

BREVAN HOWARD

BREVAN HOWARD MASTER FUND LIMITED

ANNUAL AUDITED CONSOLIDATED
FINANCIAL STATEMENTS 2020 (WITH INDEPENDENT
AUDITORS' REPORT THEREON)

31 December 2020

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.

Contents

- 1 Independent Auditors' Report
- 2 Consolidated Statement of Assets and Liabilities
- 3 Consolidated Condensed Schedule of Investments
- 9 Consolidated Statement of Operations
- 10 Consolidated Statement of Changes in Net Assets
- 11 Consolidated Statement of Cash Flows
- 12 Notes to the Consolidated Financial Statements
- 36 Affirmation of the Commodity Pool Operator
- IBC Management and Administration



KPMG
P.O. Box 493
SIX Cricket Square
Grand Cayman KY1-1106
Cayman Islands
Telephone +1 345 949 4800
Fax +1 345 949 7164
Internet www.kpmg.ky

Independent Auditors' Report to the Board or 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 condensed schedule of investments as of December 31, 2020, 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 Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting principles in the United States of America; 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 financial position of Brevan Howard Master Fund Limited as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in the United States of America.

Other Matter - Restriction on Use

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.

March 26, 2021

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

31 December 2020

	2020 US\$'000
ASSETS	
Investments, at fair value (cost: US\$4,913,061) (Note 2,3,6)	6,079,684
Investments purchased under agreements to resell (cost: US\$939,157) (Note 3,8)	961,366
Cash (Note 2)	5
Due from brokers (Note 2)	405,625
Dividends and interest receivable (Note 2)	3,919
Other assets	167
TOTAL ASSETS	7,450,766
LIABILITIES	
Investments sold short, at fair value (proceeds: US\$1,071,629) (Note 2,3,6)	1,205,075
Investments sold under agreements to repurchase (proceeds: US\$493,920) (Note 8)	504,860
Due to brokers (Note 2)	426,990
Redemptions payable (Note 2)	250,034
Dividends and interest payable	9,358
Interest payable on credit facility (Note 15)	465
Accounts payable and accrued expenses (Note 5,6,7)	1,986
TOTAL LIABILITIES	2,398,768
Non-controlling interest (Note 2)	329,582
NET ASSETS (NOTE 9,13)	4,722,416
NET ASSET VALUE PER SHARE	
US Dollar Class A	US\$8,775.47
US Dollar L.P. Class A	US\$7,856.88
Euro Class A	€7,799.88
Sterling Class A	£9,246.33
Yen Class A	¥25,684.84
Norwegian Krone Class A	NOK2,670.42
US Dollar Class B	US\$4,963.82
Sterling Class B	£4,991.01
US Dollar Class J	US\$138.42
US Dollar L.P. Class J	US\$1,361.98
US Dollar L.P. Class W	US\$1,749.29
Euro Class W	€1,592.25
Sterling Class W	£1,675.21
US Dollar Class Z	US\$262.37
Euro Class Z	€238.32
Sterling Class Z	£254.24

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

See accompanying notes to the Consolidated Financial Statements.

Signed on behalf of the Board of Directors:

Karla Bodden
DIRECTOR

Dennis Hunter
DIRECTOR

26 March 2021

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS

31 December 2020

	PRINCIPAL '000	DESCRIPTION	FAIR VALUE US\$'000	% OF NET ASSETS
LONG PORTFOLIO				
Equities				
Canada (cost US\$2,575)				
		Energy	3,598	0.08
Cayman Islands (cost US\$5,116)				
		Communications	5,566	0.12
Switzerland (cost US\$2,539)				
		Consumer, Non-Cyclical	3,047	0.06
United States (cost US\$41,888)				
		Consumer, Non-Cyclical	30,831	0.66
		Financials	19,474	0.41
		Industrial	3,903	0.08
		Technology	13,930	0.29
			68,138	1.44
		TOTAL EQUITIES (COST US\$52,118)	80,349	1.70
Exchange-traded funds				
United States (cost US\$70,049)				
		Funds	75,656	1.60
		TOTAL EXCHANGE-TRADED FUNDS (COST US\$70,049)	75,656	1.60
Fixed income securities				
Argentina (cost US\$49,503)				
		Government	65,065	1.37
Euro (cost US\$600)				
		Government	629	0.01
Germany (cost US\$676)				
		Government	787	0.02
Ireland (cost US\$7,215)				
		Mortgage Backed Securities	196	0.00

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS CONTINUED

31 December 2020

	PRINCIPAL '000	DESCRIPTION	FAIR VALUE US\$'000	% OF NET ASSETS
LONG PORTFOLIO (CONTINUED)				
Fixed income securities (continued)				
Italy (cost US\$444,296)				
Government				
	€ 42,457	BTPS 0.90% 1 April 2031	53,828	1.13
	€ 117,000	BTPS 0.95% 1 August 2030	149,773	3.17
	€ 21,000	BTPS 1.45% 1 March 2036	27,656	0.59
	€ 25,000	BTPS 1.65% 1 December 2030	33,977	0.72
	€ 10,000	BTPS 1.80% 1 March 2041	13,558	0.29
	€ 48,324	BTPS 2.80% 1 December 2028	70,677	1.50
	€ 20,000	BTPS 2.80% 1 March 2067	32,930	0.70
	€ 56,805	BTPS 4.75% 1 September 2028	92,942	1.97
			475,341	10.07
Japan (cost US\$6,363)				
			6,510	0.14
Jersey (cost US\$71)				
		Asset Backed Securities	0	0.00
Lebanon (cost US\$7,256)				
		Government	6,264	0.13
Luxembourg (cost US\$10,055)				
		Mortgage Backed Securities	472	0.01
Mexico (cost US\$503)				
		Mortgage Backed Securities	0	0.00
United Kingdom (cost US\$3,803)				
		Mortgage Backed Securities	87	0.00

