

BREVAN HOWARD

BREVAN HOWARD MASTER FUND LIMITED

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INTERIM UNAUDITED CONSOLIDATED  
FINANCIAL STATEMENTS

30 June 2022

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# UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

30 June 2022

	2022 US\$'000
<b>ASSETS</b>	
Investments, at fair value (cost: US\$14,892,436) (Note 2,3,4)	20,063,942
Investments purchased under agreements to resell (cost: US\$14,394,541) (Note 3,8,12)	14,055,205
Cash (Note 2)	22
Due from brokers (Note 2)	1,623,926
Dividends and interest receivable (Note 2)	16,470
Other receivables (Note 2,4)	381
Other assets	4,414
<b>TOTAL ASSETS</b>	<b>35,764,360</b>
<b>LIABILITIES</b>	
Investments sold short, at fair value (proceeds: US\$16,289,146) (Note 2,3,4)	18,735,924
Investments sold under agreements to repurchase (proceeds: US\$3,189,810) (Note 3,8,12)	3,170,363
Due to brokers (Note 2)	1,735,754
Redemptions payable (Note 2)	73,185
Dividends and interest payable (Note 2)	60,671
Subscriptions in advance (Note 2)	32,180
Interest payable on bank loan	607
Accounts payable and accrued expenses (Note 5,6,7)	6,868
<b>TOTAL LIABILITIES</b>	<b>23,815,552</b>
Non-controlling interest (Note 2)	2,138,208
<b>NET ASSETS (NOTE 9)</b>	<b>9,810,600</b>
<b>NET ASSET VALUE PER SHARE</b>	
US Dollar Class A	US\$10,861.06
US Dollar Class A (Non-Restricted)	US\$1,194.17
US Dollar L.P. Class A	US\$9,721.74
US Dollar L.P. Class A (Non-Restricted)	US\$1,194.13
Euro Class A	€9,524.17
Euro Class A (Non-Restricted)	€1,182.31
Sterling Class A	£11,446.25
Sterling Class A (Non-Restricted)	£1,195.54
Yen Class A (Non-Restricted)	JPY11,940.53
Norwegian Krone Class A	NOK3,307.80
Canada Class A	CAD1,217.36
Gold Class A	GOLD107.26
US Dollar Class B	US\$6,150.35
Sterling Class B	£6,185.20
US Dollar Class J	US\$169.68
US Dollar Class J (Non-Restricted)	US\$1,185.24
US Dollar L.P. Class J	US\$1,669.17
US Dollar L.P. Class J (Non-Restricted)	US\$1,185.20
US Dollar Class S	US\$120.17
US Dollar L.P. Class W	US\$2,176.25
US Dollar L.P. Class W (Non-Restricted)	US\$1,198.11
Euro Class W	€1,954.80
Sterling Class W	£2,085.04

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

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

Signed on behalf of the Board of Directors:

**Karla Bodden**  
DIRECTOR

6 September 2022

**Carol Reynolds**  
DIRECTOR

# UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS

For the period ended 30 June 2022

	2022 US\$'000
<b>INVESTMENT INCOME</b>	
Interest income	54,567
Dividend income (net of withholding tax of US\$314)	2,793
Other income	47
<b>TOTAL INVESTMENT INCOME</b>	<b>57,407</b>
<b>EXPENSES</b>	
Interest expense	60,484
Operational services fee (Note 5)	7,426
Administration fee (Note 7)	4,942
Research charges (Note 13)	1,851
Trade commissions	1,741
Professional fees and other	1,288
Bank loan interest (Note 14)	1,207
Custody fees	417
Dividend expense	234
Execution fees and other transaction costs	15,934
<b>TOTAL EXPENSES</b>	<b>95,524</b>
<b>NET INVESTMENT LOSS</b>	<b>(38,117)</b>
<b>NET REALISED AND CHANGE IN UNREALISED GAIN/(LOSS) ON INVESTMENTS</b>	
Net realised loss on investments (Note 2)	(118,983)
Net change in unrealised gain on investments (Note 2)	1,636,399
<b>NET REALISED AND CHANGE IN UNREALISED GAIN ON INVESTMENTS</b>	<b>1,517,416</b>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>1,479,299</b>
<b>NON-CONTROLLING INTEREST SHARE IN NET GAIN (NOTE 2)</b>	<b>(237,987)</b>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>1,241,312</b>

Withholding tax is presented in US\$'000.

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the period ended 30 June 2022

	2022 US\$'000
<b>OPERATIONS</b>	
Net investment loss	(38,117)
Net realised loss on investments	(118,983)
Net change in unrealised gain on investments	1,636,399
Non-controlling interest share in net gain (Note 2)	(237,987)
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>1,241,312</b>
<b>SHARE CAPITAL TRANSACTIONS</b>	
<b>Issue of shares</b>	
US Dollar Class A	126,007
US Dollar Class A (Non-Restricted)	339,734
US Dollar L.P. Class A	37,932
US Dollar L.P. Class A (Non-Restricted)	138,564
Euro Class A (Non-Restricted)	151,615
Sterling Class A	4,019
Sterling Class A (Non-Restricted)	23,895
Canada Class A	15,731
US Dollar Class B	330
Sterling Class B	142,659
US Dollar Class J	14,370
US Dollar Class J (Non-Restricted)	77,328
US Dollar L.P. Class J	4,600
US Dollar L.P. Class J (Non-Restricted)	40,200
<b>Redemption of shares</b>	
US Dollar Class A	(282,102)
US Dollar Class A (Non-Restricted)	(141,051)
US Dollar L.P. Class A	(32,954)
US Dollar L.P. Class A (Non-Restricted)	(61,077)
Euro Class A	(7,047)
Euro Class A (Non-Restricted)	(9,496)
Sterling Class A	(7,477)
Sterling Class A (Non-Restricted)	(760)
Yen Class A (Non-Restricted)	(5,281)
Norwegian Krone Class A	(21)
Canada Class A	(1,773)
Gold Class A	(716)
US Dollar Class B	(730)
Sterling Class B	(5,931)
US Dollar Class J	(697)
US Dollar Class J (Non-Restricted)	(1,073)
US Dollar L.P. Class J	(225)
US Dollar L.P. Class J (Non-Restricted)	(4,385)
US Dollar Class S	(74,173)
US Dollar L.P. Class W	(76)
US Dollar L.P. Class W (Non-Restricted)	(123)
Euro Class W	(2,243)
Sterling Class W	(5,050)
<b>NET INCREASE IN NET ASSETS RESULTING FROM SHARE CAPITAL TRANSACTIONS</b>	<b>472,523</b>
<b>NET INCREASE IN NET ASSETS</b>	<b>1,713,835</b>
<b>NET ASSETS – BEGINNING OF THE PERIOD</b>	<b>8,096,765</b>
<b>NET ASSETS – END OF THE PERIOD</b>	<b>9,810,600</b>

