

BREVAN HOWARD

Brevan Howard Master Fund Limited
Interim Unaudited Consolidated Financial Statements 2010

INTERIM UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS
30 June 2010

Contents

- 01 Unaudited Consolidated Statement of Assets and Liabilities
- 02 Unaudited Consolidated Statement of Operations
- 03 Unaudited Consolidated Statement of Changes in Net Assets
- 04 Unaudited Consolidated Statement of Cash Flows
- 05 Notes to the Interim Unaudited Consolidated Financial Statements
- IBC Management and Administration

Unaudited Consolidated Statement of Assets and Liabilities

30 June 2010

	2010 US\$'000
Assets	
Investments, at market value (cost: US\$40,191,064) (Note 3)	54,531,480
Cash	389
Investments purchased under agreements to resell (cost: US\$12,755,428) (Note 7)	12,653,881
Dividends and interest receivable	196,649
Due from broker (Note 2)	3,716,867
Other assets	167
Long term interest-bearing subscriptions receivable (Note 12)	133,858
Total assets	71,233,291
Liabilities	
Investments sold short, at market value (proceeds: US\$8,897,184) (Note 3)	20,258,506
Investments sold under agreements to repurchase (proceeds: US\$18,352,836) (Note 7)	18,369,329
Accounts payable and accrued expenses	3,562
Dividends and interest payable	103,998
Redemptions payable	520,999
Due to broker	7,238,785
Performance fee payable (Note 5)	27,987
Total liabilities	46,523,166
Non-controlling interest	215,269
Net assets (Note 8) (Note 11)	24,494,856
Net Asset Value per share	
US Dollar Class A	\$3,663.92
US Dollar LP Class A	\$3,292.14
Euro Class A	€3,587.09
Sterling Class A	£3,983.76
Yen Class A	¥11,922.47
Australian Dollar Class A	AUD 1,063.37
Brazilian Real Class A	BRL 1,085.69
Canadian Dollar Class A	CAD 1,037.91
Norwegian Krone Class A	NOK 1,048.60
US Dollar Class B	\$2,064.92
Euro Class B	€2,075.35
Sterling Class B	£2,143.19
US Dollar Class Y	\$126.21
Euro Class Y	€121.68
Sterling Class Y	£122.01
US Dollar Class Z	\$102.98
Euro Class Z	€103.03
Sterling Class Z	£102.98
Yen Class Z	¥10,232.04

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

Signed on behalf of the Board by:

Dennis Hunter

Director

23 August 2010

Unaudited Consolidated Statement of Operations

30 June 2010

	2010 US\$'000
Investment income	
Interest income	336,444
Dividend income, (net of withholding tax of US\$1,388)	6,599
Other Income	41
Total income	343,084
Expenses	
Interest expense	116,763
Professional fees and other	4,088
Operational services fee (Note 4)	58,112
Management fee (Note 5)	21,064
Administration fee (Note 6)	17,223
Commission for futures and options	7,159
Dividend expense on investments sold short	4,120
Performance fee (Note 5)	28,418
Total expenses	256,947
Net investment gain	86,137
Net realised and unrealised gain/loss on investments	
Net realised gain on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase (Note 2)	1,605,876
Net change in unrealised depreciation on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase (Note 2)	(1,610,712)
Net loss on investments	(4,836)
Non-controlling interest's share in net income	10,259
Net increase in net assets resulting from operations	91,560