	PRINCIPAL '000	DESCRIPTION	FAIR VALUE US\$'000	% OF NET ASSETS
LONG PORTFOLIO (CONTINUED)				
Fixed income securities (continued)				
United States (cost US\$2,181,216)				
Asset Backed Securities			7,215	0.15
Government				
	US\$100,000	B 0.00% 14 January 2021	99,999	2.12
	US\$160,000	B 0.00% 11 March 2021	159,959	3.39
	US\$190,000	CMB 0.00% 5 January 2021	190,000	4.02
	US\$210,000	CMB 0.00% 19 January 2021	209,996	4.45
	US\$160,000	CMB 0.00% 9 February 2021	159,990	3.39
	US\$210,000	CMB 0.00% 16 February 2021	209,980	4.45
	US\$200,000	CMB 0.00% 9 March 2021	199,973	4.23
	US\$225,000	CMB 0.00% 16 March 2021	224,963	4.76
	US\$140,000	CMB 0.00% 30 March 2021	139,972	2.96
	US\$145,000	CMB 0.00% 13 April 2021	144,964	3.07
	US\$210,000	T 0.00% 25 February 2021	209,981	4.45
	US\$150,000	T 0.00% 25 March 2021	149,977	3.18
Mortgage Backed Securities			70,866	1.50
			2,177,835	46.12
Zambia (cost US\$597)				
Government			714	0.02
TOTAL FIXED INCOME SECURITIES (COST US\$2,712,154)			2,733,900	57.89
Private placement				
Italy (cost US\$4,415)				
Financials			478	0.01
TOTAL PRIVATE PLACEMENT (COST US\$4,415)			478	0.01
Interest rate guarantee options (cost US\$18,512)				
USD			29,001	0.61
Other			1,843	0.04
			30,844	0.65
Interest rate swaps (cost US\$1,555)				
USD			11,647	0.25
Other			5,713	0.12
			17,360	0.37
Swaptions (cost US\$6,643)				
USD			31,399	0.67
Other			41	0.00
			31,440	0.67

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS CONTINUED

31 December 2020

	FAIR VALUE US\$'000	% OF NET ASSETS
LONG PORTFOLIO (CONTINUED)		
FX contracts		
EUR/USD	16,383	0.35
GBP/USD	82,816	1.75
TRY/USD	6,614	0.14
Other	6,679	0.14
	112,492	2.38
Exchange traded futures		
30 Day Fed Fund	2,684	0.06
Other	4,233	0.09
	6,917	0.15
Exchange traded options (cost US\$7,101)	2,121	0.04
Commodity options (cost US\$33,026)		
Crude Oil	8,138	0.17
XAG	4,090	0.09
XAU	4,723	0.10
	16,951	0.36
Equity options (cost US\$13,201)		
DJ EURO STOXX 50	3,558	0.08
Other	5,292	0.11
	8,850	0.19
FX options (cost US\$125,914)		
EUR/GBP	11,852	0.25
EUR/USD	6,153	0.13
USD/CAD	13,446	0.28
USD/CNH	81,106	1.72
USD/JPY	18,123	0.38
USD/ZAR	43,311	0.92
USD/KRW	3,364	0.07
USD/RUB	3,133	0.07
Other	11,711	0.25
	192,199	4.07
Equity swaps	16,784	0.36
Investments in unconsolidated Affiliate Funds (cost US\$1,868,373)		
Brevan Howard AH Master Fund Limited	424,620	8.98
Brevan Howard Alpha Strategies Master Fund Limited	1,313,423	27.81
Brevan Howard AS Macro Master Fund Limited	461,782	9.78
Brevan Howard Emerging Markets Strategies Master Fund Limited	2,407	0.05
Brevan Howard Equity Strategies Master Fund Limited	3,140	0.07
Brevan Howard Global Volatility Master Fund Limited	95,363	2.02
Brevan Howard MB Macro Master Fund Limited	447,179	9.47

		FAIR VALUE US\$'000	% OF NET ASSETS	
LONG PORTFOLIO (CONTINUED)				
Investments in unconsolidated Affiliate Funds (continued)				
Brevan Howard Strategic Opportunities Fund Limited		3,669	0.08	
WCG Strategies Fund Limited		1,760	0.04	
		2,753,343	58.30	
TOTAL INVESTMENTS, AT FAIR VALUE (COST US\$4,913,061)		6,079,684	128.74	
Investments purchased under agreements to resell				
Belgium (cost US\$85,214)				
		88,200	1.87	
Italy (cost US\$853,943)				
JP Morgan Securities PLC	€ 275,000	Maturity date 13 January 2021, interest at (0.56%) - (0.70%)	394,647	8.36
JP Morgan Securities PLC	€ 49,237	Maturity date 14 January 2021, interest at (0.64%) - (0.72%)	86,310	1.83
JP Morgan Securities PLC	€ 200,000	Maturity date 15 January 2021, interest at (0.57%) - (0.63%)	271,136	5.74
Other			121,073	2.56
			873,166	18.49
TOTAL INVESTMENTS PURCHASED UNDER AGREEMENTS TO RESELL (COST US\$939,157)			961,366	20.36
SHORT PORTFOLIO				
Equities				
Spain				
Energy			(24)	(0.00)
TOTAL EQUITIES			(24)	(0.00)
Fixed income securities				
Belgium (proceeds (US\$83,854))				
Government			(87,865)	(1.86)
Italy (proceeds (US\$819,890))				
Government	€ (12,000)	BTPS 1.70% 1 September 2051	(15,651)	(0.33)
	€ (185,000)	BTPS 1.75% 1 July 2024	(242,118)	(5.13)
	€ (87,500)	BTPS 2.45% 1 October 2023	(115,381)	(2.44)
	€ (126,737)	BTPS 3.00% 1 August 2029	(189,495)	(4.01)
	€ (15,000)	BTPS 3.45% 1 March 2048	(27,077)	(0.57)
	€ (175,000)	BTPS 4.50% 1 March 2024	(246,785)	(5.23)
	€ (22,500)	BTPS 5.00% 1 September 2040	(46,245)	(0.98)
			(882,752)	(18.69)
United States (proceeds (US\$52,844))				
Financials			(5,000)	(0.11)
Government			(47,853)	(1.01)
			(52,853)	(1.12)
TOTAL FIXED INCOME SECURITIES (PROCEEDS (US\$956,588))			(1,023,470)	(21.67)

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS CONTINUED

31 December 2020

	FAIR VALUE US\$'000	% OF NET ASSETS
SHORT PORTFOLIO (CONTINUED)		
Interest rate guarantee options (proceeds (US\$9,706))		
USD	(14,088)	(21.67)
Interest rate swaps (proceeds (US\$882))		
USD	(2,710)	(0.06)
Other	(4,946)	(0.10)
	(7,656)	(0.16)
Swaptions (proceeds (US\$24,310))		
USD	(48,787)	(1.03)
Other	(22)	(0.00)
	(48,809)	(1.03)
FX contracts		
GBP/USD	(20,627)	(0.44)
Other	(4,077)	(0.09)
	(24,704)	(0.53)
Exchange traded futures		
	(4,924)	(0.10)
Exchange traded options (proceeds (US\$1,880))		
	(2,201)	(0.05)
Commodity options (proceeds (US\$20,407))		
Crude Oil	(8,108)	(0.17)
Other	(773)	(0.02)
	(8,881)	(0.19)
Equity options (proceeds (US\$9,757))		
DJ EURO STOXX 50	(3,224)	(0.06)
Other	(2,386)	(0.06)
	(5,610)	(0.12)
FX options (proceeds (US\$48,099))		
EUR/USD	(3,863)	(0.08)
USD/CNH	(17,455)	(0.37)
USD/ZAR	(31,696)	(0.67)
Other	(6,265)	(0.13)
	(59,279)	(1.25)
Equity swaps	(5,425)	(0.12)
Volatility swaps	(4)	(0.00)
TOTAL INVESTMENTS SOLD SHORT, AT FAIR VALUE (PROCEEDS (US\$1,071,629))	(1,205,075)	(25.52)

