

BREVAN HOWARD

Brevan Howard Multi-Strategy Master Fund Limited
Interim Unaudited Financial Statements 2016

INTERIM UNAUDITED
FINANCIAL STATEMENTS
30 June 2016

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Unaudited Statement of Assets and Liabilities

30 June 2016

	2016 US\$'000
Assets	
Investments at fair value (cost: US\$2,487,333) (Note 3, 4)	2,777,021
Redemptions receivable from affiliated funds	136,413
Cash (Note 2)	5
Investments purchased under agreements to resell (cost: US\$7,076) (Note 7)	7,080
Interest receivable	4,379
Due from broker (Note 2)	2,051,034
Total assets	4,975,932
Liabilities	
Investments sold short at fair value (proceeds: US\$462,731) (Note 3)	719,559
Investments sold under agreements to repurchase (proceeds: US\$407,774) (Note 7)	407,693
Accounts payable and accrued expenses (Note 5, 6)	335
Interest payable	129
Redemptions payable	94,745
Due to broker (Note 2)	1,876,050
Total liabilities	3,098,511
Net assets (Note 8)	1,877,421
Net asset value per share	
US Dollar Ordinary	US\$150.95
Euro Ordinary	€152.30
Sterling Ordinary	£156.73
Yen Ordinary	¥13,132.49
Canadian Dollar Ordinary	CAD 102.27
US Dollar Class G	US\$105.77
Sterling Class G	£106.47

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

See accompanying notes to the Interim Unaudited Financial Statements.

Signed on behalf of the Board:

Dennis Hunter
Director

Karla Bodden
Director

18 August 2016

Unaudited Statement of Operations

For the period ended 30 June 2016

	2016 US\$'000
Investment income	
Interest income	55,282
Total income	55,282
Expenses	
Interest expense	2,073
Professional fees and other	262
Management fee (Note 5)	4,325
Administration fee (Note 6)	686
Commissions on futures and options	418
Total expenses	7,764
Net investment gain	47,518
Net realised and unrealised gain/(loss) on investments	
Net realised gain on investments (Note 2)	88,109
Net change in unrealised depreciation on investments (Note 2)	(167,441)
Net realised and unrealised loss on investments	(79,332)
Net decrease in net assets resulting from operations	(31,814)

See accompanying notes to the Interim Unaudited Financial Statements.

Unaudited Statement of Changes in Net Assets

For the period ended 30 June 2016

	2016 US\$'000
Net decrease in net assets resulting from operations	
Net investment gain	47,518
Net realised gain on investments	88,109
Net change in unrealised depreciation on investments	(167,441)
	(31,814)
Share capital transactions	
Issue of shares	
US Dollar Ordinary	12,729
Euro Ordinary	86
Sterling Ordinary	145
Yen Ordinary	9
Canadian Dollar Ordinary	4,478
US Dollar Class G	1,516
Sterling Class G	196
Redemptions of shares	
US Dollar Ordinary	(333,308)
Euro Ordinary	(46)
Sterling Ordinary	(141,658)
Yen Ordinary	(25,103)
Canadian Dollar Ordinary	(36)
US Dollar Class G	(13,696)
Sterling Class G	(86,306)
Net decrease in net assets	(612,808)
Net assets – beginning of period	2,490,229
Net assets – end of period	1,877,421

See accompanying notes to the Interim Unaudited Financial Statements.

Unaudited Statement of Cash Flows

For the period ended 30 June 2016

	2016 US\$'000
Cash flows from operating activities	
Net decrease in net assets from operations	(31,814)
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:	
Decrease in investments at fair value	516,541
Increase in interest receivable	(1,463)
Increase in redemptions receivable from affiliated funds	(36,942)
Increase in due from broker	(1,192,900)
Increase in investments sold short at market value	34,566
Increase in due to broker	1,264,028
Decrease in accounts payable and accrued expenses	(187)
Increase in interest payable	112
Net cash provided by operating activities	551,941
Cash flows from financing activities	
Proceeds on issue of shares	19,159
Payments on redemption of shares	(614,565)
Increase in investments purchased under agreements to resell	(5,879)
Increase in investments sold under agreements to repurchase	49,344
Net cash used in financing activities	(551,941)
Net increase in cash	–
Cash – beginning of period	5
Cash – end of period	5
<i>Supplemental disclosure of non-cash financing activities:</i>	
<i>Decrease in redemptions payable</i>	<i>(14,412)</i>

See accompanying notes to the Interim Unaudited Financial Statements.

