

BREVAN HOWARD

BREVAN HOWARD MASTER FUND LIMITED

ANNUAL AUDITED CONSOLIDATED
FINANCIAL STATEMENTS 2019 (WITH INDEPENDENT
AUDITORS' REPORT THEREON)

31 December 2019

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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	IBC Management and Administration



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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 2019, 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 2019, 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.

18 March 2020

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

31 December 2019

	2019 US\$'000
ASSETS	
Investments, at fair value (cost: US\$10,068,579) (Note 2,3,7)	10,940,670
Investments purchased under agreements to resell (cost: US\$3,077,034) (Note 9)	3,121,382
Cash (Note 2)	5
Due from brokers (Note 2)	888,432
Other receivables (Note 2,4)	34,164
Dividends and interest receivables (Note 2)	31,431
Other assets	1,236
TOTAL ASSETS	15,017,320
LIABILITIES	
Investments sold short, at fair value (proceeds: US\$3,505,254) (Note 2,3,7)	4,022,567
Investments sold under agreements to repurchase (proceeds: US\$6,034,844) (Note 9)	6,079,291
Due to brokers (Note 2)	766,338
Redemptions payable (Note 2)	80,618
Dividends and interest payable	26,795
Interest payable on credit facility (Note 16)	276
Accounts payable and accrued expenses (Note 6,7,8)	1,957
TOTAL LIABILITIES	10,977,842
Non-controlling interest (Note 2)	1,010,648
NET ASSETS (NOTE 10,14)	3,028,830
NET ASSET VALUE PER SHARE	
US Dollar Class A	US\$6,438.95
US Dollar L.P. Class A	US\$5,770.40
Euro Class A	€5,823.36
Sterling Class A	£6,819.04
Yen Class A	¥19,105.37
Norwegian Krone Class A	NOK1,953.33
US Dollar Class B	US\$3,635.03
Sterling Class B	£3,674.06
US Dollar Class J	US\$102.07
US Dollar L.P. Class J	US\$1,005.31
US Dollar L.P. Class W	US\$1,278.34
Euro Class W	€1,182.84
Sterling Class W	£1,229.28
US Dollar Class Z	US\$191.53
Euro Class Z	€177.02
Sterling Class Z	£186.55

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

See accompanying notes to the Consolidated Financial Statements.

Signed on behalf of the Board of Directors:

Dennis Hunter
DIRECTOR

Karla Bodden
DIRECTOR

18 March 2020

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS

31 December 2019

	PRINCIPAL '000	DESCRIPTION	FAIR VALUE US\$'000	% OF NET ASSETS
LONG PORTFOLIO				
Equities				
United States (cost US\$4,119)				
Funds			1,465	0.05
Financial			21,499	0.71
			22,964	0.76
TOTAL EQUITIES (COST US\$4,119)			22,964	0.76
Fixed income securities				
Argentina (cost US\$31,911)				
Financial			1,519	0.05
Government			32,548	1.07
			34,067	1.12
Austria (cost US\$64,210)				
Government			64,504	2.13
Finland (cost US\$52,859)				
Government			54,143	1.79
Germany (cost US\$361,323)				
Government				
	€ 171,910	DBR 2.50% 4 July 2044	296,196	9.78
		Other	101,952	3.37
			398,148	13.15
Ireland (cost US\$7,065)				
Mortgage Backed Securities			173	0.01
Italy (cost US\$664,150)				
Government				
	€ 21,686	BTPS 0.35% 1 February 2025	23,945	0.79
	€ 245,093	BTPS 1.45% 15 May 2025	285,510	9.43
	€ 107,572	BTPS 2.10% 15 July 2026	129,652	4.28
	€ 118,143	BTPS 2.25% 1 September 2036	139,244	4.60
	€ 109,228	BTPS 2.70% 1 March 2047	132,241	4.37
	€ 33,500	BTPS 2.80% 1 March 2067	39,222	1.29
			749,814	24.76

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS CONTINUED

31 December 2019

	PRINCIPAL '000	DESCRIPTION	FAIR VALUE US\$'000	% OF NET ASSETS
LONG PORTFOLIO (CONTINUED)				
Fixed income securities (continued)				
Japan (cost US\$441,022)				
Government				
	¥16,000,000	JTDB 0.00% 27 January 2020	147,254	4.86
	¥21,500,000	JTDB 0.00% 10 February 2020	197,883	6.53
	¥10,000,000	JTDB 0.00% 2 March 2020	92,046	3.04
			437,183	14.43
Jersey (cost US\$71)				
Asset Backed Securities				
			0	0.00
Luxembourg (cost US\$10,055)				
Mortgage Backed Securities				
			556	0.02
Mexico (cost US\$503)				
Mortgage Backed Securities				
			0	0.00
Netherlands (cost US\$419,396)				
Government				
	€ 122,008	NETHER 0.00% 15 January 2024	139,575	4.61
	€ 38,893	NETHER 0.25% 15 July 2029	44,948	1.48
	€ 27,064	NETHER 0.50% 15 January 2040	31,570	1.04
	€ 126,308	NETHER 5.50% 15 January 2028	206,824	6.83
			422,917	13.96
Senegal (cost US\$5,506)				
Government				
			5,364	0.18
Spain (cost US\$175,082)				
Government				
	€ 155,908	SPGB 0.05% 31 January 2021	175,943	5.81
			175,943	5.81
United Kingdom (cost US\$829,204)				
Government				
	£200,750	UKT 0.88% 22 October 2029	267,445	8.83
	£51,650	UKT 1.63% 22 October 2054	75,294	2.49
	£72,500	UKT 2.50% 22 July 2065	139,228	4.60
	£41,250	UKT 4.25% 7 December 2040	84,520	2.79
	£114,950	UKT 4.25% 7 December 2049	263,055	8.68
Mortgage Backed Securities				
			61	0.00
			829,603	27.39

	PRINCIPAL '000	DESCRIPTION	FAIR VALUE US\$'000	% OF NET ASSETS
LONG PORTFOLIO (CONTINUED)				
Fixed income securities (continued)				
United States (cost US\$5,839,063)				
Asset Backed Securities			1,092	0.04
Government				
	US\$230,000	B 0.00% 23 January 2020	229,770	7.59
	US\$485,000	B 0.00% 5 March 2020	483,664	15.97
	US\$240,000	B 0.00% 16 April 2020	238,932	7.89
	US\$245,000	T 0.00% 16 January 2020	244,881	8.08
	US\$300,000	T 0.00% 30 January 2020	299,654	9.89
	US\$78,000	T 0.00% 6 February 2020	77,886	2.57
	US\$355,000	T 0.00% 13 February 2020	354,393	11.70
	US\$350,000	T 0.00% 20 February 2020	349,287	11.53
	US\$75,900	T 1.50% 30 November 2024	75,289	2.49
	US\$85,000	T 1.63% 31 October 2026	83,977	2.77
	US\$100,000	T 1.63% 30 November 2026	98,853	3.26
	US\$170,000	T 1.63% 15 August 2029	165,856	5.48
	US\$164,000	T 1.75% 30 June 2024	164,551	5.43
	US\$415,000	T 1.75% 31 July 2024	416,427	13.75
	US\$120,000	T 1.75% 31 December 2026	119,456	3.94
	US\$800,000	T 2.00% 31 May 2024	811,250	26.78
	US\$100,000	T 2.00% 15 August 2025	101,422	3.35
	US\$250,000	T 2.00% 15 November 2026	253,008	8.35
	US\$50,000	T 2.13% 29 February 2024	50,941	1.68
	US\$200,000	T 2.13% 31 March 2024	203,766	6.73
	US\$300,000	T 2.25% 30 April 2024	307,266	10.14
	US\$75,000	T 2.38% 15 August 2024	77,320	2.55
	US\$100,000	T 2.50% 15 May 2024	103,508	3.42
	US\$200,000	T 2.63% 15 December 2021	204,008	6.74
	US\$27,000	T 2.88% 15 August 2045	29,683	0.98
	US\$171,700	T 3.00% 15 May 2045	192,814	6.37
	US\$35,000	T 3.00% 15 February 2049	39,714	1.31
	US\$31,000	T 4.50% 15 February 2036	41,211	1.36
Mortgage Backed Securities			797	0.03
			5,820,676	192.17
TOTAL FIXED INCOME SECURITIES (COST US\$8,901,420)			8,993,091	296.92

