

BREVAN HOWARD

Brevan Howard Master Fund Limited
Annual Audited Financial Statements 2008

ANNUAL FINANCIAL STATEMENTS
31 December 2008

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Independent Auditors' Report to the Shareholders of Brevan Howard Master Fund Limited

We have audited the accompanying consolidated financial statements of Brevan Howard Master Fund Limited (the "Company"), which comprise the consolidated statement of assets and liabilities and consolidated condensed schedule of investments as at 31 December 2008, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG

George Town
Grand Cayman

19 March 2009

Consolidated Statement of Assets and Liabilities

31 December 2008

	2008 US\$
Assets	
Investments at market value (cost: US\$ 26,322,744,387) (Note 3)	52,483,963,256
Cash	1,329,944
Investments purchased under agreements to resell (cost: US\$11,079,553,234) (Note 7)	11,463,725,328
Dividends and interest receivable	101,883,402
Due from broker (Note 2)	11,644,340,663
Other assets	185,780
Long term interest-bearing subscriptions receivable (Note 13)	126,943,516
Total assets	75,822,371,889
Liabilities	
Securities sold short, at market value (proceeds: US\$8,407,800,106) (Note 3)	27,522,713,484
Investments sold under agreements to repurchase (proceeds: US\$6,803,265,264) (Note 7)	7,262,834,763
Accounts payable and accrued expenses	3,136,306
Dividends and interest payable	99,457,031
Redemptions payable	1,696,403,582
Due to broker	19,215,184,859
Due to affiliated fund (Note 12)	855,000,000
Performance fee payable (Note 5)	16,423,346
Equalisation factor (Note 15)	3,395,431
Total liabilities	56,674,548,802
Net assets	19,147,823,087
Net Asset Value per share	
US Dollar Class A	US\$2,876.33
US Dollar LP Class A	US\$2,584.57
Euro Class A	€2,804.52
Sterling Class A	£3,117.32
BH Macro Limited	
US Dollar Class B	US\$1,620.96
Euro Class B	€1,622.50
Sterling Class B	£1,676.97
US Dollar Class Y	US\$106.78
Euro Class Y	€102.61
Sterling Class Y	£102.96

See accompanying notes to the Consolidated Financial Statements.

Signed on behalf of the Board by:

Karla Bodden
Director

19 March 2009

Consolidated Condensed Schedule of Investments

31 December 2008

	Market Value US\$	% of Net Assets
Long Portfolio		
Equities		
Austria (cost US\$5,509,470)		
Industrial	2,541,987	0.01
Bermuda (cost US\$4,084,829)		
Energy	1,132	0.00
Germany (cost US\$9,840,245)		
Industrial	3,302,687	0.02
Greece (cost US\$4,125,070)		
Basic Materials	1,499,007	0.01
Israel (cost US\$2,572,095)		
Communications	1,725,186	0.01
Jersey (cost US\$3,777,431)		
Financial	1,077,230	0.01
Norway (cost US\$4,387,044)		
Consumer, Non-cyclical	1,138,125	0.01
Singapore (cost US\$3,759,600)		
Industrial	2,441,525	0.01
United Arab Emirates (cost US\$0)		
Industrial	1,004,328	0.01
United Kingdom (cost US\$7,556,404)		
Basic Materials	1,644,250	0.01
Financial	2,600,000	0.01
	4,244,250	0.02
United States (cost US\$33,340,291)		
Financial	8,212,209	0.03
Funds	28,530,560	0.15
Industrial	1,582,000	0.01
	38,324,769	0.19
Total equities (cost US\$78,952,479)	57,300,226	0.30

Consolidated Condensed Schedule of Investments

continued

31 December 2008

Quantity		Market Value US\$	% of Net Assets
	Fixed Income Securities		
	Argentina (cost US\$25,705,000)		
	Government	27,750,000	0.14
	Cayman Islands (cost US\$2,100,000)		
	Energy	420,000	0.00
	Cyprus (cost US\$9,534,187)		
	Industrial	5,907,897	0.03
	Denmark (cost US\$771,501,585)		
	Financial	845,627,612	4.42
	Euro (cost US\$5,269,200)		
	Consumer, Non-cyclical	3,956,651	0.02
	France (cost US\$1,766,969,547)		
	Government		
195,000,000	BTF 0% 04/09/09	269,821,412	1.41
250,000,000	BTF 0% 04/23/09	345,097,561	1.80
500,000,000	BTF 0% 05/07/09	690,493,444	3.61
18,000,000	FRTR 1% 07/25/17	25,080,012	0.13
85,000,000	FRTR 1.6% 07/25/11	129,285,025	0.68
70,000,000	FRTR 2.5% 07/25/13	112,306,997	0.59
233,000,000	FRTR 3% 07/25/12	393,004,853	2.05
		1,965,089,304	10.27
	Germany (cost US\$1,982,753,237)		
	Government		
75,000,000	BUBILL 0% 05/13/09	103,465,788	0.54
650,000,000	BUBILL 0% 06/17/09	895,319,066	4.67
7,000,000	DBR 3.25% 07/04/15	10,067,388	0.05
4,770,000	DBR 3.75% 01/04/15	7,056,541	0.04
930,000	DBR 4.25% 01/04/14	1,405,264	0.01
410,995,000	DBR 4.75% 07/04/34	658,269,716	3.43
1,040,000	DBR 5% 07/04/12	1,443,052	0.01
890,000	DBR 5.25% 07/04/10	1,293,351	0.01
120,923,000	DBR 5.5% 01/04/31	208,072,297	1.09
173,100,000	DBR 5.625% 01/04/28	299,102,262	1.56
		2,185,494,725	11.41
	India (cost US\$4,652,500)		
	Communication	240,000	0.00
	Consumer, Non-Cyclical	4,275,000	0.02
	Industrial	190,000	0.00
		4,705,000	0.02

Quantity		Market Value US\$	% of Net Assets
	Fixed Income Securities		
	Ireland (cost US\$1,254,359)		
	Financial	1,038,777	0.01
	Japan (cost US\$1,314,984,963)		
	Government		
500,000,000	JAPAN GOVT CPI 1% 06/10/2016	4,910,952	0.03
25,000,000,000	JAPAN GOVT CPI 1.1% 12/10/16	244,435,875	1.28
30,000,000,000	JAPAN GOVT CPI 1.3% 09/10/2017	296,045,560	1.55
8,500,000,000	JAPAN I/L 10YR JGBI 0.8% 09/10/15	83,760,026	0.44
5,000,000,000	JGBI 0.5% 12/10/14	49,163,508	0.26
5,000,000,000	JGBI 0.8% 03/10/16	48,533,908	0.25
4,000,000,000	JGBI 1.4% 06/10/18	39,113,089	0.20
50,000,000,000	JGBI 1.2% 12/10/17	487,944,855	2.55
		1,253,907,773	6.56
	Jersey (cost US\$1,350,000)		
	Energy	724,800	0.00
	Luxembourg (cost US\$10,246,604)		
	Consumer, Non-Cyclical	9,915,500	0.05
	Diversified	374,639	0.00
		10,290,139	0.05
	Netherlands (cost US\$4,958,400)		
	Financial	2,785,000	0.01
	Spain (cost US\$18,969,304)		
	Financial	16,636,031	0.09
	United Kingdom (cost US\$23,239,836)		
	Consumer, Non-cyclical	23,362,580	0.12
	United States (cost US\$12,396,349,777)		
	Asset Backed Securities	121,919,432	0.64
	Communication	8,200,000	0.04
	Consumer, Cyclical	31,340,094	0.17
	Consumer, Non-cyclical	11,273,200	0.06
	Financial	106,730,459	0.56
	Government		
11,570,000	B 0% 02/26/09	9,673,806	0.05
2,000,000,000	B 0% 03/05/09	1,999,758,800	10.44
4,000,000,000	B 0% 03/12/09	3,999,137,200	20.89
1,000,000,000	B 0% 03/12/09	999,784,300	5.22
1,000,000,000	B 0% 06/04/09	999,256,200	5.22
300,000,000	B 0% 06/04/09	299,776,860	1.57
234,059,000	B 0% 06/04/09	233,884,907	1.22
114,580,000	B 0% 06/04/09	114,494,775	0.60

