BH Macro Limited
Annual Report and Audited Financial Statements 2012

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
31 December 2012

Chairman's Statement

Financial markets in 2012 saw some relief from the looming threats that have generated uncertainty and unpredictable movements for the past several years. Policy actions in the eurozone brought some alleviation of tensions in the monetary union. The immediate threat of the US fiscal cliff was at least deferred. Slowdown in China and some other emerging market economies has so far proved more moderate than was feared. Many of these threats were essentially driven by political factors, producing at times abrupt shifts in market sentiment. As the threats have receded somewhat, underlying macroeconomic trends have begun to re-emerge as a more forceful influence on markets, offering a better environment in the second half of the year for funds focused on macro trading.

Against this background, BH Macro Limited (the "Company") recorded a gain in net asset value ("NAV") in 2012 of 3.94% (on its sterling shares). After a weak first half of the year, as political differences threatened to intensify strains in the eurozone and to produce renewed fiscal deadlock in the US, a gain in NAV of 7.8% was achieved in the second half of the year. Disciplined risk management served to limit the downside in the first half of the year and the better trading environment thereafter provided the basis for positive performance which continues into 2013. On a longer perspective, the Company has continued to achieve strong returns with low volatility. Over the six years since its launch in 2007, the Company has more than doubled its NAV and has achieved an annualised rate of return of 12.78% with an annualised Sharpe ratio of 1.75. The Company thus continues to be successful in preserving shareholders' capital and achieving a positive return, uncorrelated with other markets and with low volatility.

In line with its stated purpose, the Company invests all of its assets (net of minimal working capital) in the Brevan Howard Master Fund Limited (the "Master Fund"). The Master Fund's stated objective has been, and remains, to seek to generate consistent long-term capital appreciation through active leveraged trading and investment on a global basis. As explained more fully in the report by the Company's manager, Brevan Howard Capital Management LP (the "Manager"), performance over the year was driven in large part by gains in interest rate and credit trading, offset to some extent by losses in periodic "risk off" trades which performed significantly worse than anticipated during times of stress. After a weak first half year, the Master Fund was well positioned for the accommodative policy actions in the eurozone and the US which alleviated the most immediate strains in the second half of the year. In particular, the positive performance benefited from the Manager's strategy of broadening and deepening its trading team, with newly-recruited traders generating a meaningful part of the return.

The Company remains a substantial fund, with NAV totalling $2.19 billion at the end of 2012, making it the largest single-manager hedge fund listed on the London Stock Exchange. With the Company's shares trading through the year generally close to NAV, it has not proved necessary to undertake market purchases, authority for which was renewed at the Company's AGM in June 2012. However, in line with the provision for shareholders to be offered, at the Board's sole discretion, a partial return of capital of up to the amount of the previous year's gain in NAV, the Company offered a return in 2012 of approximately 40% of the gain (of around 12%) in NAV in 2011. The offer was effected in June 2012. Given that the share price had remained close to NAV, it was not surprising that shareholder take-up was minimal. A further return of 100% of NAV growth in 2012 was offered to shareholders in February 2013; again, take-up was small. The Board remains alert to the need to be ready to undertake discount management actions where necessary so that as far as possible the share prices properly reflect the Company's underlying performance. The listing of the Company's shares on the Main Market of London Stock Exchange continues to provide an active secondary market for shareholders to trade shares. The shares have also maintained their place in the FTSE 250 and the Company has maintained its listings in Dubai and Bermuda.

The Board maintains regular dialogue with the Company's Manager, to review the Master Fund's trading strategies and risk exposures and to satisfy itself that the Manager's analytical, trading and risk management capabilities are being maintained to a high standard. The Board holds extended discussions with the Manager at each of its quarterly Board meetings, supplemented with additional contact with the Manager at intervals during the year. One Board meeting a year is held in Jersey in order to maintain first-hand contact with the Brevan Howard team there. In addition, in November 2012 Directors held meetings with Brevan Howard's team in Geneva in order to review its investment management operations. From all these contacts, the Board continues to believe that the Master Fund's performance remains of the highest standard.

The Company and its Manager have strengthened the Company's communications and investor relations efforts. Regular communication is maintained with shareholders and presentations are made to keep analysts, financial journalists and the wider investment community informed of the Company's progress. A presentation for investors will be held in London on 23 April 2013, which shareholders are warmly invited to attend (details from ir@brevenhoward.com). Up-to-date performance information is provided through NAV data published monthly on a definitive basis and weekly on an estimated basis, as well as through monthly risk reports and shareholder reports. All these reports and further information about the Company are available on its website (www.bhmacro.com).

The Directors devote careful attention to safeguarding the interests of shareholders and believe that the Company observes high standards of corporate governance. The Board, which is independent of the Brevan Howard group, holds quarterly scheduled meetings and meets ad hoc on other occasions as necessary. The work of the Board is assisted by the Audit Committee and the Management Engagement Committee. The Board continues to meet all of the provisions of the Association of Investment Companies' Code of Corporate Governance that are relevant to a company that has no executive management: the details are described below in the Directors' Report. The Board also remains committed to implementing the recommendations of the Davies Report on women on boards. At the AGM in June 2012, the Company's Memorandum and Articles were amended to reflect amendments to the Companies (Guernsey) Law, 2008.

The more extreme "tail" risks that have destabilised markets in recent years have seemingly abated somewhat in recent months, though they remain all too present in the wings; and in consequence there are signs that markets are becoming less driven by inherently uncertain political developments and more by macroeconomic trends. In this environment, the Board believes that the Master Fund has the capability to continue to deliver positive performance over time and that the Company's investment in the Master Fund offers good prospects for shareholders to achieve sustainable non-correlated returns while preserving capital.

Ian Plenderleith
Chairman

18 March 2013

Board Members

The Directors of the Company, all of whom are non-executive, are listed below:

Ian Plenderleith (Chairman), age 69
Ian Plenderleith retired at the end of 2005 after a three-year term as Deputy Governor of the South African Reserve Bank. He served on the Bank's Monetary Policy Committee and was responsible for money, capital and foreign exchange market operations and for international banking relationships. He previously worked for over 36 years at the Bank of England in London, where he was most recently Executive Director responsible for the Bank's financial market operations and a member of the Bank's Monetary Policy Committee. He has also worked at the International Monetary Fund in Washington DC and served on the Board of the European Investment Bank and on various international committees at the Bank for International Settlements. Mr Plenderleith holds an MA from Christ Church, Oxford University, and an MBA from Columbia Business School, New York. Mr Plenderleith is a non-executive director of Morgan Stanley International and BMCE Bank International in London and of Sanlam in South Africa. He is also Chairman of the Governors of Reed's School in Surrey. Mr Plenderleith has held the role of chairman since 2007.

Huw Evans, age 54
Huw Evans is Guernsey resident and qualified as a Chartered Accountant with KPMG (then Peat Marwick Mitchell) in 1983. He subsequently worked for three years in the Corporate Finance department of Schroders before joining Phoenix Securities Limited in 1986. Over the next twelve years he advised a wide range of companies in financial services and other sectors on mergers and acquisitions and more general corporate strategy. Since moving to Guernsey in 2005, he has acted as a professional non-executive Director of a number of Guernsey-based companies and funds. BH Macro Limited is the only quoted fund on whose Board he currently sits. He holds an MA in Biochemistry from Cambridge University. Mr Evans was appointed to the Board in 2010.

Anthony Hall, age 73
Anthony Hall is Guernsey resident and has 50 years experience in the financial services industry. He worked for Barclays Bank between 1955 and 1970 and between 1970 and 1976 he held positions with N.M. Rothschild, Guernsey; Bank of London & Montreal, Nassau; and Italian International Bank (CI) Limited, Guernsey. In 1976 he was

appointed as Managing Director of Rea Brothers (Guernsey) Limited and between 1988 and 1995 he served as joint CEO and managing director of Rea Brothers Group Plc. He served as Chairman of Rea Brothers (Guernsey) Limited from 1995 to 1996. He was founder Deputy Chairman of the Guernsey International Business Association and was Chairman of the Association of Guernsey Banks in 1994. In addition to being a director of the Company, Mr Hall is currently a director of a number of Guernsey based investment funds including amongst others Stratton Street PCC Limited. Mr Hall was appointed to the Board in 2007.

Christopher Legge, (Senior Independent Director), age 57
Christopher Legge is Guernsey resident and has over 25 years experience in the financial services industry. He qualified in London in 1980 with Pannell Kerr Forster and subsequently moved to Guernsey in 1983 to work for Ernst & Young, progressing from audit manager to Managing Partner in the Channel Islands. Mr Legge retired from Ernst & Young in 2003 and currently holds a number of directorships in the financial sector including, among others Ashmore Global Opportunities Limited and Third Point Offshore Investors Limited. Mr Legge is an FCA and holds a BA (Hons) in Economics from the University of Manchester. Mr Legge was appointed to the Board in 2007.