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS CONTINUED

31 December 2019

	FAIR VALUE US\$'000	% OF NET ASSETS
LONG PORTFOLIO (CONTINUED)		
Private placement		
Italy (cost US\$4,415)		
Financial	438	0.01
TOTAL PRIVATE PLACEMENT (COST US\$4,415)	438	0.01
Interest rate guarantee options (cost US\$11,632)		
USD	6,117	0.20
Other	5	0.00
	6,122	0.20
Forward rate agreements (cost US\$363)		
USD	20,488	0.68
Other	1,081	0.04
	21,569	0.72
Cross currency swaps		
TRY/USD	7,284	0.24
Other	375	0.01
	7,659	0.25
Interest rate swaps (cost US\$2,815)		
CLP	3,645	0.12
CZK	8,154	0.27
EUR	91,371	3.02
GBP	30,103	0.99
HUF	9,103	0.30
ILS	4,863	0.16
KRW	1,590	0.05
MXN	13,977	0.47
PLN	4,292	0.14
RUB	7,788	0.26
USD	36,991	1.22
ZAR	2,709	0.09
Other	2,478	0.08
	217,064	7.17

	FAIR VALUE US\$'000	% OF NET ASSETS
LONG PORTFOLIO (CONTINUED)		
Swaptions (cost US\$51,961)		
EUR	13,709	0.45
USD	18,234	0.60
Other	1,764	0.06
	33,707	1.11
FX contracts		
BRL/USD	1,516	0.05
EUR/GBP	7,540	0.25
EUR/USD	6,034	0.20
GBP/USD	126,052	4.16
INR/USD	3,311	0.11
JPY/USD	6,632	0.22
MXN/USD with Maturity dates from 2 January 2020 to 16 December 2020	164,274	5.42
RUB/USD	30,385	1.00
TRY/USD	67,897	2.24
TWD/USD	2,336	0.08
ZAR/USD	10,042	0.33
Other	13,193	0.44
	439,212	14.50
Exchange traded futures		
30 Day Fed Fund	1,806	0.06
Crude Oil	2,269	0.07
Euro	4,605	0.15
Eurodollar	14,898	0.50
US Treasury	10,423	0.34
Other	4,612	0.15
	38,613	1.27
Exchange traded options (cost US\$91,258)		
Euro	23,345	0.77
Eurodollar	20,560	0.68
Other	419	0.01
	44,324	1.46
Commodity options (cost US\$2,196)		
XAU	1,930	0.06
Other	1,543	0.05
	3,473	0.11

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS CONTINUED

31 December 2019

	FAIR VALUE US\$'000	% OF NET ASSETS
LONG PORTFOLIO (CONTINUED)		
Equity options (cost US\$617)	471	0.02
FX options (cost US\$196,479)		
EUR/GBP	81,866	2.70
EUR/USD	20,998	0.69
GBP/USD	37,282	1.23
NZD/CAD	2,441	0.08
USD/BRL	3,666	0.12
USD/Basket	3,861	0.13
USD/CAD	7,409	0.25
USD/CHF	1,867	0.06
USD/CNH	4,223	0.14
USD/IDR	3,251	0.11
USD/JPY	4,713	0.16
USD/KRW	1,553	0.05
USD/MXN	8,801	0.29
USD/NZD	4,309	0.14
USD/ZAR	6,700	0.22
Other	7,795	0.26
	200,735	6.63
Equity swaps	3,056	0.10
Volatility swaps		
	823	0.03
Investments in unconsolidated Affiliate Funds (cost US\$801,304)		
Brevan Howard AH Master Fund Limited	233,506	7.71
Brevan Howard AS Macro Master Fund Limited	339,165	11.20
Brevan Howard Emerging Markets Strategies Master Fund Limited	2,428	0.08
Brevan Howard Equity Strategies Master Fund Limited	3,228	0.11
Brevan Howard Global Volatility Master Fund Limited	32,423	1.07
Brevan Howard MB Macro Master Fund Limited	291,465	9.62
Brevan Howard Strategic Opportunities Fund Limited	3,591	0.12
WCG Strategies Fund Limited	1,543	0.05
	907,349	29.96
TOTAL INVESTMENTS, AT FAIR VALUE (COST US\$10,068,579)	10,940,670	361.22

	PRINCIPAL '000	DESCRIPTION	FAIR VALUE US\$'000	% OF NET ASSETS
LONG PORTFOLIO (CONTINUED)				
Investments purchased under agreements to resell				
Belgium (cost US\$48,984)			49,590	1.64
Finland (cost US\$7,173)			7,270	0.24
France (cost US\$444,804)				
JP Morgan Securities PLC	€ 93,500	Maturity date 7 January 2020, interest at (0.55%)	117,214	3.87
JP Morgan Securities PLC	€ 172,000	Maturity date 16 January 2020, interest at (0.55%)	218,410	7.21
Other			196,364	6.48
			531,988	17.56
Gross amounts eligible to offset			(78,252)	(2.58)
			453,736	14.98
Germany (cost US\$352,293)				
Merrill Lynch International	€ 31,238	Maturity date 13 January 2020, interest at (0.64%) – (0.60%)	58,512	1.93
Merrill Lynch International	€ 130,500	Maturity date 15 January 2020, interest at (0.60%)	233,991	7.73
Other			79,879	2.64
			372,382	12.30
Gross amounts eligible to offset			(14,628)	(0.48)
			357,754	11.82
Italy (cost US\$550,525)				
JP Morgan Securities PLC	€ 103,320	Maturity date 8 January 2020, interest at (0.46%)	140,949	4.65
JP Morgan Securities PLC	€ 262,421	Maturity date 17 January 2020, interest at (0.47%) – (0.42%)	331,624	10.95
Other			180,162	5.95
			652,735	21.55
Gross amounts eligible to offset			(91,416)	(3.02)
			561,319	18.53
Netherlands (cost US\$107,142)			108,464	3.58
Portugal (cost US\$223,737)			226,671	7.48
Spain (cost US\$67,755)			68,772	2.27
South Africa (cost US\$317)			316	0.01

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS CONTINUED

31 December 2019

	PRINCIPAL '000	DESCRIPTION	FAIR VALUE US\$'000	% OF NET ASSETS
LONG PORTFOLIO (CONTINUED)				
Investments purchased under agreements to resell (continued)				
United Kingdom (cost US\$931,652)				
Citigroup Global Markets Limited	£51,050	Maturity date 6 January 2020, interest at 0.75% – 0.78%	116,831	3.86
Citigroup Global Markets Limited	£35,445	Maturity date 13 January 2020, interest rate 0.71%	54,973	1.81
Citigroup Global Markets Limited	£20,000	Maturity date 30 January 2020, interest rate 0.70%	30,233	1.00
Citigroup Global Markets Limited	£17,000	Maturity date 4 February 2020, interest rate 0.75%	38,512	1.27
Merrill Lynch International	£55,092	Maturity date 10 January 2020, interest at 0.70% – 0.78%	84,310	2.78
Merrill Lynch International	£17,697	Maturity date 29 January 2020, interest rate 0.74%	35,869	1.18
Merrill Lynch International	£26,164	Maturity date 3 February 2020, interest rate 0.74%	58,755	1.94
Merrill Lynch International	£49,250	Maturity date 17 February 2020, interest rate 0.74%	89,671	2.96
Merrill Lynch International	£74,879	Maturity date 19 February 2020, interest rate 0.74%	158,599	5.24
Nomura International Plc	£269,750	Maturity date 8 January 2020, interest at 0.72% – 0.76%	384,555	12.70
Nomura International Plc	£99,150	Maturity date 27 January 2020, interest at 0.72% – 0.80%	148,083	4.89
Nomura International Plc	£46,160	Maturity date 17 February 2020, interest rate 0.74%	91,297	3.01
Other			24,499	0.81
			1,316,187	43.45
Gross amounts eligible to offset			(371,475)	(12.26)
			944,712	31.19
United States (cost US\$342,652)				
JP Morgan Securities LLC	US\$228,300	Maturity date 6 January 2020, interest at 1.60% – 1.67%	227,426	7.51
Other			116,835	3.86
			344,261	11.37
Gross amounts eligible to offset			(1,483)	(0.05)
			342,778	11.32
TOTAL INVESTMENTS PURCHASED UNDER AGREEMENTS TO RESELL (COST US\$3,077,034)			3,121,382	103.06

