

BREVAN HOWARD

BREVAN HOWARD MASTER FUND LIMITED

INTERIM UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS 2019

30 June 2019

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UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

30 June 2019

	2019 US\$'000
ASSETS	
Investments, at fair value (cost: US\$10,698,934) (Note 2,3,5)	12,134,139
Redemptions receivable from affiliated funds	30,000
Cash (Note 2)	5
Investments purchased under agreements to resell (cost: US\$6,523,354) (Note 7)	6,606,508
Dividends and interest receivable	29,143
Due from brokers (Note 2)	5,610,355
Other assets	398
TOTAL ASSETS	24,410,548
LIABILITIES	
Investments sold short, at fair value (proceeds: US\$6,836,867) (Note 2,3)	7,992,812
Investments sold under agreements to repurchase (proceeds: US\$5,485,557) (Note 7)	5,539,942
Accounts payable and accrued expenses (Note 4,5,6)	3,960
Dividends and interest payable	60,776
Redemptions payable (Note 2)	56,179
Due to brokers (Note 2)	7,476,806
TOTAL LIABILITIES	21,130,475
Non-controlling interest (Note 2)	726,950
NET ASSETS (NOTE 8)	2,553,123
NET ASSET VALUE PER SHARE	
US Dollar Class A	US\$6,449.07
US Dollar L.P. Class A	US\$5,787.02
Euro Class A	€5,916.28
Sterling Class A	£6,885.63
Yen Class A	¥19,422.86
Norwegian Krone Class A	NOK1,963.09
US Dollar Class B	US\$3,638.71
Sterling Class B	£3,708.11
US Dollar L.P. Class W	US\$1,278.82
Euro Class W	€1,198.71
Sterling Class W	£1,238.18
US Dollar Class Z	US\$191.35
Euro Class Z	€179.39
Sterling Class Z	£187.89

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

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

Signed on behalf of the Board of Directors:

Karla Bodden
DIRECTOR

Dennis Hunter
DIRECTOR

15 August 2019

UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS

For the period ended 30 June 2019

	2019 US\$'000
INVESTMENT INCOME	
Interest income	84,717
Dividend income (net of withholding tax of US\$50)	107
Other income	11,828
TOTAL INCOME	96,652
EXPENSES	
Interest expense	67,524
Operational services fee (Note 4)	4,919
Trade commissions	4,662
Administration fee (Note 6)	1,724
Professional fees and other	1,009
Custody fees	319
Other transaction costs	25,858
TOTAL EXPENSES	106,015
NET INVESTMENT LOSS	(9,363)
NET REALISED AND UNREALISED GAIN/(LOSS) ON INVESTMENTS	
Net realised loss on investments (Note 2)	(31,616)
Net change in unrealised gain on investments (Note 2)	403,553
NET REALISED AND UNREALISED GAIN ON INVESTMENTS	371,937
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS	362,574
NON-CONTROLLING INTEREST SHARE IN NET LOSS (NOTE 2)	(72,157)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	290,417

Withholding tax is presented in US\$'000.

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the period ended 30 June 2019

	2019 US\$'000
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	
Net investment loss	(9,363)
Net realised loss on investments	(31,616)
Net change in unrealised gain on investments	403,553
Non-controlling interest share in net loss (Note 2)	(72,157)
	290,417
SHARE CAPITAL TRANSACTIONS	
Issue of shares	
US Dollar Class A	97,086
US Dollar L.P. Class A	32,939
Euro Class A	169
Sterling Class A	7,208
US Dollar Class B	1,278
US Dollar Class Z	42
Redemption of shares	
US Dollar Class A	(147,212)
US Dollar L.P. Class A	(59,781)
Euro Class A	(1,225)
Sterling Class A	(31,260)
Yen Class A	(48,826)
US Dollar Class B	(270)
Sterling Class B	(3,245)
Sterling Class Z	(25,347)
	(178,444)
NET INCREASE IN NET ASSETS	111,973
NET ASSETS – BEGINNING OF PERIOD	2,441,150
NET ASSETS – END OF PERIOD	2,553,123

