

BREVAN HOWARD

BREVAN HOWARD MASTER FUND LIMITED

ANNUAL AUDITED CONSOLIDATED
FINANCIAL STATEMENTS 2018
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

31 December 2018

Brevan Howard Capital Management LP, the commodity pool operator of Brevan Howard Master Fund Limited, has filed a claim of exemption with the Commodity Futures Trading Commission ("CFTC") in respect of Brevan Howard Master Fund Limited pursuant to Section 4.7 of the CFTC regulations.

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Independent Auditors' Report to the Board of Directors and Shareholders

We have audited the accompanying consolidated financial statements of Brevan Howard Master Fund Limited, which comprise the consolidated statement of assets and liabilities and consolidated condensed schedule of investments as of 31 December 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Brevan Howard Master Fund Limited as of 31 December 2018, and the consolidated results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

This report is made solely to the Directors and Shareholders, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Directors and Shareholders those matters we are required to state to them in an auditors' report and for no other purpose. We do not accept or assume responsibility to anyone other than the Directors and Shareholders, for our audit work, for this report, or for the opinions we have formed.

KPMG

22 March 2019

Consolidated Statement of Assets and Liabilities

31 December 2018

	2018 US\$'000
Assets	
Investments, at fair value (cost: US\$5,222,690) (Note 2,3,5)	6,121,164
Cash (Note 2)	6,828
Investments purchased under agreements to resell (cost: US\$4,260,972) (Note 7)	4,272,114
Dividends and interest receivable	13,095
Due from brokers (Note 2)	927,816
Other assets	416
Total assets	11,341,433
Liabilities	
Investments sold short, at fair value (proceeds: US\$4,465,758) (Note 2,3)	5,462,176
Investments sold under agreements to repurchase (proceeds: US\$2,614,274) (Note 7)	2,623,776
Accounts payable and accrued expenses (Note 4,5,6)	3,693
Dividends and interest payable	43,118
Redemptions payable (Note 2)	104,202
Due to brokers (Note 2)	347,827
Total liabilities	8,584,792
Non-controlling interest (Note 2)	315,491
Net assets (Note 8,12)	2,441,150
Net asset value per share	
US Dollar Class A	US\$5,734.78
US Dollar L.P. Class A	US\$5,149.56
Euro Class A	€5,343.20
Sterling Class A	£6,170.00
Yen Class A	¥17,543.05
Norwegian Krone Class A	NOK1,758.96
US Dollar Class B	US\$3,234.22
Sterling Class B	£3,321.41
US Dollar L.P. Class W	US\$1,135.11
Euro Class W	€1,079.89
Sterling Class W	£1,106.73
US Dollar Class Z	US\$169.72
Euro Class Z	€161.60
Sterling Class Z	£167.93

Cost and proceeds are presented in US\$'000.

See accompanying notes to the Consolidated Financial Statements.

Signed on behalf of the Board of Directors:

Karla Bodden
Director

Dennis Hunter
Director

22 March 2019

Consolidated Condensed Schedule of Investments

31 December 2018

Cost is presented in US\$'000		Fair Value US\$'000	% of Net Assets
Long portfolio			
Equities			
United States (cost US\$2,867)			
Financial		20,880	0.86
Total equities (cost US\$2,867)		20,880	0.86
Fixed income securities			
Argentina (cost US\$7,871)			
Financial		3,621	0.15
Finland (cost US\$81,673)			
Government		83,024	3.40
Germany (cost US\$915,037)			
Government			
	10,287 DBR 0.3% 08/15/2028	11,775	0.48
	15,000 DBR 1.3% 08/15/2048	18,841	0.77
	140,531 DBR 1.5% 02/15/2023	173,525	7.11
	171,910 DBR 2.5% 07/04/2044	272,787	11.17
	49,700 OBL 0.0% 04/14/2023	57,774	2.37
	334,211 OBL 0.0% 10/07/2022	388,824	15.93
		923,526	37.83
Ireland (cost US\$19,698)			
Mortgage Backed Securities		648	0.03
Italy (cost US\$1,089,499)			
Government			
	160,772 BTPS 0.1% 04/15/2021	181,141	7.42
	83,636 BTPS 0.9% 08/01/2022	94,127	3.86
	40,000 BTPS 1.0% 03/01/2023	44,618	1.83
	261,152 BTPS 1.5% 05/15/2025	285,731	11.70
	66,323 BTPS 1.5% 09/15/2022	76,001	3.11
	76,306 BTPS 1.9% 05/15/2024	86,902	3.56
	103,143 BTPS 2.3% 09/01/2036	105,031	4.30
	25,000 BTPS 2.5% 10/01/2023	29,439	1.21
	109,228 BTPS 2.7% 03/01/2047	110,921	4.54
	70,000 BTPS 2.8% 03/01/2067	68,697	2.81
	50,000 CCTS 0.3% 09/15/2025	51,435	2.11
		1,134,043	46.45
Japan (cost US\$102,229)			
Government		104,761	4.29
Jersey (cost US\$71)			
Asset Backed Securities		0	0.00

Consolidated Condensed Schedule of Investments continued

31 December 2018

Cost is presented in US\$'000		Fair Value US\$'000	% of Net Assets
Long portfolio (continued)			
Fixed income securities (continued)			
Luxembourg (cost US\$11,238)			
Asset Backed Securities		0	0.00
Mortgage Backed Securities		471	0.02
		471	0.02
Mexico (cost US\$503)			
Mortgage Backed Securities		0	0.00
Netherlands (cost US\$416,647)			
Government			
	49,008 NETHER 0.0% 01/15/2024	56,519	2.32
	53,000 NETHER 0.8% 07/15/2028	62,678	2.57
	233,208 NETHER 2.0% 07/15/2024	297,965	12.21
Mortgage Backed Securities		24	0.00
		417,186	17.10
Spain (cost US\$95,265)			
Government		96,263	3.94
United Kingdom (cost US\$9,593)			
Mortgage Backed Securities		200	0.01
United States (cost US\$1,281,200)			
Asset Backed Securities			
		677	0.03
Government			
	200,000 B 0.0% 01/17/2019	199,811	8.18
	120,000 B 0.0% 01/24/2019	119,831	4.91
	190,000 B 0.0% 01/31/2019	189,650	7.77
	130,000 B 0.0% 02/07/2019	129,695	5.31
	100,000 B 0.0% 02/28/2019	99,627	4.08
	80,000 T 0.0% 01/08/2019	79,926	3.27
	200,000 T 0.0% 02/21/2019	199,349	8.17
	255,000 T 0.0% 03/07/2019	253,872	10.40
Mortgage Backed Securities		1,164	0.05
		1,273,602	52.17
Total fixed income securities (cost US\$4,030,524)		4,037,345	165.39
Private placement			
Italy (cost US\$4,415)			
Financial		366	0.01
Total private placement (cost US\$4,415)		366	0.01
Interest rate guarantee options (cost US\$81,817)			
EUR	termination dates through December 2021	12,702	0.52
USD	termination dates through June 2022	61,524	2.52
		74,226	3.04

Cost is presented in US\$'000		Fair Value US\$'000	% of Net Assets
Long portfolio (continued)			
Forward rate agreements			
CZK	termination dates through January 2020	1,850	0.08
HUF	termination dates through September 2019	1,396	0.06
SEK	termination dates through March 2020	1,239	0.05
USD	termination dates through September 2019	3,253	0.13
		7,738	0.32
Cross currency swaps			
TRY/USD	termination dates through June 2020	947	0.04
Interest rate swaps			
CZK	termination dates through December 2028	3,999	0.16
EUR	termination dates through March 2049	71,191	2.92
GBP	termination dates through December 2048	7,824	0.32
HUF	termination dates through September 2028	6,867	0.28
KRW	termination dates through December 2028	2,636	0.11
MXN	termination dates through March 2029	6,607	0.27
PLN	termination dates through September 2023	2,636	0.11
USD (112 open positions)	termination dates through June 2052	166,936	6.84
		268,696	11.01
Swaptions (cost US\$176,639)			
EUR	termination dates through November 2023	18,208	0.74
GBP	termination dates through October 2019	10,445	0.43
JPY	termination dates through February 2020	3,006	0.12
MXN	termination dates through June 2020	194	0.01
USD (106 open positions)	termination dates through November 2021	396,633	16.25
		428,486	17.55

Consolidated Condensed Schedule of Investments continued

31 December 2018

Cost is presented in US\$'000		Fair Value US\$'000	% of Net Assets
Long portfolio (continued)			
FX contracts			
AUD/USD	termination dates through October 2019	1,151	0.05
CAD/USD	termination dates through March 2019	560	0.02
CNH/USD	termination dates through February 2020	24,816	1.02
CNY/USD	termination dates through January 2019	2,624	0.11
COP/USD	termination dates through May 2019	4,865	0.20
EGP/USD	termination dates through March 2019	499	0.02
EUR/NOK	termination dates through January 2019	2,499	0.10
EUR/SEK	termination dates through January 2019	1,062	0.04
EUR/USD	termination dates through October 2019	4,114	0.17
GBP/USD	termination dates through March 2019	1,117	0.05
IDR/USD	termination dates through January 2020	2,913	0.12
INR/USD	termination dates through October 2019	9,959	0.41
JPY/USD	termination dates through September 2019	3,269	0.13
MXN/USD	termination dates through September 2019	21,109	0.86
PHP/USD	termination dates through September 2019	514	0.02
RUB/USD	termination dates through July 2019	15,181	0.62
TRY/EUR	termination dates through July 2019	3,002	0.12
TRY/USD	termination dates through December 2019	75,110	3.08
TWD/USD	termination dates through July 2019	1,042	0.04
ZAR/USD	termination dates through October 2019	2,345	0.10
Other	termination dates through December 2020	2,667	0.11
		180,418	7.39
Exchange traded futures			
30 Day free	termination dates through October 2019	1,253	0.05
Cad Future	termination dates through March 2019	604	0.02
Canadian 3M	termination dates through December 2020	859	0.04
Crude Oil	termination dates through November 2019	1,366	0.06
Euro	termination dates through September 2020	5,011	0.20
Eurodollar	termination dates through June 2022	21,667	0.89
US Treasury	termination dates through March 2019	967	0.04
Other	termination dates through June 2022	1,551	0.06
		33,278	1.36
Exchange traded options (cost US\$16,738)			
Euribor	termination dates through June 2019	3,100	0.13
Euro	termination dates through September 2019	16,214	0.66
Eurodollar	termination dates through December 2019	1,094	0.05
US Treasury	termination dates through January 2019	1,711	0.07
Other	termination dates through December 2019	510	0.02
		22,629	0.93
Commodity options (cost US\$512)			
Gold	termination dates through April 2019	629	0.03
Natural Gas	termination dates through November 2019	80	0.00
		709	0.03