	PRINCIPAL '000	DESCRIPTION	FAIR VALUE US\$'000	% OF NET ASSETS
SHORT PORTFOLIO				
Fixed income securities				
Belgium (proceeds (US\$48,685))				
Government			(48,825)	(1.61)
Finland (proceeds (US\$6,498))				
Government			(7,057)	(0.23)
France (proceeds (US\$451,184))				
Government				
	€ (57,000)	FRTR 0.00% 25 May 2021	(64,517)	(2.13)
	€ (9,973)	FRTR 0.00% 25 November 2029	(11,067)	(0.37)
	€ (147,000)	FRTR 3.75% 25 April 2021	(174,513)	(5.76)
	€ (143,500)	FRTR 4.25% 25 October 2023	(190,510)	(6.29)
	€ (3,503)	FRTR 4.50% 25 April 2041	(6,948)	(0.23)
			(447,555)	(14.78)
Germany (proceeds (US\$318,489))				
Government				
	€ (28,529)	DBR 0.00% 15 August 2029	(32,606)	(1.07)
	€ (10,507)	DBR 0.25% 15 February 2029	(12,314)	(0.41)
	€ (156,500)	DBR 2.50% 15 August 2046	(275,340)	(9.09)
	€ (14,184)	DBR 4.75% 4 July 2040	(30,777)	(1.02)
			(351,037)	(11.59)
Italy (proceeds (US\$515,642))				
Government				
	€ (65,000)	BTPS 1.60% 1 June 2026	(76,345)	(2.52)
	€ (69,653)	BTPS 1.85% 15 May 2024	(82,818)	(2.73)
	€ (96,820)	BTPS 3.25% 1 September 2046	(128,474)	(4.24)
	€ (64,768)	BTPS 5.00% 1 March 2025	(88,684)	(2.93)
	€ (26,000)	BTPS 5.00% 1 August 2034	(41,028)	(1.36)
	€ (87,000)	BTPS 7.25% 1 November 2026	(138,175)	(4.56)
			(555,524)	(18.34)
Netherlands (proceeds (US\$105,094))				
Government			(104,787)	(3.46)
Portugal (proceeds (US\$218,970))				
Government				
	€ (35,000)	PGB 1.95% 15 June 2029	(44,788)	(1.48)
	€ (16,000)	PGB 2.13% 17 October 2028	(20,664)	(0.68)
	€ (130,000)	PGB 3.85% 15 April 2021	(154,251)	(5.09)
			(219,703)	(7.25)

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS CONTINUED

31 December 2019

	PRINCIPAL '000	DESCRIPTION	FAIR VALUE US\$'000	% OF NET ASSETS
SHORT PORTFOLIO (CONTINUED)				
Fixed income securities (continued)				
Spain (proceeds (US\$69,535))				
Government			(68,619)	(2.27)
United Kingdom (proceeds (US\$859,590))				
Government				
	£(16,550)	UKT 1.50% 22 July 2047	(22,831)	(0.75)
	£(214,000)	UKT 1.63% 22 October 2028	(305,631)	(10.10)
	£(37,500)	UKT 1.63% 22 October 2071	(58,183)	(1.92)
	£(83,850)	UKT 1.75% 22 July 2057	(128,530)	(4.24)
	£(78,180)	UKT 3.25% 22 January 2044	(144,596)	(4.77)
	£(37,050)	UKT 3.75% 22 July 2052	(81,440)	(2.69)
	£(53,600)	UKT 4.25% 7 December 2046	(118,124)	(3.90)
			(859,335)	(28.37)
United States (proceeds (US\$633,607))				
Government				
	US\$(82,000)	T 1.75% 31 December 2024	(82,256)	(2.72)
	US\$(291,300)	T 1.75% 15 November 2029	(287,295)	(9.49)
	US\$(100,700)	T 2.25% 15 August 2049	(98,324)	(3.25)
	US\$(161,400)	T 2.38% 15 November 2049	(161,879)	(5.34)
			(629,754)	(20.80)
TOTAL FIXED INCOME SECURITIES (PROCEEDS (US\$3,227,294))			(3,292,196)	(108.70)
Interest rate guarantee options (proceeds (US\$5,393))				
USD			(2,262)	(0.07)
Other			(5)	(0.00)
			(2,267)	(0.07)
Forward rate agreements				
USD			(10,259)	(0.34)
Other			(1,251)	(0.04)
			(11,510)	(0.38)
Cross currency swaps				
TRY/USD			(4,382)	(0.14)
Other			(226)	(0.01)
			(4,608)	(0.15)

	FAIR VALUE US\$'000	% OF NET ASSETS
SHORT PORTFOLIO (CONTINUED)		
Interest rate swaps (proceeds (US\$1,783))		
CLP	(3,677)	(0.12)
CZK	(2,877)	(0.09)
EUR	(61,611)	(2.04)
GBP	(37,345)	(1.23)
HUF	(7,219)	(0.24)
ILS	(3,300)	(0.11)
MXN	(15,682)	(0.52)
PLN	(3,455)	(0.11)
RUB	(2,039)	(0.07)
USD	(55,674)	(1.84)
ZAR	(4,450)	(0.15)
Other	(2,217)	(0.07)
	(199,546)	(6.59)
Swaptions (proceeds (US\$14,759))		
EUR	(3,888)	(0.13)
GBP	(1,576)	(0.05)
USD	(19,206)	(0.64)
Other	(407)	(0.01)
	(25,077)	(0.83)
FX contracts		
BRL/USD	(1,918)	(0.06)
CNH/USD	(1,823)	(0.06)
EUR/CHF	(1,515)	(0.05)
EUR/GBP	(3,425)	(0.11)
GBP/USD	(18,126)	(0.60)
JPY/USD	(1,681)	(0.06)
MXN/USD with Maturity dates from 3 January 2020 to 17 December 2020	(154,490)	(5.11)
RUB/USD	(24,040)	(0.79)
TRY/USD	(49,075)	(1.62)
TWD/USD	(2,214)	(0.07)
ZAR/USD	(4,281)	(0.14)
Other	(9,074)	(0.30)
	(271,662)	(8.97)

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS CONTINUED

31 December 2019

	FAIR VALUE US\$'000	% OF NET ASSETS
SHORT PORTFOLIO (CONTINUED)		
Exchange traded futures		
30 Day Fed Fund	(2,552)	(0.08)
Crude Oil	(2,152)	(0.07)
Euro	(2,039)	(0.07)
Eurodollar	(6,065)	(0.20)
Other	(3,063)	(0.10)
	(15,871)	(0.52)
Exchange traded options (proceeds (US\$66,768))		
Euro	(23,991)	(0.80)
Eurodollar	(7,652)	(0.25)
Other	(1,952)	(0.06)
	(33,595)	(1.11)
Commodity options (proceeds (US\$304))		
	(1,242)	(0.04)
Equity options (proceeds (US\$6,117))		
	(92)	(0.00)
FX options (proceeds (US\$182,836))		
AUD/USD	(1,584)	(0.05)
EUR/GBP	(64,897)	(2.14)
EUR/USD	(15,916)	(0.53)
GBP/USD	(32,163)	(1.06)
USD/CHF	(1,867)	(0.06)
USD/CNH	(2,872)	(0.09)
USD/IDR	(3,251)	(0.11)
USD/JPY	(4,555)	(0.15)
USD/MXN	(5,032)	(0.17)
USD/NZD	(3,302)	(0.11)
USD/ZAR	(13,276)	(0.44)
Other	(8,146)	(0.27)
	(156,861)	(5.18)
Equity swaps		
	(6,280)	(0.21)
Volatility swaps		
	(1,760)	(0.06)
TOTAL INVESTMENTS, SOLD SHORT AT FAIR VALUE (PROCEEDS (US\$3,505,254))	(4,022,567)	(132.81)