Notes to the Interim Unaudited Financial Statements

30 June 2016

1. Organisation

Brevan Howard Multi-Strategy Master Fund Limited (the "Master Fund") is an exempted limited liability company which was incorporated under the Companies Law of the Cayman Islands on 21 January 2008 and commenced trading on 1 March 2008. The Master Fund registered under the Mutual Funds Law of the Cayman Islands on 13 March 2012.

The Master Fund seeks to generate consistent long-term appreciation through active, direct and indirect leveraged trading and investment on a global basis in multiple investment strategies.

Brevan Howard Capital Management, L.P. (the "Manager"), acting through its sole general partner, Brevan Howard Capital Management Limited, is the manager of the Master Fund. The Manager has registered as a Commodity Pool Operator with the United States Commodity Futures Trading Commission with effect from 1 January 2013 in respect of the Master Fund.

The Manager is primarily responsible for determining the allocation of the capital of the Master Fund between the underlying funds (see Note 4) and the investment managers. The Manager has appointed Brevan Howard Asset Management LLP ("BHAM"), Brevan Howard Investment Products Limited ("BHIPL"), Brevan Howard US Investment Management LP ("BHUSIM"), DW Partners, LP ("DW") and BH-DG Systematic Trading LLP ("BH-DG") as the investment managers (the "Investment Managers") of respectively the BHAM Portfolio, the BHIPL Portfolio, the BHUSIM Portfolio, the DW Portfolio and the BH-DG Portfolio, in each case subject to risk oversight by the Manager or one of its affiliates.

The Manager may in the future appoint affiliates of the Manager as investment managers in addition to, or in substitution for, the Investment Managers. The Manager and the Investment Managers (and/or their partners, members, Directors, employees, related entities and connected persons and their respective partners, members, Directors and employees) may subscribe, directly or indirectly, for shares or partnership interests in the Master Fund's feeder funds.

The Master Fund's feeder funds comprise Brevan Howard Multi-Strategy Fund Limited, Brevan Howard Multi-Strategy Fund, L.P. and BH Global Limited (together the "Feeder Funds").

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

2. Significant accounting policies

(a) Basis of preparation

The accompanying Interim Unaudited Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The Interim Unaudited Financial Statements are presented in United States Dollars ("US\$" or "US Dollar").

For financial statement reporting purposes, the Master Fund is an investment company and follows Financial Services – Investment Companies (ASC 946). The Master Fund did not provide financial support to any related parties or investee entities during the current period.

At 31 December 2015, the Master Fund owned 54.38% of BH-DG Systematic Trading Master Fund Limited (formerly Brevan Howard Systematic Trading Master Fund Limited) (the "Subsidiary") and included full consolidation of the Subsidiary in its Financial Statements. During the period ended 30 June 2016, the Master Fund redeemed part of its ownership interest in the Subsidiary and owns 36.28% non-controlling financial interest at 30 June 2016. As a result, the Master Fund has not presented the Financial Statements for the period ended 30 June 2016 on a consolidated basis and has derecognised the underlying assets of US\$421,775,943, liabilities of US\$16,455,063 and US\$184,901,668 non-controlling interest in the Subsidiary reported in the Consolidated Financial Statements as at 31 December 2015 and reclassified its US\$220,419,212 financial interest in the Subsidiary to "Investments in underlying funds" from 1 January 2016. There was no gain or loss recognised upon deconsolidation. As at 30 June 2016, as an Investment Company, the Master Fund carries its investment in BH-DG Systematic Trading Master Fund Limited at fair value in accordance with the accounting guidance in the AICPA Audit and Accounting Guide (2015): Investment Companies (the "Guide"). Refer to Note 4 "Investments in underlying funds" for further information.

Standards and amendments to existing standards effective in the year beginning 1 January 2016

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2015-07, "Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)". ASU No. 2015-07 requires that investments for which the fair value is measured at NAV using the practical expedient (investments in funds measured at NAV) under "Fair Value Measurements and Disclosures" (Topic 820) be excluded from the fair value hierarchy. ASU No. 2015-07 is effective for interim and annual reporting periods beginning after 15 December 2016. ASU No. 2015-07 is required to be applied retrospectively to all periods presented beginning in the period of adoption. The Master Fund early adopted ASU No. 2015-07, and such adoption did not affect the Master Fund's financial condition, results of operations, or cash flows.

(b) Security transactions and valuations

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

Security transactions are accounted for on a trade date basis.

