

31 DEC 2022

# BH MACRO LIMITED

Annual Report and Audited  
Financial Statements 2022

Brevan Howard Capital Management LP, the manager and commodity pool operator of BH Macro Limited, has filed a claim of exemption with the Commodity Futures Trading Commission in respect of BH Macro Limited pursuant to Section 4.7 of the CFTC regulations.

## Contents

01	Chair's Statement
04	Board Members
06	Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges
07	Strategic Report
11	Directors' Report
20	Statement of Directors' Responsibility in respect of the Annual Report and Audited Financial Statements
21	Directors' Remuneration Report
23	Report of the Audit Committee
26	Manager's Report
29	Independent Auditor's Report to the Members of BH Macro Limited
34	Audited Statement of Assets and Liabilities
35	Audited Statement of Operations
36	Audited Statement of Changes in Net Assets
37	Audited Statement of Cash Flows
38	Notes to the Audited Financial Statements
51	Historic Performance Summary
52	Affirmation of the Commodity Pool Operator
53	Glossary of Terms and Alternative Performance Measures
	IBC Company Information



## CHAIR'S STATEMENT

I am delighted to report that Brevan Howard Capital Management LP (the "Manager") achieved excellent returns in 2022 during a turbulent period in markets, the global economy and geopolitics. The price of the Sterling Class shares rose by 20.05% and the US Dollar Class shares by 12.72%, whilst the NAV per share rose by 21.91% for the Sterling Class shares and 21.17% for the US Dollar Class shares. In addition to these solid absolute returns, we also posted impressive relative returns compared with other asset classes. This absolute and relative performance makes BH Macro Limited a cornerstone in our investors' portfolios.

We anticipated that it was going to be a challenging investing environment in last year's report. In the event, we weren't surprised by the volatility. Some of the worst of our expectations came to pass: the invasion of Ukraine, soaring energy costs, the highest inflation for 40 years, and repeated interest rates rises globally. The UK exacerbated this background with a revolving door at 10 Downing Street and lurches in policy which de-stabilised markets. Coming into 2023, stock markets enjoyed one of their best starts to a calendar year and appeared to be embracing an expectation that despite the negative backdrop and continued inflation, that a soft landing would be achieved. That hope hit the skids in March when the Fed and the ECB turned more hawkish on inflation and unleashed a cascade of bank failures and retrenchments. The optimistic scenario of a soft landing appears to be very much under review. Having said that, your Board remains confident that your Company's Manager is very well placed to weather these choppy waters and, given BH Macro's longstanding track record of performing in such uncertain environments, the case for holding the Company in an investment portfolio remains as strong as ever.

The Board is wholly independent of the Brevan Howard group and is very closely focussed on safeguarding the interests of shareholders. To that end, the Board maintains a regular dialogue with the Manager in order to assure itself of the quality of the investment team and supporting systems, operations and infrastructure across the organisation. The Manager has continued an intense focus on developing the quality and depth of the trading team, including expanding capabilities into new, related areas, designed to add complementary performance and diversified return streams for the benefit of the Company, while allowing the Manager to manage a greater pool of assets. I believe that the trading team today is the strongest it has ever been.

During 2022 the Board was strengthened by the appointment of Caroline Chan, a highly experienced Guernsey and international corporate lawyer. Caroline is a tremendous addition and I, together with the rest of the Board greatly look forward to working closely with her. We also conducted the periodic external evaluation of the Board's effectiveness which reconfirmed our high standards of corporate governance.

## CHAIR'S STATEMENT CONTINUED

The strength of your Company has been reflected in the significant demand for its shares which traded at a premium through 2022. As a result significant tap issuances were effected during the year raising a further £175m (\$218m) in the Sterling Class and \$13m for the US Dollar Class. Despite this, demand for the shares remained strong and your Board was able to negotiate a significant capacity agreement with the Company's Manager. Subsequently, an offer for sale by way of subscription was made to satisfy this demand coupled with a 10:1 share split to improve the liquidity of the shares, in particular, for smaller investors. This resulted in a very strongly subscribed initial offer that raised £312.3m and US\$3.3m in each respective share class, with the option for a further offer to be made within the subsequent 12-month period.

The Company and its Manager have continued to pursue an active programme for public communication and investor relations. Up-to-date performance information is provided through NAV data published monthly on a definitive basis and weekly on an estimated basis, as well as through monthly reports and shareholder reports. All these reports and further information about the Company are available on its website ([www.bhmacro.com](http://www.bhmacro.com)).

In conclusion, the global macro-economic backdrop remains highly complex and uncertain. We anticipate that markets are likely to remain challenging for investors to navigate for the foreseeable future. Your Board is very confident in the Manager and believes it is very well placed to profit from these challenges. In that context, we believe the company has an important and valuable role to play in investors' portfolios. Together, we will continue to work hard on your behalf to deliver the long term diversifying returns that set BH Macro Limited apart from most other investments.