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

# UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2022

	2022 US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>1,241,312</b>
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Proceeds from sales of securities	24,797,864
Purchases of securities	(23,341,948)
Proceeds from securities sold short	25,044,860
Payments to cover securities sold short	(11,986,940)
Proceeds from derivative contracts	2,770,264
Payments for derivative contracts	(5,472,192)
Net realised loss on investments	86,563
Net realised gain on derivative contracts	(368,675)
Net change in unrealised gain on investments	(1,340,274)
Net change in unrealised gain on derivative contracts	(609,383)
Increase in investments purchased under agreements to resell	(12,821,625)
Increase in investments sold under agreements to repurchase	1,065,478
Increase in dividends and interest receivable	(4,171)
Increase in other assets	(2,260)
Increase in other receivable	(381)
Increase in dividends and interest payable	54,191
Increase in interest payable on bank loan	607
Increase in accounts payable and accrued expenses	4,112
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(882,598)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Proceeds on issue of shares, net of subscriptions in advance	1,149,164
Payments on redemption of shares, net of change in redemptions payable	(719,192)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>429,972</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS)</b>	<b>(452,626)</b>
<b>CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS) – BEGINNING OF THE PERIOD</b>	<b>340,820</b>
<b>CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS) – END OF THE PERIOD</b>	<b>(111,806)</b>
<i>Supplemental disclosure of cash flow information:</i>	
<i>Interest paid</i>	43,842
<i>Dividend paid</i>	(844)

2022  
US\$'000

*As of 30 June 2022, the amounts included in cash and cash equivalents (including restricted cash and cash equivalents) include the following:*

Cash	22
Due from brokers – Restricted cash	672,503
Due from brokers – Non restricted cash	951,423
Due to brokers – Restricted cash	(785,901)
Due to brokers – Non restricted cash	(949,853)
<b>TOTAL CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS)</b>	<b>(111,806)</b>

*See accompanying notes to the Interim Unaudited Consolidated Financial Statements.*

# NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

## 1. ORGANISATION

Brevan Howard Master Fund Limited (the "Master Fund") is an exempted limited liability company which was incorporated under the Companies Act (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.

The investments underlying this Master Fund do not take into account the EU criteria for environmentally sustainable economic activities.

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) BH-DG Systematic Trading LLP ("BH-DG"); (v) Brevan Howard US Investment Management, LP ("BHUSIM") and (vi) 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 has also appointed BHAM and BHIP to provide certain other ancillary services in respect of the Master Fund.

The Manager has appointed Coremont LLP (the "MBO Services Provider") directly to provide ancillary services including middle and back office and also treasury and cash management services pursuant to a services agreement dated 17 August 2021. The MBO Services Provider is an affiliate of the Manager.

Brevan Howard Capital Management Limited ("BHCML"), in its capacity as sole general partner of the Manager, has been appointed as the alternative investment fund manager ("AIFM") to the Master Fund for the purposes of AIFMD.

The Manager may in future delegated responsibility for the investment of a portion of the Master Fund's assets to one or more additional investment managers, which may or may not be an affiliate of the Manager, 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"), BH Macro Limited and BH AlkOut Fund 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 Interim Unaudited Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The Interim Unaudited Consolidated Financial Statements are presented in United States Dollars ("US\$" or "US Dollar") 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 ("FASB") Accounting Standards Codification ("ASC") Topic 946, Financial Services – Investment Companies, in the preparation of its Interim Unaudited Consolidated Financial Statements. The Master Fund did not provide financial support to any related parties or investee entities during the current period.

### Basis of consolidation

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

The Master Fund has consolidated the following entities (the "Subsidiaries") as of 30 June 2022:

- Brevan Howard TN Macro Master Fund Limited ("BTN"), a company incorporated with limited liability on 29 January 2019 under the laws of the Cayman Islands.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of consolidation (continued)

- 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.
- Brevan Howard Global Volatility Master Fund Limited ("BGV"), a company incorporated with limited liability on 2 August 2017 under the laws of the Cayman Islands.
- Brevan Howard AS Macro Master Fund Limited ("BASM"), a company incorporated with limited liability on 27 April 2020 under the laws of the Cayman Islands.

The Master Fund owns 82.94% of BTN, 52.80% of BFG, 55.21% of BGV and 59.21% of BASM, in each case as of 30 June 2022.

The Interim Unaudited Consolidated Financial Statements include full consolidation of any owned subsidiaries, except where the effect on the Master Fund's financial position and results of operations are immaterial. Transactions between the Master Fund and the Subsidiaries have been eliminated on consolidation. The following table presents the changes in non-controlling interest of the consolidated funds for the period end 30 June 2022.

	US'000
Non-controlling interest, beginning of the period	144,603
Subscription of non-controlling interest	263,755
Redemption of non-controlling interest	(109,572)
Transfer in of non-controlling interest*	1,601,435
Non-controlling interest share in net gain	237,987
<b>NON-CONTROLLING INTEREST, END OF THE PERIOD</b>	<b>2,138,208</b>

\* Pertains to BFG, BGV and BASM which meet the consolidation criteria as of 30 June 2022.

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

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

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

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

# NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Security transactions and valuation (continued)

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. Net realised and change in unrealised gains and losses at the reporting date are recorded in the Unaudited Consolidated Statement of Operations.

### Income and expense recognition

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

Interest on bank loans is included in bank loan interest in the Unaudited 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.

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

Expenses are recognised in the Unaudited Consolidated Statement of Operations on an accruals basis.

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

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

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

### Asset-backed securities

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Asset-backed securities (continued)

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

### Derivative financial instruments

The Master Fund and its Subsidiaries use derivative financial instruments such as foreign exchange contracts, swaptions, options, futures contracts, forward rate agreements and swaps, which are recorded at fair value at the reporting date. Changes in fair values are included in net change in unrealised gain on investments in the Unaudited Consolidated Statement of Operations in the period in which the changes occur. The Master Fund and its Subsidiaries generally record a realised gain or loss on the expiration, termination, or settlement of a derivative contract.

The fair value of derivative financial instruments at the reporting date generally reflects the amount that the Master Fund and its Subsidiaries would receive or pay to terminate the contract at the reporting date. Many derivative financial instruments are exchange traded or are traded in the OTC market where market values are normally readily obtainable.

Where such market prices are not readily available, fair values will be determined using commercial products which utilise valuation models that are consistent with market pricing methods.