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

Unaudited Consolidated Statement of Changes in Net Assets

30 June 2010

	2010 US\$'000
Net increase in net assets resulting from operations	
Net investment gain	86,137
Net realised gain on investments	1,605,876
Net change in unrealised depreciation on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase	(1,610,712)
Non-controlling interest	10,259
	91,560
Share Capital Transactions	
Proceeds on issue of shares	
US Dollar Class A	3,440,632
US Dollar LP Class A	601,760
Euro Class A	205,027
Sterling Class A	474,565
Yen Class A	150,227
Australian Dollar Class A	23,800
US Dollar Class B	3,037
US Dollar Class Y	1,207
Euro Class Y	76
Sterling Class Y	18,572
US Dollar Class Z	149,194
Euro Class Z	58,768
Sterling Class Z	16,014
Yen Class Z	3,129
Redemptions	
US Dollar Class A	(1,649,632)
US Dollar LP Class A	(100,022)
Euro Class A	(273,169)
Sterling Class A	(53,261)
Yen Class A	(15,097)
AUD Class A	(3,987)
US Dollar Class B	(5,265)
Euro Class B	(2,618)
Sterling Class B	(5,091)
US Dollar Class Y	(319,851)
Euro Class Y	(80,177)
Sterling Class Y	(15,800)
US Dollar Class Z	(19,218)
Net increase in net assets	2,694,380
Net assets at beginning of period	21,800,476
Net assets at end of period	24,494,856

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

Unaudited Consolidated Statement of Cash Flows

30 June 2010

	2010 US\$'000
Cash flows from operating activities:	
Net increase in net assets resulting from operations	91,560
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Increase in investments	(4,539,369)
Increase in investments purchased under agreement to resell	(851,899)
Increase in dividends and interest receivable	(67,310)
Decrease in other assets	428
Decrease in due from broker	53,756
Decrease in due to broker	(1,233,841)
Decrease in accounts payable and accrued expenses	(531)
Increase in dividends and interest payable	75,935
Increase in performance fee payable	2,633
Decrease in Non-controlling Interest	(91,190)
Net cash used in operating activities	(6,559,828)
Cash flows from financing activities	
Proceeds on issue of shares	5,152,620
Payment on redemption of shares	(2,412,555)
Equalisation factor	(883)
Decrease in investments purchased under agreement to resell	2,242,379
Increase in investments sold under agreement to repurchase	1,578,288
Net cash provided by financing activities	6,559,849
Net increase in cash	21
Cash – beginning of period	368
Cash – end of period	389

Non cash financing activities not included herein consist of movement in long-term interest bearing subscriptions receivable of US\$6,612,730

See accompanying notes to the Interim Unaudited Consolidated Financial Statements.

Notes to the Interim Unaudited Consolidated Financial Statements

30 June 2010

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

Brevan Howard Capital Management LP, acting through its sole general partner, Brevan Howard Capital Management Limited, has been appointed as Manager of the Master Fund. The Manager has appointed each of: (i) Brevan Howard Asset Management LLP ("BHAM"); (ii) Brevan Howard Investment Products Limited ("BHIPL"); (iii) Brevan Howard (Hong Kong) Limited; (iv) Brevan Howard (Israel) Limited; and (v) DW Investment Management, LP as Investment Managers of a portion of the Master Fund's assets, in each case subject to risk oversight and treasury management by BHIPL and BHAM respectively. The Manager may in future appoint additional investment managers provided that they are affiliates of the Manager or the Investment Managers. The Manager and the Investment Managers (and/or their members, directors, employees, related entities and connected persons and their respective members, directors and employees) may subscribe, directly or indirectly, for shares and/or interests in the Feeder Funds.

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

2. Significant accounting policies

Basis of preparation

The accompanying Interim Unaudited Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Interim Unaudited Consolidated 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 and its Subsidiaries are priced at the same time each day. This provides reliable comparative pricing of positions which are traded in different markets. A snapshot of all markets (excluding Pacific Rim and Australasia) is made at 4:00 p.m. GMT. Pacific Rim and Australasia positions are priced as at local end-of-day mid market levels. The investment valuation under the method employed by the Master Fund and its Subsidiaries as at 30 June 2010 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 and its Subsidiaries' 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 judgments regarding current economic conditions, liquidity discounts, currency, credit, and interest rate risks, loss experience and other factors. These estimates involve significant uncertainties and judgments and cannot be determined with precision. As a result, such calculated fair value estimates may not be realisable in a current sale or immediate settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique, including discount rates, liquidity risks and estimates of future cash flows, could significantly affect these fair value estimates. Estimates of the fair value Level 3 assets and liabilities as defined by the ASC 820 hierarchy of the Master Fund and its Subsidiaries' financial instruments are disclosed in Note 3.

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

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 Unaudited Consolidated Statement of Operations.