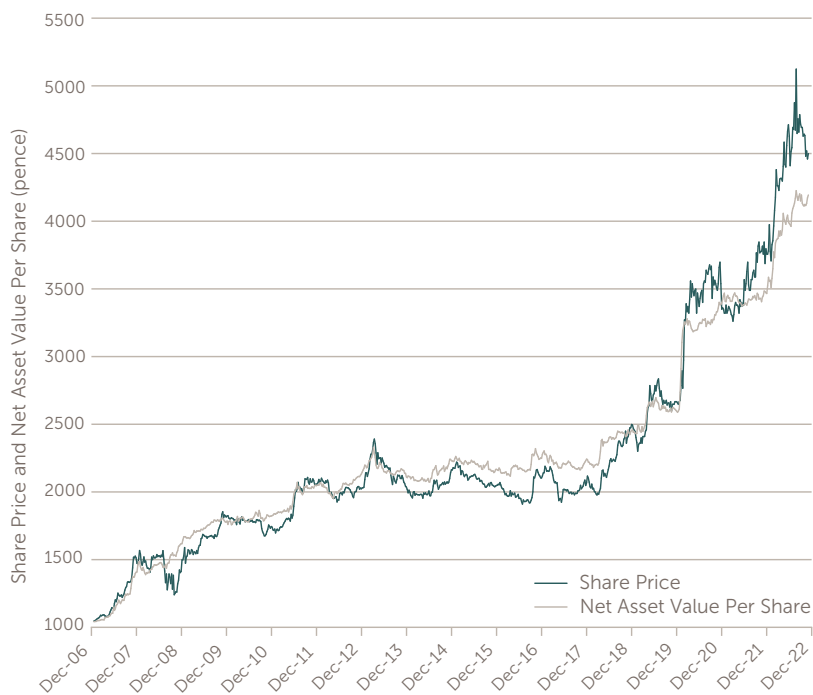
I would like to take this opportunity to thank you all for your continuing support.

**Richard Horlick**  
Chair

28 March 2023

## CHAIR'S STATEMENT CONTINUED

### STERLING SHARES SHARE PRICE VS NET ASSET VALUE PER SHARE



### US DOLLAR SHARES SHARE PRICE VS NET ASSET VALUE PER SHARE



## BOARD MEMBERS

The Directors of the Company for the year and as at the date of signing, all of whom are non-executive, are listed below:

### **Richard Horlick (Chair)**

Richard Horlick is UK resident. He is currently the non-executive chairman of CCLA Investment Management which manages assets for over 38,000 charities and church and local authority funds. He has served on a number of closed end fund boards. He was a partner and non-executive chairman of Pensato Capital LLP until its successful sale to RWC Partners in 2017. He has had a long and distinguished career in investment management graduating from Cambridge University in 1980 with an MA in Modern History. After 3 years in the corporate finance department of Samuel Montagu he joined Newton Investment Management in January 1984, where he became a Director and portfolio manager. In 1994, he joined Fidelity International as President of their institutional business outside the US and in 2001 became President and CEO of Fidelity Management Trust Company in Boston which was the Trust Bank for the US Fidelity Mutual fund range and responsible for their defined benefit pension business. In 2003, he joined Schroders Plc as a main board Director and head of investment worldwide. Mr. Horlick was appointed to the Board in May 2019 and was appointed Chair in February 2021.

### **Caroline Chan**

Caroline has over 30 years' experience as a corporate lawyer, having retired from private practice in 2020. After studying law at Oxford University, Caroline qualified as an English solicitor with Allen & Overy, working in their corporate teams in London and Hong Kong. On returning to Guernsey in 1998, Caroline qualified as a Guernsey advocate and practised locally, including as a partner with law firms Ogier and Mourant Ozannes. Since retiring from private practice, Caroline has taken on non-executive directorship roles and is Chair of the Board of Governors of The Ladies' College, Guernsey. She has recently retired as a member of the Guernsey Competition and Regulatory Authority. Ms. Chan is a Guernsey resident and was appointed to the Board in December 2022.

### **Julia Chapman**

Julia Chapman is a Jersey resident and a solicitor qualified in England & Wales and in Jersey with over 30 years' experience in the investment fund and capital markets sector. After working at Simmons & Simmons in London, she moved to Jersey and became a partner of Mourant du Feu & Jeune (now Mourant) in 1999. She was then appointed general counsel to Mourant International Finance Administration (the firm's fund administration division). Following its acquisition by State Street in April 2010, Julia was appointed European Senior Counsel for State Street's alternative investment business. In July 2012, Julia left State Street to focus on the independent provision of directorship and governance services to a small number of investment fund vehicles. Mrs. Chapman was appointed to the Board in October 2021.

### **Bronwyn Curtis**

Bronwyn Curtis is a UK resident and Senior Executive with 30 years leadership in finance, commodities, consulting and the media. Her executive roles included Head of Global Research at HSBC Plc, Managing Editor and Head of European Broadcast at Bloomberg LP, Chief Economist of Nomura International, and Global Head of Foreign Exchange and Fixed Income Strategy at Deutsche Bank. She has also worked as a consultant for the World Bank and UNCTAD. Her other current appointments include non-executive member of the Oversight Board of the UK Office for Budget Responsibility, trustee of the Centre for Economic and Policy Research, the Australia-UK Chamber of Commerce and The Times shadow MPC. She is a graduate of the London School of Economics and La Trobe University in Australia where she received a Doctor of Letters in 2017. Bronwyn was awarded an OBE in 2008 for her services to business economics. Mrs. Curtis was appointed to the Board in January 2020.

**John Le Poidevin**

John Le Poidevin is Guernsey resident and has over 30 years' business experience. Mr. Le Poidevin is a graduate of Exeter University and Harvard Business School, a Fellow of the Institute of Chartered Accountants in England and Wales and a former partner of BDO LLP in London where, as Head of Consumer Markets, he developed an extensive breadth of experience and knowledge of listed businesses in the UK and overseas. He is an experienced non-executive who sits on several Plc boards and chairs a number of Audit Committees. He therefore brings a wealth of relevant experience in terms of corporate governance, audit, risk management and financial reporting. Mr. Le Poidevin was appointed to the Board in June 2016.

