

BREVAN HOWARD

BH MACRO LIMITED

**MONTHLY SHAREHOLDER REPORT:
AUGUST 2014**

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BH Macro Limited Overview

Manager:

Brevan Howard
Capital Management
LP ("BHCM")

Administrator:

Northern Trust
International Fund
Administration
Services (Guernsey)
Limited ("Northern
Trust")

Corporate Broker:

J.P. Morgan
Cazenove

Listings:

London Stock
Exchange (Premium
Listing)
NASDAQ Dubai -
USD Class
(Secondary listing)
Bermuda Stock
Exchange (Secondary
listing)

BH Macro Limited ("BHM") is a closed-ended investment company, registered and incorporated in Guernsey on 17 January 2007 (Registration Number: 46235).

BHM invests all of its assets (net of short-term working capital) in the ordinary shares of Brevan Howard Master Fund Limited (the "Fund").

BHM was admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange on 14 March 2007.

Total Assets: \$1,907 mm¹

1. As at 29 August 2014 by BHM's administrator, Northern Trust.

Summary Information

BH Macro Limited NAV per Share (as at 29 August 2014)

Share Class	NAV (USD mm)	NAV per Share
USD Shares	397.7	\$19.99
EUR Shares	142.3	€20.13
GBP Shares	1,366.6	£20.68

BH Macro Limited NAV per Share % Monthly Change

USD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007			0.10	0.90	0.15	2.29	2.56	3.11	5.92	0.03	2.96	0.75	20.27
2008	9.89	6.70	-2.79	-2.48	0.77	2.75	1.13	0.75	-3.13	2.76	3.75	-0.68	20.32
2009	5.06	2.78	1.17	0.13	3.14	-0.86	1.36	0.71	1.55	1.07	0.37	0.37	18.04
2010	-0.27	-1.50	0.04	1.45	0.32	1.38	-2.01	1.21	1.50	-0.33	-0.33	-0.49	0.91
2011	0.65	0.53	0.75	0.49	0.55	-0.58	2.19	6.18	0.40	-0.76	1.68	-0.47	12.04
2012	0.90	0.25	-0.40	-0.43	-1.77	-2.23	2.36	1.02	1.99	-0.36	0.92	1.66	3.86
2013	1.01	2.32	0.34	3.45	-0.10	-3.05	-0.83	-1.55	0.03	-0.55	1.35	0.40	2.70
2014	-1.36	-1.10	-0.40	-0.81	-0.08	-0.06	0.85	0.01					-2.93

EUR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007			0.05	0.70	0.02	2.26	2.43	3.07	5.65	-0.08	2.85	0.69	18.95
2008	9.92	6.68	-2.62	-2.34	0.86	2.84	1.28	0.98	-3.30	2.79	3.91	-0.45	21.65
2009	5.38	2.67	1.32	0.14	3.12	-0.82	1.33	0.71	1.48	1.05	0.35	0.40	18.36
2010	-0.30	-1.52	0.03	1.48	0.37	1.39	-1.93	1.25	1.38	-0.35	-0.34	-0.46	0.93
2011	0.71	0.57	0.78	0.52	0.65	-0.49	2.31	6.29	0.42	-0.69	1.80	-0.54	12.84
2012	0.91	0.25	-0.39	-0.46	-1.89	-2.20	2.40	0.97	1.94	-0.38	0.90	1.63	3.63
2013	0.97	2.38	0.31	3.34	-0.10	-2.98	-0.82	-1.55	0.01	-0.53	1.34	0.37	2.62
2014	-1.40	-1.06	-0.44	-0.75	-0.16	-0.09	0.74	0.18					-2.95

