

BH Global Limited

Annual Report and Audited Financial Statements 2012

31 December 2012

Chairman's Statement

Dear Shareholder,

I was appointed to the Board of BH Global Limited (the "Company") and became Chairman on 1 January 2013. My Statement relates both to the twelve months of the Company's year to 31 December 2012 and to subsequent developments. Clearly, though, as I was not a director during 2012, I can only comment on the overall outcome of that year. However, the Manager's Report contains detailed information on the Company's investment activities and performance during 2012.

It is a privilege to have been asked to succeed Andrew Turnbull as Chairman. Andrew served as your Chairman since the launch of the Company in 2008. Last year he was asked by UK Government to serve on the Parliamentary Commission on Banking Standards. The time commitment for that appointment is such that, when taking into account his other directorships of listed companies, he felt he did not have sufficient time to concentrate fully on the Company's business and consequently informed his colleagues that they should seek a new Chairman. On behalf of all shareholders I pay tribute to Andrew for his wisdom and experience in leading the Company through one of the most turbulent periods ever in financial markets.

By way of introduction I have been involved in the investment world for over 40 years. I am a director of a number of other Investment Companies as disclosed in this Report. In May 2012 I retired from the Board of Foreign & Colonial Investment Trust after 14 years' service and thus was able to respond positively when I was approached by BH Global Limited.

Although the Sterling share class is the largest of the Company's three share classes, the Board has determined that it will express the Company's performance in US Dollars, being the principal reference currency for the Underlying Funds in which the Company invests. The currency hedging that occurs at the level of the Underlying Funds is designed to ensure that the performance of both the Sterling and Euro classes follows closely that of the US Dollar share class. For the fifth successive year to 31 December the Company has reported an increase in Net Asset Value ("NAV") per share. For 2012 the NAV of the US Dollar shares increased by 4.44%. Further details regarding the performance are given in the Manager's Report. Whilst the increase in NAV was modest in a year when some other investment assets powered ahead as confidence grew, the Company's focus is to provide a relatively uncorrelated risk diversifier and in particular to seek to avoid any sustained reductions in NAV per share.

Although I was aware of Brevan Howard, it was not until I was asked to become Chairman of BH Global Limited that I undertook a personal diligence process. Inter-alia that involved meetings with Brevan Howard personnel and also advisers to the Company. Those meetings culminated in meetings with Alan Howard, the principal founder of Brevan Howard, and Aron Landy, Chief Risk Officer. In the light of so many control failures in the proprietary trading operations of various banks I was particularly interested in being briefed on risk controls, both operational and in terms of minimising risk of loss to shareholders.

Managing a series of hedge funds as Brevan Howard does is an immensely complex business. From my meetings and from written material supplied to me, I have gained considerable confidence that Brevan Howard's systems and controls appear to be of very high quality and have been put to real tests during the 10 years since Brevan Howard was founded. Clearly, other investors have come to the same conclusion as total funds managed by Brevan Howard have grown from approximately US\$34 billion to in excess of US\$39 billion in the 12 months to 31 December 2012.

BH Global Limited provides investors of modest means access to Brevan Howard's global suite of hedge funds. Such access is otherwise only available to substantial, mainly institutional, investors who can make a minimum commitment of millions of US Dollars and that is subject to the underlying fund being open to new investors. However, growth in NAV per share is only of value to shareholders if it feeds through to Total Return on the shares themselves. With that in mind, the Board of the Company resolved to implement two actions to enhance shareholder returns.

The first action has been to offer shareholders the opportunity to redeem part of their shareholding at a discount of 3% to the NAV per share at 31 December 2012. As already advised, the Board have committed sums of approximately

US\$7.2 million, £22.2 million and €1.2 million to this programme, being approximately equivalent to 100% of the increase in NAV per share in each share class in 2012. The details of this programme were set out in the Circular dated 8 February and the result announced on 28 February. Unsurprisingly in the light of the discount to NAV at which the Company's shares had been trading, the number of shares tendered exceeded the sum that the Company had committed to the redemption programme. Thus shareholders who tendered shares in excess of their Redemption Entitlement have received their Entitlement plus a modest excess, the exact percentage being dependent upon the particular share class tendered.

Secondly, during the second half of 2012 the Board monitored the widening discount to NAV at which shares were trading. In accordance with the authority granted by shareholders, the Company has recently recommenced its programme to buy-back shares. This programme will be funded by redemptions from the various Underlying Funds and where appropriate the Company's credit lines which provide short-term funding in advance of the receipt of redemption proceeds. The Board intends to make use of buy-backs sparingly and opportunistically as it does not believe that buy-backs alone can materially reduce discounts in an on-going company. Investor sentiment and especially underlying investment performance are both critical to the permanent reduction of discount in closed-ended companies.

2013 and beyond

The year has started satisfactorily with NAV per share of the US Dollar shares growing by 1.33% between 1 January and 31 January and preliminary estimates indicate that positive performance has continued in February. Most markets have been relatively calm with sentiment positive since mid-2012. However, there remain significant potential threats to markets and to economies, particularly in developed Western countries where growth is being sluggish and the ability of many governments to influence that growth severely constrained both by their fiscal situation and by political constraints. The United States will continue to be the largest economy in the world for a number of years. However, it is depressing that its politicians appear incapable of facing up to the deteriorating outlook for the US's financial situation.

In Europe growth continues to be elusive, owing in part to the constraints imposed on some countries by their membership of the Eurozone. Investors should not underestimate the political determination to ensure that the euro survives. However, for there to be confidence in it becoming a sound currency difficult political decisions lie ahead. Nevertheless, the mechanism by which those decisions can be taken in mature democracies is, in many instances, elusive unless governments are pressed by markets. Politicians are frequently deterred from taking decisive action by fear of the reaction of their electorates as demonstrated by the statement by Jean-Claude Juncker, former Prime Minister of Luxembourg and until recently President of the Eurogroup. In 2007 he was reported as saying "We all know what to do, but we don't know how to get re-elected once we have done it". It seems to me that little has changed.

In the light of the problems in many mature economies I expect world growth to continue to be driven in emerging markets, particularly China and India. Meanwhile, difficulties elsewhere will result in continuing volatility. I am confident that Brevan Howard will be in a position to exploit these opportunities for the benefit of the shareholders of BH Global Limited.

I look forward to meeting shareholders and would welcome their contact with me at any time through the Company's Administrator, Northern Trust International Fund Administration Services (Guernsey) Limited, at Guernsey_Client_Services@ntrs.com.

Yours sincerely,

Sir Michael Bunbury
Chairman

18 March 2013

Board Members

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

Sir Michael Bunbury (Chairman), age 66

Sir Michael Bunbury is Chairman and non-executive director of the Company. He is an experienced director of listed and private investment, property and financial services companies and trustee for high net worth families. He is currently the Chairman of HarbourVest Global Private Equity Limited, JP Morgan Claverhouse Investment Trust plc, a director of Invesco Perpetual Select Trust plc, a consultant to Smith & Williamson and a former director of Foreign & Colonial Investment Trust plc. Sir Michael began his career in 1968 at Buckmaster & Moore, before joining Smith & Williamson, Investment Managers and Chartered Accountants, in 1974 as a Partner. He later served as director and chairman and remains a consultant to the firm. Sir Michael was appointed to the Board in 2013.