Cost is presented in US\$'000		Fair Value US\$'000	% of Net Assets
Long portfolio (continued)			
Equity options (cost US\$7,865)			
S&P 500	termination dates through February 2019	5,774	0.24
Other	termination dates through January 2019	0	0.00
		5,774	0.24
FX options (cost US\$118,137)			
AUD/NZD	termination dates through November 2019	1,612	0.07
AUD/USD	termination dates through September 2019	11,203	0.46
CHF/JPY	termination dates through April 2019	710	0.03
EUR/Basket	termination dates through March 2019	548	0.02
EUR/GBP	termination dates through September 2019	11,255	0.46
EUR/INR	termination dates through July 2019	4,831	0.20
EUR/JPY	termination dates through March 2019	1,171	0.05
EUR/MXN	termination dates through March 2019	858	0.04
EUR/NOK	termination dates through March 2019	702	0.03
EUR/TRY	termination dates through October 2019	16,426	0.67
EUR/USD	termination dates through March 2020	29,039	1.19
GBP/USD	termination dates through July 2019	31,705	1.30
USD/BRL	termination dates through March 2019	523	0.02
USD/CAD	termination dates through April 2019	2,230	0.09
USD/CHF	termination dates through September 2019	1,037	0.04
USD/CNH	termination dates through December 2019	16,220	0.66
USD/IDR	termination dates through January 2020	810	0.03
USD/INR	termination dates through December 2019	10,829	0.44
USD/JPY	termination dates through September 2019	11,174	0.46
USD/KRW	termination dates through July 2019	2,902	0.12
USD/MXN	termination dates through December 2019	5,689	0.23
USD/TRY	termination dates through December 2019	16,480	0.68
USD/TWD	termination dates through July 2019	521	0.02
XAU/USD	termination dates through March 2019	1,454	0.06
Other	termination dates through April 2019	1,515	0.06
		181,444	7.43
Investments in Affiliated Funds (cost US\$783,176)			
Brevar Howard AH Master Fund Limited		257,619	10.56
Brevar Howard AS Macro Master Fund Limited		299,114	12.25
Brevar Howard Emerging Markets Strategies Master Fund Limited		2,437	0.10
Brevar Howard Equity Strategies Master Fund Limited		3,236	0.13
Brevar Howard Global Volatility Master Fund Limited		37,107	1.52
Brevar Howard MB Macro Master Fund Limited		254,649	10.43
Brevar Howard Strategic Opportunities Fund Limited		3,198	0.13
WCG Strategies Fund Limited		551	0.02
		857,911	35.14
Volatility swaps			
EUR	termination dates through July 2020	164	0.01
USD	termination dates through September 2020	153	0.00
		317	0.01
Total investments, at fair value (cost US\$5,222,690)		6,121,164	250.75

Consolidated Condensed Schedule of Investments continued

31 December 2018

Proceeds are presented in US\$'000			Fair Value US\$'000	% of Net Assets
Short portfolio				
Fixed income securities				
Belgium (proceeds (US\$634,567))				
Government				
	190,000	BGB 0.8% 06/22/2028	(217,867)	(8.92)
	308,000	BGB 4.3% 09/28/2022	(412,279)	(16.89)
			(630,146)	(25.81)
Finland (proceeds (US\$90,938))				
Government				
			(91,763)	(3.76)
France (proceeds (US\$164,894))				
Government				
	135,000	FRTR 2.5% 10/25/2020	(162,968)	(6.68)
Germany (proceeds (US\$261,874))				
Government				
	10,000	DBR 1.0% 08/15/2024	(12,226)	(0.50)
	161,000	DBR 2.5% 08/15/2046	(259,254)	(10.62)
			(271,480)	(11.12)
Italy (proceeds (US\$2,179,843))				
Government				
	398,000	BTPS 0.2% 10/15/2020	(453,120)	(18.56)
	80,000	BTPS 2.2% 12/15/2021	(94,513)	(3.87)
	100,320	BTPS 3.3% 09/01/2046	(111,795)	(4.58)
	145,000	BTPS 3.8% 03/01/2021	(176,646)	(7.24)
	200,000	BTPS 3.8% 08/01/2021	(244,893)	(10.03)
	8,000	BTPS 4.5% 03/01/2024	(10,292)	(0.42)
	94,978	BTPS 4.5% 05/01/2023	(121,655)	(4.99)
	200,000	BTPS 5.0% 03/01/2022	(255,424)	(10.46)
	239,768	BTPS 5.0% 03/01/2025	(318,881)	(13.06)
	49,500	BTPS 5.0% 08/01/2034	(69,281)	(2.84)
	300,000	BTPS 5.5% 11/01/2022	(393,694)	(16.13)
			(2,250,194)	(92.18)
Netherlands (proceeds (US\$359,540))				
Government				
	179,486	NETHER 3.8% 01/15/2023	(239,786)	(9.82)
	56,000	NETHER 3.8% 01/15/2042	(103,598)	(4.24)
	10,000	NETHER 4.0% 01/15/2037	(17,739)	(0.73)
			(361,123)	(14.79)

Proceeds are presented in US\$'000		Fair Value US\$'000	% of Net Assets
Short portfolio (continued)			
Spain (proceeds (US\$535,174))			
Government			
	30,000 SPGB 0.4% 04/30/2022	(34,775)	(1.43)
	70,000 SPGB 0.8% 07/30/2021	(81,932)	(3.36)
	130,000 SPGB 1.2% 07/30/2020	(152,153)	(6.23)
	205,000 SPGB 1.4% 07/30/2028	(234,120)	(9.59)
	20,000 SPGB 4.2% 01/31/2037	(30,079)	(1.23)
		(533,059)	(21.84)
Total fixed income securities (proceeds (US\$4,226,830))		(4,300,733)	(176.18)
Interest rate guarantee options (proceeds (US\$35,216))			
EUR	termination dates through December 2021	(9,333)	(0.38)
USD	termination dates through June 2022	(32,932)	(1.35)
		(42,265)	(1.73)
Forward rate agreements			
CZK	termination dates through March 2020	(1,589)	(0.07)
GBP	termination dates through September 2019	(342)	(0.01)
HUF	termination dates through June 2019	(1,664)	(0.07)
SEK	termination dates through March 2020	(1,309)	(0.05)
USD	termination dates through September 2019	(5,187)	(0.21)
		(10,091)	(0.41)
Cross currency swaps			
TRY/USD	termination dates through December 2019	(190)	(0.01)
Interest rate swaps			
CZK	termination dates through December 2026	(2,873)	(0.12)
EUR	termination dates through March 2049	(57,628)	(2.36)
GBP	termination dates through July 2047	(6,782)	(0.28)
HUF	termination dates through September 2028	(7,180)	(0.29)
INR	termination dates through December 2019	(1,196)	(0.05)
KRW	termination dates through December 2028	(1,121)	(0.05)
MXN	termination dates through December 2021	(14,878)	(0.61)
PLN	termination dates through September 2023	(2,874)	(0.12)
USD (105 open positions)	termination dates through June 2052	(130,175)	(5.33)
		(224,707)	(9.21)

Consolidated Condensed Schedule of Investments continued

31 December 2018

Proceeds are presented in US\$'000		Fair Value US\$'000	% of Net Assets
Short portfolio (continued)			
Swaptions (proceeds (US\$90,499))			
EUR	termination dates through November 2023	(13,870)	(0.56)
GBP	termination dates through October 2019	(9,253)	(0.38)
JPY	termination dates through March 2019	(0)	(0.00)
MXN	termination dates through June 2020	(177)	(0.01)
USD (93 open positions)	termination dates through November 2021	(408,366)	(16.73)
		(431,666)	(17.68)
FX contracts			
AUD/USD	termination dates through October 2019	(3,063)	(0.12)
CAD/USD	termination dates through March 2019	(1,702)	(0.07)
CNH/USD	termination dates through January 2020	(19,193)	(0.79)
COP/USD	termination dates through May 2019	(4,693)	(0.19)
EUR/USD	termination dates through June 2027	(13,381)	(0.55)
GBP/USD	termination dates through October 2020	(41,057)	(1.68)
IDR/USD	termination dates through October 2019	(1,916)	(0.08)
INR/USD	termination dates through December 2019	(16,765)	(0.69)
JPY/USD	termination dates through September 2019	(2,555)	(0.10)
KRW/USD	termination dates through July 2019	(2,882)	(0.12)
MXN/USD	termination dates through June 2019	(21,224)	(0.87)
RUB/USD	termination dates through June 2019	(14,638)	(0.60)
TRY/EUR	termination dates through October 2019	(2,066)	(0.08)
TRY/USD (407 open positions)	termination dates through December 2019	(125,652)	(5.15)
ZAR/USD	termination dates through November 2019	(2,267)	(0.09)
Other	termination dates through September 2019	(3,143)	(0.13)
		(276,197)	(11.31)
Exchange traded futures			
30 Day free	termination dates through January 2020	(1,050)	(0.04)
Euribor	termination dates through December 2020	(5,158)	(0.21)
Euro	termination dates through March 2019	(3,586)	(0.15)
Eurodollar	termination dates through June 2021	(22,776)	(0.93)
Other	termination dates through June 2021	(1,199)	(0.05)
		(33,769)	(1.38)
Exchange traded options (proceeds (US\$13,357))			
Euribor	termination dates through September 2019	(6,820)	(0.28)
Euro	termination dates through September 2019	(16,559)	(0.68)
Eurodollar	termination dates through December 2019	(1,483)	(0.06)
Libor 3M	termination dates through June 2019	(483)	(0.02)
Sterling	termination dates through June 2019	(711)	(0.03)
US Treasury	termination dates through January 2019	(1,039)	(0.04)
		(27,095)	(1.11)

Proceeds are presented in US\$'000		Fair Value US\$'000	% of Net Assets
Short portfolio (continued)			
Commodity options (proceeds (US\$356))			
Gold	termination dates through April 2019	(478)	(0.02)
Equity options (proceeds (US\$5,604))			
S&P 500	termination dates through February 2019	(4,146)	(0.17)
FX options (proceeds (US\$93,896))			
AUD/USD	termination dates through September 2019	(7,789)	(0.32)
EUR/GBP	termination dates through April 2019	(2,545)	(0.10)
EUR/INR	termination dates through April 2019	(4,587)	(0.19)
EUR/JPY	termination dates through March 2019	(5,566)	(0.23)
EUR/MXN	termination dates through March 2019	(596)	(0.02)
EUR/SEK	termination dates through March 2019	(2,846)	(0.12)
EUR/TRY	termination dates through July 2019	(3,857)	(0.15)
EUR/USD	termination dates through September 2019	(10,877)	(0.45)
GBP/USD	termination dates through October 2020	(25,030)	(1.03)
USD/CAD	termination dates through February 2019	(1,710)	(0.07)
USD/CNH	termination dates through December 2019	(14,492)	(0.59)
USD/IDR	termination dates through January 2020	(1,274)	(0.05)
USD/INR	termination dates through July 2019	(3,108)	(0.13)
USD/JPY	termination dates through September 2019	(8,674)	(0.36)
USD/KRW	termination dates through July 2019	(3,634)	(0.15)
USD/MXN	termination dates through January 2019	(504)	(0.02)
USD/TRY	termination dates through March 2019	(11,405)	(0.47)
USD/TWD	termination dates through July 2019	(598)	(0.02)
Other	termination dates through September 2019	(1,450)	(0.06)
		(110,542)	(4.53)
Volatility swaps			
AUD	termination dates through July 2019	(176)	(0.01)
EUR	termination dates through July 2020	(42)	(0.00)
USD	termination dates through July 2019	(79)	(0.00)
		(297)	(0.01)
Total investments, sold short at fair value (proceeds (US\$4,465,758))		(5,462,176)	(223.75)

Cost and proceeds are presented in US\$'000.