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

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

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

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

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

The following table sets forth the fair value of the Master Fund and its Subsidiaries' derivative contracts by certain risk types as of 30 June 2022 in accordance with Derivatives and Hedging (ASC 815). The values in the table below exclude the effects of cash received or posted pursuant to derivative contracts, and therefore are not representative of the Master Fund and its Subsidiaries' net exposure. The derivative assets and derivative liabilities are included in "Investments, at fair value" and "Investments sold short, at fair value", respectively, in the Unaudited Consolidated Statement of Assets and Liabilities.

# NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Derivative financial instruments (continued)

DERIVATIVE CONTRACTS FOR TRADING ACTIVITIES	OPEN POSITIONS AT THE PERIOD END	TRANSACTIONS DURING THE PERIOD	VAR* US\$'000	DERIVATIVE ASSETS US\$'000	DERIVATIVE LIABILITIES US\$'000
Commodity Contracts	211	9,605	6,492	144,633	56,687
Credit Contracts	89	1,561	1,929	83,044	112,792
Equity Contracts	325	29,057	7,534	603,342	339,431
Foreign Exchange Contracts	2,240	23,861	11,205	575,677	403,561
Interest Rate Contracts	2,589	46,404	30,978	4,490,745	3,559,163
<b>FAIR VALUE OF DERIVATIVE CONTRACTS</b>				<b>5,897,441</b>	<b>4,471,634</b>

\* 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\$40,122,664. Total VaR for the Master Fund and its Subsidiaries, including derivatives, non-derivatives and investments in affiliated entities, is US\$41,757,744.

The following table sets forth by certain risk types the Master Fund and its Subsidiaries' gains/(losses) related to derivative activities for the period ended 30 June 2022 in accordance with ASC 815. These gains/(losses) should be considered in the context that derivative contracts may have been executed to economically hedge certain securities and accordingly, certain gains or losses on derivative contracts may offset certain gains or losses attributable to securities. These gains/(losses) are included in net realised loss and change in unrealised gain on investments in the Unaudited Consolidated Statement of Operations.

DERIVATIVE CONTRACTS FOR TRADING ACTIVITIES	REALISED GAIN/(LOSS) PERIOD ENDED 30 JUNE 2022 US\$'000	CHANGE IN UNREALISED GAIN/(LOSS) PERIOD ENDED 30 JUNE 2022 US\$'000
Commodity Contracts	60,255	(24,547)
Credit Contracts	(11,261)	2,837
Equity Contracts	109,067	(12,887)
Foreign Exchange Contracts	(77,887)	(18,042)
Interest Rate Contracts	288,501	662,022
<b>TOTAL</b>	<b>368,675</b>	<b>609,383</b>

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.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## Derivative financial instruments (continued)

CREDIT SPREADS* ON UNDERLYING CONTRACTS (IN BASIS POINTS)	MAXIMUM PAYOUT/NOTIONAL AMOUNT			
	WRITTEN CREDIT DERIVATIVE US\$'000	OFFSETTING PURCHASED CREDIT DERIVATIVE US\$'000	NET WRITTEN CREDIT DERIVATIVE US\$'000	WRITTEN CREDIT DERIVATIVE AT FAIR VALUE US\$'000
<b>Credit default swap</b>				
<b>Corporate debt</b>				
0-50	–	20,000	–	20,000
51-100	–	–	–	–
101-250	–	–	–	–
Greater than 250	–	–	–	–
<b>Sovereign debt</b>				
0-50	–	105,000	10,000	115,000
51-100	–	–	–	–
101-250	–	–	–	–
Greater than 250	–	–	–	–
<b>Index credit default swaps</b>				
0-50	52,260	389,406	–	441,666
51-100	–	–	–	–
101-250	–	3,517,310	–	3,517,310
Greater than 250	–	–	–	–
<b>TOTAL</b>	<b>52,260</b>	<b>4,031,716</b>	<b>10,000</b>	<b>4,093,976</b>
<b>Credit default swap index options</b>				
<b>Index Credit default swaps options</b>				
0-50	–	545,000	–	545,000
51-100	–	–	–	–
101-250	–	2,357,611	–	2,357,611
Greater than 250	–	–	–	–
<b>TOTAL</b>	<b>–</b>	<b>2,902,611</b>	<b>–</b>	<b>2,902,611</b>

# NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Derivative financial instruments (continued)

CREDIT SPREADS* ON UNDERLYING CONTRACTS (IN BASIS POINTS)	MAXIMUM PAYOUT/NOTIONAL AMOUNT			
	WRITTEN CREDIT DERIVATIVE US\$'000	OFFSETTING PURCHASED CREDIT DERIVATIVE US\$'000	NET WRITTEN CREDIT DERIVATIVE US\$'000	WRITTEN CREDIT DERIVATIVE AT FAIR VALUE US\$'000
<b>Credit default swap</b>				
<b>Corporate debt</b>				
0-50	20,000	–	20,000	(7)
51-100	–	–	–	–
101-250	–	–	–	–
Greater than 250	–	–	–	–
<b>Sovereign debt</b>				
0-50	115,000	90,000	25,000	(29,061)
51-100	–	–	–	–
101-250	–	–	–	–
Greater than 250	–	–	–	–
<b>Credit default swap indexes</b>				
0-50	441,666	42,853	398,813	(45,442)
51-100	–	–	–	–
101-250	3,517,310	1,369,212	2,148,098	(34,771)
Greater than 250	–	–	–	–
<b>TOTAL</b>	<b>4,093,976</b>	<b>1,502,065</b>	<b>2,591,911</b>	<b>(109,281)</b>

### Credit default swap index options

<b>Index credit default swaps options</b>				
0-50	545,000	545,000	–	(27)
51-100	–	–	–	–
101-250	2,357,611	2,357,611	–	(2,685)
Greater than 250	–	–	–	–
<b>TOTAL</b>	<b>2,902,611</b>	<b>2,902,611</b>	<b>–</b>	<b>(2,712)</b>

\* The credit spreads on the underlying contracts are generally indicative of the current status of the underlying risk of the Master Fund and its Subsidiaries having to perform. The spread also reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into a contract.

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investments sold short

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

### Foreign currency translation

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

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

### Use of estimates

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

### Netting

Financial assets and liabilities are offset and the net amount presented in the Unaudited Consolidated Statement of Assets and Liabilities when, and only when, the Master Fund has a legal right to offset the amounts and it intends either to settle on a net

basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under US GAAP.

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

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

### Cash, cash equivalents and restricted cash

Cash consists of bank balances. Cash, including cash denominated in foreign currencies, represents cash deposits held at financial institutions. Cash equivalents include short-term, highly liquid investments of sufficient credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash equivalents are carried at cost, plus accrued interest, which approximates fair value. Cash equivalents are 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.