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

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended 31 December 2019

	2019 US\$'000
INVESTMENT INCOME	
Interest income	176,431
Dividend income (net of withholding tax of US\$168)	238
Other income	1,416
TOTAL INVESTMENT INCOME	178,085
EXPENSES	
Interest expense	137,497
Bank loan interest (Note 16)	803
Custody fees	574
Administration fee (Note 8)	3,879
Trade commissions	10,111
Operational services fee (Note 6)	10,305
Professional fees and other	2,242
Execution fees and other transaction costs	34,017
TOTAL EXPENSES	199,428
NET INVESTMENT LOSS	(21,343)
NET REALISED AND CHANGE IN UNREALISED GAIN/(LOSS) ON INVESTMENTS	
Net realised loss on investments (Note 2)	(40,073)
Net change in unrealised gain on investments (Note 2)	485,672
NET REALISED AND CHANGE IN UNREALISED GAIN ON INVESTMENTS	445,599
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS	424,256
NON-CONTROLLING INTEREST SHARE IN NET GAIN (NOTE 2)	(76,571)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	347,685

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 2019

	2019 US\$'000
OPERATIONS	
Net investment loss	(21,343)
Net realised loss on investments	(40,073)
Net change in unrealised gain on investments	485,672
Non-controlling interest share in net gain (Note 2)	(76,571)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	347,685
SHARE CAPITAL TRANSACTIONS	
Issue of shares	
US Dollar Class A	544,976
US Dollar L.P. Class A	48,431
Euro Class A	57,859
Sterling Class A	69,988
Yen Class A	13,879
US Dollar Class B	1,278
US Dollar Class J	250
US Dollar L.P. Class J	2,850
Redemption of shares	
US Dollar Class A	(240,306)
US Dollar L.P. Class A	(65,933)
Euro Class A	(3,601)
Sterling Class A	(36,597)
Yen Class A	(60,385)
US Dollar Class B	(1,970)
Sterling Class B	(14,362)
US Dollar Class J	(1)
US Dollar L.P. Class J	(11)
US Dollar L.P. Class W	(91)
Euro Class W	(1,067)
Sterling Class W	(2,350)
US Dollar Class Z	(22,000)
Sterling Class Z	(50,842)
NET INCREASE IN NET ASSETS RESULTING FROM SHARE CAPITAL TRANSACTIONS	239,995
NET INCREASE IN NET ASSETS	587,680
NET ASSETS – BEGINNING OF THE YEAR	2,441,150
NET ASSETS – END OF THE YEAR	3,028,830

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	347,685
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Proceeds from sales of securities	134,610,556
Purchases of securities	(138,549,040)
Proceeds from securities sold short	157,883,355
Payments to cover securities sold short	(159,064,890)
Payments for derivative contracts	(3,934,215)
Proceeds from derivative contracts	3,919,237
Net realised gain on investments	(74,637)
Net realised loss on derivative contracts	98,398
Net change in unrealised gain on investments	(126,065)
Net change in unrealised gain on derivative contracts	(326,657)
Decrease in investments purchased under agreements to resell	1,150,732
Increase in investments sold under agreements to repurchase	3,455,515
Increase in other receivable	(34,164)
Increase in dividends and interest receivable	(18,336)
Increase in other assets	(820)
Decrease in accounts payable and accrued expenses	(1,736)
Decrease in dividends and interest payable	(16,323)
Increase in interest payable on credit facility	276
NET CASH USED IN OPERATING ACTIVITIES	(681,129)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds on issue of shares	739,511
Payments on redemption of shares, net of change in redemptions payable	(523,100)
NET CASH PROVIDED BY FINANCING ACTIVITIES	216,411
NET DECREASE IN CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS)	(464,718)
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS) - BEGINNING OF THE YEAR	586,817
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS) - END OF THE YEAR	122,099
Supplemental disclosure of cash flow information:	
<i>Interest paid</i>	185,922
<i>As of 31 December 2019, the amounts included in cash and cash equivalents (including restricted cash and cash equivalents) include the following:</i>	
Cash	5
Due from brokers - Restricted cash	263,782
Due from brokers - Non restricted cash	624,650
Due to brokers - Restricted cash	(211,518)
Due to brokers - Non restricted cash	(554,820)
TOTAL CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS)	122,099

See accompanying notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

1. ORGANISATION

Brevan Howard Master Fund Limited (the "Master Fund") is an exempted limited liability company which was incorporated under the Companies Law (as Revised) of the Cayman Islands on 22 January 2003 and commenced trading on 1 April 2003. The Master Fund was 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, has been appointed as Manager of the Master Fund. The Manager is registered as a Commodity Pool Operator with the United States Commodity Futures Trading Commission 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 ("BHKK"); (iv) DW Partners, LP ("DW"); (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 (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 the future appoint affiliates of the Manager as Investment Managers in addition to, or in substitution for, the Investment Managers. The Manager and the Investment Managers (and/or their partners, members, directors, employees, related entities and connected persons and their respective partners, members, directors and employees) may subscribe, directly or indirectly, for shares or partnership interests in the Master Fund's feeder funds.

The feeder funds to the Master Fund are Brevan Howard Fund Limited (the "Feeder Fund"), Brevan Howard L.P. (the "Partnership") and BH Macro Limited (together the "Feeder Funds").

The registered office of the Master Fund is at the offices of Maples Corporate Services Limited, P.O. Box 309, 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") and have been rounded to the nearest US\$1,000.

For Financial Statements reporting purposes, the Master Fund is an investment company and follows the accounting and reporting guidance in the Financial Accounting Standards Board's Accounting Standards Codification Topic 946, *Financial Services – Investment Companies*, in the preparation of its Consolidated Financial Statements. The Master Fund did not provide financial support to any related parties or investee entities during the current year.

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 of 31 December 2019:

- 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, 52.34% of BHAL and 64.16% of BFG respectively, in each case as of 31 December 2019.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

The following table presents the changes in non-controlling interest for the year end 31 December 2019.

	US'000
Non-controlling interest, beginning of the year	315,491
Subscription of non-controlling interest	657,140
Redemption of non-controlling interest	(38,554)
Non-controlling interest share in net gain	76,571
Non-controlling interest, end of the year	1,010,648

Security transactions and valuation

Security transactions are accounted for on a trade date basis measured 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 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 specific identification method. Realised and change in unrealised gains and losses at the reporting date are recorded 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 over the lives of the respective debt securities.

Interest on bank loan is included in the bank loan interest in the Consolidated Statement of Operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income and expense recognition (continued)

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 over the lives of the respective debt securities.

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 investments purchased under agreements to resell and investments sold 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 is recorded as interest income or interest expense, 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.

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. Changes in fair values are included in net change in unrealised gain on investments in the Consolidated Statement of Operations in the year in which the changes occur. The Master Fund and its Subsidiaries generally record a realised gain or loss on the expiration, termination, or settlement of a derivative contract.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instrument (continued)

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 gains or losses. 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 gains or losses at the reporting date are 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 in 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 2019 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 THE YEAR END	TRANSACTIONS DURING THE YEAR	VAR* US\$'000	ASSETS US\$'000	LIABILITIES US\$'000
Commodity Contracts	57	8,917	1,769	8,238	3,564
Credit Contracts	–	6	–	–	–
Equity Contracts	328	19,175	933	3,852	7,216
Foreign Exchange Contracts	2,676	110,886	5,782	649,087	435,149
Interest Rate Contracts	944	110,505	9,110	355,651	284,442
FAIR VALUE OF DERIVATIVE CONTRACTS				1,016,828	730,371

* Value at risk ("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\$10,711,586. Total VaR for the Master Fund and its Subsidiaries, including derivatives, non-derivatives and investments in affiliated entities, is US\$7,945,353.

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 2019 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 loss and change in unrealised gain on investments in the Consolidated Statement of Operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instrument (continued)

	REALISED GAIN/(LOSS) YEAR ENDED 31 DECEMBER 2019 US\$'000	CHANGE IN UNREALISED GAIN/(LOSS) YEAR ENDED 31 DECEMBER 2019 US\$'000
DERIVATIVE CONTRACTS FOR TRADING ACTIVITIES		
Commodity Contracts	862	111
Credit Contracts	(460)	–
Equity Contracts	3,074	(3,311)
Foreign Exchange Contracts	(176,338)	248,859
Interest Rate Contracts	74,464	80,998
TOTAL	(98,398)	326,657

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 in 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 and change in unrealised gain 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, including the fair value of investments, 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 year. 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.