Consolidated Condensed Schedule of Investments continued

31 December 2008

Quantity		Market Value US\$	% of Net Assets
Fixed Income Securities			
United States (cost US\$12,396,349,777) (continued)			
71,603,000	B 0% 06/04/09	71,549,742	0.37
27,400,000	B 0% 06/04/09	27,379,620	0.14
25,468,000	B 0% 06/04/09	25,449,057	0.13
20,735,000	B 0% 06/04/09	20,719,577	0.11
4,300,000	B 0% 06/04/09	4,296,802	0.02
2,950,000	B 0% 06/04/09	2,947,806	0.02
600,000	B 0% 06/04/09	599,554	0.00
1,000,000,000	B 0% 10/22/09	998,185,000	5.21
868,000,000	B 0% 11/19/09	865,519,430	4.52
132,000,000	B 0% 11/19/09	131,622,770	0.69
1,995,000	T 4.5% 05/15/17	2,372,179	0.01
5,965,000	T 4.5% 05/15/38	8,178,574	0.04
7,000,000	T 6.25% 08/15/23	9,758,434	0.05
275,000,000	T 7.5% 11/15/24	450,226,563	2.35
175,000,000	T 7.625% 02/15/25	290,226,563	1.52
1,300,000	T 8.125% 08/15/19	1,949,390	0.01
1,500,000	T 9% 11/15/18	2,344,454	0.01
1,550,000	TII 1.625% 01/15/15	1,640,472	0.01
300,000,000	TII 1.875% 07/15/15	316,388,929	1.65
2,185,000	TII 2% 04/15/12	2,277,715	0.01
152,000,000	TII 2.375% 01/15/17	163,007,807	0.85
1,405,000	TII 3.5% 01/15/11	1,720,448	0.01
8,275,000	TII 3.875% 01/15/09	10,852,589	0.06
	Industrial	6,840,000	0.04
	Mortgage	18,704,206	0.10
	Technology	18,131,333	0.09
		12,388,119,047	64.70
Total Fixed Income Securities (cost US\$18,339,838,499)		18,735,815,336	97.85
Private Placement			
Cyprus (cost US\$43,468,002)			
	Property	32,022,282	0.17
United Kingdom (cost US\$3,385,005)			
	Funds	3,069,711	0.02
Israel (cost US\$2,500,000)			
	Technology	–	0.00
Italy (cost US\$4,415,460)			
	Financial	–	0.00
Cayman Islands (cost US\$4,285,972)			
	Funds	785,974	0.00
		35,877,967	0.19

	Market Value US\$	% of Net Assets
Interest Rate Guarantee Options (cost US\$1,697,943,890)		
AUD termination dates through December 2017	138,231,440	0.72
CHF termination dates through March 2011	7,750,590	0.04
EUR termination dates through March 2038	1,173,742,976	6.13
GBP termination dates through May 2026	491,703,041	2.57
HKD termination dates through May 2012	494,620	0.00
JPY termination dates through June 2009	8,992	0.00
KRW termination dates through August 2012	12,236,067	0.06
USD termination dates through October 2036	1,568,730,125	8.20
	3,392,897,851	17.72

Forward Rate Agreements

EUR termination dates through August 2009	168,974,051	0.88
GBP termination dates through June 2009	37,976,747	0.20
HUF termination dates through April 2009	401,326	0.00
NOK termination dates through June 2010	2,493,435	0.01
SEK termination dates through December 2009	3,059,390	0.02
USD termination dates through June 2009	22,587,320	0.12
	235,492,269	1.23

Cross Currency Swaps

USD termination dates through July 2017	61,913,198	0.32
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Interest Rate Swaps

AUD termination dates through January 2011	58,470,645	0.31
BRL termination dates through April 2009	1,195,984	0.01
CAD termination dates through September 2015	4,158,623	0.02
CHF termination dates through April 2027	276,845,697	1.45
CNY termination dates through November 2012	5,512,825	0.03
DKK termination dates through January 2010	1,391,416	0.01
EUR termination dates through December 2055	5,796,183,448	30.27
GBP termination dates through December 2077	922,774,744	4.81
HKD termination dates through August 2011	76,015,372	0.40
HUF termination dates through December 2013	5,591,997	0.03
ILS termination dates through July 2015	27,688,687	0.14
INR termination dates through March 2010	2,181,273	0.01
JPY termination dates through May 2009	3,186,600	0.02
KRW termination dates through February 2019	62,571,493	0.33
MXN termination dates through December 2011	3,993,804	0.02
PLN termination dates through September 2013	5,624,104	0.03
RUB termination dates through May 2010	8,347,220	0.04
SEK termination dates through December 2010	22,237,450	0.12
THB termination dates through September 2013	548,585	0.00
USD termination dates through February 2041	6,903,692,287	36.05
ZAR termination dates through June 2009	2,215,743	0.01
	14,190,427,997	74.11

Consolidated Condensed Schedule of Investments continued

31 December 2008

	Market Value US\$	% of Net Assets
Credit Default Swaps		
EUR termination dates through December 2015	9,845,473	0.05
USD termination dates through June 2047	800,413,072	4.18
	810,258,545	4.23
Swaptions (cost US\$1,341,446,893)		
AUD termination dates through October 2010	5,269,111	0.03
CAD termination dates through August 2011	30,712,723	0.16
EUR termination dates through December 2028	638,072,953	3.33
GBP termination dates through Oct 2037	721,203,250	3.77
JPY termination dates through July 2009	10,432,303	0.05
KRW termination dates through July 2012	1,659,768	0.01
THB termination dates through August 2009	48,661	0.00
USD termination dates through October 2012	2,122,400,050	11.08
	3,529,798,819	18.43
FX Contracts		
AUD/JPY termination dates through November 2009	649,888,240	3.39
EUR/USD termination dates through July 2022	522,354,689	2.73
JPY/USD termination dates through February 2013	500,877,160	2.62
KRW/USD termination dates through November 2009	103,264,805	0.54
Other termination dates through January 2009	543,505,051	2.84
	2,319,889,945	12.12
Exchange Traded Futures		
WTI Crude Oil termination dates through December 2015 (5,546 contracts)	321,096,143	1.68
Euribor 3 month termination dates through September 2010 (112,225 contracts)	166,592,453	0.87
Eurodollar termination dates through June 2011 (39,062 contracts)	68,830,206	0.36
US Treasury Note termination dates through July 2009 (10,104 contracts)	62,907,851	0.33
Other termination dates through December 2011 (1,546,517 contracts)	117,581,801	0.61
	737,008,454	3.85
Exchange Traded Options (cost US\$536,943,997)		
Eurodollar termination dates through December 2009	1,159,217,031	6.05
Sterling 3 month termination dates through December 2009	518,124,974	2.71
Euribor 3 month termination dates through December 2009	378,274,748	1.98
Other termination dates through June 2009	337,935,879	1.76
	2,393,552,632	12.50
Commodity Options (cost US\$330,084,055)		
WTI Crude Oil termination dates through November 2015	268,841,208	1.40
Other termination dates through July 2012	16,762,132	0.09
	285,603,340	1.49
Equity Options (cost US\$162,237,913)		
DJ Euro Stoxx 50e termination dates through December 2012	121,252,186	0.63
S&P 500 termination dates through December 2009	37,312,794	0.19
Other termination dates through February 2011	30,668,396	0.16
	189,233,376	0.98