Income and expense recognition

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

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

The Master Fund and its Subsidiaries enter into 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.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2010

2. Significant accounting policies (continued)

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

Derivative financial instruments

The Master Fund and its Subsidiaries use 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 Unaudited Consolidated Statement of Operations in the period in which the changes occur. The fair value of derivative financial instruments at the reporting date generally reflects the amount that the Master Fund and its Subsidiaries would receive or pay to terminate the contract at the reporting date. Many derivative financial instruments are exchange traded or are traded in the 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 and its Subsidiaries purchase a put or call option, an amount, equal to the premium paid by the Master Fund and its Subsidiaries, is recorded as an investment and is subsequently adjusted to the current fair value of the option purchased on the reporting date.

Premiums paid for purchasing options that expire unexercised are treated by the Master Fund and its Subsidiaries on the expiration date as realised losses 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 and its Subsidiaries have realised a gain or loss. If a put option is exercised, the premium reduces the proceeds of the securities sold by the Master Fund and its Subsidiaries.

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

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

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

The following table sets forth the fair value of the Master Fund and its Subsidiaries' derivative contracts by certain risk types as of 30 June 2010 in accordance with Accounting Standards Codification ("ASC") 815. The values in the table below exclude the effects of cash received or posted pursuant to derivative contracts, and therefore are not representative of the Master Fund and its Subsidiaries' net exposure.

Balance Sheet Disclosure

Derivative contracts for trading activities	Derivative Assets US\$ '000	Derivative Liabilities US\$ '000
Foreign Exchange Contracts	\$4,918,950	\$4,288,600
Commodity Contracts	\$508,023	\$371,261
Credit Contracts	\$1,393,083	\$1,017,483
Equity Contracts	\$359,391	\$324,076
Interest Rate Contracts	\$11,205,588	\$8,453,544
Gross Fair Value of Derivative Contracts	\$18,385,035	\$14,454,964

2. Significant accounting policies (continued)

The following table sets forth by certain risk types the Master Fund and its Subsidiaries' gains/(losses) related to derivative activities for the period ended 30 June 2010 in accordance with ASC 815. These gains/(losses) should be considered in the context that derivative contracts may have been executed to economically hedge certain securities and accordingly, certain gains or losses on derivative contracts may offset certain gains or losses attributable to securities. These gains/(losses) are included in "Net realised and unrealised gain/(loss) on investments" in the Unaudited Consolidated Statement of Operations.

Profit & Loss Disclosure

	Realised Gains/(Losses) Period Ended 30 June 2010 US\$ '000	Unrealised Gains/(Losses) Period Ended 30 June 2010 US\$ '000
Foreign Exchange Contracts	\$874,133	\$252,585
Commodity Contracts	\$(137,392)	\$(17,216)
Credit Contracts	\$273,168	\$(131,934)
Equity Contracts	\$(205,574)	\$(9,289)
Interest Rate Contracts	\$934,147	\$(2,233,624)
Total	\$1,738,482	\$(2,139,478)

Investments sold short

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

Foreign currency translation

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

The Master Fund and its Subsidiaries do not isolate that portion of the results of operations resulting from changes in currency exchange rates on investments from the fluctuations arising from changes in market prices of securities held. All currency gains and losses are included in net realised and unrealised gain or loss from investments in the Unaudited 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 Interim Unaudited Consolidated Financial Statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates. In particular, valuation models used to determine the fair value of unlisted derivative instruments require the use of a number of assumptions.

Basis of consolidation

The Master Fund has consolidated the following entities (together the "Subsidiaries") as at 30 June 2010:

- WCG Strategies Fund Limited, a company incorporated with limited liability on 27 October 2008 under the laws of the Cayman islands;
- Brevan Howard Managed Opportunities Fund Limited, a company incorporated with limited liability on 6 January 2010 under the laws of the Cayman Islands;
- Brevan Howard Equity Strategies Master Fund Limited, a company incorporated with limited liability on 11 April 2006 under the laws of the Cayman Islands;

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2010

2. Significant accounting policies (continued)

The Master Fund owns 100% of WCG Strategies Fund Limited, 100% of Brevan Howard Managed Opportunities Fund Limited and 63.26% of Brevan Howard Equity Strategies Master Fund Limited.

