

BREVAN HOWARD

Brevan Howard Master Fund Limited
Interim Unaudited Consolidated Financial
Statements 2015

INTERIM UNAUDITED
CONSOLIDATED FINANCIAL
STATEMENTS
30 June 2015

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Unaudited Consolidated Statement of Assets and Liabilities

30 June 2015

	2015 US\$'000
Assets	
Investments at fair value (cost: US\$36,116,899) (Note 3,5)	39,984,052
Cash (Note 2)	3,049
Investments purchased under agreements to resell (cost: US\$9,217,787) (Note 7)	9,208,841
Dividends and interest receivable	51,947
Due from broker (Note 2)	5,640,958
Long-term interest-bearing subscriptions receivable (Note 13)	110,240
Other assets	1,299
Total assets	55,000,386
Liabilities	
Investments sold short at fair value (proceeds: US\$13,493,064) (Note 3)	16,233,921
Investments sold under agreements to repurchase (proceeds: US\$11,867,911) (Note 7)	11,864,508
Accounts payable and accrued expenses (Note 4,5,6)	8,417
Dividends and interest payable	75,298
Redemptions payable	543,307
Subscriptions in advance	3,024
Due to broker (Note 2)	5,621,028
Performance fee payable (Note 5)	15,242
Total liabilities	34,364,745
Net assets (Note 8,12)	20,635,641
Net asset value per share	
US Dollar Class A	US\$5,009.20
US Dollar L.P. Class A	US\$4,500.21
Euro Class A	€4,948.01
Sterling Class A	£5,548.83
Yen Class A	¥16,259.06
Australian Dollar Class A	AUD 1,729.16
Brazilian Real Class A	BRL 2,199.46
Canadian Dollar Class A	CAD 1,481.87
Norwegian Krone Class A	NOK 1,558.86
Singapore Dollar Class A	SGD 1,366.30
Gold Class A	XAU 129.16
US Dollar Class B	US\$2,823.44
Euro Class B	€2,863.07
Sterling Class B	£2,985.54
US Dollar Class Z	US\$145.49
Euro Class Z	€146.87
Sterling Class Z	£148.22
Yen Class Z	¥14,420.17

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

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

Signed on behalf of the Board:

Dennis Hunter
Director

Karla Bodden
Director

25 August 2015

Unaudited Consolidated Statement of Operations

For the period ended 30 June 2015

	2015 US\$'000
Investment income	
Interest income	206,015
Dividend income (net of withholding tax of US\$321)	1,185
Other Income	1,127
Total income	208,327
Expenses	
Interest expense	106,721
Professional fees and other	2,930
Operational services fee (Note 4)	51,421
Management fee (Note 5)	14,816
Administration fee (Note 6)	12,633
Commissions on futures and options	28,646
Dividend expense on investments sold short	2,491
Performance fee (Note 5)	15,419
Total expenses	235,077
Net investment loss	(26,750)
Net realised and unrealised gain/(loss) on investments	
Net realised gain on investments (Note 2)	394,806
Net change in unrealised appreciation on investments (Note 2)	174,093
Net realised and unrealised gain on investments	568,899
Net increase in net assets resulting from operations	542,149

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 2015

	2015 US\$'000
Net increase in net assets resulting from operations	
Net investment loss	(26,750)
Net realised gain on investments	394,806
Net change in unrealised appreciation on investments	174,093
	542,149
Share Capital Transactions	
Issue of shares	
US Dollar Class A	540,096
US Dollar L.P. Class A	187,834
Euro Class A	76,367
Sterling Class A	302,319
Yen Class A	22,050
Australian Dollar Class A	324
Brazilian Real Class A	5,291
Canadian Dollar Class A	11
Norwegian Krone Class A	22
Singapore Dollar Class A	5
Gold Class A	4
US Dollar Class B	15,514
Euro Class B	4,215
Sterling Class B	21,698
US Dollar Class Z	60,000
Sterling Class Z	80,191
Redemption of shares	
US Dollar Class A	(1,904,263)
US Dollar L.P. Class A	(332,548)
Euro Class A	(143,789)
Sterling Class A	(307,024)
Yen Class A	(55,315)
Australian Dollar Class A	(37,538)
Brazilian Real Class A	(815)
Canadian Dollar Class A	(37,116)
Norwegian Krone Class A	(40,971)
Singapore Dollar Class A	(35,600)
Gold Class A	(795)
US Dollar Class B	(15,190)
Euro Class B	(12,266)
Sterling Class B	(64,982)
US Dollar Class Z	(316,132)
Euro Class Z	(1,611)
Sterling Class Z	(251,216)
Net decrease in net assets	(1,699,081)
Net assets – beginning of period	22,334,722
Net assets – end of period	20,635,641

