BREVAN HOWARD

Brevan Howard Master Fund Limited
Interim Unaudited Consolidated Financial Statements 2017

INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2017

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Unaudited Consolidated Statement of Assets and Liabilities

30 June 2017

	2017 US$'000
Assets	
Investments at fair value (cost: US$19,602,181) (Note 3,5)	20,556,286
Cash (Note 2)	25,718
Investments purchased under agreements to resell (cost: US$17,544,259) (Note 7)	18,440,317
Dividends and interest receivable	23,693
Due from broker (Note 2)	3,414,579
Long-term interest-bearing subscriptions receivable (Note 13)	53,419
Other assets	3,377
Total assets	**42,517,389**
Liabilities	
Investments sold short at fair value (proceeds: US$5,887,615) (Note 3)	6,288,413
Investments sold under agreements to repurchase (proceeds: US$24,704,221) (Note 7)	25,778,719
Accounts payable and accrued expenses (Note 4,5,6)	4,459
Dividends and interest payable	39,715
Redemptions payable	523,188
Subscriptions in advance	352
Due to broker (Note 2)	1,576,957
Other liabilities	40
Total liabilities	**34,211,843**
Non-controlling interest (Note 2)	1,232,344
Net assets (Note 8)	**7,073,202**
Net asset value per share	
US Dollar Class A	US$4,902.52
US Dollar L.P. Class A	US$4,403.75
Euro Class A	€4,742.03
Sterling Class A	£5,380.74
Yen Class A	¥15,551.94
Australian Dollar Class A	AUD 1,740.51
Brazilian Real Class A	BRL 2,667.27
Canadian Dollar Class A	CAD 1,444.32
Norwegian Krone Class A	NOK 1,532.36
Swedish Krona Class A	SEK 1,004.45
US Dollar Class B	US$2,763.85
Sterling Class B	£2,895.64
US Dollar Class W	US$1,019.18
US Dollar L.P. Class W	US$963.46
Sterling Class W	£957.94
Euro Class W	€955.31
US Dollar Class Z	US$144.00
Euro Class Z	€142.34
Sterling Class Z	£145.35
Yen Class Z	¥13,948.47

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

17 August 2017

Unaudited Consolidated Statement of Operations

For the period ended 30 June 2017

	2017 US$'000
Investment income	
Interest income	17,950
Dividend income (net of withholding tax of US$94)	369
Other income	33
Total income	**18,352**
Expenses	
Interest expense	176,207
Professional fees and other	2,453
Operational services fee (Note 4)	22,284
Management fee (Note 5)	31
Administration fee (Note 6)	6,933
Commissions on futures and options	22,682
Total expenses	**230,590**
Net investment loss	**(212,238)**
Net realised and unrealised gain/(loss) on investments	
Net realised loss on investments (Note 2)	(354,220)
Net change in unrealised appreciation on investments (Note 2)	224,519
Net realised and unrealised loss on investments	**(129,701)**
Non-controlling interest share in net income (Note 2)	98,082
Net decrease in net assets resulting from operations	**(243,857)**

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 2017

	2017 US$'000
Net increase in net assets resulting from operations	
Net investment loss	(212,238)
Net realised loss on investments	(354,220)
Net change in unrealised appreciation on investments	224,519
Non-controlling interest share in net income (Note 2)	98,082
	(243,857)
Share Capital Transactions	
Issue of shares	
US Dollar Class A	41,217
US Dollar L.P. Class A	8,655
Sterling Class A	312,786
Australian Dollar Class A	2
Canadian Dollar Class A	4,762
Norwegian Krone Class A	2
Swedish Krona Class A	5
US Dollar Class B	6,120
Euro Class B	973
Sterling Class B	35,585
US Dollar Class W	34,850
US Dollar L.P. Class W	21,800
Sterling Class W	29,220
Euro Class W	40,832
US Dollar Class Z	81,000
Sterling Class Z	124,805
Redemption of shares	
US Dollar Class A	(2,474,444)
US Dollar L.P. Class A	(599,125)
Euro Class A	(65,473)
Sterling Class A	(385,245)
Yen Class A	(99,147)
Canadian Dollar Class A	(146)
US Dollar Class B	(150,336)
Euro Class B	(35,257)
Sterling Class B	(252,733)
US Dollar Class W	(20,385)
US Dollar L.P. Class W	(196)
US Dollar L.P. Class Z	(107,036)
Sterling Class Z	(87,159)
Net decrease in net assets	**(3,777,925)**
Net assets – beginning of period	**10,851,127**
Net assets – end of period	**7,073,202**