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 2020

	2020 US\$'000
INVESTMENT INCOME	
Interest income	13,671
Dividend income (net of withholding tax of US\$575)	308
Other income	3
TOTAL INVESTMENT INCOME	13,982
EXPENSES	
Operational services fee (Note 5)	17,150
Interest expense	8,373
Administration fee (Note 7)	2,840
Bank loan interest (Note 15)	2,248
Professional fees and other	1,651
Research charges (Note 14)	1,593
Trade commissions	953
Custody fees	321
Execution fees and other transaction costs	11,082
TOTAL EXPENSES	46,211
NET INVESTMENT LOSS	(32,229)
NET REALISED AND CHANGE IN UNREALISED GAIN ON INVESTMENTS	
Net realised gain on investments (Note 2)	686,644
Net change in unrealised gain on investments (Note 2)	677,982
NET REALISED AND CHANGE IN UNREALISED GAIN ON INVESTMENTS	1,364,626
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS	1,332,397
NON-CONTROLLING INTEREST SHARE IN NET GAIN (NOTE 2)	(125,069)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	1,207,328

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 2020

	2020 US\$'000
OPERATIONS	
Net investment loss	(32,229)
Net realised gain on investments	686,644
Net change in unrealised gain on investments	677,982
Non-controlling interest share in net gain (Note 2)	(125,069)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	1,207,328
SHARE CAPITAL TRANSACTIONS	
Issue of shares	
US Dollar Class A	991,553
US Dollar L.P. Class A	57,863
Euro Class A	107,467
Sterling Class A	7,869
US Dollar Class B	2,749
Sterling Class B	15,728
US Dollar Class J	5,550
US Dollar L.P. Class J	14,035
Redemption of shares	
US Dollar Class A	(356,024)
US Dollar L.P. Class A	(43,082)
Euro Class A	(17,481)
Sterling Class A	(39,022)
Yen Class A	(11,138)
Norwegian Krone Class A	(150)
US Dollar Class B	(5,250)
Sterling Class B	(38,263)
US Dollar Class J	(89)
US Dollar L.P. Class J	(644)
US Dollar L.P. Class W	(292)
Euro Class W	(4,546)
Sterling Class W	(8,648)
US Dollar Class Z	(67,600)
Sterling Class Z	(124,327)
NET INCREASE IN NET ASSETS RESULTING FROM SHARE CAPITAL TRANSACTIONS	486,258
NET INCREASE IN NET ASSETS	1,693,586
NET ASSETS – BEGINNING OF THE YEAR	3,028,830
NET ASSETS – END OF THE YEAR	4,722,416

See accompanying notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	1,207,328
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Proceeds from sales of securities	12,146,578
Purchases of securities	(11,006,400)
Proceeds from securities sold short	2,897,069
Payments to cover securities sold short	(1,853,432)
Payments for derivative contracts	(1,819,673)
Proceeds from derivative contracts	2,311,284
Net realised gain on investments	(73,363)
Net realised gain on derivative contracts	(540,415)
Net change in unrealised gain on investments	(598,736)
Net change in unrealised gain on derivative contracts	(100,484)
Decrease in investments purchased under agreements to resell	2,160,016
Decrease in investments sold under agreements to repurchase	(5,574,431)
Decrease in other receivable	34,164
Decrease in dividends and interest receivable	27,512
Decrease in other assets	1,069
Decrease in dividends and interest payable	(17,437)
Increase in interest payable on credit facility	189
Increase in accounts payable and accrued expenses	29
NET CASH USED IN OPERATING ACTIVITIES	(799,133)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds on issue of shares	1,202,814
Payments on redemption of shares, net of change in redemptions payable	(547,140)
NET CASH PROVIDED BY FINANCING ACTIVITIES	655,674
NET CHANGE IN CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS)	(143,459)
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS) – BEGINNING OF THE YEAR	122,099
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS) – END OF THE YEAR	(21,360)
Supplemental disclosure of cash flow information:	
<i>Interest paid</i>	17,854
<i>Dividend paid</i>	(206)
<i>As of 31 December 2020, 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	73,388
Due from brokers – Non restricted cash	332,237
Due to brokers – Restricted cash	(153,068)
Due to brokers – Non restricted cash	(273,922)
TOTAL CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS)	(21,360)

See accompanying notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

1. ORGANISATION

Brevan Howard Master Fund Limited (the "Master Fund") is an exempted limited liability company which was incorporated under the Companies Act (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 Act 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 entity (the "Subsidiary") as of 31 December 2020:

- 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 63.12% of BFG as of 31 December 2020.

BHMF Investments II Limited, which was 100% held by the Master Fund, was dissolved with effect from 6 April 2020.

The Consolidated Financial Statements include full consolidation of any owned subsidiary, except where the effect on the Master Fund's financial position and results of operations are immaterial. Transactions between the Master Fund and the Subsidiary have been eliminated on consolidation. The following table presents the changes in non-controlling interest for the year end 31 December 2020.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Basis of preparation (continued)**

	US'000
Non-controlling interest, beginning of the year	1,010,648
Subscription of non-controlling interest	88,264
Redemption of non-controlling interest	(45,934)
Transfer out of non-controlling interest*	(848,465)
Non-controlling interest share in net gain	125,069
NON-CONTROLLING INTEREST, END OF THE YEAR	329,582

* Pertains to Brevan Howard Alpha Strategies Master Fund Limited ("BHAL") which does not meet the consolidation criteria as of 31 December 2020.

Security transactions and valuation

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

Most positions of the Master Fund and its Subsidiary 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, multifaceted options or private placements).

Estimates of the fair value of Level 3 assets and liabilities of the Master Fund and its Subsidiary's 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 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 loans is included in bank loan interest in the Consolidated Statement of Operations.

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. Dividends are recorded on the ex-dividend date.

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 Subsidiary 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

An affiliate of the Manager monitors the market value of the Master Fund and its Subsidiary's 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 Subsidiary 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 Subsidiary 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 Subsidiary 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 Subsidiary 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 Subsidiary 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 Subsidiary 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 Subsidiary purchase a put or call option, an amount, equal to the premium paid by the Master Fund and its Subsidiary, 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 Subsidiary 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 Subsidiary 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 Subsidiary.