### Due from and to brokers

BALANCE DUE FROM BROKERS	US\$'000
Balance pledged as collateral	672,503
Balance unpledged	951,423
	1,623,926

Included in the balance pledged as collateral were US\$132,786,497 pledged to counterparties of OTC derivatives, US\$539,716,299 as initial margin related to the Master Fund's futures trading activities.

BALANCE DUE TO BROKERS	US\$'000
Balance held as collateral	(785,901)
Balance not held as collateral	(949,853)
	(1,735,754)



# NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Included in the balance held as collateral were US\$785,900,626 held from counterparties of OTC derivatives.

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 period, based on the NAV of the Master Fund and its Subsidiaries at period end, are included in redemptions payable as of 30 June 2022. 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 30 June 2022, the redemptions payable by the Master Fund and its Subsidiaries amounted to US\$73,184,548.

### Subscription in advance

Subscriptions in advance represented amounts US\$32,180,275 received from shareholders for subscriptions with an effective date after 30 June 2022.

## 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.

The hierarchy requires the use of observable market data when available. As required by Topic 820, investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The following is a summary of the levels within the fair value hierarchy for the Master Fund and its Subsidiaries' investments as of 30 June 2022:



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

FAIR VALUE MEASUREMENTS AT REPORTING DATE:	LEVEL 1: US\$'000	LEVEL 2: US\$'000	LEVEL 3: US\$'000	TOTAL US\$'000
<b>Equity Securities</b>	394,345	1,675	–	396,020
Exchange-traded Funds	11,962	–	–	11,962
Private Placements	–	–	393	393
<b>Fixed Income Securities:</b>				
Asset Backed Securities	–	266	1,361	1,627
Corporate Debt Securities	85,755	134,737	–	220,492
Mortgage Backed Securities	–	203	32	235
Non-US Government Securities	2,038,327	168,856	–	2,207,183
US Government Securities	7,058,904	–	–	7,058,904
<b>Derivatives:</b>				
Commodity Contracts	49,231	95,099	303	144,633
Credit Contracts	–	83,044	–	83,044
Equity Contracts	213,286	377,974	12,082	603,342
Foreign Exchange Contracts	–	556,997	18,680	575,677
Interest Rate Contracts	572,405	3,918,340	–	4,490,745
<b>SUBTOTAL</b>	<b>10,424,215</b>	<b>5,337,191</b>	<b>32,851</b>	<b>15,794,257</b>
<b>Investments purchased under agreements to resell:</b>				
Corporate Debt	–	19,192	–	19,192
Non-US Government Securities	–	14,034,633	–	14,034,633
US Government Securities	–	1,380	–	1,380
<b>TOTAL INVESTMENTS PURCHASED UNDER AGREEMENTS TO RESELL</b>	<b>–</b>	<b>14,055,205</b>	<b>–</b>	<b>14,055,205</b>
Investments in unconsolidated Affiliated Funds measured at NAV*				4,269,685
<b>TOTAL INVESTMENTS, AT FAIR VALUE AND INVESTMENTS PURCHASED UNDER AGREEMENTS TO RESELL</b>				<b>34,119,147</b>

\* Investments in unconsolidated Affiliated Fund as of 30 June 2022 are excluded from the fair value hierarchy leveling as the fair value of these investments were measured at NAV as a practical expedient.

# NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2022

## 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
<b>Equity Securities</b>	21,805	–	–	21,805
<b>Exchange-traded Funds</b>	394	–	–	394
<b>Fixed Income Securities:</b>				
Corporate Debt Securities	–	135,221	–	135,221
Non-US Government Securities	13,762,401	90,472	–	13,852,873
US Government Securities	253,997	–	–	253,997
<b>Derivatives:</b>				
Commodity Contracts	42,264	13,100	1,323	56,687
Credit Contracts	–	112,792	–	112,792
Equity Contracts	197,724	141,707	–	339,431
Foreign Exchange Contracts	–	402,486	1,075	403,561
Interest Rate Contracts	428,615	3,130,548	–	3,559,163
<b>SUBTOTAL</b>	<b>14,707,200</b>	<b>4,026,326</b>	<b>2,398</b>	<b>18,735,924</b>
<b>TOTAL INVESTMENTS SOLD SHORT, AT FAIR VALUE</b>	<b>14,707,200</b>	<b>4,026,326</b>	<b>2,398</b>	<b>18,735,924</b>

The Master Fund and its Subsidiaries had no investments measured at fair value on a non-recurring basis during the period ended 30 June 2022.

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 period ended 30 June 2022:

### Level 3

#### Assets

INVESTMENTS	ASSET BACKED SECURITIES US\$'000	MORTGAGE BACKED SECURITIES US\$'000	COMMODITY CONTRACTS US\$ '000	FOREIGN EXCHANGE CONTRACTS US\$ '000	INTEREST RATE CONTRACTS US\$ '000
Purchases	–	–	3,746	12,380	78,666
Transfer in to Level 3	1,363	8,961	11,316	–	88,635
Transfer out of Level 3	–	(174)	–	–	(18,175)

#### Liabilities

INVESTMENTS	COMMODITY CONTRACTS US\$'000	FOREIGN EXCHANGE CONTRACTS US\$'000
Transfer in to Level 3	6,613	10,226
Transfer out of Level 3	(3)	(224)

### 3. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarises the valuation methodology and significant unobservable inputs used for the Master Fund and its Subsidiaries investments that are categorised within Level 3 of the fair value hierarchy as of 30 June 2022:

ASSETS	FAIR VALUE US\$'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS	RANGE
Private placements	393	Discounted book value	Collateral valuation	N/A
Asset Backed Securities & Mortgage backed Securities	1,393	Broker quote	Constant default rate/conditional prepayment rate/loss severity/discount rate	N/A
Commodity Contracts	303	Internal Model	Volatility	N/A
Equity Contracts	12,082	Counterparty statement	Volatility	N/A
Foreign Exchange Contracts	18,680	Internal Model/Counterparty valuation/ Broker quote	Volatility/correlation factors	4%–11%

  

LIABILITIES	FAIR VALUE US\$'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS	RANGE
Commodity Contracts	1,323	Internal model	Correlation factors	31%–32%
Foreign Exchange Contracts	1,075	Internal Model/Counterparty valuation/ Broker quote	Volatility/correlation factors	4%–8%

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 rate/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 foreign exchange and commodity contracts are generally valued using an internal pricing model. The unobservable input implicit in the internal pricing model for significantly in-the-money or significantly out-of-the-money options is generally the volatility. An increase in volatility could result in a higher or lower fair value depending on the nature of the specific instrument. Certain level 3 foreign exchange contracts are valued by reference to counterparty valuations or single broker quotes. The unobservable input implicit in 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 significant unobservable input used in the fair value measurements of Level 3 private placements is the collateral valuation. 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.

## NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2022

### 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 30 June 2022, the Master Fund invested in 13 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 affiliated 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
BH Digital Asset Fund Limited*	–	–	–	(29,493)	Monthly	Monthly
BH Digital Liquid Directional Fund Limited	32.44	0.78	76,338	(47,354)	Monthly	Monthly
Brevan Howard Alpha Strategies Master Fund Limited	33.95	32.05	3,144,962	605,788	3 months**	Monthly
Brevan Howard AS Macro Master Fund Limited	59.21	9.33	914,995	95,348	Monthly	Monthly
Brevan Howard Emerging Markets Strategies Master Fund Limited*	100.00	0.02	2,374	(16)	–	–
Brevan Howard Equity Strategies Master Fund Limited*	100.00	0.03	2,993	(49)	–	–
Brevan Howard Global Volatility Master Fund Limited	55.21	6.73	660,431	87,702	Monthly	Monthly
Brevan Howard MB Macro Master Fund Limited	36.36	9.37	919,216	108,683	3 months**	Monthly
Brevan Howard FG Macro Master Fund Limited	52.80	9.75	956,502	155,845	3 months**	Monthly
Brevan Howard Fleet SP	100.00	1.20	117,995	11,797	Monthly	Monthly
Brevan Howard Strategic Opportunities Fund Limited*	100.00	0.04	3,740	(18)	–	–
Brevan Howard TN Macro Master Fund Limited	82.94	5.81	569,756	(88,910)	3 months**	Monthly
WCG Strategies Fund Limited*	100.00	0.02	2,067	(16)	–	–
		<b>75.13</b>	<b>7,371,369</b>	<b>899,307</b>		

\* The normal trading operations of the above underlying funds have ceased prior to 30 June 2022.

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

As of 30 June 2022, 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 such fund.

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

## 5. OPERATIONAL SERVICES FEE

The Manager 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 period to 30 June 2022 as of the last valuation day in each month.

The operational services fee for the period ended 30 June 2022 amounted to US\$7,426,074. The operational services fee payable as of 30 June 2022 is US\$2,315,293.

## 6. MANAGEMENT AND PERFORMANCE FEES

The Manager does not receive management fees from all Classes of Shares in the Master Fund. At the period end, no management fees are payable in respect of all Classes of Shares. Management fees are charged at the Feeder Fund level. As the Feeder Fund pays management fees to the Manager, the Manager does not receive any further management fee from BTN, BFG, BGV and BASM in respect of the Master Fund's investments in the Subsidiaries.

At the period end, no performance fees are payable in respect of Class A Shares, Class B Shares, Class J Shares, Class S Shares and Class W Shares as performance fees are charged at the Feeder Fund level. The Manager does not receive any performance fee from BTN, BFG, BGV, BASM in respect of the Master Fund's investments in the Subsidiaries. No performance fee was accrued for the period ended 30 June 2022.

As of 30 June 2022, 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
BH Digital Liquid Directional Fund Limited	76,338,579	32.44
Brevan Howard Alpha Strategies Master Fund Limited	3,144,961,662	33.95
Brevan Howard AS Macro Master Fund Limited*	914,995,094	59.21
Brevan Howard Emerging Markets Strategies Master Fund Limited	2,373,302	100.00
Brevan Howard Equity Strategies Master Fund Limited	2,992,919	100.00
Brevan Howard Global Volatility Master Fund Limited*	660,430,677	55.21
Brevan Howard MB Macro Master Fund Limited	919,218,158	36.36
Brevan Howard FG Macro Master Fund Limited*	956,502,046	52.80
Brevan Howard Fleet SP	117,994,607	100.00
Brevan Howard Strategic Opportunities Fund Limited	3,739,655	100.00
Brevan Howard TN Macro Master Fund Limited*	569,756,228	82.94
WCG Strategies Fund Limited	2,066,284	100.00

\* BAH, BFG, BGV and BTN are consolidated subsidiaries of the Master Fund.

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

# NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2022

## 7. ADMINISTRATION FEE

Under the terms of the Administrative Services Agreement, dated 31 March 2016, as amended, between State Street Fund Services (Ireland) Limited and the Master Fund, State Street Fund Services (Ireland) Limited receives a fee based on the month end NAV\* of the Master Fund and its Subsidiaries calculated and payable monthly in arrears.

State Street Fund Services (Ireland) Limited 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 NAV\* 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 State Street Fund Services (Ireland) Limited (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 period ended 30 June 2022 amounted to US\$4,942,039. The administration fee payable by the Master Fund as of 30 June 2022 is US\$4,965,315.

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

Where the Master Fund and its Subsidiaries has entered into reverse purchase agreements, the Master Fund and its Subsidiaries 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 30 June 2022, investments and related interest payable with a market value of US\$12,692,497,881 were pledged to the Master Fund and its Subsidiaries as collateral (investments purchased under agreements to resell) and investments and related interest receivable with a market value of US\$6,070,333,755 were pledged by the Master Fund and its Subsidiaries as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 16 September 2022 with interest rates ranging from (1.20%) to 6.05% and all agreements to resell mature by 20 September 2022 with interest rates ranging from (1.45%) to 5.50%.

The following table sets out the gross obligation of the Master Fund and its Subsidiaries by class of collateral pledged as of 30 June 2022 for investments sold under agreements to repurchase.

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

	2022					TOTAL US\$'000
	REMAINING CONTRACTUAL MATURITY OF THE AGREEMENTS					
	OVERNIGHT CONTINUOUS US\$'000	UP TO 30 DAYS US\$'000	30-90 DAYS US\$'000	GREATER THAN 90 DAYS US\$'000		
<b>Repurchase agreements</b>						
Corporate Debt	–	206,101	299,588	–	–	505,689
Non-US Government Debt	–	1,160,106	–	–	–	1,160,106
US Government Debt	–	2,656,326	1,963,029	–	–	4,619,355
<b>TOTAL BORROWINGS</b>	–	<b>4,022,533</b>	<b>2,262,617</b>	–	–	<b>6,285,150</b>
<b>GROSS AMOUNT OF RECOGNISED LIABILITIES FOR REPURCHASE AGREEMENTS IN NOTE 12</b>						<b>6,285,150</b>
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 S, 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. Class S Shares are held by the feeder fund BH Alkout Fund Limited.

# NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2022

## 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 period-end.

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

The rights of the Class 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, management or performance management or performance, 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 rights of and terms of subscription and redemption for the Class S Shares are substantially the same as the Class A Shares of the Master Fund.