Talmai Morgan, age 60
Talmai Morgan is Guernsey resident and qualified as a barrister in 1976. He moved to Guernsey in 1988 where he worked for Barings and then for the Bank of Bermuda as Managing Director of Bermuda Trust (Guernsey) Limited. From January 1999 to June 2004, he was Director of Fiduciary Services and Enforcement at the Guernsey Financial Services Commission (Guernsey's financial regulatory agency) where he was responsible for the design and subsequent implementation of Guernsey's law relating to the regulation of fiduciaries, administration businesses and company directors. He was also involved in the international working groups of the Financial Action Task Force and the Offshore Group of Banking Supervisors. From July 2004 to May 2005, he was Chief Executive of Guernsey Finance which is the official body for the promotion of the Guernsey finance industry. Mr Morgan holds a MA in Economics and Law from Cambridge University. Mr. Morgan is Chairman of the Listed Hedge Fund Forum of the Association of Investment Companies. In addition to being a director of the Company, Mr Morgan is a Director of a number of listed investment funds including, amongst others, BH Global Limited, DCG IRIS Limited, John Laing Infrastructure Fund Limited, NB Distressed Debt Investment Fund Limited, NB Private Equity Partners Limited, Real Estate Credit Investments PCC Limited, Sherborne Investors (Guernsey) A Limited, Sherborne Investors (Guernsey) B Limited and Global Fixed Income Realisation Limited. Mr. Morgan was appointed to the Board in 2007.

Stephen Stonberg, age 45
Stephen Stonberg is a resident of the United States and has over 25 years experience in the financial services industry in both Europe and the United States. From 2011 to 2013, he was a Managing Director at Credit Suisse Asset Management in New York. Prior to this, Mr Stonberg worked for Brevan Howard entities in both London and New York. He joined Brevan Howard Asset Management LLP in London in September 2006 as Head of Business Development and subsequently became a Partner in April 2007. In February 2009 he relocated from London to New York to run North American marketing for Brevan Howard US Asset Management LP. From January to December 2010 he was the CEO of Brevan Howard US LLC, a member of the Financial Industry Regulatory Authority, Inc (FINRA). Prior to joining Brevan Howard, Mr Stonberg worked for JPMorgan (2001-2006) as managing director and Global Head of Strategy and Business Development for the Investment Banking Division (2003-2006) and as managing director and Head of Credit Derivative Marketing EMEA (2001-2003). Previously, Mr Stonberg worked at Deutsche Bank (1996-2001) as managing director of Global Credit Derivatives. Mr Stonberg holds an MBA from Harvard Business School (1994) and a Bachelor's Degree in Economics from Columbia University (1989). He is currently a non‑executive director of Coalition Development Limited. Mr Stonberg is a non-executive director of BH Global Limited a FTSE 250 listed company and BH Credit Catalysts Limited. Mr Stonberg was appointed to the Board in 2007.

Directors' Report
31 December 2012

The Directors submit their Report together with the Company's Audited Statement of Assets and Liabilities, Audited Statement of Operations, Audited Statement of Changes in Net Assets, Audited Statement of Cash Flows and the related notes for the year ended 31 December 2012. The Directors' Report together with the Audited Financial Statements (the "Financial Statements") and their related notes give a true and fair view of the financial position of the Company. They have been prepared properly, in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), are in accordance with any relevant enactment for the time being in force and are in agreement with the accounting records.

The Company
The Company is a limited liability closed-ended investment company incorporated in Guernsey on 17 January 2007.

The Company was admitted to a Secondary Listing (Chapter 14) on the Official List of the London Stock Exchange on 14 March 2007. On 11 March 2008, the Company migrated from the Secondary Listing to a Primary Listing pursuant to Chapter 15 of the Listing Rules of the UK Listing Authority. As a result of changes to the UK Listing Regime, the Company's Primary Listing became a Premium Listing with effect from 6 April 2010.

As of 20 October 2008 the Company obtained a Secondary Listing on the Bermuda Stock Exchange and with effect from 11 November 2008, the US Dollar Shares of the Company were admitted to a Secondary Listing on NASDAQ Dubai.

The proceeds from the original issue of shares on listing amounted to approximately US$1.1 billion. On 26 October 2007 the Company issued further shares in a cash placing amounting to approximately US$0.1 billion.

The Company is a member of the Association of Investment Companies.

Investment objective and policy
The Company is organised as a feeder fund that invests all of its assets (net of short-term working capital requirements) directly in the Master Fund managed by the Brevan Howard group, a hedge fund in the form of a Cayman Islands open-ended investment company, which has as its investment objective the generation of consistent long-term appreciation through active leveraged trading and investment on a global basis.

The Master Fund has flexibility to invest in a wide range of instruments including, but not limited to, debt securities and obligations (which may be below investment grade), bank loans, listed and unlisted equities, other collective investment schemes, currencies, commodities, futures, options, warrants, swaps and other derivative instruments. The underlying philosophy is to construct strategies, often contingent in nature, with superior risk/return profiles, whose outcome will often be crystallised by an expected event occurring within a pre-determined period of time.

The Company may employ leverage for the purposes of financing share purchases or buy backs, satisfying working capital requirements or financing further investment into the Master Fund, subject to an aggregate borrowing limit of 20% of the Company's net asset value, calculated as at the time of borrowing. Borrowing by the Company is in addition to leverage at the Master Fund level, which has no limit on its own leverage.

Results and dividends
The results for the year are set out in the Audited Statement of Operations. The Directors do not recommend the payment of a dividend.

The figures stated in Note 9 of the Notes to the Audited Financial Statements for Net Investment Losses are, in the Directors' opinion and in accordance with the Company's investment objectives, not the best reflection of the Company's overall performance. Considering the investment objectives of the Company, the Directors consider that the figures disclosed in Note 9 for Total Returns are a better reflection of the Company's overall performance during the year.

Share capital
The number of shares in issue at the year end is disclosed in Note 5 to the Financial Statements.

During the year, the Company announced an offer for a partial capital return to the shareholders of each class of approximately 40% of the gain in NAV over 2011, which was effected at the time of the AGM in June 2012.

The Company also announced in 2013 an offer for a partial capital return to shareholders of an amount equal to 100% of the NAV growth during the 2012 calendar year for each class of its shares (less certain costs and provisions). The partial capital return allowed shareholders to elect to have shares redeemed at a price equal to the NAV for the relevant class of shares as at 31 December 2012, discounted by 4%. The record date for participation in the partial capital return was 31 January 2013.

Going concern
After making enquiries and given the nature of the Company and its investment, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing these Financial Statements and, after due consideration, the Directors consider that the Company is able to continue for the foreseeable future.

The Board
The Board of Directors has overall responsibility for safeguarding the Company's assets, for the determination of the

investment policy of the Company, for reviewing the performance of the service providers and for the Company's activities. The Directors, all of whom are non-executive, are listed in the Board Members section and on the inside back cover. The Board has considered the independence of each Director. Stephen Stonberg and Talmai Morgan are not independent of the Manager for the purposes of LR15.2.12-A.

The Articles provide that, unless otherwise determined by ordinary resolution, the number of Directors shall not be less than two. The Company's policy on Directors' Remuneration, together with details of the remuneration of each Director who served during the year, is detailed in the Directors' Remuneration Report.

The Board meets at least four times a year and between these formal meetings there is regular contact with the Manager and the Secretary. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Company and should be brought to the attention of the Directors. The Directors also have access to the Administrator and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

Directors
For each Director, the tables below set out the number of Board and Audit Committee meetings they were entitled to attend during the year ended 31 December 2012 and the number of such meetings attended by each Director.

Scheduled Board Meetings	**Held**	**Attended**
Ian Plenderleith	4	4
Huw Evans	4	4
Anthony Hall	4	4
Christopher Legge	4	4
Talmai Morgan	4	4
Stephen Stonberg	4	4

Audit Committee Meetings	**Held**	**Attended**
Huw Evans	5	5
Anthony Hall	5	4
Christopher Legge	5	5

Management Engagement Committee Meetings	**Held**	**Attended**
Ian Plenderleith	1	1
Anthony Hall	1	1
Christopher Legge	1	1

Directors' interests
Talmai Morgan and Stephen Stonberg are both non-executive Directors of BH Global Limited. BH Global Limited is managed by Brevan Howard Capital Management LP, the Company's Manager, and is a feeder fund for the Brevan Howard Global Opportunities Master Fund Limited which invests, amongst other investments, in the Master Fund.

Stephen Stonberg is also a non-executive Director of BH Credit Catalysts Limited. BH Credit Catalysts Limited is managed by Brevan Howard Capital Management LP, the Company's Manager, and is a feeder fund for the Brevan Howard Credit Catalysts Master Fund Limited into which the Master Fund invests.

Further Directors' interests are disclosed in the Board Members Section.

The Directors had the following interests in the Company, held either directly or beneficially:

	US Dollar Shares	
	31.12.12	**31.12.11**
Ian Plenderleith	Nil	Nil
Huw Evans	Nil	Nil
Anthony Hall	Nil	Nil
Christopher Legge	Nil	Nil

Talmai Morgan	Nil	Nil
Stephen Stonberg	Nil	Nil

		Euro Shares
	31.12.12	**31.12.11**
Ian Plenderleith	Nil	Nil
Huw Evans	Nil	Nil
Anthony Hall	Nil	Nil
Christopher Legge	Nil	Nil
Talmai Morgan	Nil	Nil
Stephen Stonberg	Nil	Nil

		Sterling Shares
	31.12.12	**31.12.11**
Ian Plenderleith	Nil	Nil
Huw Evans	710	710
Anthony Hall	15,738	15,738
Christopher Legge	Nil	Nil
Talmai Morgan	1,200	Nil
Stephen Stonberg	5,676	5,676

Directors' indemnity

Directors' and officers' liability insurance cover is in place in respect of the Directors. The Directors entered into indemnity agreements with the Company which provide for, subject to the provisions of the Companies (Guernsey) Law, 2008, an indemnity for Directors in respect of costs which they may incur relating to the defence of proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court. The agreement does not provide for any indemnification for liability which attaches to the Directors in connection with any negligence, unfavourable judgements, breach of duty or trust in relation to the Company.