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

Unaudited Consolidated Statement of Cash Flows

For the period ended 30 June 2017

	2017 US$'000
Cash flows from operating activities:	
Net decrease in net assets resulting from operations	**(243,857)**
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by in operating activities:	
Decrease in investments at fair value	11,873,628
Decrease in dividends and interest receivable	41,053
Decrease in other assets	428
Increase in due from broker	(238,268)
Decrease in investments sold short at fair value	(14,424,892)
Decrease in due to broker	(1,004,239)
Decrease in accounts payable and accrued expenses	(2,170)
Decrease in dividends and interest payable	(107,779)
Increase in other liabilities	39
Net cash used in operating activities	**(4,106,057)**
Cash flows from financing activities	
Proceeds on issue of shares	770,485
Payments on redemption of shares	(4,786,442)
Increase in investments purchased under agreements to resell	351,761
Increase in investments sold under agreements to repurchase	7,795,407
Net cash provided by financing activities	**4,131,211**
Net increase in cash	**25,154**
Cash – beginning of period	**564**
Cash – end of period	**25,718**

Non-cash financing activities not included herein consist of:

Movement in long-term interest-bearing subscriptions receivable of (US$27,519,219).

Movement in redemptions payable of US$509,759,364.

As a result of the consolidation of subsidiaries detailed in Note 2, a non-controlling interest of US$ 1,232,343,938 was recognized in the Unaudited Consolidated Statement of Assets and Liabilities. As this non-controlling interest does not represent a cash flow for the Master Fund, it has not been included in the Unaudited Consolidated Statement of Cash Flows.

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

Notes to the Interim Unaudited Consolidated Financial Statements

30 June 2017

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

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

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

2. Significant accounting policies

Basis of preparation

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

For financial statement reporting purposes, the Master Fund is an investment company and follows Financial Services – Investment Companies (ASC 946). The Master Fund did not provide financial support to any related parties or investee entities during the current period over and above the normal course of business.

At 31 December 2016, the Master Fund owned 100% of WCG Strategies Fund Limited ("WCG") and included full consolidation of this. During the period ended 30 June 2017, the Master fund still owned 100% of WCG but this represents an immaterial amount of the Master Fund's Net Assets and the results of operations are no longer material. As a result, WCG has been de-consolidated from the Interim Unaudited Consolidated Financial Statements.

Basis of consolidation

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

The Master Fund has consolidated the following entities (together the "Subsidiaries") as at 30 June 2017:

- BHMF Investments II Limited, a company incorporated with limited liability on 7 May 2010 under the laws of the Cayman Islands;
- Brevan Howard AH Master Fund Limited ("BAH"), a company incorporated with limited liability on 20 December 2016 under the laws of the Cayman Islands; and
- Brevan Howard Liquid Portfolio Strategies, a company incorporated under the name of Brevan Howard Investment Fund on 12 January 2009 for an unlimited period and which changed its name to "Brevan Howard Liquid Portfolio Strategies" with effect from 1 October 2015. The Fund is governed by Part I of the Luxembourg Law of 17 December 2010 on Undertakings for Collective Investment (UCI). Brevan Howard Liquid Portfolio Strategies is composed of three sub-funds being Brevan Howard Dynamic US Investment Fund ("UDU"), Brevan Howard Dynamic Global Investment Fund ("UDG") and Brevan Howard Dynamic Strategies Fund ("ULM").

The Master Fund owns 100% of BHMF Investments II Limited, 55.77% of BAH and 92.71%, 86.29% and 96.88% of UDU, UDG and ULM respectively, in each case as at 30 June 2017.

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

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2017

2. Significant accounting policies (continued)

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.

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 Net Asset Value ("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 International Swaps and Derivatives Association ("ISDA")/ International Security Market Association ("ISMA") interest is recognised in the Unaudited Consolidated Statement of Operations on an accruals basis.

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

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

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

The Investment Managers monitor the market value of the Master Fund and its Subsidiaries' underlying contract amounts, including accrued interest, and request or provide 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 expense and interest income, respectively, 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 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.