	Market Value US\$	% of Net Assets
Metal Options (cost US\$82,032,050)	68,084,513	0.36
Bond Options (cost US\$5,465,914)	383	0.00
FX Options (cost US\$2,197,234,591)		
EUR/USD termination dates through June 2027	798,685,914	4.18
AUD/USD termination dates through August 2009	586,915,375	3.07
USD/JPY termination dates through February 2013	396,910,513	2.07
USD/CHF termination dates through December 2022	326,041,568	1.70
EUR/CHF termination dates through August 2017	328,151,329	1.71
USD/MXN termination dates through August 2010	322,991,619	1.69
USD/BRL termination dates through July 2010	267,405,664	1.40
USD/KRW termination dates through September 2010	212,949,268	1.11
USD/TRY termination dates through December 2009	205,761,738	1.07
EUR/CZK termination dates through December 2009	78,510,898	0.41
EUR/PLN termination dates through July 2009	68,175,788	0.36
GBP/USD termination dates through August 2009	59,950,758	0.31
EUR/GBP termination dates through July 2009	42,460,245	0.22
Other termination dates through November 2011	91,725,281	0.48
	3,786,635,958	19.78
Equity Swaps	6,222,317	0.03
Investments in Affiliated Funds (cost US\$810,239,966) (Note 14)		
Brevan Howard India Opportunities Fund LP	24,691,181	0.13
Brevan Howard Emerging Markets Strategies Fund LP	439,263,488	2.29
Brevan Howard Equity Strategies Fund LP	454,117,593	2.37
	918,072,262	4.79
Investments in Other Funds (cost US\$682,269,701)	729,877,868	3.82
Total investments at Market Value (cost US\$26,322,744,387)	52,483,963,256	274.10

See accompanying notes to the Consolidated Financial Statements.

Consolidated Condensed Schedule of Investments continued

31 December 2008

Quantity		Market Value US\$	% of Net Assets
Short Portfolio			
Equities			
United Arab Emirates (proceeds US\$(2,273,302))			
Industrial		(1,004,328)	(0.01)
United Kingdom (proceeds US\$(3,289,706))			
Basic Materials		(1,644,250)	(0.01)
United States (proceeds US\$(6,440,800))			
Funds		(6,044,060)	(0.03)
Total equities (proceeds US\$(12,003,808))		(8,692,638)	(0.05)
Fixed Income Securities sold short			
France (proceeds US\$(163,746,501))			
Government		(150,680,142)	(0.79)
Germany (proceeds US\$(85,139,371))			
Government		(94,616,082)	(0.49)
Italy (proceeds US\$(2,532,992,552))			
Government			
(93,000,000)	BTPS 4% 02/01/17	(128,319,514)	(0.67)
(131,750,000)	BTPS 4% 02/01/37	(155,872,701)	(0.81)
(1,043,580,000)	BTPS 4.5% 02/01/18	(1,471,187,740)	(7.69)
(380,100,000)	BTPS 5% 08/01/34	(523,214,863)	(2.73)
(18,400,000)	BTPS 6% 05/01/31	(28,049,545)	(0.15)
		(2,306,644,363)	(12.05)
Japan (proceeds US\$(4,940,959))			
Government		(5,947,609)	(0.03)
Spain (proceeds US\$(1,775,763,917))			
Government			
(75,000,000)	SPGB 3.8% 01/31/17	(104,945,610)	(0.55)
(170,000,000)	SPGB 4.1% 07/30/18	(241,344,203)	(1.26)
(632,300,000)	SPGB 5.5% 07/30/17	(992,455,905)	(5.19)
(213,000,000)	SPGB 5.75% 07/30/32	(358,913,673)	(1.87)
		(1,697,659,391)	(8.87)
United States (proceeds US\$(73,134,133))			
Consumer, Cyclical		(25,810,000)	(0.13)
Government		(52,461,799)	(0.27)
		(78,271,799)	(0.40)
Total Fixed Income Securities (proceeds US\$(4,635,717,433))		(4,333,819,386)	(22.63)

	Market Value US\$	% of Net Assets
Interest Rate Guarantee Options (proceeds US\$(501,709,488))		
AUD termination dates through August 2009	(85,710,310)	(0.45)
CHF termination dates through September 2011	(105,379,372)	(0.55)
EUR termination dates through March 2028	(206,005,608)	(1.07)
GBP termination dates through February 2013	(223,339,863)	(1.17)
JPY termination dates through June 2009	(6,441)	(0.00)
KRW termination dates through October 2009	(11,195,087)	(0.06)
USD termination dates through September 2028	(801,835,086)	(4.19)
	(1,433,471,767)	(7.49)

Forward Rate Agreements

EUR termination dates through February 2010	(1,586,974,600)	(8.29)
GBP termination dates through June 2009	(40,962,642)	(0.22)
HUF termination dates through April 2009	(112,033)	(0.00)
NOK termination dates through June 2010	(2,503,846)	(0.01)
SEK termination dates through December 2009	(2,060,735)	(0.01)
USD termination dates through June 2009	(22,420,966)	(0.12)
ZAR termination dates through April 2009	(4,602,892)	(0.02)
	(1,659,637,714)	(8.67)

Cross Currency Swaps

USD termination dates through June 2013	(42,486,024)	(0.22)
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Interest Rate Swaps

AUD termination dates through March 2016	(22,983,759)	(0.12)
BRL termination dates through April 2009	(1,106,417)	(0.01)
CHF termination dates through June 2037	(256,950,731)	(1.34)
CNY termination dates through January 2013	(6,434,521)	(0.03)
DKK termination dates through October 2013	(13,134,429)	(0.07)
EUR termination dates through December 2038	(2,400,675,003)	(12.54)
GBP termination dates through January 2058	(1,173,402,296)	(6.13)
HKD termination dates through July 2019	(114,426,658)	(0.60)
HUF termination dates through November 2018	(9,347,656)	(0.05)
ILS termination dates through January 2009	(3,038,840)	(0.02)
INR termination dates through October 2009	(2,263,716)	(0.01)
JPY termination dates through March 2011	(5,792,164)	(0.03)
KRW termination dates through November 2015	(33,925,536)	(0.18)
MXN termination dates through December 2011	(728,883)	(0.00)
PLN termination dates through September 2009	(6,386,581)	(0.03)
SEK termination dates through December 2010	(19,523,871)	(0.10)
USD termination dates through December 2068	(3,014,522,303)	(15.74)
ZAR termination dates through March 2028	(35,243,223)	(0.18)
	(7,119,886,587)	(37.18)

