

BREVAN HOWARD

Brevan Howard Multi-Strategy Master Fund Limited

Financial Statements

(with Independent Auditors' Report thereon)

FINANCIAL STATEMENTS
31 December 2017

Brevan Howard Capital Management LP, the commodity pool operator of Brevan Howard Multi-Strategy Master Fund Limited, has filed a claim of exemption with the Commodity Futures Trading Commission ("CFTC") in respect of Brevan Howard Multi-Strategy Master Fund Limited pursuant to Section 4.7 of the CFTC regulations.

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Independent Auditors' Report to the Directors and Shareholders on the Financial Statements of Brevan Howard Multi-Strategy Master Fund Limited

We have audited the accompanying financial statements of Brevan Howard Multi-Strategy Master Fund Limited (the "Master Fund"), which comprise the statement of assets and liabilities, including the condensed schedule of investments as of 31 December 2017, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

This report is made solely to the Directors and Shareholders, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Directors and Shareholders those matters we are required to state to them in an auditors' report and for no other purpose. We do not accept or assume responsibility to anyone other than the Directors and Shareholders, for our audit work, for this report, or for the opinions we have formed.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Master Fund as of 31 December 2017, and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

21 March 2018

George Town, Cayman Islands

Statement of Assets and Liabilities

31 December 2017

	2017 US\$'000
Assets	
Investments, at fair value (cost: US\$2,269,230) (Note 3, 4)	2,306,748
Redemptions receivable from affiliated funds	17,106
Cash (Note 2)	5
Interest receivable	5,687
Due from broker (Note 2)	890,131
Other assets	10
Total assets	3,219,687
Liabilities	
Investments sold short, at fair value (proceeds: US\$613,545) (Note 3)	635,009
Investments sold under agreements to repurchase (proceeds: US\$755,085) (Note 7)	755,279
Accounts payable and accrued expenses (Note 6)	499
Dividends and interest payable	71
Redemptions payable (Note 2)	58,320
Due to broker (Note 2)	927,924
Total liabilities	2,377,102
Net assets (Note 8, 12)	842,585
Net asset value per share	
US Dollar Ordinary	US\$165.92
Euro Ordinary	€163.37
Sterling Ordinary	£169.61
Yen Ordinary	¥14,076.19
US Dollar Class G	US\$117.22
Sterling Class G	£116.15
US Dollar Class W L.P.	US\$103.48

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

See accompanying notes to the Financial Statements.

Signed on behalf of the Board of Directors:

Dennis Hunter
Director

Karla Bodden
Director

21 March 2018

Condensed Schedule of Investments

31 December 2017

	Fair Value US\$'000	% of Net Assets
Long portfolio		
Equity securities		
United States (cost US\$2,766)		
Financial	2,234	0.27
Total equity securities (cost US\$2,766)	2,234	0.27
Fixed income securities		
Argentina (cost US\$2,829)		
Financial	2,896	0.34
Cayman Islands (cost US\$223)		
Asset Backed Securities	197	0.02
Ireland (cost US\$266)		
Mortgage Backed Securities	0	0.00
Jersey (cost US\$5)		
Asset Backed Securities	0	0.00
Lebanon (cost US\$5,969)		
Government	6,045	0.72
South Africa (cost US\$4,833)		
Government	3,353	0.40
Utilities	1,846	0.22
	5,199	0.62
Turkey (cost US\$2,549)		
Financial	2,300	0.27
United States (cost US\$1,872,648)		
Asset Backed Securities	1,275	0.15
Consumer, Cyclical	7,634	0.91
Government		
115,000 B 0.0% 01/18/2018	114,929	13.64
150,000 B 0.0% 02/01/2018	149,834	17.78
45,000 T 1.3% 03/31/2021	43,875	5.21
100,000 T 1.4% 05/31/2021	97,719	11.60
60,000 T 1.4% 08/31/2023	57,169	6.78
20,000 T 2.1% 02/29/2024	19,787	2.35
40,000 T 2.3% 01/31/2024	39,878	4.73