2. Significant accounting policies (continued)

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 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 CDOs that are subordinate to other classes, and (iv) the complex structure of the security may result in disputes with the issuer or unexpected investment results.

Asset-backed securities with directly observable prices are priced to independent external data sources, where such market prices are not readily available, fair values will be determined using commercial products which utilise valuation models that are consistent with market pricing models. The valuation models use discounted cash flow analysis which incorporate both observable and non-observable inputs disclosed in Note 3. Paydown gains and losses on asset-backed securities, if any, are recorded as interest income 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, options, futures contracts, forward rate agreements and swaps, which are recorded at fair value at the reporting date. Realised and unrealised changes in fair values are included in realised and unrealised gains and losses on investments in the Unaudited Consolidated Statement of Operations in the period in which the changes occur. The fair value of derivative financial instruments at the reporting date generally reflects the amount that the Master Fund and its Subsidiaries would receive or pay to terminate the contract at the reporting date. Many derivative financial instruments are exchange traded or are traded in the OTC market where market values are normally readily obtainable. Where such market prices are not readily available, fair values will be determined using commercial products which utilise valuation models that are consistent with market pricing methods.

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

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

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

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

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

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2017

2. Significant accounting policies (continued)

The following table sets forth the fair value of the Master Fund and its Subsidiaries' derivative contracts by certain risk types as of 30 June 2017 in accordance with Derivatives and Hedging (ASC 815). The values in the table below exclude the effects of cash received or posted pursuant to derivative contracts, and therefore are not representative of the Master Fund and its Subsidiaries' net exposure. The derivative assets and derivative liabilities are included in "Investments at fair value" and "Investments sold short at fair value", respectively, in the Unaudited Consolidated Statement of Assets and Liabilities.

Derivative contracts for trading activities	Open Positions at period end	Transactions during period	VAR* US$'000	Derivative Assets US$'000	Derivative Liabilities US$'000
Commodity contracts	86	7,967	4,640	15,354	10,177
Credit contracts	172	389	1,168	37,680	339,816
Equity contracts	459	17,175	5,598	2,264	3,407
Foreign exchange contracts	3,256	47,479	19,796	800,223	533,643
Interest rate contracts	1,886	56,336	13,040	984,598	793,581
Gross fair value of derivative contracts				**1,840,119**	**1,680,624**

* 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$25,576,715. Total VaR for the Master Fund and its Subsidiaries, including derivatives, non-derivatives and investments in affiliated entities, is US$23,789,144.

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 2017 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 loss on investments in the Unaudited Consolidated Statement of Operations.

Derivative contracts for trading activities	Realised Gains/(Losses) Period Ended 30 June 2017 US$'000	Change in Unrealised Appreciation/ (Depreciation) Period Ended 30 June 2017 US$'000
Commodity contracts	(32,290)	18,834
Credit contracts	(162,930)	136,429
Equity contracts	(8,589)	29,825
Foreign exchange contracts	(209,786)	(197,218)
Interest rate contracts	145,607	(252,012)
Total	**(267,988)**	**(264,142)**

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.

2. Significant accounting policies (continued)

The following table relates to the Master Fund and its Subsidiaries' written credit derivatives as at 30 June 2017:

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
Corporates	7,000	–	3,500	10,500
Credit index – mortgage backed	–	–	448,654	448,654
Mortgage backed	–	–	8,458	8,458
Sovereign	(59,500)	128,800	1,225	70,525
Total	**(52,500)**	**128,800**	**461,837**	**538,137**

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
Corporates	10,500	–	10,500	(623)
Credit index – mortgage backed	448,654	–	448,654	(303,422)
Mortgage backed	8,458	–	8,458	(5,247)
Sovereign	317,975	(247,450)	70,525	6,605
Total	**785,587**	**(247,450)**	**538,137**	**(302,687)**

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

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2017

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. Foreign currency with a current value of US$8,737,544 and an acquisition cost of US$6,257,623 is included in cash in the Unaudited Consolidated Statement of Assets and Liabilities.

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 2017, deposits held as collateral amounted to US$520,048,418 and amounts pledged as collateral amounted to US$1,015,030,529.

At 30 June 2017 the Master Fund pledged collateral to counterparties to OTC derivative contracts of $355,644,582 and received collateral from counterparties to OTC derivative contracts of $520,048,418. Also, at 30 June 2017, due from brokers includes $367,722,776 and due to brokers includes $Nil of initial margin related to its futures trading activities.