**Claire Whittet**

Claire Whittet is Guernsey resident and has over 40 years' experience in the financial services industry. After obtaining a MA (Hons) in Geography from the University of Edinburgh, Mrs. Whittet joined the Bank of Scotland for 19 years and undertook a wide variety of roles. She moved to Guernsey in 1996 and was Global Head of Private Client Credit for Bank of Bermuda before joining Rothschild & Co Bank International Limited in 2003, initially as Director of Lending and latterly as Managing Director and Co-Head until May 2016 when she became a non-executive Director. She is an ACIB member of the Chartered Institute of Bankers in Scotland, a Chartered Banker, a member of the Chartered Insurance Institute and holds an IoD Director's Diploma in Company Direction. She is an experienced non-executive director of a number of listed investment and private equity funds one of which she chairs and a number of which she is Senior Independent Director. Mrs. Whittet was appointed to the Board in June 2014. Since 20 June 2019 Claire Whittet has been Senior Independent Director.

## DISCLOSURE OF DIRECTORSHIPS IN PUBLIC COMPANIES LISTED ON RECOGNISED STOCK EXCHANGES

The following summarises the Directors' directorships in other public companies:

	EXCHANGE
<b>RICHARD HORLICK</b>	
Riverstone Energy Limited	London
VH Global Sustainable Energy Opportunities Plc	London
<b>CAROLINE CHAN</b>	
Round Hill Music Royalty Fund Limited	London
<b>JULIA CHAPMAN</b>	
GCP Infrastructure Investments Limited	London
Henderson Far East Income Limited	London
<b>BRONWYN CURTIS</b>	
JPMorgan Asia Growth and Income Plc	London
Pershing Square Holdings Limited	London and Euronext Amsterdam
Scottish American Investment Company Plc	London
TwentyFour Income Fund Limited	London
<b>JOHN LE POIDEVIN</b>	
International Public Partnerships Limited	London
Super Group (SGHC) Limited	New York
TwentyFour Income Fund Limited	London
<b>CLAIRE WHITTET</b>	
Eurocastle Investment Limited	Euronext Amsterdam
Riverstone Energy Limited	London
Third Point Investors Limited	London
TwentyFour Select Monthly Income Fund Limited	London



# STRATEGIC REPORT

For the year ended 31 December 2022

The Directors submit to the Shareholders their Strategic Report of the Company for the year ended 31 December 2022.

The Strategic Report provides a review of the business for the financial year and describes how risks are managed. In addition, the report outlines key developments and the financial performance of the Company during the financial year and the position at the end of the year, and discusses the main factors that could affect the future performance and financial position of the Company.

## BUSINESS MODEL AND STRATEGY

### Investment Objective and Company Structure

The Company is organised as a feeder fund that invests solely in the ordinary Sterling and US Dollar-denominated class B shares issued by the Master Fund – a Cayman Islands open-ended investment company, which has as its investment objective, the generation of consistent long-term appreciation through active leveraged trading and investment on a global basis. Further details on the Company's investment objective and policy can be found in the Directors' Report on page 11.

### Sources of Cash and Liquidity Requirements

As the Master Fund is not expected to pay dividends, the Company expects that the primary source of its future liquidity will depend on the periodic redemption of shares from the Master Fund and borrowings in accordance with its leverage policies.

## BUSINESS ENVIRONMENT

### Principal Risks and Uncertainties

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. The Board is satisfied that by using the Company's risk matrix in establishing the Company's system of internal controls, while monitoring the Company's investment objective and policy, the Board has carried out a robust assessment of the principal and emerging risks and uncertainties facing the Company. The principal and emerging risks and uncertainties which have been identified and the steps which are taken by the Board to mitigate them are as follows:

- **Investment Risks:** The Company is exposed to the risk that its portfolio fails to perform in line with the Company's objectives if it is inappropriately invested or markets move adversely. The Board reviews reports from the Manager, which has total discretion over portfolio allocation, at each quarterly Board meeting, paying particular attention to this allocation and to the performance and volatility of underlying investments;
- **Operational and Cyber Security Risks:** The Company is exposed to the risks arising from any failure of systems and controls in the operations of the Manager, Northern Trust

International Fund Administration Services (Guernsey) Limited (the "Administrator") or Computershare Investor Services (Guernsey) Limited (the "Registrar") or from the unavailability of any of the Manager, the Administrator or the Registrar for whatever reason, including those arising from cyber security issues. The Board receives regular reports from each of those parties on cyber security and annual independent third-party reporting on their respective internal controls;

- **Accounting, Legal and Regulatory Risks:** The Company is exposed to risk if it fails to comply with the regulations of the UK Listing Authority or the Guernsey Financial Services Commission and/or any other applicable regulatory and legislative matters, or if it fails to maintain accurate or timely accounting records and published financial information. The Administrator provides the Board with regular internal control and compliance reports and reports on changes in regulations and accounting requirements;
- **Financial Risks:** The financial risks faced by the Company include market, credit and liquidity risk. These risks and the controls in place to mitigate them are reviewed at each quarterly Board meeting;
- **Geopolitical Risk:** Disruption arising from the aftermath of the COVID-19 pandemic, elevated levels of global inflation, recessionary risks and the current war in Ukraine has led to greater economic uncertainty, variability and volatility. Whilst the Master Fund has no material direct exposure to Russia, Ukraine or Belarus, the Board has also made enquiries of key service providers in respect of any impact from Russia's invasion of Ukraine and the related instability in world markets and has been assured that none of the service providers have operations in the region or are in any way impacted in terms of their ability to continue to supply their services to the Company; and
- **Climate Change and ESG Risks:** The Company has no employees and does not own any physical assets and is therefore not directly exposed to climate change risk. The Manager monitors developments in this area and industry best practice on behalf of the Board, where appropriate, and also regularly assesses the trading activity of the underlying Master Fund and sub-funds to ascertain whether environmental, social and governance ("ESG") factors are appropriate or applicable to such funds. The Board has also made enquiries of key service providers in respect of their assessment of how climate change and ESG risk impacts their own operations and has been assured that this has no impact on their ability to continue to supply their services to the Company.