GBP	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007			0.11	0.83	0.17	2.28	2.55	3.26	5.92	0.04	3.08	0.89	20.67
2008	10.18	6.86	-2.61	-2.33	0.95	2.91	1.33	1.21	-2.99	2.84	4.23	-0.67	23.25
2009	5.19	2.86	1.18	0.05	3.03	-0.90	1.36	0.66	1.55	1.02	0.40	0.40	18.00
2010	-0.23	-1.54	0.06	1.45	0.36	1.39	-1.96	1.23	1.42	-0.35	-0.30	-0.45	1.03
2011	0.66	0.52	0.78	0.51	0.59	-0.56	2.22	6.24	0.39	-0.73	1.71	-0.46	12.34
2012	0.90	0.27	-0.37	-0.41	-1.80	-2.19	2.38	1.01	1.95	-0.35	0.94	1.66	3.94
2013	1.03	2.43	0.40	3.42	-0.08	-2.95	-0.80	-1.51	0.06	-0.55	1.36	0.41	3.09
2014	-1.35	-1.10	-0.34	-0.91	-0.18	-0.09	0.82	0.04					-3.10

Source: Fund NAV data is provided by the administrator of the Fund, International Fund Services (Ireland) Limited. BHM NAV and NAV per Share data is provided by BHM's administrator, Northern Trust. BHM NAV per Share % Monthly Change is calculated by BHCM. BHM NAV data is unaudited and net of all investment management fees (2% annual management fee and 20% performance fee) and all other fees and expenses payable by BHM. In addition, the Fund is subject to an operational services fee of 50bps per annum.

NAV performance is provided for information purposes only. Shares in BHM do not necessarily trade at a price equal to the prevailing NAV per Share.

As at 29 August 2014

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

ASC 820 Asset Valuation Categorisation*

Brevan Howard Master Fund Limited

Unaudited Estimates as at 29 August 2014

	% of Gross Market Value*
Level 1	69.3
Level 2	30.4
Level 3	0.3

Source: BHCM

* These estimates are unaudited and have been calculated by BHCM using the same methodology as that used in the most recent audited financial statements of the Fund. These estimates are subject to change.

Level 1: This represents the level of assets in the portfolio which are priced using unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: This represents the level of assets in the portfolio which are priced using either (i) quoted prices that are identical or similar in markets that are not active or (ii) model-derived valuations for which all significant inputs are observable, either directly or indirectly in active markets.

Level 3: This represents the level of assets in the portfolio which are priced or valued using inputs that are both significant to the fair value measurement and are not observable directly or indirectly in an active market.

Performance Review for the Fund

The information in this section has been provided to BHM by BHCM.

During the month, the Fund suffered some losses in USD interest rate trading and, to a lesser extent, in equity trading. These losses were mostly offset by gains in FX trading, rates trading in other currencies (including EUR) and, to a lesser extent, credit trading.

Monthly, quarterly and annual contribution (%) to the performance of BHM USD Shares (net of fees and expenses) by strategy group

	Macro	Rates	FX	EMG	Equity	Commodity	Credit	Systematic	Discount Management	Total
August	-0.43	0.07	0.03	0.07	0.07	0.00	0.04	0.01	0.14	0.01
Q1 2014	-3.23	-0.08	-0.03	-0.01	-0.06	0.02	0.55	-0.05	0.07	-2.83
Q2 2014	-1.84	0.13	-0.04	0.02	-0.09	0.02	0.20	-0.00	0.66	-0.95
Q3 2014	0.02	0.12	0.07	0.15	0.11	-0.03	0.08	0.01	0.32	0.86
YTD 2014	-4.99	0.18	0.00	0.16	-0.04	0.01	0.84	-0.04	1.04	-2.93

Monthly, quarter-to-date and year-to-date figures are calculated by BHCM as at 29 August 2014, based on total performance data for each period provided by the Fund's administrator, International Fund Services (Ireland) Limited. Figures rounded to two decimal places.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

Methodology and Definition of Monthly Contribution to Performance:

Attribution is approximate and has been derived by allocating each trader book in the Fund to a single category. In cases where a trader book has activity in more than one category, the most relevant category has been selected.

The above strategies are categorised as follows:

"**Macro**": multi-asset global markets, mainly directional (for the Fund, the majority of risk in this category is in rates)

"**Rates**": developed interest rates markets

"**FX**": global FX forwards and options

"**EMG**": global emerging markets

"**Equity**": global equity markets including indices and other derivatives

"**Commodity**": liquid commodity futures and options

"**Credit**": corporate and asset-backed indices, bonds and CDS

"**Systematic**": rules-based futures trading

Manager's Market Review and Outlook

The information in this section has been provided to BHM by BHCM.