Notes to the Interim Unaudited Financial Statements

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30 June 2016

2. Significant accounting policies (continued)

(b) Security transactions and valuations (continued)

Most positions of the Master Fund are priced at the same time each day. This provides reliable comparative pricing of positions which are traded in different markets. A snapshot of all markets (excluding Pacific Rim and Australasia) is made at 4:00 pm GMT. Pacific Rim and Australasia positions are generally priced as at the local end-of-day mid-market levels.

Instruments with directly observable prices are priced to independent external data sources (e.g. exchange traded futures, options, equities, government and corporate debt securities). Fair value estimates for financial instruments for which no or limited observable market data is available are based on judgments regarding current economic conditions, liquidity discounts, currency, credit, and interest rate risks, loss experience and other factors. These estimates involve significant uncertainties and judgments and cannot be determined with precision.

As a result, such calculated fair value estimates may not be realisable in a current sale or immediate settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique, including discount rates, liquidity risks and estimates of future cash flows, could significantly affect these fair value estimates.

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

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

Realised gains and losses on investments are calculated using the highest in first out method. Realised and unrealised gains and losses are recorded at the reporting date in the Unaudited Statement of Operations.

(c) Income and expense recognition

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

Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(d) Investments purchased under agreements to resell and investments sold under agreement to repurchase

The Master Fund enters into investment purchases under agreements to resell and investment sales under agreements to repurchase. These agreements are accounted for as collateralised

financing transactions and are recorded at their contracted resell or repurchase amounts, which approximate fair value.

The Investment Managers monitor the market value of the Master Fund's underlying contract amount, including accrued interest, and requests or provides additional collateral where deemed appropriate. Interest on investments purchased under agreements to resell and investments sold under agreements to repurchase is accrued on a daily basis, and are recorded as interest expense and interest income, respectively, in the Unaudited Statement of Operations.

(e) Asset-Backed Securities

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

CDOs include Collateralised Bond Obligations, Collateralised Loan Obligations and other similarly structured securities. The risks of an investment in a CDO depend largely on the type of the collateral securities and the class of the CDO in which the Master Fund invests. CDOs carry additional risks including, but not limited to, (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments, (ii) the quality of the collateral may decline in value or default, (iii) the Master Fund may invest in CDOs that are subordinate to other classes, and (iv) the complex structure of the security may produce disputes with the issuer or unexpected investment results.

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

(f) Derivative financial instruments

The Master Fund uses derivative financial instruments such as foreign exchange contracts, options, financial futures contracts and swaps, which are recorded at fair value at the reporting date. Realised and unrealised changes in fair values are included in realised and unrealised gains and losses on investments in the Unaudited Statement of Operations in the period in which the changes occur.

2. Significant accounting policies (continued)

(f) Derivative financial instruments (continued)

The fair value of derivative financial instruments at the reporting date generally reflects the amount that the Master Fund would receive or pay to terminate the contract at the reporting date. Many derivative financial instruments are exchange traded or are traded in the over the counter market where market values are normally readily obtainable. Where such market prices are not readily available, fair values will be determined using commercial products which utilise valuation models that are consistent with market pricing methods.

When the Master Fund purchases a put or call option an amount equal to the premium paid by the Master Fund is recorded as an investment and is subsequently adjusted to the current fair value of the option purchased on the reporting date.

Premiums paid for purchasing options that expire unexercised are treated by the Master Fund on the expiration date as realised losses from investments. The difference between the premium and the amount received on writing an option to effect a closing transaction, including brokerage commissions, is also treated as a realised loss, or, if the premium is less than the amount received from the closing transaction, as a realised gain. If a call option is exercised, the premium is added to the cost from the purchase of the underlying security or currency in determining whether the Master Fund has realised a gain or loss. If a put option is exercised, the premium reduces the proceeds of the securities sold by the Master Fund.

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

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

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

The following table sets forth the fair value of the Master Fund's derivative contracts by certain risk types as of 30 June 2016. The values in the table below exclude the effects of cash received or posted pursuant to derivative contracts, and therefore are not representative of the Master Fund's net exposure. The derivative assets and derivative liabilities are included in "Investments at fair value" and "Investments sold short at fair value", respectively, in the Unaudited Statement of Assets and Liabilities.