## STRATEGIC REPORT CONTINUED

### BUSINESS ENVIRONMENT (CONTINUED)

#### Board Diversity

When appointing new directors and reviewing the Board composition, the Board considers, amongst other factors, diversity, balance of skills, knowledge, gender and experience. At 31 December 2022, the Board believes it would be fully compliant with Listing Rules LR 9.8.6R(9) and LR 14.3.33R(1) in relation to board diversity, which will be applicable to the Company for the year ending 31 December 2023. There have been no changes to board composition since that date. We have set out additional detail in the table below:

NAME	GENDER IDENTITY	ETHNICITY
Richard Horlick	Male	White British
Caroline Chan	Female	Mixed Asian British
Julia Chapman	Female	White British
Bronwyn Curtis	Female	White European
John Le Poidevin	Male	White British
Claire Whittet	Female	White British

#### Environmental, Social and Governance (ESG) Factors

The Company does not have employees, it does not own physical assets and its Board is formed exclusively of non-executive Directors. As such, the Company does not undertake any material activity which would directly affect the environment.

On a regular basis, the Manager assesses the trading activity of the investment funds it manages, including the Master Fund, to ascertain whether ESG factors are appropriate or applicable to such funds. Most ESG principles have been envisaged in the context of equity or corporate fixed income investment and therefore are not readily applicable to most types of instruments traded by the Master Fund.

The Manager continues to monitor developments in this area and seeks to implement industry best practice where applicable. The Manager is a signatory to the UN Principles for Responsible Investment and on a regular basis, assesses the trading activities of the Master Fund as to whether ESG, the UN principles and sustainability risks under the EU Sustainable Finance Disclosure Regulations, are appropriate, relevant, or applicable to the Master Fund, considering the structure of relevant Brevan Howard managed funds and the applicable trading universe.

The Administrator is a wholly-owned indirect subsidiary of Northern Trust Corporation, which has adopted the UN Global Compact principles, specifically: implementing a precautionary approach to addressing environmental issues through effective programmes, undertaking initiatives that demonstrate the acknowledgement of environmental responsibility, promoting and using environmentally sustainable technologies, and UN

Sustainable Development Goals, specifically: using only energy efficient appliances and light bulbs, avoiding unnecessary use and waste of water, implementing responsible consumption and production, and taking action to reduce climate change.

### POSITION AND PERFORMANCE

#### Packaged Retail and Insurance Based Investment Products ("PRIIPs")

From 1 January 2021, the Company became subject to the UK version of Regulation (EU) No 1286/2014 on key information documents for PRIIPs, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time, including by the Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019 (the "UK PRIIPs Laws"), which superseded the EU regulation that previously applied to the Company. In accordance with the requirements of the UK PRIIPs Laws, the Manager published the latest standardised three-page Key Information Document (a "KID") for the Company's Sterling shares and another for its US Dollar shares on 23 February 2023 (based on data as at 31 December 2021). Each KID is available on the Company's website <https://www.bhmacro.com/regulatory-disclosures/> and will be updated at least every 12 months.

The Manager is the PRIIPs manufacturer for each KID and the Company is not responsible for the information contained in each KID. The process for calculating the risks, cost and potential returns is prescribed by regulation. The figures in the KID, relating to the relevant share class, may not reflect the expected returns for that share class of the Company and anticipated returns cannot be guaranteed.

#### Performance

##### Key Performance Indicators ("KPIs")

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. Below are the main KPIs which have been identified by the Board for determining the progress of the Company:

##### 1. NAV

The Company's NAV has appreciated from £10.00 per Sterling share and US\$10.00 per US Dollar share at launch to £41.81 per Sterling share and US\$43.28 per US Dollar share at the 2022 financial year end. This increase in NAV is largely attributable to the Company's long-term growth strategy and returns. The Directors and the Manager are confident that the current strategy will continue to return positive levels of growth over the long-term.

## POSITION AND PERFORMANCE (CONTINUED)

### 2. Share Prices, Discount/Premium

The Company's shares traded at an average premium of 10.61% and 11.08% to NAV for its Sterling shares and US Dollar shares respectively for the year ended 31 December 2022.

### 3. Ongoing Charges

The Company's ongoing charges ratio has increased from 2.43% to 6.11% on the Sterling shares and increased from 2.25% to 6.16% on the US Dollar shares, primarily due to changes in the level of the Manager's performance fee as a result of relative performance.

The Company reports an aggregated view of the charges for both the Sterling shares and US Dollar shares. Further details are on page 16 in the Directors' Report.

### Return per Share

Total return per share is based on the net total gain on ordinary activities after tax of £195,693,403 for the Sterling share class and a net gain of US\$19,301,255 for the US Dollar share class (2021: gains of £16,571,134 and US\$2,281,013 respectively).

These calculations are based on the weighted average number of shares in issue for the year ended 31 December 2022, resulting in: 28,620,989 Sterling shares and 2,722,649 US Dollar shares (2021: Sterling shares: 18,461,608 and US Dollar shares: 2,316,734).