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2019

	2019 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	290,417
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Proceeds from sales of securities	57,521,973
Purchases of securities	(62,436,355)
Proceeds from securities sold short	83,764,282
Payments to cover securities sold short	(81,598,951)
Payments for derivative contracts	(2,311,995)
Proceeds from derivative contracts	2,353,733
Net realised gain on investments	(161)
Net realised loss on derivative contracts	13,798
Net change in unrealised gain on investments	(114,901)
Net change in unrealised gain on derivative contracts	(262,303)
Increase in redemptions receivable from affiliated funds	(30,000)
Increase in dividends and interest receivable	(16,048)
Increase in due from brokers	(4,682,539)
Decrease in other assets	18
Increase in accounts payable and accrued expenses	267
Increase in dividends and interest payable	17,658
Increase in due to brokers	7,128,979
NET CASH USED IN OPERATING ACTIVITIES	(362,128)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds on issue of shares	138,722
Payments on redemption of shares	(365,189)
Increase in investments purchased under agreements to resell	(2,334,394)
Increase in investments sold under agreements to repurchase	2,916,166
NET CASH PROVIDED BY FINANCING ACTIVITIES	355,305
NET DECREASE IN CASH	(6,823)
CASH – BEGINNING OF PERIOD	6,828
CASH – END OF PERIOD	5
Supplemental disclosure of cash flow information:	
<i>Interest paid</i>	83,256

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

1. ORGANISATION

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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 30 June 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, 61.97% of BHAL and 64.13% of BFG respectively, in each case as of 30 June 2019.

The Interim Unaudited 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.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Security transactions and valuation

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

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

Instruments with directly observable prices are priced to independent external data sources (e.g. exchange traded futures, options, equities, government and corporate debt securities). Fair value estimates for financial instruments for which no or limited observable market data is available are based on judgments regarding current economic conditions, liquidity discounts, currency, credit, and interest rate risks, loss experience and other factors. These estimates involve significant uncertainties and judgments and cannot be determined with precision. As a result, such calculated fair value estimates may not be realisable in a current sale or immediate settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique, including discount rates, liquidity risks and estimates of future cash flows, could significantly affect these fair value estimates.

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Unaudited 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. Realised and unrealised changes in fair values are included in realised and unrealised gains and losses on investments in the Unaudited Consolidated Statement of Operations in the period in which the changes occur. The fair value of derivative financial instruments at the reporting date generally reflects the amount

that the Master Fund and its Subsidiaries would receive or pay to terminate the contract at the reporting date. Many derivative financial instruments are exchange traded or are traded in the OTC market where market values are normally readily obtainable. Where such market prices are not readily available, fair values will be determined using commercial products which utilise valuation models that are consistent with market pricing methods.

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

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

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

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments (continued)

The following table sets forth the fair value of the Master Fund and its Subsidiaries' derivative contracts by certain risk types as of 30 June 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 Unaudited Consolidated Statement of Assets and Liabilities.

DERIVATIVE CONTRACTS FOR TRADING ACTIVITIES	OPEN POSITIONS AT PERIOD END	TRANSACTIONS DURING THE PERIOD	VAR* US\$'000	DERIVATIVE ASSETS US\$'000	DERIVATIVE LIABILITIES US\$'000
Commodity Contracts	44	4,399	507	20,531	18,766
Credit Contracts	3	3	22	126	14
Equity Contracts	131	8,463	1,502	6,172	2,889
Foreign Exchange Contracts	2,998	57,877	5,854	301,535	221,255
Interest Rate Contracts	1,567	51,078	11,953	1,195,269	1,030,722
FAIR VALUE OF DERIVATIVE CONTRACTS				1,523,633	1,273,646

* 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\$13,960,793. Total VaR for the Master Fund and its Subsidiaries, including derivatives, non-derivatives and investments in affiliated entities, is US\$16,897,746.

The following table sets forth by certain risk types the Master Fund and its Subsidiaries' gains/(losses) related to derivative activities for the period ended 30 June 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 net change in unrealised gain on investments in the Unaudited Consolidated Statement of Operations.