Market Commentary

US

Growth firmed in August, but job gains slowed. Real GDP growth appears to be expanding in the middle two quarters of the year at about a 4% annualised clip. The second quarter will be flattered by a jump in healthcare outlays that more than unwinds the peculiar decline seen in the first quarter. The latest official second-quarter estimate of a 4.2% increase is expected to be revised up a few tenths to above 4.5% in the final release. In the current quarter, a brisk pace of business and residential investment point toward overall growth around 3.5%. Consumption outlays slowed a little during the summer, in part due to unseasonably cool summer weather. But the trajectory of retail sales looks sturdy and automobile sales in August surged to their highest level since January 2006. Consumer and business sentiment corroborate the hard data with most surveys at or near multi-year highs, including the closely watched purchasing managers indexes.

Meanwhile, the labour market fell shy of expectations in August with the smallest increase in payroll employment seen this year. The unemployment rate did tick down to 6.1% but its trend has levelled out in the last few months. However, at this point, there's little reason to

think the soft numbers in August were anything more than the normal volatility in the monthly statistics.

Wage and price inflation remain muted. Core consumer price inflation slowed below a 2% annual rate in the last three months and the most recent information on average hourly earnings suggest only the most tentative of upward trends.

At the annual Jackson Hole conference, Fed Chair Yellen took the temperature of the labour market and teased out the implications for policy going forward. Yellen emphasized a nuanced approach to judging the degree of slack, with every dovish argument balanced by a hawkish one. With regard to policy, she argued for a pragmatic approach, which certainly contrasts with the dogmatically dovish stance sometimes ascribed to her by market participants.

EMU

The EMU economy continues to lose momentum in the third quarter, in part due to the escalation of the Ukrainian crisis. Both the European Commission's economic sentiment indicator and the Composite PMI fell noticeably in August. The drop in the PMI was fairly broad-based, with the Spain and Ireland Services PMI being the only exceptions. In particular, the loss of momentum is quite pronounced in Italy, from business to consumer surveys. German orders and industrial production rebounded in July, but surveys indicate that this is likely to be a temporary bounce. According to Eurostat's flash estimates, euro area HICP inflation ticked down to a new cycle low of 0.3% y/y in August, due to a further deceleration of energy prices, which was only partly offset by an uptick in core inflation.

In its September policy meeting, the ECB went 'all-in': not only did it cut the key official rates by 10bps to what is now firmly the lower bound, but it also pre-announced an ABS programme and a covered bond purchase programme which looks larger than expected. Although details are still lacking, what was revealed – the ABS programme is to include RMBS, purchases including existing stocks on top of newly issued securities – clearly exceeded most forecasts. The aim of the ECB is not only to add to the ECB's current credit easing action, but also to bring the ECB's balance sheet back to the levels of early 2012. This means a €1 trillion increase in the balance sheet from today's level. As to interest rates, ECB President Draghi was clear in saying that the ECB is now at the lower bound and no further 'technical' adjustment is possible. However, in the Q&A Draghi said clearly that, if "at the end" the current package of measures – TLTRO, rate cut, ABS and covered bond purchases programmes – are not effective in meeting the ECB inflation target, QE would follow. This adds to the decisively dovish bias of the ECB relative to the US Fed and the Bank of England. However the decisions were not unanimous and unconfirmed reports followed that the Deutsche Bundesbank opposed the measures approved in the meeting.

UK

The two most important pieces of economic news in the past few months are the growing disparity between record-high employment growth and record-weak wage growth and increasing signs that the housing market is losing momentum. Employment growth has been more than 3% over the past year, a pace not seen in 25 years. This employment growth has been accompanied by a sharp decline in unemployment, and a stable to slightly rising participation rate. But underlying wage growth has been very weak on the official

data, at a record-low pace of less than 1%. Some other indicators do suggest upward wage pressure, notably surveys of recruitment firms, and surveys of the BoE's regional contacts. But these surveys are biased toward newly hired employees, and say less about the wage growth affecting existing employees. One analysis consistent with these findings of strong employment and weak wages is that there has been a significant increase in labour supply from younger workers facing less generous benefits, older workers facing less generous pensions, and EU workers facing high unemployment in their home countries. This has kept wage bargaining power very low. Productivity growth is still approximately zero, as 3% GDP growth has been matched by 3% employment growth. 3% GDP growth has been supported in equal measures by consumption and investment. Household income growth has supported most of the consumption growth (i.e. savings are no longer falling rapidly), but the income growth itself comes entirely from employment growth, as real wages are still slightly declining. A second recent development has been further of loss of momentum in the housing market.