	PER SHARE	YEAR ENDED 31.12.22		YEAR ENDED 31.12.21	
		'000	PER SHARE	'000	
Net total gain for Sterling Shares	683.74p	£195,693	89.76p	£16,571	
Net total gain for US Dollar Shares	708.91c	US\$19,301	98.46c	\$2,281	

### NAV

The NAV per Sterling share, as at 31 December 2022 was £41.81 based on net assets of £1,260,922,944, divided by number of Sterling shares in issue of 30,156,454 (2021: £34.30).

The NAV per US Dollar share, as at 31 December 2022 was US\$43.28 based on net assets of US\$123,685,664 divided by number of US Dollar shares in issue of 2,858,135 (2021: US\$35.71).

### Dividends

No dividends were paid during the year (2021: US\$Nil).

### Viability Statement

The investment objective of the Company is to seek to generate consistent long-term capital appreciation through an investment policy of investing all of its assets (net of funds required for its short-term working capital) in the Master Fund.

The Directors have assessed the viability of the Company over the period to 31 December 2025. The Viability Statement covers a period of three years, which the Directors consider sufficient given the inherent uncertainty of the investment world and the specific risks to which the Company is exposed.

The continuation of the Company in its present form is largely dependent on the management agreement between the Company and the Manager (the "Management Agreement") remaining in place. The Management Agreement was, as at the 2022 financial year end, generally terminable on three months' notice by either party save for certain exceptions. This was changed in January 2023 to a twelve month notice period save for certain exceptions. To ensure that the Company maintains a constructive and informed relationship with the Manager, the Directors meet regularly with the Manager to review the Master Fund's performance, and through the Management Engagement Committee, they review the Company's relationship with the Manager and the Manager's performance and effectiveness. The Directors currently know of no reason why either the Company or the Manager might serve notice of termination of the Management Agreement over the period of this Viability Statement.

The Company's assets exceed its liabilities by a considerable margin. Furthermore, the majority of the Company's most significant expenses, being the fees owing to the Manager and to the Administrator, fluctuate by reference to the Company's investment performance and NAV. The Company is able to meet its expenses by redeeming shares in the Master Fund as necessary, as and when required to enable the Company to meet its ordinary course operating expenses.

The Company's investment performance depends upon the performance of the Master Fund and the Manager as manager of the Master Fund. The Directors, in assessing the viability of the Company, pay particular attention to the risks facing the Master Fund. The Manager operates a risk management framework, which is intended to identify, measure, monitor, report and, where appropriate, mitigate key risks identified by it or its affiliates in respect of the Master Fund.

## STRATEGIC REPORT CONTINUED

### POSITION AND PERFORMANCE (CONTINUED)

#### Viability Statement (continued)

Although the Company's shares have largely traded at a premium for some time, in the event that there is downward pressure on the Company's share prices, the Company is able to consider resuming active discount management actions, including share buybacks, so that as far as possible the share prices would more closely reflect the Company's underlying performance; such actions should help to mitigate the risk of class closure resolutions being triggered after that date. The Company is able to meet the costs of share buybacks by redeeming shares in the Master Fund as necessary, on three months' notice to the extent required to enable the Company to make an annual redemption offer (as defined in the Articles). Refer to note 8 in the Audited Financial Statements for details of the Company's discount management programme.

The Directors have carried out a robust assessment of the risks and, on the assumption that the risks are managed or mitigated in the ways noted above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Although the Company is domiciled in Guernsey, the Board has considered the guidance set out in the Association of Investment Companies (the "AIC") Code in relation to Section 172 of the Companies Act 2006 in the UK. Section 172 of the Companies Act requires that the Directors of the Company act in the way they consider, in good faith, is most likely to promote the success of the Company for the benefit of all stakeholders, including suppliers, customers and Shareholders.

#### Key Service Providers

The Company does not have any employees and, as such, the Board delegates responsibility for its day-to-day operations to a number of key service providers. The activities of each service provider are closely monitored by the Board and they are required to report to the Board at set intervals.

In addition, a formal review of the performance of each service provider is carried out once a year by the Management Engagement Committee.

#### The Manager

The Manager is a leading and well-established hedge fund manager. In exchange for its services, a fee is payable as detailed in note 4 to the Audited Financial Statements.

The Board considers that, under the Company's current investment objective, the interests of Shareholders, as a whole, are best served by the ongoing appointment of the Manager.

#### Administrator and Corporate Secretary

Northern Trust International Fund Administration Services (Guernsey) Limited is the Administrator and its corporate secretary (the "Corporate Secretary"). Further details on fee structure are included in note 4 to the Audited Financial Statements.

Signed on behalf of the Board by:

**Richard Horlick**  
Chair

**John Le Poidevin**  
Director

28 March 2023

# DIRECTORS' REPORT

31 December 2022

The Directors submit their Report together with the Company's Audited Statement of Assets and Liabilities, Audited Statement of Operations, Audited Statement of Changes in Net Assets, Audited Statement of Cash Flows and the related notes for the year ended 31 December 2022. The Directors' Report together with the Audited Financial Statements and their related notes (the "Audited Financial Statements") give a true and fair view of the financial position of the Company. They have been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP") and are in agreement with the accounting records.

## THE COMPANY

BH Macro Limited is a limited liability closed-ended investment company which was incorporated in Guernsey on 17 January 2007 and then admitted to the Official List of the London Stock Exchange ("LSE") later that year.

Currently, ordinary shares are issued in Sterling and US Dollars.

## INVESTMENT OBJECTIVE AND POLICY

The Company is organised as a feeder fund that invests all of its assets (net of short-term working capital requirements) directly in the Master Fund, a hedge fund in the form of a Cayman Islands open-ended investment company, which has as its investment objective the generation of consistent long-term appreciation through active leveraged trading and investment on a global basis. The Master Fund is managed by Brevan Howard Capital Management LP, the Company's Manager.

