BREVAN HOWARD

BH MACRO LIMITED

MONTHLY SHAREHOLDER REPORT:
AUGUST 2018

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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 August 2018. Source: BHM's administrator, Northern Trust.

Summary Information

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

Share Class	NAV (USD mm)	NAV per Share
USD Shares	64.8	$24.11
GBP Shares	435.1	£23.71

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	0.90					11.57

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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	0.79					10.46

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 August 2018

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

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

Brevan Howard Master Fund Limited

Unaudited as at 31 August 2018

	% of Gross Market Value*
Level 1	73.1
Level 2	17.2
Level 3	0.0
At NAV	9.7

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	80.6
Level 2	19.4
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.

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Performance Review

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

In August 2018 gains came from directional and relative value trading of European interest rates and to a lesser extent from EM FX positioning. Small losses were generated in directional trading of interest rates and equity indices.

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 August 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 August 2018

2018	Rates	FX	Commodity	Credit	Equity	Total
August 2018	0.92	0.21	-0.01	0.01	-0.23	0.90
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	1.54	0.65	-0.06	-0.10	-0.22	1.82
YTD 2018	11.24	0.90	-0.07	-0.13	-0.31	11.57

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 August 2018

2018	Macro	Systematic	Rates	FX	Equity	Credit	EMG	Commodity	Total
August 2018	-1.04	0.14	1.10	0.44	-0.00	0.01	0.25	-0.00	0.90
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	-1.02	0.06	1.81	0.48	-0.00	0.01	0.48	-0.00	1.82
YTD 2018	4.13	0.13	4.29	0.72	-0.00	-0.07	2.09	-0.00	11.57

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 October the Fund will continue to access the trading expertise of Fash Golchin ("FG") via an initial allocation of approximately $300 million to a new fund, Brevan Howard FG Macro Master Fund Limited (the "FG Macro Fund"). The FG Macro Fund will also provide external investors with the opportunity to invest in a fund that is directly managed by FG, whilst giving FG the potential to manage additional external assets without the need to manage two pools of capital. Immediately following the Fund's investment in the FG Macro Fund, it is anticipated that the Fund's holdings in other Brevan Howard-managed funds will be approximately 75% of the Fund's assets.

Manager's Market Review and Outlook

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

US

Economic momentum was well maintained in August. Employment rose briskly, the unemployment rate remained at 3.9%, and wages jumped by more than expected. Real GDP growth in Q3 was tracking somewhere above 3% at an annual rate, after having surged 4.2% in Q2. Consumption and investment are pacing solid growth, with wide swings in trade and inventories partly reflecting timing shifts related to the imposition of tariffs. The latest data on manufacturing point to vibrant activity. Although there are many anecdotes about how tariffs are disrupting supply chains and raising prices, there is almost no evidence of such disruptions at the macro level. Meanwhile, housing and automotive, two traditionally interest-rate sensitive sectors, are in the doldrums.

Headline and core personal consumption expenditure ("PCE") inflation over the last year were near 2% in July. After having moved up around the start of the year, inflation has settled into a channel close to the Federal Reserve's ("Fed") 2% target.

Given the strength of the economy, the Fed is expected to deliver further gradual rates hikes in September and December. Beyond that, the roadmap is less clear. In his Jackson Hole speech, Chairman Powell emphasised the degree of uncertainty about some of the key markers for policy makers, like the neutral interest rate. Instead of following an approach guided by abstract economic theory, Chairman Powell appears to be more comfortable taking an empirical approach rooted in 'risk management'. He will likely feel his way forward based on how the economy performs, given all the cross-currents. Elsewhere in Washington, trade policy took two different tracks, marked by constructive negotiations with Mexico and Canada that suggest a new agreement on the North American Free Trade Agreement ("NAFTA") is likely, and the ratcheting up of tariffs on China.

UK

After having shrugged off the predominantly weather induced slow-down at the start of the year, economic activity has returned to its earlier moderate pace. However, the uncertainty around Brexit as well as the moderation of activity in Europe may pose some challenges. According to the Office of National Statistics, the economy grew 0.6% 3m/3m in July, still supported by robust growth within the services sector (contributing 0.45ppts). There was also a rebound in construction activity, which contributed around 0.2ppts, after having detracted 0.2ppts previously. Meanwhile, industrial output has continued to act as a modest drag with manufacturing little changed over the past three months. Currently, GDP is expected to grow at 0.5% q/q in Q3, up slightly from the 0.4% seen in Q2. Looking ahead, business sentiment within manufacturing has moderated further, reflecting both a slow-down in activity in Europe, as well as increased uncertainty around the prospects of a no-deal Brexit. Surveys for manufacturing export orders have experienced the largest single month decline since 2011, and point to a contraction in manufacturing export orders. Business sentiment for the services industry (which accounts for 80% of the economy) continues to move sideways. Should business sentiment continue to hold, GDP is expected to continue to grow at an average pace of around 0.4% q/q, enough to absorb the little remaining slack in the economy. Meanwhile, the unemployment rate continues to hit new multi-decade lows, 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 2.9% 3m/12m, remaining 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%.