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

Cash

Cash 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 30 June 2010, deposits held as collateral amounted to US\$3,326,431,345.

Allocation of income and expenses between share classes

Income and expenses that are identifiable with a particular class are allocated to that class in computing its Net Asset Value (NAV).

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

3. Fair value measurements

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price).

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

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

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

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

The hierarchy requires the use of observable market data when available. As required by ASC 820, investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following is a summary of the levels within the fair value hierarchy for the Master Fund's and its Subsidiaries' investments as at 30 June 2010:

Assets

Fair value measurement at reporting date using:	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
Equity Securities	\$518,559	\$1,614,727	\$–	\$2,133,286
Private Placement	\$–	\$13,450	\$58,756	\$72,206
Corporate Debt Securities	\$1,558,040	\$–	\$1,508	\$1,559,548
Other Debt Obligations	\$–	\$19,858	\$–	\$19,858
Derivatives	\$1,351,331	\$17,033,704	\$–	\$18,385,035
US Government Securities	\$18,614,261	\$–	\$–	\$18,614,261
Non US Government Securities	\$13,256,540	\$–	\$–	\$13,256,540
Mortgage Backed Securities	\$–	\$465,627	\$25,119	\$490,746
Total assets	\$35,298,731	\$19,147,366	\$85,383	\$54,531,480

3. Fair value measurements (continued)

Liabilities

Fair value measurement at reporting date using:	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
Equity Securities	\$233,908	\$-	\$-	\$233,908
Corporate Debt Securities	\$6,475	\$-	\$-	\$6,475
Derivatives	\$1,180,617	\$13,274,347	\$-	\$14,454,964
US Government Securities	\$890,765	\$-	\$-	\$890,765
Non US Government Securities	\$4,660,270	\$-	\$-	\$4,660,270
Mortgage Backed Securities	\$-	\$12,124	\$-	\$12,124
Total liabilities	\$6,972,035	\$13,286,471	\$-	\$20,258,506

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

Investments

LEVEL 3	Corp Debt Securities US\$ '000	Private Placements US\$ '000	Mortgage Backed Securities US\$ '000
Beginning balance as of 1 January 2010	\$-	\$61,945	\$56,737
Net purchases	\$-	\$700	\$21,951
Net sales	\$-	\$(1,557)	\$(4,510)
Net transfers in to Level 3	\$1,676	\$-	\$7,179
Net transfers out of Level 3	\$-	\$-	\$(48,834)
Realised (loss)/gain	\$-	\$(91)	\$1,342
Change in unrealised gain/(loss)	\$(168)	\$(2,241)	\$(8,746)
Ending balance as of 30 June 2010	\$1,508	\$58,756	\$25,119

For the six months ended 30 June, 2010 there were no significant transfers between Level 1 and Level 2.

Securities sold short

At 30 June 2010 there were no Level 3 securities sold short.

Realised and unrealised gains and losses are included in net gain on investments on the Unaudited Consolidated Statement of Operations. The change in unrealised gains for the period ended 30 June 2010 for investments still held at 30 June 2010 amounted to US\$3,088,072 and is reflected in net change in unrealised depreciation on investments on the Unaudited Consolidated Statement of Operations.

4. Operational services fee

BHAM has received from the Master Fund a fee of 1/12 of 0.50% per month of the NAV, prior to the deduction of management and performance fees, of the Master Fund for the period to 30 June 2010 (the "operational services fee") as at the last valuation day in each month (excluding for these purposes such part of the NAV of the Master Fund which is attributable to any investments made in other investment funds managed by the manager which also charge an operational services fee) in respect of the services which are provided by BHAM to the Master Fund (including middle-office and back-office services and information technology services) and the use of BHAM's assets and resources on behalf of the Master Fund.

The operational services fee for the period ended 30 June 2010 amounted to US\$58,111,784. The operational services fee outstanding at 30 June 2010 was US\$343,382.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2010

5. Management and performance fees

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

The 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.