The Master Fund has flexibility to invest in a wide range of instruments including, but not limited to, debt securities and obligations (which may be below investment grade), bank loans, listed and unlisted equities, other collective investment schemes, currencies, commodities, digital assets, futures, options, warrants, swaps and other derivative instruments. The underlying philosophy is to construct strategies, often contingent in nature, with superior risk/return profiles, whose outcome will often be crystallised by an expected event occurring within a pre-determined period of time.

The Master Fund employs a combination of investment strategies that focus primarily on economic change and monetary policy and market inefficiencies.

The Company may employ leverage for the purposes of financing share purchases or buy backs, satisfying working capital requirements or financing further investment into the Master Fund, subject to an aggregate borrowing limit of 20% of the Company's NAV, calculated as at the time of borrowing. Borrowing by the Company is in addition to leverage at the Master Fund level, which has no limit on its own leverage.

## RESULTS AND DIVIDENDS

The results for the year are set out in the Audited Statement of Operations on page 35. The Directors do not recommend the payment of a dividend.

## SHARE CAPITAL

As approved by the Shareholders at the Annual General Meeting held on 24 September 2021, the Directors had the power to issue further shares for cash totalling 7,965,377 Sterling shares and 931,107 US Dollar shares, respectively; with authority to dis-apply pre-emption rights in respect of 279,360 shares designated as US Dollar shares and 2,389,852 shares designated as Sterling share. These authorities expired at the conclusion of the 9 September 2022 Annual General Meeting. An additional authority to dis-apply pre-emption rights in respect of Sterling shares only was adopted at the 5 May 2022 Extraordinary General Meeting ("EGM"), as noted below.

As approved by the Shareholders at an EGM held on 5 May 2022, the Directors had the power to issue further shares for cash on a non-pre-emptive basis totalling 2,707,396 Sterling shares. This power expired on the conclusion of the 9 September 2022 Annual General Meeting of the Company.

As approved by the Shareholders at the Annual General Meeting held on 9 September 2022, the Directors had the power to issue further shares for cash on a non-pre-emptive basis totalling 9,818,410 Sterling shares and 873,549 US Dollar shares, respectively. This power was due to expire fifteen months after the passing of the resolution or on the conclusion of the next Annual General Meeting of the Company, whichever was earlier, unless such power was varied, revoked or renewed prior to that Meeting by a resolution of the Company in general meeting.

As noted below, subsequent to the year end, this authority was superseded by a shareholder resolution adopted on 6 February 2023.

During the year ended 31 December 2022, the following share issues were made:

On 14 January 2022, the Company issued 921,862 Sterling shares at a price of 3,670 pence per share.

On 16 March 2022, the Company issued 268,379 Sterling shares at a price of 3,770 pence per share.

On 19 May 2022, the Company issued 1,521,441 Sterling shares at a price of 4,270 pence per share.



## DIRECTORS' REPORT CONTINUED

### SHARE CAPITAL (CONTINUED)

On 26 May 2022, the Company issued 59,631 Sterling shares at a price of 4,300 pence per share.

On 16 June 2022, the Company issued 582,182 Sterling shares at a price of 4,455 pence per share.

On 7 July 2022, the Company issued 187,684 Sterling shares at a price of 4,300 pence per share.

On 11 August 2022, the Company issued 356,458 Sterling shares and 185,000 US Dollar shares at a price of 4,375 pence per share and US\$44.20 per share, respectively.

On 2 September 2022, the Company issued 94,360 US Dollar shares at a price of US\$47.30 per share.

On 13 October 2022, the Company issued 303,513 Sterling shares at a price of 4,600 pence per share.

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

Subsequent to the year end:

(a) on 23 January 2023, the Board announced the commencement of its initial issue (the "Initial Issue"), comprising of the initial placing (the "Placing"), intermediaries offer (the "Intermediaries Offer") and offer for subscription (the "Offer for Subscription"), together with an issuance programme for subsequent issues, which remains open until 23 January 2024 (the "Issuance Programme"), in respect of the issue of up to an aggregate of 220 million shares (based on a 10:1 share split); the issue of circular for an EGM, which was held on 6 February 2023, in relation to the Initial Issue, Issuance Programme and share sub-division; and details of amendments to the Management Agreement, including terms of the Company's investment in the Master Fund, in order to reflect the increased investment of the Company in the Master Fund as a result of the Initial Issue and the Issuance Programme. Further details are disclosed in note 11 to the Audited Financial Statements;

(b) on 6 February 2023, following the EGM, the Company announced that (i) the Board was empowered to allot and issue, in aggregate, up to 220 million new shares of no par value in the Company designated as Sterling shares or US Dollar shares, as if the pre-emption provisions of the Company's articles of incorporation ("Articles") did not apply; and (ii) each existing share would be sub-divided

into 10 shares of the same currency class and with the same rights and subject to the same restrictions as the then existing shares of the same currency class, in the capital of the Company, with the sub-divided shares to be admitted to listing the following day. These resolutions superseded the relevant resolutions adopted at the 2022 Annual General Meeting. Further details are disclosed in note 11 to the Audited Financial Statements; and

(c) on 13 February 2023, the completion of the Initial Issue was announced. A total of 72,378,000 Sterling shares and 746,400 US Dollar shares were issued in the Initial Issue at a price per share equal, respectively, to 431.5 pence per Sterling share and US\$4.47 per US Dollar share, raising gross proceeds of approximately £312.3m for the Sterling share class and US\$3.3m for the US Dollar share class.