Condensed Schedule of Investments continued

31 December 2017

		Fair Value US\$'000	% of Net Assets
Long portfolio (continued)			
Fixed income securities (continued)			
Mortgage Backed Securities			
425,296	Fannie Mae with interest rates varying from 0.0% to 3.5% and maturity dates from 1/11/2018 to 11/1/2046	440,887	52.33
338,000	Ginnie Mae with interest rates 0.0% and maturity dates from 1/22/2018 to 2/1/2018	354,261	42.05
355,283	Ginnie Mae II Poll with interest rates 4.5% and maturity dates from 1/20/2046 to 12/20/2047	373,848	44.37
458,468	Government National Mortgage Association with interest rates varying from 0.9% to 5.2% and maturity dates from 1/16/2040 to 11/20/2047	56,405	6.69
813,784	Other	77,466	9.19
		1,834,967	217.78
Total fixed income securities(cost US\$1,889,322)		1,851,604	219.75
Interest rate swaps			
EUR	termination dates through December 2020	55	0.01
MXN	termination dates through December 2019	564	0.07
USD	termination dates through November 2024	1,573	0.19
		2,192	0.27
Credit default swaps (cost US\$5,613)			
USD	termination dates through August 2035	14,505	1.72
Swaptions (cost US\$2,726)			
EUR	termination dates through August 2018	8	0.00
GBP	termination dates through February 2018	368	0.04
JPY	termination dates through December 2018	85	0.01
USD	termination dates through November 2032	2,265	0.27
		2,726	0.32
Exchange traded futures			
Euro	termination dates through March 2018	1,191	0.14
Eurodollar	termination dates through December 2020	5,479	0.65
		6,670	0.79
Exchange traded options (cost US\$169)			
Euribor	termination dates through March 2018	1,523	0.18
Euro	termination dates through January 2018	67	0.01
Eurodollar	termination dates through March 2018	38	0.00
		1,628	0.19
FX contracts			
EUR/USD	termination dates through March 2018	584	0.07
GBP/USD	termination dates through March 2018	2,194	0.26
Other	termination dates through March 2018	129	0.01
		2,907	0.34

		Fair Value US\$'000	% of Net Assets
Long portfolio (continued)			
Equity options (cost US\$699)			
DJ EURO Stoxx Index	termination dates through January 2018	21	0.00
S&P 500 Index	termination dates through March 2018	253	0.03
		274	0.03
FX options (cost US\$2,481)			
	termination dates through June 2018	224	0.03
Interest rate guarantee options (cost US\$350)			
USD	termination dates through December 2018	221	0.03
Investments in Affiliated Funds (cost US\$365,104)			
BH-DG Systematic Trading Master Fund Limited		72,146	8.56
Brevan Howard AH Master Fund Limited		46,251	5.49
Brevan Howard AS Macro Master Fund Limited		52,327	6.21
Brevan Howard Asia Master Fund Limited		56,762	6.74
Brevan Howard Master Fund Limited		194,077	23.03
		421,563	50.03
Total investments at fair value (cost US\$2,269,230)		2,306,748	273.77