The BoE may have inadvertently tightened mortgage supply more than it wanted to. The Mortgage Market Review, which recommended the introduction of loan-to-income caps and affordability caps, was not supposed to be binding, but banks appear to want to stay well inside the BoE's guidance. The fear of future property tax changes (for example, the so-called "mansion tax" and higher council tax bands) might also be a factor now that the general election is approaching. There are now signs of stagnating housing activity, which should lead to slowing or stagnating price gains ahead. London is more exposed, as prices have risen sharply relative to rest of UK and also due to the larger supply of new properties. Early indicators point to risk of outright London price falls in the months ahead. Given the importance of the housing recovery as a catalyst for overall recovery, a housing slowdown could result in a more broad-based growth slowdown in the quarters ahead from the strong pace seen recently. Such a slowdown is to some extent factored into the BoE's outlook, so some loss of momentum would not necessarily be a surprise. The BoE has acknowledged the weakness in wage growth and slowing in the housing market in its August Inflation Report, pointing to slightly later and slower lift-off in interest rates, probably in February, but with risks skewed towards further delays. A minority of two MPC members have voted for a hike already, but the majority wants to wait for more concrete signs of wage pressure.

Japan

In Japan, the consumption tax hike hit economic activity as real GDP growth fell 6.75% (annualised rate) in the second quarter, more than undoing the 6.1% annualised rate jump in the first quarter. Various surveys also indicate a slowdown, though for the most part they also point to a succeeding recovery. The Shoko-Chukin survey is back to only a ½ point below the run rate seen early in the year. Views on current conditions in the Economy Watchers survey haven't come back as far, although the index has clawed back most of its spring pothole. In contrast, the latest industrial production reading showed only a slight uptick. Inflation continues to hang on to its previous gains but evinces no further momentum. Western core inflation seasonally adjusted came in at 0.1% m/m for a third consecutive month. That is only slightly faster than what it was before the consumption tax hike. This is consistent with the path the Bank of Japan has laid out, but it will need Phillips-type curve effects to kick in strongly later in the year to propel inflation closer to the 2% benchmark. Given rather flat estimates for the Phillips curve around the world, that would appear to be rather optimistic. For its part, the BoJ stuck to the monetary easing put in place earlier. Consumer inflation expectations edged up in July, the first increase since

February.

Prime Minister Abe recently completed a cabinet reshuffle. The reorganisation appears mostly aimed at solidifying his standing with the LDP. It is not expected that it will have any major implications for the path of third-arrow reforms. In particular, reform of the pension system to allow for broader equity investments appears still in place. Finance Minister Aso retained his post, suggesting that corporate tax cuts and the second-round consumption tax hike are still planned.

China

China activity data appear to have peaked in July, as the data moderated meaningfully in August, along with monetary and credit dynamics. In particular, the growth rate of industrial production fell from 9.0% y/y to 6.9% y/y, significantly undershooting the market consensus and the lowest since the end of 2008. The HSBC manufacturing PMI delivered a similar message, slipping from 51.7 in July to 50.2 in August. On the demand side, fixed asset investments and retail sales' dynamics slowed as well, although by less than industrial production. Imports contracted on a y/y basis, reflecting weaker domestic demand, while the pace of exports remained robust, albeit less than in July. Money growth slowed substantially, from 13.5% to 12.8%, a marked deceleration from the June peak (14.7% y/y), as did credit formation, although remaining faster than nominal GDP growth. Premier Li commented on this number and said that M2 growth year-to-date is still in line with the annual target, while the Government's focus is employment: the labour market, in his view, still holds up relatively well. Li also commented that China already has a significant stock of money, and thus should not rely on the Government issuing more money to boost growth. China recorded another large trade surplus of US\$49.8bn in August, compared with its prior figure of US\$47.3bn and a consensus of US\$40bn. The average monthly trade balance in the first eight months of the year is US\$25bn, which now sits at the high end of the previous estimate of US\$20-25bn for 2014.