Amounts due from and to brokers are presented on a net basis, by counterparty, to the extent the Master Fund and its Subsidiaries have the legal right to offset the recognised amounts and intends to settle on a net basis.

The Master Fund and its Subsidiaries present OTC derivatives that are executed with the same counterparty under the same master netting agreement on a net basis when the criteria for the right of setoff are met.

Cash, cash equivalents and restricted cash

Cash consists of bank balances. Cash, including cash denominated in foreign currencies, represents cash deposits held at financial institutions. Cash equivalents include short-term, highly liquid investments of sufficient credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash equivalents are carried at cost, plus accrued interest, which approximates fair value. Cash equivalents are held to meet short term liquidity requirements, rather than for investment purposes. Restricted cash is subject to a legal or contractual restriction by third parties as well as a restriction as to withdrawal or use, including restrictions that require the funds to be used for a specified purpose and restrictions that limit the purpose for which the funds can be used. The Master Fund considers cash pledged as collateral for securities sold short and cash collateral posted with counterparties for derivative contracts to be restricted cash. Foreign currency with a current value of US\$478 and an acquisition cost of US\$478 is included in cash.

Due from and to brokers

BALANCE DUE FROM BROKERS	US\$
Balance pledged as collateral	263,781,914
Balance unpledged	624,650,507
	888,432,421

Included in the balance pledged as collateral were US\$54,465,150 pledged to counterparties of OTC derivatives, US\$58,385,345 as initial margin related to the Master Fund's futures trading activities and US\$150,931,419 as collateral for other assets.

BALANCE DUE TO BROKERS	US\$
Balance held as collateral	211,517,895
Balance not held as collateral	554,819,975
	766,337,870

Included in the balance held as collateral were US\$210,594,179 held from counterparties of OTC derivatives and US\$923,716 as initial margin related to the Master Fund's futures trading activities.

Amounts due from brokers may be restricted if they serve as deposits for securities sold short.

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 at the end of each month in proportion to their monthly NAV balances as of the beginning of the month.

Redemptions payable

Redemptions are recognised as liabilities when the value of such redemptions are calculated at the requested redemption date. As a result, redemptions paid after the end of the year, based on the NAV of the Master Fund and its Subsidiaries at year end, are included in redemptions payable as of 31 December 2019. Redemption notices received for which the dollar amount is not fixed remain in net assets until the NAV used to determine the redemption and share amounts are determined.

As of 31 December 2019, the redemptions payable by the Master Fund and its Subsidiaries amounted to US\$80,618,262.

Other receivables

The Master Fund recognises claim receivables as financial assets at their net realisable value. See note 4 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurements (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurements*. 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 measurements 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 Consolidated Financial Statements as of 31 December 2019.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash*, which requires the Statement of Cash Flows to explain the change during the year in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of the year and end of the year total amounts shown in the Statement of Cash Flows. The Master Fund adopted ASU 2016-18 on a retrospective basis as of 1 January 2019. The effects of adopting this accounting guidance resulted in the reclassification of restricted cash in the Statement of Cash Flows and the addition of disclosures regarding the nature of the restrictions on restricted cash.

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 Measurements (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 measurements and are unobservable.

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

Investments in private investment companies are valued utilising the NAVs 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 NAV of the investment.

3. FAIR VALUE MEASUREMENTS (CONTINUED)

The hierarchy requires the use of observable market data when available. As required by Topic 820, investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The following is a summary of the levels within the fair value hierarchy for the Master Fund and its Subsidiaries' investments as of 31 December 2019:

Assets

FAIR VALUE MEASUREMENTS AT REPORTING DATE:	LEVEL 1: US\$'000	LEVEL 2: US\$'000	LEVEL 3: US\$'000	TOTAL US\$'000
Equities	21,888	1,076	–	22,964
Private Placements	–	–	438	438
Fixed Income Securities:				
Asset Backed Securities	–	1,083	9	1,092
Corporate Debt Securities	–	1,519	–	1,519
Mortgage Backed Securities	–	940	647	1,587
Non-US Government Debt	3,170,106	–	–	3,170,106
US Government Debt	5,818,787	–	–	5,818,787
Derivatives:				
Commodity Contracts	4,897	3,341	–	8,238
Equity Contracts	496	3,356	–	3,852
Foreign Exchange Contracts	657	648,430	–	649,087
Interest Rate Contracts	34,386	321,265	–	355,651
SUBTOTAL	9,051,217	981,010	1,094	10,033,321
Investments purchased under agreements to resell:				
Non-US Government Securities	–	2,778,604	–	2,778,604
US Government Securities	–	342,778	–	342,778
TOTAL INVESTMENTS PURCHASED UNDER AGREEMENTS TO RESELL	–	3,121,382	–	3,121,382
Investments in unconsolidated Affiliate Funds measured at NAV*				907,349
TOTAL ASSETS				14,062,052

* Investments in unconsolidated Affiliate Funds as of 31 December 2019 are excluded from the fair value hierarchy leveling as the fair value of these investments were measured at NAV as a practical expedient.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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3. FAIR VALUE MEASUREMENTS (CONTINUED)

Liabilities

FAIR VALUE MEASUREMENTS 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	2,662,442	–	–	2,662,442
US Government Debt	629,754	–	–	629,754
Derivatives:				
Commodity Contracts	2,688	876	–	3,564
Equity Contracts	844	6,372	–	7,216
Foreign Exchange Contracts	261	434,888	–	435,149
Interest Rate Contracts	13,339	271,103	–	284,442
SUBTOTAL	3,309,328	713,239	–	4,022,567
TOTAL LIABILITIES	3,309,328	713,239	–	4,022,567

The fair value of equities, private placements and fixed income 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 2019. The Master Fund and its Subsidiaries had no investments measured at fair value on a non-recurring basis during the year ended 31 December 2019.

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 change in 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

INVESTMENTS	ASSET BACKED SECURITIES US\$'000	CORPORATE DEBT US\$'000	MORTGAGE BACKED SECURITIES US\$'000	PRIVATE PLACEMENTS US\$'000	DERIVATIVES US\$'000	TOTAL US\$'000
Beginning balance as of 1 January 2019	3	–	329	366	2,868	3,566
Purchases	–	–	–	–	744	744
Sales	(48)	(30)	(47)	–	(1,982)	(2,107)
Transfer in to Level 3	53	–	231	–	204	488
Transfer out of Level 3	(3)	–	(2)	–	(19)	(24)
Realised gain/(loss)	(1,163)	30	(10,604)	–	610	(11,127)
Change in unrealised gain/(loss)	1,167	–	10,740	72	(2,425)	9,554
ENDING BALANCE AS OF 31 DECEMBER 2019	9	–	647	438	–	1,094

3. FAIR VALUE MEASUREMENTS (CONTINUED)**Liabilities**

INVESTMENTS	DERIVATIVES US\$'000	TOTAL US\$'000
Beginning balance as of 1 January 2019	(719)	(719)
Change in unrealised gain	719	719
ENDING BALANCE AS OF 31 DECEMBER 2019	–	–

The change in unrealised gains/(losses) for the year ended 31 December 2019 for Level 3 investments still held at 31 December 2019 amounted to an unrealised loss of US\$613,930 and is included in net change in unrealised gain on investments in the Consolidated Statement of Operations.

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 2019:

	FAIR VALUE US\$'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS	RANGE
Asset Backed Securities & Mortgage Backed Securities	656	Broker quote	Constant default rate/conditional prepayment rate/loss severity/ discount rate	N/A
Private Placements	438	Discounted book value	Collateral valuation	N/A

The significant unobservable inputs used in the fair value measurements 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.

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.

The significant unobservable input used in the fair value measurements 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, Base 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.

4. OTHER RECEIVABLES

Other receivables includes an amount relating to a claim of US\$34,164,178. The Master Fund has determined the net realisable value of the claim by reference to the expected settlement, net of expected fees, to which a discount is applied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2019

5. 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.

As of 31 December 2019, 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 debt and equity securities (both long and short), bond, commodity, equity, and interest rate futures and options, foreign exchange forwards and options, swaps, swaptions and other derivatives and 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 7.