Unrealised gains or losses on open foreign exchange contracts and forward rate agreements represent the Master Fund and its Subsidiary's 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Derivative financial instrument (continued)**

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 Subsidiary's derivative contracts by certain risk types as of 31 December 2020 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 Subsidiary's 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	DERIVATIVE ASSETS US\$'000	DERIVATIVE LIABILITIES US\$'000
Commodity Contracts	76	13,375	2,534	21,251	13,552
Credit Contracts	–	18	–	–	–
Equity Contracts	466	27,500	7,801	27,576	11,039
Foreign Exchange Contracts	820	11,821	16,334	305,034	83,987
Interest Rate Contracts	219	23,620	2,984	82,097	73,003
FAIR VALUE OF DERIVATIVE CONTRACTS				435,958	181,581

* 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\$20,142,550. Total VaR for the Master Fund and its Subsidiary, including derivatives, non-derivatives and investments in affiliated entities, is US\$36,390,753.

The following table sets forth by certain risk types the Master Fund and its Subsidiary's gains/(losses) related to derivative activities for the year ended 31 December 2020 in accordance with ASC 815. These gains/(losses) should be considered in the context that derivative contracts may have been executed to economically hedge certain securities and accordingly, certain gains or losses on derivative contracts may offset certain gains or losses attributable to securities. These gains/(losses) are included in net realised gain and change in unrealised gain on investments in the Consolidated Statement of Operations.

DERIVATIVE CONTRACTS FOR TRADING ACTIVITIES	REALISED GAIN YEAR ENDED 31 DECEMBER 2020 US\$'000	CHANGE IN UNREALISED GAIN/(LOSS) YEAR ENDED 31 DECEMBER 2020 US\$'000
Commodity Contracts	79,570	(7,339)
Credit Contracts	4,238	–
Equity Contracts	92,251	16,835
Foreign Exchange Contracts	123,820	42,201
Interest Rate Contracts	240,536	48,787
TOTAL	540,415	100,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instrument (continued)

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 Subsidiary 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 Subsidiary 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 Subsidiary 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 Subsidiary 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 Subsidiary 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.

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 Subsidiary have the legal right to offset the recognised amounts and intends to settle on a net basis.

The Master Fund and its Subsidiary 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 typically 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\$508 and an acquisition cost of US\$494 is included in cash.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Due from and to brokers**

BALANCE DUE FROM BROKERS	US'000
Balance pledged as collateral	73,388
Balance unpledged	332,237
	405,625

Included in the balance pledged as collateral were US\$33,836,179 pledged to counterparties of OTC derivatives, US\$21,912,747 as initial margin related to the Master Fund's futures trading activities and US\$17,639,946 as collateral for other assets.

BALANCE DUE TO BROKERS	US'000
Balance held as collateral	153,068
Balance not held as collateral	273,922
	426,990

Included in the balance held as collateral were US\$148,415,586 held from counterparties of OTC derivatives and US\$4,652,353 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 Subsidiary at year end, are included in redemptions payable as of 31 December 2020. 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 2020, the redemptions payable by the Master Fund and its Subsidiary amounted to US\$250,034,214.

New accounting pronouncements

In August, the FASB issued Accounting Standards Update ("ASU") No. 2018-13, Disclosure Framework - *Changes to the Disclosure Requirements for Fair Value Measurements*, which modifies the disclosure requirements for fair value measurements. The Master Fund adopted ASU 2018-13 on a retrospective basis as of 1 January 2020. The effect of adopting this accounting guidance resulted in the removal or modification of certain fair value measurements disclosures presented in the Master Fund's Financial Statements.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2020

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 Subsidiary's investments as of 31 December 2020:

Assets

FAIR VALUE MEASUREMENTS AT REPORTING DATE:	LEVEL 1: US\$'000	LEVEL 2: US\$'000	LEVEL 3: US\$'000	TOTAL US\$'000
Equity Securities	44,809	35,540	–	80,349
Private Placements	–	–	478	478
Exchange-Traded funds	75,656	–	–	75,656
Fixed Income Securities:				
Asset Backed Securities	–	1,395	5,820	7,215
Mortgage Backed Securities	–	71,161	460	71,621
Non-US Government Securities	482,481	72,829	–	555,310
US Government Securities	2,099,754	–	–	2,099,754
Derivatives:				
Commodity Contracts	4,300	16,882	69	21,251
Equity Contracts	3,668	23,908	–	27,576
Foreign Exchange Contracts	343	287,948	16,743	305,034
Interest Rate Contracts	391	81,403	303	82,097
SUBTOTAL	2,711,402	591,066	23,873	3,326,341
Investments purchased under agreements to resell:				
Non-US Government Securities	–	961,366	–	961,366
TOTAL INVESTMENTS PURCHASED UNDER AGREEMENTS TO RESELL	–	961,366	–	961,366
Investments in unconsolidated Affiliate Funds measured at NAV*				2,753,343
TOTAL ASSETS				7,041,050

*Investments in unconsolidated Affiliate Funds as of 31 December 2020 are excluded from the fair value hierarchy leveling as the fair value of these investments were measured at NAV as a practical expedient.

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
Equity Securities	–	24	–	24
Fixed Income Securities:				
Corporate Debt Securities	–	5,000	–	5,000
Non-US Government Securities	970,617	–	–	970,617
US Government Securities	47,853	–	–	47,853
Derivatives:				
Commodity Contracts	4,588	8,509	455	13,552
Equity Contracts	4	11,035	–	11,039
Foreign Exchange Contracts	–	83,914	73	83,987
Interest Rate Contracts	259	72,722	22	73,003
SUBTOTAL	1,023,321	181,204	550	1,205,075
TOTAL LIABILITIES	1,023,321	181,204	550	1,205,075

The fair value of equities securities, exchange-traded funds, private placements and fixed income securities by industry type is presented in the Consolidated Condensed Schedule of Investments.

The Master Fund and its Subsidiary had no investments measured at fair value on a non-recurring basis during the year ended 31 December 2020.

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

The following table presents changes in assets classified within the Level 3 category of the fair value hierarchy during the year ended 31 December 2020:

Level 3**Assets**

INVESTMENTS	ASSET BACKED SECURITIES US\$'000	MORTGAGE BACKED SECURITIES US\$'000	PRIVATE PLACEMENTS US\$'000	COMMODITY CONTRACTS US\$'000	FOREIGN EXCHANGE CONTRACTS US\$'000	INTEREST RATE CONTRACTS US\$'000
Purchases	–	–	–	50	5,810	6,217
Transfer in to Level 3	6,230	550	454	49	3,895	846
Transfer out of Level 3	(9)	(182)	(457)	–	(1,931)	(1,136)

Liabilities

INVESTMENTS	COMMODITY CONTRACTS US\$'000	FOREIGN EXCHANGE CONTRACTS US\$'000	INTEREST RATE CONTRACTS US\$'000
Transfer out of Level 3	155	384	21

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2020

3. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarises the valuation methodology and significant unobservable inputs used for the Master Fund and its Subsidiary's investments that are categorised within Level 3 of the fair value hierarchy as of 31 December 2020:

ASSETS	FAIR VALUE US\$'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS	RANGE
Private Placements	478	Discounted book value	Collateral valuation	N/A
Asset Backed Securities & Mortgage Backed Securities	6,280	Broker quote	Constant default rate/conditional prepayment rate/loss severity/dis- count rate	N/A
Commodity Contracts	69	Internal model	Volatility	51%-21%
Foreign Exchange Contracts	15,408	Counterparty valuation/ Broker quote	Correlation factors	N/A
Foreign Exchange Contracts	1,335	Internal Model	Volatility	9%-5%
Interest Rate Contracts	262	Counterparty valuation/ Broker quote	Volatility	N/A
Interest Rate Contracts	41	Internal Model	Volatility	148%-106%

LIABILITIES	FAIR VALUE US\$'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS	RANGE
Commodity Contracts	455	Internal Model	Volatility	51%-21%
Foreign Exchange Contracts	73	Internal Model	Volatility	10%-5%
Interest Rate Contracts	22	Internal Model	Volatility	175%-123%

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 input implicit in foreign exchange contract counterparty valuations or broker quotes is generally a correlation factor between two or more reference assets, the range of which is not transparent in these sources. An increase in the correlation factor could result in a higher or lower fair value depending on the nature of the specific instrument. The unobservable input in all other level 3 derivative contract counterparty valuations or broker quotes is generally the volatility. An increase in volatility 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. 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 2020, the Master Fund invested in 9 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 6.

UNDERLYING FUNDS	% OF UNDERLYING FUNDS OWNERSHIP	% OF NET ASSETS	FAIR MARKET VALUE US\$'000	INCOME/LOSS US\$'000	NOTICE PERIOD	LIQUIDITY
Brevan Howard AH Master Fund Limited	23.15	8.98	424,620	342,637	3 months**	Monthly
Brevan Howard Alpha Strategies Master Fund Limited	29.33	27.81	1,313,423	211,577	3 months**	Monthly
Brevan Howard AS Macro Master Fund Limited	48.33	9.78	461,782	1,094	Monthly	Monthly
Brevan Howard Emerging Markets Strategies Master Fund Limited*	100.00	0.05	2,407	(20)	–	–
Brevan Howard Equity Strategies Master Fund Limited*	100.00	0.07	3,140	(89)	–	–
Brevan Howard Global Volatility Master Fund Limited	36.03	2.02	95,363	28,940	Monthly	Monthly
Brevan Howard MB Macro Master Fund Limited	25.77	9.47	447,179	70,714	3 months**	Monthly
Brevan Howard Strategic Opportunities Fund Limited*	100.00	0.08	3,669	78	–	–
WCG Strategies Fund Limited*	100.00	0.04	1,760	217	–	–
		58.30	2,753,343	655,148		

* The normal trading operations of the above underlying funds have ceased prior to 31 December 2020.

** 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 2020, the above underlying funds were all domiciled in the Cayman Islands.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2020

4. INVESTMENT IN UNDERLYING FUNDS (CONTINUED)

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 2020.

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

	PRINCIPAL '000	DESCRIPTION	UNDERLYING FUND'S FAIR VALUE US\$'000	MASTER FUND'S PROPORTIONATE SHARE US\$'000	% OF NET ASSETS
BREVAN HOWARD ALPHA STRATEGIES MASTER FUND LIMITED					
LONG PORTFOLIO					
Fixed income securities					
United States					
Government					
	US\$2,010,000	T 0.38% 31 December 2025	2,011,492	590,041	12.49
	US\$569,900	T 4.38% 15 November 2039	861,217	252,625	5.35
TOTAL FIXED INCOME SECURITIES			2,872,709	842,666	17.84
TOTAL INVESTMENTS, AT FAIR VALUE			2,872,709	842,666	17.84
Investments purchased under agreements to resell					
United States					
JP Morgan Securities LLC	US\$850,550	Maturity date 5 January 2021, interest at 0.02% - 0.08%	924,089	271,068	5.74
JP Morgan Securities LLC	US\$984,200	Maturity date 6 January 2021, interest at 0.00% - 0.07%	1,000,612	293,515	6.22
			1,924,701	564,583	11.96
TOTAL INVESTMENTS PURCHASED UNDER AGREEMENTS TO RESELL			1,924,701	564,583	11.96
SHORT PORTFOLIO					
Fixed income securities					
United States					
Government					
	(US\$ 1,790,000)	T 0.38% 30 November 2025	(1,792,852)	(525,906)	(11.14)
	(US\$ 949,250)	T 0.88% 15 November 2030	(945,764)	(277,426)	(5.87)
TOTAL FIXED INCOME SECURITIES			(2,738,616)	(803,332)	(17.01)
TOTAL INVESTMENTS, SOLD SHORT AT FAIR VALUE			(2,738,616)	(803,332)	(17.01)

5. OPERATIONAL SERVICES FEE

The Manager has received from the Master Fund a fee not exceeding 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 2020 (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 not exceeding 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 2020 as of the last valuation day in each month.

The operational services fee for the year ended 31 December 2020 amounted to US\$17,149,570. The operational services fee payable as of 31 December 2020 is US\$16,049.

6. 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 in respect of the Master Fund's investments in the Subsidiary.

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 in respect of the Master Fund's investments in the Subsidiary. No performance fee was accrued for the year ended 31 December 2020.

As of 31 December 2020, 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
Brevan Howard AH Master Fund Limited	424,619,680	23.15
Brevan Howard Alpha Strategies Master Fund Limited	1,313,422,629	29.33
Brevan Howard AS Macro Master Fund Limited	461,782,322	48.33
Brevan Howard Emerging Markets Strategies Master Fund Limited	2,407,429	100.00
Brevan Howard Equity Strategies Master Fund Limited	3,139,639	100.00
Brevan Howard FG Macro Master Fund Limited*	564,168,421	63.12
Brevan Howard Global Volatility Master Fund Limited	95,363,450	36.03
Brevan Howard MB Macro Master Fund Limited	447,178,961	25.77
Brevan Howard Strategic Opportunities Fund Limited	3,668,906	100.00
WCG Strategies Fund Limited	1,759,775	100.00

* Brevan Howard FG Macro Master Fund Limited is a consolidated subsidiary of the Master Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2020

6. MANAGEMENT AND PERFORMANCE FEES (CONTINUED)

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.

7. 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 Subsidiary 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 NAV of the Relevant BH Funds.

The administration fee for the Master Fund for the year ended 31 December 2020 amounted to US\$2,840,155. The administration fee payable by the Master Fund as of 31 December 2020 is US\$829,620.

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

Where the Master Fund has entered into reverse purchase agreements, the Master Fund entered into a corresponding short fixed income position, or repurchase agreement, where the collateral has been transferred to the counterparty to the agreement.