Derivative contracts for trading activities	Open positions at period end	Transactions during period	VaR* US\$'000	Derivative Assets US\$'000	Derivative Liabilities US\$'000
Commodity Contracts	38	2,350	516	8,703	3,012
Credit Contracts	124	204	948	13,071	55,989
Equity Contracts	13	467	510	3,994	2,434
Foreign Exchange Contracts	631	4,083	2,563	85,169	134,742
Interest Rate Contracts	271	1,682	1,531	87,582	88,586
Gross fair value of derivative contracts				198,519	284,763

* VaR calculated using a two year historical simulation, based on a one day time horizon, at a 95% confidence interval. The VaR shown in the table above is for derivatives only, excluding treasury positions. Total VaR for the derivatives contracts above is US\$3,598,122. Total VaR for the Master Fund, derivatives and non-derivatives, is US\$ 6,241,995.

Notes to the Interim Unaudited Financial Statements

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30 June 2016

2. Significant accounting policies (continued)

(f) Derivative financial instruments (continued)

The following table sets forth by certain risk types the Master Fund's gains/ (losses) related to derivative activities for the period ended 30 June 2016 in accordance with ASC 815. These gains/ (losses) should be considered in the context that derivative contracts may have been executed to economically hedge certain securities and accordingly, certain gains or losses on derivative contracts may offset certain gains or losses attributable to securities. These gains/ (losses) are included in "Net realised and unrealised loss on investments" in the Unaudited Statement of Operations.

	Realised Gains/ (Losses) Period Ended 30 June 2016 US\$'000	Change in Unrealised Gains/ (Losses) Period Ended 30 June 2016 US\$'000
Derivative contracts for trading activities		
Commodity Contracts	(8,004)	5,708
Credit Contracts	24,251	(26,354)
Equity Contracts	(17,427)	(961)
Foreign Exchange Contracts	(15,088)	(39,981)
Interest Rate Contracts	(312)	5,288
Total	(16,580)	(56,300)

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

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

The following table relates to the Master Fund's written credit derivatives as at 30 June 2016:

Maximum Payout/Notional Amount by Period of Expiration

Contract Types	0-2 Years US\$'000	2-5 Years US\$'000	5 Years or Greater US\$'000	Total US\$'000
Bespoke CDO tranches	39,000	–	–	39,000
Corporates	2,500	–	1,250	3,750
Credit index – mortgage backed	–	–	43,704	43,704
Sovereign	3,750	31,250	–	35,000
Total	45,250	31,250	44,954	121,454

Maximum payout/Notional amount

Contract Types	Written Credit Derivative US\$'000	Offsetting Purchased Credit Derivative US\$'000	Net of Offsetting Purchased Credit Derivative US\$'000	Written Credit Derivative at Fair Value US\$'000
Bespoke CDO tranches	39,000	–	39,000	(4,588)
Corporates	3,750	–	3,750	(480)
Credit index – mortgage backed	43,704	–	43,704	(30,840)
Sovereign	35,000	–	35,000	(1,502)
Total	121,454	–	121,454	(37,410)

2. Significant accounting policies (continued)

(f) Derivative financial instruments (continued)

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

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

(g) Investments sold short

The Master Fund may sell a security it does not own in anticipation of a decline in the market value of that security. When the Master Fund sells a security short, it must borrow the security and deliver it to the broker-dealers through which it made the short sale. The Master Fund is required to maintain collateral with the broker-dealer from which the security was borrowed. A gain, limited to the value at which the Master Fund sold the security short, or a loss, unlimited in size, will be recognised upon the termination of a short sale and recorded as a net realised gain or loss on investments in the Unaudited Statement of Operations. Securities sold short are recorded as liabilities on the Unaudited Statement of Assets and Liabilities.

(h) Foreign currency translation

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

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

(i) Use of estimates

The preparation of the Interim Unaudited Financial Statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Interim Unaudited Financial Statements

and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates. In particular, valuation models used to determine the fair value of unlisted derivative instruments require the use of a number of assumptions.

(j) Netting

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

(k) Cash

Cash consists of bank balances.

(l) Due from and to brokers

Amounts receivable from and payable to brokers include settlement of trades along with deposits held as collateral. As at 30 June 2016, deposits held as collateral amounted to US\$12,848,998 and deposits pledged as collateral amounted to US\$135,927,006.

