

BREVAN HOWARD

30 JUNE 2023

BREVAN HOWARD  
MASTER FUND  
LIMITED  
INTERIM UNAUDITED  
FINANCIAL STATEMENTS 2023

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# UNAUDITED STATEMENT OF ASSETS AND LIABILITIES

30 June 2023

	2023 US\$'000
<b>ASSETS</b>	
Investments, at fair value (cost: US\$19,206,075) (Note 2,3,4)	22,164,399
Investments purchased under agreements to resell (cost: US\$67,339) (Note 3,9,12)	74,296
Redemptions receivable from affiliated funds	4,073
Cash (Note 2)	12,239
Due from brokers (Note 2)	531,943
Dividends and interest receivable (Note 2)	19,539
Research charges paid in advance (Note 13)	2,500
Other assets	12,073
<b>TOTAL ASSETS</b>	<b>22,821,062</b>
<b>LIABILITIES</b>	
Investments sold short, at fair value (proceeds: US\$487,453) (Note 2,3,4)	1,341,340
Investments sold under agreements to repurchase (proceeds: US\$8,978,839) (Note 9,12)	8,985,336
Due to brokers (Note 2)	623,651
Redemptions payable (Note 2)	66,960
Dividends and interest payable	4,093
Interest payable on bank loan	600
Pass Through Expenses payable (Note 5)	4,472
Accounts payable and accrued expenses (Note 6,7,8)	2,722
<b>TOTAL LIABILITIES</b>	<b>11,029,174</b>
<b>NET ASSETS (NOTE 10)</b>	<b>11,791,888</b>

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

See accompanying notes to the Interim Unaudited Financial Statements.

Signed on behalf of the Board of Directors:

**Karla Bodden**  
DIRECTOR  
25 August 2023

**Carol Reynolds**  
DIRECTOR

## UNAUDITED STATEMENT OF OPERATIONS

For the period ended 30 June 2023

	2023 US\$'000
<b>INVESTMENT INCOME</b>	
Interest income	237,659
Dividend income (net of withholding tax of US\$86)	712
Other income	4,129
<b>TOTAL INVESTMENT INCOME</b>	<b>242,500</b>
<b>EXPENSES</b>	
Interest expense	137,913
Pass Through Expenses (Note 5)	9,971
Operational services fee (Note 6)	6,954
Administration fee (Note 8)	2,567
Bank loan interest (Note 14)	1,213
Professional fees and other	1,174
Research charges (Note 13)	1,000
Trade commissions	522
Custody fees	319
Dividend expense	205
Stock borrowing expense	60
Execution fees and other transaction costs	8,327
<b>TOTAL EXPENSES</b>	<b>170,225</b>
<b>NET INVESTMENT INCOME</b>	<b>72,275</b>
<b>NET REALISED AND CHANGE IN UNREALISED GAIN/(LOSS) ON INVESTMENTS</b>	
Net realised gain on investments (Note 2)	249,321
Net change in unrealised loss on investments (Note 2)	(812,144)
<b>NET REALISED AND CHANGE IN UNREALISED LOSS ON INVESTMENTS</b>	<b>(562,823)</b>
<b>NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>(490,548)</b>

Withholding tax is presented in US\$'000.

See accompanying notes to the Interim Unaudited Financial Statements.

## UNAUDITED STATEMENT OF CHANGES IN NET ASSETS

For the period ended 30 June 2023

	2023 US\$'000
<b>OPERATIONS</b>	
Net investment income	72,275
Net realised gain on investments	249,321
Net change in unrealised loss on investments	(812,144)
<b>NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>(490,548)</b>
<b>SHARE CAPITAL TRANSACTIONS</b>	
<b>Issue of shares</b>	<b>3,428,456</b>
Redemption of shares	(1,170,419)
<b>NET INCREASE IN NET ASSETS RESULTING FROM SHARE CAPITAL TRANSACTIONS</b>	<b>2,258,037</b>
<b>NET INCREASE IN NET ASSETS</b>	<b>1,767,489</b>
<b>NET ASSETS – BEGINNING OF THE PERIOD</b>	<b>10,024,399</b>
<b>NET ASSETS – END OF THE PERIOD</b>	<b>11,791,888</b>

See accompanying notes to the Interim Unaudited Financial Statements.

## UNAUDITED STATEMENT OF CASH FLOWS

For the period ended 30 June 2023

	2023 US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
<b>NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>(490,548)</b>
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities:	
Proceeds from sales of securities	13,299,898
Purchases of securities	(22,756,465)
Proceeds from securities sold short	2,064,921
Payments to cover securities sold short	(6,333,636)
Proceeds from derivative contracts	2,367,694
Payments for derivative contracts	(2,503,208)
Net realised gain on investments	(194,294)
Net realised loss on derivative contracts	175,813
Net change in unrealised loss on investments	319,423
Net change in unrealised loss on derivative contracts	391,444
Decrease in redemptions receivable from affiliated funds	406,939
Decrease in investments purchased under agreements to resell	4,239,090
Increase in investments sold under agreements to repurchase	7,979,627
Increase in dividend and interest receivables	(14,954)
Increase in research charges paid in advance	(500)
Decrease in other receivables	38,485
Increase in other assets	(6,080)
Decrease in dividends and interest payable	(16,518)
Increase in interest payable on bank loan	600
Increase in pass through expenses payable	3,878
Decrease in accounts payable and accrued expenses	(268)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(1,028,659)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Proceeds on issue of shares, net of change in subscriptions in advance	3,426,360
Payments on redemption of shares, net of change in redemptions payable	(2,188,349)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>1,238,011</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS)</b>	<b>209,352</b>
<b>CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS) – BEGINNING OF THE PERIOD</b>	<b>(288,821)</b>
<b>CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS) – END OF THE PERIOD</b>	<b>(79,469)</b>
<i>Supplemental disclosure of cash flow information:</i>	
<i>Interest paid</i>	147,118
<i>Dividend paid</i>	151
<i>As of 30 June 2023, the amounts included in cash and cash equivalents (including restricted cash and cash equivalents) include the following:</i>	
Cash	12,239
Due from brokers – Restricted cash	324,341
Due from brokers – Non restricted cash	207,602
Due to brokers – Restricted cash	(359,615)
Due to brokers – Non restricted cash	(264,036)
<b>TOTAL CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH AND CASH EQUIVALENTS)</b>	<b>(79,469)</b>

See accompanying notes to the Interim Unaudited Financial Statements.

# NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS

30 June 2023

## 1. ORGANISATION

Brevan Howard Master Fund Limited (the "Master Fund") is an exempted limited liability company which was incorporated under the Companies Act (Revised) of the Cayman Islands on 22 January 2003 and commenced trading on 1 April 2003. The Master Fund was registered under the Mutual Funds Act of the Cayman Islands on 4 March 2003. The registered office of the Master Fund is at the offices of Maples Corporate Services Limited, P.O. Box 309, Grand Cayman, KY1-1104, Cayman Islands.

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.

The investments underlying the Master Fund do not take into account the EU criteria for environmentally sustainable economic activities.

Brevan Howard Capital Management LP (the "Manager"), acting by its sole general partner, Brevan Howard Capital Management Limited, has been appointed as manager of the Master Fund. The Manager is registered as a Commodity Pool Operator with the United States Commodity Futures Trading Commission in respect of the Master Fund.

The Manager has appointed each of: (i) Brevan Howard Asset Management LLP ("BHAM"); (ii) Brevan Howard Investment Products Limited ("BHIP"); (iii) Brevan Howard (Hong Kong) Limited ("BHHK"); (iv) BH-DG Systematic Trading LLP ("BH-DG"); (v) Brevan Howard US Investment Management, LP ("BHUSIM"), (vi) Brevan Howard Private Limited ("BHPL") and (vii) Brevan Howard (Tel Aviv) Ltd ("BHTA") as investment managers (the "Investment Managers") of the Master Fund's assets, in each case subject to risk oversight and treasury management by the Manager and/or one of its affiliates.

The Manager may in the future delegate responsibility for the investment of a portion of the Master Fund's assets to one or more additional investment managers, which may or may not be an affiliate of the Manager, in addition to, or in substitution for, the Investment Managers.

The Manager has appointed each of: (i) BHAM; (ii) BHIP; (iii) Brevan Howard Cayman SEZC Ltd ("BHCS"); (iv) BHHK; (v) BHUSIM; (vi) BHTA and/or such other affiliates of the Manager as services providers (the "Services Providers"), to provide certain ancillary services including middle and back office services, risk management services, treasury and cash management services in respect of the Master Fund.

The Manager has appointed Coremont LLP ("Coremont") to provide, inter alia, portfolio management systems, risk analysis, middle office services and other support services in respect of the Master Fund.

Brevan Howard Capital Management Limited ("BHCML"), in its capacity as sole general partner of the Manager, has been appointed as the alternative investment fund manager ("AIFM") to the Master Fund for the purposes of AIFMD.

The Manager and the Investment Managers (and/or their partners, members, directors, employees, related entities and connected persons and their respective partners, members, directors and employees) may subscribe, directly or indirectly, for shares or partnership interests in the Master Fund's feeder funds.

The feeder funds to the Master Fund are Brevan Howard Fund Limited (the "Feeder Fund (I)"), Brevan Howard L.P. (the "Partnership (I)"), Brevan Howard PT Fund Limited (the "Feeder Fund (II)"), Brevan Howard PT Fund, L.P. (the "Partnership (II)"), BH Macro Limited and BH Alkout Fund Limited (together the "Feeder Funds").