Credit Default Swaps

EUR termination dates through March 2014	(181,130,236)	(0.95)
USD termination dates through September 2046	(733,761,364)	(3.83)
	(914,891,600)	(4.78)

Consolidated Condensed Schedule of Investments continued

31 December 2008

	Market Value US\$	% of Net Assets
Swaptions (proceeds US\$(644,896,534))		
AUD termination dates through October 2010	(7,087,368)	(0.04)
CHF termination dates through August 2026	(38,640,198)	(0.20)
EUR termination dates through December 2014	(583,038,161)	(3.05)
GBP termination dates through September 2023	(45,154,175)	(0.24)
KRW termination dates through July 2010	(144,780)	(0.00)
USD termination dates through April 2021	(2,384,557,876)	(12.45)
	(3,058,622,558)	(15.98)
FX Contracts		
EUR/USD termination dates through June 2027	(536,479,378)	(2.80)
AUD/USD termination dates through September 2009	(248,473,128)	(1.30)
JPY/USD termination dates through July 2012	(229,778,891)	(1.20)
CHF/USD termination dates through July 2018	(147,113,331)	(0.77)
EUR/CHF termination dates through January 2010	(123,305,783)	(0.64)
Other termination dates through January 2010	(680,013,574)	(3.55)
	(1,965,164,085)	(10.26)
Exchange Traded Futures		
Eurodollar termination dates through December 2011 (145,365 contracts)	(208,470,619)	(1.09)
Euribor 3 month termination dates through March 2010 (105,912 contracts)	(99,641,492)	(0.52)
WTI Crude Oil termination dates through December 2012 (6,766 contracts)	(66,905,886)	(0.35)
Other termination dates through December 2011 (1,168,218 contracts)	(110,380,365)	(0.58)
	(485,398,362)	(2.54)
Exchange Traded Options (proceeds US\$(717,458,947))		
Eurodollar termination dates through December 2009	(1,222,714,250)	(6.39)
Sterling 3 month termination dates through December 2009	(499,775,561)	(2.61)
Euribor 3 month termination dates through April 2011	(253,405,681)	(1.32)
Other termination dates through June 2009	(269,987,528)	(1.41)
	(2,245,883,020)	(11.73)
Commodity Options (proceeds US\$(126,894,656))		
WTI Crude Oil termination dates through December 2012	(170,422,722)	(0.89)
Other termination dates through July 2011	(793,356)	(0.00)
	(171,216,078)	(0.89)
Equity Options (proceeds US\$(153,629,379))		
DJ Euro Stoxx 50e termination dates through December 2012	(250,467,656)	(1.31)
Other termination dates through December 2010	(27,406,897)	(0.14)
	(277,874,553)	(1.45)
Metal Options (proceeds US\$(46,093,838))		
	(42,452,197)	(0.22)

	Market Value US\$	% of Net Assets
FX Options (proceeds US\$(1,569,396,023))		
EUR/USD termination dates through June 2027	(1,402,304,390)	(7.32)
AUD/JPY termination dates through April 2010	(812,040,399)	(4.24)
USD/JPY termination dates through April 2013	(342,951,156)	(1.79)
GBP/USD termination dates through April 2009	(175,147,532)	(0.91)
USD/CHF termination dates through October 2027	(131,819,279)	(0.69)
USD/KRW termination dates through September 2009	(117,724,529)	(0.61)
EUR/GBP termination dates through November 2009	(117,723,533)	(0.61)
EUR/CHF termination dates through August 2017	(109,302,664)	(0.57)
AUD/USD termination dates through August 2009	(98,743,150)	(0.52)
USD/BRL termination dates through August 2009	(97,135,927)	(0.51)
USD/SGD termination dates through November 2011	(56,866,900)	(0.30)
USD/TWD termination dates through July 2009	(52,083,043)	(0.27)
USD/RUB termination dates through June 2010	(39,497,734)	(0.21)
RUB/BSK termination dates through August 2009	(37,981,790)	(0.20)
Other termination dates through October 2010	(89,044,731)	(0.47)
	(3,680,366,757)	(19.22)
Equity Swaps	(82,850,158)	(0.43)
Total Securities sold short at Market Value (proceeds US\$(8,407,800,106))	(27,522,713,484)	(143.74)

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Operations

31 December 2008

	2008 US\$
Investment income	
Interest income	1,979,503,907
Dividend income (net of withholding tax \$1,599,086)	7,925,356
Total income	1,987,429,263
Expenses	
Interest expense	1,984,821,770
Professional fees and other	3,825,633
Operational services fee (Note 4)	91,951,632
Management fee (Note 5)	11,387,130
Administration fee (Note 6)	27,384,942
Commission for futures and options	42,100,415
Dividend expense on investments sold short	2,573,945
Performance fee (Note 5)	19,725,090
Total expenses	2,183,770,557
Net investment loss	(196,341,294)
Net realised and unrealised gain on investments	
Net realised gain on investments	982,259,585
Net change in unrealised appreciation on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase	2,946,708,913
Net gain on investments	3,928,968,498
Net increase in net assets resulting from operations	3,732,627,204

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

31 December 2008

	2008 US\$
Net increase in net assets resulting from operations	
Net investment loss	(196,341,294)
Net realised gain on investments	982,259,585
Net change in unrealised appreciation on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase	2,946,708,913
	3,732,627,204
Share Capital transactions	
Proceeds on issue of shares	
US Dollar Class A	593,447,126
US Dollar LP Class A	239,054,870
Euro Class A	224,667,061
Sterling Class A	515,649,747
BH Macro Limited	
US Dollar Class B	51,850,057
Sterling Class B	126,453,748
US Dollar Class Y	1,582,807,009
Euro Class Y	66,439,183
Sterling Class Y	195,629,943
Redemptions	
US Dollar Class A	(1,891,241,312)
US Dollar LP Class A	(231,819,743)
Euro Class A	(532,310,439)
Sterling Class A	(176,652,267)
BH Macro Limited	
US Dollar Class B	(84,496,401)
Euro Class B	(175,254,788)
Sterling Class B	(28,224,246)
US Dollar Class Y	(323,654,676)
Euro Class Y	(10,107,771)
Sterling Class Y	(3,472)
Equalisation write back (Note 15)	1,220,136
Net increase in net assets	3,876,080,969
Net assets at beginning of year	15,271,742,118
Net assets at end of year	19,147,823,087

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

31 December 2008

	2008 US\$
Cash flows from operating activities	
Net increase in net assets resulting from operations	3,732,627,204
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Increase in investments	(20,142,989,262)
Increase in investments purchased under agreements to resell	(824,276,086)
Decrease in dividends and interest receivable	180,653,209
Decrease in other assets	57,021
Decrease in due from broker	25,886,183,549
Decrease in due to broker	(19,339,990,265)
Increase in due to affiliated fund	855,000,000
Increase in accounts payable and accrued expenses	610,722
Decrease in dividends and interest payable	(273,471,164)
Increase in performance fee payable	16,423,346
Decrease in receivable from feeder funds	585,557,435
Net cash used in operating activities	(9,323,614,291)
Cash flows from financing activities	
Proceeds on issue of shares	3,579,919,157
Payment on redemption of shares	(2,409,719,362)
Equalisation factor	4,615,567
Decrease in investments purchased under agreement to resell	22,400,720,737
Decrease in investments sold under agreement to repurchase	(14,250,753,156)
Net cash provided by financing activities	9,324,782,943
Net increase in cash	1,168,652
Cash – beginning of year	161,292
Cash – end of year	1,329,944

Non cash financing activities not included herein consist of movement in long-term interest bearing subscriptions receivable of US\$16,079,587.