Condensed Schedule of Investments continued

31 December 2017

		Fair Value US\$'000	% of Net Assets
Short portfolio			
Equity securities			
United States (proceeds (US\$2,456))			
Financial		(2,453)	(0.29)
Total equity securities (proceeds (US\$2,456))		(2,453)	(0.29)
Fixed income securities			
United States (proceeds (US\$608,941))			
Mortgage Backed Securities			
340,000	Fannie Mae 0.0% 01/11/2018	(340,035)	(40.36)
58,000	Fannie Mae 0.0% 02/01/2018	(61,652)	(7.32)
200,000	Ginnie Mae 0.0% 01/22/2018	(206,594)	(24.51)
Total fixed income securities (proceeds (US\$608,941))		(608,281)	(72.19)
Interest rate swaps			
EUR	termination dates through December 2020	(82)	(0.01)
KRW	termination dates through May 2018	(13)	(0.00)
MXN	termination dates through December 2019	(1,099)	(0.13)
USD	termination dates through December 2028	(52)	(0.01)
		(1,246)	(0.15)
Credit default swaps (proceeds (US\$836))			
USD	termination dates through October 2052	(16,984)	(2.02)
Swaptions (proceeds (US\$938))			
EUR	termination dates through August 2018	(28)	(0.00)
GBP	termination dates through January 2018	(662)	(0.08)
USD	termination dates through November 2019	(546)	(0.06)
		(1,236)	(0.14)
FX contracts			
GBP/USD	termination dates through March 2018	(758)	(0.09)
ZAR/USD	termination dates through March 2018	(904)	(0.11)
Other	termination dates through August 2018	(216)	(0.02)
		(1,878)	(0.22)
Commodity options			
Brent Crude	termination dates through January 2018	(18)	(0.00)
Exchange traded futures			
US Treasury Note	termination dates through March 2018	(385)	(0.05)

		Fair Value US\$'000	% of Net Assets
Short portfolio (continued)			
Exchange traded options (proceeds (US\$325))			
Euribor	termination dates through March 2018	(2,283)	(0.28)
Euro	termination dates through January 2018	(210)	(0.02)
Eurodollar	termination dates through March 2018	(25)	(0.00)
		(2,518)	(0.30)
Equity options (proceeds (US\$49))			
S&P 500 Index	termination dates through January 2018	(10)	(0.00)
Total investments sold short at fair value (proceeds (US\$613,545))		(635,009)	(75.36)

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

See accompanying notes to the Financial Statements.

Statement of Operations

For the year ended 31 December 2017

	2017 US\$'000
Investment income	
Interest income	56,818
Dividend income (net of withholding tax US\$55)	152
Total income	56,970
Expenses	
Interest expense	9,067
Professional fees and other	758
Management fee (Note 5)	3,151
Administration fee (Note 6)	973
Trade commissions	686
Other transaction costs	1,106
Dividend expense on investments sold short	145
Total expenses	15,886
Net investment gain	41,084
Net realised and unrealised gain/(loss) on investments	
Net realised gain on investments (Note 2)	56,056
Net change in unrealised loss on investments (Note 2)	(15,957)
Net realised and unrealised gain on investments	40,099
Net increase in net assets resulting from operations	81,183

Withholding tax is presented in US\$'000.

See accompanying notes to the Financial Statements.

Statement of Changes in Net Assets

For the year ended 31 December 2017

	2017 US\$'000
Net increase in net assets resulting from operations	
Net investment gain	41,084
Net realised gain on investments	56,056
Net change in unrealised loss on investments	(15,957)
	81,183
Share capital transactions	
<i>Issue of shares</i>	
US Dollar Ordinary	11,413
Sterling Ordinary	173
Yen Ordinary	21
Canadian Dollar Ordinary	30
Sterling Class G	11,919
US Dollar Class W L.P.	3,691
<i>Redemption of shares</i>	
US Dollar Ordinary	(349,540)
Euro Ordinary	(69)
Sterling Ordinary	(139,617)
Yen Ordinary	(25,537)
Canadian Dollar Ordinary	(5,042)
US Dollar Class G	(16,794)
Sterling Class G	(52,346)
US Dollar Class W	(7)
US Dollar Class W L.P.	(1,035)
Net decrease in net assets	(481,557)
Net assets – beginning of year	1,324,142
Net assets – end of year	842,585

See accompanying notes to the Financial Statements.