### GOING CONCERN

The Directors, having considered the Principal and Emerging Risks and Uncertainties to which the Company is exposed, which are listed on page 7 and on the assumption that these are managed or mitigated as noted, are not aware of any material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern and, accordingly, consider that it is appropriate that the Company continues to adopt the going concern basis of accounting for these Audited Financial Statements.

The Board continues to monitor the ongoing impact of various geopolitical events, including the disruption arising from the aftermath of the COVID-19 pandemic, elevated levels of global inflation, recessionary risks and the ongoing war in Ukraine. The Board has concluded that the biggest threat to the Company in relation to these geopolitical concerns remains the failure of a key service provider to maintain business continuity and resiliency. The Board has assessed the measures in place by key service providers to maintain business continuity and, so far, has not identified any significant issues that affect the Company. The financial position of the Company has not been negatively impacted by these geopolitical events either. For these reasons, the Board is confident that these events have not impacted the going concern assessment of the Company.

### THE BOARD

The Board of Directors has overall responsibility for safeguarding the Company's assets, for the determination of the investment policy of the Company, for reviewing the performance of the service providers and for the Company's activities. The Directors, all of whom are non-executive, are listed on pages 4 and 5.

**THE BOARD (CONTINUED)**

The Articles provide that, unless otherwise determined by ordinary resolution, the number of Directors shall not be less than two. The Company's policy on Directors' Remuneration, together with details of the remuneration of each Director who served during the year, is detailed in the Directors' Remuneration Report on pages 21 and 22.

The Board meets at least four times a year and between these formal meetings, there is regular contact with the Manager and the Administrator. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Company are brought to the attention of the Directors. The Directors also have access to the Administrator and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

For each Director, the tables below set out the number of Board and Audit Committee meetings they were entitled to attend during the year ended 31 December 2022 and the number of such meetings attended by each Director.

SCHEDULED BOARD MEETINGS	HELD	ATTENDED
Richard Horlick	4	4
Caroline Chan*	1	1
Julia Chapman	4	4
Bronwyn Curtis	4	4
John Le Poidevin	4	4
Claire Whittet	4	4

AUDIT COMMITTEE MEETINGS	HELD	ATTENDED
John Le Poidevin	4	4
Caroline Chan*	1	1
Julia Chapman	4	3
Bronwyn Curtis	4	4
Claire Whittet	4	4

REMUNERATION AND NOMINATION COMMITTEE MEETINGS	HELD	ATTENDED
Richard Horlick	1	1
Caroline Chan*	N/A	N/A
Julia Chapman	1	1
Bronwyn Curtis	1	1
John Le Poidevin	1	1
Claire Whittet	1	1

MANAGEMENT ENGAGEMENT COMMITTEE MEETINGS	HELD	ATTENDED
Richard Horlick	1	1
Caroline Chan*	N/A	N/A
Julia Chapman	1	1
Bronwyn Curtis	1	1
John Le Poidevin	1	1
Claire Whittet	1	1

\* Caroline Chan was appointed to each of the Board, the Audit Committee, the Remuneration and Nomination Committee and the Management Engagement Committee on 6 December 2022.

In addition to these scheduled meetings, 14 ad-hoc committee meetings were held during the year ended 31 December 2022, which were attended by those Directors available at the time.

The Board has reviewed the composition, structure and diversity of the Board, succession planning, the independence of the Directors and whether each of the Directors has sufficient time available to discharge their duties effectively. The Board confirms that it believes that it has an appropriate mix of skills and backgrounds, that all of the Directors are considered to be independent in accordance with the provisions of the AIC Code and that all Directors have the time available to discharge their duties effectively.

The Chair and the Directors' tenures are limited to nine years, which is consistent with the principles listed in the UK Corporate Governance Code.

Notwithstanding that some of the Directors sit on the boards of a number of other listed investment companies, the Board notes that each appointment is non-executive and that listed investment companies generally have a lower level of complexity and time commitment than trading companies. Furthermore, the Board notes that attendance of all Board and Committee meetings during the year is high and that each Director has always shown the time commitment necessary to discharge fully and effectively their duties as a Director.

## DIRECTORS' REPORT CONTINUED

### DIRECTORS' INTERESTS

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

		STERLING SHARES
	31.12.22	31.12.21
Richard Horlick	20,000	20,000
Caroline Chan <sup>1</sup>	Nil	N/A
Julia Chapman	626	626
Bronwyn Curtis	1,000	1,000
John Le Poidevin	5,482	5,482
Claire Whittet <sup>2</sup>	1,500	1,500

		US DOLLAR SHARES
	31.12.22	31.12.21
Richard Horlick	Nil	Nil
Caroline Chan <sup>1</sup>	Nil	N/A
Julia Chapman	Nil	Nil
Bronwyn Curtis	Nil	Nil
John Le Poidevin	Nil	Nil
Claire Whittet	Nil	Nil

<sup>1</sup> Caroline Chan was appointed to the Board on 6 December 2022.

<sup>2</sup> All units are held through a Retirement Annuity Trust Scheme, jointly owned by Mrs Whittet and her husband.

On 23 January 2023, the Board announced the commencement of its Initial Issue, comprising of the Placing, Intermediaries Offer and Offer for Subscription of new ordinary shares of no par value in the capital of the Company, together with an issuance programme for subsequent issues, which remains open until 23 January 2024.