Principal amounts are presented in '000.

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Operations

For the year ended 31 December 2018

	2018 US\$'000
Investment income	
Interest income	54,092
Dividend income (net of withholding tax of US\$159)	314
Other income	11,259
Total income	65,665
Expenses	
Interest expense	35,642
Professional fees and other	2,412
Operational services fee (Note 4)	16,364
Administration fee (Note 6)	3,721
Custody fees	584
Trade commissions	9,004
Other transaction costs	27,446
Total expenses	95,173
Net investment loss	(29,508)
Net realised and unrealised gain/(loss) on investments	
Net realised gain on investments (Note 2)	563,334
Net change in unrealised loss on investments (Note 2)	(41,137)
Net realised and unrealised gain on investments	522,197
Net increase in net assets resulting from operations attributable to shareholders	492,689
Non-controlling interest share in net loss (Note 2)	(1,662)
Net increase in net assets resulting from operations	491,027

Withholding tax is presented in US\$'000.

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

For the year ended 31 December 2018

	2018 US\$'000
Net increase in net assets resulting from operations	
Net investment loss	(29,508)
Net realised gain on investments	563,334
Net change in unrealised loss on investments	(41,137)
Non-controlling interest share in net loss (Note 2)	(1,662)
	491,027
Share Capital Transactions	
Issue of shares	
US Dollar Class A	10,181
US Dollar L.P. Class A	3,810
Euro Class A	15,360
Sterling Class A	43,616
US Dollar L.P. Class W	1,500
Sterling Class W	33,006
Euro Class W	15,243
US Dollar Class Z	42,000
Sterling Class Z	253,799
Redemption of shares	
US Dollar Class A	(2,017,455)
US Dollar L.P. Class A	(395,438)
Euro Class A	(88,666)
Sterling Class A	(307,021)
Yen Class A	(211,205)
Canadian Dollar Class A	(7,771)
US Dollar Class B	(990)
Sterling Class B	(7,003)
US Dollar Class W	(7,146)
US Dollar L.P. Class W	(544)
Euro Class W	(956)
Sterling Class W	(1,632)
Yen Class W	(4,699)
US Dollar Class Z	(94,287)
Sterling Class Z	(141,941)
Yen Class Z	(978)
	(2,869,217)
Net decrease in net assets	(2,378,190)
Net assets – beginning of year	4,819,340
Net assets – end of year	2,441,150

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 US\$'000
Cash flows from operating activities:	
Net increase in net assets resulting from operations	491,027
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:	
Proceeds from sales of securities	82,218,418
Purchases of securities	(78,724,000)
Proceeds from securities sold short	96,312,183
Payments to cover securities sold short	(94,627,989)
Payments for derivative contracts	(3,234,162)
Proceeds from derivative contracts	3,535,395
Net realised gain on investments	(201,292)
Net realised gain on derivative contracts	(353,463)
Net change in unrealised gain on investments	(129,455)
Net change in unrealised loss on derivative contracts	94,008
Decrease in redemptions receivable from affiliated funds	70,000
Decrease in dividends and interest receivable	5,247
Decrease in due from brokers	4,899,224
Decrease in other assets	668
Decrease in accounts payable and accrued expenses	(518)
Increase in dividends and interest payable	9,047
Decrease in due to brokers	(5,118,495)
Net cash provided by operating activities	5,245,843
Cash flows from financing activities:	
Proceeds on issue of shares	418,515
Payments on redemption of shares	(3,640,474)
Increase in investments purchased under agreements to resell	(1,253,285)
Decrease in investments sold under agreements to repurchase	(781,128)
Net cash used in financing activities	(5,256,372)
Net decrease in cash	(10,529)
Cash – beginning of year	17,357
Cash – end of year	6,828
Supplemental disclosure of cash flow information:	
<i>Interest paid</i>	87,335

See accompanying notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

31 December 2018

1. Organisation

Brevan Howard Master Fund Limited (the "Master Fund") is an exempted limited liability company which was incorporated under the Companies Law of the Cayman Islands on 22 January 2003 and commenced trading on 1 April 2003. The Master Fund registered under the Mutual Funds Law of the Cayman Islands on 4 March 2003.

The Master Fund seeks to generate consistent long-term appreciation through active leveraged trading and investment on a global basis. The Master Fund's investment strategy is comprised of global investment strategies and a number of long and short strategies that may have directional risk.

Brevan Howard Capital Management LP (the "Manager"), acting through its sole general partner, Brevan Howard Capital Management Limited, is the Manager of the Master Fund. The Manager has registered as a Commodity Pool Operator with the United States Commodity Futures Trading Commission with effect from 1 January 2013 in respect of the Master Fund.

The Manager has appointed each of: (i) Brevan Howard Asset Management LLP ("BHAM"); (ii) Brevan Howard Investment Products Limited ("BHIP"); (iii) Brevan Howard (Hong Kong) Limited; (iv) DW Partners, LP; (v) BH-DG Systematic Trading LLP; (vi) Brevan Howard US Investment Management, LP and (vii) Brevan Howard Private Limited as Investment Managers (the "Investment Managers") of the Master Fund's assets, in each case subject to risk oversight and treasury management by the Manager and/or one of its affiliates. The Manager may in future appoint additional Investment Managers provided that they are affiliates of the Manager and subject to risk oversight by the Manager or one of its affiliates.

The Manager and the Investment Managers (and/or their members, Directors, employees, related entities and connected persons and their respective members, Directors and employees) may subscribe, directly or indirectly, for shares and/or interests in the Master Fund's feeder funds. The feeder funds comprise of Brevan Howard Fund Limited, Brevan Howard L.P. and BH Macro Limited (together the "Feeder Funds").

The registered office of the Master Fund is at the offices of M&C Corporate Services Limited, P.O. Box 309, George Town, Grand Cayman KY1-1104, Cayman Islands.

2. Significant accounting policies

Basis of preparation

The accompanying Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The Consolidated Financial Statements are presented in United States Dollars ("US\$" or "US Dollar").

For financial statement reporting purposes, the Master Fund is an investment company and follows Financial Services - Investment Companies (Topic 946). The Master Fund applied Accounting Standards Codification ("ASC") Topic 946 (AICPA Investment Company Guide), fair value accounting, in the preparation of its Financial Statements. The Master Fund did not provide financial support to any related parties or investee entities during the current year over and above the normal course of business.

Basis of consolidation

In accordance with the accounting guidance in ASC 946-320, 946-323 and 946-810, the Master Fund carries all investments at fair value, with the exception of the investments detailed in the paragraph below.

The Master Fund has consolidated the following entities (together the "Subsidiaries") as at 31 December 2018:

- BHM Investments II Limited, a company incorporated with limited liability on 7 May 2010 under the laws of the Cayman Islands;
- Brevan Howard Alpha Strategies Master Fund Limited ("BHAL"), a company incorporated with limited liability on 20 September 2016 under the laws of the Cayman Islands; and
- Brevan Howard FG Macro Master Fund Limited ("BFG"), a company incorporated with limited liability on 19 May 2017 under the laws of the Cayman Islands.

The Master Fund owns 100% of BHM Investments II Limited, 78.79% of BHAL and 76.03% of BFG respectively, in each case as at 31 December 2018.

The Consolidated Financial Statements include full consolidation of owned subsidiaries, except where the effect on the Master Fund's financial position and results of operations are immaterial. Transactions between the Master Fund and the Subsidiaries have been eliminated on consolidation.

Security transactions and valuation

Security transactions are accounted for on a trade date basis carried at fair value.

Most positions of the Master Fund and its Subsidiaries are priced at the same time each day. This provides reliable comparative pricing of positions which are traded in different markets. A snapshot of all markets (excluding Pacific Rim and Australasia) is made at 4:00 pm London time. Pacific Rim and Australasia positions are generally priced as at the local end-of-day mid market levels.

Instruments with directly observable prices are priced to independent external data sources (e.g. exchange traded futures, options, equities, government and corporate debt securities). Fair value estimates for financial instruments for which no or limited observable market data is available are based on judgments

Notes to the Consolidated Financial Statements

continued

31 December 2018

2. Significant accounting policies (continued)

regarding current economic conditions, liquidity discounts, currency, credit, and interest rate risks, loss experience and other factors. These estimates involve significant uncertainties and judgments and cannot be determined with precision. As a result, such calculated fair value estimates may not be realisable in a current sale or immediate settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique, including discount rates, liquidity risks and estimates of future cash flows, could significantly affect these fair value estimates.

Some instruments may be priced using models in which some or all parameters are not directly driven by market-observable levels (e.g. unlisted securities, multifactored options or private placements).

Estimates of the fair value of Level 3 assets and liabilities of the Master Fund and its Subsidiaries' financial instruments are disclosed in Note 3.

Investments in other funds are valued at the latest available reported Net Asset Value ("NAV") of the respective fund received from that fund's administrator. In some cases these may be unaudited NAVs.

Over the counter ("OTC") swap, forward and option values are determined based on relevant market information on the underlying reference assets which may include credit spreads, credit event probabilities, index values, individual security values, forward interest rates, variable interest rates, volatility measures and forward currency rates.

Realised gains and losses on investments are calculated using the highest in first out method. Realised and unrealised gains and losses are recorded at the reporting date in the Consolidated Statement of Operations.

Income and expense recognition

Interest income and expense including prime broker and International Swaps and Derivatives Association ("ISDA")/ International Security Market Association ("ISMA") interest is recognised in the Consolidated Statement of Operations on an accruals basis.

Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income on long positions is recognised on the ex-dividend date and dividends declared on short positions existing on the record date are recognised on the ex-dividend date as an expense in the Consolidated Statement of Operations.

Investments purchased under agreements to resell and investments sold under agreements to repurchase

The Master Fund and its Subsidiaries enter into investment purchases under agreements to resell and investment sales under agreements to repurchase. These agreements are accounted for as collateralised financing transactions and are recorded at their contracted resell or repurchase amounts, which approximate fair value.