See accompanying notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

31 December 2008

1. The Master Fund

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 portfolio is comprised of global investment strategies, and a number of long and short strategies that may have directional risk.

Brevan Howard Offshore Management Limited has been appointed as Manager of the Master Fund. The Manager has appointed (i) Brevan Howard Asset Management LLP ("BHAM") as the principal Investment Manager of the Master Fund and (ii) Brevan Howard US Asset Management LP, Brevan Howard (Hong Kong) Limited, Brevan Howard (Israel) Limited and Brevan Howard (Singapore) Pte. Limited as the Investment Managers of part of the Master Fund's assets, in each case subject to risk oversight and treasury management by BHAM. The Investment Management Agreement with Brevan Howard (Singapore) Pte. Limited was terminated on 30 December 2008. The Manager may in future appoint additional investment managers provided that they are affiliates of the Manager or the Investment Managers. The Manager and the Investment Managers (and/or their members, directors, employees, related entities and connected persons and their respective members, directors and employees) may subscribe, directly or indirectly, for shares in 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 Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Financial Statements are presented in US Dollars.

Security transactions and valuation

Security transactions are accounted for on a trade date basis.

Most positions of the Master Fund 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 priced as at local end-of-day mid-market levels. The investment valuation under the method employed by the Master Fund as at 31 December 2008 is not materially different to the investment valuation using the last quoted price.

Instruments with directly observable prices are priced to independent external data sources (e.g. exchange traded futures and options).

Illiquid credit markets have resulted in inactive markets for certain of the Master Fund's financial instruments. As a result, there is no or limited observable market data for these assets and liabilities. Fair value estimates for financial instruments for which no or limited observable market data is available are based on judgements regarding current economic conditions, liquidity discounts, currency, credit, and interest rate risks, loss experience and other factors. These estimates involve significant uncertainties and judgements 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 Level 3 assets and liabilities as defined by the FAS 157 hierarchy of the Master Fund's financial instruments are disclosed in Note 3.

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

Realised gains and losses on investments are calculated using the specific identification method. Realised and unrealised gains and losses are recorded at the reporting date in the Consolidated Statement of Operations.

Income recognition

Interest income and expense including prime broker and ISDA/ISMA interest is recognised in the Consolidated Statement of Operations on an accrual 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 dividend income declared on short positions existing on the record date is recognised on the ex-dividend date as an expense in the Consolidated Statement of Operations.

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

The Master Fund enters into investments purchased under agreements to resell and investments sold under agreements to repurchase. These agreements are accounted for as collateralised investments and are recorded at cost plus accrued interest.

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

Notes to the Consolidated Financial Statements continued

31 December 2008

2. Significant accounting policies (continued)

Derivative financial instruments

The Master Fund uses derivative financial instruments such as forward 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 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 would receive or pay to terminate the contract at the reporting date. Many derivative financial instruments are exchange traded or are traded in the over-the-counter 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 purchases a put or call option, an amount, equal to the premium paid by the Master Fund, 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 on the expiration date as realised losses from 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 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.

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

Investments sold short

The Master Fund may sell a security it does not own in anticipation of a decline in the market value of that security. When the Master Fund sells 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 is 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 sold the security short, or a loss, unlimited in size, will be recognised upon the termination of a short sale and recorded as a net realised gain or loss on investments in the Consolidated Statement of Operations. Securities sold short are recorded as liabilities on the Consolidated Statement of Assets and Liabilities.

Foreign currency translation

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

The Master Fund does 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 currency gains and losses are included in net realised and unrealised gain or loss from investments in the Consolidated Statement of Operations.

Use of estimates

The preparation of Financial Statements in accordance with accounting principles generally accepted in the United States of America 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 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.

Basis of consolidation

The Master Fund owns 100% of BHMV Investments Limited (the "Subsidiary") a company incorporated with limited liability on 13 February 2008 under the laws of the Cayman Islands. The financial position and results of operations of the Subsidiary have been consolidated in the Master Fund's financial statements. Transactions between the Master Fund and the Subsidiary have been eliminated on consolidation. The cost of the investment in the Subsidiary was US\$101,567,801 and the value of the Master Fund's investment in the Subsidiary as at 31 December 2008 was US\$95,098,778.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and bank balances.

Due from and to brokers

Amounts receivable from and payable to brokers includes settlement of trades along with deposits held as collateral. As at 31 December 2008, deposits held as collateral amounted to US\$8,266,788,524.

Allocation of income and expenses between share classes

Income and expenses that are identifiable with a particular class are allocated to that class in computing its net asset value (NAV).

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

Recent accounting standards

In March 2008, the FASB issued FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133. Statement 161 requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. Statement 161 also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the provisions of Statement 133 have been applied, and the impact that hedges have on an entity's financial position, financial performance, and cash flows. Statement 161 is effective for fiscal years and interim periods beginning after 15 November 2008. The Master Fund is currently evaluating the impact of Statement 161 on the disclosures about its hedging activities and use of derivatives.

In February 2008, the FASB issued FASB Staff Position FAS 140-3, Accounting for Transfers of Financial Assets and Repurchase Financing Transactions. The objective of the FSP is to provide guidance on accounting for a transfer of a financial asset and repurchase financing. The FSP presumes that an initial transfer of a financial asset and a repurchase financing are considered part of the same arrangement (linked transaction) under Statement 140. However, if certain criteria are met, the initial transfer and repurchase financing shall not be evaluated as a linked transaction and shall be evaluated separately under Statement 140. FSP FAS 140-3 is effective for annual and interim periods beginning after 15 November 2008 and early adoption is not permitted. The Master Fund is currently evaluating the provisions of this standard, but does not expect adoption to have a material impact on its financial position and results of operations.

3. Fair value measurements

In September 2006, the FASB released Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157) which provides guidance in using fair value to measure assets and liabilities and enhances disclosures about fair value measurements. The Master Fund adopted FAS 157 as of 1 January 2008. The impact of adopting FAS 157 did not have a material effect on the Master Fund's results of operations or net assets.

FAS 157 establishes a fair value hierarchy that 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 under FAS 157 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;

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

Notes to the Consolidated Financial Statements continued

31 December 2008

3. Fair value measurements (continued)

The hierarchy requires the use of observable market data when available. As required by FAS 157, 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's investments as of 31 December 2008:

Investments

Fair value measurements at reporting date using:	Investments at market value US\$
Level 1: Quoted prices in active markets	21,008,572,863
Level 2: Significant other observable inputs	31,439,512,426
Level 3: Significant unobservable inputs	35,877,967
Total investments	52,483,963,256

Securities sold short

Fair value measurements at reporting date using:	Securities sold short at market value US\$
Level 1: Quoted prices in active markets	6,408,076,228
Level 2: Significant other observable inputs	21,114,637,256
Level 3: Significant unobservable inputs	–
Total securities sold short	27,522,713,484

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 has 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.