Allocation of income and expenses between share classes
Income and expenses that are identifiable with a particular class are allocated to that class in computing its NAV.
Income and expenses that are common to all classes are allocated between classes based on their monthly NAVs.

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.

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

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

3. Fair value measurements (continued)

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 2017:

Assets

Fair value measurement at reporting date:	Level 1: US$'000	Level 2: US$'000	Level 3: US$'000	Total US$'000
Equities	18,692	1,616	–	20,308
Fixed income securities				
Asset Backed Securities	–	14,660	369	15,029
Corporate Debt Securities	20,413	35,545	672	56,630
Mortgage Backed Securities	–	3,466	7,552	11,018
Non-US Government Debt	13,287,356	52,492	–	13,339,848
US Government Debt	5,265,684	–	–	5,265,684
Derivatives				
Commodity contracts	10,431	4,923	–	15,354
Credit contracts	–	37,680	–	37,680
Equity contracts	87	2,171	6	2,264
Foreign exchange contracts	532	798,684	1,007	800,223
Interest rate contracts	72,110	895,573	16,915	984,598
Subtotal	18,675,305	1,846,810	26,521	20,548,636
Investment in Affiliated Funds measured at NAV*				7,650
Total assets				**20,556,286**

* Investments in affiliated Funds as of 30 June 2017 are excluded from the fair value hierarchy leveling as the fair value of these investments were measured at NAV as a practical expedient.

Liabilities

Fair value measurement at reporting date:	Level 1: US$'000	Level 2: US$'000	Level 3: US$'000	Total US$'000
Fixed income securities				
Non-US Government Debt	4,526,615	–	–	4,526,615
US Government Debt	81,174	–	–	81,174
Derivatives				
Commodity contracts	5,725	4,452	–	10,177
Credit contracts	–	335,166	4,650	339,816
Equity contracts	1,816	1,591	–	3,407
Foreign exchange contracts	172	533,471	–	533,643
Interest rate contracts	85,979	707,602	–	793,581
Total liabilities	**4,701,481**	**1,582,282**	**4,650**	**6,288,413**

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 2017. The Master Fund and its Subsidiaries had no investments measured at fair value on a non-recurring basis during the period ended 30 June 2017.

Notes to the Interim Unaudited Consolidated Financial Statements continued

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3. Fair value measurements (continued)

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

Level 3
Assets

Investments	Asset Backed Securities US$'000	Corporate Debt US$'000	Derivatives US$'000	Mortgage Backed Securities US$'000	Private Placements US$'000	Total US$'000
Beginning balance as of 1 January 2017	449	–	48,518	2,050	–	51,017
Purchases	–	–	50,877	2,939	–	53,816
Sales	(1,933)	–	(20,984)	(7,190)	(5,445)	(35,552)
Transfer in to Level 3	4,261	607	34,959	15,479	–	55,306
Transfer out of Level 3	(2,825)	–	12	(6,850)	–	(9,663)
Realised gain/(loss)	(1,442)	–	(86,561)	(690)	2,945	(85,748)
Change in unrealised gain/(loss)	1,859	65	(8,893)	1,814	2,500	(2,655)
Ending balance as of 30 June 2017	**369**	**672**	**17,928**	**7,552**	**–**	**26,521**

Liabilities

Investments	Derivatives US$'000	Total US$'000
Beginning balance as of 1 January 2017	(1,141)	(1,141)
Sales	495	495
Transfer in to Level 3	(6,158)	(6,158)
Transfer out of Level 3	1,080	1,080
Realised gain/(loss)	(365)	(365)
Change in unrealised gain/(loss)	1,439	1,439
Ending balance as of 30 June 2017	**(4,650)**	**(4,650)**

The change in unrealised movement for the period ended 30 June 2017 for Level 3 investments still held at 30 June 2017 amounted to an unrealised gain of US$1,216,169 and is included in net change in unrealised appreciation on investments on the Unaudited Consolidated Statement of Operations.