DERIVATIVE CONTRACTS FOR TRADING ACTIVITIES	REALISED GAINS/(LOSSES) PERIOD ENDED 30 JUNE 2019 US\$'000	CHANGE IN UNREALISED GAINS/(LOSSES) PERIOD ENDED 30 JUNE 2019 US\$'000
Commodity Contracts	7,630	(92)
Credit Contracts	–	(88)
Equity Contracts	(2,123)	(555)
Foreign Exchange Contracts	(98,962)	58,870
Interest Rate Contracts	79,657	204,168
TOTAL	(13,798)	262,303

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments (continued)

The Master Fund and its Subsidiaries enter into derivative contracts that meet the definition of a credit derivative as defined by ASC 815. These contracts are primarily written and purchased credit default swaps on single issuers, asset-backed securities, credit indices and index or CDO tranches.

The following tables relate to the Master Fund and its Subsidiaries' written credit derivatives as of 30 June 2019:

Maximum payout/notional amount by period of expiration

CONTRACT TYPE	0-2 YEARS US\$'000	2-5 YEARS US\$'000	5 YEARS OR GREATER US\$'000	TOTAL US\$'000
Credit index option- corporate	86,441	–	–	86,441
Total	86,441	–	–	86,441

Maximum payout /notional amount

CONTRACT TYPE	WRITTEN CREDIT DERIVATIVE US\$'000	OFFSETTING PURCHASED CREDIT DERIVATIVE US\$'000	NET OF OFFSETTING PURCHASED CREDIT DERIVATIVE US\$'000	WRITTEN CREDIT DERIVATIVE AT FAIR VALUE US\$'000
Credit index option- corporate	86,441	–	86,441	(14)
Total	86,441	–	86,441	(14)

The Master Fund and its Subsidiaries may execute these types of credit derivatives as it seeks to increase its total return or as a means of hedging credit exposure.

Period of expiration, contract type, maximum payout and fair value are indicators of payment/performance risk. As a provider of credit protection, the Master Fund and its Subsidiaries receive a stream of payments from the counterparty representing the premium on the contract in exchange for guaranteeing the principal payment on a reference security or obligation upon the issuer's default. Upon the occurrence of a specified credit event, as a seller of credit protection, the Master Fund and its Subsidiaries are entitled to take possession of the defaulted underlying security and pay the buyer an amount equal to the notional amount of the swap. It may alternatively pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap reduced by the recovery value of the reference obligation.

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 Unaudited Consolidated Statement of Operations. Investments sold short are recorded as liabilities on the Unaudited 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.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (continued)

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

Use of estimates

The preparation of Interim Unaudited Consolidated Financial Statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Interim Unaudited Consolidated Financial Statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates. In particular, valuation models used to determine the fair value of unlisted derivative instruments require the use of a number of assumptions.

Netting

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

Cash

Cash consists of bank balances. Cash, including cash denominated in foreign currencies, represents cash deposits held at financial institutions. Foreign currency with a current value of US\$457 and an acquisition cost of US\$455 is included in cash in the Unaudited Consolidated Statement of Assets and Liabilities.

Due from and to brokers

Total deposits due from brokers amounted to US\$5,610,355,069. As of 30 June 2019, US\$242,569,470 has been pledged as collateral while US\$5,367,785,599 of the deposits remained unpledged at period end. Included in the deposits pledged as collateral is US\$60,493,183 pledged to counterparties of OTC derivatives, US\$64,130,498 as initial margin related to the Master Fund's futures trading activities and US\$117,945,789 as collateral for other assets.

Total deposits due to brokers amounted to US\$7,476,806,087. As of 30 June 2019, US\$134,582,287 was held as collateral while the remainder of deposits of US\$7,342,223,800 were not

held as collateral at period end. Included in the deposits held as collateral is US\$133,932,776 held from counterparties of OTC derivatives and US\$649,511 as initial margin related to the Master Fund's futures trading activities.