Investments

LEVEL 3	Investment at market value US\$
Balance as at 1 January 2008	50,229,220
Realised and unrealised gains (losses)	(25,858,571)
Purchases, sales and settlements	11,507,318
Net transfers in and/or out of Level 3	–
As at 31 December 2008	35,877,967

Securities sold short

At 31 December 2008 there were no Level 3 securities sold short.

Realised and unrealised gains and losses are included in net gain on investments on the consolidated Statement of Operations. The change in unrealised gains (losses) for the year ended 31 December 2008 for investments still held at 31 December 2008 of \$(25,905,691) is reflected in net change in unrealised appreciation on investments on the consolidated Statement of Operations.

4. Operational services fee

BHAM has received from the Master Fund a fee of 1/12 of 0.30% per month of NAV of the Master Fund for the period to 31 January 2008 and 1/12 of 0.50% per month of the NAV of the Master Fund thereafter (the "operational services fee") as at the last valuation day in each month in respect of the operation of the software programme licensed to it by Murex S.A. and other services as are or may be provided by BHAM and which are intended to benefit shareholders directly or indirectly, such as middle-office and back-office services, information technology and quantitative modeling services.

The operational services fee for the year ended 31 December 2008 amounted to US\$91,951,632. The operational services fee outstanding at 31 December 2008 is US\$(45,628).

5. Management and performance fees

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

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

Currently the classes to which a performance fee applies are Class X and Class Y. The relevant percentage in relation to Class X is 20% and for Class Y the relevant percentage is 25%. Performance fees for the year were US\$19,725,090.

At 31 December 2008 the Master Fund held an investment in Brevan Howard Equity Strategies Fund L.P. of US\$454,117,593 and Brevan Howard Emerging Markets Strategies Fund L.P. of US\$439,263,488. The return on the Master Fund's investment in these funds is net of performance and management fees. To ensure that shareholders in the Master Fund are not subject to two tiers of performance and management fees, no performance or management fees are charged to the Master Fund on the pro rata share of investment in Brevan Howard Equity Strategies Fund L.P. and Brevan Howard Emerging Markets Strategies Fund L.P.

Management and performance fees are also paid to the Manager by Brevan Howard Fund Limited, Brevan Howard L.P. and BH Macro Limited (together the "Feeder Funds").

6. Administration fee

Under the terms of the Administrative Services Agreement, as amended, dated 26 February 2007 between International Fund Services (Ireland) Limited (the "Administrator") and the Master Fund, the Administrator receives a fee based on the month-end NAV of the Master Fund calculated and payable monthly in arrears.

The administration fee is 1/12 of 15 basis points per annum, of the excess of the Master Fund's month end Net Asset Value over the sum of Net Asset Value that represents the amount of investment made by the Master Fund in other Brevan Howard funds in the same month. The administration fee outstanding at 31 December 2008 is US\$247,100.

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

At 31 December 2008, investments with a market value of US\$11,463,725,328 were pledged to the Master Fund as

collateral (investments purchased under agreements to resell) and investments with a value of US\$7,262,834,763 were pledged by the Master Fund as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 31 March 2009 and agreements to resell mature by 30 January 2009.

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;
- US\$400,000 divided into 40,000,000 ordinary shares of US\$0.01 par value; and
- £100,000 divided into 10,000,000 ordinary shares of £0.01 par value,

which are issued as Class A or Class B 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 ("US\$") and Brevan Howard LP ("US\$LP"). These series commenced on 1 April 2003 and 1 February 2004 respectively. All Class A US Dollar, Euro and Sterling shares are held by Brevan Howard Fund Limited, whilst all Class A US Dollar LP shares are held by Brevan Howard LP. All Class B US Dollar, Euro and Sterling shares are held by BH Macro Limited. Class Y US Dollar are held by Brevan Howard Global Opportunities Master Fund Limited and Brevan Howard Multi-Strategy Master Fund Limited.

Pursuant to the minutes of the Board of Directors meeting on 16 May 2008, it was resolved that the following additional classes of ordinary shares of the Master Fund be created from the authorised but unissued share capital of the Master Fund:

- ordinary shares of US\$0.01 to be issued as "Class X US\$ Shares";
- ordinary shares of €0.01 to be issued as "Class X Euro Shares";
- ordinary shares of £0.01 to be issued as "Class X Sterling Shares";
- ordinary shares of US\$0.01 to be issued as "Class Y US\$ Shares";
- ordinary shares of €0.01 to be issued as "Class Y Euro Shares"; and
- ordinary shares of £0.01 to be issued as "Class Y Sterling Shares".

The rights of the Class X US\$, Euro and Sterling Shares are the same as those set out in respect of Class A US\$, Euro and Sterling Shares respectively of Brevan Howard Fund Limited (the "Feeder Fund") in the Feeder Fund's prospectus dated 16 October 2006 (the "Prospectus") save that no redemption fees are payable in respect of the shares.

The rights of the Class Y US\$, Euro and Sterling Shares are the same as those set out in respect of Class B US\$, Euro and Sterling Shares respectively of Brevan Howard Fund Limited (the "Feeder Fund") in the Feeder Fund's prospectus dated 16 October 2006 (the "Prospectus") save that no redemption fees are payable in respect of the shares.

Notes to the Consolidated Financial Statements continued

31 December 2008

8. Share capital (continued)

	2008 Units
Shares in issue at start of year	
US Dollar Class A	4,675,484
US Dollar LP Class A	407,967
Euro Class A	556,566
Sterling Class A	134,661
BH Macro Limited	
US Dollar Class B	510,011
Euro Class B	273,480
Sterling Class B	132,032
US Dollar Class Y	–
Euro Class Y	–
Sterling Class Y	–
Shares issued during the year	
US Dollar Class A	226,213
US Dollar LP Class A	98,757
Euro Class A	55,583
Sterling Class A	94,132
BH Macro Limited	
US Dollar Class B	34,373
Sterling Class B	46,262
US Dollar Class Y	15,445,197
Euro Class Y	451,246
Sterling Class Y	1,085,323
Shares redeemed during the year	
US Dollar Class A	(794,437)
US Dollar LP Class A	(102,986)
Euro Class A	(159,826)
Sterling Class A	(32,139)
BH Macro Limited	
US Dollar Class B	(55,568)
Euro Class B	(80,385)
Sterling Class B	(11,062)
US Dollar Class Y	(3,097,848)
Euro Class Y	(77,865)
Sterling Class Y	(23)

	2008 Units
Shares in issue at end of year	
US Dollar Class A	4,107,260
US Dollar LP Class A	403,738
Euro Class A	452,323
Sterling Class A	196,654
BH Macro Limited	
US Dollar Class B	488,816
Euro Class B	193,095
Sterling Class B	167,232
US Dollar Class Y	12,347,349
Euro Class Y	373,381
Sterling Class Y	1,085,300

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 at least until 11 February 2023. The only taxes payable by the Master Fund on its income are withholding taxes applicable to certain income. Accordingly, no provision for taxes is recorded in these consolidated Financial Statements.

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

Derivative financial instruments may result in off-balance sheet market and credit 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 holds, the Master Fund could incur losses greater than the unrealised amounts recorded in the Consolidated Statement of Assets and Liabilities. The principal credit risk is that the counterparty to the Master Fund will default and fail to fulfil the terms of the agreement.