For the Master Fund, the applicable performance fees are 20% for Class X and 25% for Class Y. Management and performance fees on Class A and Class B shares are paid to the Manager by Brevan Howard Fund Limited, Brevan Howard L.P. and BH Macro Limited (together the "Feeder Funds") and are not charged by the Master Fund. Performance fees may be settled in cash or in the cash equivalent of US Treasury Bills at fair value on the date of transfer. In respect of the Subsidiaries, the applicable performance fees for 2010 are 20% for Class A of Brevan Howard Managed Opportunities Fund Ltd, 20% for Class A of WCG Strategies Fund Limited and 20% for Series A interests of Brevan Howard Equity Strategies Master Fund Limited. Performance fees for the period were US\$28,459,669.

At 30 June 2010 the Master Fund held investments in the following funds (each an "underlying fund investment") managed by one or more of the Brevan Howard group of affiliated entities:

Brevan Howard Equity Strategies Fund L.P.
US\$370,608,346

Brevan Howard Emerging Markets Strategies Fund L.P.
US\$490,324,995

Brevan Howard Credit Catalysts Master Fund Limited
US\$398,185,931

Brevan Howard Strategic Opportunities Fund Limited
US\$115,460,851

Brevan Howard Investment Fund – Absolute Return Bond Plus Fund
US\$252,662,750

Brevan Howard Investment Fund II – Macro FX Fund
US\$15,299,722

WCG Strategies Fund Limited
US\$1,083,357,760

Brevan Howard Commodities Strategies Master Fund Ltd
US\$197,132,369

Brevan Howard Emerging Market Bond Fund
US\$99,195,748

Brevan Howard Managed Opportunities Fund Ltd
US\$406,979,521

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

6. Administration fee

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

The administration fee, payable on a monthly basis, is 1/12 of 15 basis points of the excess of the Master Fund's month end NAV over the sum of NAV that represents the amount of investment made by the Master Fund in other Brevan Howard funds held in the same month. The administration fee outstanding at 30 June 2010 is US\$3,008,886.

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

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

At 30 June 2010, investments with a market value of US\$12,653,880,888 were pledged to the Master Fund and its Subsidiaries as collateral (investments purchased under agreements to resell) and investments with a value of US\$18,369,329,425 were pledged by the Master Fund and its Subsidiaries as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 1 October 2010 and all agreements to resell mature by 11 October 2010.

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;
- £100,000 divided into 10,000,000 ordinary shares of £0.01 par value;
- ¥10,000,000 divided into 10,000,000 ordinary shares of ¥1.00 par value;
- AUD400,000 divided into 40,000,000 ordinary shares of AUD0.01 par value;
- BRL400,000 divided into 40,000,000 ordinary shares of BRL0.01 par value;
- CAD400,000 divided into 40,000,000 ordinary shares of CAD0.01 par value;
- NOK400,000 divided into 40,000,000 ordinary shares of NOK0.01 par value

all of which may be issued as Class A, Class B, Class X, Class Y and Class Z shares in any number of series.

The Class A US Dollar share class is divided into two series of shares, relating to Brevan Howard Fund Limited and Brevan Howard LP. These series commenced on 1 April 2003 and 1 February 2004 respectively. All Class A US Dollar, Euro, Sterling, Australian Dollar, Canadian Dollar, Brazilian Real, Norwegian Krone and Yen 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, Euro and Sterling are held by Brevan Howard Global Opportunities Master Fund Limited. Class Z US Dollar, Euro, Sterling and Yen are held by Brevan Howard Multi-Strategy Master Fund Limited.

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

The rights of the Class Y US Dollar, Euro and Sterling Shares are the same as those set out in respect of Class B US Dollar, Euro and Sterling Shares respectively of the Feeder Fund Prospectus save that no redemption fees are payable in respect of such shares.

The rights of the Class Z US Dollar, Euro, Sterling and Yen Shares are the same as those set out in respect of Class A US Dollar, Euro and Sterling Shares respectively of the Feeder Fund Prospectus save that no redemption fees are payable in respect of such shares.