Allocation of income and expenses between share classes

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

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

Redemptions payable

Redemptions are recognised as liabilities when the value of such redemptions are calculated at requested redemption date. As a result, redemptions paid after the end of the period, based on the net asset value of the Master Fund and its Subsidiaries at period end, are included in redemptions payable as of 30 June 2019. As of 30 June 2019, the redemptions payable amounted to US\$56,178,685.

New Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurement (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 eliminates the requirement to disclose (i) transfers between level 1 and level 2 of the fair value hierarchy, (ii) the policy for timing of transfers between levels, (iii) valuation processes and (iv) for non public entities, changes in unrealised gains/losses for the period included in earnings for recurring Level 3 fair value measurements. The ASU also modifies existing disclosure requirements for the rollforward of Level 3 fair value measurement as well as disclosures of the timing of liquidating distributions from portfolio investments. The amendments are effective for annual periods beginning after 15 December 2019 and the early adoption is permitted. The Master Fund has not early adopted ASU 2018-13 for the Interim Unaudited Consolidated Financial Statements as of 30 June 2019.

3. FAIR VALUE MEASUREMENTS

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

The fair value hierarchy under Fair Value Measurement (Topic 820) prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or

3. FAIR VALUE MEASUREMENTS (CONTINUED)

liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

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

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

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

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

The hierarchy requires the use of observable market data when available. As required by ASC 820, investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following is a summary of the levels within the fair value hierarchy for the Master Fund and its Subsidiaries' investments as of 30 June 2019:

Assets

FAIR VALUE MEASUREMENT AT REPORTING DATE:	LEVEL 1: US\$'000	LEVEL 2: US\$'000	LEVEL 3: US\$'000	TOTAL US\$'000
Equities	19,835	1,486	–	21,321
Private Placements	–	–	364	364
Fixed Income Securities				
Asset Backed Securities	–	615	43	658
Corporate Debt Securities	–	2,438	–	2,438
Mortgage Backed Securities	–	1,708	537	2,245
Non-US Government Debt	3,815,864	–	–	3,815,864
US Government Debt	5,858,479	–	–	5,858,479
Derivatives				
Commodity Contracts	15,897	4,634	–	20,531
Credit Contracts	–	126	–	126
Equity Contracts	572	5,600	–	6,172
Foreign Exchange Contracts	511	301,024	–	301,535
Interest Rate Contracts	156,659	1,036,298	2,312	1,195,269
Subtotal	9,867,817	1,353,929	3,256	11,225,002
Investment in Affiliated Funds measured at NAV*				909,137
TOTAL ASSETS				12,134,139

* Investments in Affiliated Funds as of 30 June 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 INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2019

3. FAIR VALUE MEASUREMENTS (CONTINUED)

Liabilities

FAIR VALUE MEASUREMENT AT REPORTING DATE:	LEVEL 1: US\$'000	LEVEL 2: US\$'000	LEVEL 3: US\$'000	TOTAL US\$'000
Fixed income securities				
Non-US Government Debt	5,804,829	–	–	5,804,829
US Government Debt	914,337	–	–	914,337
Derivatives				
Commodity Contracts	17,653	1,113	–	18,766
Credit Contracts	–	14	–	14
Equity Contracts	75	2,814	–	2,889
Foreign Exchange Contracts	247	221,008	–	221,255
Interest Rate Contracts	93,534	936,319	869	1,030,722
TOTAL LIABILITIES	6,830,675	1,161,268	869	7,992,812

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 period ended 30 June 2019. The Master Fund and its Subsidiaries had no investments measured at fair value on a non-recurring basis during the period ended 30 June 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 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	–	–	–	–	120	120
Sales	(48)	(30)	(13)	–	(65)	(156)
Transfer in to Level 3	43	–	211	–	204	458
Transfer out of Level 3	(3)	–	(2)	–	–	(5)
Realised gain/(loss)	(1,135)	30	372	–	(603)	(1,336)
Change in unrealised gain/(loss)	1,183	–	(360)	(2)	(212)	609
ENDING BALANCE AS OF 30 JUNE 2019	43	–	537	364	2,312	3,256