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

Unaudited Consolidated Statement of Cash Flows

For the period ended 30 June 2015

2015
US\$'000

Cash flows from operating activities:	
Net increase in net assets resulting from operations	542,149
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:	
Decrease in investments at fair value	5,265,752
Decrease in investments purchased under agreements to resell	293,001
Decrease in dividends and interest receivable	51,834
Decrease in other assets	1,504
Increase in due from broker	(455,563)
Decrease in investments sold short at fair value	(398,479)
Decrease in due to broker	(274,169)
Increase in accounts payable and accrued expenses	1,706
Increase in dividends and interest payable	11,642
Decrease in performance fee payable	(28,163)
Net cash provided by operating activities	5,011,214
Cash flows from financing activities	
Proceeds on issue of shares	1,297,877
Payments on redemption of shares	(4,301,433)
Increase in investments purchased under agreements to resell	(2,839,091)
Increase in investments sold under agreements to repurchase	834,196
Net cash used in financing activities	(5,008,451)
Net increase in cash	2,763
Cash – beginning of period	286
Cash – end of period	3,049

Non-cash financing activities not included herein consist of:

Movement in long-term interest-bearing subscriptions receivable of US\$20,959,429.

Movement in redemptions payable of US\$744,262,000.

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

Notes to the Interim Unaudited Consolidated Financial Statements

30 June 2015

1. Organisation

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

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

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

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

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

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

2. Significant accounting policies

Basis of preparation

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

The Directors determined that the Master Fund satisfied the necessary criteria in accordance with Accounting Standard Update 2013-08 – Financial Services – Investment Companies

(Topic 946): Amendments to the scope, measurement and disclosure requirements ("ASU 2013-08"). They have therefore applied Accounting Standards Codification ("ASC") Topic 946 (AICPA Investment Company Guide), fair value accounting, in the preparation of the Master Fund's 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

The Master Fund has consolidated the following entities (together the "Subsidiaries") as at 30 June 2015:

- BHM Investments II Limited, a company incorporated with limited liability on 7 May 2010 under the laws of the Cayman Islands; and
- WCG Strategies Fund Limited, a company incorporated with limited liability on 27 October 2008 under the laws of the Cayman Islands.

The Master Fund owns 100% of BHM Investments II Limited and 100% of WCG Strategies Fund Limited as at 30 June 2015.

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

Security transactions and valuation

Security transactions are accounted for on a trade date basis.

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 p.m. GMT. 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.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2015

2. Significant accounting policies (continued)

Security transactions and valuation (continued)

Estimates of the fair value of Level 3 assets and liabilities as defined by the ASC 820 of the Master Fund and its Subsidiaries' financial instruments are disclosed in Note 3.

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

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).

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

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

Income and expense recognition

Interest income and expense including prime broker and ISDA/ISMA interest is recognised in the Unaudited Consolidated Statement of Operations on an accruals basis.

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

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

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

The Master Fund and its Subsidiaries enter into investment purchases under agreements to resell and investment sales under agreements to repurchase. These agreements are accounted for as collateralised investments and are recorded at amortised cost using the effective interest rate method.

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

Asset-Backed Securities

The Master Fund and its Subsidiaries may invest in asset-backed securities. These securities include mortgage backed securities, collateralised debt obligations ("CDOs") 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.

CDOs include Collateralised Bond Obligations, Collateralised Loan Obligations and other similarly structured securities. The risks of an investment in a CDO depend largely on the type of the collateral securities and the class of the CDO in which the Master Fund and its Subsidiaries invest. CDOs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be adequate 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 CDOs that are subordinate to other classes, and (iv) the complex structure of the security may produce disputes with the issuer or unexpected investment results.