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

Futures contracts expose the Master Fund to credit, market and liquidity risks. The Master Fund is exposed to market risk such that changes in the market values of the securities or indices underlying a contract may exceed the amount recognised in the Consolidated Statement of Assets and Liabilities. Liquidity risk represents the possibility that the Master Fund 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 to market and liquidity risks. The Master Fund is 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 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 is subject to credit risk since the counterparty is obligated to make payments under the terms of the option contract if the Master Fund exercises the option. As a purchaser of an option contract, the Master Fund is only subject to market risk to the extent of the premium paid.

Notes to the Consolidated Financial Statements continued

31 December 2008

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

The Master Fund purchases both exchange-traded and over-the-counter 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. Over-the-counter option contracts are not guaranteed by any regulated stock exchange.

Entering into credit default swap agreements and contracts for difference exposes the Master Fund 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 may therefore be significantly greater than this initial commitment.

In connection with investments sold under agreements to repurchase, it is the Master Fund's policy that its prime broker takes possession of the underlying collateral securities. If the seller defaults and the fair value of the collateral declines, realisation of the collateral by the Master Fund may be delayed or insufficient.

In accordance with FAS No. 133, the Master Fund records its trading-related derivative activities on a fair value basis (as described in Note 2).

Assets and liabilities in the table below represent the fair value of the Master Fund's holdings at year end. These assets and liabilities are not representative of the outstanding credit risk to the Master Fund due to the existence of master netting agreements. The table reflects the gross fair value of the Master Fund's derivative instruments.

	Assets US\$	Fair value at 31 December, 2008 Liabilities US\$
Interest rate guarantee options	3,392,897,851	(1,433,471,767)
Forward rate agreements	235,492,269	(1,659,637,714)
Interest rate swaps	14,190,427,997	(7,119,886,587)
Cross currency swaps	61,913,198	(42,486,024)
Credit default swaps	810,258,545	(914,891,600)
Swaptions	3,529,798,819	(3,058,622,558)
FX contracts	2,319,889,945	(1,965,164,085)
Exchange traded futures	737,008,454	(485,398,362)
Exchange traded options	2,393,552,632	(2,245,883,020)
Commodity options	285,603,340	(171,216,078)
Equity options	189,233,376	(277,874,553)
Metal options	68,084,513	(42,452,197)
Bond options	383	(0)
FX options	3,786,635,958	(3,680,366,757)
Equity swaps	6,222,317	(82,850,158)
	32,007,019,597	(23,180,201,460)

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

Fair values represent the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Master Fund maintains 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 fulfil their obligations or the value of any collateral becomes inadequate.

BHAM 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.

Lehman Brothers

The Master Fund has limited direct trading and prime brokerage exposure to Lehman Brothers Holdings Inc., Lehman Brothers International (Europe) Limited and Lehman Brothers Special Financing Inc. On the 15th of September 2008, Lehman Brothers Holdings Inc announced its intention to file a petition under Chapter 11 of the U.S. Bankruptcy Code. Given the significant uncertainty regarding the recoverability of this asset, the directors have provided in full for the amount outstanding.

Liquidity risk

The Master Fund's investment portfolio is leveraged and is 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 seeks 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 monitors the speed at which the portfolio can be liquidated under ordinary market conditions and further monitors liquidity by a number of additional measures. Deteriorating market conditions, however, may hamper the ability of the fund to liquidate its investments in an orderly manner.

From time to time, market participants with which the Master Fund effects 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 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 liquidity risk is monitored on a daily basis by staff of the Investment Manager, independent of the portfolio management team, using measures of risk and unencumbered cash and cash equivalents, and includes an escalation process in circumstances where liquidity approaches tolerance levels.

The Master Fund may restrict redemptions in accordance with its Articles of Association if it receives 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.

Notes to the Consolidated Financial Statements continued

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11. Financial highlights

The following tables include selected data for share classes outstanding throughout the year and other performance information derived from the consolidated Financial Statements. The per share amounts and ratios which are shown reflect the income and expenses of the Master Fund.

Per share operating performance	US Dollar Class A US\$	Euro Class A €	Sterling Class A £	US Dollar LP Class A US\$	BH Macro Class B US\$	BH Macro Class B €	BH Macro Class B £
Net asset value, beginning of year	2253.60	2168.49	2381.77	2,025.22	1,269.96	1,254.45	1,275.78
Shares issued during year	–	–	–	–	–	–	–
Income from investment operations							
Net investment loss	(22.84)	(22.57)	(25.27)	(20.79)	(12.80)	(12.97)	(13.48)
Net realised and unrealised gain on investments	645.57	658.60	760.82	580.14	363.80	381.02	414.67
Total from investment operations	622.73	636.03	735.55	559.35	351.00	368.05	401.19
Net asset value, end of year	2,876.33	2,804.52	3,117.32	2,584.57	1,620.96	1,622.50	1,676.97
Total return	27.63%	29.33%	30.88%	27.62%	27.64%	29.34%	31.45%

Supplemental Data

Net assets 31 December 2008	12,175,305,576	1,324,752,591	613,952,763	1,070,090,231	792,348,682	313,296,438	280,442,567
Average net assets for 2008	12,764,024,414	1,450,036,100	554,742,746	1,065,391,945	767,941,540	370,359,098	233,737,697

Ratio to average net assets

Operating expense	0.85%	0.86%	0.88%	0.80%	0.85%	0.86%	0.87%
Interest expense	10.34%	10.38%	10.27%	10.25%	10.31%	10.76%	10.26%
	11.19%	11.24%	11.15%	11.05%	11.16%	11.62%	11.13%
Net investment loss	(0.84%)	(0.87%)	(0.92%)	(0.87%)	(0.84%)	(0.86%)	(0.87%)

Operating expenses are total expenses from the Statement of Operations, less interest expense.
Operating expenses, interest expense and net investment loss are annualised.

Per share operating performance	US Dollar Class Y US\$	Euro Class Y €	Sterling Class Y £
Net asset value, beginning of year	–	–	–
Shares issued during period	100	100	100
Income from investment operations			
Net investment loss	(3.95)	(1.68)	(1.78)
Net realised and unrealised gain on investments	10.73	4.29	4.74
Total from investment operations	6.78	2.61	2.96
Net asset value, end of year	106.78	102.61	102.96
Total return before performance fee	8.19%	3.48%	3.95%
Performance fee	(1.41%)	(0.87%)	(0.99%)
Total return after performance fee	6.78%	2.61%	2.96%
Supplemental Data			
Net assets 31 December 2008	1,318,403,244	38,312,910	111,741,381
Average net assets for 2008	916,193,173	41,843,565	103,425,627
Ratio to average net assets			
Operating expense	0.85%	0.90%	0.91%
Interest expense	6.87%	6.36%	6.00%
Performance fee	1.99%	0.93%	0.94%
	9.71%	8.19%	7.85%
Net investment loss	(4.49%)	(3.33%)	(3.33%)

Operating expenses are total expenses from the Statement of Operations, less interest expense.

Operating expenses, interest expense and net investment loss are annualised.

Performance fees are not annualised.