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

INVESTMENTS	DERIVATIVES US\$'000	TOTAL US\$'000
Beginning balance as of 1 January 2019	(719)	(719)
Purchases	–	–
Sales	–	–
Transfer in to Level 3	–	–
Transfer out of Level 3	–	–
Realised gain/(loss)	–	–
Change in unrealised gain/(loss)	(150)	(150)
ENDING BALANCE AS OF 30 JUNE 2019	(869)	(869)

The change in unrealised gains/(losses) for the period ended 30 June 2019 for Level 3 investments still held as of 30 June 2019 amounted to an unrealised loss of US\$723,909 and is included in net change in unrealised gain on investments on the Unaudited 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 30 June 2019:

	FAIR VALUE US\$'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS	RANGE
Asset Backed Securities & Mortgage Backed Securities	580	Broker quote	Constant default rate/conditional prepayment rate/loss severity/discount rate	N/A
Derivatives	1,443	Counterparty valuation/ Broker quote	Correlation factors	N/A
Private Placements	364	Discounted book value	Collateral valuation	N/A

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

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

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2019

4. OPERATIONAL SERVICES FEE

The Manager has received from the Master Fund a fee of 1/12 of 0.50% per month of the NAV, prior to the deduction of management and performance fees, of the Master Fund for the period to 30 June 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 ordinary shares in the Master Fund and (iii) the Class W ordinary shares in the Master Fund). For certain share classes and series of interests of the Feeder Funds, the operational services fee is effectively capped at the level that a shareholder's holding, or limited partner's capital account would have borne as of 3 October 2016, adjusted as appropriate to reflect redemptions or withdrawals as appropriate from 3 October 2016 to 1 December 2016.

The operational services fee for the Master Fund for the period ended 30 June 2019 amounted to US\$4,919,437. The operational services fee payable by the Master Fund as of 30 June 2019 is US\$31,747.

5. MANAGEMENT AND PERFORMANCE FEES

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

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

No performance fees are payable in respect of Class A shares, Class B shares, Class Z shares and Class W shares. The manager does not receive any performance fee from BFG and BHAL in respect of the Master Fund's investments in the Subsidiaries. No performance fee was accrued for the period ended 30 June 2019. No performance or management fee is payable by BHMFI Investments II Limited. The performance fee payable by the Master Fund and its Subsidiaries as of 30 June 2019 was US\$Nil.

As of 30 June 2019, the Master Fund held investments in the following funds (each an "underlying fund investment") managed by the Manager or one of its affiliates:

	US\$
BHMFI Investments II Limited*	2,251,070
Brevan Howard AH Master Fund Limited	257,869,602
Brevan Howard Alpha Strategies Master Fund Limited*	916,567,697
Brevan Howard AS Macro Master Fund Limited	325,870,462
Brevan Howard Emerging Markets Strategies Master Fund Limited	2,424,092
Brevan Howard Equity Strategies Master Fund Limited	3,224,607
Brevan Howard FG Macro Master Fund Limited*	294,003,186
Brevan Howard Global Volatility Master Fund Limited	32,388,848
Brevan Howard MB Macro Master Fund Limited	283,635,530
Brevan Howard Strategic Opportunities Fund Limited	3,182,494
WCG Strategies Fund Limited	541,631

* BHMFI 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.

5. MANAGEMENT AND PERFORMANCE FEES (CONTINUED)

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

6. 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 aggregate net asset value* of all fund entities managed by the Manager (including the Master Fund) and administered by IFS (together, the "Relevant BH Funds") (before deduction of any management, performance or other similar fees or expenses):

- (1) 0.16 per cent on the first US\$5 billion;
- (2) 0.14 per cent on the next US\$5 billion; and
- (3) 0.12 per cent on the balance; less

(B) the portion of such fee attributable to investments made by any Relevant 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 shall not be included in the calculation of the aggregate net asset value of the Relevant BH Funds.

The administration fee for the Master Fund for the period ended 30 June 2019 amounted to US\$1,723,845. The administration fee payable by the Master Fund as of 30 June 2019 is US\$594,602.