(m) Allocation of income and expense between share classes

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

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

3. Fair value measurements

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

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

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

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

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

Notes to the Interim Unaudited Financial Statements

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30 June 2016

3. Fair value measurements (continued)

The hierarchy requires the use of observable market data when available. As required by ASC 820, investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following is a summary of the levels within the fair value hierarchy for the Master Fund's investments as of 30 June 2016:

Assets

Fair value measurement at reporting date:	Level 1: US\$'000	Level 2: US\$'000	Level 3: US\$'000	Fair value expedient: US\$'000	Total US\$'000
Equity Securities	3,071	–	–	–	3,071
Affiliated Funds	–	–	–	840,649	840,649
Fixed Income Securities					
Asset Backed Securities	–	59,721	18,883	–	78,604
Corporate Debt Securities	12,327	16,721	–	–	29,048
Mortgage Backed Securities	534,716	383,014	14,722	–	932,452
Non US Government Securities	307,146	9,438	–	–	316,584
US Government Securities	378,094	–	–	–	378,094
Derivatives					
Commodity Contracts	942	7,761	–	–	8,703
Credit Contracts	–	13,071	–	–	13,071
Equity Contracts	–	3,994	–	–	3,994
Foreign Exchange Contracts	–	85,169	–	–	85,169
Interest Rate Contracts	8,711	78,871	–	–	87,582
Total assets	1,245,007	657,760	33,605	840,649	2,777,021

Liabilities

Fair value measurement at reporting date:	Level 1: US\$'000	Level 2: US\$'000	Level 3: US\$'000	Fair value expedient: US\$'000	Total US\$'000
Fixed Income Securities					
Corporate Debt Securities	1,108	1,842	–	–	2,950
Mortgage Backed Securities	427,079	–	–	–	427,079
Non US Government Securities	1,698	2,383	–	–	4,081
US Government Securities	686	–	–	–	686
Derivatives					
Commodity Contracts	2,028	984	–	–	3,012
Credit Contracts	–	55,989	–	–	55,989
Equity Contracts	918	1,516	–	–	2,434
Foreign Exchange Contracts	–	134,742	–	–	134,742
Interest Rate Contracts	12,344	76,242	–	–	88,586
Total liabilities	445,861	273,698	–	–	719,559

The Master Fund's policy is to recognise transfers in and transfers out of each level as at the end of each month. The Master Fund had no investments measured at fair value on a non-recurring basis during the period ended 30 June 2016.

There were no significant transfers between Level 1 and Level 2 during the period ended 30 June 2016.

Transfers in and transfers out of Level 3 have occurred due to the change in availability of observable market data.

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

3. Fair value measurements (continued)**Level 3
Assets**

	Asset Backed Securities US\$'000	Mortgage Backed Securities US\$'000	Derivatives US\$'000	Total US\$'000
Beginning balance as of 1 January 2016	1,950	972	504	3,426
Purchases	31,067	19,917	494	51,478
Sales	(2,566)	(2,052)	–	(4,618)
Transfer in to Level 3	11,495	4,546	–	16,041
Transfer out of Level 3	(25,589)	(12,398)	–	(37,987)
Realised gain/(loss)	474	12,956	(2,964)	10,466
Change in unrealised gain/(loss)	2,052	(9,219)	1,966	(5,201)
Ending balance as of 30 June 2016	18,883	14,722	–	33,605

At 30 June 2016, there were no Level 3 investments sold short.

The change in unrealised movement for the period ended 30 June 2016 for Level 3 investments still held at 30 June 2016 amounted to an unrealised loss of US\$5,201,503 and is included in net change in unrealised depreciation on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase on the Unaudited Statement of Operations.

The following table summarises the valuation methodology and significant unobservable inputs used for the Master Fund's investments that are categorised within Level 3 of the fair value hierarchy as of 30 June 2016.

	Fair Value US\$'000	Valuation Technique	Unobservable Inputs	Range
Asset Backed Securities & Mortgage Backed Securities	33,605	Discounted cash flow	Constant default rate Conditional prepayment rate Loss severity Discount rate Deal loss Bond loss Spread to swaps	0%-9% 8%-26% 24%-95% 0%-44% 0%-21% 0%-91% 10%-20%

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

4. Investments in underlying funds

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

At 30 June 2016, the Master Fund invested in three funds, all of which were related parties. All investments are individually identified in the table below. The underlying funds may invest in US and non-US equity securities (both long and short), options, other equity derivatives and other securities in accordance with each investment fund's offering memorandum. The relationship between the Master Fund and the funds in which it is invested is disclosed in Note 12.