Capitalised terms used herein but not otherwise defined shall have the meaning set forth in the prospectus (the "Prospectus") of the Feeder Funds.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The accompanying Interim Unaudited Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The Interim Unaudited Financial Statements are presented in United States Dollars ("US\$" or "US Dollar") and have been rounded to the nearest US\$1,000.

### Basis of consolidation

For Financial Statements reporting purposes, the Master Fund is an investment company and follows the accounting and reporting guidance in the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 946, *Financial Services – Investment Companies*, in the preparation of its Interim Unaudited Financial Statements.

In accordance with the accounting guidance in ASC 946-320, 946-323 and 946-810, the Master Fund carries all investments at fair value, with the exception of blocker funds (if any) which are consolidated.

# NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONITNUED)

### Security transactions and valuation

Security transactions are accounted for on a trade date basis and are measured at fair value.

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 pm London time. Pacific Rim and Australasia positions are generally priced as at the local end-of-day mid market levels.

Instruments with directly observable prices are priced to independent external data sources (e.g. exchange traded futures, options, equities, government and corporate debt securities). Fair value estimates for financial instruments for which no or limited observable market data is available are based on judgments regarding current economic conditions, liquidity discounts, currency, credit, and interest rate risks, loss experience and other factors. These estimates involve significant uncertainties and judgments and cannot be determined with precision. As a result, such calculated fair value estimates may not be realisable in a current sale or immediate settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique, including discount rates, liquidity risks and estimates of future cash flows, could significantly affect these fair value estimates.

Some instruments may be priced using models in which some or all parameters are not directly driven by market-observable levels (e.g. unlisted securities, multifactored options or private placements).

Estimates of the fair value of Level 3 assets and liabilities of the Master Fund's financial instruments are disclosed in Note 3.

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

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

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

### Income and expense recognition

Interest income and expense including prime broker and International Swaps and Derivatives Association ("ISDA")/ International Security Market Association ("ISMA") interest is recognised in the Unaudited Statement of Operations on an accruals basis over the lives of the respective debt securities.

Interest on bank loans is included in bank loan interest in the Unaudited Statement of Operations.

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 over the lives of the respective debt securities.

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

Expenses are recognised in the Unaudited Statement of Operations on an accruals basis.

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

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

An affiliate of the 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, and is recorded as interest income or interest expense, in the Unaudited Statement of Operations.



# NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONITNUED)

### Asset-backed securities

The Master Fund may invest in asset-backed securities. These securities include mortgage backed securities, collateralised obligations ("COs") and other asset-backed securities representing interests in pools of loans or other receivables. Mortgage backed securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans. The rate of pre-payments on underlying assets will affect the price and volatility of an asset backed security, and may have the effect of shortening or extending the effective duration of the security relative to what was anticipated at the time of purchase.

COs include collateralised bond obligations, collateralised loan obligations and other similarly structured securities. The risks of an investment in a CO depend largely on the type of the collateral securities and the class of the CO in which the Master Fund's invest. COs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be sufficient to make interest or other payments, (ii) the quality of the collateral may decline in value or default, (iii) the Master Fund may invest in COs that are subordinate to other classes, and (iv) the complex structure of the security may result in disputes with the issuer or unexpected investment results.

Asset-backed securities with directly observable prices are priced to independent external data sources. Where such market prices are not readily available, fair values will be determined using commercial products which utilise valuation models that are consistent with market pricing models. The valuation models use discounted cash flow analysis which incorporate both observable and non-observable inputs disclosed in Note 3. Paydown gains and losses on asset-backed securities, if any, are recorded as realised gains or losses in the Unaudited Statement of Operations.

### Derivative financial instruments

The Master Fund use derivative financial instruments such as foreign exchange contracts, swaptions, options, futures contracts, forward rate agreements, swaptions and swaps, which are recorded at fair value at the reporting date. Changes in fair values are included in net change in unrealised gain on investments in the Unaudited Statement of Operations in the period in which the changes occur. The Master Fund generally record a realised gain or loss on the expiration, termination, or settlement of a derivative contract.

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 OTC market where market values are normally readily obtainable.

Where such market prices are not readily available, fair values will be determined using commercial products which utilise valuation models that are consistent with market pricing methods.

When the Master Fund purchase 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 on investments. The difference between the premium and the amount received on writing an option to effect a closing transaction, including brokerage commissions, is also treated as a realised loss, or, if the premium is less than the amount received from the closing transaction, as a realised gain. If a call option is exercised, the premium is added to the cost of purchase of the underlying security or currency in determining whether the Master Fund have realised gains or losses. 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 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 gains or losses at the reporting date are included in the Unaudited 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 in the Unaudited Statement of Assets and Liabilities.

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

## NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONITNUED)

The following table sets forth the fair value of the Master Fund's derivative contracts by certain risk types as of 30 June 2023 in accordance with Derivatives and Hedging (ASC 815). The values in the table below exclude the effects of cash received or posted pursuant to derivative contracts, and therefore are not representative of the Master Fund's net exposure. The derivative assets and derivative liabilities are included in "Investments, at fair value" and "Investments sold short, at fair value", respectively, in the Unaudited Statement of Assets and Liabilities.

DERIVATIVE CONTRACTS FOR TRADING ACTIVITIES	OPEN POSITIONS AT THE PERIOD END	TRANSACTIONS DURING THE PERIOD	VAR* US\$'000	DERIVATIVE ASSETS US\$'000	DERIVATIVE LIABILITIES US\$'000
Commodity Contracts	157	24,859	2,108	18,681	4,907
Credit Contracts	37	244	359	10,414	7,420
Equity Contracts	144	33,647	2,746	72,397	37,396
Foreign Exchange Contracts	2,337	16,104	7,024	760,463	576,438
Interest Rate Contracts	1,366	43,075	11,725	678,280	606,461
<b>FAIR VALUE OF DERIVATIVE CONTRACTS</b>				<b>1,540,235</b>	<b>1,232,622</b>

\* Value at risk ("VaR") calculated using a two year historical simulation, based on a one day time horizon, at a 95% confidence interval. The VaR shown in the table above is for derivatives only, excluding treasury positions. Total VaR for the derivatives contracts above is US\$13,952,599. Total VaR for the Master Fund, including derivatives, non-derivatives and investments in affiliated entities is US\$30,642,099.

The following table sets forth by certain risk types the Master Fund's gains/(losses) related to derivative activities for the period ended 30 June 2023 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 gain and change in unrealised gain on investments in the Unaudited Statement of Operations.

DERIVATIVE CONTRACTS FOR TRADING ACTIVITIES	REALISED GAIN/(LOSS) PERIOD ENDED 30 JUNE 2023 US\$'000	CHANGE IN UNREALISED GAIN/(LOSS) PERIOD ENDED 30 JUNE 2023 US\$'000
Commodity Contracts	(55,889)	8,143
Credit Contracts	(5,450)	373
Equity Contracts	(79,034)	(61,811)
Foreign Exchange Contracts	181,749	(176,247)
Interest Rate Contracts	(217,189)	(161,902)
<b>TOTAL</b>	<b>(175,813)</b>	<b>(391,444)</b>

Foreign exchange contracts include foreign exchange futures, forwards, swaps, options and any other derivative contract in which the reference asset is a foreign exchange rate. Commodity contracts include commodity futures and options and any other derivative contract in which the reference asset is a commodity price or index. Credit contracts include credit default swaps, credit index options and any other derivative contract in which the reference asset is a credit event or other credit risk on an underlying entity, financial asset or a credit index. Equity contracts include equity futures, forwards, options, swaps, contracts for difference and any other derivative contract in which the reference asset is an equity price or index. Interest rate contracts include interest rate futures, forwards, swaps, options, caps and floors, swaptions, forward rate agreements and any other derivative contract in which the reference asset is an interest rate or debt security.

## NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONITNUED)

The Master Fund enters into derivative contracts that meet the definition of a credit derivative as defined by ASC 815. These contracts are primarily written and purchased credit default swaps on single issuers, asset-backed securities, credit indexes and index or credit default swap index options ("CDO") tranches.