Lord Turnbull (Chairman), age 68

Lord Turnbull was Chairman and non-executive director of the Company during the year. He retired in July 2005 as Secretary of the Cabinet and Head of the Home Civil Service (2002-2005). He was Permanent Secretary of HM Treasury (1998-2004) and before that Permanent Secretary at the Department of the Environment (1994-1998). He entered the House of Lords in 2005 as a Crossbench Peer. He is also a non-executive director of The British Land Company plc, Prudential plc and Frontier Economics Limited. Lord Turnbull was appointed to the Board in 2008 and retired on 1 January 2013.

John Hallam, (Senior Independent Director), age 63

John Hallam is a Fellow of the Institute of Chartered Accountants in England and Wales and qualified as an accountant in 1971. He is a former partner of PricewaterhouseCoopers having retired in 1999 after 27 years with the firm both in Guernsey and in other countries. He is currently chairman of Dexion Absolute Limited and Partners Group Global Opportunities Limited. He is also a director of HICL Infrastructure Company Limited, NB Distressed Debt Investment Fund Limited, NB Private Equity Partners Limited (Mr Hallam shares board appointments with fellow BH Global Limited Director Talmai Morgan on NB Distressed Debt Investment Fund Limited and NB Private Equity Partners Limited), Ruffer Illiquid Strategies Fund of Funds 2009 Limited, Ruffer Illiquid Strategies Fund 2011 Limited, Sienna Investment Company Limited, Sienna Investment Company 2 Limited, Sienna Investment Company 3 Limited and Sienna Investment Company 4 Limited, as well as being a director of a number of other financial services companies which are not listed on recognised stock exchanges. He served for many years as a member of the Guernsey Financial Services Commission from which he retired in 2006 having been its Chairman for the previous three years. Mr Hallam was appointed to the Board in 2008.

Graham Harrison, age 47

Graham Harrison is a Guernsey resident and a Chartered Fellow of the Chartered Institute for Securities and Investment. Mr Harrison is co-founder and Group Managing Director of Asset Risk Consultants ("ARC"). After obtaining a post graduate degree from the London School of Economics, Mr Harrison worked for HSBC in its corporate finance division where he specialised in financial engineering. Following a secondment with the Caribbean Development Bank he moved to Guernsey to work for the Bachmann Group with a brief to develop asset management and investment consultancy services. In 2002 he led the management buy-out of ARC, taking the company independent. Mr Harrison is a director of Absolute Return Trust Limited (Mr Harrison shares a board appointment with fellow BH Global Limited Director Nicholas Moss on Absolute Return Trust Limited), Close Enhanced Commodities II Limited, ISIS Property Trust Limited and Real Estate Credit Investments PCC Limited (Mr Harrison shares a board appointment with fellow BH Global Limited Director Talmai Morgan on Real Estate Credit Investments PCC Limited) and a number of unlisted investment vehicles. Mr Harrison was appointed to the Board in 2010.

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: BH Macro Limited (Mr Morgan shares a board appointment with fellow BH Global Limited Director

Stephen Stonberg on BH Macro Limited), DCG IRIS Limited, Global Fixed Income Realisation Limited (previously Signet Global Fixed Income Strategies 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 and Sherborne Investors (Guernsey) B Limited. Mr Morgan was appointed to the Board in 2008.

Nicholas Moss, age 53

Nicholas Moss is a Guernsey resident and a Chartered Accountant. He is a founder of the Virtus Trust Group, a Guernsey-based fiduciary, corporate services and investment consulting business. Prior to establishing Virtus Trust, Mr Moss was a managing director within the Rothschild Trust Group in Guernsey where he spent 16 years structuring and administering complex onshore and offshore trusts for corporates and ultra high net worth families. He has wide experience in the selection of investment managers for his clients and the subsequent evaluation and monitoring of these portfolios. He holds a number of non-executive Board appointments including the London listed Absolute Return Trust Limited, BACIT Limited and Carador Income Fund PLC. Mr Moss was appointed to the Board in 2008.

Stephen Stonberg, age 45

Stephen Stonberg a former Managing Director of Credit Suisse Asset Management in New York, previously 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 Macro Limited, a FTSE 250 company, and BH Credit Catalysts Limited. He is a resident of the United States. Mr Stonberg was appointed to the Board in 2008.

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") and 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 25 February 2008.

The Company was admitted to a Primary Listing on the Official List of the London Stock Exchange on 29 May 2008. 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 billion.

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

Investment policy

The Company's investment objective is to seek to generate consistent long-term capital appreciation through an investment policy of investing all of its assets (net of those expenses of the initial public offering borne by the Company and funds required for its short-term working capital requirements) in Brevan Howard Global Opportunities Master

Fund Limited (“BHGO”), an open-ended investment company with limited liability formed under the laws of the Cayman Islands.

BHGO spreads investment risk by investing in a variety of other investment funds of which one or more of the Brevan Howard group of affiliated entities is the manager or investment manager (the “Brevan Howard Underlying Funds”) in order to provide exposure to a range of strategies, asset classes and geographies that fall within Brevan Howard’s investment activities from time to time. These investment funds may invest in a wide range of geographical regions, sectors and instruments. Such instruments may include, but are not limited to, debt securities and obligations (which may be below investment grade or unrated), bank loans, listed and unlisted equities, other collective investment schemes (which may be open ended or closed ended, listed or unlisted, and which may employ leverage), currencies, commodities, futures, options, warrants, swaps, other derivative instruments and any other type of instrument or security. These funds have the ability to take short positions across the majority of these instruments.

Subject to the investment restrictions disclosed in the BHGO Prospectus and subsequent BHGO Directors’ resolutions, the allocation of assets of BHGO among the Brevan Howard Underlying Funds in which it is permitted to invest will be at the discretion of Brevan Howard Capital Management LP (the “Manager”).

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 Company announced an offer in 2012, for a partial return of capital to the shareholders of each class of approximately 100% of the growth in NAV in 2011, and was effected in 18 June 2012. Shareholders were able to decide at that time whether to elect to participate in the capital return on the basis of the prevailing market conditions. US\$44,967,072 was returned to investors on 30 June 2012.

A similar partial return of capital, in respect of growth in NAV during 2012, was made in early 2013, with a total of US\$40,651,493 being returned to investors.

Share capital

The number of shares in issue at the year end is disclosed in note 5 to the Audited Financial Statements.

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 Manager and the other service providers and for the Company’s activities. The Directors, all of whom are non-executive, are listed on the inside back cover. Stephen Stonberg and Talmi Morgan are not considered 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 the 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 in 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.