As of 31 December 2020, investments and related interest payable with a market value of US\$954,865,706 were pledged to the Master Fund and its Subsidiary as collateral (investments purchased under agreements to resell) and investments and related interest receivable with a market value of US\$521,143,584 were pledged by the Master Fund and its Subsidiary as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 25 January 2021 with interest rates ranging from (0.57%) to 0.75% and all agreements to resell mature by 15 January 2021 with interest rates ranging from (0.72%) to (0.55%).

8. 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 Subsidiary by class of collateral pledged as of 31 December 2020 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					
Non-US Government Debt	–	504,860	–	–	504,860
TOTAL BORROWINGS	–	504,860	–	–	504,860
GROSS AMOUNT OF RECOGNISED LIABILITIES FOR REPURCHASE AGREEMENTS IN NOTE 12					504,860
Amounts related to agreements not included in offsetting disclosure in Note 12					–

9. 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, Swedish Krona and Singapore Dollar 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2020

9. 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. 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. 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	152,055	127,167	62,835	(805)	(42,856)	298,396	US\$8,775.47
US Dollar L.P. Class A	19,991	7,842	–	–	(5,980)	21,853	US\$7,856.88
Euro Class A	24,031	12,314	711	(385)	(1,914)	34,757	€ 7,799.88
Sterling Class A	81,209	710	109	(46,859)	(3,546)	31,623	£9,246.33
Yen Class A	367,808	–	–	(979)	(45,179)	321,650	¥25,684.84
Norwegian Krone Class A	8,937	–	1	(2)	(480)	8,456	NOK 2,670.42
US Dollar Class B	18,082	583	149	(2,486)	(1,060)	15,268	US\$4,963.82
Sterling Class B	101,291	2,635	1,875	(116)	(5,613)	100,072	£4,991.01
US Dollar Class J	2,488	42,065	–	(43)	(645)	43,865	US\$138.42
US Dollar L.P. Class J	2,857	11,470	–	–	(479)	13,848	US\$1,361.98
US Dollar L.P. Class W	3,100	–	–	–	(167)	2,933	US\$1,749.29
Euro Class W	45,358	–	–	–	(2,333)	43,025	€ 1,592.25
Sterling Class W	70,917	–	–	–	(3,776)	67,141	£1,675.21
US Dollar Class Z	195,227	–	129,041	(12,498)	(267,891)	43,879	US\$262.37
Euro Class Z	3,701	–	–	–	–	3,701	€ 238.32
Sterling Class Z	800,464	–	10,141	(102,927)	(480,179)	2,27,499	£254.24

9. 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 IN NET ASSETS RESULTING FROM OPERATIONS US\$'000	ENDING NET ASSETS US\$'000
US Dollar Class A	979,077	991,553	524,328	(6,746)	(356,024)	486,382	2,618,570
US Dollar L.P. Class A	115,359	57,863	–	–	(43,082)	41,558	171,698
Euro Class A	157,070	107,467	6,281	(3,158)	(17,481)	81,588	331,767
Sterling Class A	733,408	7,869	1,180	(521,675)	(39,022)	217,978	399,738
Yen Class A	64,669	–	–	(204)	(11,138)	26,710	80,037
Norwegian Krone Class A	1,985	–	1	(1)	(150)	803	2,638
US Dollar Class B	65,734	2,749	604	(11,861)	(5,250)	23,821	75,797
Sterling Class B	492,872	15,728	11,861	(604)	(38,263)	201,239	682,833
US Dollar Class J	254	5,550	–	(6)	(89)	362	6,071
US Dollar L.P. Class J	2,872	14,035	–	–	(644)	2,597	18,860
US Dollar L.P. Class W	3,962	–	–	–	(292)	1,460	5,130
Euro Class W	60,218	–	–	–	(4,546)	28,167	83,839
Sterling Class W	115,457	–	–	–	(8,648)	46,960	153,769
US Dollar Class Z	37,392	–	32,285	(3,090)	(67,600)	12,524	11,511
Euro Class Z	736	–	–	–	–	344	1,080
Sterling Class Z	197,765	–	3,090	(32,285)	(124,327)	34,835	79,078
	3,028,830	1,202,814	579,630	(579,630)	(716,556)	1,207,328	4,722,416

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

10. 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.

11. 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 Subsidiary holds, the Master Fund and its Subsidiary 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 Subsidiary will default and fail to fulfill the terms of the agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2020

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

Investments sold short have market risk to the extent that the Master Fund and its Subsidiary, 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 Subsidiary to credit, market and liquidity risks. The Master Fund and its Subsidiary 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 Subsidiary 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 Subsidiary to market and liquidity risks. The Master Fund and its Subsidiary 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 Subsidiary 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 Subsidiary 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 Subsidiary exercise the option. As a purchaser of an option contract, the Master Fund and its Subsidiary are only subject to market risk to the extent of the premium paid.

The Master Fund and its Subsidiary 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 Subsidiary invest in fixed income securities and bank loans. Until such investments are sold or mature, the Master Fund and its Subsidiary 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 Subsidiary 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 Subsidiary 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 Subsidiary's policy that their prime brokers take possession of the underlying collateral securities, thus exposing the Master Fund and its Subsidiary 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 Subsidiary may be delayed or insufficient. The Master Fund and its Subsidiary 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 Subsidiary when deemed necessary.

In accordance with ASC 815, the Master Fund and its Subsidiary 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 Subsidiary holdings at the year end. These derivative assets and liabilities are not representative of the outstanding credit risk to the Master Fund and its Subsidiary due to the existence of master netting agreements.

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

The Master Fund and its Subsidiary 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.

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

Liquidity risk

The Master Fund and its Subsidiary's 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 Subsidiary 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 Subsidiary 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 Subsidiary to liquidate its investments in an orderly manner.

From time to time, market participants with which the Master Fund and its Subsidiary 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 Subsidiary 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 Subsidiary's 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.

12. OFFSETTING ASSETS AND LIABILITIES

The Master Fund and its Subsidiary 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2020

12. OFFSETTING ASSETS AND LIABILITIES (CONTINUED)

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

As of 31 December 2020

Offsetting of financial assets and derivative assets:

	(I)	(II)	(III)=(I)-(II)	(IV)	(V)=(III)-(IV)	
			NET AMOUNTS OF ASSETS PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000	GROSS AMOUNTS NOT OFFSET IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES		
DESCRIPTION	GROSS AMOUNTS OF RECOGNISED ASSETS US\$'000	GROSS AMOUNTS OFFSET IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000		FINANCIAL INSTRUMENTS US\$'000	CASH COLLATERAL HELD* US\$'000	NET AMOUNT** US\$'000
Derivatives	461,560	25,602	435,958	163,256	145,381	127,321
Reverse repurchase agreements	961,366	–	961,366	470,097	1,477	489,792
TOTAL	1,422,926	25,602	1,397,324	633,353	146,858	617,113

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 2020

Offsetting of financial liabilities and derivative liabilities:

	(I)	(II)	(III)=(I)-(II)	(IV)	(V)=(III)-(IV)	
			NET AMOUNTS OF LIABILITIES PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000	GROSS AMOUNTS NOT OFFSET IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES		
DESCRIPTION	GROSS AMOUNTS OF RECOGNISED LIABILITIES US\$'000	GROSS AMOUNTS OFFSET IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000		FINANCIAL INSTRUMENTS US\$'000	CASH COLLATERAL PLEDGED* US\$'000	NET AMOUNT** US\$'000
Derivatives	207,183	25,602	181,581	163,256	15,613	2,712
Repurchase agreements	504,860	–	504,860	470,097	–	34,763
TOTAL	712,043	25,602	686,441	633,353	15,613	37,475

* 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 8 for details of balances held as collateral and pledged as collateral relating to reverse repurchase agreements and repurchase agreements, respectively, as noted in the table above.