CREDIT SPREADS* ON UNDERLYING CONTRACTS (IN BASIS POINTS)	MAXIMUM PAYOUT/NOTIONAL AMOUNT BY PERIOD OF EXPIRATION			TOTAL US\$'000
	0-2 YEARS US\$'000	2-5YEARS US\$'000	5 YEARS OR GREATER US\$'000	
<b>Sovereign debt</b>				
0-50	–	–	–	–
51-100	–	–	–	–
101-250	–	–	–	–
Greater than 250	–	10,000	–	10,000
<b>Index Credit Default Swaps</b>				
0-50	–	459,510	–	459,510
51-100	–	167,284	–	167,284
101-250	–	17,000	–	17,000
Greater than 250	–	13,093	–	13,093
<b>TOTAL</b>	<b>–</b>	<b>666,887</b>	<b>–</b>	<b>666,887</b>
<b>Index Credit Default Swaps options</b>				
0-50	–	157,358	–	157,358
51-100	–	323,838	–	323,838
101-250	–	–	–	–
Greater than 250	–	–	–	–
<b>TOTAL</b>	<b>–</b>	<b>481,196</b>	<b>–</b>	<b>481,196</b>

CREDIT SPREADS* ON UNDERLYING CONTRACTS (IN BASIS POINTS)	MAXIMUM PAYOUT/NOTIONAL			WRITTEN CREDIT DERIVATIVE AT FAIR VALUE US\$'000
	WRITTEN CREDIT DERIVATIVE US\$'000	OFFSETTING PURCHASED CREDIT DERIVATIVE US\$'000	NET WRITTEN CREDIT DERIVATIVE US\$'000	
<b>Sovereign debt</b>				
0-50	–	–	–	–
51-100	–	–	–	–
101-250	–	–	–	–
Greater than 250	10,000	10,000	–	(1,216)
<b>Index Credit Default Swaps</b>				
0-50	459,510	28,000	431,510	6,205
51-100	167,284	14,911	152,373	(202)
101-250	17,000	2,000	15,000	472
Greater than 250	13,093	–	13,093	536

# NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONITNUED)

CREDIT SPREADS* ON UNDERLYING CONTRACTS (IN BASIS POINTS)	MAXIMUM PAYOUT/NOTIONAL			WRITTEN CREDIT DERIVATIVE AT FAIR VALUE US\$'000
	WRITTEN CREDIT DERIVATIVE US\$'000	OFFSETTING PURCHASED CREDIT DERIVATIVE US\$'000	NET WRITTEN CREDIT DERIVATIVE US\$'000	
<b>TOTAL</b>	<b>666,887</b>	<b>54,911</b>	<b>611,976</b>	<b>5,795</b>
<b>Index Credit Default Swaps options</b>				
0-50	157,358	157,358	–	(3)
51-100	323,838	323,838	–	(52)
101-250	–	–	–	–
Greater than 250	–	–	–	–
<b>TOTAL</b>	<b>481,196</b>	<b>481,196</b>	<b>–</b>	<b>(55)</b>

\* The credit spreads on the underlying contracts are generally indicative of the current status of the underlying risk of the Master Fund having to perform. The spread also reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into a contract.

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

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

### Investments sold short

The Master Fund may sell a security it does not own in anticipation of a decline in the market value of that security. When the Master Fund sell a security short, it must borrow the security and deliver it to the broker-dealer through which it made the short sale. The Master Fund 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 Unaudited Statement of Operations. Investments sold short are recorded as liabilities in the Unaudited Statement of Assets and Liabilities.

### Foreign currency translation

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

The Master Fund do not isolate that portion of the results of operations resulting from changes in currency exchange rates on investments from the fluctuations arising from changes in market prices of securities held. All foreign currency gains and losses are included in "Net realised and change in unrealised gain on investments" in the Unaudited Statement of Operations.

Reported net realised gains or losses from foreign currency transactions arises from sales of foreign currencies; currency gains or losses realised between the trade and settlement dates on securities transactions; and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Master Fund's books and the US Dollar equivalent of the amounts actually received or paid. Net unrealised gains or losses from translation of assets and liabilities in foreign currencies arises from changes in the fair values of assets and liabilities, other than securities, at the end of the period resulting from changes in exchange rates.

# NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONITNUED)

### Use of estimates

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

### Netting

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

Amounts due from and to brokers are presented on a net basis, by counterparty, to the extent the Master Fund have the legal right to offset the recognised amounts and intends to settle on a net basis.

The Master Fund present OTC derivatives that are executed with the same counterparty under the same master netting agreement on a net basis when the criteria for the right of setoff are met.

### Cash, cash equivalents and restricted cash

Cash consists of bank balances. Cash, including cash denominated in foreign currencies, represents cash deposits held at financial institutions. Cash equivalents include short-term, highly liquid investments of sufficient credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash equivalents are carried at cost, plus accrued interest, which approximates fair value. Cash equivalents are typically held to meet short-term liquidity requirements, rather than for investment purposes. Restricted cash is subject to a legal or contractual restriction by third parties as well as a restriction as to withdrawal or use, including restrictions that require the funds to be used for a specified purpose and restrictions that limit the purpose for which the funds can be used. The Master Fund considers cash pledged as collateral for securities sold short and cash collateral posted with counterparties for derivative contracts to be restricted cash. Foreign currency with a current value of US\$461 and an acquisition cost of US\$460 is included in cash.

### Due from and to brokers

BALANCE DUE FROM BROKERS	US\$'000
Balance pledged as collateral	324,341
Balance unpledged	207,602
	<b>531,943</b>

Included in the balance pledged as collateral were US\$14,475,502 pledged to counterparties of OTC derivatives, US\$145,630,507 as initial margin related to the Master Fund's futures trading activities and US\$164,234,928 for other assets.

BALANCE DUE TO BROKERS	US\$'000
Balance held as collateral	359,615
Balance not held as collateral	264,036
	<b>623,651</b>

Included in the balance held as collateral were US\$359,614,503 held from counterparties of OTC derivatives.

Amounts due from brokers may be restricted if they serve as deposits for securities sold short.

# NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Allocation of income and expenses between share classes

Income and expenses that are identifiable with a particular class are allocated to that class in computing its NAV.

Income and expenses that are common to all classes are allocated between classes at the end of each month in proportion to their monthly NAV balances as of the beginning of the month.

Income and expenses of the Master Fund are allocated to each class of shares at the end of each month in proportion to its net assets relative to the Master Fund as a whole as of the beginning of the month. To the extent the Master Fund receives gains or losses with respect to equity securities in initial public offerings, those gains or losses will be allocated solely to the share classes of the Master Fund that are not prohibited from participating in those allocations under Rule 5130 of the Financial Industry Regulatory Authority.

### Redemptions payable

Redemptions are recognised as liabilities when the amount requested in the redemption notices becomes fixed, which generally occurs on the last day of a fiscal quarter. As a result, redemptions paid after the end of the period, based on the NAV of the Master Fund at period end, are included in redemptions payable as of 30 June 2023. Redemption notices received for which the dollar amount is not fixed remain in net assets until the NAVs used to determine the redemption and share amounts are determined.

As of 30 June 2023, the redemptions payable by the Master Fund amounted to US\$66,960,015.

### 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 of the Cayman Islands exempting it from any such taxes for a period of 30 years up to 30 January 2052. 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 Financial Statements.

Accounting for Income Taxes (ASC 740) establishes 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 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.

## 3. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

## NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

### 3. FAIR VALUE MEASUREMENTS (CONTINUED)

The hierarchy requires the use of observable market data when available. As required by Topic 820, investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The following is a summary of the levels within the fair value hierarchy for the Master Fund's investments as of 30 June 2023:

#### Assets

FAIR VALUE MEASUREMENTS AT REPORTING DATE:	LEVEL 1: US\$'000	LEVEL 2: US\$'000	LEVEL 3: US\$'000	TOTAL US\$'000
Equity Securities	178,957	11,522	–	190,479
Private Placements	–	–	410	410
Fixed Income Securities:				
Asset Backed Securities	–	148	1,304	1,452
Corporate Debt Securities	–	10,478	–	10,478
Mortgage Backed Securities	25,023	320	37	25,380
Non-US Government Securities	1,455,766	69,703	–	1,525,469
US Government Securities	12,238,942	12,696	–	12,251,638
Derivatives:				
Commodity Contracts	5,184	13,225	272	18,681
Credit Contracts	–	10,414	–	10,414
Equity Contracts	19,243	51,065	2,089	72,397
Foreign Exchange Contracts	164	729,687	30,612	760,463
Interest Rate Contracts	69,574	608,706	–	678,280
<b>SUBTOTAL</b>	<b>13,992,853</b>	<b>1,517,964</b>	<b>34,724</b>	<b>15,545,541</b>
Investments purchased under agreements to resell:				
Non-US Government Securities	–	74,292	–	74,292
US Government Securities	–	4	–	4
<b>TOTAL INVESTMENTS PURCHASED UNDER AGREEMENTS TO RESELL</b>	<b>–</b>	<b>74,296</b>	<b>–</b>	<b>74,296</b>
Investments in unconsolidated Affiliated Funds measured at NAV*				6,618,858
<b>TOTAL ASSETS</b>	<b>13,992,853</b>	<b>1,592,260</b>	<b>34,724</b>	<b>22,238,695</b>

\* Investments in unconsolidated Affiliated Funds as of 30 June 2023 are excluded from the fair value hierarchy leveling as the fair value of these investments were measured at NAV as a practical expedient.

# NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

## 3. FAIR VALUE MEASUREMENTS (CONTINUED)

### Liabilities

FAIR VALUE MEASUREMENTS AT REPORTING DATE:	LEVEL 1: US\$'000	LEVEL 2: US\$'000	LEVEL 3: US\$'000	TOTAL US\$'000
Equity Securities	17,804	–	–	17,804
Exchange-traded Funds	18,923	–	–	18,923
Fixed Income Securities:				
Non-US Government Securities	–	71,991	–	71,991
Derivatives:				
Commodity Contracts	1,820	3,017	70	4,907
Credit Contracts	–	7,420	–	7,420
Equity Contracts	6,191	31,205	–	37,396
Foreign Exchange Contracts	26	570,348	6,064	576,438
Interest Rate Contracts	118,876	487,585	–	606,461
<b>SUBTOTAL</b>	<b>163,640</b>	<b>1,171,566</b>	<b>6,134</b>	<b>1,341,340</b>
<b>TOTAL INVESTMENTS SOLD SHORT, AT FAIR VALUE</b>	<b>163,640</b>	<b>1,171,566</b>	<b>6,134</b>	<b>1,341,340</b>

The Master Fund had no investments measured at fair value on a non-recurring basis during the period ended 30 June 2023.