For each Director, the tables below set out the number of Board, Audit and Management Engagement 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
Lord Turnbull ⁺	4	4
John Hallam	4	4

Graham Harrison	4	4
Talmay Morgan	4	4
Nicholas Moss	4	4
Stephen Stonberg	4	4

Audit Committee Meetings	Held	Attended
John Hallam	3	3
Graham Harrison	3	2
Nicholas Moss	3	3

Management Engagement Committee Meetings	Held	Attended
Lord Turnbull ⁺	1	1
John Hallam	1	1
Nicholas Moss	1	1
Graham Harrison [^]	0	0

* *In addition to the scheduled quarterly Board meetings the Board, or committees thereof, held 18 ad hoc meetings to deal with matters of an administrative nature. These meetings were attended by those Directors who were available at the time.*

+ *Lord Turnbull retired effective 1 January 2013 and was replaced by Sir Michael Bunbury, with effect from this date.*

[^] *Graham Harrison was appointed as a member of the Management Engagement Committee on 24 September 2012.*

Nomination Committee

The Nomination Committee held a number of ad hoc meetings in the latter part of 2012 to assist the Board in the appointment of a new Chairman.

Directors' interests

Talmay Morgan and Stephen Stonberg are both non-executive Directors of BH Macro Limited which was incorporated on 17 January 2007 and started trading on the London Stock Exchange on 14 March 2007. BH Macro Limited is managed by Brevan Howard Capital Management LP, the Company's Manager, and is a feeder fund for the Brevan Howard Master Fund Limited into which BHGO invests.

Stephen Stonberg is also a non-executive Director of BH Credit Catalysts Limited which was incorporated on 19 October 2010 and started trading on the London Stock Exchange on 14 December 2010. 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 BHGO invests.

Further Directors' interests in other companies are disclosed in the Board Members' report.

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

	US Dollar shares	
	31.12.12	31.12.11
Lord Turnbull	Nil	Nil
John Hallam	5,000	5,000
Graham Harrison	Nil	Nil
Talmay Morgan	5,000	5,000
Nicholas Moss	Nil	Nil
Stephen Stonberg	Nil	Nil

	Euro shares	
	31.12.12	31.12.11
Lord Turnbull	Nil	Nil
John Hallam	Nil	Nil
Graham Harrison	Nil	Nil
Talmay Morgan	Nil	Nil
Nicholas Moss	Nil	Nil
Stephen Stonberg	Nil	Nil

	31.12.12	Sterling shares 31.12.11
Lord Turnbull	5,000	5,000
John Hallam	Nil	Nil
Graham Harrison	1,500	Nil
Talmai Morgan	Nil	Nil
Nicholas Moss	839	Nil
Stephen Stonberg	8,628	8,628

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.

Other related party transactions

As at 31 December 2012 Alan Howard, Brevan Howard founder, held an interest of 1,206,375 US Dollar shares and 161,107 Sterling shares in the Company. 500,000 USD shares were acquired during the IPO, while the remainder were acquired through on-market purchases, as detailed in a RNS announcement made on 28 November 2008.

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 replaced 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") has 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 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 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 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 had 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 Ongoing Charges figures include ongoing charges of BHGO. BHGO's investments are also subject to ongoing charges. These figures are not readily available, however BHGO's investments are subject to management fees and operational services fees ranging in aggregate from 1% to 2.5% per annum. These fees are not included in the following figures.

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

	US Dollar Shares	Euro Shares	31.12.12 Sterling Shares
Company – Ongoing Charges	0.77%	0.94%	0.72%
Master Fund – Ongoing Charges	0.02%	0.02%	0.02%
Total Ongoing Charges	0.79%	0.96%	0.74%

	US Dollar Shares	Euro Shares	31.12.11 Sterling Shares
Company – Ongoing Charges	0.69%	0.68%	0.66%
Master Fund – Ongoing Charges	0.01%	0.01%	0.01%
Total Ongoing Charges	0.70%	0.69%	0.66%

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 separate Remuneration Committee as anticipated by the AIC Code. The Board as a whole fulfils the functions of the Remuneration Committee, although the Board has included a separate Remuneration Report in these Financial Statements.

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 it has available 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, if possible within the timescales proposed in the Davies Report, and to that end will ensure that women candidates are considered when appointments to the Board are under consideration – as indeed has always been its practice.

The Board, of which Sir Michael Bunbury is Chairman (effective 1 January 2013), consists solely of non-executive Directors. The Board has considered the independence of each Director. Stephen Stonberg and Talmi Morgan are not considered independent of the Manager for the purposes of LR15.2.12-A.

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. An induction programme has been prepared for any future Director appointments.

The Board, Audit Committee, Management Engagement Committee and Nomination 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 its members. This process is conducted by the respective Chairman reviewing each members' performance, contribution and commitment to the Company. John Hallam as Senior Independent Director takes the lead in reviewing the performance of the Chairman. The Chairman also has responsibility for assessing the individual Board member's training requirements.

The AIC Code requires external evaluation of Board performance every three years. The Board undertook its first externally facilitated evaluation in early 2012, having commissioned it late the previous year. The report of the evaluation confirmed that the Company observes a high standard of Corporate Governance and, accordingly, the Board intends to conduct self-appraisals in 2013 and 2014 before commissioning a further independent study to be reported on in 2015.

The Terms of Reference of the Audit Committee, Management Engagement Committee and Nomination Committee are available on request 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 formally delegated 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 John Hallam, Graham Harrison and Nicholas Moss. John Hallam 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 any misstatements found in the course of its work, however no material misstatements were found. 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 reviews externally prepared assessments of the control environment in place at the Manager and the Administrator with the latter providing a SOC 1 report on an annual basis.

The Audit Committee has reviewed the need for an internal audit function. The Audit Committee has decided that 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. John Hallam and Nicholas Moss are currently serving their second term of three years. Graham Harrison is currently serving his first term.

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

Auditors remuneration

The following table summarises the remuneration paid to KPMG Channel Islands Limited and to other KPMG affiliates for audit and non-audit services during the years ended 31 December 2012 and 31 December 2011.

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

	01.01.12 to 31.12.12	01.01.11 to 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	£37,817	£24,715

German Tax Reporting

The German tax services are provided in relation to the reporting requirements of investors who are German residents for taxation purposes.

With effect from the year commencing 1 January 2013, 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 last page of this report or on the Company's website, www.bhglobal.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 Nicholas Moss, John Hallam, Graham Harrison (appointed on 24 September 2012) and Lord Turnbull, until he retired on 1 January 2013. Nicholas Moss is 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 investment companies and has access to extensive investment management resources. At its meeting of 24 September 2012, the Management Engagement Committee concluded that the continued appointment of the Manager on the terms agreed would be in the best interests of the Company's shareholders as a whole. At the date of this report the Board continued to be of the same opinion.

Nomination Committee

A Nomination Committee was set up on 24 September 2012 comprising all Directors of the Board, with the Chairman being appointed as Chairman of the Nomination Committee. For new appointments to the Board, nominations are sought from the Directors and from other relevant parties and candidates are then interviewed by the Nomination Committee.