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

As of 30 June 2019, investments with a market value of US\$6,587,931,771 were pledged to the Master Fund and its Subsidiaries as collateral (investments purchased under agreements to resell) and investments with a value of US\$5,583,041,864 were pledged by the Master Fund and its Subsidiaries as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 24 July 2019 with interest rates ranging from (0.70)% to 2.70% and all agreements to resell mature by 24 July 2019 with interest rates ranging from (0.78)% to 2.60%.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2019

7. INVESTMENTS PURCHASED UNDER AGREEMENTS TO RESELL AND INVESTMENTS SOLD UNDER AGREEMENTS TO REPURCHASE (CONTINUED)

The following table sets out the gross obligation of the Master Fund and its Subsidiaries by class of collateral pledged as of 30 June 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	–	1,849,840	–	–	1,849,840
Non-US Government Debt	–	4,458,146	–	–	4,458,146
TOTAL BORROWINGS	–	6,307,986	–	–	6,307,986
GROSS AMOUNT OF RECOGNISED LIABILITIES FOR REPURCHASE AGREEMENTS IN NOTE 11					6,307,986
AMOUNTS RELATED TO AGREEMENTS NOT INCLUDED IN OFFSETTING DISCLOSURE IN NOTE 11					\$–

8. SHARE CAPITAL

The Master Fund has an authorised share capital of:

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

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

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

8. 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 period 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 period end.

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

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

	SHARES IN ISSUE AT BEGINNING OF PERIOD	SHARES ISSUED DURING THE PERIOD	SHARES TRANSFERRED IN DURING THE PERIOD	SHARES TRANSFERRED OUT DURING THE PERIOD	SHARES REDEEMED DURING THE PERIOD	SHARES IN ISSUE AT END OF PERIOD
US Dollar Class A	166,541	16,707	44,944	(43,593)	(24,781)	159,818
US Dollar L.P. Class A	23,487	6,320	–	–	(11,436)	18,371
Euro Class A	15,838	28	–	(33)	(191)	15,642
Sterling Class A	29,059	883	31,838	(31,796)	(3,817)	26,167
Yen Class A	648,310	–	–	(1,258)	(291,863)	355,189
Norwegian Krone Class A	8,937	–	–	–	–	8,937
US Dollar Class B	20,315	395	–	(2,449)	(82)	18,179
Sterling Class B	102,785	–	1,866	–	(748)	103,903
US Dollar L.P. Class W	3,171	–	–	–	–	3,171
Euro Class W	46,162	–	–	–	–	46,162
Sterling Class W	72,360	–	–	–	–	72,360
US Dollar Class Z	319,181	250	–	(8,883)	–	310,548
Euro Class Z	3,701	–	–	–	–	3,701
Sterling Class Z	1,012,269	–	7,070	–	(109,711)	909,628

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

9. TAXES

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

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2019

10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK OR CONCENTRATION OF CREDIT RISK

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

Investments sold short have market risk to the extent that the Master Fund and its Subsidiaries, in satisfying its obligation, may have to purchase securities to cover a short position at a higher value than that recorded on the Unaudited 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 Unaudited Consolidated Statement of Assets and Liabilities. Liquidity risk represents the possibility that the Master Fund and its Subsidiaries may not be able to rapidly adjust the size of its futures position in times of high volatility and financial stress at a reasonable price.

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

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

The Master Fund and its Subsidiaries purchase both exchange-traded and OTC options. For exchange-traded option contracts, the stock exchange acts as the counterparty to specific transactions and therefore bears the risk of delivery to and from

counterparties of specific positions. OTC option contracts are not guaranteed by any regulated stock exchange.