Corporate governance

To comply with the UK Listing Regime the Company must comply with the requirements of the UK Corporate Governance Code.

The Guernsey Financial Services Commission ("GFSC") issued a new Code of Corporate Governance (the "GFSC Code") which came into effect on 1 January 2012. The GFSC Code replaces the existing GFSC guidance, "Guidance on Corporate Governance in the Finance Sector". The GFSC Code provides a framework that applies to all entities licensed by the GFSC or which are registered or authorised as a collective investment scheme. Companies reporting against the UK Corporate Governance Code or the Association of Investment Companies Code of Corporate Governance are deemed to comply with the GFSC Code.

The UK Financial Reporting Council ("FRC") issued a revised UK Corporate Governance Code in September 2012 for reporting periods beginning on or after 1 October 2012. The Association of Investment Companies ("AIC") updated the AIC Code of Corporate Governance (including the Jersey and Guernsey editions) and its Guide to Corporate Governance in February 2013 to reflect the relevant changes to the FRC document.

The Board of the Company has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

• the role of the chief executive

• executive directors' remuneration

• the need for an internal audit function

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Company has adopted a policy that the composition of the Board of Directors is at all times such that (i) a majority of the Directors are independent of the Manager and any company in the same group as the Manager; (ii) the Chairman of the Board of Directors is free from any conflicts of interest and is independent of the Manager and of any company in the same group as the Manager; and (iii) no more than one director, partner, employee or professional adviser to the Manager or any company in the same group as the Manager may be a Director of the Company at any one time.

The Company has also adopted a Code of Directors' dealings in shares, which is based on the Model Code for Directors' dealings contained in the London Stock Exchange's Listing Rules.

During the year, the AIC recommended that the Ongoing Charges disclosure should replace the Total Expense Ratio which has traditionally been calculated by investment companies. Ongoing charges for the year ended 31 December 2012 and 31 December 2011 have been prepared in accordance with the AIC's recommended methodology and replaces the previously used Total Expense Ratios.

The following table presents the Ongoing Charges for each share class:

31.12.12

	US Dollar Shares	Euro Shares	Sterling Shares
Company – Ongoing Charges	1.93%	1.92%	1.94%
Master Fund – Ongoing Charges	0.60%	0.59%	0.60%
Performance fee	0.86%	0.74%	0.94%
Ongoing Charges plus performance fee	3.39%	3.25%	3.48%

31.12.11

	US Dollar Shares	Euro Shares	Sterling Shares
Company – Ongoing Charges	1.95%	1.91%	1.96%
Master Fund – Ongoing Charges	0.63%	0.61%	0.63%
Performance fee	2.79%	2.88%	2.90%
Ongoing Charges plus performance fee	5.37%	5.40%	5.49%

The Company's risk exposure and the effectiveness of its risk management and internal control systems are reviewed by the Audit Committee at its meetings and annually by the Board. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

In view of its non-executive and independent nature, the Board considers that it is not appropriate for there to be a Nomination Committee or a Remuneration Committee as anticipated by the AIC Code. The Board as a whole fulfils the functions of the Nomination and Remuneration Committees, although the Board has included a separate Remuneration Report in these Financial Statements. For new appointments to the Board, nominations are sought from the Directors and from other relevant parties and candidates are then interviewed by an ad hoc committee of independent Directors. The Directors were appointed for an initial term of three years and Section 20.3 of the Company's Articles requires all of the Directors to retire at each Annual General Meeting. As the Company is a FTSE 250 listed Company, in line with the AIC Code each Director will put themselves up for re-election at each Annual

General Meeting. On 18 June 2012, the Annual General Meeting of the Company, Shareholders re-elected all the Directors of the Company.

The Board has also given careful consideration to the recommendations of the Davies Report on “Women on Boards”. As recommended in the Davies Report, the Board has reviewed its composition and believes that the current appointments provide an appropriate range of skills and experience. In order to extend its diversity, the Board is committed to implementing the recommendations of the Davies Report as part of its succession planning over future years.

The Board, of which Ian Plenderleith is Chairman, consists solely of non-executive Directors. Christopher Legge is the Senior Independent Director of the Board. As at the year end, all the Directors, except Stephen Stonberg and Talmai Morgan, are considered by the Board to be independent of the Company’s Manager.

The Board has a breadth of experience relevant to the Company, and the Directors believe that any changes to the Board’s composition can be managed without undue disruption. The Board has adopted a Nomination Policy covering procedures for nominations to the Board and to Board committees. An induction programme has been prepared for any future Director appointments.

The Board, Audit Committee and Management Engagement Committee undertake an evaluation of their own performance and that of individual Directors on an annual basis. In order to review their effectiveness, the Board and its Committees carry out a process of formal self-appraisal. The Board and Committees consider how they function as a whole and also review the individual performance of their members. This process is conducted by the respective Chairman reviewing the Directors’ performance, contribution and commitment to the Company. Christopher Legge as Senior Independent Director takes the lead in reviewing the performance of the Chairman. The Chairman also has responsibility for assessing the individual Board members’ training requirements.

In accordance with the AIC Code which requires external evaluation of the Board every three years, the Board commissioned an external evaluation by Optimus Group Limited, of its performance in October 2011. The report of the evaluation confirmed that the Company observes a high standard of Corporate Governance and the Board intends to repeat the exercise every three years.

The Terms of Reference of both the Audit Committee and Management Engagement Committee are available from the Administrator.

Anti-bribery and corruption policy
The Board has adopted a formal Anti-bribery and Corruption Policy. The policy applies to the Company and to each of its Directors. Further, the policy is shared with each of the Company’s service providers.

Audit Committee
The Company has established an Audit Committee with formal duties and responsibilities. This Committee meets formally at least twice a year and each meeting is attended by the independent Auditor and Administrator. The Audit Committee comprises Huw Evans, Anthony Hall and Christopher Legge. Christopher Legge is the Chairman of the Audit Committee.

The table above sets out the number of Audit Committee meetings held during the year ended 31 December 2012 and the number of such meetings attended by each committee member.

The Audit Committee reviews and recommends to the Board the Financial Statements of the Company and is the forum through which the Independent Auditor reports to the Board of Directors. The objectivity of the Independent Auditor is reviewed by the Audit Committee which also reviews the terms under which the Independent Auditor is appointed to perform non-audit services. The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the Independent Auditor, with particular regard to non-audit fees. The Audit Committee considers KPMG Channel Islands Limited to be independent of the Company.

The Independent Auditor reported to the Committee that no material misstatements were found in the course of its work. The Committee confirms that it is satisfied that the Independent Auditor has fulfilled its responsibilities with diligence and professional scepticism.

After reviewing the presentations and reports from management, and consulting where necessary with the Independent Auditor, the Audit Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

The Audit Committee has requested and received SOC 1 or equivalent reports from the Manager and the Administrator to enable it to fulfil its duties under its terms of reference.

The Audit Committee has reviewed the need for an internal audit function. The Audit Committee considers the systems and procedures employed by the Manager and the Administrator, including their internal audit functions, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Appointment to the Audit Committee is for a period up to three years which may be extended for two further three year periods provided that the majority of the Audit Committee remain independent of the Manager. Anthony Hall and Christopher Legge are currently serving their third term of three years. Huw Evans is currently serving his first term.

A member of the Audit Committee is available to attend each Annual General Meeting to respond to any shareholder questions on the activities of the Audit Committee.

Auditor's remuneration
The tables below summarise the remuneration paid to KPMG Channel Islands Limited and to other KPMG affiliates for audit and non-audit services during years ended 31 December 2012 and 31 December 2011.

	Year ended 31.12.12	Year ended 31.12.11
KPMG Channel Islands Limited		
- Annual audit	£23,000	£22,300
- Auditor's interim review	£8,500	£8,500
Other KPMG affiliates		
- German tax services	£24,257	£22,553
- US tax services	£11,761	£12,346

The German and US tax services are provided in relation to the reporting requirements of investors who are residents for tax purposes of these countries.

The Audit Committee has established pre-approval policies and procedures for the engagement of KPMG to provide audit, assurance and tax services.

German Tax Reporting
With effect from the year commencing 1 January 2014, the Company no longer intends to comply with the tax calculation and reporting requirements pursuant to section 5 of the German Investment Tax Act (Investmentsteuergesetz) due to lack of demand for the reporting.

Shareholders with any queries in relation to the above should contact the Administrator in the first instance, whose contact details can be found on the Company's website, www.bhmacro.com.

Management Engagement Committee
The Board has established a Management Engagement Committee with formal duties and responsibilities. These duties and responsibilities include the regular review of the performance of and contractual arrangements with the Manager and other service providers and the preparation of the Committee's annual opinion as to the Manager's services.

The principal contents of the Manager's contract and notice period are contained in note 4 to the Financial Statements.

The Management Engagement Committee meets formally at least once a year and comprises Ian Plenderleith, Anthony Hall and Christopher Legge. Anthony Hall is the Chairman of the Management Engagement Committee.