	2010 Shares
Shares in issue at start of period	
US Dollar Class A	3,553,068
US Dollar LP Class A	629,973
Euro Class A	445,120
Sterling Class A	233,682
Yen Class A	2,535,419
Australian Dollar Class A	184,322
Brazilian Real Class A	178,148
Canadian Dollar Class A	124,405
Norwegian Krone Class A	164,335
US Dollar Class B	345,142
Euro Class B	146,016
Sterling Class B	221,113
US Dollar Class Y	3,536,675
Euro Class Y	641,314
Sterling Class Y	1,375,337

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2010

8. Share capital (continued)

	2010 Shares
Shares issued during the period	
US Dollar Class A	1,024,547
US Dollar LP Class A	188,437
Euro Class A	48,000
Sterling Class A	80,071
Yen Class A	1,303,487
Australian Dollar Class A	170,771
Brazilian Real Class A	288,669
Canadian Dollar Class A	10,971
Norwegian Krone Class A	252,986
Euro Class B	7,283
Sterling Class B	27,792
US Dollar Class Y	9,698
Euro Class Y	441
Sterling Class Y	101,317
US Dollar Class Z	1,720,594
Euro Class Z	429,934
Sterling Class Z	101,795
Yen Class Z	29,410
Shares redeemed during the period	
US Dollar Class A	(506,652)
US Dollar LP Class A	(31,205)
Euro Class A	(100,757)
Sterling Class A	(50,220)
Yen Class A	(119,643)
Australian Dollar Class A	(4,149)
US Dollar Class B	(35,631)
Euro Class B	(14,533)
Sterling Class B	(1,616)
US Dollar Class Y	(2,575,747)
Euro Class Y	(483,384)
Sterling Class Y	(82,087)
US Dollar Class Z	(187,315)
Euro Class Z	(168,347)

8. Share capital (continued)

	2010 Shares
Shares in issue at end of period	
US Dollar Class A	4,070,963
US Dollar LP Class A	787,205
Euro Class A	392,363
Sterling Class A	263,533
Yen Class A	3,719,263
Australian Dollar Class A	350,944
Brazilian Real Class A	466,817
Canadian Dollar Class A	135,376
Norwegian Krone Class A	417,321
US Dollar Class B	309,511
Euro Class B	138,766
Sterling Class B	247,289
US Dollar Class Y	970,626
Euro Class Y	158,371
Sterling Class Y	1,394,567
US Dollar Class Z	1,533,279
Euro Class Z	261,587
Sterling Class Z	101,795
Yen Class Z	29,410

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

9. Taxes

Under current Cayman Islands laws, the Master Fund is not required to pay any taxes in the Cayman Islands on either income or capital gains. The Master Fund has received an undertaking from the Governor in Cabinet in the Cayman Islands exempting it from any such taxes for a period of 20 years until 11 February 2023. The only taxes payable by the Master Fund on its income are withholding taxes applicable to certain income. Accordingly, no provision for taxes is recorded in these Interim Unaudited Consolidated Financial Statements.

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

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

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

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

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

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2010

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

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

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

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

The Master Fund and its Subsidiaries purchase both exchange-traded and 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 and its Subsidiaries to market risks equivalent to actually holding securities of the notional value but typically involve little capital commitment relative to the exposure achieved. The gains or losses of the Master Fund and its Subsidiaries may therefore be significantly greater than this initial commitment.

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

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

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

	Assets US\$ '000	Fair value at 30 June 2010 Liabilities US\$ '000
Forward rate agreements	45,629	32,132
Interest rate swaps	4,770,381	5,073,545
Cross currency swaps	227,441	233,452
Credit default swaps	1,393,060	1,017,482
Swaptions	5,987,718	2,859,639
FX contracts	3,633,220	3,581,363
Exchange traded futures	1,008,360	524,943
Exchange traded options	665,346	527,099
Commodity options	385,606	293,542
Equity options	250,292	277,160
Equity swaps	17,982	34,607
	18,385,035	14,454,964

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.

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

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

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.

Liquidity risk

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

The Master Fund and its Subsidiaries seek to trade mainly in investments that are sufficiently liquid and readily realisable at close to fair value in order to meet any potential liquidity requirement. To this end, the Master Fund and its Subsidiaries monitor the speed at which the portfolio can be liquidated under ordinary market conditions and further 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 and its Subsidiaries effect transactions might cease making markets or quoting prices in certain instruments, may only continue to do so in limited size, or may widen the spreads at which they are prepared to transact. In such instances, the Master Fund and its Subsidiaries might be unable to enter into desired transactions, or close out existing transactions, at normal market levels, which might adversely affect its performance.