Notes to the Interim Unaudited Financial Statements

continued

30 June 2016

4. Investments in underlying funds (continued)

For further detail, see the following table:

Underlying Fund	% of Net Assets	Market Value US\$'000	Income US\$'000	Notice Period	Liquidity
BH-DG Systematic Trading Master Fund Limited (formerly Brevan Howard Systematic Trading Master Fund Limited)	8.11	152,330	11,019	1 day	Daily
Brevan Howard Asia Master Fund Limited	9.01	169,132	(11,933)	85 days	Monthly
Brevan Howard Master Fund Limited	27.65	519,187	(32,250)	85 days	Monthly
DW Catalyst Offshore Fund, Ltd.	–	–	(3,383)	85 days	Quarterly
	44.77	840,649	(36,547)		

As of 30 June 2016, the above underlying funds were all domiciled in the Cayman Islands.

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

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

5. Management and performance fees

The Manager receives from the Master Fund a management fee of 1/12 of 0.50% (or a pro rata portion thereof) per month of the NAV of the Master Fund (before deduction of that month's management fee and before making any deduction for any accrued performance fees) as at the last valuation day in each month, payable monthly in arrears pro rata. The management fee payable by the Master Fund at 30 June 2016 is US\$6,223.

No performance fees are payable by the Master Fund at 30 June 2016.

6. Administration fee

Under the terms of the Administrative Services Agreement, dated 31 March 2016, as amended, between International Fund Services (Ireland) Limited ("IFS") and the Master Fund, IFS receives a fee based on the month end NAV of the Master Fund calculated and payable monthly in arrears.

For the period to 31 March 2016, the administration fee payable on a monthly basis was 1/12 of 14 basis points of the Master Fund's month end NAV (excluding the NAV of the Master Fund attributable to related party funds in which the Master Fund is invested and for which IFS charges an administration fee).

From 1 April 2016, IFS receives from the Master Fund a monthly administration fee, payable in arrears, of:

- (A) a pro rata share (by assets under management subject to such fee) of 1/12 of the following percentages of the aggregate net asset value of all fund entities managed by the Manager (including the Master Fund) and administered by IFS (together, the "Relevant BH Funds"):
- (1) 0.13 per cent on the first US\$15 billion;
 - (2) 0.11 per cent on the next US\$15 billion; and
 - (3) 0.09 per cent on the balance; less
- (B) the portion of such fee attributable to investments made by any Relevant BH Fund, directly or indirectly, in any other Relevant BH Fund (which, for the avoidance of doubt, includes (1) investments by any Relevant BH Fund which is a feeder fund in a Relevant BH Fund which is a master fund and (2) investments by any Relevant BH Fund which is a master fund in another such Relevant BH Fund).

The administration fee payable by the Master Fund at 30 June 2016 is US\$252,203

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

At 30 June 2016, investments with a market value of US\$7,031,440 were pledged to the Master Fund as collateral (investments purchased under agreements to resell) and investments with a market value of US\$473,197,772 were pledged by the Master Fund as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 23 November 2016 and all agreements to resell mature by 7 July 2016.

The following table sets out the gross obligation of the Master Fund by class of collateral pledged at 30 June 2016 for investments sold under agreements to repurchase.

Repurchase Agreements, Securities Lending Transactions, and Repurchase-to-Maturity Transactions Accounted for as Secured Borrowings

	2016				Total US\$'000
	Overnight Continuous US\$'000	Up to 30 days US\$'000	30-90 days US\$'000	Greater Than 90 days US\$'000	
Reverse Repurchase agreements					
Asset Backed Securities	–	3,941	16,219	1,664	21,824
Corporate Debt Securities	–	6,167	–	–	6,167
Mortgage Backed Securities	–	310,645	14,131	1,314	326,090
US Government Securities	–	27,969	–	–	27,969
Non US Government Securities	–	25,643	–	–	25,643
Total borrowings	–	374,365	30,350	2,978	407,693
Gross amount of recognised liabilities for reverse repurchase agreements in Note 11					407,693
Amounts related to agreements not included in offsetting disclosure in Note 11					\$ –

8. Share capital

The Master Fund has an authorised share capital of:

- €500,000 divided into 50,000,000 ordinary shares of €0.01 par value each;
- US\$1,000,000 divided into 100,000,000 ordinary shares of US\$0.01 par value each;
- £500,000 divided into 50,000,000 ordinary shares of £0.01 par value each;
- ¥50,000,000 divided into 50,000,000 ordinary shares of ¥1.00 par value each;
- AUD500,000 divided into 50,000,000 ordinary shares of AUD0.01 par value each;
- BRL500,000 divided into 50,000,000 ordinary shares of BRL0.01 par value each;
- CAD500,000 divided into 50,000,000 ordinary shares of CAD0.01 par value each;
- NOK500,000 divided into 50,000,000 ordinary shares of NOK0.01 par value each;
- CHF500,000 divided into 50,000,000 ordinary shares of CHF0.01 par value each; and
- SGD500,000 divided into 50,000,000 ordinary shares of SGD0.01 par value each.