The Investment Managers monitor the market value of the Master Fund and its Subsidiaries' underlying contract amounts, including accrued interest, and requests or provides additional collateral where deemed appropriate. Interest on investments purchased under agreements to resell and investments sold under agreements to repurchase is accrued on a daily basis, and are recorded as interest expense and interest income, respectively, in the Consolidated Statement of Operations.

Asset-backed securities

The Master Fund and its Subsidiaries may invest in asset-backed securities. These securities include mortgage backed securities, collateralised obligations ("COs") and other asset-backed securities representing interests in pools of loans or other receivables. Mortgage backed securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans. The rate of pre-payments on underlying assets will affect the price and volatility of an asset backed security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase.

COs include Collateralised Bond Obligations, Collateralised Loan Obligations and other similarly structured securities. The risks of an investment in a CO depend largely on the type of the collateral securities and the class of the CO in which the Master Fund and its Subsidiaries invest. COs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be sufficient to make interest or other payments, (ii) the quality of the collateral may decline in value or default, (iii) the Master Fund and its Subsidiaries may invest in COs that are subordinate to other classes, and (iv) the complex structure of the security may result in disputes with the issuer or unexpected investment results.

Asset-backed securities with directly observable prices are priced to independent external data sources. Where such market prices are not readily available, fair values will be determined using commercial products which utilise valuation models that are consistent with market pricing models. The valuation models use discounted cash flow analysis which incorporate both observable and non-observable inputs disclosed in Note 3. Paydown gains and losses on asset-backed securities, if any, are recorded as realised gains or losses in the Consolidated Statement of Operations.

2. Significant accounting policies (continued)

Derivative financial instruments

The Master Fund and its Subsidiaries use derivative financial instruments such as foreign exchange contracts, swaptions, options, futures contracts, forward rate agreements and swaps, which are recorded at fair value at the reporting date. Realised and unrealised changes in fair values are included in realised and unrealised gains and losses on investments in the Consolidated Statement of Operations in the period in which the changes occur. The fair value of derivative financial instruments at the reporting date generally reflects the amount that the Master Fund and its Subsidiaries would receive or pay to terminate the contract at the reporting date. Many derivative financial instruments are exchange traded or are traded in the OTC market where market values are normally readily obtainable. Where such market prices are not readily available, fair values will be determined using commercial products which utilise valuation models that are consistent with market pricing methods.

When the Master Fund and its Subsidiaries purchase a put or call option, an amount, equal to the premium paid by the Master Fund and its Subsidiaries, is recorded as an investment and is subsequently adjusted to the current fair value of the option purchased on the reporting date.

Premiums paid for purchasing options that expire unexercised are treated by the Master Fund and its Subsidiaries on the expiration date as realised losses on investments. The difference between the premium and the amount received on writing an option to effect a closing transaction, including brokerage commissions, is also treated as a realised loss, or, if the premium is less than the amount received from the closing transaction, as a realised gain. If a call option is exercised, the premium is added to the cost of purchase of the underlying security or currency in determining whether the Master Fund and its Subsidiaries has realised a gain or loss. If a put option is exercised, the premium reduces the proceeds of the securities sold by the Master Fund and its Subsidiaries.

Unrealised gains or losses on open foreign exchange contracts and forward rate agreements represent the Master Fund and its Subsidiaries' net equity therein and is calculated as the present value of the difference between the contract date rate and the applicable forward rate at the reporting date, applied to the face amount of the forward contract. The unrealised gain or loss at the reporting date is included in the Consolidated Statement of Assets and Liabilities.

Unrealised gains or losses on open futures contracts are calculated as the difference between the contract price at trade date and the contract's revaluation price. Any payments made to satisfy initial and variation margin are reflected as due to and due from broker balances on the Consolidated Statement of Assets and Liabilities.

Unrealised gains or losses on swap agreements represent the cumulative fair value change since the last reporting date and are calculated as the present value of the future net cash flows to be received and paid under the agreement.

The following table sets forth the fair value of the Master Fund and its Subsidiaries' derivative contracts by certain risk types as of 31 December 2018 in accordance with Derivatives and Hedging (ASC 815). The values in the table below exclude the effects of cash received or posted pursuant to derivative contracts, and therefore are not representative of the Master Fund and its Subsidiaries' net exposure. The derivative assets and derivative liabilities are included in "Investments, at fair value" and "Investments sold short, at fair value", respectively, in the Consolidated Statement of Assets and Liabilities.

Derivative contracts for trading activities	Open Positions at year end	Transactions during year	VAR* US\$'000	Derivative Assets US\$'000	Derivative Liabilities US\$'000
Commodity Contracts	49	15,786	402	2,594	479
Credit Contracts	–	29	–	–	–
Equity Contracts	46	22,700	457	5,931	4,228
Foreign Exchange Contracts	3,527	96,201	3,485	364,067	387,689
Interest Rate Contracts	1,194	91,863	7,055	832,070	769,047
Fair value of derivative contracts				1,204,662	1,161,443

* VaR calculated using a two year historical simulation, based on a one day time horizon, at a 95% confidence interval. The VaR shown in the table above is for derivatives only, excluding treasury positions. Total VaR for the derivatives contracts above is US\$8,094,267. Total VaR for the Master Fund and its Subsidiaries, including derivatives, non-derivatives and investments in affiliated entities, is US\$9,739,064.

Notes to the Consolidated Financial Statements

continued

31 December 2018

2. Significant accounting policies (continued)

The following table sets forth by certain risk types the Master Fund and its Subsidiaries' gains/(losses) related to derivative activities for the year ended 31 December 2018 in accordance with ASC 815. These gains/(losses) should be considered in the context that derivative contracts may have been executed to economically hedge certain securities and accordingly, certain gains or losses on derivative contracts may offset certain gains or losses attributable to securities. These gains/(losses) are included in net realised gain and net change in unrealised loss on investments in the Consolidated Statement of Operations.

	Realised Gains/(Losses) Year Ended 31 December 2018 US\$'000	Change in Unrealised Gains/(Losses) Year Ended 31 December 2018 US\$'000
Derivative contracts for trading activities		
Commodity Contracts	1,587	495
Credit Contracts	37,709	(40,597)
Equity Contracts	5,715	(3,147)
Foreign Exchange Contracts	117,379	(104,317)
Interest Rate Contracts	191,073	53,558
Total	353,463	(94,008)

Foreign exchange contracts include foreign exchange futures, forwards, swaps, options and any other derivative contract in which the reference asset is a foreign exchange rate. Commodity contracts include commodity futures and options and any other derivative contract in which the reference asset is a commodity price or index. Credit contracts include credit default swaps, credit index options and any other derivative contract in which the reference asset is a credit event or other credit risk on an underlying entity, financial asset or a credit index. Equity contracts include equity futures, forwards, options, swaps, contracts for difference and any other derivative contract in which the reference asset is an equity price or index. Interest rate contracts include interest rate futures, forwards, swaps, options, caps and floors, swaptions, forward rate agreements and any other derivative contract in which the reference asset is an interest rate or debt security.

Investments sold short

The Master Fund and its Subsidiaries may sell a security it does not own in anticipation of a decline in the market value of that security. When the Master Fund and its Subsidiaries sell a security short, it must borrow the security and deliver it to the broker-dealer through which it made the short sale. The Master Fund and its Subsidiaries are required to maintain collateral with the broker-dealer from which the security was borrowed. A gain, limited to the value at which the Master Fund and its Subsidiaries sold the security short, or a loss, unlimited in size, will be recognised upon the termination of a short sale and recorded as a net realised gain or loss on investments in the Consolidated Statement of Operations. Investments sold short are recorded as liabilities on the Consolidated Statement of Assets and Liabilities.

Foreign currency translation

Investment securities and other assets and liabilities denominated in foreign currencies are translated into US Dollar amounts at prevailing exchange rates at the reporting date. Purchases and sales of investment securities in foreign currencies and income and expense items denominated in foreign currencies are translated into US Dollar amounts at the prevailing exchange rate on the respective dates of such transactions.

The Master Fund and its Subsidiaries do not isolate that portion of the results of operations resulting from changes in currency exchange rates on investments from the fluctuations arising from changes in market prices of securities held. All foreign currency gains and losses are included in net realised gain and net change in unrealised loss on investments in the Consolidated Statement of Operations.

Use of estimates

The preparation of Consolidated Financial Statements in accordance with US GAAP 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 the Consolidated Financial Statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates. In particular, valuation models used to determine the fair value of unlisted derivative instruments require the use of a number of assumptions.

2. Significant accounting policies (continued)

Netting

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Assets and Liabilities when, and only when, the Master Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under US GAAP.

Cash

Cash consists of bank balances. Cash, including cash denominated in foreign currencies, represents cash deposits held at financial institutions. Foreign currency with a current value of US\$460 and an acquisition cost of US\$460 is included in cash in the Consolidated Statement of Assets and Liabilities.

Due from and to brokers

Amounts receivable from and payable to brokers includes settlement of trades along with deposits held as collateral. As at 31 December 2018, deposits held as collateral amounted to US\$71,775,680 and amounts pledged as collateral amounted to US\$527,306,165.

At 31 December 2018, the Master Fund pledged collateral to counterparties to OTC derivative contracts of US\$119,048,579 and received collateral from counterparties to OTC derivative contracts of US\$68,908,204. Also, at 31 December 2018, due from brokers includes US\$62,125,114 and due to brokers includes US\$2,867,476 of initial margin related to its futures trading activities.

Allocation of income and expenses between share classes

Income and expenses that are identifiable with a particular class are allocated to that class in computing its NAV.

Income and expenses that are common to all classes are allocated between classes based on their monthly NAVs.

Redemptions payable

Redemptions are recognised as liabilities when the value of such redemptions are calculated at requested redemption date. As a result, redemptions paid after the end of the year, based on the net asset value of the Master Fund and its Subsidiaries at year end, are included in redemptions payable at 31 December 2018. As at 31 December 2018, the redemptions payable amounted to US\$104,202,111.

New Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2018-13, Fair Value Measurement (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 eliminates the requirement to disclose (i) transfers between level 1 and level 2 of the fair value hierarchy, (ii) the policy for timing of transfers between levels, (iii) valuation processes and (iv) for non

public entities, changes in unrealised gains/losses for the year included in earnings for recurring Level 3 fair value measurements. The ASU also modifies existing disclosure requirements for the rollforward of Level 3 fair value measurement as well as disclosures of the timing of liquidating distributions from portfolio investments. The amendments are effective for annual periods beginning after 15 December, 2019 and the early adoption is permitted. The Master Fund has not early adopted ASU 2018-13 for the Financial Statements as at 31 December, 2018.

3. Fair value measurements

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price).