The Master Fund may trade in New Issues. Pursuant to FINRA Rule 5130, Restricted Persons and Covered Investors may not participate fully in gains or losses from New Issues and, conversely, investors that are not Restricted Persons or Covered Investors may be allocated all, or a larger portion than their pro rata share, of the profits or losses relating to such New Issues offering. Profits and losses with respect to New Issues will generally be allocated to Non-Restricted Shares. However, the Feeder Fund and the Master Fund may apply certain "de minimis" exemptions pursuant to which a portion of any New Issue profits and losses may be allocated to Restricted Persons and/or Covered Investors.

New Issues in the past have on occasion experienced rapid, sometimes immediate, increases in market value following such offerings. In such cases, certain Restricted Persons or Covered Investors may not receive some or any of the gains from such investment. Conversely, New Issues may experience a decrease in market value following initial public offerings, in which case certain Shareholders who hold Non-Restricted Shares may receive more than their pro rata share of the losses from such investment. Shareholders will not be compensated in any respect for any such disproportionate allocations with respect to New Issues. Profits and losses with respect to New Issues will generally be allocated to Non-Restricted Shares.

The Feeder Funds subscribe 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, 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.



## 9. SHARE CAPITAL (CONTINUED)

	SHARES IN ISSUE AT BEGINNING OF THE PERIOD	SHARES ISSUED DURING THE PERIOD	SHARES TRANSFERRED IN DURING THE PERIOD	SHARES TRANSFERRED OUT DURING THE PERIOD	SHARES REDEEMED DURING THE PERIOD	SHARES IN ISSUE AT END OF THE PERIOD	ENDING NAV PER SHARE
US Dollar Class A	203,614	12,956	30,106	(20,887)	(29,402)	196,387	US\$10,861.06
US Dollar Class A (Non-Restricted)	1,301,033	323,337	45,400	(978)	(136,884)	1,531,908	US\$1,194.17
US Dollar L.P. Class A	29,134	4,241	10	(928)	(3,901)	28,556	US\$9,721.74
US Dollar L.P. Class A (Non-Restricted)	1,164,801	119,937	7,488	(84)	(58,521)	1,233,621	US\$1,194.13
Euro Class A	30,097	–	22	(43)	(752)	29,324	€9,524.17
Euro Class A (Non-Restricted)	112,659	133,885	199	(288)	(8,222)	238,233	€1,182.31
Sterling Class A	52,986	302	91	(21,095)	(551)	31,733	£11,446.25
Sterling Class A (Non-Restricted)	50,992	17,243	39	(115)	(526)	67,633	£1,195.54
Yen Class A (Non-Restricted)	1,453,952	–	770	(1,973)	(59,751)	1,392,998	JPY11,940.53
Norwegian Krone Class A	8,392	–	42	–	(61)	8,373	NOK3,307.80
Canada Class A	221,507	19,305	143	(635)	(1,965)	238,355	CAD1,217.36
Gold Class A	–	–	828	–	(4)	824	GOLD107.26
US Dollar Class B	18,441	63	277	(792)	(130)	17,859	US\$6,150.35
Sterling Class B	169,472	19,109	595	(219)	(799)	188,158	£6,185.20
US Dollar Class J	89,560	91,102	272	(16)	(4,233)	176,685	US\$169.68
US Dollar Class J (Non-Restricted)	47,679	75,657	193	(7)	(959)	122,563	US\$1,185.24
US Dollar L.P. Class J	14,010	2,947	15	–	(142)	16,830	US\$1,669.17
US Dollar L.P. Class J (Non-Restricted)	30,211	36,423	50	–	(3,809)	62,875	US\$1,185.20
US Dollar Class S	3,998,888	–	–	–	(619,304)	3,379,584	US\$120.17
US Dollar L.P. Class W	1,117	–	–	–	(35)	1,082	US\$2,176.25
US Dollar L.P. Class W (Non-Restricted)	3,252	–	1	(1)	(103)	3,149	US\$1,198.11
Euro Class W	42,711	–	–	–	(1,098)	41,613	€1,954.80
Sterling Class W	66,565	–	–	–	(1,994)	64,571	£2,085.04

# NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2022

## 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/ (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS US\$'000	ENDING NET ASSETS US\$'000
US Dollar Class A	1,861,199	126,007	275,261	(207,199)	(282,102)	359,805	2,132,971
US Dollar Class A (Non-Restricted)	1,307,563	339,734	46,560	(1,112)	(141,051)	277,659	1,829,353
US Dollar L.P. Class A	238,387	37,932	92	(7,784)	(32,954)	41,934	277,607
US Dollar L.P. Class A (Non-Restricted)	1,170,679	138,564	7,706	(93)	(61,077)	217,320	1,473,099
Euro Class A	275,705	–	214	(399)	(7,047)	23,441	291,914
Euro Class A (Non-Restricted)	128,110	151,615	237	(346)	(9,496)	24,274	294,394
Sterling Class A	689,838	4,019	1,245	(274,645)	(7,477)	28,098	441,078
Sterling Class A (Non-Restricted)	69,341	23,895	57	(162)	(760)	5,819	98,190
Yen Class A (Non-Restricted)	126,687	–	71	(177)	(5,281)	1,134	122,434
Norwegian Krone Class A	2,644	–	14	–	(21)	164	2,801
Canada Class A	179,719	15,731	130	(538)	(1,773)	31,716	224,985
Gold Class A	–	–	160,543	–	(716)	232	160,059
US Dollar Class B	95,509	330	1,680	(4,426)	(730)	17,474	109,837
Sterling Class B	1,192,908	142,659	4,426	(1,680)	(5,931)	80,882	1,413,264
US Dollar Class J	12,847	14,370	43	(2)	(697)	3,417	29,978
US Dollar Class J (Non-Restricted)	47,779	77,328	212	(7)	(1,073)	21,029	145,268
US Dollar L.P. Class J	19,772	4,600	24	–	(225)	3,920	28,091
US Dollar L.P. Class J (Non-Restricted)	30,274	40,200	56	–	(4,385)	8,375	74,520
US Dollar Class S	404,411	–	–	–	(74,173)	75,876	406,114
US Dollar L.P. Class W	2,046	–	–	(1)	(76)	386	2,355
US Dollar L.P. Class W (Non-Restricted)	3,278	–	1	(1)	(123)	618	3,773
Euro Class W	80,270	–	–	–	(2,243)	6,996	85,023
Sterling Class W	157,799	–	–	–	(5,050)	10,743	163,492
	<b>8,096,765</b>	<b>1,116,984</b>	<b>498,572</b>	<b>(498,572)</b>	<b>(644,461)</b>	<b>1,241,312</b>	<b>9,810,600</b>

*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 Interim Unaudited Consolidated Financial Statements.