Derivative financial instruments

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

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

2. Significant accounting policies (continued)**Derivative financial instruments (continued)**

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

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

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

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

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 2015 in accordance with ASC 815. The values in the table below exclude the effects of cash received or posted pursuant to derivative contracts, and therefore are not representative of the Master Fund and its Subsidiaries' net exposure. The derivative assets and derivative liabilities are included in "Investments at fair value" and "Investments sold short at fair value", respectively, in the Unaudited Consolidated Statement of Assets and Liabilities.

Derivative contracts for trading activities	Open Positions at period end	Transactions during period	VaR* US\$'000	Derivative Assets US\$'000	Derivative Liabilities US\$'000
Commodity contracts	264	13,053	4,090	146,048	106,530
Credit contracts	462	433	3,742	116,292	646,409
Equity contracts	791	25,804	22,504	542,259	295,752
Foreign exchange contracts	5,551	61,813	36,707	2,730,577	1,870,811
Interest rate contracts	5,312	89,255	50,067	5,775,117	3,792,201
Gross fair value of derivative contracts				9,310,293	6,711,703

* 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\$64,749,443. Total VaR for the Master Fund and its Subsidiaries, including derivatives, non-derivatives and investments in affiliated entities, is US\$57,097,953.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2015

2. Significant accounting policies (continued)

Derivative financial instruments (continued)

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 2015 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 and unrealised gain on investments" in the Unaudited Consolidated Statement of Operations.

	Realised Gains/(Losses) Period Ended 30 June 2015 US\$'000	Change in Unrealised Gains/(Losses) Period Ended 30 June 2015 US\$'000
Derivative contracts for trading activities		
Commodity contracts	(32,649)	7,157
Credit contracts	(32,169)	22,674
Equity contracts	114,263	40,929
Foreign exchange contracts	957,357	(565,439)
Interest rate contracts	(119,029)	286,083
Total	887,773	(208,596)

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 indices and index or CDO tranches.

The following table relates to the Master Fund and its Subsidiaries' written credit derivatives as at 30 June 2015:

Maximum Payout/Notional Amount by Period of Expiration

Contract type	0-2 Years US\$'000	2-5 Years US\$'000	5 Years or Greater US\$'000	Total US\$'000
Bespoke CDO tranches	20,000	40,000	–	60,000
Corporates	19,450	286,655	–	306,105
Credit index – corporate	–	1,656,381	–	1,656,381
Credit index – mortgage backed	–	–	789,554	789,554
Credit index tranche – corporate	–	238,003	–	238,003
Mortgage backed	–	–	9,067	9,067
Total	39,450	2,221,039	798,621	3,059,110

2. Significant accounting policies (continued)**Derivative financial instruments (continued)****Maximum payout/Notional amount**

Contract type	Written Credit Derivative US\$'000	Offsetting Purchased Credit Derivative US\$'000	Net of Offsetting Purchased Credit Derivative US\$'000	Written Credit Derivative at Fair Value US\$'000
Bespoke CDO tranches	60,000	–	60,000	(7,280)
Corporates	331,366	(25,261)	306,105	3
Credit index – corporate	1,656,381	–	1,656,381	23,217
Credit index – mortgage backed	823,832	(34,278)	789,554	(548,133)
Credit index tranche – corporate	243,003	(5,000)	238,003	(6,089)
Mortgage backed	9,067	–	9,067	(6,772)
Total	3,123,649	(64,539)	3,059,110	(545,054)

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

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

Investments sold short

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

Foreign currency translation

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

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 unrealised gain/(loss) on investments in the Unaudited Consolidated Statement of Operations.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2015

2. Significant accounting policies (continued)

Use of estimates

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

Netting

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

Cash

Cash consists of bank balances.

Due from and to brokers

Amounts receivable from and payable to brokers includes settlement of trades along with deposits held as collateral. As at 30 June 2015, deposits held as collateral amounted to US\$1,971,839,302 and amounts pledged as collateral amounted to US\$226,815,612.

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 Net Asset Value (NAV).