The following table summarises the valuation methodology and significant unobservable inputs used for the Master Fund and its Subsidiaries' investments that are categorised within Level 3 of the fair value hierarchy as of 30 June 2017:

	Fair Value US$'000	Valuation Technique	Unobservable Inputs	Range
Asset Backed Securities & Mortgage Backed Securities	7,921	Discounted Cashflow	Constant default rate	1% – 7%
			Conditional prepayment rate	5% – 20%
			Loss severity	30% – 100%
			Discount rate	0% – 10%
			Deal loss	0% – 19%
			Bond loss	0% – 93%
Derivatives	13,278	Counterparty valuation/ Broker quote	Correlation factors/constant default rate/ conditional prepayment rate/loss severity/ discount rate	N/A
Corporate Debt	672	Discounted Cashflow	Collateral valuation	N/A

3. Fair value measurements (continued)

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, discount rates, deal loss and bond loss. Increases in any of the constant default rates, loss severity, discount rates, deal loss or bond loss in isolation would result in a lower fair value for the asset, and vice versa. Increases in conditional prepayment rates could result in a higher or lower fair value depending on the quality of the securities.

Level 3 derivatives are valued by reference to counterparty valuations or single broker quotes. The unobservable input implicit in counterparty valuations 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.

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 2017 (the "operational services fee") as at the last valuation day in each month (excluding for these purposes such part of the NAV of the Master Fund which is attributable to (i) any investments made in other investment funds managed by the Manager which also charge an operational services fee, or (ii) the Class Z ordinary shares in the Master Fund and (iii) the Class W ordinary shares in the Master Fund). For certain share classes and series of interests of the Feeder Funds, the operational services fee is effectively capped at the level that a shareholder's holding or limited partner's capital account would have borne as at 3 October 2016, adjusted as appropriate to reflect redemptions or withdrawals, as appropriate, from 3 October 2016 to 1 December 2016.

The operational services fee for the period ended 30 June 2017 amounted to US$22,345,300. The operational services fee receivable at 30 June 2017 is US$17,281, which arose due to an overpayment of operational services fees during the period.

5. Management and performance fees

The Manager receives a management fee of 1/12 of 2% (or a pro rata proportion thereof) per month of the NAV (before deduction of that month's management fee and before making any deduction for any accrued performance fee) as at the last valuation day in each month, payable monthly in arrears on Class X shares and Class Y shares, neither of which were in issue during the period. No management fees are payable in respect of Class A shares, Class B shares, Class Z shares and Class W shares. The Manager does not receive any management fee from BAH, UDG, UDU and ULM in respect of the Master Fund's investments in the Subsidiaries. The management fee payable at 30 June 2017 is US$Nil.

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

No performance fees are payable in respect of Class A shares, Class B shares, Class Z shares and Class W shares. The manager does not receive any performance fee from BAH, UDG, UDU and ULM in respect of the Master Fund's investments in the Subsidiaries. No performance fee was accrued for the period ended 30 June 2017. No performance fee is payable at the BHMF Investments II Limited level. The performance fee payable by the Master Fund and its Subsidiaries at 30 June 2017 was US$Nil.

At 30 June 2017 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$
Brevan Howard AH Master Fund Limited*	1,534,156,525
BHMF Investments II Limited*	1,987,620
Brevan Howard Emerging Markets Strategies Master Fund Limited	666,039
Brevan Howard Equity Strategies Master Fund Limited	3,301,763
Brevan Howard Liquid Portfolio Strategies – Diversified Strategies Fund*	97,106,624
Brevan Howard Liquid Portfolio Strategies – Dynamic Global Investment Fund*	51,238,625
Brevan Howard Liquid Portfolio Strategies – Dynamic US Investment Fund*	53,271,715
Brevan Howard Strategic Opportunities Fund Limited	3,247,451
WCG Strategies Fund Limited	434,415

* BHMF Investments II Limited, Brevan Howard AH Master Fund Limited, Brevan Howard Liquid Portfolio Strategies – Diversified Strategies Fund, Brevan Howard Liquid Portfolio Strategies – Dynamic Global Investment Fund and Brevan Howard Liquid Portfolio Strategies – Dynamic US Investment Fund are consolidated subsidiaries of the Master Fund.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2017

5. Management and performance fees (continued)

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

6. Administration fee

Under the terms of the Administrative Services Agreement dated 31 March 2016, as amended, between International Fund Services (Ireland) Limited ("IFS") and the Master Fund, the Administrator 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 the Master Fund's pro rata share (by assets under management subject to such fee) of 1/12 of the following percentages of the aggregate net asset value of all fund entities managed by the Manager (including the Master Fund) and administered by IFS (together, the "Relevant Brevan Howard Funds"):