Statement of Cash Flows

For the year ended 31 December 2017

	2017 US\$'000
Cash flows from operating activities	
Net increase in net assets resulting from operations	81,183
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:	
Proceeds from sales of securities	15,666,751
Purchases of securities	(16,347,153)
Proceeds from securities sold short	9,986,336
Payments to cover securities sold short	(9,560,713)
Net realised gain from investments	(36,015)
Net change in unrealised loss from investments	11,856
Net change in unrealised loss on derivative assets and liabilities	22,045
Decrease in redemptions receivable from affiliated funds	105,792
Increase in interest receivable	(2,093)
Increase in due from broker	(248,116)
Increase in other assets	(8)
Increase in accounts payable and accrued expenses	111
Increase in due to broker	468,499
Increase in dividends and interest payable	38
Net cash provided by operating activities	148,513
Cash flows from financing activities	
Proceeds on issue of shares	27,247
Payments on redemption of shares	(617,922)
Increase in investments sold under agreements to repurchase	442,162
Net cash used in financing activities	(148,513)
Net increase in cash	–
Cash – beginning of year	5
Cash – end of year	5
<i>Supplemental disclosure of cash flow information:</i>	
Interest paid	9,089
Dividends paid	85
<i>Supplemental disclosure of non-cash financing activities:</i>	
Decrease in redemptions payable	(27,935)

See accompanying notes to the Financial Statements.

Notes to the Financial Statements

31 December 2017

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 Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The 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 year.

(b) Security transactions and valuations

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

Security transactions are accounted for on a trade date basis.

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 London time. 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 Statement of Operations.

Notes to the Financial Statements continued

31 December 2017

2. Significant accounting policies (continued)

(c) Income and expense recognition

Interest income and expense including prime broker and International Swaps and Derivatives Association ("ISDA")/International Security Market Association ("ISMA") interest is recognised in the 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 agreements 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 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 realised gains or losses in the 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 Statement of Operations in the period in which the changes occur.

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 Statement of Assets and Liabilities.

2. Significant accounting policies (continued)

(f) Derivative financial instruments (continued)

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 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 31 December 2017. 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 Statement of Assets and Liabilities.

Derivative contracts for trading activities	Open positions at year end	Transactions during year	VaR* US\$'000	Derivative Assets US\$'000	Derivative Liabilities US\$'000
Commodity Contracts	1	48	5	—	18
Credit Contracts	36	288	50	14,505	16,984
Equity Contracts	8	210	90	274	10
Foreign Exchange Contracts	147	3,271	178	3,131	1,878
Interest Rate Contracts	73	1,992	1,729	13,437	5,385
Gross fair value of derivative contracts				31,347	24,275

* 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\$1,651,576. Total VaR for the Master Fund, derivatives and non-derivatives, is US\$2,674,348.

The following table sets forth by certain risk types the Master Fund's gains/(losses) related to derivative activities for the year ended 31 December 2017 in accordance with Derivatives and Hedging (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 gain/(loss) on investments" in the Statement of Operations.

Derivative contracts for trading activities	Realised Gains/(Losses) Year Ended 31 December 2017 US\$'000	Change in Unrealised Gains/(Losses) Year Ended 31 December 2017 US\$'000
Commodity Contracts	(131)	(18)
Credit Contracts	(33,784)	21,636
Equity Contracts	(3,428)	(960)
Foreign Exchange Contracts	39,387	(23,519)
Interest Rate Contracts	17,302	(6,440)
Total	19,346	(9,301)

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.

Notes to the Financial Statements continued

31 December 2017

2. Significant accounting policies (continued)

(f) Derivative financial instruments (continued)

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 tables relates to the Master Fund's written credit derivatives as at 31 December 2017:

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
Credit index - mortgage backed	–	–	9,483	9,483
Total	–	–	9,483	9,483

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
Credit index - mortgage backed	9,483	–	9,483	(6,208)
Total	9,483	–	9,483	(6,208)

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 Statement of Operations. Securities sold short are recorded as liabilities on the 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 gain/(loss) on investments" in the Statement of Operations.

2. Significant accounting policies (continued)

(i) Use of estimates

The preparation of the 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 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 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 31 December 2017, deposits held as collateral amounted to US\$3,541,813 and deposits pledged as collateral amounted to US\$58,543,582.

At 31 December 2017 the Master Fund pledged collateral to counterparties to OTC derivative contracts of \$630,000 and received collateral from counterparties to OTC derivative contracts of \$19,940,000. Also, at 31 December 2017, due from brokers includes \$34,528,556 of initial margin related to its futures trading activities and due to brokers includes \$2,911,813 of initial margin related to its futures trading activities.