12. Related party transactions

Brevan Howard Offshore Management Limited has been appointed as Manager of the Master Fund. The Manager has appointed Brevan Howard Asset Management LLP, Brevan Howard US Asset Management LP, Brevan Howard (Hong Kong) Limited, Brevan Howard (Israel) Limited and Brevan Howard (Singapore) Pte. Ltd as the Investment Managers of the Master Fund's assets. The transactions with the Investment Managers and fees payable at the period end are disclosed in Note 4 to the Financial Statements.

The Master Fund entered into a total return swap with Brevan Howard Multi-Strategy Master Fund Limited ("BHMS") to facilitate BHMS's exposure to the performance of a notional amount of US\$855,000,000 of ordinary shares of the Master Fund (the "Reference Assets"). Under the swap the Master Fund pays BHMS cash flows and capital appreciation from the Reference Assets and BHMS pays the the Master Fund a financing fee based on LIBOR + 20 bps and payments to offset any capital depreciation of the Reference Assets. As at 31 December 2008 the Master Fund has a collateral balance of US\$855,000,000 with Brevan Howard Multi-Strategy Master Fund Limited, this balance is included in Due from broker on the Consolidated Statement of Assets and Liabilities. BHMS also held 5.64% (US\$1,080,252,377) of the net assets of the Master Fund through a holding of US Dollar Class Y shares as at 31 December 2008.

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 Global Opportunities Master Fund Limited ("BHGOMF"). Brevan Howard Offshore Management Limited, the Manager of Brevan Howard Master Fund Limited ("BHMF") is also the Manager of BHG and BHGOMF. BHGOMF is permitted to invest in any investment funds of which one or more of the Brevan Howard group of affiliated entities is the Manager or Investment Manager. At 31 December 2008 BHGOMF held 1.82% (US\$349,459,593) of the net assets of the Master Fund.

Notes to the Consolidated Financial Statements continued

31 December 2008

12. Related party transactions (continued)

The Master Fund made an in-specie investment in WCG Strategies Fund Limited ("WCGS"), an exempted limited liability company incorporated in the Cayman Islands, on 1 December 2008 via a transfer of WCG Fund LP shares with a fair value on that date of US\$580,201,980. On 31 December 2008 a further investment was made into WCGS of US\$368,308,426, with a subscription date of 2 January 2009. As at 31 December 2008 the Master Fund held 100% (US\$634,279,090) of the assets of WCGS. BHOML, the Manager of the Master Fund, is also the Manager of WCGS and has appointed WCG Management LP as the Investment Manager.

Armour Reinsurance Group Limited ("Armour Re") held an investment of US\$126,349,132 in the US Dollar Class Y shares of the Master Fund as at 31 December 2008. Armour Re is a wholly owned subsidiary of Armour Group Holdings Limited, which is wholly owned by Brevan Howard P&C Master Fund Limited ("P&C"). Of the 7 Directors of the Master Fund, 6 are also on the Board of Directors of P&C. Brevan Howard Group Holdings Limited owns 50% of the manager of P&C, Brevan Howard P&C Partners Limited, and owns 100% of BHOML, the Manager of the Master Fund.

13. Long-term interest-bearing subscriptions

The subscriptions receivable amount of US\$126,943,516 is due from Brevan Howard Fund Limited (the "Feeder Fund") and relates to nil-paid US Dollar Class C, nil-paid Sterling Class C and partly-paid Sterling Class D shares issued by the Feeder Fund. Upon issuance of these nil and partly-paid shares by the Feeder Fund, additional shares were issued by the Master Fund, resulting in the recognition of a corresponding receivable balance.

The Feeder Fund has issued in the year 110,262 nil-paid US Dollar Class C shares and 31,325 Sterling Class C shares to Brevan Howard Employee Benefit Trust Number 3 and 166,552 nil-paid US Dollar Class C shares have been redeemed. The number of nil-paid Class C shares in issue at 31 December 2008 is 299,133 US Dollar shares and 31,325 Sterling shares. A guarantee to pay any unmet capital calls covering the issue of the Class C shares has been given to the Feeder Fund by the Manager. Accrued interest receivable in the form of a funding fee has been recognised by the Feeder Fund at a rate of 3.7543% for the first allotment of 152,803 US Dollar Class C shares issued in March 2005 (redeemed on 1 January 2008), 4.4025% for the second allotment of 206,240 US Dollar Class C shares issued in January 2006 (to be redeemed on 1 January 2009), 4.56085% for the third allotment of 207,112 US Dollar Class C shares issued in January 2007 (redeemable on or before 1 January 2010), 3.3068% for the fourth allotment of 110,262 US Dollar Class C shares issued in January 2008 (redeemable on or before 1 January 2011) and 4.3575% for the allotment of 31,325 Sterling Class C shares issued in January 2008 (redeemable on or before 1 January 2011). This funding fee is withheld from the redemption proceeds at the end of the term and is payable to the Feeder. The Directors of the Feeder have resolved to call the shares if the prevailing NAV falls below 90% of the NAV at issuance.

The Feeder Fund has also issued in the period 87,837 shares of 50% partly-paid Sterling Class D shares to partners of BHAM and 41,295 partly-paid Sterling Class D shares have been redeemed. The number of partly paid Sterling Class D shares in issue at 31 December 2008 is 189,283. Accrued interest receivable is being recognised by the Feeder Fund at a rate equal to three-month US Dollar Libor reset every quarter for the unpaid amount of the Class D shares issued in October 2006, May 2007 and February 2008, payable on redemption, and is allocated to the Master Fund. The Directors of the Master Fund have discretion to call for the outstanding Class D share capital to be paid up at any time.

14. Investment in affiliated funds

The Master Fund has invested seed capital in a number of affiliated funds.

15. Equalisation Factor

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

At the date of subscription the Equalisation Credit will equal the Performance Fee per Share accrued with respect to the other Shares of the same Class in the 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 Fund but that should not, in equity, be charged against the Shareholder making the subscription because, as to such Shares, no favourable performance has yet occurred. The Equalisation Credit ensures that all holders of Shares of the same Class have the same amount of capital at risk per Share.

The additional amount invested as the Equalisation Credit will be at risk in the 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.

At the year end the equalisation factor accrued but not crystallised was US\$3,395,431 while the portion that crystallised in the year represented a write-back of US\$1,220,136.

Management and Administration

Directors

Karla Bodden
Dennis Hunter
Nagi Kawkabani
Jonas Rinné
Phil Schmitt
Gunther Thumann
James Vernon

Registered Office

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

Manager

Brevan Howard Offshore Management Limited
113 South Church Street
PO Box 309
George Town
Grand Cayman KY1-1104
Cayman Islands

Investment Managers

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

Brevan Howard US Asset Management LP
Suite 9A
9th Floor
590 Madison Avenue
New York
NY 10022
USA

Brevan Howard (Hong Kong) Limited
Suite 1201-02
ICBC Tower
Citibank Plaza
3 Garden Road
Hong Kong

Brevan Howard (Israel) Limited
7th Floor
7 Menachem Begin Street
Gibor Sport Building
Ramat-Gan
Israel 52521

Auditors

KPMG
PO Box 493
Century Yard Building
Grand Cayman KY1-1106
Cayman Islands

Legal Advisors (Cayman Law)

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

Legal Advisors (UK Law)

Simmons & Simmons
Citypoint
One Ropemaker Street
London EC2Y 9SS

Administrator

International Fund Services (Ireland) Limited
3rd Floor
Bishop's Square
Redmond's Hill
Dublin 2
Ireland