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

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

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

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

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

The hierarchy requires the use of observable market data when available. As required by ASC 820, investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following is a summary of the levels within the fair value hierarchy for the Master Fund and its Subsidiaries' investments as at 30 June 2015:

3. Fair value measurements (continued)**Assets**

Fair value measurement at reporting date:	Level 1: US\$'000	Level 2: US\$'000	Level 3: US\$'000	Total US\$'000
Equity securities	287,911	1,660	–	289,571
Private placements	–	–	3,983	3,983
Funds	–	388,034	–	388,034
Fixed income securities				
Asset Backed Securities	–	312,521	160,391	472,912
Corporate Debt Securities	138,160	621,796	33,205	793,161
Mortgage Backed Securities	598,943	931,230	28,548	1,558,721
Non-US Government Debt	7,446,968	21,083	–	7,468,051
Other Debt Obligations	–	37,806	1,074	38,880
US Government Debt	19,660,446	–	–	19,660,446
Derivatives				
Commodity contracts	49,977	96,071	–	146,048
Credit contracts	–	97,625	18,667	116,292
Equity contracts	44,654	419,136	78,469	542,259
Foreign exchange contracts	6	2,700,393	30,178	2,730,577
Interest rate contracts	351,380	5,319,315	104,422	5,775,117
Total assets	28,578,445	10,946,670	458,937	39,984,052

Liabilities

Fair value measurement at reporting date:	Level 1: US\$'000	Level 2: US\$'000	Level 3: US\$'000	Total US\$'000
Equity securities	322,926	–	–	322,926
Fixed income securities				
Corporate Debt Securities	7,864	611	–	8,475
Mortgage Backed Securities	1,923,848	–	–	1,923,848
Non-US Government Debt	6,899,242	–	–	6,899,242
US Government Debt	367,727	–	–	367,727
Derivatives				
Commodity contracts	34,108	72,422	–	106,530
Credit contracts	–	639,379	7,030	646,409
Equity contracts	17,784	264,669	13,299	295,752
Foreign exchange contracts	144	1,870,667	–	1,870,811
Interest rate contracts	239,374	3,526,682	26,145	3,792,201
Total liabilities	9,813,017	6,374,430	46,474	16,233,921

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2015

3. Fair value measurements (continued)

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

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

There were no significant transfers between Level 1 and Level 2 during the period ended 30 June 2015. The Master Fund and its Subsidiaries had no investments measured at fair value on a non-recurring basis during the period ended 30 June 2015.

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

Level 3

Assets

	Asset Backed Securities US\$'000	Corporate Debt US\$'000	Derivatives US\$'000	Mortgage Backed Securities US\$'000	Private Placements US\$'000	Other Debt Obligation US\$'000	Total US\$'000
Investments							
Beginning balance as of							
1 January 2015	63,743	28,633	171,133	54,548	4,029	–	322,086
Purchases	93,701	5,733	295,808	1,943	–	–	397,185
Sales	(6,764)	(4,568)	(392,911)	(15,893)	(229)	–	(420,365)
Transfer in to Level 3	73,314	3,639	92,480	15,737	–	1,089	186,259
Transfer out of Level 3	(62,448)	(566)	(15,783)	(34,600)	–	–	(113,397)
Realised gain/(loss)	2,892	849	124,913	1,696	(11)	–	130,339
Change in unrealised gain/(loss)	(4,047)	(515)	(43,904)	5,117	194	(15)	(43,170)
Ending balance as of							
30 June 2015	160,391	33,205	231,736	28,548	3,983	1,074	458,937

Liabilities

	Derivatives US\$'000	Total US\$'000
Investments		
Beginning balance as of 1 January 2015	(14,164)	(14,164)
Purchases	(27,712)	(27,712)
Sales	22,901	22,901
Transfer in to Level 3	(15,333)	(15,333)
Transfer out of Level 3	1,999	1,999
Realised gain/(loss)	(17,126)	(17,126)
Change in unrealised gain/(loss)	2,961	2,961
Ending balance as of 30 June 2015	(46,474)	(46,474)

The change in unrealised movement for the period ended 30 June 2015 for Level 3 investments still held at 30 June 2015 amounted to an unrealised loss of US\$38,165,510 and is included in "Net change in unrealised appreciation on investments" on the Unaudited Consolidated Statement of Operations.