UNDERLYING FUNDS	% OF UNDERLYING FUNDS OWNERSHIP	% OF NET ASSETS	FAIR MARKET VALUE US\$'000	INCOME US\$'000	NOTICE PERIOD	LIQUIDITY
Brevan Howard AH Master Fund Limited	15.28	7.71	233,506	(34,113)	3 months**	Monthly
Brevan Howard AS Macro Master Fund Limited	46.00	11.20	339,165	40,051	Monthly	Monthly
Brevan Howard Emerging Markets Strategies Master Fund Limited*	100.00	0.08	2,428	(9)	–	–
Brevan Howard Equity Strategies Master Fund Limited*	100.00	0.11	3,228	(8)	–	–
Brevan Howard Global Volatility Master Fund Limited	20.70	1.07	32,423	(4,684)	Monthly	Monthly
Brevan Howard MB Macro Master Fund Limited	28.43	9.62	291,465	36,816	3 months**	Monthly
Brevan Howard Strategic Opportunities Fund Limited*	100.00	0.12	3,591	393	–	–
WCG Strategies Fund Limited*	100.00	0.05	1,543	992	–	–
		29.96	907,349	39,438		

* The normal trading operations of the above underlying funds have ceased prior to 31 December 2019.

** 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 2019, 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 2019.

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

5. INVESTMENT IN UNDERLYING FUNDS (CONTINUED)

	PRINCIPAL '000	DESCRIPTION	UNDERLYING FUND'S FAIR VALUE US\$'000	MASTER FUND'S PROPORTIONATE SHARE US\$'000	% OF NET ASSETS
BREVAN HOWARD AS MACRO MASTER FUND LIMITED					
LONG PORTFOLIO					
Fixed income securities					
Germany					
Government					
	€ 484,036	OBL 0.00% 8 April 2022	550,926	253,444	8.37
TOTAL FIXED INCOME SECURITIES			550,926	253,444	8.37
Interest rate swaps					
USD with Maturity dates from 15 January 2020 to 21 March 2029					
			559,868	257,558	8.50
TOTAL INVESTMENTS, AT FAIR VALUE			1,110,794	511,002	16.87
SHORT PORTFOLIO					
Fixed income securities					
Belgium					
Government					
	€ (400,000)	BGB 4.00% 28 March 2022	(495,696)	(228,036)	(7.53)
France					
Government					
	€ (338,800)	FRTR 4.25% 25 October 2023	(449,790)	(206,918)	(6.83)
TOTAL FIXED INCOME SECURITIES			(945,486)	(434,954)	(14.36)
TOTAL INVESTMENTS, SOLD SHORT AT FAIR VALUE			(945,486)	(434,954)	(14.36)

6. OPERATIONAL SERVICES FEE

The Manager has received from the Master Fund in respect of Class B shares a fee of 1/12 of 0.5% per month of the NAV, prior to the deduction of management and performance fees, of the Master Fund for the year to 31 December 2019 (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 shares in the Master Fund, or (iii) the Class W shares in the Master Fund and (iv) the Class J 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 of 3 October 2016, adjusted as appropriate to reflect redemptions or withdrawals as appropriate from 3 October 2016 to 1 December 2016.

The Manager also receives from the Master Fund in respect of Class J shares an operational services fee of 1/12 of 1% per month of the NAV of the Class J shares in the Master Fund, prior to the deduction of management and performance fees, of the Master Fund for the year to 31 December 2019 as of the last valuation day in each month.

The operational services fee for the year ended 31 December 2019 amounted to US\$10,305,150. The operational services fee payable as of 31 December 2019 is US\$16,655.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2019

7. 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 year. At the year end, no management fees are payable in respect of Class A shares, Class B shares, Class J shares, Class Z shares and Class W shares. Management fees are charged at the feeder level. 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.

At the year end, no performance fees are payable in respect of Class A shares, Class B shares, Class J 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 2019. No performance or management fees are payable by BHMF Investments II Limited. The performance fee payable by the Master Fund and its Subsidiaries as of 31 December 2019 was US\$Nil.

As of 31 December 2019, the Master Fund held investments in the following entities (each an "underlying fund investment") managed by the Manager or one of its affiliates:

	US\$	% OF UNDERLYING FUNDS OWNERSHIP
BHMF Investments II Limited*	6,140	100.00
Brevan Howard AH Master Fund Limited	233,505,893	15.28
Brevan Howard Alpha Strategies Master Fund Limited*	931,845,454	52.34
Brevan Howard AS Macro Master Fund Limited	339,165,006	46.00
Brevan Howard Emerging Markets Strategies Master Fund Limited	2,427,680	100.00
Brevan Howard Equity Strategies Master Fund Limited	3,228,449	100.00
Brevan Howard FG Macro Master Fund Limited*	290,302,259	64.16
Brevan Howard Global Volatility Master Fund Limited	32,423,274	20.70
Brevan Howard MB Macro Master Fund Limited	291,465,388	28.43
Brevan Howard Strategic Opportunities Fund Limited	3,590,646	100.00
WCG Strategies Fund Limited	1,543,235	100.00

* 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 investments is net of applicable performance and management fees. To ensure that the effective rate of management fee and/or performance fee 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 fee and/or management fee 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.

8. ADMINISTRATION FEE

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, IFS receives a fee based on the month end NAV of the Master Fund and its Subsidiaries calculated and payable monthly in arrears.

IFS receives from the Master Fund a monthly administration fee, payable in arrears, of:

- (A) a 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 (before deduction of any management fees, performance fees or other similar fees or expenses) managed by the Manager (including the Master Fund) and administered by the IFS (together, the "Relevant BH Funds"):
- (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 BH Fund, directly or indirectly, in any other Relevant BH Fund (which, for the avoidance of doubt, includes: (1) investments by any Relevant BH Fund which is a feeder fund in a Relevant BH Fund which is a master fund; and (2) investments by any Relevant BH Fund which is a master fund in another such Relevant BH Fund).

* The assets of any Relevant BH Funds paying a minimum administration fee will not be included in the calculation of the aggregate Base Net Asset Value of the Relevant BH Funds.

The administration fee for the Master Fund for the year ended 31 December 2019 amounted to US\$3,879,273. The administration fee payable by the Master Fund as of 31 December 2019 is US\$408,162.

9. INVESTMENTS PURCHASED UNDER AGREEMENTS TO RESELL AND INVESTMENTS SOLD UNDER AGREEMENTS TO REPURCHASE

As of 31 December 2019, investments and related interest payable with a market value of US\$3,076,099,864 were pledged to the Master Fund and its Subsidiaries as collateral (investments purchased under agreements to resell) and investments and related interest receivable with a market value of US\$6,060,437,655 were pledged by the Master Fund and its Subsidiaries as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 19 Feb 2020 with interest rates ranging from (0.60%) to 2.35% and all agreements to resell mature by 19 Feb 2020 with interest rates ranging from (0.64%) to 2.13%.

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9. 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 as of 31 December 2019 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					
US Government Debt	–	3,255,232	–	–	3,255,232
Non-US Government Debt	–	2,944,139	476,665	–	3,420,804
TOTAL BORROWINGS	–	6,199,371	476,665	–	6,676,036
GROSS AMOUNT OF RECOGNISED LIABILITIES FOR REPURCHASE AGREEMENTS IN NOTE 13					6,676,036
Amounts related to agreements not included in offsetting disclosure in Note 13					–

10. 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 J, 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 the Feeder Fund and the Partnership 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 the Feeder Fund, whilst all Class A US Dollar L.P. shares are held by the Partnership. All Class B US Dollar, Euro and Sterling shares are held by BH Macro Limited. The Class J US Dollar share class is divided into two series of shares, relating to the Feeder Fund and the Partnership. Class Z US Dollar, Euro, Sterling and Yen shares are held by Brevan Howard Multi- Strategy Master Fund Limited.

10. SHARE CAPITAL (CONTINUED)

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

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.

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.

The Feeder Funds subscribes for Master Fund Shares of the relevant class at such times as the directors may determine at the NAV per share of the relevant class of Master Fund Shares. Unless otherwise specifically stated herein, subscriptions taking place at the Master Fund level will generally be affected in a manner which corresponds to those taking place at the Feeder Fund level, save that subscriptions may be deemed automatically submitted or withdrawn by the Feeder Funds in order to give effect to the intended operation of the master-feeder structure.

