BH Macro Limited
Monthly Shareholder Report

31 August 2008 www.bhmacro.com

Disclaimer / Important information

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PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE RESULTS

Summary information

BH Macro Limited NAVs per share (as at 29 August 2008)**

Shares Class	NAV* (USD mm)	NAV* per Share
USD Shares	760.78	$14.11
EUR Shares	531.22	€14.08
GBP Shares	429.85	1441p

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	0.80*					17.36*

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	1.03*					18.39*

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	1.26*					19.42*

*Data for August 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.

August 2008
Performance review

Given recent market developments and their impact on several global financial institutions, I would like to provide a brief update on Brevan Howard Master Fund Limited's ("BHMF") current exposures.

BHAM's approach to counterparty risk continues to be very cautious.

BHMF has only very small direct trading or prime brokerage exposure to Lehman Brothers or any other counterparty currently suffering visible distress. BHMF has multiple prime brokers and trading counterparties and maintains strict exposure limits to them; BHAM is comfortable with the current levels of BHMF's exposure to any single counterparty.

BHAM has taken steps to simplify BHMF's portfolio and maximise liquidity, a process which has been ongoing for more than twelve months. The overall number of line items has been reduced by one-third and the total number of swaps has been significantly reduced. Also, the balance sheet has been shrunk to limit gross exposure. Further, the unencumbered asset level (i.e. US T-Bills and cash) is at approximately 75%. These assets are predominantly held in custodial accounts at entities to which BHMF has little or no trading exposure.

The funding of government bonds is managed by BHAM's Treasury team which has extended BHMF's funding terms so that it currently has less than 5% of positions rolling overnight. This means that BHMF has only very limited current exposure to money markets, which are experiencing stress.

BHMF's level of market risk remains low and its positions are predominantly in the most liquid markets. BHAM believes this is appropriate given the current conditions of severe volatility and illiquidity. BHAM also believes that markets will continue to experience stress in the short-term at the very least. BHAM will continue to be extremely cautious regarding whom it trades with and the exposures it takes.

Yours faithfully,

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

August 2008
Performance review

Brevan Howard Master Fund Limited ("BHMF") made profits in fixed income directional, fixed income relative value and fixed income volatility trades. BHMF suffered losses in Emerging Markets FX trades. Credit, equity and commodities also detracted from performance.

Outlook

US

Inflation concerns eased further still in August, as energy and commodity prices continued their freefall. Total CPI inflation printed a high 5-1/2% but investors looked past the number since inflation is anticipated to return next year to a more normal pace. Indeed, inflation expectations derived from market quotes plummeted, a development that should sooth hawkish impulses at the Fed.

Meanwhile, growth concerns were amplified by an intensification of the financial crisis and an accelerated drop-off in activity in Euro area, Japan and the UK. The one-year anniversary of the financial crisis was marked by perhaps its worst chapter with Fannie Mae and Freddie Mac teetering on the edge of solvency. Given the weakness in the banking sector, it is no exaggeration to say that Fannie and Freddie are the only game in town for housing finance - their failure would pose an unquantifiable risk to the markets and the economy as a whole.

Although GDP rose 3.3% in the second quarter, the outlook worsened. Consumer spending ended the last quarter on a soft note and declined appreciably at the start of the current quarter. The consumer is finally showing signs of succumbing to deteriorating fundamentals. The one truly bright spot for the economy has been net exports, which accounted for almost all of the growth recorded in the second quarter. However, the US cannot rely on the external sector as the rest of the world slows.

Europe

In August, the data flow in the euro area pointed to a continuation of the economic slowdown. At the same time, there were encouraging signs that inflation has peaked.

The release of Q2 GDP indicated a contraction of -0.2% q/q (non-annualized). Surveys, as well as hard data, indicated that the downturn continued in Q3. In particular, data releases signaled the capitulation of the German industry. Earlier this year, the German industrial sector was more resilient than the rest of the euro area, as German firms continued to work-off a large backlog of orders. As the backlog was being depleted and new orders were falling rapidly, the German industry started to “catch down” with the rest of the euro area.

The outlook for the consumer remains meagre as past price increases and rising unemployment fears are holding back spending decisions, as shown by recent retail sales and car registrations data.

On the inflation side, the fall in oil prices is starting to have a downward effect on price dynamics, which edged down in August after peaking in July. Inflation expectations and pressures on wages remain elevated; however, both are likely to moderate with the decline headline inflation and the deterioration of the labour market.

At the August meeting, the ECB acknowledged the rapid deterioration of the euro area growth outlook. However, they noted that inflation remains uncomfortably high. As such, they remain firmly on hold following the July rate hike.

UK

The data flow in the UK has generally pointed to a continuation of the economic slowdown and there are some tentative signs that inflation expectations have peaked.

On the growth side, Q2 GDP was revised downward form 0.1% to 0.0% q/q (non-annualized). All major sectors of the economy have continued to slow. The most resilient part continues to be the export sector, helped by a weaker currency, but domestic weakness more than offsets this resilience, so that the manufacturing sector as a whole is contracting.

The weakest parts of the economy are construction and finance, both of which are suffering from the sharp decline in housing activity and house prices.

On the inflation side, the near-term prospects for CPI are for a further rise, as reflected in the BoE's quarterly forecast. But the fall in oil prices and retail fuel prices is starting to have a downward effect on inflation expectations, which is important for medium-term inflationary prospects. The weakness in the labour market is putting downward pressure on wages.

Japan

Japan has entered a phase of pronounced slowdown. However, the nature of the downturn is cyclical, contrary to a number of Anglo-Saxon countries, where the slowdown is linked to a process of balance-sheet adjustment. In Q2, Japan GDP showed a contraction of -0.6% q/q, not annualized. Indications on Q3 stemming from both the supply and the demand side indicate some limited relief in Q3. Inflation is still rising, albeit mainly due to the contribution of food and energy.

Actual data on July industrial production and external trade showed some improvement from June, albeit along a still downward trajectory. In July, consumption stabilized somewhat after contracting sharply in Q2. Available surveys were mixed, signalling limited improvement in some sectors (small business) or slight further deterioration (PMI). Generally, their levels remain consistent with a flattening trend of the underlying GDP growth profile, from the 1% y/y growth (non-annualized) recorded in Q2.

The gradual worsening in the labour market is continuing, as indicated by the deterioration in the jobs-to-applicant ratio. At the same time, the propensity to invest of the corporate sector is diminishing, indicating that the phase of slowdown is poised to be prolonged.

BHAM believes the central bank is firmly on hold.

Enquiries

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