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

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

## 11. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND OTHER RISKS

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

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

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

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

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

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

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

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

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

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

# NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2022

## 11. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND OTHER RISKS (CONTINUED)

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

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

The gross fair value of the Master Fund and its Subsidiaries' derivative instruments are shown in Note 12.

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

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

### Liquidity risk

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

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

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

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

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

The redemption terms of each Class are set out in the Master Fund's prospectus.

### Market Events

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 continues 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.

## 12. OFFSETTING ASSETS AND LIABILITIES

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

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

As of 30 June 2022

Offsetting of financial assets and derivative assets:

DESCRIPTION	(I) GROSS AMOUNTS OF RECOGNISED ASSETS US\$'000	(II) GROSS AMOUNTS OFFSET IN THE UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000	(III)=(I)-(II) NET AMOUNTS OF ASSETS PRESENTED IN THE UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000	(IV) GROSS AMOUNTS NOT OFFSET IN THE UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES FINANCIAL INSTRUMENTS US\$'000	CASH COLLATERAL HELD* US\$'000	(V)=(III)-(IV) NET AMOUNT** US\$'000
Derivatives	6,150,308	252,867	5,897,441	4,329,020	598,851	969,570
Reverse repurchase agreements	17,169,992	3,114,787	14,055,205	2,202,817	50,129	11,802,259
<b>TOTAL</b>	<b>23,320,300</b>	<b>3,367,654</b>	<b>19,952,646</b>	<b>6,531,837</b>	<b>648,980</b>	<b>12,771,829</b>

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

As of 30 June 2022

Offsetting of financial liabilities and derivative liabilities:

DESCRIPTION	(I) GROSS AMOUNTS OF RECOGNISED LIABILITIES US\$'000	(II) GROSS AMOUNTS OFFSET IN THE UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000	(III)=(I)-(II) NET AMOUNTS OF LIABILITIES PRESENTED IN THE UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES US\$'000	(IV) GROSS AMOUNTS NOT OFFSET IN THE UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES FINANCIAL INSTRUMENTS US\$'000	CASH COLLATERAL PLEDGED* US\$'000	(V)=(III)-(IV) NET AMOUNT** US\$'000
Derivatives	4,724,502	252,868	4,471,634	4,329,020	96,457	46,157
Repurchase agreements	6,285,150	3,114,787	3,170,363	2,202,817	952	966,594
<b>TOTAL</b>	<b>11,009,652</b>	<b>3,367,655</b>	<b>7,641,997</b>	<b>6,531,837</b>	<b>97,409</b>	<b>1,012,751</b>

\* 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 Unaudited Consolidated 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.

# NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2022

## 13. RELATED PARTY TRANSACTIONS

The Master Fund and its Subsidiaries 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 Subsidiaries. Amounts due from and due to related parties are generally settled in the normal course of business.

Brevan Howard Capital Management LP acting through its sole general partner, Brevan Howard Capital Management Limited, is Manager of the Master Fund. The Manager has appointed each of: (i) BHAM; (ii) BHIP; (iii) BHHK; (iv) BH-DG; (v) BHUSIM and (vi) 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 a minority, non-controlling interest in BH-DG.

The Manager has appointed Coremont LLP (the "MBO Services Provider") directly to provide ancillary services including middle and back office, and also treasury and cash management services pursuant to a services agreement dated 17 August 2021.

The MBO Services Provider is a limited liability partnership incorporated in England and Wales in February 2018 and is authorised and regulated by the Financial Conduct Authority ("FCA"). The MBO Services Provider is an affiliate of the Manager.

The MBO Services Provider receives from the Feeder Fund a monthly fee, payable in advance, of 1/12 of 0.10 per cent of the Net Asset Value of the Feeder Fund and the Partnership. The Manager pays the balance of the fees of the MBO Services Provider with respect to its services in respect of the Master Fund and the Feeder Fund and the Partnership pursuant to the MBO Services Agreement, unless otherwise agreed between the MBO Services Provider and the Manager.

The total directors' fees for the period ended 30 June 2022 amounted to US\$315,063, of which US\$164,272 was outstanding as of 30 June 2022.

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 30 June 2022, 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 Alkout Fund Limited ("BHALKLTD") is a company incorporated with limited liability under the laws of the Cayman Islands that invests all of its assets in the Master Fund, Brevan Howard Alpha Strategies Master Fund Limited ("BHAL"), Brevan Howard Alkout SP (a segregated portfolio of Brevan Howard Special Opportunities SPC) ("BT1") and such other master funds in which the BHALKLTD may invest from time to time. The Manager of the Master Fund is also the Manager of BHAL, BT1 and BHALKLTD.

**13. RELATED PARTY TRANSACTIONS (CONTINUED)**

As of 30 June 2022, the Master Fund held investments in funds managed by the Manager as set out in Note 6 and below:

2022	OPENING CAPITAL US\$'000	SUBSCRIPTIONS US\$'000	REDEMPTIONS US\$'000	NET INCOME/ (LOSS) US\$'000	ENDING CAPITAL US\$'000
BH Digital Asset Fund Limited	153,186	–	(123,693)	(29,493)	–
BH Digital Liquid Directional Fund Limited	–	123,692	–	(47,354)	76,338
Brevan Howard Alpha Strategies Master Fund Limited	2,199,443	339,866	(135)	605,788	3,144,962
Brevan Howard AS Macro Master Fund Limited	459,807	365,003	(5,163)	95,348	914,995
Brevan Howard Emerging Markets Strategies Master Fund Limited	2,390	–	–	(16)	2,374
Brevan Howard Equity Strategies Master Fund Limited	3,042	–	–	(49)	2,993
Brevan Howard FG Macro Master Fund Limited	595,742	204,957	(42)	155,845	956,502
Brevan Howard Fleet SP	37,488	68,750	(40)	11,797	117,995
Brevan Howard Global Volatility Master Fund Limited	317,780	254,974	(25)	87,702	660,431
Brevan Howard MB Macro Master Fund Limited	605,622	204,956	(45)	108,683	919,216
Brevan Howard Strategic Opportunities Fund Limited	3,758	–	–	(18)	3,740
Brevan Howard TN Macro Master Fund Limited	458,809	213,799	(13,942)	(88,910)	569,756
WCG Strategies Fund Limited	2,083	–	–	(16)	2,067
	<b>4,839,150</b>	<b>1,775,997</b>	<b>(143,085)</b>	<b>899,307</b>	<b>7,371,369</b>

The Feeder Funds invest substantially all of their assets in the Master Fund. As of 30 June 2022, the Feeder Fund, the Partnership, BH Macro Limited and BH Alkout Fund Limited held 61.38%, 18.96%, 15.52% and 4.14% respectively of the net assets of the Master Fund.