The fair value hierarchy under Fair Value Measurement (Topic 820) prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for instruments that are identical or similar in markets that are not active and model derived valuations for which all significant inputs are observable, either directly or indirectly in active markets; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

Investments in private investment companies measured using net asset value as a practical expedient are not categorised within the fair value hierarchy.

Investments in private investment companies are valued utilizing the net asset values provided by the underlying private investment companies as a practical expedient. The Master Fund applies the practical expedient to its investments in private investment companies on an investment-by-investment basis, and consistently with the Master Fund's entire position in a particular investment, unless it is probable that the Master Fund will sell a portion of an investment at an amount different from the net asset value of the investment.

Notes to the Consolidated Financial Statements

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31 December 2018

3. Fair value measurements (continued)

The hierarchy requires the use of observable market data when available. As required by ASC 820, investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following is a summary of the levels within the fair value hierarchy for the Master Fund and its Subsidiaries' investments as at 31 December 2018:

Assets

Fair value measurement at reporting date:	Level 1: US\$'000	Level 2: US\$'000	Level 3: US\$'000	Total US\$'000
Equities	19,174	1,706	–	20,880
Private Placements	–	–	366	366
Fixed Income Securities				
Asset Backed Securities	–	674	3	677
Corporate Debt Securities	–	3,621	–	3,621
Mortgage Backed Securities	–	2,178	329	2,507
Non-US Government Debt	2,758,779	–	–	2,758,779
US Government Debt	1,271,761	–	–	1,271,761
Derivatives				
Commodity Contracts	2,514	80	–	2,594
Equity Contracts	5,931	–	–	5,931
Foreign Exchange Contracts	940	363,127	–	364,067
Interest Rate Contracts	38,005	791,197	2,868	832,070
Subtotal	4,097,104	1,162,583	3,566	5,263,253
Investment in Affiliated Funds measured at NAV*				857,911
Total assets				6,121,164

* Investments in Affiliated Funds as of 31 December 2018 are excluded from the fair value hierarchy leveling as the fair value of these investments were measured at NAV as a practical expedient.

Liabilities

Fair value measurement at reporting date:	Level 1: US\$'000	Level 2: US\$'000	Level 3: US\$'000	Total US\$'000
Fixed income securities				
Non-US Government Debt	4,300,733	–	–	4,300,733
Derivatives				
Commodity Contracts	479	–	–	479
Equity Contracts	4,228	–	–	4,228
Foreign Exchange Contracts	462	387,227	–	387,689
Interest Rate Contracts	45,198	723,130	719	769,047
Total liabilities	4,351,100	1,110,357	719	5,462,176

3. Fair value measurements (continued)

The fair value of equity securities by industry type is presented in the Consolidated Condensed Schedule of Investments.

The Master Fund and its Subsidiaries' policy is to recognise transfers in and transfers out of each level as at the end of each month.

Transfers in and transfers out of Level 3 have occurred due to the change in availability of observable market data.

There were no significant transfers between Level 1 and Level 2 during the year ended 31 December 2018. The Master Fund and its Subsidiaries had no investments measured at fair value on a non-recurring basis during the year ended 31 December 2018.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Master Fund and its Subsidiaries have classified within the Level 3 category. As a result, the unrealised gains and losses for assets within the Level 3 category in the table below may include changes in fair value that were attributable to both observable (e.g. changes in market interest rates) and unobservable (e.g. changes in unobservable long-dated volatilities) inputs.

Level 3 Assets

	Asset Backed Securities US\$'000	Corporate Debt US\$'000	Mortgage Backed Securities US\$'000	Private Placements US\$'000	Derivatives US\$'000	Total US\$'000
Investments						
Beginning balance as of 1 January 2018	20	807	859	–	65	1,751
Purchases	–	–	–	–	296	296
Sales	(25)	(880)	(53)	(793)	(841)	(2,592)
Transfer in to Level 3	344	–	618	–	2,822	3,784
Transfer out of Level 3	(315)	–	(844)	–	–	(1,159)
Realised gain/(loss)	(19,363)	(3,262)	(16,278)	793	(2,397)	(40,507)
Change in unrealised gain/(loss)	19,342	3,335	16,027	366	2,923	41,993
Ending balance as of 31 December 2018	3	–	329	366	2,868	3,566

Liabilities

	Derivatives US\$'000	Total US\$'000
Investments		
Beginning balance as of 1 January 2018	(3,746)	(3,746)
Sales	3,034	3,034
Realised gain/(loss)	(3,426)	(3,426)
Change in unrealised gain/(loss)	3,419	3,419
Ending balance as of 31 December 2018	(719)	(719)

The change in unrealised gains/(losses) for the year ended 31 December 2018 for Level 3 investments still held at 31 December 2018 amounted to an unrealised loss of US\$5,719,337 and is included in net change in unrealised loss on investments on the Consolidated Statement of Operations.

Notes to the Consolidated Financial Statements

continued

31 December 2018

3. Fair value measurements (continued)

The following table summarises the valuation methodology and significant unobservable inputs used for the Master Fund and its Subsidiaries' investments that are categorised within Level 3 of the fair value hierarchy as of 31 December 2018:

	Fair Value US\$'000	Valuation Technique	Unobservable Inputs	Range
Asset Backed Securities & Mortgage Backed Securities	332	Broker quote	Constant default rate/conditional prepayment rate/loss severity/discount rate	N/A
Derivatives	2,149	Counterparty valuation/ Broker quote	Correlation factors	N/A
Private Placements	366	Discounted Book Value	Collateral valuation	N/A

The significant unobservable inputs used in the fair value measurement of Level 3 asset backed securities and mortgage backed securities are constant default rates, conditional prepayment rates, loss severity and discount rates. Increases in any of the constant default rates, loss severity or discount rates in isolation would result in a lower fair value for the asset, and vice versa. Increases in conditional prepayment rates could result in a higher or lower fair value depending on the quality of the securities.

The significant unobservable input used in the fair value measurement of Level 3 private placements is the liquidity discount. The fair value of private placement positions is determined initially by reference to one or a combination of cost, any available market quote, net asset value of underlying assets, any permanent diminution in value and realisation events. A liquidity discount may subsequently be applied to reflect the limited market for such assets. An increase in the liquidity discount would result in a lower fair value for the asset.

Level 3 derivatives are valued by reference to counterparty valuations or single broker quotes. The unobservable inputs implicit in the credit contract counterparty valuations or broker quotes are a combination of constant default rates, conditional prepayment rates, loss severity, discount rates, deal loss and bond loss. Increases in any of the constant default rates, loss severity, discount rates, deal loss or bond loss in isolation would result in a lower fair value for the asset and vice versa. Increases in the conditional prepayment rates could result in a higher or lower fair value depending on the quality of the securities. The unobservable input in all other level 3 derivative contract counterparty valuations or broker quotes is generally a correlation factor between two or more reference assets. An increase in the correlation factor would result in a higher or lower fair value depending on the nature of the specific instrument.

4. Operational services fee

The Manager has received from the Master Fund a fee of 1/12 of 0.50% per month of the NAV, prior to the deduction of management and performance fees, of the Master Fund for the year to 31 December 2018 (the “operational services fee”) as at the last valuation day in each month (excluding for these purposes such part of the NAV of the Master Fund which is attributable to (i) any investments made in other investment funds managed by the Manager which also charge an operational services fee, or (ii) the Class Z ordinary shares in the Master Fund and (iii) the Class W ordinary shares in the Master Fund). For certain share classes and series of interests of the Feeder Funds, the operational services fee is effectively capped at the level that a shareholder’s holding, or limited partner’s capital account would have borne as at 3 October 2016, adjusted as appropriate to reflect redemptions or withdrawals as appropriate from 3 October 2016 to 1 December 2016.

The operational services fee for the year ended 31 December 2018 amounted to US\$16,363,986. The operational services fee payable at 31 December 2018 is US\$8,609.

5. Management and performance fees

The Manager receives a management fee of 1/12 of 2% (or a pro rata proportion thereof) per month of the NAV (before deduction of that month’s management fee and before making any deduction for any accrued performance fee) as at the last valuation day in each month, payable monthly in arrears on Class X shares and Class Y shares, neither of which were in issue during the period. No management fees are payable in respect of Class A shares, Class B shares, Class Z shares and Class W shares. The Manager does not receive any management fee from BFG and BHAL in respect of the Master Fund’s investments in the Subsidiaries.

The Manager also receives a performance fee of 20% for Class X and Class Y shares, neither of which were in issue during the year.

No performance fees are payable in respect of Class A shares, Class B shares, Class Z shares and Class W shares. The manager does not receive any performance fee from BFG and BHAL in respect of the Master Fund’s investments in the Subsidiaries. No performance fee was accrued for the year ended 31 December 2018. No management or performance fee is payable by BHMF Investments II Limited. The performance fee payable by the Master Fund and its Subsidiaries at 31 December 2018 was US\$Nil.

At 31 December 2018, the Master Fund held investments in the following funds (each an “underlying fund investment”) managed by the Manager or one of its affiliates:

	US\$
BHMF Investments II Limited*	2,231,669
Brevan Howard AH Master Fund Limited	257,618,989
Brevan Howard Alpha Strategies Master Fund Limited*	827,049,368
Brevan Howard AS Macro Master Fund Limited	299,114,249
Brevan Howard Emerging Markets Strategies Master Fund Limited	2,436,954
Brevan Howard Equity Strategies Master Fund Limited	3,236,309
Brevan Howard FG Macro Master Fund Limited*	294,473,736
Brevan Howard Global Volatility Master Fund Limited	37,107,263
Brevan Howard MB Macro Master Fund Limited	254,649,368
Brevan Howard Strategic Opportunities Fund Limited	3,197,596
WCG Strategies Fund Limited	550,761

* BHMF Investments II Limited, Brevan Howard FG Macro Master Fund Limited and Brevan Howard Alpha Strategies Master Fund Limited are consolidated subsidiaries of the Master Fund.

The return on the Master Fund’s investment in these funds is net of applicable performance and management fees. To ensure that the effective rate of management fees and/or performance fees that is ultimately borne by shareholders in the Master Fund or Feeder Funds (in relation to each underlying fund investment) is not greater than the rate of performance and/or management fees applicable to the class of share held by that investor, the Master Fund or Feeder Fund may reduce management and performance fees charged in relation to these investment holdings accordingly.

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6. Administration fee

For the period from 1 January 2018 to 30 June 2018, under the terms of the Administrative Services Agreement dated 31 March 2016, as amended, between International Fund Services (Ireland) Limited ("IFS") and the Master Fund, the Administrator received a fee based on the month-end NAV of the Master Fund and its Subsidiaries calculated and payable monthly in arrears.