The Master Fund's policy is to recognise transfers in and transfers out of each level as of the end of each month. Transfers in and transfers out of Level 3 have occurred due to the change in availability of observable market data.

The following table presents changes in assets classified within the Level 3 category of the fair value hierarchy during the period ended 30 June 2023:

### Level 3

#### Assets

INVESTMENTS	MORTGAGE BACKED SECURITIES US\$'000	COMMODITY CONTRACTS US\$'000	EQUITY CONTRACTS US\$'000	FOREIGN EXCHANGE CONTRACTS US\$'000
Purchases	–	789	12,815	56,278
Transfer in to Level 3	80	9,217	–	116,731
Transfer out of Level 3	–	(1,452)	–	(19,510)

#### Liabilities

INVESTMENTS	COMMODITY CONTRACTS US\$'000	FOREIGN EXCHANGE CONTRACTS US\$'000
Transfer in to Level 3	869	53,131
Transfer out of Level 3	(33)	(4,754)



## NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

### 3. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarises the valuation methodology and significant unobservable inputs used for the Master Fund's investments that are categorised within Level 3 of the fair value hierarchy as of 30 June 2023:

#### Assets

	FAIR VALUE US\$'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS	RANGE
Private Placements	410	Discounted book value	Collateral valuation	N/A
Asset Backed Securities & Mortgage Backed Securities	1,341	Broker quote	Constant default rate/conditional prepayment rate/loss severity/discount rate	N/A
Commodity Contracts	272	Internal model	Volatility	12-30%
Equity Contracts	2,089	Counterparty valuation/ Broker quote	Correlation factors	N/A
Foreign Exchange Contracts	110	Counterparty valuation/ Broker quote	Correlation factors	N/A
Foreign Exchange Contracts	30,502	Internal model	Volatility	5-24%

#### Liabilities

	FAIR VALUE US\$'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS	RANGE
Commodity Contracts	70	Internal model	Volatility	12-33%
Foreign Exchange Contracts	6,064	Internal model	Volatility	4-37%

The significant unobservable inputs used in the fair value measurements of Level 3 asset backed securities and mortgage backed securities are constant default rates, conditional prepayment rate/loss severity, and discount rates. Increases in any of the constant default rates, loss severity or discount rates in isolation would result in a lower fair value for the asset, and vice versa. Increases in conditional prepayment rates could result in a higher or lower fair value depending on the quality of the securities.

Level 3 foreign exchange and commodity contracts are generally valued using an internal pricing model. The unobservable input implicit in the internal pricing model for significantly in-the-money or significantly out-of-the-money options is generally the volatility. An increase in volatility could result in a higher or lower fair value depending on the nature of the specific instrument. Certain level 3 equity contracts and foreign exchange contracts are valued by reference to counterparty valuations or single broker quotes. The unobservable input implicit in counterparty valuations or broker quotes is generally a correlation factor between two or more reference assets, the range of which is not transparent in these sources. An increase in the correlation factor could result in a higher or lower fair value depending on the nature of the specific instrument.

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

## NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

### 4. INVESTMENT IN UNDERLYING FUNDS

Investments in underlying funds are valued using NAV as a practical expedient, which is based on the latest NAV as calculated by the administrator of each fund. Due to the potential uncertainty of the valuation of the underlying funds, these values may differ significantly from the values that would have been used had an active secondary market for the investments existed, and such differences could be material. The Master Fund has the ability to liquidate its investments periodically, subject to the provisions of the respective investment offering memorandum. Certain funds in which the Master Fund invests may, in accordance with the terms of their respective governing documents, impose "gating" or similar limitations on the Master Fund's ability to affect redemptions/withdrawals.

As of 30 June 2023, the Master Fund invested in 12 funds, all of which are related parties. All such investments are individually identified in the table below. These underlying funds may invest in debt and equity securities (both long and short), bond, commodity, equity, and interest rate futures and options, foreign exchange forwards and options, swaps, swaptions, digital assets and other derivatives and securities in accordance with each investment fund's offering memorandum. The relationship between the Master Fund and all affiliated funds in which it is invested is disclosed in Note 7.

UNDERLYING FUNDS	% OF UNDERLYING FUNDS OWNERSHIP	% OF NET ASSETS	FAIR MARKET VALUE US\$'000	IINCOME/ (LOSS) US\$'000	NOTICE PERIOD	LIQUIDITY
BH Digital Liquid Directional Fund Limited	30.61	1.04	122,664	6,555	Monthly	Monthly
Brevan Howard Alpha Strategies Master Fund Limited	18.58	22.71	2,679,676	13,472	3 months*	Monthly
Brevan Howard AS Macro Master Fund Limited	39.42	8.88	1,047,366	(13,707)	Monthly	Monthly
Brevan Howard Emerging Markets Strategies Master Fund Limited	100.00	0.03	3,161	57	–	–
Brevan Howard Equity Strategies Master Fund Limited	100.00	0.02	2,934	(41)	–	–
Brevan Howard FG Macro Master Fund Limited	61.78	11.76	1,386,648	25,975	3 months*	Monthly
Brevan Howard Fleet SP	100.00	0.75	88,412	(8,098)	Monthly	Monthly
Brevan Howard Global Volatility Master Fund Limited	12.36	0.31	36,020	(11,816)	Monthly	Monthly
Brevan Howard MB Macro Master Fund Limited	40.47	9.61	1,132,946	94,721	3 months*	Monthly
Brevan Howard Strategic Opportunities Fund Limited	100.00	0.04	4,258	32	–	–
Brevan Howard TN Macro Master Fund Limited	86.35	0.96	112,739	(10,338)	3 months*	Monthly
WCG Strategies Fund Limited	100.00	0.02	2,034	(14)	–	–
		<b>56.13</b>	<b>6,618,858</b>	<b>96,798</b>		

\* Redemption forms are to be received on the fifth business day after the business day falling at least three months before the requested Redemption Day.

As of 30 June 2023, the above underlying funds were all domiciled in the Cayman Islands.

The extent of exposure related to the Master Fund's investments in each underlying fund is limited to the Master Fund's capital balance such fund.

The Master Fund invests in share classes of the underlying funds where no management fee or performance fee are charged.

# NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

## 5. PASS THROUGH EXPENSES

Defined terms used in this Note 5 but not otherwise defined herein shall have the meaning ascribed to such term in the prospectus of Feeder Fund (II) or the confidential offering memorandum of Partnership (II), as applicable.

The Master Fund will reimburse the Manager for the Relevant Proportion of Pass Through Expenses (the "Relevant Pass Through Expenses"). Each class and series of Master Fund Shares held by the Feeder Fund (II) and the Partnership (II), (each a "Relevant MF Class") will bear its pro rata share of the Relevant Pass Through Expenses.

Pass Through Expenses will be payable in respect of each Relevant MF Class even if the aggregate NAV of that Relevant MF Class has not increased.

The Relevant Pass Through Expenses in relation to Variable Expenses will be deemed to accrue as at each Valuation Day. The Relevant Pass Through Expenses in relation to Variable Expenses will normally be payable to the Manager in arrears within 14 calendar days of the end of each Variable Expenses Period.

The Manager and/or its affiliates intend to pay Portfolio Managers (other than Portfolio Managers appointed by an External Investment Manager and/or an Investment Adviser) an amount equal to such Portfolio Managers' Variable Expenses at the end of each Variable Expenses Period. Payments to Portfolio Managers appointed by an External Investment Manager and/or an Investment Adviser will be determined by the relevant External Investment Manager or Investment Adviser (as applicable).

The Master Fund will reimburse the Manager for the Relevant Pass Through Expenses in respect of Fixed Expenses and Other Expenses on a periodic basis in respect of each Relevant MF Class. Fixed Expenses and Other Expenses may be borne by the Master Fund directly or the Master Fund may reimburse the Manager for such Fixed Expenses and Other Expenses.

To the extent that Fixed Expenses and Other Expenses are payable by Portfolio Managers out of such Portfolio Managers' Variable Expenses as agreed between the Manager and/or its affiliates and the relevant Portfolio Managers or, in the case of an External Investment Manager or Investment Adviser, between the External Investment Manager or Investment Adviser (as applicable) and the relevant Portfolio Managers, such Fixed Expenses and Other Expenses will be excluded from the Relevant Pass Through Expenses in respect of Fixed Expenses and Other Expenses payable by the Master Fund, provided that there are sufficient Variable Expenses to cover such Fixed Expenses and Other Expenses.

The Manager will determine: (i) the timing of payment by the Master Fund of any Relevant Pass Through Expenses in respect of Fixed Expenses and Other Expenses, and (ii) the amount of Relevant Pass Through Expenses in respect of Fixed Expenses and Other Expenses payable by the Master Fund to the Manager based on the Fixed Expenses and Other Expenses incurred by the Manager and/or its affiliates or an External Investment Manager or an Investment Adviser. In determining the timing of payment of any Relevant Pass Through Expenses in respect of Fixed Expenses and Other Expenses, the Manager may determine to charge the Master Fund the Relevant Pass Through Expenses in respect of estimated Fixed Expenses and/or Other Expenses before the Manager and/or its affiliates or by an External Investment Manager or an Investment Adviser has paid such Fixed Expenses or Other Expenses. The Manager's determination of the timing and amount of any Relevant allocation of Pass Through Expenses.