During 2022, BH Macro Limited and BH Alkout Fund Limited had capital activities with the Master Fund as below:

2022	OPENING CAPITAL US\$'000	SUBSCRIPTIONS US\$'000	REDEMPTIONS US\$'000	NET INCOME/ (LOSS) US\$'000	ENDING CAPITAL US\$'000
Brevan Howard Macro Limited	1,288,417	142,989	(6,661)	98,356	1,523,101
Brevan Howard Alkout Fund Limited	404,411	–	(74,197)	75,876	406,090

During 2021 and 2022, there were investments transferred to the Master Fund.

On 1 August 2021, the Master Fund paid cash to Brevan Howard Multi-Strategy Master Fund Limited ("BHMS") to buy investments at fair market value ("FMV"). Accordingly, BHMS transferred investments of US\$4,176,186 at FMV to the Master Fund. As of 30 June 2022, US\$3,968,273 of those investments transferred from BHMS during 2021 have been sold out and US\$207,913 of the investments were still on hand as of 30 June 2022.

As of 1 September 2022, all of those US\$2,825,734 investments transferred from BHAL during 2020 have been sold out.

On 1 November 2021, the Master Fund paid cash to Brevan Howard AH Master Fund Limited ("BAH") to buy investments at FMV. Accordingly, BAH transferred investments of US\$12,041,152 at FMV to the Master Fund. As of 30 June 2022, all of those investments transferred from BAH during 2021 have been sold out.



# NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2022

## 13. RELATED PARTY TRANSACTIONS (CONTINUED)

On 1 February 2022, the Master Fund paid cash to BHAL to buy investments at FMV. Accordingly, BHAL transferred investments of US\$271,212,349 at FMV to the Master Fund. As of 30 June 2022, US\$347,950,058 of those investments transferred from BHAL during 2022 have been sold out and US\$(76,737,709) of the investments were still on hand as of 30 June 2022.

During 2022, there were investments transferred from the Master Fund.

On 1 February 2022, BHAL paid cash to the Master Fund to buy investments at FMV. Accordingly, the Master Fund transferred investments of US\$(289,947,112) at FMV to BHAL. As a result of the transfer an unrealised gain of US\$33,458,485 became realised by the Master Fund.

On 1 April 2022, BHAL paid cash to the Master Fund to buy investments at FMV. Accordingly, the Master Fund transferred investments of US\$164,687,542 at FMV to BHAL. As a result of the transfer an unrealised gain of US\$11,438,771 became realised by the Master Fund.

On 1 May 2022, BHAL paid cash to the Master Fund to buy investments at FMV. Accordingly, the Master Fund transferred investments of US\$5,884,991 at FMV to BHAL. As a result of the transfer an unrealised gain of US\$2,297,686 became realised by the Master Fund.

The research charges ("Research Charges") for the Master Fund and its Subsidiaries for the period ended 30 June 2022 amounted to US\$1,850,000. 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 Subsidiaries 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 Subsidiaries 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 Subsidiaries 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.

## 14. 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"). Effective 1 July 2021, the line of credit was increased to borrowings of up to US\$400,000,000 until 1 July 2023, or such later anniversary thereof as the Borrower and Lender may agree (the "Scheduled Termination Date").

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

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

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

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

As of 30 June 2022, undrawn borrowings under the line of credit amounted to US\$400,000,000.



# NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 June 2022

## 15. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

The London Interbank Offered Rate ("LIBOR") may be eliminated or downgraded in quality in the near future. On 5 March 2021, LIBOR's regulator, the Financial Conduct Authority, and administrator, ICE Benchmark Administration, Limited, announced that the publication of the one-week and two-month USD LIBOR maturities and non-USD LIBOR maturities will cease immediately after 30 June 2022, with the remaining USD LIBOR maturities ceasing immediately after 30 June 2023. It is expected that a number of banks currently reporting information used to set LIBOR will stop doing so when their reporting commitments end. This will either end the publication of LIBOR immediately or degrade its quality such that it would no longer be a relevant metric to the Master Fund. Change in LIBOR could affect the interest rates of the Master Fund's LIBOR based investments and revolving credit facility. If LIBOR is no longer available, the Master Fund will pursue alternative interest rate calculations in its LIBOR based investments and revolving credit facility. However, if no alternative can be determined, the LIBOR rate component will no longer be used in determining the rates.

As of 30 June 2022, the potential effect of no longer using the LIBOR rate component to the Master Fund's interest rate would not have had a material effect on either rate, thus the discontinuation of LIBOR is not expected to have a material effect on the Interim Unaudited Consolidated Master Fund's Financial Statements.

## 16. SUBSEQUENT EVENTS

The Master Fund and its Subsidiaries evaluated subsequent events through 6 September 2022.

Subsequent to Russia's invasion of Ukraine on 24 February 2022, global financial markets experienced substantial volatility. As a result of the invasion, sanctions were imposed on Russia and there is risk that further economic sanctions may be imposed. The Master Fund and its Subsidiaries have no direct significant exposure to Russia, Ukraine or Belarus as of the date the Interim Unaudited Consolidated Financial Statements are available for issue.

The Manager will continue to monitor the situation and potential impact in line with existing risk oversight policies and procedures.

The Directors do not believe there is any financial impact to the Interim Unaudited Consolidated Financial Statements as at 30 June 2022 as a result of this subsequent event.

On 1 July 2022, the Master Fund paid cash to BHAL to buy investments at FMV. Accordingly, BHAL transferred investments of US\$44,999,026 at FMV to the Master Fund.

On 1 July 2022, BHAL paid cash to the Master Fund to buy investments at FMV. Accordingly, the Master Fund transferred investments of US\$(696,858) at FMV to BHAL. As a result of the transfer an unrealised loss of US\$(1,061,644) became realised by the Master Fund.

On 1 July 2022, BTN paid cash to the Master Fund to buy investments at FMV. Accordingly, the Master Fund transferred investments of US\$6,803,136 at FMV to BTN. As a result of the transfer an unrealised loss of US\$(9,848,983) became realised by the Master Fund.

On 1 August 2022, BHAL paid cash to the Master Fund to buy investments at FMV. Accordingly, the Master Fund transferred investments of US\$(38,156,138) at FMV to BHAL. As a result of the transfer an unrealised gain of US\$4,947,697 became realised by the Master Fund.

No material events which would require to be disclosed or adjusted for in the Interim Unaudited Consolidated Financial Statements occurred after the period end.

## NOTES

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# MANAGEMENT AND ADMINISTRATION

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