3. Fair value measurements (continued)

The following table presents quantitative information about the Master Fund and its Subsidiaries' Level 3 inputs:

	Fair Value US\$'000	Valuation Technique	Unobservable Input	Range
Asset Backed Securities & Mortgage Backed Securities	188,939	Discounted Cashflow	Constant default rate	0% – 12%
			Conditional prepayment rate	0% – 40%
			Loss severity	24% – 100%
			Discount rate	1% – 19%
Private Placements	3,983	NPV less liquidity discount	Liquidity discount	0% – 60%
Corporate Debt	33,205	Similar instrument	Spread to similar instrument	(3%) – 3%
Derivatives	185,262	Counterparty valuation/ Broker quote	Correlation factors	N/A
Other Debt Obligation	1,074	Similar instrument	Spread to similar instrument	(3%) – 3%

The significant unobservable inputs used in the fair value measurement of Level 3 asset backed securities and mortgage backed securities are constant default rates, conditional prepayment rates, loss severity and discount rates. Increases in any of the constant default rates, loss severity or discount rates in isolation would result in a lower fair value for the asset, and vice versa. Increases in conditional prepayment rates could result in a higher or lower fair value depending on the quality of the securities. Where a spread to the yield on similar Level 1 or Level 2 instruments is applied, increases in the spread would result in a lower fair value and vice versa.

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

Level 3 corporate debt and other debt obligations are valued at a spread to the yield on similar Level 1 or Level 2 instruments. Increases in the spread would result in a lower fair value and vice versa.

Level 3 derivatives are valued by reference to counterparty valuations or single broker quotes. The unobservable input implicit in counterparty valuations is generally a correlation factor between two or more reference assets. An increase in the correlation factor could result in a higher or lower fair value depending on the nature of the specific instrument.

4. Operational services fee

The Manager has received from the Master Fund a fee of 1/12 of 0.50% per month of the NAV, prior to the deduction of management and performance fees, of the Master Fund for the period to 30 June 2015 (the "operational services fee") as at the last valuation day in each month (excluding for these purposes such part of the NAV of the Master Fund which is attributable to (i) any investments made in other investment funds managed by the Manager which also charge an operational services fee, or (ii) the Class Z ordinary shares in the Master Fund).

The operational services fee for the period ended 30 June 2015 amounted to US\$51,421,283. The operational services fee payable at 30 June 2015 is US\$23,439.

5. Management and performance fees

The Manager receives a management fee of 1/12 of 2% (or a pro rata proportion thereof) per month of the NAV (before deduction of that month's management fee and before making any deduction for any accrued performance fee) as at the last valuation day in each month, payable monthly in arrears on Class X shares and Class Y shares. No management fees are payable in respect of Class A shares, Class B shares and Class Z shares. The management fee payable at 30 June 2015 is US\$12,633.

The Manager also receives a performance fee. The performance fee is equal to the relevant percentage of the appreciation in the NAV per share of that class during that calculation period which is above the base NAV of that class. The base NAV per share is the greater of the NAV per share of the relevant class at the time of issue of such share and the highest NAV per share achieved as at the end of any previous calculation period.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2015

5. Management and performance fees (continued)

For the Master Fund, the applicable performance fees are 20% for Class X and Class Y. No performance fees are payable in respect of Class A shares, Class B shares and Class Z shares. Performance fees may be settled in cash or in the cash equivalent of US Treasury Bills at fair value on the date of transfer. In respect of the Subsidiaries, the applicable performance fees for 2015 are 20% for Class A of WCG Strategies Fund Limited. Performance fees for the period were US\$15,418,740 and the performance fee payable by the Master Fund at 30 June 2015 was US\$15,242,499.

At 30 June 2015 the Master Fund held investments in the following funds (each an "underlying fund investment") managed by one or more of the Brevan Howard group of affiliated entities:

	US\$
BHMF Investments II Limited	4,861,642
Brevan Howard Emerging Markets Strategies Master Fund Limited	359,903
Brevan Howard Equity Strategies Master Fund Limited	3,780,511
Brevan Howard Strategic Macro Fund L.P.	203,338,808
Brevan Howard Strategic Macro Master Fund Limited	1,052,085
Brevan Howard Strategic Opportunities Fund Limited	15,237,986
DW Value Offshore Fund, Ltd.	164,264,333
WCG Strategies Fund Limited	1,461,674,962

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

6. Administration fee

Under the terms of the Administrative Services Agreement, as amended, dated 22 April 2015 between International Fund Services (Ireland) Limited ("IFS") and the Master Fund, IFS receives a fee based on the month-end NAV of the Master Fund and its Subsidiaries calculated and payable monthly in arrears.