Pass Through Expenses in respect of Fixed Expenses and Other Expenses will be based on a methodology that the Manager, in its sole discretion, believes to be fair and equitable after considering the nature of the Fixed Expenses and Other Expenses, the possibility of the Fixed Expenses or Other Expenses being amortised over at least a six month period and related accounting conventions.

# NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

## 5. PASS THROUGH EXPENSES (CONTINUED)

The Manager and/or its affiliates will generally allocate Relevant Pass Through Expenses charged to the Master Fund on a pro rata basis among each Relevant MF Class based on the NAV of such Relevant MF Class.

Where Pass Through Expenses are incurred by the Manager and/or its affiliates in respect of the Master Fund and one or more Other Accounts (together, the "Accounts"), the Manager and/or its affiliates will seek to allocate such Pass Through Expenses between Accounts in accordance with the Manager's expense allocation policy (the "Expense Allocation Policy") in effect from time to time. The Manager's Expense Allocation Policy, which is available to investors on request, is designed to allocate expenses in a fair and equitable manner over time. Allocations will be based on factors and methodologies deemed appropriate by the Manager and its affiliates, in their sole discretion. Such methodologies include, but are not limited to: (i) requiring personnel to periodically record or allocate their historical time with respect to one or more Accounts with a view to allocating a percentage of such personnel's total overall compensation; (ii) the Manager or its affiliates approximating the proportion of certain individuals' time spent on particular Accounts or determining headcount applicable to a particular Account; (iii) allocating expenses between Accounts based on assets under management or on a risk capital allocation basis; or (iv) any other similar methodology determined by the Manager or its affiliates to be appropriate under the circumstances.

In circumstances where Pass Through Expenses are payable directly by an Underlying Fund in which the Master Fund invests, to the extent that such Pass Through Expenses would also be payable by the Master Fund, such Pass Through Expenses will be excluded from the Relevant Pass Through Expenses payable by the Master Fund as reasonably determined by the Manager.

The Pass Through Expenses for the Master Fund for the period ended 30 June 2023 amounted to US\$9,970,785, of which US\$4,138,908 related to Variable Expenses, US\$2,908,165 related to Fixed Expenses and US\$2,923,712 related to Other Expenses. The Pass Through Expenses payable by the Master Fund as of 30 June 2023 were amounted to US\$4,471,682, of which US\$4,569,839 related to Variable Expenses payable, US\$2,983,806 related to Fixed Expenses payable and US\$(3,081,963) related to Other Expenses payable.

## 6. OPERATIONAL SERVICES FEE

The Manager receives from the Master Fund in respect of the Class B Shares and Class J Shares an operational services fee not exceeding 1/12 of 0.5% and 1%, respectively per month of the NAV of the Class B Shares and Class J Shares, respectively in the Master Fund, prior to the deduction of management and performance fees of the Master Fund for the period to 30 June 2023 as of the last valuation day in each month.

The operational services fee for the period ended 30 June 2023 amounted to US\$6,953,715. The operational services fee payable as of 30 June 2023 is US\$10,829.

## 7. MANAGEMENT AND PERFORMANCE FEES

The Manager does not receive management fee from all Classes of Shares in the Master Fund. At the period end, no management fee is payable in respect of all Classes of Shares. Management fee is charged at the Feeder Fund level.

At the period end, no performance fee is payable in respect of Class A Shares, Class B Shares, Class F Shares, Class J Shares, Class S Shares and Class W Shares as performance fee is charged at the Feeder Fund level. No performance fee is accrued for the period ended 30 June 2023.

## NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

### 7. MANAGEMENT AND PERFORMANCE FEES (CONTINUED)

As of 30 June 2023, the Master Fund held investments in the following entities (each an "underlying fund investment") managed by the Manager or one of its affiliates:

	US\$	% OF UNDERLYING FUNDS OWNERSHIP
BH Digital Liquid Directional Fund Limited	122,664,070	30.61%
Brevan Howard Alpha Strategies Master Fund Limited	2,679,675,904	18.58%
Brevan Howard AS Macro Master Fund Limited	1,047,366,415	39.42%
Brevan Howard Emerging Markets Strategies Master Fund Limited	3,161,225	100.00%
Brevan Howard Equity Strategies Master Fund Limited	2,934,222	100.00%
Brevan Howard FG Macro Master Fund Limited	1,386,648,434	61.78%
Brevan Howard Fleet SP	88,411,781	100.00%
Brevan Howard Global Volatility Master Fund Limited	36,019,601	12.36%
Brevan Howard MB Macro Master Fund Limited	1,132,946,438	40.47%
Brevan Howard Strategic Opportunities Fund Limited	4,257,819	100.00%
Brevan Howard TN Macro Master Fund Limited	112,738,822	86.35%
WCG Strategies Fund Limited	2,034,251	100.00%

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

### 8. ADMINISTRATION FEE

State Street Fund Services (Ireland) Limited ("State Street") serves as the Master Fund's administrator and performs certain administrative and accounting services on behalf of the Master Fund.

Under the terms of the Administrative Services Agreement, as amended, between State Street and the Master Fund, State Street receives a monthly administration fee based on the month end NAV of the Master Fund calculated and payable monthly in arrears.

State Street receives from the Master Fund a monthly administration fee, payable in arrears, of:

(A) a pro rata share (by assets under management subject to such fee) of 1/12 of the following percentages of the aggregate NAV of all fund entities (before deduction of any management fee, performance fee or other similar fees or expenses) managed by the Manager (including the Master Fund) and administered by State Street (together, the "Relevant BH Funds"):

- (1) 0.16 per cent on the first US\$5 billion;
- (2) 0.14 per cent on the next US\$5 billion;
- (3) 0.12 per cent on the next US\$5 billion;
- (4) 0.10 per cent on the next US\$2.5 billion; and
- (5) 0.08 per cent on the balance; less

## NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

### 8. ADMINISTRATION FEE (CONTINUED)

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

The administration fee for the Master Fund for the period ended 30 June 2023 amounted to US\$2,566,858. The administration fee payable by the Master Fund as of 30 June 2023 is US\$1,890,990.

### 9. INVESTMENTS PURCHASED UNDER AGREEMENTS TO RESELL AND INVESTMENTS SOLD UNDER AGREEMENTS TO REPURCHASE

Where the Master Fund has entered into reverse purchase agreements, the Master Fund entered into a corresponding short fixed income position, or repurchase agreement, where the collateral has been transferred to the counterparty to the agreement.

As of 30 June 2023, investments and related interest payable with a market value of US\$77,487,343 were pledged to the Master Fund as collateral (investments purchased under agreements to resell) and investments and related interest receivable with a market value of US\$8,997,632,113 were pledged by the Master Fund as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 17 July 2023 with interest rates ranging from 3.00% to 5.60% and all agreements to resell mature by 3 July 2023 with interest rates ranging from 3.35% to 5.13%.

The following table sets out the gross obligation of the Master Fund by class of collateral pledged as of 30 June 2023 for investments sold under agreements to repurchase.

	REMAINING CONTRACTUAL MATURITY OF THE AGREEMENTS				TOTAL US\$'000
	OVERNIGHT CONTINUOUS US\$'000	UP TO 30 DAYS US\$'000	30-90 DAYS US\$'000	GREATER THAN 90 DAYS US\$'000	
<b>Repurchase agreements</b>					
Corporate Debt	–	12,675	–	2,888	15,563
Non-US Government Securities	–	–	–	18,808	18,808
US Government Securities	–	8,962,590	–	–	8,962,590
<b>TOTAL BORROWINGS</b>	–	<b>8,975,265</b>	–	<b>21,696</b>	<b>8,996,961</b>
<b>GROSS AMOUNT OF RECOGNISED LIABILITIES FOR REPURCHASE AGREEMENTS IN NOTE 12</b>					<b>8,996,961</b>
Amounts related to agreements not included in offsetting disclosure in Note 12					–

# NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

## 10. SHARE CAPITAL

The Master Fund has an authorised share capital of:

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

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

The Class A US Dollar Share class is divided into two series of Shares, issued to Feeder Fund (I) and Partnership (I) and may be issued as US\$ Shares or, in respect of Feeder Fund (I), or Gold Shares. These series commenced on 1 April 2003 and 1 February 2004 respectively. All Class A, Euro, Sterling, Australian Dollar, Canadian Dollar, Brazilian Real, Norwegian Krone, Gold, Yen, Swedish Krona and Singapore Dollar Shares are held by the Feeder Fund (I), whilst all Class A US Dollar Shares are held by Feeder Fund (I) and Partnership (I). All Class F US Dollar and

Euro Shares are held by the Feeder Fund (II). All Class B US Dollar and Sterling Shares are held by BH Macro Limited. The Class J US Dollar Share class is divided into two series of shares, issued to Feeder Fund (I) and Partnership (I). Class Z US Dollar, Euro, Sterling and Yen Shares are held by Brevan Howard Multi-Strategy Master Fund Limited. Class S Shares are held by BH Alkout Fund Limited.

The rights of the Class X Shares are substantially the same as those set out in respect of Class A Shares in the Feeder Fund (I) save that no redemption, management or performance fees are payable in respect of Class X Shares. There were no Class X Shares in issue at the period end.

The rights of the Class Y Shares are substantially the same as those set out in respect of Class B Shares in the Feeder Fund (I) save that no redemption, management or performance fees are payable in respect of Class Y Shares. There were no Class Y Shares in issue at the period end.