All of the above can be issued as ordinary share classes.

2016 Shares	Shares in issue at start of the period	Shares issued during the period	Shares redeemed during the period	Shares in issue at the end of the period
US Dollar Ordinary	8,194,828	85,400	(2,229,927)	6,050,301
Euro Ordinary	11,879	527	(276)	12,130
Sterling Ordinary	2,704,493	667	(652,972)	2,052,188
Yen Ordinary	781,079	81	(215,642)	565,518
Canadian Dollar Ordinary	–	62,169	(466)	61,703
US Dollar Class G	642,003	14,632	(130,405)	526,230
Sterling Class G	3,350,857	1,329	(572,504)	2,779,682

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

Notes to the Interim Unaudited Financial Statements

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30 June 2016

9. Taxes

Under current Cayman Islands laws, the Master Fund is not required to pay any taxes in the Cayman Islands on either income or capital gains. The Master Fund has received an undertaking from the Governor in Cabinet in the Cayman Islands exempting it from any such taxes at least until 28 January 2028. The only taxes payable by the Master Fund on its income are withholding taxes applicable to certain income. Accordingly, no provision for taxes is recorded in these Interim Unaudited Financial Statements.

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

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

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

The Master Fund is exposed to off-balance sheet market, credit and liquidity risk through its investment in the underlying portfolio funds. The underlying funds hold a variety of derivative positions which may result in off-balance sheet market and credit risk.

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

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

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

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

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

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

Entering into credit default swap agreements and contracts for difference expose the Master Fund to market risks equivalent to actually holding securities of the notional value but typically involve little capital commitment relative to the exposure achieved. The gains or losses of the Master Fund may therefore be significantly greater than this initial commitment.

In connection with investments sold under agreements to repurchase, it is the Master Fund's policy that their prime brokers take possession of the underlying collateral securities, thus exposing the Master Fund to credit risk and counterparty risk. If the seller defaults and the fair value of the collateral declines, realisation of the collateral by the Master Fund may be delayed or insufficient. The Master Fund minimises credit risk by monitoring credit exposure and collateral values, and by requiring additional collateral to be promptly deposited with or returned to the Master Fund when deemed necessary.

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

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

Assets and liabilities included in the table in Note 2 represent the fair value of the Master Fund's holdings at the period end. These assets and liabilities are not representative of the outstanding credit risk the Master Fund is exposed to directly or indirectly through its investments in the underlying portfolio funds due to the existence of master netting agreements.

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

The gross fair value of the Master Fund's derivative instruments are shown in Note 2(f).

Fair values represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price).

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

BHAM has formulated credit review policies that attempt to control credit risk by following an established credit approval process, daily monitoring of net exposure to individual counterparties, requiring the segregation of collateral where possible, and using master netting agreements whenever possible.

Liquidity risk

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

The Master Fund seeks to trade mainly in investments that are sufficiently liquid and readily realisable at close to fair value in order to meet any potential liquidity requirement. To this end, the Master Fund monitors the speed at which the portfolio can be liquidated under ordinary market conditions and further monitor liquidity by a number of additional measures. Deteriorating market conditions, however, may hamper the ability of the Master Fund to liquidate its investments in an orderly manner.

From time to time, market participants with which the Master Fund effects transactions might cease making markets or quoting prices in certain instruments, may only continue to do so in limited size, or may widen the spreads at which they are prepared to transact. In such instances, the Master Fund might be unable to enter into desired transactions, or close out existing transactions, at normal market levels, which might adversely affect its performance.

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

The Master Fund may restrict redemptions in accordance with its Articles of Association if the Master Fund receives requests for the redemption of shares on any Redemption Day representing in aggregate more than 10% of the total number of ordinary shares then in issue on a class by class basis.