The administration fee on a monthly basis is 1/12 of 14 basis points (on the first US\$15 billion month end NAV), 1/12 of 11 basis points (on the next US\$15 billion month end NAV) and 1/12 of 9 basis points (on net assets over US\$30 billion month end NAV), of the excess of the Master Fund's month end NAV over the sum of NAV that represents the amount of investment made by the Master Fund in other Brevan Howard managed funds

administered by IFS held in the same month. The administration fee payable at 30 June 2015 is US\$4,103,437.

Administration fees are also incurred on investments made in affiliated and non-affiliated funds by the Master Fund that are not administered by IFS.

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

At 30 June 2015, investments with a market value of US\$9,114,953,405 were pledged to the Master Fund and its Subsidiaries as collateral (investments purchased under agreements to resell) and investments with a value of US\$12,086,919,937 were pledged by the Master Fund and its Subsidiaries as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 24 June 2016 and all agreements to resell mature by 22 September 2015.

8. Share capital

The Master Fund has an authorised share capital of:

- €100,000 divided into 10,000,000 ordinary shares of €0.01 par value each;
- US\$400,000 divided into 40,000,000 ordinary shares of US\$0.01 par value each;
- £100,000 divided into 10,000,000 ordinary shares of £0.01 par value each;
- ¥10,000,000 divided into 10,000,000 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 and Class Z shares in any number of series.

8. Share capital (continued)

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

The rights of the Class X US Dollar, Euro and Sterling Shares are substantially the same as those set out in respect of Class A US Dollar, Euro and Sterling Shares respectively in the Feeder Fund Prospectus save that no redemption fees are payable in respect of such shares. There were no Class X shares in issue at period end.

The rights of the Class Y US Dollar, Euro and Sterling Shares are substantially the same as those set out in respect of Class B US Dollar, Euro and Sterling Shares respectively in the Feeder Fund Prospectus. There were no Class Y shares in issue at period end.

The rights of the Class Z US Dollar, Euro, Sterling and Yen Shares are substantially the same as those set out in respect of Class A US Dollar, Euro, Sterling and Yen Shares respectively in the Feeder Fund Prospectus.

	Shares in issue at start of period	Shares issued during the period	Share redeemed during the period	Shares in issue at end of period
US Dollar Class A	2,546,495	107,273	(377,549)	2,276,219
US Dollar L.P. Class A	585,579	41,790	(73,356)	554,013
Euro Class A	125,774	13,854	(26,109)	113,519
Sterling Class A	239,074	35,668	(36,026)	238,716
Yen Class A	7,710,846	160,610	(407,833)	7,463,623
Australian Dollar Class A	35,125	241	(27,812)	7,554
Brazilian Real Class A	11,228	7,810	(1,101)	17,937
Canadian Dollar Class A	32,825	9	(31,216)	1,618
Norwegian Krone Class A	221,788	107	(202,798)	19,097
Singapore Dollar Class A	34,534	5	(34,539)	–
Gold Class A	35	–	(5)	30
US Dollar Class B	134,064	5,504	(5,319)	134,249
Euro Class B	36,282	1,311	(3,839)	33,754
Sterling Class B	271,442	4,737	(14,169)	262,010
US Dollar Class Z	6,261,038	424,325	(2,160,428)	4,524,935
Euro Class Z	16,477	–	(10,103)	6,374
Sterling Class Z	3,218,584	355,230	(1,103,220)	2,470,594
Yen Class Z	459,123	–	–	459,123

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

9. Taxes

Under current Cayman Islands laws, the Master Fund is not required to pay any taxes in the Cayman Islands on either income or capital gains. The Master Fund has received an undertaking from the Governor in Cabinet in 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.

Notes to the Interim Unaudited Consolidated Financial Statements *continued*

30 June 2015

9. Taxes (continued)

ASC 740, Income Taxes, established 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.

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

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

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

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

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

As a purchaser of an option contract, the Master Fund and its Subsidiaries are subject to credit risk since the counterparty

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

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

The Master Fund 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. 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.

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

Assets and liabilities included in the table in Note 2 represent the fair value of the Master Fund's and its Subsidiaries' holdings at the period end. These assets and liabilities are not representative of the outstanding credit risk to the Master Fund and its Subsidiaries due to the existence of master netting agreements.