The Directors were appointed to the Board 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.

During the latter part of 2012 a Nomination Committee, led in this instance by John Hallam as the Senior Independent Director, undertook a process to identify a successor to Lord Turnbull as chairman. This process included the identification, in conjunction with advisors, of potential candidates to establish an initial long-list followed by detailed consideration by the Committee including, where appropriate, interviews. The Committee recommended to the Board the appointment of Sir Michael Bunbury and this recommendation was accepted.

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 is has decided to enter into an intergovernmental agreement ("IGA") with U.S. 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 its shareholders. The Board receives regular reports on the views of its shareholders from its broker JP Morgan Cazenove and from the Manager, 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 unaudited estimates of the NAVs and month-end unaudited NAVs and the Manager provides a monthly newsletter and 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.

Significant shareholders

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

Significant shareholders	Total shares held	% holdings in class
<i>US Dollar shares</i>		
Nortrust Nominees Limited	2,626,510	19.94
Securities Services Nominees Limited	1,936,343	14.70
Vidacos Nominees Limited	944,073	7.17
HSBC Global Custody Nominee (UK) Limited	853,320	6.48
Chase Nominees Limited	824,121	6.26
Greenwood Nominees Limited	706,375	5.36
Euroclear Nominees Limited	658,206	5.00
Roy Nominees Limited	650,975	4.94
BBHISL Nominees Limited	638,849	4.85
Forest Nominees Limited	513,590	3.90
<i>Euro shares</i>		
HSBC Global Custody Nominee (UK) Limited	713,942	31.05

BBHISL Nominees Limited	422,947	18.40
Vidacos Nominees Limited	176,719	7.69
Securities Services Nominees Limited	143,298	6.23
JP Morgan Securities PLC	142,580	6.20
Morstan Nominees Limited	120,562	5.24
Lynchwood Nominees Limited	115,690	5.03
HSBC Client Holdings Nominee (UK) Limited	85,651	3.73
QGCI Nominees Limited	79,623	3.46

Sterling shares

State Street Nominees Limited	5,208,566	13.35
HSBC Global Custody Nominee (UK) Limited	3,959,070	10.15
Quilter Nominees Limited	2,942,805	7.54
Rathbone Nominees Limited	2,485,106	6.37
Pershing Nominees Limited	2,141,565	5.49
Brooks MacDonald Nominees Limited	1,732,538	4.44
Harewood Nominees Limited	1,557,251	3.99
The Bank of New York (Nominees) Limited	1,314,196	3.37
Smith & Williamson Nominees Limited	1,283,002	3.29

Signed on behalf of the Board by:

Sir Michael Bunbury

Chairman

John Hallam

Director

18 March 2013

Statement of Directors' Responsibility in Respect of the 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 Independent 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 Independent 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:

Sir Michael Bunbury
Chairman

John Hallam
Director

18 March 2013

Directors' Remuneration Report
As at 31 December 2012

Introduction

An ordinary resolution for the approval of this report will be put to the shareholders at the forthcoming 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. An external assessment of directors' remuneration has not been undertaken.

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 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. The Directors were appointed for an initial term of three years and section 20.3 of the Company's Articles require one third of the Directors to retire by rotation 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 year 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 £500,000 per annum.

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

	01.01.12 to 31.12.12*	01.01.11 to 31.12.11
	£	£
Lord Turnbull ⁺	145,000	140,000
John Hallam	34,500	33,000
Graham Harrison	31,500	30,000
Talmi Morgan	31,500	30,000
Nicholas Moss	33,000	30,000
Stephen Stonberg	31,500	30,000
Total	307,000	293,000

* From 1 July 2012, annual fees were increased to £150,000 for the Chairman, £36,000 for the Chairman of the Audit Committee and Management Engagement Committee and £33,000 for all other Directors.

+ Lord Turnbull retired effective 1 January 2013 and was replaced by Sir Michael Bunbury, with effect from this date. Sir Michael Bunbury is entitled to the same fee as disclosed above for Lord Turnbull.

Signed on behalf of the Board by:

Sir Michael Bunbury

Chairman

John Hallam

Director

18 March 2013

Manager's Report

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

Performance Summary

The Net Asset Value ("NAV") of the USD shares appreciated by 4.44% in 2012, while the NAV of the EUR shares and the GBP shares appreciated by 4.35% and 4.55% respectively in 2012.

The month-by-month NAV performance of each currency class of the Company since it commenced operations in 2008 is set out below:

USD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008						1.16*	0.10	0.05	(3.89)	1.13	2.74	0.38	1.55
2009	3.35	1.86	1.16	1.06	2.79	(0.21)	1.07	0.27	1.49	0.54	0.11	0.04	14.31
2010	0.32	(0.85)	(0.35)	0.53	(0.06)	0.60	(0.79)	0.80	1.23	0.39	(0.21)	(0.06)	1.54
2011	0.09	0.42	0.34	1.20	0.19	(0.56)	1.61	3.51	(1.29)	(0.14)	0.19	(0.88)	4.69
2012	1.22	1.02	(0.54)	(0.10)	(0.65)	(1.53)	1.46	0.70	1.47	(0.72)	0.81	1.26	4.44
EUR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008						1.28*	0.25	0.29	(4.34)	1.15	3.01	0.44	1.93
2009	3.57	1.94	1.13	1.05	2.54	(0.21)	1.11	0.27	1.50	0.50	0.08	0.08	14.36
2010	0.37	(0.90)	(0.35)	0.58	(0.02)	0.69	(0.81)	0.86	1.06	0.36	(0.14)	0.04	1.73
2011	0.06	0.43	0.35	1.30	0.27	(0.63)	1.78	3.77	(1.44)	(0.14)	0.19	(0.91)	5.04

2012	1.21	1.01	(0.56)	(0.12)	(0.61)	(1.45)	1.45	0.63	1.40	(0.76)	0.98	1.13	4.35
GBP	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008						1.40*	0.33	0.40	(4.17)	1.25	3.27	0.41	2.76
2009	3.52	1.94	1.03	0.68	2.85	(0.28)	1.05	0.31	1.51	0.58	0.12	0.08	14.15
2010	0.35	(0.93)	(0.32)	0.58	(0.04)	0.62	(0.81)	0.84	1.17	0.37	(0.20)	(0.03)	1.61
2011	0.10	0.41	0.38	1.13	0.04	(0.59)	1.69	3.67	(1.41)	(0.15)	0.21	(0.84)	4.65
2012	1.23	1.05	(0.51)	(0.08)	(0.62)	(1.51)	1.50	0.70	1.44	(0.72)	0.72	1.31	4.55

Source: The Company's NAV and NAV per Share 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 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.

* Performance is calculated from a base NAV per Share of 10.0 in each currency. The opening NAV in May 2008 was 9.9 (after deduction of the IPO costs borne by the Company).