(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.

(n) Redemptions payable

Redemptions are recognized as liabilities when the value of such redemptions are calculated at requested redemption date. As a result, redemptions paid after the end of the year, based on the net asset value of the Master Fund at year end, are included in redemptions payable at 31 December 2017. At 31 December 2017, the redemptions payable by the Master Fund amounted to US\$58,319,660.

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 Fair value measurements (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.

Investments in private investment companies measured using net asset value as a practical expedient are not categorised within the fair value hierarchy.

Notes to the Financial Statements continued

31 December 2017

3. Fair value measurements (continued)

Investments in private investment companies are valued utilizing the net asset values provided by the underlying private investment companies as a practical expedient. The Master Fund applies the practical expedient to its investments in private investment companies on an investment-by-investment basis, and consistently with the Master Fund's entire position in a particular investment, unless it is probable that the Master Fund will sell a portion of an investment at an amount different from the net asset value of the investment.

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 31 December 2017:

Assets

Fair value measurement at reporting date:	Level 1: US\$ '000	Level 2: US\$ '000	Level 3: US\$ '000	Total US\$ '000
Equity Securities	2,234	–	–	2,234
Fixed Income Securities				
Asset Backed Securities	–	1,451	21	1,472
Corporate Debt Securities	2,896	11,780	–	14,676
Mortgage Backed Securities	748,383	554,484	–	1,302,867
Non-US Government Securities	3,353	6,045	–	9,398
US Government Securities	523,191	–	–	523,191
Derivatives				
Credit Contracts	–	14,268	237	14,505
Equity Contracts	274	–	–	274
Foreign Exchange Contracts	–	3,131	–	3,131
Interest Rate Contracts	5,848	7,589	–	13,437
Subtotal	1,286,179	598,748	258	1,885,185
Investment in Affiliated Funds measured at NAV*				421,563
Total assets	1,286,179	598,748	258	2,306,748

* Investments in Affiliated Funds as of 31 December 2017 are excluded from the fair value hierarchy leveling as the fair value of these investments were measured using NAV as a practical expedient.

Liabilities

Fair value measurement at reporting date:	Level 1: US\$ '000	Level 2: US\$ '000	Level 3: US\$ '000	Total US\$ '000
Equity Securities	2,453	–	–	2,453
Fixed Income Securities				
Mortgage Backed Securities	608,281	–	–	608,281
Derivatives				
Commodity Contracts	–	18	–	18
Credit Contracts	–	16,984	–	16,984
Equity Contracts	10	–	–	10
Foreign Exchange Contracts	–	1,878	–	1,878
Interest Rate Contracts	–	5,385	–	5,385
Total liabilities	610,744	24,265	–	635,009

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 year ended 31 December 2017.

3. Fair value measurements (continued)

There were no significant transfers between Level 1 and Level 2 during the year ended 31 December 2017.

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.

**Level 3
Assets**

	Asset Backed Securities US\$ '000	Corporate Debt Securities US\$ '000	Mortgage Backed Securities US\$ '000	Derivatives US\$ '000	Total US\$ '000
Beginning balance as of 1 January 2017	19,469	–	5,170	25,124	49,763
Purchases	6,105	–	–	779	6,884
Sales	(43,181)	–	(47,427)	(16,862)	(107,470)
Transfer in to Level 3	21,127	–	48,472	8,602	78,201
Transfer out of Level 3	(11,270)	(7,195)	(13,309)	(7,203)	(38,977)
Realised gain	8,617	–	8,189	10,993	27,799
Change in unrealised gain/(loss)	(846)	7,195	(1,095)	(21,196)	(15,942)
Ending balance as of 31 December 2017	21	–	–	237	258

Liabilities

	Derivatives US\$ '000	Total US\$ '000
Beginning balance as of 1 January 2017	(1,294)	(1,294)
Purchases	1,451	1,451
Realised loss	(1,451)	(1,451)
Change in unrealised gain	1,294	1,294
Ending balance as of 31 December 2017	–	–

The change in unrealised movement for the year ended 31 December 2017 for Level 3 investments still held at 31 December 2017 amounted to an unrealised gain of US\$4,563,987 and is included in net change in unrealised loss on investments, investments purchased under agreements to resell and investments sold under agreements to repurchase on the 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 31 December 2017.