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

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

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

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

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

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

11. Offsetting assets and liabilities

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

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 2015

Offsetting of Financial Assets and Derivative Assets:

	(i)	(ii)	(iii)=(i)-(ii)	(iv)		(v)=(iii)-(iv)
		Gross Amounts Offset in the Unaudited Consolidated Statement of Assets and Liabilities US\$'000	Net Amounts of Assets Presented in the Unaudited Consolidated Statement of Assets and Liabilities US\$'000	Gross Amounts, not Offset in the Unaudited Consolidated Statement of Asset and Liabilities		Net Amount US\$'000
	Gross Amounts of Recognised Assets US\$'000			Financial Instruments US\$'000	Cash Collateral Pledged US\$'000	
Derivatives	9,310,293	–	9,310,293	6,381,020	1,925,600	1,003,673
Repurchase agreements	11,551,056	2,342,215	9,208,841	5,203,310	22,109	3,983,422
Total	20,861,349	2,342,215	18,519,134	11,584,330	1,947,709	4,987,095

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2015

11. Offsetting assets and liabilities (continued)

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 2015

Offsetting of Financial Liabilities and Derivative Liabilities:

	(i)	(ii)	(iii)=(i)-(ii)	(iv)		(v)=(iii)-(iv)
	Gross Amounts of Recognised Liabilities US\$'000	Gross Amounts Offset in the Unaudited Consolidated Statement of Assets and Liabilities US\$'000	Net Amounts of Liabilities Presented in the Unaudited Consolidated Statement of Assets and Liabilities US\$'000	Gross Amounts, not Offset in the Unaudited Consolidated Statement of Asset and Liabilities		Net Amount US\$'000
				Financial Instruments US\$'000	Cash Collateral Pledged US\$'000	
Derivatives	6,711,703	–	6,711,703	6,381,020	303,255	27,428
Repurchase agreements	14,206,723	2,342,215	11,864,508	5,203,310	8,999	6,652,199
Total	20,918,426	2,342,215	18,576,211	11,584,330	312,254	6,679,627

12. Related party transactions

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

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

As at 30 June 2015 the Manager indirectly held minority, non-controlling equity interests in the following entities that provide investment advice to BHIPL, in its capacity as an Investment Manager of the Master Fund: (i) Harness Investment Group Limited; and (ii) Penso Advisors, LLC.

BH Global Limited ("BHG") is a Guernsey incorporated closed-ended investment company listed on the London Stock Exchange that invests all of its assets in the Brevan Howard Multi-Strategy Master Fund Limited ("BHMS"), a Cayman incorporated limited liability company that is permitted to invest its assets in investment funds, including the Master Fund. The Manager of the Master Fund is also the manager of BHMS and BHG. BHMS held 6.25% (US\$1,289,427,538) of the net assets of the Master Fund through a holding of US Dollar, Euro, Sterling and Yen Class Z shares as at 30 June 2015.

As at 30 June 2015 the Master Fund held investments in funds managed by either the Manager or DW Partners, in each case as set out in Note 5.

13. Long-term interest-bearing subscriptions receivable

The subscriptions receivable amount of US\$110,240,058 is due from Brevan Howard Fund Limited and relates to Nil Paid US Dollar Class C and Nil Paid Sterling Class C shares issued by the Feeder Fund. Upon issuance of these Nil Paid shares by the Feeder Fund, additional shares were issued by the Master Fund (US Dollar Class A and Sterling Class A shares), resulting in the recognition of a corresponding receivable balance.

The following table details the share transactions during the period:

	In Issue At Start of Period	Issued during the Period	Redeemed during the Period	In Issue At End of Period
Nil Paid US Dollar Class C	57,179	39,624	(19,973)	76,830
Nil Paid Sterling Class C	44,891	32,404	(14,716)	62,579

13. Long-term interest-bearing subscriptions receivable (continued)

The Nil Paid US Dollar Class C and Nil Paid Sterling Class C shares are issued to Brevan Howard Employee Benefit Trust Number 3, Brevan Howard Employee Benefit Trust Number 7, BH Partners L.P. and BH Partners 2009 L.P.

A guarantee to pay any unmet capital calls covering the issue of the Class C shares has been given to the Feeder Fund by the Manager.