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

BHGO invests all of its assets, net of cash retained for short-term working capital and efficient portfolio management, in investment funds of which one or more of the Brevan Howard group of affiliated entities is the manager or investment manager (the "Underlying Funds").

BHGO – Allocations and Investment Performance

The allocations of BHGO to each of its underlying fund investments were as follows:

Investment	Allocation as at 31 December 2012 (% NAV)
Brevan Howard Master Fund Limited ("BHM")	44.2
Brevan Howard Asia Master Fund Limited ("BHA")	8.7
Brevan Howard Emerging Markets Strategies Master Fund Limited ("BHEMS")	9.3
Brevan Howard Credit Catalysts Master Fund Limited ("BHCC")	12.9
Brevan Howard Systematic Trading Master Fund Limited ("BHST")	10.0
Brevan Howard Commodities Strategies Master Fund Limited ("BHCS")	4.9
Brevan Howard Investment Fund – Emerging Markets Local Fixed Income Fund ("BHEML")	4.5
Brevan Howard Investment Fund II – Macro FX Fund ("BHMF")	3.0
Cash/Other	2.5

Source: Brevan Howard.

Allocations are subject to change.

The underlying funds performed as follows during 2012:

Investment	2012 Performance (%)*
Brevan Howard Master Fund Limited Class Y (USD)	3.68
Brevan Howard Asia Master Fund Limited Class X (USD)	4.41
Brevan Howard Emerging Markets Strategies Master Fund Limited Class X (USD)	14.09
Brevan Howard Credit Catalysts Master Fund Limited Class Y (USD)	15.30
Brevan Howard Systematic Trading Master Fund Limited Class B (USD)	-3.74
Brevan Howard Commodities Strategies Master Fund Limited Class X (USD)	5.89
Brevan Howard Investment Fund – Emerging Markets Local Fixed Income Fund Class A (USD)	7.22
Brevan Howard Investment Fund II – Macro FX Fund Class A (USD)	0.16^

* USD currency class of each underlying fund; the Company also invests in the EUR and GBP of the underlying funds.

[^] Please note the Company invested in BHMFX on 19 December as such the performance data for BHMFX is for the period 19 December 2012 – 27 December 2012.

Source: Performance data for the underlying funds is provided by their respective administrators. Performance data is net of all investment management fees and all other fees and expenses payable.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

Performance Review

During 2012, the strongest performing underlying funds in BHGO's portfolio were BHCC, BHEMS and BHEML returning 15.30%, 14.09% and 7.22% respectively (share classes detailed in the table above). The combined allocation to these three underlying funds was increased during the year, from approximately 23% to 27%. Most of the other underlying funds posted solid gains for the year too with BHCS up 5.89 %, BHA up 4.41 %, and Brevan Howard's flagship fund, BHM, up 3.68 %. BHMFX made a small gain of 0.16% in 2012. BHST posted a loss of 3.74% for the year.

Commentary and Outlook

The Company's strong diversification served it well in a year in which the macro-economic and political backdrop remained highly stressed and potentially dangerous for markets. The Company's exposure to a wide range of asset classes and trading styles, enabled it to produce positive risk-adjusted and consistent performance. Seven of the eight underlying funds that BHGO portfolio allocates to were profitable in 2012 and the loss on the other underlying fund was small.

During the second half of 2012, the Investment Committee ("IC") gradually increased the exposure to trading areas outside G7 interest rates trading. This move was made in order to increase the potential return profile given the perceived opportunity set in credit, commodities and emerging markets trading. The allocations to BHM and, to a lesser extent, BHA and BHST were reduced as these underlying funds have a significant exposure to interest rates trading.

There were two new underlying fund allocations. In January 2012 the IC sought to diversify its emerging markets exposure with an allocation to BHEML. BHEML takes long and short positions in emerging market currency and rates, aiming to benefit from both rising and falling markets. In December a small allocation was made to BHMFX to further diversify the Company's portfolio. The initial allocation to BHMFX, of approximately 3% of BHGO's NAV, was made in December 2012 (as reported in the December 2012 risk report and investor letter). BHMFX follows a discretionary FX trading strategy combining top down macro themes and shorter term tactical trading. BHMFX's capital is currently allocated to four portfolio managers across both developed and emerging market currencies. With on-going macro uncertainty and low FX volatility levels, the IC felt such an allocation was timely. In addition the IC recognised BHMFX's low correlation to BHGO.

Looking forward, the IC believes that macro risks in combination with the unprecedented monetary policy activities by central banks globally is likely to produce good trading opportunities across all asset classes. In January 2013 the IC made an allocation to Brevan Howard Credit Value Master Fund Limited ("BHCV"). BHCV aims to buy a portfolio of high carry structured credit securities trading below "intrinsic value" with expected low ultimate loss of principal risk. The IC will continue to take advantage of the flexibility within BHGO's mandate in order to achieve high risk adjusted returns and simultaneously keep a healthy diversification between strategies, asset classes and traders. The IC remains confident that the Company is appropriately positioned to benefit from the current opportunity set.

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 Global Limited

We have audited the Financial Statements of BH Global Limited for the year ended 31 December 2012 which comprise the Statement of Assets and Liabilities, the Statement of Operations, the Statement of Changes in Net Assets, the

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.

Deborah J. Smith

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

19 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 BHGO	1,027,828	998,086
Amounts due from the BHGO	3,231	–
Other debtors	91	131
Cash and bank balances denominated in US Dollars	2,519	594
Cash and bank balances denominated in Euro	1,163	140
Cash and bank balances denominated in Sterling	4,129	2,042
Total assets	1,038,961	1,000,993
Liabilities		
Loan payable (note 3, 5)	7,035	–
Management fees payable (note 4)	437	425
Accrued expenses and other liabilities	104	60
Directors' fees and expenses payable	130	113
Administration fees payable (note 4)	60	30
Total liabilities	7,766	628
Net assets	1,031,195	1,000,365
Number of shares in issue (note 5)		
US Dollar shares	13,171,761	15,185,614
Euro shares	2,298,992	2,919,762
Sterling shares	39,018,709	39,910,912
Net asset value per share (notes 7 and 10)		
US Dollar shares	US\$12.89	US\$12.34
Euro shares	€13.00	€12.46
Sterling shares	£13.04	£12.47

See accompanying notes to the Financial Statements.