The combination of moderate activity, a tight labour market, and gradually building wage pressure has impacted the Bank of England's projection of inflation, which remains above 2% for most of the projection horizon. It was in this light that the Monetary Policy Committee ("MPC") voted unanimously to raise the official bank rate 0.25ppts to 0.75% in August. Following this, the MPC voted to keep the policy rate unchanged at the September meeting. On the one hand, the minutes had highlighted the further improvements made in the labour market. However, it also highlighted the increased concern among businesses around the prospects of a 'no-deal' Brexit, as well as the moderation in external growth. 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. With regards to timing, both the UK and the EU are still hoping to have a deal in October. However, this is looking increasingly unlikely as there are more and more headlines suggesting the possibility of an emergency EU summit meeting in November.

EMU

EMU economic indicators suggest a rate of expansion which remained sluggish in Q3, and a pace not dissimilar from the one recorded in the first half of the year. In particular, in July industrial production, excluding construction, fell by a larger than expected 0.8% m/m, to a level which is 0.8 points lower than in Q2, and points to a contraction of manufacturing output in the current quarter. The contraction is partly due to a meaningful drop of the production of automobiles, a sector affected by changes in regulation, more pronounced in Germany, Italy and Spain. In August evidence from business surveys showed some tentative indications of bottoming out, with the EMU Composite Purchasing Managers' Index ("PMI") rising by 0.1 point, but only to a level lower than the Q2 average, which is consistent with the subdued rhythm of GDP expansion. The headline Harmonised Index of Consumer Prices ("HICP") fell from 2.14% y/y to 2.04% y/y. Core inflation also fell from 1.07% y/y to 0.96% y/y, a 5 month low, and to a level quite troubling from the European Central Bank's ("ECB") perspective, currently showing no sign of convergence towards its definition of price stability.

Despite relatively dismal macroeconomic developments, both on the growth and the price side, the ECB revised its projections for GDP and core inflation only slightly downward, and the Governing Council seemed to remain confident that underlying activity and inflation trends were moving along a self-sustained process towards the ECB threshold. This optimistic reading of the economy appears to have been motivated by the ECB's intention to proceed with the pre-announced reduction of the pace of monthly net purchases of bonds, from €30bn to €15bn from October to December, and the conditional end from January 2019 onward. The bar to stop this process appears quite high. Next year the fine tuning of monetary policy will likely depend solely on the decision concerning interest rates and their forward guidance.

Japan

The recent Bank of Japan ("BoJ") meeting was a non-event, with policy and guidance unchanged. The BoJ is still evaluating the fallout from widening the bands in which it will allow the 10 year rate to trade, from ±10bps to ±20bps. The 10 year rate moved up a bit and is now running a few bps above the previous range at around 0.12%. After depreciating somewhat against the dollar over the spring, the yen appears to have stabilized in the 111-112 range.

Dialogue also revolved around a couple of topics outside of underlying trends in demand, and beyond direct control of the bank. Tariff uncertainty appears to be a concern to the BoJ, Japanese businesses and consumers. There are some hints that President Trump may direct some pressure towards Japan in order to bring them to bilateral talks. A multilateral agreement is unlikely; the best case scenario for Japan is likely some combination of talks and US bandwidth taken up elsewhere. Japan is also affected by tensions between the US and China. On the one hand, there are reports that Japanese companies are shifting some production home to avoid US tariffs. On the other hand, supply-chain disruptions likely will lead to some minor hiccups for producers. The typhoon that struck Osaka and the earthquake in northern Japan are likely to affect some high-frequency data and hamper the tourism industry but have no tangible long-lasting impact.

Recent activity data have been mixed, but overall do not change the view of a decent pace of demand. Q2 real GDP was revised up, to show a 3% gain at an annual rate. Solid contributions came from household consumption and business capital fixed capital formation. Arithmetically, the second quarter would have been stronger had imports not climbed as much. That is not necessarily a sign of weakness though; strong domestic demand typically leads to some additional imports. The Economy Watchers survey improved 2.1 points in August. At 48.7, it is at a reasonable level, though down from the end of last year. Industrial production slipped 0.2% in July. It has bounced around recently without any real direction.

Inflation data has improved a bit of late, not sufficiently to allow the BoJ to declare victory, but it is improving. National western core prices edged up 0.1% in July, which reverses the previous month's decline. More importantly, Tokyo core-core prices rose 0.2% in August after rising 0.1% in both June and July.

Enquiries

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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.