13. 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 permanent, fee paying, non-management shares.

PER SHARE OPERATING PERFORMANCE	US DOLLAR CLASS A US\$	EURO CLASS A €	STERLING CLASS A £	YEN CLASS A ¥	NORWEGIAN KRUNE CLASS A NOK	US DOLLAR L.P. CLASS A US\$	US DOLLAR CLASS B US\$	STERLING CLASS B £
Net asset value, beginning of the year	6,438.95	5,823.36	6,819.04	19,105.37	1,953.33	5,770.40	3,635.03	3,674.06
INCOME FROM INVESTMENT OPERATIONS								
Net investment loss ⁽¹⁾	(67.63)	(60.25)	(71.05)	(198.13)	(20.61)	(67.43)	(28.96)	(52.95)
Net realised and unrealised gain on investments ⁽¹⁾	2,404.15	2,036.77	2,498.34	6,777.60	737.70	2,153.91	1,357.75	1,369.90
TOTAL INCOME FROM INVESTMENT OPERATIONS	2,336.52	1,976.52	2,427.29	6,579.47	717.09	2,086.48	1,328.79	1,316.95
NET ASSET VALUE, END OF THE YEAR	8,775.47	7,799.88	9,246.33	25,684.84	2,670.42	7,856.88	4,963.82	4,991.01
TOTAL RETURN⁽²⁾	36.29%	33.94%	35.60%	34.44%	36.71%	36.16%	36.56%	35.84%
SUPPLEMENTAL DATA								
Net assets as of 31 December 2020 ('000)	2,618,570	271,096	292,388	8,261,579	22,585	171,698	75,797	499,457
Average net assets for 2020 ⁽³⁾ ('000)	1,974,511	195,633	407,430	8,685,503	22,057	146,838	80,216	477,918
RATIO TO AVERAGE NET ASSETS								
Operating expenses	0.64%	0.64%	0.64%	0.64%	0.64%	0.75%	0.44%	0.45%
Interest expense	0.28%	0.26%	0.20%	0.26%	0.26%	0.26%	0.27%	0.67%
Trade commissions	0.02%	0.02%	0.03%	0.02%	0.02%	0.02%	0.02%	0.02%
Execution fees and other transaction costs	0.20%	0.21%	0.34%	0.23%	0.24%	0.22%	0.23%	0.23%
TOTAL EXPENSES	1.14%	1.13%	1.21%	1.15%	1.16%	1.25%	0.96%	1.37%
Net investment loss	(0.80%)	(0.79%)	(0.91%)	(0.83%)	(0.83%)	(0.91%)	(0.65%)	(1.14%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2020

13. FINANCIAL HIGHLIGHTS (CONTINUED)

PER SHARE OPERATING PERFORMANCE	US DOLLAR CLASS J US\$	US DOLLAR L.P. CLASS J US\$	US DOLLAR L.P. CLASS W US\$	EURO CLASS W €	STERLING CLASS W £	US DOLLAR CLASS Z US\$	EURO CLASS Z €	STERLING CLASS Z £
Net asset value, beginning of the year	102.07	1005.31	1278.34	1182.84	1229.28	191.53	177.02	186.55
INCOME FROM INVESTMENT OPERATIONS								
Net investment loss ⁽¹⁾	(1.73)	(18.09)	(13.74)	(4.87)	(4.81)	(0.89)	(1.8)	(1.94)
Net realised and unrealised gain on investments ⁽¹⁾	38.08	374.76	484.69	414.28	450.74	71.73	63.10	69.63
TOTAL INCOME FROM INVESTMENT OPERATIONS	36.35	356.67	470.95	409.41	445.93	70.84	61.3	67.69
NET ASSET VALUE, END OF THE YEAR	138.42	1361.98	1749.29	1592.25	1675.21	262.37	238.32	254.24
TOTAL RETURN⁽²⁾	35.61%	35.48%	36.84%	34.61%	36.28%	36.99%	34.63%	36.29%
SUPPLEMENTAL DATA								
Net assets as of 31 December 2020 ('000)	6,071	18860	5130	68507	112474	11511	882	57840
Average net assets for 2020 ⁽³⁾ ('000)	1,952	10775	4994	66858	109620	34212	816	93845
RATIO TO AVERAGE NET ASSETS								
Operating expenses	1.14%	1.26%	0.23%	0.13%	0.14%	0.13%	0.13%	0.13%
Interest expense	0.29%	0.29%	0.67%	0.26%	0.65%	0.69%	0.66%	0.61%
Trade commissions	0.00%	0.03%	0.02%	0.02%	0.02%	0.03%	0.02%	0.03%
Execution fees and other transaction costs	0.04%	0.38%	0.23%	0.23%	0.23%	0.28%	0.23%	0.28%
TOTAL EXPENSES	1.47%	1.96%	1.15%	0.64%	1.04%	1.13%	1.04%	1.05%
Net investment loss	(1.11%)	(1.36%)	(0.91%)	(0.33%)	(0.82%)	(0.95%)	(0.82%)	(0.35%)

(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.

13. FINANCIAL HIGHLIGHTS (CONTINUED)

Operating expenses are total expenses from the Consolidated Statement of Operations less interest expense, trade commissions, and execution fees and other transaction costs. An individual shareholder's financial highlights may vary based on the timing of share capital transactions.

14. RELATED PARTY TRANSACTIONS

The Master Fund and its Subsidiary consider the Manager, the 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 Subsidiary. 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 2020, 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 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 1.94% (US\$91,667,206) of the net assets of the Master Fund through a holding of US Dollar, Euro and Sterling shares as of 31 December 2020.

As of 31 December 2020, the Master Fund held investments in funds managed by the Manager as set out in Note 6.

The Feeder Funds invest substantially all of their assets in the Master Fund. As of 31 December 2020, the Feeder Fund, the Partnership, and BH Macro Limited held 77.85%, 4.14% and 16.07% respectively of the net assets of the Master Fund.

During 2020, there were investments transferred to and from the Master Fund.