The Board continuously monitors the performance of the Manager and a review of the Manager is conducted by the Management Engagement Committee annually.

The Manager has wide experience in managing and administering fund vehicles and has access to extensive investment management resources. At its meeting of 19 September 2012, the Management Engagement Committee concluded that the continued appointment of the Manager on the terms agreed would be in the interests of the Company's shareholders as a whole. At the date of this report the Board continued to be of the same opinion.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US tax compliance with respect to those assets. However, the States of Guernsey has recently announced that it has decided to enter into an intergovernmental agreement ("IGA") with US Treasury in order to facilitate the requirements under the Act and is currently in negotiations with regards to how this is to be implemented and as a result, the impact this will have on the Company remains unknown. The Board is in the process of ensuring the Company complies with the Act's requirements.

Relations with shareholders

The Board welcomes shareholders' views and places great importance on communication with the Company's shareholders. The Board receives regular reports on the views of shareholders and the Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum for shareholders to meet and discuss issues with the Directors of the Company. The Manager provides weekly estimates of NAV and a month end NAV, and the Manager provides a monthly newsletter and a risk report. These are published via RNS and are also available on the Company's website.

The Manager maintains regular dialogue with institutional shareholders, the feedback from which is reported to the Board. In addition, Board members are available to respond to shareholders' questions at Annual General Meetings. Shareholders who wish to communicate with the Board should contact the Administrator in the first instance.

Significant shareholders

As at 31 December 2012, the following had significant shareholdings in the Company:

	Total shares held	% holding in class
Significant shareholders		
US Dollar shares		
Chase Nominees Limited	4,993,054	16.86
Vidacos Nominees Limited	3,169,409	10.70
Goldman Sachs Securities (Nominees) Limited	2,938,907	9.92
Nortrust Nominees Limited	2,713,753	9.16
Lynchwood Nominees Limited	2,277,335	7.69
Morstan Nominees Limited	1,973,308	6.66
Enhanced Investing Corporation (Cayman) II Limited	1,745,030	5.89
State Street Nominees Limited	1,623,683	5.48
Euroclear Nominees Limited	1,355,585	4.58
HSBC Global Custody Nominee (UK) Limited	1,131,695	3.82
The Bank of New York (Nominees) Limited	1,054,917	3.56
Euro shares		
Nordea Bank Danmark A/S	2,243,586	30.30
BBHISL Nominees Limited	876,551	11.84
HSBC Global Custody Nominee (UK) Limited	764,706	10.33
Lynchwood Nominees Limited	759,149	10.25
Aurora Nominees Limited	391,312	5.28
Vidacos Nominees Limited	365,874	4.94
Roy Nominees Limited	288,360	3.89
The Bank of New York (Nominees) Limited	259,753	3.51
State Street Nominees Limited	222,880	3.01

Sterling shares		
Chase Nominees Limited	9,810,312	23.54
HSBC Global Custody Nominee (UK) Limited	3,821,896	9.17
Nutraco Nominees Limited	3,043,005	7.30
Lynchwood Nominees Limited	2,796,685	6.71
Nortrust Nominees Limited	2,523,079	6.05
State Street Nominees Limited	2,340,697	5.62
The Bank of New York (Nominees) Limited	1,417,786	3.40

Signed on behalf of the Board by:

Ian Plenderleith
Chairman

Christopher Legge
Director

18 March 2013

Statement of Directors' Responsibility in Respect of the Annual Report and Audited Financial Statements

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in conformity with accounting principles generally accepted in the United States of America.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements the Directors are required to:-

• select suitable accounting policies and then apply them consistently;

• make judgements and estimates that are reasonable and prudent;

• state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and

• prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

We confirm to the best of our knowledge that:

• so far as each of the Directors is aware, there is no relevant audit information of which the Company's Independant Auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's Independant Auditor is aware of that information;

• these Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America and give a true and fair view of the financial position of the Company; and

• these Financial Statements include information detailed in the Chairman’s Statement, the Directors’ Report and the Manager’s Report, which provides a fair view of the information required by:-

(a) DTR 4.1.8 of the Disclosure and Transparency Rules, being a fair review of the Company business and a description of the principal risks and uncertainties facing the Company; and

(b) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

Signed on behalf of the Board by:

Ian Plenderleith
Chairman

Christopher Legge
Director

18 March 2013

Directors’ Remuneration Report
31 December 2012

Introduction
An ordinary resolution for the approval of the annual remuneration report will be put to the shareholders at the Annual General Meeting to be held in 2013.

Remuneration policy
All Directors are non-executive and a Remuneration Committee has not been established. The Board as a whole considers matters relating to the Directors’ remuneration. No advice or services were provided by any external person in respect of its consideration of the Directors’ remuneration.

The Company’s policy is that the fees payable to the Directors should reflect the time spent by the Directors on the Company’s affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate directors of a quality required to run the Company successfully. The Chairman of the Board is paid a higher fee in recognition of his additional responsibilities, as are the Chairmen of the Audit Committee and the Management Engagement Committee. The policy is to review fee rates periodically, although such a review will not necessarily result in any changes to the rates, and account is taken of fees paid to directors of comparable companies.

There are no long term incentive schemes provided by the Company and no performance fees are paid to Directors.

No Director has a service contract with the Company but each of the Directors is appointed by a letter of appointment which sets out the main terms of their appointment. Each Director was issued a new letter of appointment on 10 December 2012. Directors hold office until they retire or cease to be a director in accordance with the Articles of Incorporation, by operation of law or until they resign. The Directors were appointed for an initial term of three years and Section 20.3 of the Company’s Articles requires all of the Directors to retire at each Annual General Meeting. As the Company is a FTSE 250 listed Company, in line with the AIC Code each Director will put themselves up for re-election at each Annual General Meeting. On 18 June 2012, the Annual General Meeting of the Company, shareholders re-elected all the Directors. Director appointments can also be terminated in accordance with the Articles. Should shareholders vote against a Director standing for re-election, the Director affected will not be entitled to any compensation. There are no set notice periods and a Director may resign by notice in writing to the Board at any time.

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No other remuneration or compensation was paid or payable by the Company during the period to any of the Directors apart from the reimbursement of allowable expenses.

Directors’ fees
The Company’s Articles limit the fees payable to Directors in aggregate to £400,000 per annum. From 1 April 2012, annual fees were increased to £162,000 for the Chairman, £36,000 for Chairmen of both the Audit Committee and the Management Engagement Committee and £33,000 for all other Directors.

The fees payable by the Company in respect of each of the Directors who served during the year ended 31 December 2012, and the year ended 31 December 2011, were as follows:

	Year ended 31.12.12 £	Year ended 31.12.11 £
Ian Plenderleith	159,000	150,000
Huw Evans	32,250	30,000
Anthony Hall	35,250	33,000
Christopher Legge	35,250	33,000
Talmai Morgan	32,250	30,000
Stephen Stonberg	32,250	30,000
Total	326,250	306,000

Signed on behalf of the Board by:

Ian Plenderleith
Chairman

Christopher Legge
Director

18 March 2013

Manager's Report

Brevan Howard Capital Management LP is the Manager of the Company and of the Master Fund.

Performance Review
The Net Asset Value (the "NAV") of the USD share class appreciated by 3.86% in 2012, while the NAV of the Euro shares and the Sterling shares appreciated by 3.63% and 3.94% respectively in 2012.

The month-by-month NAV performance of each currency class of the Company since it commenced operations in March 2007 is set out below:

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

EUR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	–	–	0.05	0.70	0.02	2.26	2.43	3.07	5.65	(0.08)	2.85	0.69	18.95
2008	9.92	6.68	(2.62)	(2.34)	0.86	2.84	1.28	0.98	(3.30)	2.79	3.91	(0.45)	21.65
2009	5.38	2.67	1.32	0.14	3.12	(0.82)	1.33	0.71	1.48	1.05	0.35	0.40	18.36
2010	(0.30)	(1.52)	0.03	1.48	0.37	1.39	(1.93)	1.25	1.38	(0.35)	(0.34)	(0.46)	0.93
2011	0.71	0.57	0.78	0.52	0.65	(0.49)	2.31	6.29	0.42	(0.69)	1.80	(0.54)	12.84
2012	0.91	0.25	(0.39)	(0.46)	(1.89)	(2.20)	2.40	0.97	1.94	(0.38)	0.90	1.63	3.63

GBP	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	–	–	0.11	0.83	0.17	2.28	2.55	3.26	5.92	0.04	3.08	0.89	20.67
2008	10.18	6.85	(2.61)	(2.33)	0.95	2.91	1.33	1.21	(2.99)	2.84	4.23	(0.67)	23.25
2009	5.19	2.86	1.18	0.05	3.03	(0.90)	1.36	0.66	1.55	1.02	0.40	0.40	18.00

2010	(0.23)	(1.54)	0.06	1.45	0.36	1.39	(1.96)	1.23	1.42	(0.35)	(0.30)	(0.45)	1.03
2011	0.66	0.52	0.78	0.51	0.59	(0.56)	2.22	6.24	0.39	(0.73)	1.71	(0.46)	12.34
2012	0.90	0.27	(0.37)	(0.41)	(1.80)	(2.19)	2.38	1.01	1.95	(0.35)	0.94	1.66	3.94

Source: The Company's NAV data is provided by the Company's administrator, Northern Trust International Fund Administration Services (Guernsey) Limited. Monthly NAV data is unaudited and net of all investment management fees (2% annual management fee and 20% performance fee) and all other fees and expenses payable by the Company.

