BH Macro Limited
Monthly Shareholder Report

30 September 2008 www.bhmacro.com

Disclaimer / Important information

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You should note that, if you invest in the Fund, your capital will be at risk and you may therefore lose some or all of any amount that you choose to invest. This material is not intended to constitute, and should not be construed as, investment advice. Potential investors in the Fund should seek their own independent financial advice. BHAM neither provides investment advice to, nor receives and transmits orders from, investors in the Fund nor does it carry on any other activities with or for such investors that constitute "MiFID or equivalent third country business" for the purposes of the FSA Rules.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS

Summary information

BH Macro Limited NAVs per share** (as at 30 September 2008)

Shares Class	NAV* (USD mm)	NAV* per Share
USD Shares	739.40	$13.72
EUR Shares	491.90	€13.66
GBP Shares	408.93	1403p

BH Macro Limited NAV per Share**% Monthly Change

USD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	-	-	0.10	0.90	0.15	2.29	2.56	3.11	5.92	0.03	2.96	0.75	20.27
2008	9.89	6.70	-2.79	-2.48	0.77	2.75	1.13	0.75	-2.76*				14.07*

EUR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	-	-	0.05	0.70	0.02	2.26	2.43	3.07	5.65	-0.08	2.85	0.69	18.95
2008	9.92	6.68	-2.62	-2.34	0.86	2.84	1.28	0.98	-2.91*				14.88*

GBP	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	-	-	0.11	0.83	0.17	2.28	2.55	3.26	5.92	0.04	3.08	0.89	20.67
2008	10.18	6.86	-2.61	-2.33	0.95	2.91	1.33	1.21	-2.61*				16.23*

*Data for September 2008 is estimated

****NAV performance is provided for information purposes only. Shares in BH Macro Limited do not necessarily trade at a price equal to the prevailing NAV per Share.**

Source: Underlying BHMF NAV data is provided by the Administrator of BHMF, International Fund Services (Ireland) Limited. BH Macro Limited NAV and NAV per Share data is provided by the Fund's Administrator, Northern Trust International Fund Administration Services (Guernsey) Limited. BH Macro Limited NAV per Share % Monthly Change calculations made by BHAM.

BH Macro Limited NAV data is unaudited and net of all investment management fees (2% annual management fee and 20% performance fee) and all other fees and expenses payable by BH Macro Limited. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

Fund Update

Given the current volatile and distressed market conditions, I wanted to give you a quick update on the Brevan Howard Master Fund Limited (the “Master Fund”).

I am pleased to report that the Master Fund is negotiating these treacherous markets well. At the close of business yesterday, Wednesday 15th October, the NAV per Share of BH Macro Limited USD Shares was flat month-to-date, leaving the year-to-date return slightly above 14%.

The Master Fund has been able to de-lever, even in these dysfunctional markets, and its balance sheet (long securities + short securities) is down to about $25bn (as at 15th October) on an equity base of $19.4bn. The Master Fund has also reduced its gross derivatives exposures by over 60% and simplified its portfolio.

The Master Fund’s unencumbered “free cash” balance stands at $15.5bn, representing 80% of capital. The vast majority of this cash is invested in T-Bills.

In short, BHAM has taken steps to protect the Master Fund’s assets.

Some investors have queried the sudden drop to a discount to NAV in Brevan Howard’s LSE-listed companies, BH Macro Limited and BH Global Limited. BHAM is not aware of any specific reason for this. Doubtless, there is a general risk aversion which is affecting all risk assets, and the listed companies are not immune to this regardless of current or prospective performance.

There have also been a number of enquiries regarding the level of redemptions that the Master Fund is expecting at year end. For the three month-end redemption dates between now and 31st December, the Master Fund has received gross redemption requests which are higher than the historic average. It is understood that some of these redemptions are, ironically, a result of the Master Fund’s significant outperformance of its peer group this year, which has necessitated certain investors having to reduce their holdings to bring their portfolios back within their own investment and risk limits. In any event, the Master Fund has had inflows of capital over the previous several months so that the Master Fund’s AUM as at 31st December 2008 will be greater than the AUM as at 31st June 2008 (subject to P/L performance of course). As such, redemptions are not an issue.

These are challenging markets but BHAM has been preparing for them for some time. The Master Fund’s positioning should benefit from further cuts in global rates and continued volatility in global markets. The Master Fund’s exposure to risk assets such as equities and credit is not material.

My absolute focus is to protect the Master Fund from dislocations and systemic risk and I believe that the Master Fund is well placed to weather the storm. With hard work I’m confident the Master Fund will continue to perform despite these unusual conditions.