	Fair Value US\$'000	Valuation Technique	Unobservable Inputs	Range
Asset Backed Securities & Mortgage Backed Securities	21	Discounted cash flow	Constant default rate Conditional prepayment rate Loss severity Discount rate Deal loss Bond loss	3%-5% 4%-10% 45%-95% 4%-6% 7% -16% 0%-100%
Derivatives	237	Counterparty valuation/ Broker quote	Constant default rate/ conditional prepayment rate/ loss severity/discount rate	N/A

Notes to the Financial Statements continued

31 December 2017

3. Fair value measurements (continued)

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 and bond loss. 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.

Level 3 derivatives are valued by reference to counterparty valuations or single broker quotes. The unobservable inputs implicit in the credit contract counterparty valuations or broker quotes is a combination of constant default rates, conditional prepayment rates, loss severity, discount rates, deal loss and bond loss. Increases in any of the constant default rates, loss severity, discount rates, deal loss or bond loss in isolation would result in a lower fair value for the asset and vice versa. Increases in the 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 using NAV as a practical expedient, 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 31 December 2017, the Master Fund invested in five funds, all of which are 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 affiliate funds in which it is invested is disclosed in Note 13.

For further detail, see the following table:

Underlying Funds	% of Net Assets	Market Value US\$'000	Income US\$'000	Notice Period	Liquidity
BH-DG Systematic Trading Master Fund Limited	8.56	72,146	4,976	1 day	Daily
Brevan Howard AH Master Fund Limited	5.49	46,251	(6,749)	3 months	Monthly
Brevan Howard AS Macro Master Fund Limited	6.21	52,327	2,327	3 months	Monthly
Brevan Howard Asia Master Fund Limited	6.74	56,762	4,369	3 months	Monthly
Brevan Howard Master Fund Limited	23.03	194,077	3,359	3 months	Monthly
	50.03	421,563	8,282		

As of 31 December 2017, 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 Brevan Howard Master Fund Limited also invests in the Brevan Howard AH Master Fund Limited and the Brevan Howard AS Macro Master Fund Limited. This results in additional indirect investments by the Master Fund in the Brevan Howard AH Master Fund Limited of 2.21% and in the Brevan Howard AS Macro Master Fund Limited of 1.73%.

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. No management fees are payable in respect of Class G and Class W shares.

No performance fees are payable by the Master Fund at 31 December 2017.

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.

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 Brevan Howard 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 Brevan Howard Fund, directly or indirectly, in any other Relevant Brevan Howard Fund (which, for the avoidance of doubt, includes (1) investments by any Relevant Brevan Howard Fund which is a feeder fund in a Relevant Brevan Howard Fund which is a master fund and (2) investments by any Relevant Brevan Howard Fund which is a master fund in another such Relevant Brevan Howard Fund).

The administration fee payable by the Master Fund at 31 December 2017 is US\$129,251.

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

At 31 December 2017, investments with a market value of US\$797,560,914 were pledged by the Master Fund as collateral (investments sold under agreements to repurchase).

All agreements to repurchase mature by 26 February 2018 with interest rates ranging from 1.64% to 10.00%.

The following table sets out the gross obligation of the Master Fund by class of collateral pledged at 31 December 2017 for investments sold under agreements to repurchase.