Shares in the Company do not necessarily trade at a price equal to the prevailing NAV per Share.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

As detailed above, the Master Fund posted modest gains in 2012. Gains came mainly from themes in core interest rates and credit trading, FX trading was roughly flat, while commodities and equities trading detracted modestly. The macro picture remained highly stressed throughout 2012, with concerns about peripheral Europe in the first half and the US fiscal cliff in the second half creating significant potential event risks. Meanwhile, economic fundamentals across the globe generally remained soft, at least until the fourth quarter, further exacerbating the possibility of some sort of market dislocation.

Offsetting and ultimately overwhelming these negatives, however, were central bank policies of close to zero interest rates and the provision of almost unlimited liquidity in key countries, as well as the anticipation of ever more urgent policy responses if circumstances deteriorated. Against this backdrop of poor fundamentals and extraordinary monetary accommodation, markets reacted primarily to statements from various policymakers rather than to economic data. This new dynamic made the structuring of portfolios and the management of positions more difficult than usual. In particular, the performance of many "risk-off" trades was worse than anticipated during times of stress, which served to reduce the Master Fund's gains for the year as a whole.

The Master Fund's performance in interest rate trading was positive and was the main driver of the positive performance of the fund. Traders did well in core European rates, as they positioned for European Central Bank rate cuts in summer and stayed long throughout the balance of the year which proved profitable. Traders also made gains in peripheral European rates, running a multi-month long in Greece as well as with some small tactical buys in Italy and Spain. US rates, normally a significant risk and profit/loss area for the trading team, was relatively quiet in 2012.

Credit trading was also a strong contributor to performance, especially given its relatively modest capital allocation. The Master Fund made consistent gains throughout the year apart from a minor setback in May. The majority of the performance was generated in the CMBS and RMBS markets. Gains were made from both a modest structural-long tilt in the asset class and also from our long-short activity. Positioning in various "long stress" or "risk-off" trades throughout the year, such as being structurally-long volatility, longs in asset-swap spreads and Libor-basis wideners, generated moderate losses for the year.

Commodities trading was a small detractor to NAV performance, however, it represented a relatively small percentage of overall portfolio risk. The Master Fund ran small longs in gold, crude and natural gas but there were no high-conviction bigger-sized themes. Equities trading also provided small losses.

FX trading ended the year approximately flat with FX risk levels being lighter than what is typical for the Master Fund. Traders ran some meaningful short EUR exposure during the first half of the year and were short JPY late in the year but outside of these themes there was not a lot of risk put on in the FX markets.

Commentary and Outlook

Looking forward to 2013, the tail risks which have haunted the markets for the last five years appear to have receded for the time being, but have by no means disappeared. Having faith in policymakers' ability to provide a perpetual put may yet prove to be a serious error; and, with interest rates stuck at zero, investors' ability to easily earn back losses remains severely impaired. Therefore, we continue to believe that it is imperative to maintain risk management discipline and to be continuously mindful of the potential for renewed systemic stress.

But even as we think carefully about the downside, we are more optimistic about the opportunity set for macro trading now than we have been for some time. The US, Europe, China and Japan all seem to be following the same game plan of unlimited monetary accommodation, some financial repression and a desire for currency debasement. In short, the world's major central banks are "all in" with very aggressive, non-traditional monetary policy having become the norm. At the same time, investors have become desensitised to the seemingly broken record of the doomsayers' predictions of a financial apocalypse caused by a euro break-up, US fiscal and monetary irresponsibility, or a Chinese hard landing to name but a few scenarios.

Policy hyperactivity coupled with investor apathy could lead to significant and persistent price moves in multiple capital markets. Such an outcome naturally creates a very opportunity-rich environment for macro trading. The challenge is to be on the right side of those potential moves.

The Master Fund's positioning as we start the year has a "risk on" tilt coupled with a long exposure in rates. The Master Fund's overall risk level is moderate and we remain very tactical in our approach, as we have been since 2010.

Brevan Howard wishes to thank shareholders once again for their continued support.

Brevan Howard Capital Management LP,
acting by its sole general partner,
Brevan Howard Capital Management Limited.

18 March 2013

Independent Auditor's Report to the Members of BH Macro Limited

We have audited the Financial Statements of BH Macro Limited for the year ended 31 December 2012 which comprise the Audited Statement of Assets and Liabilities, the Audited Statement of Operations, the Audited Statement of Changes in Net Assets, the Audited Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting principles generally accepted in the United States of America.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor
As explained more fully in the Statement of Directors' Responsibility, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Financial Statements
An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the Financial Statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements
In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its net increase in net assets resulting from operations for the year then ended;

- are in conformity with accounting principles generally accepted in the United States of America; and

- comply with the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or

- the Financial Statements are not in agreement with the accounting records; or

- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

We have nothing to report with respect to the following:

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Lee C Clark
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors

18 March 2013

Audited Statement of Assets and Liabilities
As at 31 December 2012

	31.12.12 US$'000	**31.12.11 US$'000**
Assets		
Investment in the Master Fund	2,180,371	2,039,783
Prepaid expenses	89	54
Cash and bank balances denominated in US Dollars	3,794	1,816
Cash and bank balances denominated in Euro	1,281	660
Cash and bank balances denominated in Sterling	8,863	4,052
Total assets	**2,194,398**	**2,046,365**
Liabilities		
Performance fees payable (note 4)	4,912	1,740
Management fees payable (note 4)	3,470	3,300
Accrued expenses and other liabilities	110	72
Directors' fees payable	135	119
Administration fees payable (note 4)	96	93
Total liabilities	**8,723**	**5,324**
Net assets	**2,185,675**	**2,041,041**
Number of shares in issue (note 5)		
US Dollar shares	29,613,121	30,428,658
Euro shares	7,405,670	9,467,331
Sterling shares	41,675,441	39,634,764
Net asset value per share (notes 7 and 9)		
US Dollar shares	US$20.06	US$19.31
Euro shares	€20.21	€19.50
Sterling shares	£20.70	£19.92

See accompanying notes to the Financial Statements.

Signed on behalf of the Board by:

Ian Plenderleith
Chairman

Christopher Legge
Director

18 March 2013

Audited Statement of Operations
For the year ended 31 December 2012

	01.01.12 to 31.12.12 US$'000	**01.01.11 to 31.12.11 US$'000**
Net investment income allocated from the Master Fund		
Interest	41,129	57,125
Dividend income (net of withholding tax of: 31 December 2012: US$59,446; 31 December 2011: US$116,634)	432	343
Expenses	(37,812)	(52,075)
Net investment income allocated from the Master Fund	**3,749**	**5,393**
Company income		
Foreign exchange gains (note 3)	66,868	–
Total Company income	**66,868**	**–**
Company expenses		
Performance fees (note 4)	18,777	56,946
Management fees (note 4)	38,561	37,064
Other expenses	923	799
Directors' fees	518	491
Administration fees (note 4)	371	364
Foreign exchange losses (note 3)	–	14,184
Total Company expenses	**59,150**	**109,848**
Net investment gain/(loss)	**11,467**	**(104,455)**
Net realised and unrealised gain on investments allocated from the Master Fund		
Net realised gain on investments	163,261	458,430
Net unrealised loss on investments	(27,393)	(136,612)
Net realised and unrealised gain on investments allocated from the Master Fund	**135,868**	**321,818**
Net increase in net assets resulting from operations	**147,335**	**217,363**

See accompanying notes to the Financial Statements.

Audited Statement of Changes in Net Assets
For the year ended 31 December 2012

	01.01.12 to 31.12.12 US$'000	**01.01.11 to 31.12.11 US$'000**
Net increase in net assets resulting from operations		
Net investment gain/(loss)	11,467	(104,455)

Net realised gain on investments allocated from the Master Fund	163,261	458,430
Net unrealised loss on investments allocated from the Master Fund	(27,393)	(136,612)
	147,335	**217,363**

Share capital transactions		
Partial capital return		
US Dollar shares	(1,306)	–
Euro shares	(763)	–
Sterling shares	(632)	–
	(2,701)	**–**

Net increase in net assets	**144,634**	**217,363**
Net assets at the beginning of the year	**2,041,041**	**1,823,678**
Net assets at the end of the year	**2,185,675**	**2,041,041**

See accompanying notes to the Financial Statements.

Audited Statement of Cash Flows
For the year ended 31 December 2012

	01.01.12 to 31.12.12 US$'000	**01.01.11 to 31.12.11 US$'000**
Cash flows from operating activities		
Net increase in net assets resulting from operations	147,335	217,363
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net investment income allocated from the Master Fund	(3,749)	(5,393)
Net realised gain on investments allocated from the Master Fund	(163,261)	(458,430)
Net unrealised loss on investments allocated from the Master Fund	27,393	136,612
Purchase of investment in the Master Fund	(3,203)	–
Proceeds from sale of investment in the Master Fund	69,100	97,178
Foreign exchange (gains)/losses	(66,868)	14,184
Increase in prepaid expenses	(35)	(18)
Increase in performance fees payable	3,172	1,193
Increase in management fees payable	170	516
Increase/(decrease) in accrued expenses and other liabilities	38	(36)
Increase in directors' fees payable	16	13
Increase in administration fees payable	3	10
Net cash provided by operating activities	**10,111**	**3,192**

Cash flows from financing activities		
Partial capital return	(2,701)	–
Net cash used in financing activities	**(2,701)**	**–**

Change in cash	**7,410**	**3,192**
Cash, beginning of the year	**6,528**	**3,336**
Cash, end of the year	**13,938**	**6,528**

Cash, end of the year		
Cash and bank balances denominated in US Dollars	3,794	1,816
Cash and bank balances denominated in Euro	1,281	660

Cash and bank balances denominated in Sterling	8,863	4,052
	13,938	**6,528**

See accompanying notes to the Financial Statements.