The rights of the Class F Shares are substantially the same as those set out in respect of Class A Shares in the Feeder Fund (I) save that no redemption, management or performance fees are payable in respect of Class F Shares and the relevant portion of Pass Through Expenses is payable by Class F Shares.

The rights of the Class J Shares are substantially the same as those set out in respect of Class A Shares in the Feeder Fund (I) save that no redemption, management or performance fees are payable in respect of Class J Shares and an operational service fee is payable by Class J Shares.

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

The rights of the Class B Shares are substantially the same as those set out in respect of Class A Shares in the Feeder Fund (I) save that no redemption, management or performance fees are payable in respect of Class B Shares and an operational service fee is payable by Class B Shares.

The rights of and terms of subscription and redemption for the Class S Shares are substantially the same as the Class A Shares of the Feeder Fund (I) save that no redemption, operational services, management or performance fees are payable in respect of Class S Shares.

## NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

### 10. SHARE CAPITAL (CONTINUED)

The Master Fund may trade in New Issues. Pursuant to FINRA Rule 5130, Restricted Persons and Covered Investors may not participate fully in gains or losses from New Issues and, conversely, investors that are not Restricted Persons or Covered Investors may be allocated all, or a larger portion than their pro rata share, of the profits or losses relating to such New Issues offering. Profits and losses with respect to New Issues will generally be allocated to Non-Restricted Shares. However, the Feeder Fund and the Master Fund may apply certain "de minimis" exemptions pursuant to which a portion of any New Issue profits and losses may be allocated to Restricted Persons and/or Covered Investors.

New Issues in the past have on occasion experienced rapid, sometimes immediate, increases in market value following such offerings. In such cases, certain Restricted Persons or Covered Investors may not receive some or any of the gains from such investment. Conversely, New Issues may experience a decrease in market value following initial public offerings, in which case certain Shareholders who hold Non-Restricted Shares may receive more than their pro rata share of the losses from such investment. Shareholders will not be compensated in any respect for any such disproportionate allocations with respect to New Issues. Profits and losses with respect to New Issues will generally be allocated to Non-Restricted Shares.

The Feeder Funds subscribe for Master Fund Shares of the relevant class at such times as the directors may determine at the NAV per share of the relevant class of Master Fund Shares. Subscriptions taking place at the Master Fund level will generally be effected in a manner which corresponds to those taking place at the feeder fund level, save that subscriptions may be deemed automatically submitted or withdrawn by the Feeder Funds in order to give effect to the intended operation of the master-feeder structure.

The Feeder Funds may redeem ordinary shares of the relevant class in the Master Fund at such times as the directors may determine at the NAV per share of the relevant class of shares of the Master Fund. Redemptions taking place at the Master Fund level will generally be effected in a manner which corresponds to those taking place at the feeder fund level, save that redemption requests may be deemed automatically submitted or withdrawn by the Feeder Funds in order to give effect to the intended operation of the master-feeder structure.



# NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

## 10. SHARE CAPITAL (CONTINUED)

	SHARES IN ISSUE AT BEGINNING OF THE PERIOD	SHARES ISSUED DURING THE PERIOD	SHARES TRANSFERRED IN DURING THE PERIOD	SHARES TRANSFERRED OUT DURING THE PERIOD	SHARES REDEEMED DURING THE PERIOD	SHARES IN ISSUE AT END OF THE PERIOD	ENDING NAV PER SHARE
US Dollar Class A	174,541	20,284	173	(537)	(27,419)	167,042	US\$11,082.44
US Dollar Class A (Non-Restricted)	1,329,449	7,267	–	(1,132)	(138,683)	1,196,901	US\$1,218.51
US Dollar L.P. Class A	26,410	15	–	(12)	(3,872)	22,541	US\$9,919.72
US Dollar L.P. Class A (Non-Restricted)	1,298,761	1,228	92	(287)	(146,042)	1,153,752	US\$1,218.45
Euro Class A	27,423	8,244	600	(15)	(1,309)	34,943	€9,486.66
Euro Class A (Non-Restricted)	213,102	–	–	(345)	(25,388)	187,369	€1,177.66
Sterling Class A	30,070	11,320	44	(10)	(4,015)	37,409	£11,606.45
Sterling Class A (Non-Restricted)	36,907	–	–	(68)	(396)	36,443	£1,212.28
Yen Class A (Non-Restricted)	1,233,198	–	–	(1,826)	(125,806)	1,105,566	¥11,683.24
Norwegian Krone Class A	7,984	–	46	–	(69)	7,961	NOK3,329.64
Canada Class A	191,832	–	–	(332)	(1,642)	189,858	CAD1,239.94
US Dollar Class B	18,573	477	4	(313)	(119)	18,622	US\$6,279.06
Sterling Class B	188,704	44,503	258	(3)	(1,339)	232,123	£6,274.95
US Dollar Class J	187,443	20,373	202	(47)	(28,055)	179,916	US\$171.41
US Dollar Class J (Non-Restricted)	144,026	10,611	152	(34)	(5,411)	149,344	US\$1,197.36
US Dollar L.P. Class J	18,750	6,392	370	(2)	(1,890)	23,620	US\$1,686.21
US Dollar L.P. Class J (Non-Restricted)	139,397	31,996	208	(428)	(4,819)	166,354	US\$1,197.30
US Dollar Class S	3,196,457	–	–	–	(32,593)	3,163,864	US\$122.62
US Dollar L.P. Class W	417	–	–	–	(417)	–	US\$–
US Dollar L.P. Class W (Non-Restricted)	3,011	–	–	–	(3,011)	–	US\$–
Euro Class W	39,925	–	–	(28)	(39,897)	–	€–
Sterling Class W	61,768	–	–	(45)	(61,723)	–	£–
US Dollar Class F	36,525	664,868	83	(9)	(17,315)	684,152	US\$951.63
US Dollar Class F (Non-Restricted)	142,874	1,235,854	4	(73)	(9,057)	1,369,602	US\$951.63
Euro Class F	–	9,911	2	–	(42)	9,871	€931.06
Euro Class F (Non-Restricted)	38,451	20,976	1	(14)	(2,491)	56,923	€935.66
Sterling Class F	–	17,626	4	–	(87)	17,543	£937.70
Sterling Class F (Non-Restricted)	–	143	–	–	(1)	142	£937.70
Yen Class F (Non-Restricted)	–	753,029	20	(12)	(2,445)	750,592	¥9,175.70

## NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

### 10. SHARE CAPITAL (CONTINUED)

	SHARES IN ISSUE AT BEGINNING OF THE PERIOD	SHARES ISSUED DURING THE PERIOD	SHARES TRANSFERRED IN DURING THE PERIOD	SHARES TRANSFERRED OUT DURING THE PERIOD	SHARES REDEEMED DURING THE PERIOD	SHARES IN ISSUE AT END OF THE PERIOD	ENDING NAV PER SHARE
US Dollar L.P. Class F	–	243,420	10	–	(1,380)	242,050	US\$942.09
US Dollar L.P. Class F (Non-Restricted)	–	245,243	–	(10)	(1,057)	244,176	US\$942.09
Canada Class F (Non-Restricted)	–	37,060	3	–	(119)	36,944	CAD92.76
CHF Class F (Non-Restricted)	–	150,154	23	(4)	(624)	149,549	CHF91.52

	BEGINNING NET ASSETS US\$'000	AMOUNTS ISSUED US\$'000	AMOUNTS TRANSFERRED IN US\$'000	AMOUNTS TRANSFERRED OUT US\$'000	AMOUNTS REDEEMED US\$'000	NET INCREASE/ (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS US\$'000	ENDING NET ASSETS US\$'000
US Dollar Class A	2,037,052	238,888	1,952	(6,358)	(318,452)	(101,829)	1,851,253
US Dollar Class A (Non-Restricted)	1,705,951	9,446	–	(1,413)	(175,960)	(79,584)	1,458,440
US Dollar L.P. Class A	275,886	156	–	(121)	(40,219)	(12,113)	223,589
US Dollar L.P. Class A (Non-Restricted)	1,666,553	1,598	114	(365)	(186,503)	(75,609)	1,405,788
Euro Class A	295,878	88,941	6,492	(156)	(14,057)	(15,424)	361,674
Euro Class A (Non-Restricted)	285,422	–	–	(458)	(35,025)	(9,190)	240,749
Sterling Class A	444,251	167,253	660	(141)	(59,857)	(183)	551,983
Sterling Class A (Non-Restricted)	56,954	–	–	(105)	(613)	(68)	56,168
Yen Class A (Non-Restricted)	118,076	–	–	(165)	(11,985)	(16,576)	89,350
Norwegian Krone Class A	2,874	–	16	–	(22)	(394)	2,474
Canada Class A	185,401	–	–	(314)	(1,558)	(5,629)	177,900
US Dollar Class B	122,717	3,200	25	(2,055)	(752)	(6,199)	116,936
Sterling Class B	1,506,049	362,014	2,055	(25)	(10,622)	(7,744)	1,851,727
US Dollar Class J	34,004	3,696	36	(9)	(4,894)	(1,995)	30,838
US Dollar Class J (Non-Restricted)	182,517	13,327	190	(43)	(6,530)	(10,644)	178,817
US Dollar L.P. Class J	33,464	11,285	641	(3)	(3,295)	(2,263)	39,829
US Dollar L.P. Class J (Non-Restricted)	176,649	39,966	262	(527)	(6,095)	(11,080)	199,175
US Dollar Class S	412,760	–	–	–	(4,118)	(20,674)	387,968
US Dollar L.P. Class W	977	–	–	–	(977)	–	–
US Dollar L.P. Class W (Non-Restricted)	3,877	–	–	(1)	(3,876)	–	–
Euro Class W	88,413	–	–	(63)	(88,350)	–	–
Sterling Class W	166,233	–	–	(122)	(166,111)	–	–

## NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

### 10. SHARE CAPITAL (CONTINUED)

	BEGINNING NET ASSETS US\$'000	AMOUNTS ISSUED US\$'000	AMOUNTS TRANSFERRED IN US\$'000	AMOUNTS TRANSFERRED OUT US\$'000	AMOUNTS REDEEMED US\$'000	NET INCREASE/ (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS US\$'000	ENDING NET ASSETS US\$'000
US Dollar Class F	36,892	660,002	81	(9)	(16,537)	(29,369)	651,060
US Dollar Class F (Non-Restricted)	144,311	1,219,285	4	(71)	(8,690)	(51,484)	1,303,355
Euro Class F	–	10,879	2	–	(44)	(810)	10,027
Euro Class F (Non-Restricted)	41,238	22,434	1	(15)	(2,602)	(2,946)	58,110
Sterling Class F	–	21,211	5	–	(104)	(198)	20,914
Sterling Class F (Non-Restricted)	–	172	–	–	(1)	(2)	169
Yen Class F (Non-Restricted)	–	53,395	2	(1)	(163)	(5,592)	47,641
US Dollar L.P. Class F	–	238,552	9	–	(1,312)	(9,218)	228,031
US Dollar L.P. Class F (Non-Restricted)	–	243,791	–	(9)	(1,022)	(12,722)	230,038
Canada Class F (Non-Restricted)	–	2,676	–	–	(8)	(78)	2,590
CHF Class F (Non-Restricted)	–	16,289	2	–	(65)	(931)	15,295
	<b>10,024,399</b>	<b>3,428,456</b>	<b>12,549</b>	<b>(12,549)</b>	<b>(1,170,419)</b>	<b>(490,548)</b>	<b>11,791,888</b>

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

### 11. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND OTHER RISKS

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

Investments sold short have market risk to the extent that the Master Fund, in satisfying its obligations, may have to purchase securities to cover a short position at a higher value than that recorded in the Unaudited 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 indexes underlying a contract may exceed the amount recognised in the Unaudited 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 positions 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 exercise 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 INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

## 11. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND OTHER RISKS (CONTINUED)

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

The Master Fund purchases OTC swaps and swaptions. OTC swaps and swaptions contracts are not guaranteed by any regulated stock exchange. The Master Fund is exposed to the credit risk of the counterparty defaulting and failing to fulfil the terms of the agreement.

The Master Fund invests in fixed income securities and bank loans. Until such investments are sold or mature, the Master Fund is exposed to credit risk relating to whether the issuer will meet its obligation as it comes due.

Entering into credit default swap agreements and contracts for difference exposes the Master Fund 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 brokers take possession of the underlying collateral securities, thus exposing the Master Fund to credit risk and counterparty risk. If the seller defaults and the fair value of the collateral declines, realisation of the collateral by the Master Fund may be delayed or insufficient. The Master Fund minimises credit risk by monitoring credit exposure and collateral values, and by requiring additional collateral to be promptly deposited with or returned to the Master Fund when deemed necessary.

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

Derivative assets and liabilities included in the table in Note 3 represent the fair value of the Master Fund's holdings at the period end. These derivative assets and liabilities are not representative of the outstanding credit risk to the Master Fund due to the existence of master netting agreements.

The gross fair value of the Master Fund's derivative instruments are shown in Note 12.

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 fulfill their obligations, or the value of any collateral becomes inadequate.

The Manager and/or one of its affiliates have 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 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 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 Master 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 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 may restrict redemptions in accordance with its Memorandum and Articles of Association if the Master Fund receives requests for the redemption of shares on any Redemption Day representing in aggregate more than 10% of the total number of Ordinary Shares then in issue on a class by class basis.

The redemption terms of each class of shares in a Feeder Fund are set out in the relevant Feeder Funds' prospectus or confidential offering memorandum.

## NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

### 12. OFFSETTING ASSETS AND LIABILITIES

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

The following table provides disclosure regarding the potential effect of offsetting of recognised assets presented in the Unaudited Statement of Assets and Liabilities:

As of 30 June 2023

Offsetting of financial assets and derivative assets:

	(i)	(ii)	(iii)=(i)-(ii)	(iv)		(v)=(iii)-(iv)
				GROSS AMOUNTS NOT OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES		
DESCRIPTION	GROSS AMOUNTS OF RECOGNISED ASSETS US\$'000	GROSS AMOUNTS OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES US\$'000	NET AMOUNTS OF ASSETS PRESENTED IN THE STATEMENT OF ASSETS AND LIABILITIES US\$'000	FINANCIAL INSTRUMENTS US\$'000	CASH COLLATERAL HELD* US\$'000	NET AMOUNT** US\$'000
Derivatives	1,953,628	413,393	1,540,235	1,147,953	304,207	88,075
Reverse repurchase agreements	85,921	11,625	74,296	10,365	2,005	61,926
<b>TOTAL</b>	<b>2,039,549</b>	<b>425,018</b>	<b>1,614,531</b>	<b>1,158,318</b>	<b>306,212</b>	<b>150,001</b>

The following table provides disclosure regarding the potential effect of offsetting of recognised liabilities presented in the Unaudited Statement of Assets and Liabilities:

As of 30 June 2023

Offsetting of financial liabilities and derivative liabilities:

	(i)	(ii)	(iii)=(i)-(ii)	(iv)		(v)=(iii)-(iv)
				GROSS AMOUNTS NOT OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES		
DESCRIPTION	GROSS AMOUNTS OF RECOGNISED LIABILITIES US\$'000	GROSS AMOUNTS OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES US\$'000	NET AMOUNTS OF LIABILITIES PRESENTED IN THE STATEMENT OF ASSETS AND LIABILITIES US\$'000	FINANCIAL INSTRUMENTS US\$'000	CASH COLLATERAL PLEDGED* US\$'000	NET AMOUNT** US\$'000
Derivatives	1,646,015	413,393	1,232,622	1,147,953	51,478	33,191
Repurchase agreements	8,996,961	11,625	8,985,336	10,365	5,386	8,969,585
<b>TOTAL</b>	<b>10,642,976</b>	<b>425,018</b>	<b>10,217,958</b>	<b>1,158,318</b>	<b>56,864</b>	<b>9,002,776</b>

\* Amounts related to master netting agreements and collateral agreements determined by the Master Fund to be legally enforceable in the event of default, but certain other criteria are not met in accordance with applicable offsetting accounting guidance. The collateral amounts may exceed the related net amounts of financial assets and liabilities presented in the Unaudited Statement of Assets and Liabilities; if this is the case, the total amount reported is limited to the net amounts of financial assets and liabilities with that counterparty.

\*\* Refer to Note 9 for details of balances held as collateral and pledged as collateral relating to reverse repurchase agreements and repurchase agreements, respectively, as noted in the table above.

# NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

## 13. RELATED PARTY TRANSACTIONS

The Master Fund did not provide financial support to any related parties or investee entities during the current period.

The Master Fund considers the Manager, the Investment Managers, its principal owners, members of management, and members of their immediate families, as well as entities under common control, to be related parties to the Master Fund. Amounts due from and due to related parties are generally settled in the normal course of business.

The Manager has appointed each of the Services Providers to provide middle and back office services, risk management services, treasury and cash management services in respect of the Master Fund.

The Manager has appointed Coremont to provide, inter alia, portfolio management systems, risk analysis, middle office services and other support services in respect of the Master Fund.

Coremont is a limited liability partnership incorporated in England and Wales in February 2018 and is authorised and regulated by the Financial Conduct Authority ("FCA"). Coremont is an affiliate of the Manager. Coremont (and/or its members, employees, related entities and connected persons and their respective members, directors, partners, shareholders and employees) may subscribe, directly or indirectly, for Shares.

James Vernon is a director of the Master Fund. Mr. Vernon is also the chairman and a director of Brevan Howard Capital Management Limited, the sole general partner of the Manager.

The total directors' fees for the period ended 30 June 2023 amounted to US\$158,685 of which US\$12,833 was outstanding as of 30 June 2023.

As of 30 June 2023, the Manager, or a principal indirect owner of the Manager, indirectly held minority, non-controlling interests in certain external advisors which provide investment advice to BHIP and BHHK, in their respective capacity as an investment manager of the Master Fund or an underlying fund.