On 1 January 2020, the Master Fund paid cash to BHMS and Brevan Howard TN Macro Master Fund Limited ("BTN") to buy investments at Fair Market Value ("FMV"). Accordingly, BHMS and BTN transferred investments of US\$1,126,182 and US\$1,495,193 respectively 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. As of 31 December 2020, all of those investments transferred during 2020 have been sold out.

On 2 March 2020, BHMS paid cash to the Master Fund to buy investments at FMV. Accordingly, the Master Fund transferred investments of US\$1,697,250 at FMV to BHMS. As a result of the transfer an unrealised loss of US\$1,785,401 became realised by the Master Fund on the investments sold.

On 1 August 2020 BTN has paid cash to the Master Fund to buy investments at FMV. Accordingly, the Master Fund transferred investments of US\$4,418,165 at FMV to BTN. As a result of the transfer an unrealised gain of US\$247,992 became realised by the Master Fund on the investments sold.

On 1 September 2020, BHAL paid cash to the Master Fund to buy investments at FMV. Accordingly, the Master Fund transferred investments of US\$1,553,906 at FMV to BHAL. As a result of the transfer an unrealised gain of US\$35,676,998 became realised by the Master Fund on the investments sold.

On 1 September 2020, the Master Fund paid cash to BHAL to buy investments at FMV. Accordingly, BHAL transferred investments of US\$2,825,734 at FMV to the Master Fund on 1 September 2020. As of 31 December 2020, US\$29,802 of those investments transferred during 2020 have been sold out and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 December 2020

14. RELATED PARTY TRANSACTIONS (CONTINUED)

US\$2,855,536 of the investments transferred during 2020 were still on hand as of 31 December 2020.

On 1 October 2020 BTN has paid cash to the Master Fund to buy investments at FMV. Accordingly, the Master Fund transferred investments of US\$33,581,639 at FMV to BTN. As a result of the transfer an unrealised loss of US\$1,585,513 became realised by the Master Fund on the investments sold.

On 1 October 2020, the Master Fund paid cash to BTN to buy investments at FMV. Accordingly, BTN transferred investments of US\$48,476 at FMV to the Master Fund on 1 September 2020. As of 31 December 2020, US\$717,970 of those investments transferred during 2020 have been sold out and US\$766,446 of the investments transferred during 2020 were still on hand as of 31 December 2020.

The research charges ("Research Charges") for the Master Fund and its Subsidiary for the year ended 31 December 2020 amounted to US\$1,592,172. Research (as defined in the FCA Rules) ("Research") that the Manager and/or the Investment Managers receive from third parties in connection with the provision of services to the Master Fund and its Subsidiary and certain other investment funds, vehicles or accounts managed by the Manager and/or the Investment Managers that would benefit from the same research may be paid out of one or more research payment accounts (the "RPA") established by Manager and/or the Investment Managers. The Manager and/or the Investment Managers have determined that the purchase and use of Research benefits the Master Fund and its Subsidiary by enhancing the quality of the investment decisions which the Investment Managers are able to take on behalf of the Master Fund. The RPA is funded by monthly Research Charges paid by the Master Fund and its Subsidiary which are based on an annual Research budget determined by the Manager and/or the Investment Managers in accordance with its research policy and approved by the Board of Directors.

15. 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"). Effective 1 July 2020, the line of credit was increased to borrowings of up to US\$300,000,000.

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 2020, undrawn borrowings under the line of credit amounted to US\$295,000,000.

16. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Various effects of the COVID-19 outbreak may continue for an extended period of time, and may have an adverse impact on economic and market conditions. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual companies, are not known. The extent of the impact to the financial performance and the operations of the Master Fund and its Feeder Funds will depend on future developments, which are highly uncertain and cannot be predicted.

The Manager continue to monitor developments relating to COVID-19 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.

17. SUBSEQUENT EVENTS

On 1 January 2021, BHAL transferred investments of US\$8,693,113 at FMV to the Master Fund.

BTN paid cash to the Master Fund to buy investments at FMV on 1 January 2021. Accordingly, the Master Fund transferred investments of US\$17,803,009 at FMV to BTN on 1 January 2021. As a result of the transfer an unrealised gain of US\$1,754,833 became realised by the Master Fund.

BMS paid cash to the Master Fund to buy investments at FMV on 1 March 2021. Accordingly, the Master Fund transferred investments of US\$1,270,891 at FMV to BMS on 1 March 2021. As a result of the transfer an unrealised gain of US\$1,407,404 became realised by the Master Fund.

The Directors of the Master Fund are aware that the BH Macro Limited directors have put forward to the shareholders the proposed changes to the management agreement requested by the Manager at an Extraordinary General Meeting to be held in late March 2021. As at the date of signing these Consolidated Financial Statements, the outcome of the vote is unknown. A negative outcome to this resolution at BH Macro Limited's EGM may ultimately lead to a significant level of redemption requests to the Master Fund from BH Macro Limited. The Directors believe that these potential redemptions will not impact the Master Fund's going concern assumption.

The Master Fund and its Subsidiary evaluated subsequent events through 26 March 2021. 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 2020

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

By:



Name: Jonathan Hughes

Title: Chief Financial Officer 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.

26 March 2021

MANAGEMENT AND ADMINISTRATION

Directors

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

Brevan Howard US Investment Management, LP
590 Madison Avenue, 9th Floor
New York, NY 10022
USA

Brevan Howard Private Limited
6 Temasek Boulevard
Suntec Tower 4 #30-03
Singapore 038986

Registered Office

PO Box 309
George Town
Grand Cayman KY1-1104
Cayman Islands

Manager

Brevan Howard Capital Management LP
acting by its sole general partner
Brevan Howard Capital Management Limited
6th Floor
37 Esplanade
St Helier
Jersey JE2 3QA
Channel Islands

Investment Managers

Brevan Howard Asset Management LLP
55 Baker Street
London W1U 8EW
United Kingdom

Brevan Howard (Hong Kong) Limited
Unit 2303
118 Connaught Road West
Sai Ying Pun
Hong Kong

Brevan Howard Investment Products Limited
6th Floor
37 Esplanade
St Helier
Jersey JE2 3QA
Channel Islands

DW Partners, LP
590 Madison Avenue, 13th Floor
New York, NY 10022
USA

BH-DG Systematic Trading LLP
3rd Floor
10 Grosvenor Street
London, W1K 4QB
England

Auditors

KPMG
PO Box 493
SIX Cricket Square
Grand Cayman KY1-1106
Cayman Islands

Legal Advisors (Cayman Law)

Maples
113 South Church Street
PO Box 309
George Town
Grand Cayman KY1-1104
Cayman Islands

Legal Advisors (English Law)

Simmons & Simmons
Citypoint
One Ropemaker Street
London EC2Y 9SS
United Kingdom

Administrator

International Fund Services (Ireland) Limited
78 Sir John Rogerson's Quay
Dublin 2
Ireland