Accrued interest receivable in the form of a funding fee has been recognised by the Feeder Fund as follows:

Share Class	Issue Date	Redemption Date	Number of Issued Shares	Funding Fee Rate
Nil Paid US Dollar Class C	Jan-2013	Jan-2016	25,000	0.32%
Nil Paid US Dollar Class C	Jan-2014	Jan-2017	26,604	0.65%
Nil Paid US Dollar Class C	Jan-2015	Jan-2018	25,226	1.15%
Nil Paid Sterling Class C	Jan-2013	Jan-2016	20,331	0.39%
Nil Paid Sterling Class C	Jan-2014	Jan-2017	21,232	0.88%
Nil Paid Sterling Class C	Jan-2015	Jan-2018	21,016	0.94%

This funding fee, together with the long-term interest-bearing subscriptions receivable, is withheld from the redemption proceeds at the end of the term by the Feeder Fund. The Directors of the Feeder Fund have resolved to call any Nil Paid Class C shares if the prevailing NAV of such share falls below 90% of the NAV at issuance.

14. Investment in affiliated funds

The Master Fund has invested in a number of affiliated funds as set out in Note 5.

15. Equalisation Factor

Where Shares are subscribed for at a time when the NAV per Share is greater than the Peak NAV per Share of the relevant Class, the investor will be required to pay an amount in excess of the then current NAV per Share of that Class equal to the Relevant Percentage of the difference between the then current NAV per Share of that Class (before accrual for the Performance Fee) and the Peak NAV per Share of that Class (an "Equalisation Credit").

At the date of subscription the Equalisation Credit will equal the Performance Fee per Share accrued with respect to the other Shares of the same Class in the Master Fund (the "Maximum Equalisation Credit"). The Equalisation Credit is payable to account for the fact that the NAV per Share of that Class has been reduced to reflect an accrued Performance Fee to be borne by existing Shareholders of the same Class and serves as a credit against Performance Fees that might otherwise be payable by the Master Fund but that should not, in equity, be charged against the Shareholder making the subscription because, as to such Shares, no favourable performance has yet occurred. The Equalisation Credit ensures that all holders of Shares of the same Class have the same amount of capital at risk per Share.

The additional amount invested as the Equalisation Credit will be at risk in the Master Fund and will therefore appreciate or depreciate based on the performance of the relevant Class subsequent to the issue of the relevant Shares but will never exceed the Maximum Equalisation Credit. In the event of a decline as at any Valuation Day in the NAV per Share of those Shares, the Equalisation Credit will also be reduced by an amount equal to the Relevant Percentage of the difference between the NAV per Share (before accrual for the Performance Fee) at the date of issue and as at that Valuation Day. Any subsequent appreciation in the NAV per Share of the relevant Class will result in the recapture of any reduction in the Equalisation Credit but only to the extent of the previously reduced Equalisation Credit up to the Maximum Equalisation Credit.

Where shares are subscribed for at a time when the NAV per share is less than the Peak NAV per share of the relevant Class, the investor will be required to pay a Performance Fee with respect to any subsequent appreciation in the value of those shares. With respect to any appreciation in the value of those shares from the NAV per share at the date of subscription up to the Peak NAV per share, the Performance Fee will be charged at the end of each Calculation Period by redeeming at par value (which will be retained by the Master Fund) such number of the investor's shares of the relevant Class as have an aggregate NAV (after accrual for any Performance Fee) equal to the Relevant Percentage of any such appreciation (a "Performance Fee Redemption"). An amount equal to the aggregate NAV of the shares so redeemed will be paid to the Manager as a Performance Fee. The Master Fund will not be required to pay to the investor the redemption proceeds of the relevant shares being the aggregate par value thereof. Performance Fee Redemptions ensures that the Master Fund and its Subsidiaries maintain a uniform NAV per Share of each Class.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2015

15. Equalisation Factor (continued)

At the period end the equalisation factor accrued but not crystallised is US\$Nil while the portion that crystallised during the period represented a write-back of US\$Nil.

16. Subsequent Events

For the period ended 30 June 2015, the Master Fund and its Subsidiaries evaluated subsequent events through 25 August 2015. No material events which would require to be disclosed or adjusted for in the Interim Unaudited Consolidated Financial Statements occurred during this period.

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