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

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

11. Related party transactions

With effect from 21 June 2010, Brevan Howard Capital Management LP acting through its sole general partner, Brevan Howard Capital Management Limited became the Manager of the Master Fund. The Manager has appointed each of: (i) BHAM; (ii) BHIPL; (iii) Brevan Howard (Hong Kong) Limited; (iv) Brevan Howard (Israel) Limited; and (v) DW Investment Management, LP as 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 5 to the Interim Unaudited Consolidated Financial Statements.

Brevan Howard Multi-Strategy Master Fund Limited ("BHMS") is a Cayman incorporated limited liability company that is permitted to invest its assets in any investment funds of which one or more of the Brevan Howard group of affiliated companies is the Manager or investment manager. Brevan Howard Capital Management LP, the manager of the Master Fund, is also the manager of BHMS. BHMS held 0.86% (US\$210,017,177) of the net assets of the Master Fund through a holding of US Dollar, EUR, GBP and JPY Class Z shares as at 30 June 2010.

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 Capital Management LP, the Manager of the Master Fund, 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 30 June 2010 BHGOMF held 1.63% (US\$400,484,914) of the net assets of the Master Fund.

As at 30 June 2010 the Master Fund held investments in funds managed by one or more of the Brevan Howard group of affiliated entities as set out in Note 5.

12. Long-term interest-bearing subscriptions

The subscriptions receivable amount of US\$133,857,752 is due from Brevan Howard Fund Limited and relates to nil-paid US Dollar Class C and nil-paid Sterling Class C shares issued by the Feeder Fund. Upon issuance of these nil 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.

Notes to the Interim Unaudited Consolidated Financial Statements continued

30 June 2010

12. Long-term interest-bearing subscriptions (continued)

The following table details the share transactions during the period:

	In Issue At Start of Period	Issued in Period	Redeemed in Period	In Issue At End of Period
Nil Paid US Dollar Class C	385,226	41,060	(198,353)	227,933
Nil Paid Sterling Class C	63,119	75,807	–	138,926
Partly Paid Sterling Class D	189,283	–	(189,283)	–

The Nil Paid US Dollar Class C and Nil Paid Sterling Class C shares are issued to Brevan Howard Employee Benefit Trust Number 3, Brevan Howard Employee Benefit Trust Number 7, BH Partners LP and BH Partners 2009 LP. The Partly Paid Sterling Class D shares were issued to, or for the benefit of, Partners of BHAM.

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

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

Share Class	Issue Date	Redemption Date	Number of Issued Shares	Funding Fee Rate
Nil Paid US Dollar Class C	January 2008	January 2011	100,780	3.31%
Nil Paid US Dollar Class C	January 2009	January 2012	86,093	1.03%
Nil Paid US Dollar Class C	January 2010	January 2013	41,060	1.32%
Nil Paid Sterling Class C	January 2008	January 2011	31,325	4.36%
Nil Paid Sterling Class C	January 2009	January 2012	31,794	2.70%
Nil Paid Sterling Class C	January 2010	January 2013	75,807	1.85%

This funding fee is withheld from the redemption proceeds at the end of the term and is payable to the Feeder Fund. The Directors of the Feeder Fund have resolved to call the Nil Paid Class C shares if the prevailing NAV falls below 90% of the NAV at issuance.

For the Partly Paid Sterling Class D shares accrued interest receivable was 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 was allocated to the Master Fund. Class D share capital is now fully paid up.

13. Investment in affiliated funds

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

14. Equalisation Factor

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

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

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

At the period end the equalisation factor accrued but not crystallised was US\$nil while the portion that crystallised in the period represented a write-back of US\$nil.

15. Subsequent Events

For the period ended 30 June 2010, the Master Fund and its Subsidiaries evaluated subsequent events through 23 August 2010.

Notes

Notes

Notes

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James Vernon (Resigned July 2010)
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