Signed on behalf of the Board by:

Sir Michael Bunbury

Chairman

John Hallam

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 loss allocated from BHGO		
Interest	7	20
Expenses	(224)	(128)
Net investment loss allocated from BHGO	(217)	(108)

Company income		
Interest income	–	1
Foreign exchange gains (note 3)	38,827	–
Total Company income	38,827	1
Company expenses		
Management fees (note 4)	5,105	5,146
Other expenses	1,684	945
Directors' fees and expenses	488	463
Administration fees (note 4)	358	355
Foreign exchange losses (note 3)	–	5,541
Total Company expenses	7,635	12,450
Net investment gain/(loss)	30,975	(12,557)
Net realised and unrealised gains on investments allocated from BHGO		
Net realised gain on investments	22,532	21,210
Net unrealised gain on investments	63,742	18,679
Net realised and unrealised foreign exchange gain/(loss)		
– on hedging	522	(19)
– on capital (note 3)	(36,519)	11,834
Net realised and unrealised gains on investments allocated from BHGO	50,277	51,704
Net increase in net assets resulting from operations	81,252	39,147

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)	30,975	(12,557)
Net realised gain on investments allocated from BHGO	22,532	21,210
Net unrealised gain on investments allocated from BHGO	63,742	18,679
Net realised and unrealised foreign exchange (loss)/gain allocated from BHGO	(35,997)	11,815
	81,252	39,147
Share capital transactions		
Purchase of own shares (note 5)		
US Dollar shares	(1,128)	(5,389)
Euro shares	(805)	(2,294)
Sterling shares	(3,522)	(9,264)
	(5,455)	(16,947)
Partial capital return		
US Dollar shares	(8,402)	–
Euro shares	(2,255)	–
Sterling shares	(34,310)	–
	(44,967)	–
Net increase in net assets	30,830	22,200
Net assets at the beginning of the year	1,000,365	978,165
Net assets at the end of the year	1,031,195	1,000,365

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	81,252	39,147
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net investment loss allocated from BHGO	217	108
Net realised gain on investments allocated from BHGO	(22,532)	(21,210)
Net unrealised gain on investments allocated from BHGO	(63,742)	(18,679)
Net realised and unrealised foreign exchange loss/(gain) allocated from BHGO	35,997	(11,815)
Purchase of investment in BHGO	–	(20,170)
Proceeds from sale of investment in BHGO	55,912	33,717
Foreign exchange (gains)/losses	(38,826)	5,541
Decrease/(increase) in other debtors	41	(88)
Increase in management fees payable	12	9
Increase/(decrease) in accrued expenses and other liabilities	72	(215)
Increase in Directors' fees payable	17	6
Increase/(decrease) in administration fees payable	30	(57)
Net cash provided by operating activities	48,450	6,294
Cash flows from financing activities		
Purchase of own shares	(5,455)	(16,947)
Partial capital return	(44,967)	–
Borrowings on short term loan	7,007	–
Net cash used in financing activities	(43,415)	(16,947)
Change in cash	5,035	(10,653)
Cash, beginning of the year	2,776	13,429
Cash, end of the year	7,811	2,776
Cash, end of the year		
Cash and bank balances denominated in US Dollars	2,519	594
Cash and bank balances denominated in Euro	1,163	140
Cash and bank balances denominated in Sterling	4,129	2,042
	7,811	2,776

See accompanying notes to the Financial Statements.

Notes to the Audited Financial Statements

For the year ended 31 December 2012

1. The Company

BH Global Limited (the "Company") is a limited liability closed-ended investment company incorporated in Guernsey on 25 February 2008 for an unlimited period, with registration number 48555.

The Company was admitted to a Primary Listing on the Official List of the London Stock Exchange on 29 May 2008. 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's investment objective is to seek to generate consistent long-term capital appreciation through an investment policy of investing all of its assets (net of those expenses of the initial public offering borne by the Company and funds required for its short-term working capital requirements) in BHGO.

The Company is organised as a feeder fund and invests substantially all of its investable assets in the ordinary US Dollar, Euro and Sterling denominated Class A shares issued by BHGO.

As such the accounts of the Company should be read in conjunction with the Annual Audited Financial Statements of BHGO.

BHGO is an open-ended investment company incorporated with limited liability in the Cayman Islands on 3 March 2008. BHGO's underlying investments as at 31 December 2012 and the percentage BHGO's investment represented of the underlying fund's NAV are as follows:

Brevan Howard Master Fund Limited - 1.67%
Brevan Howard Emerging Markets Strategies Master Fund Limited - 3.61%
Brevan Howard Asia Master Fund Limited - 4.45%
Brevan Howard Credit Catalysts Master Fund Limited - 4.29%
Brevan Howard Commodities Strategies Master Fund Limited - 6.39%
Brevan Howard Systematic Trading Master Fund Limited - 10.42%
Brevan Howard Investment Fund – Emerging Markets Local Fixed Income Fund - 2.72%
Brevan Howard Investment Fund II – Macro Fx Fund - 3.24%

These investment funds may invest in a wide range of geographical regions, sectors and instruments. Such instruments may include, but are not limited to, debt securities and obligations (which may be below investment grade or unrated), bank loans, listed and unlisted equities, other collective investment schemes (which may be open ended or closed ended, listed or unlisted, and which may employ leverage), currencies, commodities, futures, options, warrants, swaps, other derivative instruments and any other type of instrument or security. These funds have the ability to take short positions across the majority of these instruments. Subject to the investment restrictions disclosed in BHGO Prospectus and subsequent BHGO Directors' resolutions, the allocation of assets of BHGO among the Brevan Howard underlying funds in which it is permitted to invest is at the discretion of the Manager.

At the date of these Financial Statements, the Company is the only Feeder Fund investing into BHGO.

The Manager

Brevan Howard Capital Management LP (the "Manager") is the Manager of the Company. The Manager is a Jersey limited partnership, the sole 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 BHGO and the Brevan Howard Underlying Funds.

3. Significant accounting policies

The 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 base currency of the Company is US Dollars.

The following are significant accounting policies adopted by the Company:

Valuation of investments

The Company records its investment in the Class A shares of BHGO at fair value. Fair Value is determined as the Company's proportionate share of BHGO's capital. At 31 December 2012 and 31 December 2011, the Company's US Dollar, Euro and Sterling capital account represents 100%, 100% and 100% respectively of BHGO's capital. The net asset value of BHGO is used as a measure of fair value as this is price at which the Company may redeem its investment.

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 including such a pricing model and/or the risk inherent in the inputs to the valuation technique. 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 "Board"). After consultation with the Administrator and Manager, the Board considers 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 Board's 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 Board's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The Board uses 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 BHGO is discussed in the notes to BHGO's Financial Statements which are available on the Company's website, www.bhglobal.com.

Income and expenses

The Company records monthly its proportionate share of BHGO'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 the Board 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

Share issue expenses of US\$10,552,146 were borne by the Company and were charged against the Share capital account at launch. In accordance with the Placing Agreement dated 28 April 2008, the Manager paid the costs and expenses of, and incidental to, the Offer (including all costs related to the establishment of the Company) (the "Offer Costs") which were in excess of 1% of the gross proceeds of the Offer. The Offer Costs paid by the Manager amounted to US\$26,559,274.

Pursuant to the terms of the Management Agreement, 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\$1,044,631,308. The Current US Dollar NAV is calculated using the exchange rate ruling at the time of the Company's listings and at 31 December 2012 stood at US\$1,223,965,297. The amount of these Offer Costs to be repaid for every US Dollar by which the Company's NAV is reduced will be up to 2.55 cents (or such lower amount as may result in the reduction in the Offer Costs actually paid by the Manager), being the figure obtained by dividing the Offer Costs by the NAV of the Company at the time of its listing. No such payments were due in respect of the current or previous years.