(A) (1) 0.13 per cent on the first US$15 billion;
(2) 0.11 per cent on the next US$15 billion; and
(3) 0.09 per cent on the balance over US$30 billion; less

(B) the portion of such fee attributable to investments made by any Relevant Brevan Howard Fund, directly or indirectly, in any other Relevant Brevan Howard Fund (which, for the avoidance of doubt, includes (1) investments by any Relevant Brevan Howard Fund which is a feeder fund in a Relevant Brevan Howard Fund which is a master fund and (2) investment by any Relevant Brevan Howard Fund which is a master fund in another such Relevant Brevan Howard Fund).

The administration fee payable at 30 June 2017 is US$2,181,658.

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

At 30 June 2017, investments with a market value of US$ 18,217,051,985 were pledged to the Master Fund and its Subsidiaries as collateral (investments purchased under agreements to resell) and investments with a value of US$ 25,660,282,489 were pledged by the Master Fund and its Subsidiaries as collateral (investments sold under agreements to repurchase).

*All agreements to repurchase mature by 12 December 2017 with interest rates ranging from (1.1)% to 7.95% and all agreements to resell mature by 12 December 2017 with interest rates ranging from (1.44)% to 1.22%.

The following table sets out the gross obligation of the Master Fund and its Subsidiaries by class of collateral pledged at 30 June 2017 for investments sold under agreements to repurchase.

	Remaining Contractual Maturity of the Agreements			
	Up to 30 days US$'000	30-90 days US$'000	Greater Than 90 days US$'000	Total US$'000
Reverse Repurchase agreements				
Corporate Debt Securities	52,762	–	–	52,762
US Government Debt	544,646	–	–	544,646
Non-US Government Debt	24,842,526	10,413,010	1,787,034	37,042,570
Total borrowings	25,439,934	10,413,010	1,787,034	37,639,978
Gross amount of recognised liabilities for reverse repurchase agreements in Note 11				**37,639,978**
Amounts related to agreements not included in offsetting disclosure in Note 11				**$–**

8. Share capital

The Master Fund has an authorised share capital of:

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

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

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

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

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

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

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2017

8. Share capital (continued)

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

	Shares in issue at start of period	Shares issued during the period	Share redeemed during the period	Shares in issue at end of period
US Dollar Class A	1,219,947	8,035	(492,832)	735,150
US Dollar L.P. Class A	296,446	1,885	(132,785)	165,546
Euro Class A	40,264	–	(12,397)	27,867
Sterling Class A	204,458	44,129	(55,050)	193,537
Yen Class A	2,916,121	–	(694,863)	2,221,258
Australian Dollar Class A	6,180	2	–	6,182
Brazilian Real Class A	1,132	–	–	1,132
Canadian Dollar Class A	17,276	4,390	(131)	21,535
Norwegian Krone Class A	42,475	9	–	42,484
Swedish Krona Class A	186,004	41	–	186,045
US Dollar Class B	73,103	2,134	(53,104)	22,133
Euro Class B	11,118	316	(11,434)	–
Sterling Class B	162,324	9,378	(67,997)	103,705
US Dollar Class W	39,575	33,546	(19,552)	53,569
US Dollar L.P. Class W	550	22,096	(199)	22,447
Euro Class W	–	38,600	–	38,600
Sterling Class W	26,000	23,835	–	49,835
US Dollar Class Z	769,698	543,026	(725,251)	587,473
Euro Class Z	3,701	–	–	3,701
Sterling Class Z	520,381	669,327	(462,043)	727,665
Yen Class Z	98,481	–	–	98,481

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.

Accounting for Income Taxes (ASC 740) 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.

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

Investments sold short have market risk to the extent that the Master Fund and its 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, thus exposing the Master Fund and its Subsidiaries to credit risk and counterparty risk. If the seller defaults and the fair value of the collateral declines, realisation of the collateral by the Master Fund and its Subsidiaries may be delayed or insufficient. The Master Fund and its Subsidiaries minimise credit risk by monitoring credit exposure and collateral values, and by requiring additional collateral to be promptly deposited with or returned to the Master Fund and its Subsidiaries when deemed necessary.

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

Assets and liabilities included in the table in Note 2 and 3 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.

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.