The Feeder Funds may redeem ordinary shares of the relevant class in the Master Fund at such times as the directors may determine at the NAV per share of the relevant class of Master Fund Shares. Unless otherwise specifically stated herein, redemptions taking place at the Master Fund level will generally be effected in a manner which corresponds to those taking place at the Feeder Fund level, save that redemption requests may be deemed automatically submitted or withdrawn by the Feeder Funds in order to give effect to the intended operation of the master-feeder structure.

	SHARES IN ISSUE AT BEGINNING OF THE 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 THE YEAR	ENDING NAV PER SHARE
US Dollar Class A	166,541	87,365	44,959	(107,464)	(39,346)	152,055	US\$6,438.95
US Dollar L.P. Class A	23,487	9,011	–	–	(12,507)	19,991	US\$5,770.40
Euro Class A	15,838	8,818	–	(68)	(557)	24,031	€5,823.36
Sterling Class A	29,059	8,433	79,933	(31,799)	(4,417)	81,209	£6,819.04
Yen Class A	648,310	79,142	13	(2,072)	(357,585)	367,808	¥19,105.37
Norwegian Krone Class A	8,937	–	–	–	–	8,937	NOK 1,953.33
US Dollar Class B	20,315	395	758	(2,835)	(551)	18,082	US\$3,635.03
Sterling Class B	102,785	–	2,163	(607)	(3,050)	101,291	£3,674.06
US Dollar Class J	–	2,500	–	–	(12)	2,488	US\$102.07
US Dollar L.P. Class J	–	2,868	–	–	(11)	2,857	US\$1,005.31
US Dollar L.P. Class W	3,171	–	–	–	(71)	3,100	US\$1,278.34
Euro Class W	46,162	–	–	–	(804)	45,358	€1,182.84
Sterling Class W	72,360	–	–	–	(1,443)	70,917	£1,229.28
US Dollar Class Z	319,181	–	5,732	(12,348)	(117,338)	195,227	US\$191.53
Euro Class Z	3,701	–	–	–	–	3,701	€177.02
Sterling Class Z	1,012,269	–	9,843	(4,536)	(217,112)	800,464	£186.55

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10. SHARE CAPITAL (CONTINUED)

	BEGINNING NET ASSETS US\$'000	AMOUNTS ISSUED US\$'000	AMOUNTS TRANSFERRED IN US\$'000	AMOUNTS TRANSFERRED OUT US\$'000	AMOUNTS REDEEMED US\$'000	NET INCREASE/ (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS US\$'000	ENDING NET ASSETS US\$'000
US Dollar Class A	955,079	544,976	260,112	(656,027)	(240,306)	115,243	979,077
US Dollar L.P. Class A	120,949	48,431	–	–	(65,933)	11,912	115,359
Euro Class A	96,763	57,859	–	(431)	(3,601)	6,480	157,070
Sterling Class A	228,381	69,988	656,674	(259,982)	(36,597)	74,944	733,408
Yen Class A	103,597	13,879	–	(346)	(60,385)	7,924	64,669
Norwegian Krone Class A	1,815	–	–	–	–	170	1,985
US Dollar Class B	65,704	1,278	2,773	(9,675)	(1,970)	7,624	65,734
Sterling Class B	434,863	–	9,675	(2,773)	(14,362)	65,469	492,872
US Dollar Class J	–	250	–	–	(1)	5	254
US Dollar L.P. Class J	–	2,850	–	–	(11)	33	2,872
US Dollar L.P. Class W	3,599	–	–	–	(91)	454	3,962
Euro Class W	56,998	–	–	–	(1,067)	4,287	60,218
Sterling Class W	102,010	–	–	–	(2,350)	15,797	115,457
US Dollar Class Z	54,171	–	1,084	(2,256)	(22,000)	6,393	37,392
Euro Class Z	684	–	–	–	–	52	736
Sterling Class Z	216,537	–	2,256	(1,084)	(50,842)	30,898	197,765
	2,441,150	739,511	932,574	(932,574)	(499,516)	347,685	3,028,830

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

11. 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 all 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.

12. 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 in the Consolidated Statement of Assets and Liabilities.

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 positions 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).

Derivative 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 derivative 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2019

12. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK OR CONCENTRATION OF CREDIT RISK (CONTINUED)

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

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.

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 may restrict redemptions in accordance with its Memorandum and Articles of Association of the Master Fund if the Master Fund receives requests for the redemption of shares on any Redemption Day representing in aggregate more than 10% of the total number of Ordinary Shares then in issue on a class by class basis.

13. 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 Consolidated 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:

13. OFFSETTING ASSETS AND LIABILITIES (CONTINUED)

As of 31 December 2019

Offsetting of financial assets and derivative assets:

DESCRIPTION	(I)	(II)	(III)=(I)-(II)	(IV)		(V)=(III)-(IV)
	GROSS AMOUNTS OF RECOGNISED ASSETS US\$'000	GROSS AMOUNTS OFFSET IN THE AUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000	NET AMOUNTS OF ASSETS PRESENTED IN THE AUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000	FINANCIAL INSTRUMENTS US\$'000	CASH COLLATERAL HELD* US\$'000	NET AMOUNT** US\$'000
Derivatives	2,776,033	1,759,205	1,016,828	715,560	192,428	108,840
Reverse repurchase agreements	3,718,127	596,745	3,121,382	3,023,348	290	97,744
TOTAL	6,494,160	2,355,950	4,138,210	3,738,908	192,718	206,584

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 2019

Offsetting of financial liabilities and derivative liabilities:

DESCRIPTION	(I)	(II)	(III)=(I)-(II)	(IV)		(V)=(III)-(IV)
	GROSS AMOUNTS OF RECOGNISED LIABILITIES US\$'000	GROSS AMOUNTS OFFSET IN THE AUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000	NET AMOUNTS OF LIABILITIES PRESENTED IN THE AUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000	FINANCIAL INSTRUMENTS US\$'000	CASH COLLATERAL PLEDGED* US\$'000	NET AMOUNT** US\$'000
Derivatives	2,489,576	1,759,205	730,371	715,560	13,240	1,571
Repurchase agreements	6,676,036	596,745	6,079,291	3,023,348	89	3,055,854
TOTAL	9,165,612	2,355,950	6,809,662	3,738,908	13,329	3,057,425

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2019

14. FINANCIAL HIGHLIGHTS

The following tables include selected data for share classes in issue 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 for each class of non-management shares.

	US DOLLAR CLASS A	EURO CLASS A	STERLING CLASS A	YEN CLASS A	NORWEGIAN KRUNE CLASS A	US DOLLAR L.P. CLASS A	US DOLLAR CLASS B	STERLING CLASS B
PER SHARE OPERATING PERFORMANCE								
Net asset value, beginning of the year	US\$5,734.78	€5,343.20	£6,170.00	¥17,543.05	NOK1,758.96	US\$5,149.56	US\$3,234.22	£3,321.41
INCOME FROM INVESTMENT OPERATIONS								
Net investment income/(loss) ⁽¹⁾	(44.29)	(42.90)	(51.91)	(135.07)	(13.88)	(50.89)	(21.58)	(23.49)
Net realised and change in unrealised gain on investments ⁽¹⁾	748.46	523.06	700.95	1,697.39	208.25	671.73	422.39	376.14
TOTAL INCOME FROM INVESTMENT OPERATIONS	704.17	480.16	649.04	1,562.32	194.37	620.84	400.81	352.65
NET ASSET VALUE, END OF THE YEAR	US\$6,438.95	€5,823.36	£6,819.04	¥19,105.37	NOK1,953.33	US\$5,770.40	US\$3,635.03	£3,674.06
TOTAL RETURN⁽²⁾	12.28%	8.99%	10.52%	8.91%	11.05%	12.06%	12.39%	10.62%
SUPPLEMENTAL DATA								
Net assets as of 31 Dec 2019 ('000)	US\$979,077	€139,942	£553,767	¥7,027,133	NOK17,458	US\$115,359	US\$65,734	£372,147
Average net assets for 2019 ⁽³⁾ ('000)	US\$950,428	€108,337	£278,832	¥8,156,762	NOK16,906	US\$112,261	US\$67,120	£367,989
RATIO TO AVERAGE NET ASSETS								
Operating expenses	0.67%	0.68%	0.67%	0.68%	0.68%	0.88%	0.57%	0.59%
Interest expense	3.46%	3.15%	2.75%	3.50%	3.39%	3.31%	3.38%	3.39%
Trade commissions	0.27%	0.26%	0.24%	0.26%	0.27%	0.26%	0.26%	0.27%
Execution fees and other transaction costs	0.85%	0.85%	0.76%	0.82%	0.86%	0.84%	0.84%	0.85%
TOTAL EXPENSES	5.25%	4.94%	4.42%	5.26%	5.20%	5.29%	5.05%	5.10%
Net investment loss	(0.79%)	(0.60%)	(0.30%)	(0.75%)	(0.73%)	(0.89%)	(0.62%)	(0.66%)