Notes to the Audited Financial Statements
For the year ended 31 December 2012

1. The Company

The Company is a limited liability closed-ended investment company incorporated in Guernsey on 17 January 2007 for an unlimited period, with registration number 46235.

The Company was admitted to a Secondary Listing (Chapter 14) on the Official List of the London Stock Exchange on 14 March 2007. On 11 March 2008, the Company migrated from the Secondary Listing to a Primary Listing pursuant to Chapter 15 of the Listing Rules of the UK Listing Authority. As a result of changes to the UK Listing Regime, the Company's Primary Listing became a Premium Listing with effect from 6 April 2010.

As of 20 October 2008 the Company obtained a Secondary Listing on the Bermuda Stock Exchange and with effect from 11 November 2008, the US Dollar shares of the Company were admitted to a Secondary Listing on NASDAQ Dubai.

The Company offers multiple classes of ordinary shares, which differ in terms of currency of issue. To date, ordinary shares have been issued in US Dollar, Euro and Sterling.

2. Organisation

The Company is organised as a feeder fund and seeks to achieve its investment objective by investing all of its investable assets, net of short-term working capital requirements, in the ordinary US Dollar, Euro and Sterling denominated Class B shares issued by the Master Fund.

The Master Fund is an open-ended investment company with limited liability formed under the laws of the Cayman Islands on 22 January 2003. The investment objective of the Master Fund is to generate consistent long-term appreciation through active leveraged trading and investment on a global basis. The Master Fund employs a combination of investment strategies that focus primarily on economic change and monetary policy and market inefficiencies. The underlying philosophy is to construct strategies, often contingent in nature with superior risk/return profiles, whose outcome will often be crystallised by an expected event occurring within a pre-determined period of time. New trading strategies will be added as investment opportunities present themselves.

At the date of these Financial Statements, there were two other feeder funds in operation in addition to the Company that invest all of their assets (net of working capital) in the Master Fund.

The Manager
Brevan Howard Capital Management LP (the "Manager") is the Manager of the Company. The Manager is a Jersey limited partnership, the general partner of which is Brevan Howard Capital Management Limited, a Jersey limited company (the "General Partner"). The General Partner is regulated in the conduct of fund services business by the Jersey Financial Services Commission pursuant to the Financial Services (Jersey) Law 1998 and the Orders made thereunder.

The Manager also manages the Master Fund and in that capacity, as at the date of these Financial Statements, has delegated the function of investment management of the Master Fund to Brevan Howard Asset Management LLP, Brevan Howard (Hong Kong) Limited, Brevan Howard (Israel) Limited, Brevan Howard Investments Products Limited, Brevan Howard US Invement Management LP, DW Investment Management, LP and BH-DG Systematic Trading LLP.

3. Significant accounting policies

The Annual Audited Financial Statements, which give a true and fair view, are prepared in conformity with accounting principles generally accepted in the United States of America and comply with the Companies (Guernsey) Law, 2008. The functional and reporting currency of the Company is US Dollars.

The following are the significant accounting policies adopted by the Company:

Valuation of investments
The Company records its investment in the Master Fund at fair value. Fair Value is determined as the Company's proportionate share of the Master Fund's capital. At 31 December 2012 the Company's US Dollar, Euro and Sterling capital accounts represented 2.48%, 0.83% and 5.84% respectively of the Master Fund's capital (at 31 December 2011: 2.31%, 0.94% and 4.75%).

Fair value measurement
Accounting Standards Codification ("ASC") Topic 820 defines fair value as the price that the Company would receive upon selling a security in an orderly transaction to an independent buyer in the principal or most advantageous market of the security.

ASC 820 establishes a three-level hierarchy to maximise the use of observable market data and minimise the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value. Inputs may be observable or unobservable.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgement.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgement by the Company's Directors. The Directors consider observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Directors' perceived risk of that instrument.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Directors' own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Directors use prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

The valuation and classification of securities held by the Master Fund is discussed in the notes to the Master Fund's Financial Statements which are available on the Company's website, www.bhmacro.com.

Income and expenses
The Company records monthly its proportionate share of the Master Fund's income, expenses and realised and unrealised gains and losses. In addition, the Company accrues its own income and expenses.

Use of estimates
The preparation of Financial Statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of those Financial Statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

Share issue expenses
During 2007, share issue expenses of US$42,220,026 (the "Offer Costs") were borne by the Manager and are payable by the Company to the Manager should the management agreement terminate for certain grounds in whole or with respect to any class of share during the period ending on the seventh anniversary of admission, being 14 March 2014.

Pursuant to the terms of the Management Agreement dated 13 February 2009, the Company must repay to the Manager a fraction of these Offer Costs for every US Dollar by which repurchases, redemptions or cancellations of the Company's shares reduce the Current US Dollar NAV of the Company below its NAV at the time of the Company's listing, being US$1,080,740,459. The Current US Dollar NAV is calculated using the exchange rates ruling at the time of the Company's listing.

The amount of these Offer Costs to be repaid for every US Dollar by which the Company's NAV is reduced will be US$0.0391, being the figure obtained by dividing the Offer Costs by the NAV of the Company at the time of its listing.

The Directors consider the likelihood of this contingent liability crystallising as remote and hence no provision has been made within these Financial Statements.

The Directors confirm there are no other contingent liabilities that require disclosure or provision.

Leverage
The Manager has discretion, subject to the prior approval of a majority of the independent Directors, to employ leverage for and on behalf of the Company by way of borrowings to effect share purchases or share buy-backs, to satisfy working capital requirements and to finance further investments in the Master Fund.

The Company may borrow up to 20% of its NAV, calculated as at the time of borrowing. Additional borrowing over 20% of NAV may only occur if approved by an ordinary resolution of the shareholders.

Foreign exchange
Investment securities and other assets and liabilities of the Sterling and Euro share classes are translated into US Dollars, the Company's reporting currency, using exchange rates at the reporting date. Transactions reported in the Audited Statement of Operations are translated into US Dollar amounts at the date of such transactions. The share capital and other capital reserve accounts are translated at the historic rate ruling at the date of the transaction. Exchange differences arising on translation are included in the Audited Statement of Operations. This adjustment has no effect on the value of net assets allocated to the individual share classes.

Cash and Bank Balances
Cash and bank balances comprise cash on hand and demand deposits.

Allocation of results of the Master Fund
Net realised and unrealised gains/losses of the Master Fund are allocated on consolidation to the Company's share classes based upon the percentage ownership of the equivalent Master Fund class.

Treasury shares
Where the Company purchases its own share capital, the consideration paid, which includes any directly attributable costs, is recognised as a deduction from equity shareholders' funds through the Company's reserves.

When such shares are subsequently sold or reissued to the market, any consideration received, net of any directly attributable incremental transaction costs, is recognised as an increase in equity shareholders' funds through the Share capital account. Where the Company cancels treasury shares, no further adjustment is required to the Share capital account of the Company at the time of cancellation. Shares held in treasury are excluded from calculations when determining NAV per share as detailed in note 7 or in the Financial Highlights in note 9.

4. Management, performance and administration agreements

Management and performance fee
The Company has entered into a management agreement with the Manager to manage the Company's investment portfolio. The Manager receives a management fee of 1/12 of 2% (or a pro rata proportion thereof) per month of the closing NAV (before deduction of that month's management fee and before making any deduction for any accrued performance fee) as at the last valuation day in each month, payable monthly in arrears. The investment in the Class B shares of the Master Fund is not subject to management fees, but is subject to an operational service fee payable to the Manager of 1/12 of 0.5% per month of the NAV. During the year ended 31 December 2012, US$38,561,011 (31 December 2011: US$37,064,476) was earned by the Manager as management fees. At 31 December 2012, US$3,470,086 (31 December 2011: US$3,299,673) of the fee remained outstanding.

The Manager is also entitled to an annual performance fee for each share class. The performance fee is equal to 20% of the appreciation in the NAV per share of that class during that calculation period which is above the base NAV per share of that class. The base NAV per share is the greater of the NAV per share of the relevant class at the time of issue of such share and the highest NAV per share achieved as at the end of any previous calculation period. The Manager will be paid an estimated performance fee on the last day of the calculation period. Within 15 business days following the end of the calculation period, any difference between the actual performance fee and the estimated amount will be paid to or refunded by the Manager, as appropriate. The investment in the Class B shares of the Master Fund is not subject to performance fees.

The portion of any performance fee accrued in respect of a class of shares that relates to the portion of shares of the relevant class which are redeemed, repurchased or cancelled during the calculation period will crystallise and shall be paid to the Manager as at the date of redemption, repurchase or cancellation. Where a portion of any performance fee accrued in respect of a class of shares crystallises as a result of the conversion of shares of that class into shares of another class, that portion of the performance fee shall be paid to the Manager at the same time as any performance fees in respect of the entire relevant calculation period. During the year ended 31 December 2012, US$18,777,034 (31 December 2011: US$56,946,364) was earned by the Manager as performance fees. At 31 December 2012 US$4,911,927 (31 December 2011: US$1,739,705) of the fee remained outstanding.