	2017			Total US\$'000
	Up to 30 days US\$'000	Remaining 30-90 days US\$'000	Contractual Maturity of the Agreements Greater Than 90 days US\$'000	
Reverse repurchase agreements				
Asset Backed Securities	–	2,759	–	2,759
Corporate Debt Securities	4,464	–	–	4,464
Mortgage Backed Securities	474,429	5,635	–	480,064
US Government Securities	259,544	–	–	259,544
Non-US Government Securities	8,448	–	–	8,448
Total borrowings	746,885	8,394	–	755,279
Gross amount of recognised liabilities for reverse repurchase agreements in Note 11				755,279
Amounts related to agreements not included in offsetting disclosure in Note 11				\$–

Notes to the Financial Statements continued

31 December 2017

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.

2017 Shares	Shares in issue at start of the year	Shares issued during the year	Shares redeemed during the year	Shares in issue at the end of the year
US Dollar Ordinary	3,871,474	69,626	(2,132,299)	1,808,801
Euro Ordinary	6,328	–	(386)	5,942
Sterling Ordinary	1,054,864	798	(657,630)	398,032
Yen Ordinary	340,711	169	(202,799)	138,081
Canadian Dollar Ordinary	61,862	364	(62,226)	–
US Dollar Class G	508,762	–	(144,759)	364,003
Sterling Class G	2,748,321	81,278	(343,624)	2,485,975
US Dollar Class W	66	–	(66)	–
US Dollar Class W L.P.	–	36,774	(10,288)	26,486

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

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 of 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 Financial Statements.

Accounting for Income Taxes (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 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

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

greater than the unrealised amounts recorded in the 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 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 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 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 and Note 3).

Assets and liabilities included in the table in Note 2 represent the fair value of the Master Fund holdings at the year 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.

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.

Notes to the Financial Statements continued

31 December 2017

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

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 Statement of Assets and Liabilities to enable users of the 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.

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

As of 31 December 2017

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 Statement of Assets and Liabilities US\$'000	Net Amounts of Assets presented in the Statement of Assets and Liabilities US\$'000	Gross Amounts, not Offset in the Statement of Assets and Liabilities Financial Instruments US\$'000	Cash Collateral Held US\$'000
					Net Amount US\$'000
Derivatives	38,700	7,353	31,347	15,360	3,543
Total	38,700	7,353	31,347	15,360	3,543

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 Statement of Assets and Liabilities US\$'000	Net Amounts of Liabilities presented in the Statement of Assets and Liabilities US\$'000	Gross Amounts, not Offset in the Statement of Assets and Liabilities Financial Instruments US\$'000	Cash Collateral Pledged US\$'000
					Net Amount US\$'000
Derivatives	31,628	7,353	24,275	15,360	8,809
Repurchase agreements	755,279	–	755,279	–	3,899
Total	786,907	7,353	779,554	15,360	12,708

12. Financial highlights

The following table includes selected data for share classes in issued during the year and other performance information derived from the Financial Statements. The per share amounts and ratios which are shown reflect the income and expense of the Master Fund.