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

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

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

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

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

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

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

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

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

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

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

Liquidity risk

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

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

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

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

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

11. OFFSETTING ASSETS AND LIABILITIES

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2019

11. OFFSETTING ASSETS AND LIABILITIES (CONTINUED)

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

As of 30 June 2019

Offsetting of financial assets and derivative assets:

	(i)	(ii)	(iii) = (i) – (ii)	(iv)	(v) = (iii) – (iv)		
		GROSS AMOUNTS OFFSET IN THE UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000	NET AMOUNTS OF ASSETS PRESENTED IN THE UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000	GROSS AMOUNTS, NOT OFFSET IN THE UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES	FINANCIAL INSTRUMENTS US\$'000	CASH COLLATERAL HELD* US\$'000	NET AMOUNT** US\$'000
DESCRIPTION	GROSS AMOUNTS OF RECOGNISED ASSETS US\$'000						
Derivatives	2,192,759	669,126	1,523,633	1,179,239	123,995	220,399	
Reverse repurchase agreements	7,374,552	768,044	6,606,508	4,517,394	14,121	2,074,993	
TOTAL	9,567,311	1,437,170	8,130,141	5,696,633	138,116	2,295,392	

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

As of 30 June 2019

Offsetting of financial liabilities and derivative liabilities:

	(i)	(ii)	(iii) = (i) – (ii)	(iv)	(v) = (iii) – (iv)		
		GROSS AMOUNTS OFFSET IN THE UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000	NET AMOUNTS OF LIABILITIES PRESENTED IN THE UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000	GROSS AMOUNTS, NOT OFFSET IN THE UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES	FINANCIAL INSTRUMENTS US\$'000	CASH COLLATERAL PLEDGED* US\$'000	NET AMOUNT** US\$'000
DESCRIPTION	GROSS AMOUNTS OF RECOGNISED LIABILITIES US\$'000						
Derivatives	1,942,772	669,126	1,273,646	1,179,239	42,218	52,189	
Repurchase agreements	6,307,986	768,044	5,539,942	4,517,394	–	1,022,548	
TOTAL	8,250,758	1,437,170	6,813,588	5,696,633	42,218	1,074,737	

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

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

12. RELATED PARTY TRANSACTIONS

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

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

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

As of 30 June 2019, the Manager indirectly held minority, non-controlling equity interests in Penso Advisors, LLC that provides investment advice to BHIP, in its capacity as an Investment Manager of the Master 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 10.88% (US\$277,706,582) of the net assets of the Master Fund through a holding of US Dollar, Euro and Sterling shares as of 30 June 2019.

As of 30 June 2019, the Master Fund held investments in funds managed by the Manager as set out in Note 5.

The Feeder Funds invest substantially all of their assets in the Master Fund. As of 30 June 2019, Brevan Howard Fund Limited, Brevan Howard L.P. and BH Macro Limited held 63.00%, 4.32% and 21.80% respectively of the net assets of the Master Fund.

On 28 March 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.

13. 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 30 June 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 5.

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2019

13. INVESTMENT IN UNDERLYING FUNDS (CONTINUED)

UNDERLYING FUNDS	% OF NET ASSETS	FAIR MARKET VALUE US\$'000	INCOME US\$'000	NOTICE PERIOD	LIQUIDITY
Brevan Howard AH Master Fund Limited	10.10	257,869	30,251	3 months**	Monthly
Brevan Howard AS Macro Master Fund Limited	12.76	325,870	26,756	Monthly	Monthly
Brevan Howard Emerging Markets Strategies Master Fund Limited*	0.09	2,424	(13)	–	–
Brevan Howard Equity Strategies Master Fund Limited*	0.13	3,225	(12)	–	–
Brevan Howard Global Volatility Master Fund Limited	1.27	32,389	(4,718)	Monthly	Monthly
Brevan Howard MB Macro Master Fund Limited	11.11	283,636	28,986	3 months**	Monthly
Brevan Howard Strategic Opportunities Fund Limited*	0.13	3,182	(15)	–	–
WCG Strategies Fund Limited*	0.02	542	(9)	–	–
	35.61	909,137	81,226		

* The normal trading operations of the above underlying funds have ceased prior to 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 30 June 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.

14. SUBSEQUENT EVENTS

The Master Fund and its Subsidiaries evaluated subsequent events through 15 August 2019. No other material events which would require to be disclosed or adjusted for in the Interim Unaudited Consolidated Financial Statements occurred after the period end.

NOTES

NOTES

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