Enquiries

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Important Legal Information and Disclaimer

BH Macro Limited ("BHM") is a feeder fund investing in Brevan Howard Master Fund Limited (the "Fund"). Brevan Howard Capital Management LP ("BHCM") has supplied certain information herein regarding BHM's and the Fund's performance and outlook.

The material relating to BHM and the Fund included in this report is provided for information purposes only, does not constitute an invitation or offer to subscribe for or purchase shares in BHM or the Fund and is not intended to constitute "marketing" of either BHM or the Fund as such term is understood for the purposes of the Alternative Investment Fund Managers Directive as it has been implemented in states of the European Economic Area. This material is not intended to provide a sufficient basis on which to make an investment decision. Information and opinions presented in this material relating to BHM and the Fund have been obtained or derived from sources believed to be reliable, but none of BHM, the Fund or BHCM make any representation as to their accuracy or completeness. Any estimates may be subject to error and significant fluctuation, especially during periods of high market volatility or disruption. Any estimates should be taken as indicative values only and no reliance should be placed on them. Estimated results, performance or achievements may materially differ from any actual results, performance or achievements. Except as required by applicable law, BHM, the Fund and BHCM expressly disclaim any obligations to update or revise such estimates to reflect any change in expectations, new information, subsequent events or otherwise.

Tax treatment depends on the individual circumstances of each investor in BHM and may be subject to change in the future. Returns may increase or decrease as a result of currency fluctuations.

You should note that, if you invest in BHM, your capital will be at risk and you may therefore lose some or all of any amount that you choose to invest. This material is not intended to constitute, and should not be construed as, investment advice. All investments are subject to risk. You are advised to seek expert legal, financial, tax and other professional advice before making any investment decisions.

THE VALUE OF INVESTMENTS CAN GO DOWN AS WELL AS UP. YOU MAY NOT GET BACK THE AMOUNT ORIGINALLY INVESTED AND YOU MAY LOSE ALL OF YOUR INVESTMENT. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS.

Risk Factors

Acquiring shares in BHM may expose an investor to a significant risk of losing all of the amount invested. Any person who is in any doubt about investing in BHM (and therefore gaining exposure to the Fund) should consult an authorised person specialising in advising on such investments. Any person acquiring shares in BHM must be able to bear the risks involved. These include the following:

- The Fund is speculative and involves substantial risk.
- The Fund will be leveraged and will engage in speculative investment practices that may increase the risk of investment loss. The Fund may invest in illiquid securities.
- Past results of the Fund's investment managers are not necessarily indicative of future performance of the Fund, and the Fund's performance may be volatile.
- An investor could lose all or a substantial amount of his or her investment.
- The Fund's investment managers have total investment and trading authority over the Fund, and the Fund is dependent upon the services of the investment managers.
- Investments in the Fund are subject to restrictions on withdrawal or redemption and should be considered illiquid. There is no secondary market for investors' interests in the Fund and none is expected to develop.
- The investment managers' incentive compensation, fees and expenses may offset the Fund's trading and investment profits.
- The Fund is not required to provide periodic pricing or valuation information to investors with respect to individual investments.
- The Fund is not subject to the same regulatory requirements as mutual funds.
- A portion of the trades executed for the Fund may take place on foreign markets.
- The Fund and its investment managers are subject to conflicts of interest.
- The Fund is dependent on the services of certain key personnel, and, were certain or all of them to become unavailable, the Fund may prematurely terminate.
- The Fund's managers will receive performance-based compensation. Such compensation may give such managers an incentive to make riskier investments than they otherwise would.
- The Fund may make investments in securities of issuers in emerging markets. Investment in emerging markets involve particular risks, such as less strict market regulation, increased likelihood of severe inflation, unstable currencies, war, expropriation of property, limitations on foreign investments, increased market volatility, less favourable or unstable tax provisions, illiquid markets and social and political upheaval.

The above summary risk factors do not purport to be a complete description of the relevant risks of an investment in shares of BHM or the Fund and therefore reference should be made to publicly available documents and information.