The Master Fund may hold investments in other funds managed by the Manager. To ensure that shareholders of the Company are not subject to two tiers of fees, the fees paid to the Manager as outlined above are reduced by the Company's share of any fees paid to the Manager by the underlying Master Fund investments, managed by the Manager.

The management agreement may be terminated by either party giving the other party not less than 24 months written notice. In certain circumstances the Company will be obliged to pay compensation to the Manager of the aggregate management fees which would otherwise have been payable during the 24 months following the date of such notice and the aggregate of any accrued performance fee in respect of the current Calculation Period. Compensation is not payable if more than 24 months notice of termination is given.

Administration fee
The Company has appointed Northern Trust International Fund Administration Services (Guernsey) Limited as Administrator, Registrar and Corporate Secretary. The Administrator is paid fees based on the NAV of the Company, payable quarterly. The fee is at a rate of 0.015% of the average month end NAV of the Company, subject to a minimum fee of £67,500 per annum. In addition to the NAV based fee the Administrator is also entitled to an annual fee of £36,000 for certain additional administration services. The Administrator is entitled to be reimbursed out-of-pocket expenses incurred in the course of carrying out its duties as Administrator.

5. Share capital

Issued and authorised share capital
The Company has the authority to issue an unlimited number of ordinary shares with no par value and an unlimited number of shares with a par value. Shares may be divided into at least three classes denominated in US Dollars, Euro and Sterling. Further issue of shares may be made in accordance with the Articles. Shares may be issued in differing currency classes of ordinary redeemable shares including C shares. The treasury shares have arisen as a result of the discount management programme as described in note 8.

	US Dollar shares	Euro shares	Sterling shares
Number of ordinary shares			

In issue at 1 January 2012	**30,428,658**	**9,467,331**	**39,634,764**
Share conversions	(744,066)	(2,028,181)	2,062,415
Partial capital return	(71,471)	(33,480)	(21,738)
In issue at 31 December 2012	**29,613,121**	**7,405,670**	**41,675,441**

Number of treasury shares			
In issue at 1 January 2012	**3,058,476**	**972,013**	**877,595**
Shares cancelled	–	(450,000)	–
In issue at 31 December 2012	**3,058,476**	**522,013**	**877,595**
Percentage of class	**9.36%**	**6.58%**	**2.06%**

	US Dollar shares	**Euro shares**	**Sterling shares**
Number of ordinary shares			
In issue at 1 January 2011	**31,841,026**	**14,780,360**	**34,283,784**
Share conversions	(1,412,368)	(5,313,029)	5,350,980
In issue at 31 December 2011	**30,428,658**	**9,467,331**	**39,634,764**

Number of treasury shares			
In issue at 1 January 2011	**3,438,476**	**1,572,013**	**877,595**
Shares cancelled	(380,000)	(600,000)	–
In issue at 31 December 2011	**3,058,476**	**972,013**	**877,595**
Percentage of class	**9.13%**	**9.31%**	**2.17%**

Share capital account	**US Dollar shares US$'000**	**Euro shares €'000**	**Sterling shares £'000**	**Company Total US$'000**
At 31 December 2011	53,883	31,754	17,188	133,549
At 31 December 2012	**53,883**	**31,754**	**17,188**	**133,549**

Share classes
In respect of each class of shares a separate class account has been established in the books of the Company. An amount equal to the aggregate proceeds of issue of each share class has been credited to the relevant class account. Any increase or decrease in the NAV of the Master Fund US Dollar shares, Master Fund Euro shares and Master Fund Sterling shares as calculated by the Master Fund is allocated to the relevant class account in the Company. Each class account is allocated those costs, pre-paid expenses, losses, dividends, profits, gains and income which the Directors determine in their sole discretion relate to a particular class.

Voting rights of shares
Ordinary shares carry the right to vote at general meetings of the Company and to receive any dividends, attributable to the ordinary shares as a class, declared by the Company and, in a winding-up will be entitled to receive, by way of capital, any surplus assets of the Company attributable to the ordinary shares as a class in proportion to their holdings remaining after settlement of any outstanding liabilities of the Company.

As prescribed in the Company's Articles, the different classes of ordinary shares have different values attributable to their votes. The attributed values have been calculated on the basis of the Weighted Voting Calculation (as described in the Articles) which takes into account the prevailing exchange rates on the date of initial issue of ordinary shares. Currently, on a vote, a single US Dollar ordinary share has 0.7606 votes, a single Euro ordinary share has one vote and a single Sterling ordinary share has 1.4710 votes.

Treasury shares do not have any voting rights.

Repurchase of ordinary shares
The Directors have been granted authority to purchase in the market up to 14.99% of each class of shares and they intend to seek annual renewal of this authority from shareholders which was last granted on 18 June 2012. The Directors may, at their discretion, utilise this share repurchase authority to address any imbalance between the supply of and demand for shares.

Under the Company's Articles, shareholders of a class of shares also have the ability to call for repurchase of that class of shares in certain circumstances. See note 8 for further details.

Further issue of shares

As approved by the shareholders at the Annual General Meeting held on 18 June 2012, the Directors have the power to issue further shares in respect of 10,118,498 US Dollar shares, 2,955,442 Euro shares and 13,387,992 Sterling shares respectively. This power expires fifteen months after the passing of the resolution or on the conclusion of the next Annual General Meeting of the Company, whichever is earlier, unless such power is varied, revoked or renewed prior to that Meeting by a special resolution of the Company in general meeting.

Distributions

The Master Fund has not previously paid dividends to its investors and does not expect to do so in the future. Therefore, the Directors of the Company do not expect to declare any dividends. This does not prevent the Directors of the Company from declaring a dividend at any time in the future if the Directors consider payment of a dividend to be appropriate in the circumstances. If the Directors declare a dividend, such dividend will be paid on a per class basis.

Treasury shares are not entitled to distributions.

Annual redemption offer

Once in every calendar year the Directors may, in their absolute discretion, determine that the Company shall make an offer to redeem such number of shares of the Company in issue as they may determine provided that the maximum amount distributed does not exceed 100% of the increase in NAV of the Company in the prior calendar year.

The Directors shall, in their absolute discretion, determine the particular class or classes of shares in respect of which an Annual Redemption Offer will be made, the timetable for that Annual Redemption Offer and the price at which the shares of each relevant class will be redeemed.

Whether a partial return of capital is made in any particular year and, if so, the amount of the return, may depend, among other things, on prevailing market conditions, the ability of the Company to liquidate its investments to fund the capital return, the success of prior capital returns and applicable legal, regulatory and tax considerations.

Shareholders will be able to decide at that time whether to elect to participate in the capital return on the basis of the then prevailing market conditions.

The Company announced an offer for a partial return of capital in 2012 to the shareholders of each class of approximately 40% of the gain in NAV over 2011, which was effected at the time of the AGM in June 2012.

On 29 June 2012 the following number of each share class of shares were redeemed and cancelled pursuant to the 2012 partial capital return:

- 71,471 US Dollar shares at a redemption price of $18.2688 equalling a gross redemption of $1,305,689;
- 33,480 Euro shares at a redemption price of €18.4320 equalling a gross redemption of €617,103;
- 21,738 Sterling shares at a redemption price of £18.8448 equalling a gross redemption of £409,648.

The Company also announced in 2013 an offer for a partial capital return to shareholders of an amount equal to 100% of the NAV growth during the 2012 calendar year for each class of its shares (less certain costs and provisions). The partial capital return allowed shareholders to elect to have shares redeemed at a price equal to the NAV for the relevant class of shares as at 31 December 2012, discounted by 4%. The record date for participation in the partial capital return was 31 January 2013. See note 11 for further details.

Share conversion scheme

The Company has implemented a Share Conversion Scheme. The scheme provides shareholders with the ability to convert some or all of their ordinary shares in the Company of one class into ordinary shares of another class. Shareholders are able to convert ordinary shares on the last business day of every month. Each conversion will be based on the NAV (note 7) of the shares of the class to be converted.

6. Taxation

Overview
The Company is exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

Uncertain tax positions
The Company recognises the tax benefits of uncertain tax positions only where the position is more-likely-than-not (i.e. greater than 50%) to be sustained assuming examination by a tax authority based on the technical merits of the position. In evaluating whether a tax position has met the recognition threshold, the Company must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognise in the Company's Financial Statements. Income tax and related interest and penalties would be recognised by the Company as tax expense in the Statement of Operations if the tax positions were deemed not to meet the more-likely-than-not threshold.

The Company analyses all open tax years for all major taxing jurisdictions. Open tax years are those that are open for examination by taxing authorities, as defined by the Statute of Limitations in each jurisdiction. The Company identifies its major tax jurisdictions as the Cayman Islands and foreign jurisdictions where the Company makes significant investments. The Company has no examinations by tax authorities in progress.

The Directors have analysed the Company's tax positions, and have concluded that no liability for unrecognised tax benefits should be recorded related to uncertain tax positions. Further, the Directors are not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognised tax benefits will significantly change in the next twelve months.

7. Publication and calculation of net asset value

The NAV of the Company is equal to the value of its total assets less its total liabilities. The NAV per share of each class will be calculated by dividing the NAV of the relevant class account by the number of shares of the relevant class in issue on that day.