The administration fee on a monthly basis was the Master Fund's pro rata share (by assets under management subject to such fee) of 1/12 of the following percentages of the aggregate net asset value of all fund entities managed by the Manager (including the Master Fund) and administered by IFS (together, the "Relevant Brevan Howard Funds"):

- (A) (1) 0.13 per cent on the first US\$15 billion;
(2) 0.11 per cent on the next US\$15 billion; and
(3) 0.09 per cent on the balance over US\$30 billion; less
- (B) the portion of such fee attributable to investments made by any Relevant Brevan Howard Fund, directly or indirectly, in any other Relevant Brevan Howard Fund (which, for the avoidance of doubt, includes (1) investments by any Relevant Brevan Howard Fund which is a feeder fund in a Relevant Brevan Howard Fund which is a master fund and (2) investment by any Relevant Brevan Howard Fund which is a master fund in another such Relevant Brevan Howard Fund).

With effect from 1 July 2018, the monthly administration fee payable has changed to:

- (A) a pro rata share (by assets under management subject to such fee) of 1/12 of the following percentages of aggregate net asset value* of the Relevant Brevan Howard Funds (before deduction of any management, performance or other similar fees or expenses):
 - (1) 0.16 per cent on the first US\$5 billion;
 - (2) 0.14 per cent on the next US\$5 billion; and
 - (3) 0.12 per cent on the balance; less
- (B) the portion of such fee attributable to investments made by any Relevant Brevan Howard Fund, directly or indirectly, in any other Relevant BH Fund (which, for the avoidance of doubt, includes: (1) investments by any Relevant Brevan Howard Fund which is a feeder fund in a Relevant Brevan Howard Fund which is a master fund; and (2) investments by any Relevant Brevan Howard Fund which is a master fund in another such Relevant Brevan Howard Fund).

* The assets of any Relevant Brevan Howard Funds paying a minimum administration fee shall not be included in the calculation of the aggregate net asset value of the Relevant Brevan Howard Funds.

The administration fee for the year ended 31 December 2018 amounted to US\$3,721,772. The administration fee payable at 31 December 2018 is US\$500,435.

7. Investments purchased under agreements to resell and investments sold under agreements to repurchase

At 31 December 2018, investments with a market value of US\$4,295,588,101 were pledged to the Master Fund and its Subsidiaries as collateral (investments purchased under agreements to resell) and investments with a value of US\$2,672,908,409 were pledged by the Master Fund and its Subsidiaries as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 25 January 2019 with interest rates ranging from (0.87)% to (0.38)% and all agreements to resell mature by 25 January 2019 with interest rates ranging from (1.06)% to (0.39)%.

7. Investments purchased under agreements to resell and investments sold under agreements to repurchase (continued)

The following table sets out the gross obligation of the Master Fund and its Subsidiaries by class of collateral pledged at 31 December 2018 for investments sold under agreements to repurchase.

	Remaining Contractual Maturity of the Agreements				Total US\$'000
	Overnight Continuous US\$'000	Up to 30 days US\$'000	30-90 days US\$'000	Greater Than 90 days US\$'000	
Repurchase agreements					
Non-US Government Debt	–	3,522,672	–	–	3,522,672
Total borrowings	–	3,522,672	–	–	3,522,672
Gross amount of recognised liabilities for repurchase agreements in Note 11					3,522,672
Amounts related to agreements not included in offsetting disclosure in Note 11					\$–

8. Share capital

The Master Fund has an authorised share capital of:

- €100,000 divided into 10,000,000 Ordinary Shares of €0.01 par value each;
- US\$400,000 divided into 40,000,000 Ordinary Shares of US\$0.01 par value each;
- £100,000 divided into 10,000,000 Ordinary Shares of £0.01 par value each;
- ¥50,000,000 divided into 50,000,000 Ordinary Shares of ¥1.00 par value each;
- AUD400,000 divided into 40,000,000 Ordinary Shares of AUD0.01 par value each;
- BRL400,000 divided into 40,000,000 Ordinary Shares of BRL0.01 par value each;
- CAD400,000 divided into 40,000,000 Ordinary Shares of CAD0.01 par value each;
- CHF400,000 divided into 40,000,000 Ordinary Shares of CHF0.01 par value each;
- NOK400,000 divided into 40,000,000 Ordinary Shares of NOK0.01 par value each;
- SGD400,000 divided into 40,000,000 Ordinary Shares of SGD0.01 par value each; and
- SEK400,000 divided into 40,000,000 Ordinary Shares of SEK0.01 par value each.

All of the above may be issued as Class A, Class B, Class X, Class Y, Class Z and Class W shares in any number of series.

The Class A US Dollar share class is divided into two series of shares, relating to Brevan Howard Fund Limited and Brevan Howard L.P. and may be issued as US\$ shares or Gold shares. These series commenced on 1 April 2003 and 1 February 2004 respectively. All Class A US Dollar, Euro, Sterling, Australian Dollar, Canadian Dollar, Brazilian Real, Norwegian Krone, Gold, Yen and Swedish Krona shares are held by Brevan Howard Fund Limited, whilst all Class A US Dollar L.P. shares are held by Brevan Howard L.P. All Class B US Dollar, Euro and Sterling shares are held by BH Macro Limited. Class Z US Dollar, Euro, Sterling and Yen shares are held by Brevan Howard Multi- Strategy Master Fund Limited.

The rights of the Class X shares are substantially the same as those set out in respect of Class A shares in the Feeder Fund save that no redemption fees are payable in respect of Class X shares. There were no Class X shares in issue at the year-end.

The rights of the Class Y shares are substantially the same as those set out in respect of Class B shares in the Feeder Fund save that no redemption fees are payable in respect of Class Y shares. There were no Class Y shares in issue at the year-end.

The rights of the Class Z shares are substantially the same as those set out in respect of Class A shares in the Feeder Fund save that no redemption, operational services, management or performance fees are payable in respect of Class Z shares.

Notes to the Consolidated Financial Statements

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8. Share capital (continued)

The rights of the Class W shares are substantially the same as those set out in respect of Class A shares in the Feeder Fund save that no redemption, operational services, management or performance fees are payable in respect of Class W shares.

	Shares in issue at beginning of year	Shares issued during the year	Shares transferred in during the year	Shares transferred out during the year	Shares redeemed during the year	Shares in issue at end of year
US Dollar Class A	507,166	1,842	66,863	(32,302)	(377,028)	166,541
US Dollar L.P. Class A	104,131	771	–	(2)	(81,413)	23,487
Euro Class A	55,744	2,618	7,274	(35,009)	(14,789)	15,838
Sterling Class A	64,058	5,591	18,629	(19,621)	(39,598)	29,059
Yen Class A	2,007,154	–	7,844	(842)	(1,365,846)	648,310
Australian Dollar Class A	6,182	–	–	(6,182)	–	–
Brazilian Real Class A	1,132	–	–	(1,132)	–	–
Canadian Dollar Class A	7,629	–	–	(932)	(6,697)	–
Norwegian Krone Class A	13,088	–	–	(4,151)	–	8,937
US Dollar Class B	21,536	–	292	(1,197)	(316)	20,315
Sterling Class B	103,788	–	859	(197)	(1,665)	102,785
US Dollar Class W	7,038	–	6	(456)	(6,588)	–
US Dollar L.P. Class W	2,143	1,502	10	–	(484)	3,171
Euro Class W	33,997	12,910	29	–	(774)	46,162
Sterling Class W	49,835	23,683	6	(6)	(1,158)	72,360
Yen Class W	480,000	–	48	(45)	(480,003)	–
US Dollar Class Z	683,077	258,820	–	(18,450)	(604,266)	319,181
Euro Class Z	3,701	–	–	–	–	3,701
Sterling Class Z	474,669	1,196,152	13,812	–	(672,364)	1,012,269
Yen Class Z	7,327	–	–	–	(7,327)	–

It is envisaged that no income or gains are to be distributed by way of dividend.

9. Taxes

Under current Cayman Islands laws, the Master Fund is not required to pay any taxes in the Cayman Islands on either income or capital gains. The Master Fund has received an undertaking from the Governor in Cabinet of the Cayman Islands exempting it from any such taxes for a period of 20 years until 11 February 2023. The only taxes payable by the Master Fund on its income are withholding taxes applicable to certain income. Accordingly, no provision for taxes is recorded in these Consolidated Financial Statements.

Accounting for Income Taxes (ASC 740) establishes financial accounting and disclosure requirements for recognition and measurement of tax positions taken or expected to be taken on a tax return. The Manager has reviewed the Master Fund's tax positions for the open tax years and has concluded that no provision for income tax is required in the Master Fund's Consolidated Financial Statements.

The Master Fund is subject to potential examination by certain taxing authorities in various jurisdictions. The tax liability is also subject to ongoing interpretation of laws by taxing authorities. The tax years under potential examination vary by jurisdiction.

10. Financial instruments with off-balance sheet risk or concentration of credit risk

Derivative financial instruments may result in off-balance sheet market, credit and liquidity risk. Market risk is the possibility that future changes in market price may make a financial instrument less valuable or more onerous. If the markets should move against one or more positions that the Master Fund and its Subsidiaries holds, the Master Fund and its Subsidiaries could incur losses greater than the unrealised amounts recorded in the Consolidated Statement of Assets and Liabilities. The principal credit risk is that the counterparty to the Master Fund and its Subsidiaries will default and fail to fulfill the terms of the agreement.

Investments sold short have market risk to the extent that the Master Fund and its Subsidiaries, in satisfying its obligation, may have to purchase securities to cover a short position at a higher value than that recorded on the Consolidated Statement of Assets and Liabilities.

10. Financial instruments with off-balance sheet risk or concentration of credit risk (continued)

Futures contracts expose the Master Fund and its Subsidiaries to credit, market and liquidity risks. The Master Fund and its Subsidiaries are exposed to market risk such that changes in the market values of the securities or indices underlying a contract may exceed the amount recognised in the Consolidated Statement of Assets and Liabilities. Liquidity risk represents the possibility that the Master Fund and its Subsidiaries may not be able to rapidly adjust the size of its futures position in times of high volatility and financial stress at a reasonable price.

Forward contracts expose the Master Fund and its Subsidiaries to market and liquidity risks. The Master Fund and its Subsidiaries are exposed to market risk to the extent that adverse changes occur in the value of the underlying asset. Liquidity risk represents the possibility that the Master Fund and its Subsidiaries may not be able to rapidly adjust the size of its forwards positions in times of high volatility and financial stress at a reasonable price.

As a purchaser of an option contract, the Master Fund and its Subsidiaries are subject to credit risk since the counterparty is obligated to make payments under the terms of the option contract if the Master Fund and its Subsidiaries exercise the option. As a purchaser of an option contract, the Master Fund and its Subsidiaries are only subject to market risk to the extent of the premium paid.

The Master Fund and its Subsidiaries purchase both exchange-traded and OTC options. For exchange-traded option contracts, the stock exchange acts as the counterparty to specific transactions and therefore bears the risk of delivery to and from counterparties of specific positions. OTC option contracts are not guaranteed by any regulated stock exchange.