	US Dollar Ordinary Shares US\$	Euro Ordinary Shares €	Sterling Ordinary Shares £	Yen Ordinary Shares ¥	Canadian Dollar Ordinary Shares CAD	US Dollar Class G Shares US\$	Sterling Class G Shares £	US Dollar Class W Shares US\$	US Dollar Class W L.P. Shares US\$
Per share operating performance									
Net asset value,									
beginning of year	161.06	161.56	166.60	13,941.85	109.05	113.15	113.47	105.93	–
Shares issued during year	–	–	–	–	–	–	–	–	100.00
Income from investment									
operations									
Net investment income	5.95	5.89	6.10	510.09	1.52	4.84	4.79	–	4.17
Net realised and unrealised gain on investments ⁽¹⁾	(1.09)	(4.08)	(3.09)	(375.75)	(1.16)	(0.77)	(2.11)	–	(0.69)
Total income from									
investment operations	4.86	1.81	3.01	134.34	0.36	4.07	2.68	–	3.48
Net asset value redeemed during year	–	–	–	–	(109.41)	–	–	(105.93)	–
Net asset value, end of year	165.92	163.37	169.61	14,076.19	–	117.22	116.15	–	103.48
Total return⁽²⁾	3.02%	1.12%	1.81%	0.96%	0.33%	3.60%	2.36%	0.00%	3.48%
Supplemental Data	US\$'000	€'000	£'000	¥'000	CAD'000	US\$'000	£'000	US\$'000	US\$'000
Net assets at									
31 December 2017	300,116	971	67,512	1,943,654	–	42,670	288,757	–	2,741
Average net assets for 2017 ⁽³⁾	469,986	991	96,678	3,496,190	6,779	50,303	309,442	–	2,532
Ratio to average net assets									
Operating expenses	0.69%	0.68%	0.67%	0.67%	0.66%	0.13%	0.13%	0.00%	0.26%
Trade commissions	0.07%	0.06%	0.08%	0.07%	0.11%	0.06%	0.06%	0.00%	0.05%
Other transaction costs	0.10%	0.10%	0.11%	0.10%	0.12%	0.10%	0.10%	0.00%	0.10%
Interest and dividend expense	0.84%	0.87%	0.77%	0.83%	0.62%	0.86%	0.87%	0.00%	0.92%
Total expenses	1.70%	1.71%	1.63%	1.67%	1.51%	1.15%	1.16%	0.00%	1.33%
Net investment income	3.55%	3.60%	3.43%	3.53%	3.36%	4.13%	4.15%	0.00%	4.14%

(1) Net realised gain and net change in unrealised loss is determined using the Master Fund's average number of shares at the end of each month.

(2) Total return is indicative of the Master Fund's performance as a whole.

(3) Average net assets are determined using the Master Fund's weighted average net assets measured at the end of each month.

Operating expenses are total expenses from the Statement of Operations, less trade commissions, other transaction cost and interest and dividend expense. Operating expenses, interest and dividend expenses, trade commissions, other transaction cost and net investment income ratios are annualised for classes that were not in existence for the full year. Total returns and ratios on performance fees are not annualised.

13. 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 year end are disclosed in Note 5.

As at 31 December 2017, the Master Fund held investments in funds which are related parties as set out in Note 4.

Notes to the Financial Statements *continued*

31 December 2017

13. Related party transactions (continued)

The Manager of the Master Fund is also manager of Brevan Howard Master Fund Limited, Brevan Howard Asia Master Fund Limited, Brevan Howard AH Master Fund Limited and Brevan Howard AS Macro Master Fund Limited. In addition, BH-DG forms part of a joint venture between a third party and a subsidiary of the Manager. Such subsidiary also holds an indirect interest in London Diversified Fund Management LLP ("LDFM"), the manager of BH-DG systematic Trading Master Fund Limited ("BHDGST") since 8 April 2016 (the date on which the management of BHDGST was transferred from the Manager to LDFM). LDFM changed its name to DG Partners LLP in March 2017.

As at 31 December 2017, the Manager indirectly held a minority, non-controlling equity interest in Penso Advisors, LLC, which provides investment advice to BHIPL in its capacity as an Investment Manager of the Master Fund.

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

The Feeder Funds invest substantially all of their assets in the Master Fund. As at 31 December 2017, Brevan Howard Multi-Strategy Fund Limited, Brevan Howard Multi-Strategy Fund, L.P. and BH Global Limited held 38.43%, 10.46% and 51.11% respectively of the net assets of the Master Fund.

14. Subsequent events

For the year ended 31 December 2017, the Master Fund evaluated subsequent events through 21 March 2018, the date the Financial Statements are available for issue. No material events which would require to be disclosed or adjusted for in the Financial Statements occurred during this period.

Affirmation of the Commodity Pool Operator

31 December 2017

To the best of my knowledge and belief, the information detailed in these Audited Financial Statements is accurate and complete.

By:



Name: Jonathan Wrigley

Title: Group Head of Finance and Authorised Signatory

Brevan Howard Capital Management Limited as general partner of Brevan Howard Capital Management LP, the manager and commodity pool operator of Brevan Howard Multi-Strategy Master Fund Limited.

21 March 2018

Notes

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