economy, although some of the increase in exports appears to have been accelerated in order to beat the imposition of tariffs by trading partners. In the annual revision, the saving rate was reported to be 6.8% in Q2, a notable upward revision that implies stronger household fundamentals that could power consumption further still. Putting the pieces together, the economy does not appear to be late-cycle, as is commonly assumed due to the age of the expansion.

The unemployment rate in July dipped to 3.9% and broader measures of labour market slack improved noticeably. Measures of wages continue to trend up gently, with the Employment Cost Index for private wages and salaries rising nearly 3% over the past year. Payroll employment increased by less than expected in July, partially caused by timing issues around seasonal fluctuations in employment in education, as well as a one-time closing of a major retailer.

Headline inflation has been more than 2% for most of the year and, excluding food and energy, inflation has been hovering just below the Federal Reserve's target of 2%. Looking forward, higher energy prices will probably keep headline inflation elevated while the strength of the economy should add a little to core inflation. However, the appreciation in the exchange value of the US dollar will probably push in the other direction.

The closely watched developments in trade were mixed. The Trump administration keeps increasing trade threats against China. However, trade negotiations with Mexico are making good progress. A temporary ceasefire was agreed with the Euro area. But, as has proven the case with many Trump trade policies, the situation is highly fluid.

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, the economy grew 0.4% q/q in Q2, up from 0.2% in Q1 (which was upwardly revised by 0.1ppts). As the largest share of the economy, services output contributed 0.4ppts to growth. Construction also acted as a tailwind, as the influence of poor weather in Q1 unwound. However, this was slightly offset by weaker manufacturing. In general, business surveys such as the Purchasing Managers' Indexes ("PMI"), which edged back down 1.6pts in July, still suggest that growth should remain around a pace of 0.4% q/q, a modest rate compared to historical average, but a level that should be enough to absorb the little remaining slack in the economy. This is consistent with the fact that the unemployment rate continues to make new multi-decade lows, most recently reaching 4.0% in June, the lowest rate since 1975. Robust employment should support consumption; for example retail sales have grown 3.7% y/y in July, up from the lows of 1% last year. However, the softness in the housing market may still act as a drag; although house price growth remains positive at the national level, activity indicators remain modest. Moreover, tighter conditions around consumer lending may also act as a headwind to consumption. Overall, the tightness in the labour market should continue to put upward pressure on wage growth. Excluding bonuses, wage growth is averaging a pace of 2.7% 3m/12m, down from the peak of 3% in March, but still near post-crisis highs. Wage pressure should in turn cause inflation to pick up. Headline inflation rose 0.1ppts to 2.5% y/y in July, whilst core inflation was unchanged at 1.9%.

YOUR ATTENTION IS DRAWN TO THE DISCLAIMER SET OUT AT THE END OF THIS DOCUMENT.
© BH MACRO LIMITED (2018). ALL RIGHTS RESERVED. BMANL20180731

The combination of moderate economic activity, a tight labour market, and gradually building wage pressure has caused the Bank of England to project inflation to remain above 2% for most of the projection horizon. It was in this context that the Monetary Policy Committee ("MPC") voted unanimously to raise the official bank rate 0.25ppts to 0.75% in August. The key message from the MPC's statement was left broadly unchanged: "were the economy to continue to develop broadly in line with [the Bank's] Inflation Report projections, an ongoing tightening of monetary policy over the forecast period would be appropriate to return inflation sustainably to the 2% target at a conventional horizon. Any future increases in Bank Rate are likely to be at a gradual pace and to a limited extent."

Of course, the state of the Brexit negotiations remains a key risk to the economic outlook. 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 having a leadership election.

EMU

In Q2 2018, EMU GDP expanded by a mere 0.37% q/q, or 1.5% annualised, exactly the same as Q1, thus confirming that the downshift in the first three months of the year relative to the 2.8% recorded in H2 2017 was signal rather than noise. Not only did these growth dynamics largely disappoint the consensus forecasts of only a few months ago, but also more importantly, both the March and the June 2018 European Central Bank ("ECB") macro projections, which envisaged a growth rate of 0.7% q/q in Q1 and 0.5% q/q in Q2. As such, the whole ECB medium-term view of robust, above consensus, structural recovery is being challenged by actual dynamics, which showed only a cyclical recovery in 2016-17, and is fading in 2018. Monthly data also suggests that activity was not showing signs of a pick-up either at the end of Q2, or at the beginning of Q3. EMU industrial production fell -0.7% m/m, upsetting consensus expectations and the EMU Composite PMI fell from 54.9 to 54.3, also undershooting market forecasts, and was at its lowest level since November 2016.

On the inflation front, July's Harmonised Index of Consumer Prices ("HICP") inflation rose from 2.0% to 2.1% y/y, driven not only by energy prices, but also by an, albeit modest, bounce back in Core inflation from 0.9% to 1.1% y/y, a level still very distant from the ECB threshold. At the July policy meeting, the ECB was unwilling to make any change to the macroeconomic outlook which underpinned the June decision to likely end net bond purchases at the end of 2018, while keeping the current level of policy rates "through to the summer of 2019". However, should the growth downshift also be confirmed by incoming data, the ECB should be forced to take account of it in the new macroeconomic projections, which it is likely to present at the 13 September policy meeting.

Japan

The Bank of Japan ("BoJ") took half a step to move away from its yield control policy. It reaffirmed negative short-term rates, as well as the target for the 10 year of around zero. However, it widened the band in which it would allow the 10 year rate to vary to ± 0.20ppts. That was immediately tested, but the BoJ knocked that rate back down through asset purchases. It appears that the rate has settled at just above 0.10%, outside of the previous band, but well inside the new one. Normally, controlling long-term rates would be a dicey proposition; once markets sniff a change in the target is coming, it usually tests the central bank to push the outcome. Halfway measures, like the BoJ's latest action, would normally be quite dangerous, but as this is Japan, its institutional structures and long-time tradition of private-public cooperation suggests that the BoJ can still muddle through.

© BH MACRO LIMITED (2018). ALL RIGHTS RESERVED. BMANL20180731

The latest activity data are mixed. Real GDP rose 1.9% at an annual rate in Q2, better than the previous two quarters. Personal consumption expenditure increased, while investment and net trade were drags. Industrial production, on the other hand, dropped sharply in June, with decreases posted in a number of manufacturing industries. The Economy Watchers survey fell again, and is at its lowest level in almost two years.

The improvement in wages has not shown through to the broader inflation complex. Y/Y rates of increases in wage indexes moved up in May. The rate of increase in scheduled earnings remained relatively high in June. Broader indexes, which include bonuses accelerated further in June. But, the tenor of the consumer price inflation data has not changed. National core prices were unchanged again in June, while western core inflation, prices excluding all food and energy, slipped on a seasonally adjusted basis. Tokyo data, which lead the national data by a month, were somewhat better. They moved up for a second month after outright declines in spring. Consumer inflation expectations have generally moved sideways this year.

Enquiries

The Company Secretary

Northern Trust International Fund Administration Services (Guernsey) Limited

bhfa@ntrs.com

+44 (0) 1481 745736

© BH MACRO LIMITED (2018). ALL RIGHTS RESERVED. BMANL20180731

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.

© BH MACRO LIMITED (2018). ALL RIGHTS RESERVED. BMANL20180731

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.

YOUR ATTENTION IS DRAWN TO THE DISCLAIMER SET OUT AT THE END OF THIS DOCUMENT.
© BH MACRO LIMITED (2018). ALL RIGHTS RESERVED. BMANL20180731