In addition, if the Management Agreement were to be terminated for certain grounds either in whole or with respect to a class of shares on or before the seventh anniversary of admission to the London Stock Exchange, being 29 May 2015, any Offer Costs that have not already been repaid to the Manager (or, in the case of termination in respect of a class of shares, the Offer Costs attributable to such class), will be repaid in full to the Manager by the Company. Any repurchases, redemptions or cancellations will be priced to take into account any fractional Offer Cost repayments and therefore ensure that continuing shareholders should not be prejudiced. The Directors consider the likelihood of the Management Agreement terminating and as a consequence the contingent liability described above arising as remote and therefore no provision has been made within these Financial Statements.

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

Foreign exchange

Investment securities and other assets and liabilities denominated in foreign currencies are translated into US Dollars using exchange rates at the reporting date for the purposes of an aggregated share class Statement of Operations. The currency gain or loss arising from this translation is substantially offset by currency gains or losses allocated from BHGO.

Transactions denominated in foreign currencies are translated into US Dollars using exchange rates at the date of such transactions.

All currency gains and losses are included in the Audited Statement of Operations.

Cash and Bank Balances

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

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 Share capital account. 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 10.

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.

Loan notes payable

Loans are classified in the Statement of Assets and Liabilities as Loans payable and are accounted for at amortised cost using the effective interest method. Under a Note Purchase Agreement (note 5), the Company is obliged to pay back the total outstanding amount and all fees and expenses, reimbursements and indemnities of the relevant Issuer by the stated maturity date, unless the Note is previously terminated. Interest shall accrue daily on each Note at the applicable rate. The Company's obligations under the Agreement are secured by charges over a portion of its shares in the Master Fund and over its bank accounts. The purpose of the Note Purchase Agreement is to permit the Company to draw funds to finance the acquisition of the Company's own shares and for other working capital purposes.

4. Management and administration agreements

Management 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 0.50% (or a pro rata proportion thereof) per month of the closing NAV (before deduction of that month's management fee) as at the last valuation day in each month, payable monthly in arrears. BHGO itself is not subject to management fees, however BHGO's investments are subject to management fees and operational services fees ranging in aggregate from 1% to 2.5% per annum. During the year ended 31 December 2012, US\$5,104,540 (2011: US\$5,146,172) was charged by the Manager as management fees to the Company. At 31 December 2012, US\$436,907 (2011: US\$425,005) of the fee remained outstanding.

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. 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 monthly in arrears. The fee is at a rate of 0.03% of the first US\$1 billion of net assets of the Company and then 0.01% per annum thereafter, subject to a minimum fee of £115,000 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 was incorporated with the authority to issue an unlimited number of ordinary shares with no par value which may be divided into at least three classes denominated in US Dollars, Euro and Sterling. 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	15,185,614	2,919,762	39,910,912
Share conversions	(1,216,941)	(419,230)	1,097,436
Partial capital return	(695,168)	(145,765)	(1,789,795)
Purchase of own shares into treasury	(101,744)	(55,775)	(199,844)
In issue at 31 December 2012	13,171,761	2,298,992	39,018,709
Number of treasury shares			
In issue at 1 January 2012	1,465,294	259,973	2,940,103
Shares purchased and held in treasury during the year:			

On market purchases	101,744	55,775	199,844
Shares cancelled	(300,000)	(75,000)	–
In issue at 31 December 2012	1,267,038	240,748	3,139,947
Percentage of class	8.78%	9.48%	7.45%

	US\$ '000	€ '000	£ '000	Company Total US\$ '000
Share capital account				
At 1 January 2012	123,495	19,164	419,707	936,081
Share conversions	(15,073)	(5,273)	13,781	–
Partial capital return	(8,402)	(1,777)	(21,874)	(44,967)
Purchase of own shares into treasury	(1,128)	(624)	(2,251)	(5,455)
At 31 December 2012	98,892	11,490	409,363	885,659

	US Dollar shares	Euro shares	Sterling shares
Number of ordinary shares			
In issue at 1 January 2011	21,859,989	3,333,754	36,417,607
Share conversions	(6,172,743)	(261,391)	4,011,121
Purchase of own shares into treasury	(501,632)	(152,601)	(517,816)
In issue at 31 December 2011	15,185,614	2,919,762	39,910,912

Number of treasury shares

In issue at 1 January 2011	2,385,662	349,712	2,422,287
Shares purchased and held in treasury during the year:			
On market purchases	501,632	152,601	517,816
Shares cancelled	(1,422,000)	(242,340)	–
In issue at 31 December 2011	1,465,294	259,973	2,940,103
Percentage of class	8.80%	8.18%	6.86%

	US\$ '000	€ '000	£ '000	Company Total US\$ '000
Share capital account				
At 1 January 2011	203,264	23,998	376,538	953,028
Share conversions	(74,380)	(3,171)	48,841	–
Purchase of own shares into treasury	(5,389)	(1,663)	(5,672)	(16,947)
At 31 December 2011	123,495	19,164	419,707	936,081

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 BHGO US Dollars shares, BHGO Euro shares and BHGO Sterling shares as calculated by BHGO 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

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 one vote, a single Euro ordinary share has 1.57465 votes and a single Sterling ordinary share has 1.97950 votes.

Treasury shares do not have any voting rights.

Repurchase of shares

The Directors have been granted authority to purchase in the market up to 2,287,925 US Dollar shares, 422,993 Euro shares and 5,987,803 Sterling shares respectively 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, the Directors are required to convene a shareholders' meeting to consider the repurchase of a 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 "AGM"), the Directors have the power to issue further shares on a non pre-emptive basis for cash in respect of 1,526,301 US Dollar shares, 282,183 Euro shares and 3,994,532 Sterling shares respectively. This power expires on the date falling fifteen months after the date of the AGM or the conclusion of the next Annual General Meeting of the Company, whichever is the earlier.

Distributions

BHGO does not expect to pay dividends to its investors. 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

Each calendar year the Directors may, in their absolute discretion, determine that the Company should 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 the 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 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.

On 29 June 2012 the following number of each class of shares were redeemed and cancelled pursuant to the 2012 redemption offer:

695,168 US Dollar shares at a redemption price of US\$12.0862, equalling a gross redemption of US\$8,401,939.

145,765 Euro shares at a redemption price of €12.1929, equalling a gross redemption of €1,777,298.

1,789,795 Sterling Shares at a redemption price of £12.2220 equalling a gross redemption of £21,874,874.

A similar partial return of capital in respect of growth in NAV during 2012 was made in early 2013 as disclosed in Note 12.

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. From 31 October 2008 shareholders at the discretion of the Board have been able to convert ordinary shares on the last business day of every month. Each conversion will be based on NAV (note 7) of the share classes to be converted.