Notes to the Interim Unaudited Consolidated Financial Statements continued

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

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 2017

Offsetting of financial assets and derivative assets:

	(i)	(ii)	(iii) = (i) – (ii)	(iv)		(v) = (iii) – (iv)
				Gross Amounts, not Offset in the Unaudited Consolidated Statement of Assets and Liabilities		
Description	Gross Amounts of Recognised Assets US$'000	Gross Amounts Offset in the Unaudited Consolidated Statement of Assets and Liabilities US$'000	Net Amounts of Assets Presented in the Unaudited Consolidated Statement of Assets and Liabilities US$'000	Financial Instruments US$'000	Cash Collateral Held US$'000	Net Amount US$'000
Derivatives	2,571,691	731,572	1,840,119	1,359,705	432,230	48,184
Repurchase agreements	30,301,576	11,861,259	18,440,317	17,091,853	22,200	1,326,264
Total	**32,873,267**	**12,592,831**	**20,280,436**	**18,451,558**	**454,430**	**1,374,448**

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 2017
Offsetting of financial liabilities and derivative liabilities:

	(i)	(ii)	(iii) = (i) – (ii)	(iv)		(v) = (iii) – (iv)
				Gross Amounts, not Offset in the Unaudited Consolidated Statement of Assets and Liabilities		
Description	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$'000	Financial Instruments US$'000	Cash Collateral Pledged US$'000	Net Amount US$'000
Derivatives	2,412,196	731,572	1,680,624	1,359,705	309,689	11,230
Repurchase agreements	37,639,978	11,861,259	25,778,719	17,091,853	85,929	8,600,937
Total	**40,052,174**	**12,592,831**	**27,459,343**	**18,451,558**	**395,618**	**8,612,167**

12. Related party transactions

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

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

As at 30 June 2017, 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; (ii) Penso Advisors, LLC; and (iii) Commonwealth Opportunity Capital GP 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 managed by the Manager or its affiliates, including the Master Fund. The Manager of the Master Fund is also the manager of BHMS and BHG. BHMS held 3.32% (US$234,799,793) 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 2017.

As at 30 June 2017, the Master Fund held investments in funds managed by the Manager as set out in Note 5.

The Feeder Funds invest substantially all of their assets in the Master Fund. As at 30 June 2017, Brevan Howard Fund Limited, Brevan Howard L.P. and BH Macro Limited held 79.69%, 10.61% and 6.38% respectively of the net assets of the Master Fund.

13. Long-term interest-bearing subscriptions receivable

The subscriptions receivable amount of US$53,419,864 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.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2017

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

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	40,485	15,085	(17,178)	38,392
Nil Paid Sterling Class C	35,638	18,868	(8,592)	45,914

The Nil Paid US Dollar Class C and Nil Paid Sterling Class C shares are issued to BH FGP 2015 LP, BH FGP 2016 LP and BH FGP 2017 LP.

A guarantee to pay any unmet capital calls covering the issue of the Nil Paid 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-2015	Jan-2018	12,843	1.15%
Nil Paid US Dollar Class C	Jan-2016	Jan-2019	12,223	1.31%
Nil Paid US Dollar Class C	Jan-2017	Jan-2020	13,326	1.47%
Nil Paid Sterling Class C	Jan-2015	Jan-2018	16,797	0.94%
Nil Paid Sterling Class C	Jan-2016	Jan-2019	14,622	0.86%
Nil Paid Sterling Class C	Jan-2017	Jan-2020	14,495	0.25%

If the prevailing NAV of any Nil Paid Class C shares falls below 90% of the NAV at issuance, the Directors of the Feeder Fund may call an amount equal to the shortfall below 90% of the NAV at issuance. If, immediately prior to the redemption of any Nil Paid Class C shares, there is a shortfall between the NAV at issuance and the NAV on their redemption, the Directors may call an amount equal to such shortfall less any shortfall call already paid.

14. Investment in affiliated funds

The Master Fund has invested in a number of affiliated funds as defined in ASC 850-10-20 and 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 net asset value ("Peak NAV") 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.

15. Equalisation factor (continued)

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.

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 2017, the Master Fund and its Subsidiaries evaluated subsequent events through 17 August 2017. No material events which would require to be disclosed or adjusted for in the Interim Unaudited Consolidated Financial Statements occurred during this period.

Notes

Notes

Notes

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