As of 30 June 2023, the Master Fund held investments in funds managed by the Manager as set out in Note 7 and below:

2023	OPENING CAPITAL US\$'000	SUBSCRIPTIONS US\$'000	REDEMPTIONS US\$'000	NET INCOME/ (LOSS) US\$'000	ENDING CAPITAL US\$'000
BH Digital Liquid Directional Fund Limited	66,109	80,000	(30,000)	6,555	122,664
Brevan Howard Alpha Strategies Master Fund Limited	2,566,204	1,450,000	(1,350,000)	13,472	2,679,676
Brevan Howard AS Macro Master Fund Limited	711,073	350,000	–	(13,707)	1,047,366
Brevan Howard Emerging Markets Strategies Master Fund Limited	3,104	–	–	57	3,161
Brevan Howard Equity Strategies Master Fund Limited	2,975	–	–	(41)	2,934
Brevan Howard FG Macro Master Fund Limited	1,010,673	350,000	–	25,975	1,386,648
Brevan Howard Fleet SP	96,510	–	–	(8,098)	88,412
Brevan Howard Global Volatility Master Fund Limited	702,459	222,486	(877,109)	(11,816)	36,020
Brevan Howard MB Macro Master Fund Limited	1,042,298	–	(4,073)	94,721	1,132,946
Brevan Howard Strategic Opportunities Fund Limited	4,226	–	–	32	4,258
Brevan Howard TN Macro Master Fund Limited	309,300	111,736	(297,959)	(10,338)	112,739
WCG Strategies Fund Limited	2,048	–	–	(14)	2,034
	6,516,979	2,564,222	(2,559,141)	96,798	6,618,858

# NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

## 13. RELATED PARTY TRANSACTIONS (CONTINUED)

The Feeder Funds invest substantially all of their assets in the Master Fund. As of 30 June 2023, the Feeder Fund (I), the Feeder Fund (II), the Partnership (I), the Partnership (II), BH Macro Limited and BH Alkout Fund Limited held 42.40%, 17.89%, 15.84%, 3.88%, 16.70% and 3.29% respectively of the net assets of the Master Fund.

As of 30 June 2023, BH Macro Limited had capital activities with the Master Fund as below:

2023	OPENING CAPITAL US\$'000	SUBSCRIPTIONS US\$'000	REDEMPTIONS US\$'000	NET INCOME/ (LOSS) US\$'000	ENDING CAPITAL US\$'000
Brevan Howard Macro Limited	1,628,766	365,214	(11,374)	(13,943)	1,968,663

As of 30 June 2023, there were investments transferred to the Master Fund.

On 1 February 2023, the Master Fund paid cash to Brevan Howard Global Volatility Master Fund Limited ("BGV") to buy investments at Fair Market Value ("FMV"). Accordingly, BGV transferred investments of US\$160,079,517 at FMV to the Master Fund.

On 1 June 2023, the Master Fund paid cash to Brevan Howard TN Macro Master Fund Limited ("BTN") to buy investments at FMV. Accordingly, BTN transferred investments of US\$109,864,209 at FMV to the Master Fund.

As of 30 June 2023, there were investments transferred from the Master Fund.

On 1 June 2023, Brevan Howard Alpha Strategies Master Fund Limited ("BHAL") paid cash to the Master Fund to buy investments at FMV. Accordingly, the Master Fund transferred investments of US\$2,427,269 at FMV to BHAL. As a result of the transfer an unrealised loss of US\$(378,991) became realised by the Master Fund.

The research charges ("Research Charges") for the Master Fund for the period ended 30 June 2023 amounted to US\$1,000,000. The research charges paid in advance by the Master Fund as of 30 June 2023 was US\$2,500,000. Research (as defined in the FCA Rules) ("Research") that the Manager and/or the Investment Managers receive from third parties in connection with the provision of services to the Master Fund and certain other investment funds, vehicles or accounts managed by the Manager and/or the Investment Managers that would benefit from the same research may be paid out of one or more research payment accounts (the "RPA") established by Manager and/or the Investment Managers. The Manager and/or the Investment Managers have determined that the purchase and use of Research benefits the Master Fund by enhancing the quality of the investment decisions which the Investment Managers are able to take on behalf of the Master Fund. The RPA is funded by monthly Research Charges paid by the Master Fund which are based on an annual Research budget determined by the Manager and/or the Investment Managers in accordance with its research policy and approved by the Board of Directors.

## 14. COMMITMENTS AND CONTINGENCIES

The Master Fund (the "Borrower") entered into a revolving line of credit agreement with BNP Paribas Securities Services S.C.A. (the "Lender"). Effective 1 July 2021, the line of credit was increased to borrowings of up to US\$400,000,000 until 30 June 2023. Effective 01 July 2023, the line of credit was reduced to borrowings of up to US\$300,000,000 until 30 June 2024, or such later anniversary thereof as the Borrower and Lender may agree (the "Scheduled Termination Date").

The line of credit is collateralised by shareholdings in other Brevan Howard funds held by the Master Fund, subject to certain conditions and haircuts.

Each loan drawn under the line of credit bears interest at a specified percentage above an agreed Risk Free Rate. The Borrower is also obliged to pay to the Lender a fee on any undrawn amount.

The Borrower is obliged to repay each loan on the earlier of

- (i) The last business day of its term, and
- (ii) Scheduled Termination Date or any earlier date on which the credit agreement is terminated in accordance with its terms.

As of 30 June 2023, undrawn borrowings under the line of credit amounted to US\$300,000,000.

# NOTES TO THE INTERIM UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 June 2023

## 15. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

The London Interbank Offered Rate ("LIBOR") may be eliminated or downgraded in quality in the near future. From 1 January 2022, all Sterling, Euro, Swiss Franc and Japanese Yen LIBOR settings, and the one-week and two-month USD LIBOR settings ceased to be available. Certain Sterling and Yen LIBOR settings will continue for a period but calculated in a way that does not rely on submissions from panel banks, and instead based on risk-free-rates, with the remaining USD LIBOR maturities ceasing immediately after 30 June 2023. It is expected that a number of banks currently reporting information used to set LIBOR will stop doing so when their reporting commitments end. This will either end the publication of LIBOR immediately or degrade its quality such that it would no longer be a relevant metric to the Master Fund. Change in LIBOR could affect the interest rates of the Master Fund's LIBOR based investments and revolving credit facility. If LIBOR is no longer available, the Master Fund will pursue alternative interest rate calculations in its LIBOR based investments and revolving credit facility. However, if no alternative can be determined, the LIBOR rate component will no longer be used in determining the rates.

As of 30 June 2023, the potential effect of no longer using the LIBOR rate component to the Master Fund's interest rate would not have had a material effect on either rate, thus the discontinuation of LIBOR is not expected to have a material effect on the Master Fund's Interim Unaudited Financial Statements.

Following events surrounding Russia's invasion of Ukraine on 24 February 2022 which are ongoing at the date the Interim Unaudited Financial Statements are available for issue, global financial markets experienced substantial volatility. As a result of the invasion, sanctions were imposed on Russia and there is risk that further economic sanctions may be imposed. The Master Fund has no direct significant exposure to Russia, Ukraine or Belarus.

The Manager will continue to monitor the situation and potential impact in line with existing risk oversight policies and procedures.

## 16. SUBSEQUENT EVENTS

These Interim Unaudited Financial Statements were approved by the Board of Directors and available for distribution on 25 August 2023. Subsequent events have been evaluated through this date. No other material events other than the below which would require to be disclosed or adjusted for in the Interim Unaudited Financial Statements occurred after the period end.

On 1 July 2023, BHAL paid cash to the Master Fund to buy investments at FMV. Accordingly, the Master Fund transferred investments of US\$21,741,731 at FMV to BHAL. As a result of the transfer an unrealised gain of US\$8,785,579 became realised by the Master Fund.

On 1 August 2023, BHAL paid cash to the Master Fund to buy investments at FMV. Accordingly, the Master Fund transferred investments of US\$7,960,336 at FMV to BHAL. As a result of the transfer an unrealised gain of US\$5,718,423 became realised by the Master Fund.

On 1 August 2023, the Master Fund paid cash to BTN to buy investments at FMV. Accordingly, BTN transferred investments of US\$16,811,672 at FMV to the Master Fund.

No other material events which would require to be disclosed or adjusted for in the Interim Unaudited Financial Statements occurred after the period end.



## NOTES

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## NOTES

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# MANAGEMENT AND ADMINISTRATION

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## Directors

Karla Bodden  
Carol Reynolds  
Philippe Lespinard  
Phil Schmitt  
Risto Silander  
James Vernon

Brevan Howard US Investment Management, LP  
1345 Avenue of the Americas, 28th Floor  
New York, NY 10105  
USA

Brevan Howard Private Limited  
6 Temasek Boulevard  
#30-03 Suntec Tower four  
Singapore 038986

## Registered Office

PO Box 309  
George Town  
Grand Cayman KY1-1104  
Cayman Islands

Brevan Howard (Tel Aviv) Ltd  
17 Yitzhak Sadeh Street  
Tel Aviv  
Israel

## Manager

Brevan Howard Capital Management LP  
acting by its sole general partner  
Brevan Howard Capital Management Limited  
6th Floor  
37 Esplanade  
St Helier  
Jersey JE2 3QA  
Channel Islands

## Auditors

KPMG  
PO Box 493  
SIX Cricket Square  
Grand Cayman KY1-1106  
Cayman Islands

## Investment Managers

Brevan Howard Asset Management LLP  
82 Baker Street  
London W1U 6AE  
United Kingdom

Brevan Howard (Hong Kong) Limited  
Unit 2601  
26/F  
Two Chinachem Central  
26 Des Voeux Road Central  
Hong Kong

Brevan Howard Investment Products Limited  
6th Floor  
37 Esplanade  
St Helier  
Jersey JE2 3QA  
Channel Islands

BH-DG Systematic Trading LLP  
55 Baker Street  
London, W1U 7EW  
England

## Legal Advisors (Cayman Law)

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

## Legal Advisors (English Law)

Simmons & Simmons  
Citypoint  
One Ropemaker Street  
London EC2Y 9SS  
United Kingdom

## Administrator

State Street Fund Services (Ireland) Limited  
78 Sir John Rogerson's Quay  
Dublin 2  
Ireland

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