The Master Fund purchases OTC swaps and swaptions. OTC swaps and swaptions contracts are not guaranteed by any regulated stock exchange. The Master Fund is exposed to the credit risk of the counterparty defaulting and failing to fulfil the terms of the agreement.

The Master Fund and its Subsidiaries invest in fixed income securities and bank loans. Until such investments are sold or mature, the Master Fund and its Subsidiaries are exposed to credit risk relating to whether the issuer will meet its obligation as it comes due.

Entering into credit default swap agreements and contracts for difference exposes the Master Fund and its Subsidiaries to market risks equivalent to actually holding securities of the notional value but typically involve little capital commitment relative to the exposure achieved. The gains or losses of the Master Fund and its Subsidiaries may therefore be significantly greater than this initial commitment.

In connection with investments sold under agreements to repurchase, it is the Master Fund and its Subsidiaries' policy that their prime brokers take possession of the underlying collateral securities, thus exposing the Master Fund and its Subsidiaries to credit risk and counterparty risk. If the seller defaults and the fair value of the collateral declines, realisation of the collateral by the Master Fund and its Subsidiaries may be delayed or insufficient. The Master Fund and its Subsidiaries minimise credit risk by monitoring credit exposure and collateral values, and by requiring additional collateral to be promptly deposited with or returned to the Master Fund and its Subsidiaries when deemed necessary.

In accordance with ASC 815, the Master Fund and its Subsidiaries records its trading-related derivative activities on a fair value basis (as described in Note 2).

Assets and liabilities included in the table in Note 3 represent the fair value of the Master Fund and its Subsidiaries holdings at the year end. These assets and liabilities are not representative of the outstanding credit risk to the Master Fund and its Subsidiaries due to the existence of master netting agreements.

The gross fair value of the Master Fund and its Subsidiaries' derivative instruments are shown in Note 2.

Fair values represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price).

The Master Fund and its Subsidiaries maintain trading relationships with counterparties that include domestic and foreign brokers, dealers and financial institutions; these relationships could result in the concentration of the credit risk if counterparties fail to fulfill their obligations or the value of any collateral becomes inadequate.

The Manager and/or one of its affiliates have formulated credit review policies that attempt to control credit risk by following an established credit approval process, daily monitoring of net exposure to individual counterparties, requiring the segregation of collateral where possible, and using master netting agreements whenever possible.

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10. Financial instruments with off-balance sheet risk or concentration of credit risk (continued)

Liquidity risk

The Master Fund and its Subsidiaries' investment portfolios are leveraged and are actively managed to ensure there is sufficient liquidity to meet collateral calls, shareholder redemption requests and trading and other liabilities as they become due.

The Master Fund and its Subsidiaries seek to trade mainly in investments that are sufficiently liquid and readily realisable at close to fair value in order to meet any potential liquidity requirement. To this end, the Master Fund and its Subsidiaries monitor the speed at which the portfolio can be liquidated under ordinary market conditions and further monitor liquidity by a number of additional measures. Deteriorating market conditions, however, may hamper the ability of the Master Fund and its Subsidiaries to liquidate its investments in an orderly manner.

From time to time, market participants with which the Master Fund and its Subsidiaries effect transactions might cease making markets or quoting prices in certain instruments, may only continue to do so in limited size, or may widen the spreads at which they are prepared to transact. In such instances, the Master Fund and its Subsidiaries might be unable to enter into desired transactions, or close out existing transactions, at normal market levels, which might adversely affect its performance.

The Master Fund and its Subsidiaries' liquidity risk is monitored on a daily basis by staff of the Investment Managers, independent of the portfolio management team, using measures of risk and unencumbered cash and cash equivalents, and includes an escalation process in circumstances where liquidity approaches tolerance levels.

The Master Fund and its Subsidiaries may restrict redemptions in accordance with their Articles of Association if they receive requests for the redemption of shares on any Redemption Day representing in aggregate more than ten per cent of the total number of ordinary shares then in issue on a class by class basis.

11. Offsetting assets and liabilities

The Master Fund and its Subsidiaries are required to disclose the impact of offsetting assets and liabilities represented in the Consolidated Statement of Assets and Liabilities to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on its financial position for recognised assets and liabilities. These recognised assets and liabilities are financial instruments and derivative instruments that are subject to either an enforceable master netting arrangement or a similar netting agreement in certain circumstances, for example in the event of default.

The following table provides disclosure regarding the potential effect of offsetting of recognised assets presented in the Consolidated Statement of Assets and Liabilities:

As of 31 December 2018

Offsetting of financial assets and derivative assets:

	(i)	(ii)	(iii) = (i) - (ii)	(iv)	(v) = (iii) - (iv)	
			Net Amounts of Assets Presented in the Consolidated Statement of Assets and Liabilities US\$'000			
Description	Gross Amounts of Recognised Assets US\$'000	Gross Amounts Offset in the Consolidated Statement of Assets and Liabilities US\$'000		Gross Amounts, not Offset in the Consolidated Statement of Assets and Liabilities	Cash Collateral Held*	Net Amount**
				Financial Instruments US\$'000	Cash Collateral Held* US\$'000	US\$'000
Derivatives	3,170,008	1,965,346	1,204,662	1,069,480	58,857	76,325
Reverse repurchase agreements	5,171,010	898,896	4,272,114	2,623,776	–	1,648,338
Total	8,341,018	2,864,242	5,476,776	3,693,256	58,857	1,724,663

11. Offsetting assets and liabilities (continued)

The following table provides disclosure regarding the potential effect of offsetting of recognised liabilities presented in the Consolidated Statement of Assets and Liabilities:

As of 31 December 2018

Offsetting of financial liabilities and derivative liabilities:

Description	(i) Gross Amounts of Recognised Liabilities US\$'000	(ii) Gross Amounts Offset in the Consolidated Statement of Assets and Liabilities US\$'000	(iii) = (i) – (ii) Net Amounts of Liabilities Presented in the Consolidated Statement of Assets and Liabilities US\$'000	(iv) Gross Amounts, not Offset in the Consolidated Statement of Assets and Liabilities Financial Instruments		(v) = (iii) – (iv) Cash Pledged* US\$'000	Net Amount** US\$'000
Derivatives	3,126,789	1,965,346	1,161,443	1,069,480	83,092	8,871	
Repurchase agreements	3,522,672	898,896	2,623,776	2,623,776	–	–	
Total	6,649,461	2,864,242	3,785,219	3,693,256	83,092	8,871	

*Amounts related to master netting agreements and collateral agreements determined by the Master Fund to be legally enforceable in the event of default, but certain other criteria are not met in accordance with applicable offsetting accounting guidance. The collateral amounts may exceed the related net amounts of financial assets and liabilities presented in the Statement of Assets and Liabilities; if this is the case, the total amount reported is limited to the net amounts of financial assets and liabilities with that counterparty.

**Refer to Note 7 for details of balances held as collateral and pledged as collateral relating to Reverse Repurchase agreements and Repurchase agreements noted in the table above.

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12. Financial highlights

The following tables include selected data for share classes in issued during the year and other performance information derived from the Consolidated Financial Statements. The per share amounts and ratios which are shown reflect the consolidated income and expenses of the Master Fund.

Per share operating performance	US Dollar Class A US\$	Euro Class A €	Sterling Class A £	Yen Class A ¥	Australian Dollar Class A AUD	Brazilian Real Class A BRL	Canadian Dollar Class A CAD	Norwegian Krone Class A NOK	US Dollar L.P. Class A US\$
Net asset value, beginning of year	4,942.25	4,725.48	5,391.92	15,531.04	1,756.14	2,762.87	1,451.18	1,535.96	4,438.40
Income from investment operations									
Net investment income/(loss)	(64.50)	(65.41)	(70.10)	(197.03)	0.29	–	(2.09)	(18.53)	(59.98)
Net realised and unrealised gain/(loss) on investments ⁽¹⁾	857.03	683.13	848.18	2,209.04	43.65	–	138.04	241.53	771.14
Total income/(loss) from investment operations	792.53	617.72	778.08	2,012.01	43.94	–	135.95	223.00	711.16
Net asset value fully redeemed during year	–	–	–	–	(1,800.08)	(2,762.87)	(1,587.13)	–	–
Net asset value, end of year	5,734.78	5,343.20	6,170.00	17,543.05	–	–	–	1,758.96	5,149.56
Total return before and after performance fee ⁽²⁾	16.04%	13.07%	14.43%	12.95%	2.50%	–	9.37%	14.52%	16.02%
Supplemental data	US\$ '000	€ '000	£ '000	¥ '000	AUD '000	BRL '000	CAD '000	NOK '000	US\$ '000
Net assets at 31 December 2018	955,079	84,628	179,291	11,373,345	–	–	–	15,721	120,949
Average net assets for 2018 ⁽³⁾	1,741,914	146,208	248,312	24,883,408	11,128	–	7,566	16,496	316,467
Ratio to average net assets									
Operating expenses	0.67%	0.67%	0.67%	0.67%	0.64%	0.00%	0.66%	0.67%	0.73%
Trade commissions	0.24%	0.26%	0.25%	0.25%	0.24%	0.00%	0.17%	0.22%	0.24%
Other transaction costs	0.71%	0.68%	0.71%	0.72%	0.23%	0.00%	0.61%	0.74%	0.71%
Interest and dividend expenses	0.86%	0.64%	0.85%	0.84%	0.37%	0.00%	0.10%	1.09%	0.78%
Total expenses	2.48%	2.25%	2.48%	2.48%	1.48%	0.00%	1.54%	2.72%	2.46%
Net investment income/(loss)	(0.79%)	(0.54%)	(0.75%)	(0.78%)	0.19%	0.00%	(0.10%)	(0.94%)	(0.79%)