The Company publishes the NAV per share for each class of shares as calculated by the Administrator based in part on information provided by the Master Fund, monthly in arrears, as at each month-end.

The Company also publishes an estimate of the NAV per share for each class of shares as calculated by the Administrator based in part on information provided by the Master Fund, weekly in arrears.

8. Discount management programme
The Company's discount management programme includes the ability to make market purchases of shares and the obligation to propose class closure resolutions if, in any fixed discount management period (1 January to 31 December each year), the average daily closing market price of the relevant class of shares during such period is 10% or more below the average NAV per share of the relevant class taken over the 12 monthly NAV Determination Dates in that fixed discount management period, as described more fully in the Company's principal documents.

In the event a class closure resolution is proposed, shareholders in that class have the following options available to them:

(i) to redeem all or some of their shares at NAV per share less the costs and expenses of the class closure vote and other outstanding costs and expenses of the Company attributable to the relevant class (including any redemption fees and repayment of Offer Costs as described in note 3);

(ii) subject to certain limitations, to convert all or some of their shares into shares of another class, assuming that other class does not also pass a class closure resolution; or

(iii) subject to the class continuing, to remain in the class. These provisions are disclosed in more detail in the Company's Articles.

The Annual Redemption Offer described in note 5 which enables a partial return of capital is also part of the discount management programme.

The discount management measures will be funded by partial redemptions of the Company's investment in the Master Fund.

During the year the Company did not make use of its ability to make market purchases of its shares.

The total number of shares held in treasury at 31 December 2012 are as disclosed in note 5.

9. Financial highlights

The following tables include selected data for a single ordinary share of each of the ordinary share classes in issue at the year end and other performance information derived from the Financial Statements.

The per share amounts and ratios which are shown reflect the income and expenses of the Company for each class of ordinary share.

	31.12.12 US Dollar shares US$	**31.12.12 Euro shares €**	**31.12.12 Sterling shares £**
Per share operating performance			
Net asset value at beginning of the year	**19.31**	**19.50**	**19.92**
Income from investment operations			
Net investment loss*	(0.51)	(0.55)	(0.53)
Net realised and unrealised gain on investment	1.26	1.24	1.31
Other capital items**	–	0.02	–
Total return*	**0.75**	**0.71**	**0.78**
Net asset value, end of the year	**20.06**	**20.21**	**20.70**
Total return before performance fee	4.74%	4.45%	4.84%
Performance fee	(0.88%)	(0.82%)	(0.90%)
Total return after performance fee	**3.86%**	**3.63%**	**3.94%**

Total return reflects the net return for an investment made at the beginning of the year and is calculated as the change in the NAV per ordinary share during the year from 1 January 2012 to 31 December 2012. An individual shareholder's return may vary from these returns based on the timing of their purchase or sale of shares.

	31.12.12 US Dollar shares US$'000	**31.12.12 Euro shares €'000**	**31.12.12 Sterling shares £'000**
Supplemental data			
Net asset value, end of the year	**593,980**	**149,689**	**862,788**
Average net asset value for the year	**582,310**	**164,437**	**813,795**

	31.12.12 US Dollar shares	**31.12.12 Euro shares**	**31.12.12 Sterling shares**
Ratio to average net assets			
Operating expenses			
Company expenses***	1.93%	1.92%	1.94%
Master Fund expenses****	0.80%	0.80%	0.80%
Master Fund interest expense*****	1.01%	1.00%	1.01%
Performance fee	0.86%	0.74%	0.94%
	4.60%	**4.46%**	**4.69%**
Net investment loss before performance fees*	**(1.75%)**	**(1.75%)**	**(1.76%)**

Net investment loss after performance fees*	**(2.61%)**	**(2.49%)**	**(2.70%)**

	31.12.11 US Dollar shares US$	**31.12.11 Euro shares €**	**31.12.11 Sterling shares £**
Per share operating performance			
Net asset value at beginning of the year	**17.24**	**17.29**	**17.73**
Income from investment operations			
Net investment loss*	(0.84)	(1.09)	(0.79)
Net realised and unrealised gain on investment	2.97	4.02	2.81
Other capital items**	(0.06)	(0.72)	0.17
Total return*	**2.07**	**2.21**	**2.19**
Net asset value, end of the year	**19.31**	**19.50**	**19.92**
Total return before performance fee	15.02%	16.77%	15.17%
Performance fee	(2.98%)	(3.93%)	(2.83%)
Total return after performance fee	**12.04%**	**12.84%**	**12.34%**

Total return reflects the net return for an investment made at the beginning of the year and is calculated as the change in the NAV per ordinary share during the year from 1 January 2011 to 31 December 2011. An individual shareholder's return may vary from these returns based on the timing of their purchase or sale of shares.

	31.12.11 US Dollar shares US$ '000	**31.12.11 Euro shares € '000**	**31.12.11 Sterling shares £ '000**
Supplemental data			
Net asset value, end of the year	**587,654**	**184,658**	**789,461**
Average net asset value for the year	**569,504**	**227,154**	**688,001**

	31.12.11 US Dollar shares	**31.12.11 Euro shares**	**31.12.11 Sterling shares**
Ratio to average net assets			
Operating expenses			
Company expenses***	1.95%	1.91%	1.96%
Master Fund expenses****	1.08%	1.07%	1.09%
Master Fund interest expense*****	1.55%	1.58%	1.52%
Performance fee	2.79%	2.88%	2.90%
	7.37%	**7.44%**	**7.47%**
Net investment loss before performance fees*	**(1.68%)**	**(1.65%)**	**(1.67%)**
Net investment loss after performance fees*	**(4.47%)**	**(4.53%)**	**(4.57%)**

Notes

***** The net investment loss figures disclosed above, does not include net realised and unrealised gains/losses on investments allocated from the Master Fund.

** Included in other capital items are the discounts and premiums on conversions between share classes and on the sale of treasury shares as well as the partial capital return effected 29 June 2012 as compared to the NAV per share at the beginning of the year.

*** Company expenses are as disclosed in the Audited Statement of Operations excluding the performance fee.

**** Master Fund expenses are the operating expenses of the Master Fund excluding the interest and dividend expenses of the Master Fund.

***** Master Fund interest expense includes interest and dividend expenses on investments sold short.

10. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions.

Management and performance fees are disclosed in note 4.

Directors' fees are disclosed in the Directors' Remuneration Report.

Directors' interests are disclosed in the Directors' Report and also in the Board Members section.

11. Subsequent events

The Directors have evaluated subsequent events up to 18 March 2013, which is the date that the Financial Statements were available to be issued, and have concluded there are no further items that require disclosure or adjustment to the Financial Statements other than those listed below.

As detailed in Note 5, in 2013, the Company also announced in 2013 an offer for a partial capital return to shareholders of an amount equal to 100% of the NAV growth during the 2012 calendar year for each class of its shares (less certain costs and provisions). The partial capital return allowed shareholders to elect to have shares redeemed at a price equal to the NAV for the relevant class of shares as at 31 December 2012, discounted by 4%. The record date for participation in the partial capital return was 31 January 2013.

On 8 March 2013 the following number of each share class of shares were redeemed and cancelled pursuant to the partial capital return:

- 532,208 US Dollar shares at a redemption price of US$19.2557 equalling a gross redemption of US$10,248,038;

- 120,310 Euro shares at a redemption price of €19.4042 equalling a gross redemption of €2,334,519;

- 1,022,684 Sterling shares at a redemption price of £19.8744 equalling a gross redemption of £20,325,231.

Historic Performance Summary
At at 31 December 2012

	31.12.12 US$ '000	**31.12.11 US$ '000**	**31.12.10 US$ '000**	**31.12.09 US$ '000**	**31.12.08 US$ '000**
Net increase/(decrease) in net assets resulting from operations	**147,335**	**217,363**	**(40,173)**	**342,882**	**152,032**
Total assets	**2,194,398**	**2,046,365**	**1,827,306**	**1,863,160**	**1,643,056**
Total liabilities	**(8,723)**	**(5,324)**	**(3,628)**	**(3,509)**	**(2,936)**
Net assets	**2,185,675**	**2,041,041**	**1,823,678**	**1,859,651**	**1,640,120**
Number of shares in issue					
US Dollar shares	29,613,121	30,428,658	31,841,026	40,728,777	54,992,632
Euro shares	7,405,670	9,467,331	14,780,360	17,280,342	21,470,815
Sterling shares	41,675,441	39,634,764	34,283,784	26,356,443	19,075,361
Net asset value per share					
US Dollar shares	US$20.06	US$19.31	US$17.24	US$17.08	US$14.47
Euro shares	€20.21	€19.50	€17.29	€17.13	€14.47
Sterling shares	£20.70	£19.92	£17.73	£17.55	£14.87

Company Information

Directors
Ian Plenderleith (Chairman)*
Huw Evans*
Anthony Hall*
Christopher Legge (Senior Independent Director)*
Talmai Morgan
Stephen Stonberg

(All Directors are non-executive)

* *These Directors are independent for the purpose of Listing Rule 15.2.12-A.*

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For the latest information
www.bhmacro.com

The Annual Report and Audited Financial Statements of BH Macro Limited and the Annual Audited Financial Statements of Brevan Howard Master Fund Limited will shortly be available on BH Macro’s website www.bhmacro.com