14. FINANCIAL HIGHLIGHTS (CONTINUED)

	US DOLLAR CLASS J	US DOLLAR L.P. CLASS J	US DOLLAR L.P. CLASS W	EURO CLASS W	STERLING CLASS W	US DOLLAR CLASS Z	EURO CLASS Z	STERLING CLASS Z
PER SHARE OPERATING PERFORMANCE								
Net asset value, beginning of the year	–	–	US\$1,135.11	€1,079.89	£1,106.73	US\$169.72	€161.60	£167.93
Net asset value of the share issued during the year	US\$100.00	US\$1,000.00	–	–	–	–	–	–
INCOME FROM INVESTMENT OPERATIONS								
Net investment income/(loss) ⁽¹⁾	0.03	(1.42)	(5.27)	(2.73)	(2.94)	(0.38)	(0.39)	(0.41)
Net realised and change in unrealised gain on investments ⁽¹⁾	2.04	6.73	148.50	105.68	125.49	22.19	15.81	19.03
TOTAL INCOME FROM INVESTMENT OPERATIONS	2.07	5.31	143.23	102.95	122.55	21.81	15.42	18.62
NET ASSET VALUE, END OF THE YEAR	US\$102.07	US\$1,005.31	US\$1,278.34	€1,182.84	£1,229.28	US\$191.53	€177.02	£186.55
TOTAL RETURN⁽²⁾	2.07%	0.53%	12.62%	9.53%	11.07%	12.85%	9.54%	11.09%
SUPPLEMENTAL DATA								
Net assets as of 31 Dec 2019 ('000)	US\$254	US\$2,872	US\$3,962	€53,652	£87,176	US\$37,392	€655	£149,324
Average net assets for 2019 ⁽³⁾ ('000)	US\$255	US\$2,228	US\$3,906	€53,253	£86,241	US\$55,775	€639	£170,138
RATIO TO AVERAGE NET ASSETS								
Operating expenses	1.15%	1.83%	0.38%	0.18%	0.18%	0.17%	0.17%	0.17%
Interest expense	2.75%	1.48%	3.37%	3.39%	3.39%	3.43%	3.39%	3.46%
Trade commissions	0.00%	0.02%	0.26%	0.27%	0.27%	0.27%	0.27%	0.27%
Execution fees and other transaction costs	0.00%	0.04%	0.85%	0.85%	0.85%	0.87%	0.85%	0.85%
TOTAL EXPENSES	3.90%	3.37%	4.86%	4.69%	4.69%	4.74%	4.68%	4.75%
Net investment loss	(1.45%)	(0.36%)	(0.43%)	(0.24%)	(0.25%)	(0.27%)	(0.23%)	(0.27%)

(1) Net investment loss and net realised and change in unrealised gain on investments are 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.

Operating expenses are total expenses from the Consolidated Statement of Operations less interest expense, trade commissions, and execution fees and other transaction costs. Operating expenses, interest expense, trade commissions, execution fees and other transaction costs and net investment loss ratios are annualised for US Dollar Class J and US Dollar L.P. Class J that were not existence for the full year. Total return has not been annualised. An individual shareholder's financial highlights may vary based on the timing of share capital transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2019

15. RELATED PARTY TRANSACTIONS

The Master Fund and its Subsidiaries consider the Manager, Investment Managers, its principal owners, members of management, and members of their immediate families, as well as entities under common control, to be related parties to the Master Fund and its Subsidiaries. Amounts due from and due to related parties are generally settled in the normal course of business.

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) BHHK; (iv) DW; (v) BH-DG; (vi) BHUSIM and (vii) BHPL as 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.

Each of BHAM, BHIP, BHHK, BHUSIM and BHPL are indirect subsidiaries of the Manager. In addition, the Manager indirectly holds minority, non-controlling 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.

James Vernon is a director of the Master Fund. Mr. Vernon is also the chairman and a director of Brevan Howard Capital Management Limited, the sole general partner of the Manager.

As of 31 December 2019, the Manager, or a principal indirect owner of the Manager, indirectly held minority, non-controlling interests in certain external advisors which provide investment advice to BHIP, in its capacity as an investment manager of the Master Fund or an underlying fund.

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 7.79% (US\$235,891,844) of the net assets of the Master Fund through a holding of US Dollar, Euro and Sterling shares as of 31 December 2019.

As of 31 December 2019, the Master Fund held investments in funds managed by the Manager as set out in Note 7.

The Feeder Funds invest substantially all of their assets in the Master Fund. As of 31 December 2019, the Feeder Fund, the Partnership, and BH Macro Limited held 69.73%, 4.03% and 18.44% respectively of the net assets of the Master Fund.

During 2019, there were investments transferred from the Master Fund. The Master Fund transferred investments of US\$6,399,320 at Fair Market Value ("FMV") to BHAL on 1 March 2019. The Master Fund transferred investments of US\$800,000 at FMV to Brevan Howard TN Macro Master Fund Limited ("BTN") on 15 April 2019.

For the year ended 31 December 2019, an amount of US\$1,960,000 was returned to the Master Fund from the Research Payment Accounts ("RPAs") held in the name of BHAM. This payment was in relation to funds generated but not spent within the RPAs during 2018 and 2019. As of 31 December 2019, no amounts was still payable by BHAM in this regard.

16. COMMITMENTS AND CONTINGENCIES

The Master Fund (the "Borrower") entered into a revolving line of credit agreement with BNP Paribas Securities Services S.C.A. (the "Lender") from 1 July 2019 that provides for borrowings of up to US\$200,000,000 and the line of credit is available until 1 July 2020 or such later anniversary thereof as the Borrower and Lender may agree (the "Scheduled Termination Date").

The line of credit is collateralised by shareholdings in other Brevan Howard funds held by the Master Fund, subject to certain conditions and haircuts.

Each loan drawn under the line of credit bears interest at a specified percentage above LIBOR. The Borrower is also obliged to pay to the Lender a fee on any undrawn amount.

The Borrower is obliged to repay each loan on the earlier of

- (i) The last business day of its term, and
- (ii) Scheduled Termination Date or any earlier date on which the credit agreement is terminated in accordance with its terms.

As of 31 December 2019, outstanding borrowings under the line of credit amounted to US\$Nil.

17. SUBSEQUENT EVENTS

The Master Fund has paid cash to BHMS and BTN to buy the investments at FMV as of 1 January 2020. Accordingly, BHMS and BTN transferred investments of US\$2,621,375 at FMV to the Master Fund on 1 January 2020. FMV was determined by the independently verified prices as sourced by the fund Administrator as per the normal valuation policies.

Since the start of January 2020, the outbreak of coronavirus, which is a rapidly evolving situation, has adversely impacted global commercial activities. The rapid development and fluidity of this situation precludes any prediction as its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The Directors do not believe there is any financial impact to the Financial Statements as at 31 December 2019 as a result of this subsequent event.

The Manager is monitoring developments relating to coronavirus and is coordinating its operational response based on existing business continuity plans and on guidance from global health organisations, relevant governments, and general pandemic response best practices.

The Master Fund and its Subsidiaries evaluated subsequent events through 18 March 2020. No other 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 2019

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

By: 

Name: Reamonn O'Sullivan

Title: Head of Compliance 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.

18 March 2020

NOTES

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