12. Financial highlights (continued)

Per share operating performance	US Dollar	Sterling	US Dollar	US Dollar	Euro	Sterling	Yen	US Dollar	Euro	Sterling	Yen
	Class B US\$	Class B £	Class W US\$	L.P. Class W US\$	Class W €	Class W £	Class W ¥	Class Z US\$	Class Z €	Class Z £	Class Z ¥
Net asset value, beginning of year	2,786.39	2,901.80	1,030.01	973.47	950.28	962.34	1,001.16	145.54	142.21	146.02	13,965.40
Income from investment operations											
Net investment income/(loss)	(30.49)	(32.04)	9.36	(5.51)	(5.19)	(4.80)	(4.14)	(1.10)	(0.83)	(0.80)	8.21
Net realised and unrealised gain/(loss) on investments ⁽¹⁾	478.32	451.65	121.69	167.15	134.80	149.19	131.80	25.28	20.22	22.71	271.02
Total income/(loss) from investment operations	447.83	419.61	131.05	161.64	129.61	144.39	127.66	24.18	19.39	21.91	279.23
Net asset value fully redeemed during year	–	–	(1,161.06)	–	–	–	(1,128.82)	–	–	–	(14,244.63)
Net asset value, end of year	3,234.22	3,321.41	–	1,135.11	1,079.89	1,106.73	–	169.72	161.60	167.93	–
Total return before and after performance fee ⁽²⁾	16.07%	14.46%	12.72%	16.60%	13.64%	15.00%	12.75%	16.61%	13.63%	15.00%	2.00%
Supplemental data	US\$ '000	£ '000	US\$ '000	US\$ '000	€ '000	£ '000	¥ '000	US\$ '000	€ '000	£ '000	¥ '000
Net assets at 31 December 2018	65,704	341,390	–	3,599	49,850	80,083	–	54,171	598	169,993	–
Average net assets for 2018 ⁽³⁾	64,078	326,777	2,984	3,697	46,118	65,056	459,714	66,132	569	138,429	104,601
Ratio to average net assets											
Operating expenses	0.64%	0.64%	0.16%	0.19%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.14%
Trade commissions	0.24%	0.24%	0.20%	0.24%	0.25%	0.23%	0.25%	0.24%	0.24%	0.24%	0.12%
Other transaction costs	0.75%	0.76%	0.51%	0.77%	0.78%	0.78%	0.68%	0.72%	0.76%	0.79%	0.38%
Interest and dividend expenses	1.15%	1.19%	(1.32%)	1.17%	1.23%	1.40%	0.64%	0.88%	1.18%	1.26%	0.23%
Total expenses	2.78%	2.83%	(0.45%)	2.37%	2.43%	2.58%	1.74%	2.01%	2.35%	2.46%	0.87%
Net investment income/(loss)	(0.97%)	(1.02%)	2.21%	(0.56%)	(0.58%)	(0.70%)	(0.20%)	(0.26%)	(0.53%)	(0.60%)	0.35%

Operating expenses are total expenses from the Consolidated Statement of Operations, less interest and dividend expenses, trade commissions, other transaction costs and performance fee. Operating expenses, interest and dividend expenses, trade commission, other transaction costs and net investment income/(loss) ratios are annualised for classes that were not in existence for the full year. Total returns and ratios on performance fee are not annualised.

(1) Net realised gain and net change in unrealised loss is determined using the average number of shares of each Class at the end of each month.

(2) Total return is indicative of the Class' performance as a whole.

(3) Average net assets are determined using the weighted average net assets of the Class measured at the end of each month.

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13. Related party transactions

Brevan Howard Capital Management LP acting through its sole general partner, Brevan Howard Capital Management Limited, is Manager of the Master Fund. The Manager has appointed each of: (i) BHAM; (ii) BHIP; (iii) Brevan Howard (Hong Kong) Limited ("BHHK"); (iv) DW Partners, LP ("DW Partners"); (v) BH-DG Systematic Trading LLP ("BH-DG"); (vi) Brevan Howard US Investment Management, LP ("BHUSIM") and (vii) Brevan Howard Private Limited ("BHPL") as Investment Managers of the Master Fund's assets. The transactions with the Manager and Investment Managers and fees payable at the year end are disclosed in Note 4 and Note 5 to the Consolidated Financial Statements.

Each of BHAM, BHIP, BHHK, BHUSIM and BHPL are indirect subsidiaries of the Manager. In addition, the Manager indirectly holds minority, non-controlling equity interests in both BH-DG and DW Partners.

The Manager has appointed both BHAM and BHIP to provide certain ancillary services in respect of the Master Fund. With the consent of the Manager, BHAM has delegated the provision of certain of these ancillary services in respect to the Master Fund to Coremont LLP, an indirect subsidiary of the Manager.

As at 31 December 2018, the Manager indirectly held minority, non-controlling equity interests in the following entities that provide or have provided investment advice to BHIP, in its capacity as an Investment Manager of the Master Fund: (i) Harness Investment Group Limited; (ii) Penso Advisors, LLC; and (iii) Commonwealth Opportunity Capital GP LLC. As at 31 December 2018, Commonwealth Opportunity Capital GP LLC and Harness Investment Group Limited no longer provide investment advice to BHIP.

BH Global Limited ("BHG") is a Guernsey incorporated closed-ended investment company listed on the London Stock Exchange that invests all of its assets in the Brevan Howard Multi-Strategy Master Fund Limited ("BHMS"), a Cayman incorporated limited liability company that is permitted to invest its assets in investment funds managed by the Manager or its affiliates, including the Master Fund. The Manager of the Master Fund is also the manager of BHMS and BHG. BHMS held 11.12% (US\$271,391,936) of the net assets of the Master Fund through a holding of US Dollar, Euro and Sterling shares as at 31 December 2018.

As at 31 December 2018, the Master Fund held investments in funds managed by the Manager as set out in Note 5.

The Feeder Funds invest substantially all of their assets in the Master Fund. As at 31 December 2018, Brevan Howard Fund Limited, Brevan Howard L.P. and BH Macro Limited held 63.28%, 5.10% and 20.50% respectively of the net assets of the Master Fund.

During the year ended 31 December 2018, there were investments transferred from the Master Fund to Brevan Howard MB Macro Master Fund Limited ("BHMB"). BHMB paid cash to the Master Fund to buy the investments at Fair Market Value ("FMV"). FMV was determined by the independently verified prices as sourced by IFS, the fund Administrator.

The Master Fund transferred investments of US\$9,093,588 at FMV to BHMB on 1 May 2018. As a result of the transfer an unrealised loss of US\$(2,828,986) became realised by the Master Fund on the investments sold on 1 May 2018.

14. Investment in underlying funds

Investments in underlying funds are valued using NAV as a practical expedient, which is based on the latest NAV as calculated by the administrator of each fund. Due to the potential uncertainty of the valuation of the underlying funds, these values may differ significantly from the values that would have been used had an active secondary market for the investments existed, and such differences could be material. The Master Fund has the ability to liquidate its investments periodically, subject to the provisions of the respective investment offering memorandum. Certain funds in which the Master Fund invests may, in accordance with the terms of their respective governing documents, impose "gating" or similar limitations on the Master Fund's ability to affect redemptions/withdrawals.

14. Investment in underlying funds (continued)

At 31 December 2018, the Master Fund invested in eight funds in addition to those which have been consolidated, all of which are related parties. All such investments are individually identified in the table below. These underlying funds may invest in US and non-US equity securities (both long and short), options, other equity derivatives and other securities in accordance with each investment fund's offering memorandum. The relationship between the Master Fund and all affiliate funds in which it is invested is disclosed in Note 5.

Underlying Funds	% of Net Assets	Fair Market Value US\$'000	Income US\$'000	Notice Period	Liquidity
Brevan Howard AH Master Fund Limited	10.56	257,619	171,160	3 months**	Monthly
Brevan Howard AS Macro Master Fund Limited	12.25	299,114	8,193	Monthly	Monthly
Brevan Howard Emerging Markets Strategies Master Fund Limited	0.10	2,437	1,753	–	–
Brevan Howard Equity Strategies Master Fund Limited*	0.13	3,236	(32)	–	–
Brevan Howard Global Volatility Master Fund Limited	1.52	37,107	2,107	Monthly	Monthly
Brevan Howard MB Macro Master Fund Limited	10.43	254,649	4,649	3 months**	Monthly
Brevan Howard Strategic Opportunities Fund Limited*	0.13	3,198	(33)	–	–
WCG Strategies Fund Limited*	0.02	551	93	–	–
	35.14	857,911	187,890		

* The normal trading operations of the above underlying funds have ceased prior to 2018.

** Redemption forms are to be received on the fifth business day after the business day falling at least three months before the requested Redemption Day.

As of 31 December 2018, the above underlying funds were all domiciled in the Cayman Islands.

The extent of liability related to the Master Fund's investments in each underlying fund is limited to the Master Fund's capital balance in such fund.

The Master Fund invests in share classes of the underlying funds where no management fee or performance fee are charged.

The Master Fund's share of the following underlying fund's investment issuers held by the underlying funds constitutes greater than 5% of the Master Fund's total net assets as of 31 December, 2018.

The look through is performed considering the combined position of the Master Fund's direct holdings and the underlying fund's holdings.

			Underlying Fund's Fair Value US\$'000	Master Fund's Proportionate Share
Brevan Howard AH Master Fund Limited				
Long portfolio				
Fixed income securities				
Germany				
Government	880,000	BKO 0.0% 12/13/2019	1,012,360	139,344
	800,000	BKO 0.0% 03/13/2020	921,900	126,893
	1,295,000	BKO 0.0% 06/12/2020	1,495,184	205,801
			3,429,444	472,038
Total Fixed income securities			3,429,444	472,038
Total investments, at fair value			3,429,444	472,038
Brevan Howard AS Macro Master Fund Limited				
Long portfolio				
Fixed income securities				
Germany				
Government	484,036	OBL 0.0% 04/08/2022	563,082	268,538
Total Fixed income securities			563,082	268,538
Total investments, at fair value			563,082	268,538

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			Underlying Fund's Fair Value US\$'000	Master Fund's Proportionate Share
Brevan Howard AS Macro Master Fund Limited (continued)				
Short portfolio				
Fixed income securities				
Belgium				
Government	400,000	BGB 4.0% 03/28/2022	(522,604)	(249,233)
France				
Government	205,625	FRTR 3.0% 04/25/2022	(261,345)	(124,637)
Italy				
Government	205,000	BTPS 5.0% 03/01/2025	(272,641)	(130,024)
Spain				
Government	425,000	SPGB 0.75% 7/30/2021	(497,442)	(237,233)
	365,000	SPGB 1.4% 01/31/2020	(425,517)	(202,932)
			(922,959)	(440,165)
Total Fixed income securities			(1,979,549)	(944,059)
Total investments, sold short at fair value			(1,979,549)	(944,059)
Brevan Howard MB Macro Master Fund Limited				
Long portfolio				
Fixed income securities				
United States				
Government			358,950	133,247
Total Fixed income securities			358,950	133,247
Total investments, at fair value			358,950	133,247

Principal amounts are presented in '000.

15. Subsequent events

The Master Fund and its Subsidiaries evaluated subsequent events through 22 March 2019. No material events which would require to be disclosed or adjusted for in the Consolidated Financial Statements occurred after the year end.

Affirmation of the Commodity Pool Operator

31 December 2018

To the best of my knowledge and belief, the information detailed in these annual audited Consolidated Financial Statements is accurate and complete.



Name: Jonathan Wrigley

Title: Group Head of Finance and Authorised Signatory

Brevan Howard Capital Management Limited as general partner of Brevan Howard Capital Management LP, the manager and commodity pool operator of Brevan Howard Master Fund Limited.

22 March 2019

Notes

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Directors

Karla Bodden
Dennis Hunter
Philippe Lespinard
Phil Schmitt
Risto Silander
James Vernon

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