6. Taxation

Overview

The Company is exempt from taxation in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. Accordingly, no provision for Guernsey income taxes is included in these Financial Statements.

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-percent) 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 to not meet the more-likely-than-not threshold.

The Company analyses all open tax years for all major tax 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 Board has analysed the Company's tax positions, and has concluded that no liability for unrecognised tax benefits should be recorded related to uncertain tax positions. Further, the Board is 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 share class 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 BHGO, 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 BHGO, 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, which are available from the Administrator on request.

In the event a class closure resolution is proposed, shareholders in a 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 may be funded by partial redemptions of the Company's investment in BHGO and by utilising the Note Purchase Agreement.

The total numbers of shares purchased during 2012 and held in treasury at 31 December 2012 are as disclosed in note 5.

9. Note Purchase Agreement

The Company is party to a Note Purchase Agreement with JP Morgan Chase Bank dated 17 August 2012 pursuant to which the Company may obtain financing of up to approximately US\$50 million to be drawn down on a currency-by-currency basis, if required, to finance share buybacks pending receipt of the proceeds of redemption from its underlying investments. As at 31 December 2012, an amount of US\$7,007,400 was used under the Note Purchase Agreement, with US\$27,805 of loan interest payable at the year end.

10. Financial Highlights

The following tables include selected data for a single ordinary share of each of the ordinary share classes in issue at the period 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 £	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	12.34	12.46	12.47	11.79	11.86	11.92
Income from investment operations						
Net investment loss*	(0.11)	(0.12)	(0.10)	(0.08)	(0.09)	(0.08)
Net realised and unrealised gain on investment	0.64	0.63	0.65	0.71	0.66	0.59
Other capital items**	0.02	0.03	0.02	(0.08)	0.03	0.04
Total return*	0.55	0.54	0.57	0.55	0.60	0.55
Net asset value, end of the year	12.89	13.00	13.04	12.34	12.46	12.47
Total return*	4.44%	4.35%	4.55%	4.69%	5.04%	4.65%

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 ended 31 December 2012.

	31.12.12 US Dollar shares US\$ '000	31.12.12 Euro shares € '000	31.12.12 Sterling shares £ '000	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	169,756	29,885	508,791	187,393	36,372	497,755
Average net asset value for the year	181,118	33,496	499,139	215,735	38,040	473,389

	31.12.12 US Dollar shares	31.12.12 Euro shares	31.12.12 Sterling shares	31.12.11 US Dollar shares	31.12.11 Euro shares	31.12.11 Sterling shares
Ratio to average net assets						

Operating expense						
Company expenses ***	0.78%	0.94%	0.73%	0.70%	0.68%	0.67%
BHGO expenses****	0.02%	0.02%	0.02%	0.01%	0.01%	0.01%
	0.80%	0.96%	0.75%	0.71%	0.69%	0.68%
Net investment loss*	(0.78%)	(0.84%)	(0.76%)	(0.56%)	(0.70%)	(0.71%)

Operating expense and net investment loss are not annualised.

* The net investment loss figure shown above does not include net realised and unrealized gains and losses on investments allocated from BHGO.

** Included in other capital items are the discounts and premiums on conversions between share classes during the year 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 foreign exchange losses on aggregation.

**** BHGO expenses are the operating expenses of BHGO.

11. Related Party Transactions

Management fees are disclosed in note 4.

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

Directors' interests are disclosed in the Directors' Report with further disclosures in the Board Members section.

12. Subsequent Events

Management has evaluated subsequent events up to 18 March 2013, which is the date that the Financial Statements were available to be issued.

On 1 January 2013, Lord Turnbull retired from his position as Chairman and was replaced by Sir Michael Bunbury with effect from the same date.

A partial capital return was offered to investors on 24 January 2013, equal to 100% of the net asset value growth for 2012. The offer allowed shareholders to elect to have shares redeemed at a price equal to the net asset value for the relevant share class at 31 December 2012, discounted by 3%.

On 8 March 2013, US\$40,651,493 was returned to investors.

Subsequent to the year end and up to the date of this report, the Company purchased the following shares of the Company to be held as treasury shares:

Treasury shares	Number of shares purchased	Cost (US\$)	Cost (in currency)
US Dollar shares	25,032	286,069	US\$286,069
Sterling shares	75,231	1,361,969	£890,147
Euro shares	19,300	300,778	€227,474

In addition to the buyback of the above shares, 62,868 Euro shares were also cancelled on 21 February 2013. Following the purchase and cancellation of shares, the Company held 1,292,070 US Dollar shares, 3,215,178 Sterling shares and 197,180 Euro shares.

No further subsequent events have occurred.

Historic Performance Summary

As at 31 December 2012

	31.12.12	31.12.11	31.12.10	31.12.09
	US\$'000	US\$'000	US\$'000	US\$'000
Net increase/(decrease) in net assets resulting from	81,252	39,147	(13,348)	166,593

operations				
Total assets	1,038,961	1,000,993	979,050	992,245
Total liabilities	(7,766)	(628)	(885)	(732)
Net assets	1,031,195	1,000,365	978,165	991,513

Number of shares in issue

US Dollar shares	13,171,761	15,185,614	21,859,989	26,766,139
Euro shares	2,298,992	2,919,762	3,333,754	5,392,188
Sterling shares	39,018,709	39,910,912	36,417,607	31,461,725

Net asset value per share

US Dollar shares	US\$12.89	US\$12.34	US\$11.79	US\$11.61
Euro shares	€13.00	€12.46	€11.86	€11.66
Sterling shares	£13.04	£12.47	£11.92	£11.73

Glossary of Acronyms

Detailed below are the underlying funds and their acronyms used within this report:

BHGO	Brevan Howard Global Opportunities Master Fund Limited
BHM	Brevan Howard Master Fund Limited
BHA	Brevan Howard Asia Master Fund Limited
BHEMS	Brevan Howard Emerging Markets Strategies Master Fund Limited
BHCC	Brevan Howard Credit Catalysts Master Fund Limited
BHCS	Brevan Howard Commodities Strategies Master Fund Limited
BHST	Brevan Howard Systematic Trading Master Fund Limited
BHEML	Brevan Howard Investment Fund – Emerging Markets Local Fixed Income Fund
BHMFx	Brevan Howard Investment Fund II – Macro Fx Fund
BHCV	Brevan Howard Credit Value Master Fund Limited

Management and Administration

Directors

Sir Michael Bunbury* (Chairman) (appointed 1 January 2013)

Lord Turnbull (resigned as Chairman on 1 January 2013)

John Hallam* (Senior Independent Director)

Graham Harrison*

Talmay Morgan

Nicholas Moss*

Stephen Stonberg

(All Directors are non-executive)

* These Directors are independent for the purpose of LR15.2.12-A.

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The Audited Report and Financial Statements of BH Global Limited and the Audited Financial Statements of Brevan Howard Global Opportunities Master Fund Limited will shortly be available on BH Global's website www.bhglobal.com