11. Offsetting assets and liabilities

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

Notes to the Interim Unaudited Financial Statements

continued

30 June 2016

11. Offsetting assets and liabilities (continued)

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

As of 30 June 2016

Offsetting of Financial Assets and Derivative Assets:

	(i)	(ii)	(iii) = (i) – (ii)	(iv)		(v) = (iii) – (iv)
	Gross Amounts of Recognised Assets US\$'000	Gross Amounts Offset in the Unaudited Statement of Assets and Liabilities US\$'000	Net Amounts of Assets presented in the Unaudited Statement of Assets and Liabilities US\$'000	Gross Amounts, not offset in the Unaudited Statement of Assets and Liabilities Financial Instruments US\$'000	Cash Collateral Held US\$'000	Net Amount US\$'000
Derivatives	228,833	30,314	198,519	181,684	3,320	13,515
Repurchase agreements	7,080	–	7,080	6,960	–	120
Total	235,913	30,314	205,599	188,644	3,320	13,635

Offsetting of Financial Liabilities and Derivative Liabilities:

	(i)	(ii)	(iii) = (i) – (ii)	(iv)		(v) = (iii) – (iv)
	Gross Amounts of Recognised Liabilities US\$'000	Gross Amounts Offset in the Unaudited Statement of Assets and Liabilities US\$'000	Net Amounts of Liabilities presented in the Unaudited Statement of Assets and Liabilities US\$'000	Gross Amounts, not offset in the Unaudited Statement of Assets and Liabilities Financial Instruments US\$'000	Cash Collateral Pledged US\$'000	Net Amount US\$'000
Derivatives	315,077	30,314	284,763	181,684	101,682	1,397
Repurchase agreements	407,693	–	407,693	6,960	1,037	399,696
Total	722,770	30,314	692,456	188,644	102,719	401,093

12. Related party transactions

Brevan Howard Capital Management LP has been appointed as Manager of the Master Fund. The transactions with the Manager and the Investment Managers and fees payable at the period end are disclosed in Note 5.

As at 30 June 2016, the Master Fund held investments in funds which are related parties as set out in Note 4. During the period the Master Fund redeemed its investment in DW Catalyst Offshore Fund, Ltd., a fund managed by DW Partners, LP.

The Manager of the Master Fund is also manager of Brevan Howard Master Fund Limited and Brevan Howard Asia Master Fund Limited. In addition, the Manager indirectly holds minority, non-controlling equity interests in both BH-DG and DW.

Penalty interest may be charged by the underlying funds for early redemptions by the Master Fund. There was no penalty charge for the period.

The Feeder Funds invest substantially all of their assets in the Master Fund. As at 30 June 2016, Brevan Howard Multi-Strategy Fund Limited, Brevan Howard Multi-Strategy Fund, L.P. and BH Global Limited held 65.65%, 10.22% and 24.13% respectively of the net assets of the Master Fund.

13. Equalisation factor

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

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

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

Where shares are subscribed for at a time when the NAV per share is less than the Peak NAV per share of the relevant Class, the investor will be required to pay a Performance Fee with respect to any subsequent appreciation in the value of those shares. With respect to any appreciation in the value of those shares from the NAV per share at the date of subscription up to the Peak NAV per share, the Performance Fee will be charged at the end of each Calculation Period by redeeming at par value (which will be retained by the Master Fund) such number of the investor's shares of the relevant Class as have an aggregate NAV (after accrual for any Performance Fee) equal to the Relevant Percentage of any such appreciation (a "Performance Fee Redemption"). An amount equal to the aggregate NAV of the shares so redeemed will be paid to the Manager as a

Performance Fee. The Master Fund will not be required to pay to the investor the redemption proceeds of the relevant shares being the aggregate par value thereof. Performance Fee Redemptions ensures that the Master Fund maintains a uniform NAV per Share of each Class.

At the period end the equalisation factor received but not crystallised was US\$Nil.

14. Subsequent events

For the period ended 30 June 2016, the Master Fund evaluated subsequent events through 18 August 2016, the date the Interim Unaudited Financial Statements are available for issue. No material events which would require to be disclosed or adjusted for in the Interim Unaudited Financial Statements occurred during this period.

Notes

Notes

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Management and Administration

Directors

Karla Bodden
Dennis Hunter
Philippe Lespinard
Phil Schmitt
Risto Silander
James Vernon

Registered Office

PO Box 309
Grand Cayman
KY1-1104
Cayman Islands

Manager

Brevan Howard Capital Management LP
6th Floor
37 Esplanade
St Helier
Jersey
JE2 3QA
Channel Islands

Investment Managers

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

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

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

DW Partners, LP
590 Madison Avenue
13th Floor
New York
NY 10022
USA

BH-DG Systematic Trading LLP
3th Floor
10 Grosvenor Street
London
W1K 4QB
England

Administrator

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

Auditors

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

Legal Advisors (English Law)

Simmons & Simmons
CityPoint
One Ropemaker Street
London
EC2Y 9SS
England

Legal Advisors (Cayman Law)

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