Sincerely,

Alan Howard
Chief Investment Officer and Joint Chief Executive Officer
Brevan Howard Asset Management LLP

September 2008 Performance review

The Master Fund lost money in fixed income directional, fixed income curve and fixed income relative value trades. Further losses were suffered in equity, commodity and emerging markets (fixed income and FX) trades. The Master Fund profited from volatility trades and FX trades.

Outlook

US

Markets broke down in a historic fashion in September. Despite the government takeover of Fannie Mae and Freddie Mac, forced consolidation in the financial sector and a push for a $700 billion government bailout of so-called “troubled” assets, markets suffered their worst month of the credit crisis. Libor - a closely watched measure of stress in the banking sector - spiked 125 bps to more than 4%, well above the Fed’s target interest rate of 2%. Broader credit conditions worsened with bond yields rising between 150 bps (AAA) and 250 bps (non-investment grade). Stocks fell almost 10% and there was a flight-to-safety in Treasury assets.

Markets are suggesting that prospects for the economy are even worse than BHAM’s already-downbeat view. BHAM’s pessimistic view is centered on the consumer, who faces headwinds from a sinking job market, declines in household wealth and credit constraints. Indeed, the labour market continued bleeding jobs and real consumption spending declined for the third straight month. With the impact of lower wealth and credit rationing still yet to be felt, the outlook for the consumer looks dim going forward. Add to that a more adverse financial environment for businesses combined with a global slowdown and the mix points to slower growth for a prolonged period, perhaps recession, and little inflation pressure.

To be sure, government actions have been swift and dramatic. However, BHAM’s sense is that the economy is taking two steps back for every one step forward in Washington. BHAM looks for additional government intervention to ease strains in financial markets and sooner or later we believe the Fed will be drawn into cutting rates further, following the cut made on 8th October, in order to help insulate the real economy from the turbulence.

Europe

In September, the EMU data flow pointed to a deepening of the economic downturn. There were also clearer signs that the inflation risk is receding.

In the industrial sector, surveys and hard data both confirmed a severe downturn. Consumer confidence improved only marginally, thanks to lower oil prices, but it remained at extremely depressed levels. Indeed, households’ unemployment fears shot up, which is consistent with the weakening labour market. Inflation ticked further down in September, also due to the decline in oil prices, and is poised to ease further over the coming months.

However, in September the centre stage in Europe was taken by the rising concerns about systemic financial risks, induced by rising tensions in the money markets and a wave of bank closures. At the start of the month, the ECB underestimated these issues and announced a tightening of its collateral framework. More recently, however, the rapid escalation of events has forced the ECB to support the banking sector with sizeable liquidity injections and a rate cut on 8th October. BHAM believes that it is extremely unlikely that this policy will be effective without a supplementary reduction in interest rates.

UK

The macro data took a back seat in the UK, as concerns about systemic financial risk heightened significantly, triggering a wave of bank closures and rescues.

During this volatile period, the BoE increased liquidity provisions dramatically: the total amount of short-term liquidity nearly doubled, the deadline for the Special Liquidity Scheme was extended, a programme of term repos against wider collateral was started and, in co-operation with the Fed, USD liquidity was also offered and rates were cut (on 8th October).

Meanwhile, the macro data continued to deteriorate, with substantial further weakness evident in the housing market, the labour market, the manufacturing sector and retail surveys. There were some tentative signs of easing of inflationary pressures. Although headline CPI continued to rise due to the lagged effect of energy prices on retail utility prices, surveys of inflation expectations and pricing intentions started to fall back a little.

BHAM expects further cuts in the base rate.

Japan

In Japan, the stream of news continued to indicate an on-going slowdown. However, it is important to put the Japanese downturn into the context of a severe global contraction. Contrary to the 2001 episode, in Japan the slowdown is mainly of a cyclical nature, rather than structural as in some Anglo-Saxon economies. No painful major balance sheet adjustment is envisaged within the various sectors of the Japanese economy.

Importantly, credit formation does not signal any crunch of private sector demand. Actually, at 2.4% y/y, the growth rate of adjusted bank lending is almost twice as high as one year ago and close to the peak of recent years. Nevertheless, all cyclical indicators worsened. In the corporate sector, industrial production for the month of August showed a big drop (-3.5% m/m), while business surveys released over the month do not bode well for the future. Lower production is a reflection of both external and domestic demand: in August exports contracted, while indicators of consumption worsened after a brief respite in July. Unsurprisingly in this environment of fading final demand, the corporate sector is cutting on both hiring and capital spending.

BHAM believes that the BoJ will remain firmly on hold.

Enquiries

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