On 13 February 2023, the Board participated in the Initial Issue for the following amounts:

Richard Horlick, US\$89,400 of US Dollar shares;  
Caroline Chan, £50,000 of Sterling shares;  
Bronwyn Curtis, £100,000 of Sterling shares;  
John Le Poidevin, £90,000 of Sterling shares; and  
Claire Whittet, £35,000 Sterling shares.

### DIRECTORS' INDEMNITY

Directors' and Officers' liability insurance cover is in place in respect of the Directors.

The Directors entered into indemnity agreements with the Company which provide, subject to the provisions of the Companies (Guernsey) Law, 2008, for an indemnity for Directors in respect of costs which they may incur relating to the defence of proceedings brought against them arising out of their positions as Directors, in which they are acquitted, or judgement is given in their favour by the Court. The agreement does not provide for any indemnification for liability which attaches to the Directors in connection with any negligence, unfavourable judgements and breach of duty or trust in relation to the Company.

### CORPORATE GOVERNANCE

To comply with the UK Listing Regime, the Company must comply with the requirements of the UK Corporate Governance Code. The Company is also required to comply with the Code of Corporate Governance issued by the Guernsey Financial Services Commission.

The Company is a member of the AIC and by complying with the AIC Code it is deemed to comply with both the UK Corporate Governance Code and the Guernsey Code of Corporate Governance.

To ensure ongoing compliance with the principles and the recommendations of the AIC Code, the Board receives and reviews a report from the Corporate Secretary, at each quarterly meeting, identifying whether the Company is in compliance and recommending any changes that are necessary.

The Company has complied with the requirements of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function; and
- a whistle-blowing policy.



## CORPORATE GOVERNANCE (CONTINUED)

For the reasons explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company with a Board formed exclusively of non-executive Directors. The Company has therefore not reported further in respect of these provisions. The Company does not have employees, hence no whistle-blowing policy is necessary. However, the Directors have satisfied themselves that the Company's service providers have appropriate whistle-blowing policies and procedures and seek regular confirmation from the service providers that nothing has arisen under those policies and procedures which should be brought to the attention of the Board.

The Company has adopted a policy that the composition of the Board of Directors is at all times such that (i) a majority of the Directors are independent of the Manager and any company in the same group as the Manager (the "Manager's Group"); (ii) the Chair of the Board of Directors is free from any conflicts of interest and is independent of the Manager's Group; and (iii) no more than one director, partner, employee or professional adviser to the Manager's Group may be a Director of the Company at any one time.

The Company has adopted a Code of Directors' dealings in securities.

The Company's risk appetite and risk exposure and the effectiveness of its risk management and internal control systems are reviewed by the Audit Committee and by the Board at their meetings. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

In view of its non-executive and independent nature, the Board had previously considered that it was not necessary for there to be a Nomination Committee, or a Remuneration Committee as anticipated by the AIC Code. A Remuneration and Nomination Committee was established on 17 June 2022. The Board has included a separate Directors' Remuneration Report on pages 21 and 22 of this Annual Report.

For new appointments to the Board, a specialist independent recruitment firm is engaged as and when appropriate, nominations are sought from the Directors and from other relevant parties and candidates are then interviewed by the Directors. The current Board has a breadth of experience relevant to the Company, and the Directors believe that any changes to the Board's composition can be managed without undue disruption. An induction programme is provided for newly-appointed Directors.

In line with the AIC Code, Article 21.3 of the Company's Articles requires all Directors to retire at each Annual General Meeting. At the Annual General Meeting of the Company on 9 September 2022, Shareholders re-elected all the then incumbent Directors of the Company, except for Caroline Chan, who was appointed on 6 December 2022.

The Board, through the Remuneration and Nomination Committee, regularly reviews its composition and believes that the current appointments provide an appropriate range of skill, experience and diversity. Having served nine years as a Board member, Claire Whittet will not seek re-election at the forthcoming Annual General Meeting of the Company.

Each of the Board, the Audit Committee, the Management Engagement Committee and the Remuneration and Nomination Committee undertakes an evaluation of their own performance and that of individual Directors on an annual basis. In order to review their effectiveness, the Board and its Committees carry out a process of formal self-appraisal. The Board and the Committees consider how they function as a whole and also review the individual performance of their members. This process is conducted by the Chair of each Committee reviewing the relevant Directors' performance, contribution and commitment to the Company.

Claire Whittet has been Senior Independent Director since 20 June 2019 and takes the lead in evaluating the performance of the Chair.

## BOARD PERFORMANCE

The performance of the Board and that of each individual Director is scheduled for external evaluation every three years.

The most recent external evaluation of the Board's performance was completed in March 2022 and it confirmed that the Board works in a collegiate, harmonious and effective manner. The evaluation made a number of recommendations for the medium-term structure of the Board, including in relation to future succession planning, and the adoption by the Board of those recommendations has commenced.

The Board carries out an annual internal evaluation of its performance in years when an external evaluation is not taking place. There were no matters of note in the last annual internal evaluation.

## DIRECTORS' REPORT CONTINUED

### BOARD PERFORMANCE (CONTINUED)

The Board needs to ensure that the Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy. In seeking to achieve this, the Directors have set out the Company's investment objective and policy and have explained how the Board and its delegated Committees operate and how the Directors review the risk environment within which the Company operates and sets appropriate risk controls. Furthermore, throughout the Annual Report, the Board has sought to provide further information to enable shareholders to better understand the Company's business and financial performance.

### POLICY TO COMBAT FRAUD, BRIBERY AND CORRUPTION

The Board has adopted a formal policy to combat fraud, bribery and corruption. The policy applies to the Company and to each of its Directors. Furthermore, the policy is shared with each of the Company's service providers.

In respect of the UK Criminal Finances Act 2017, which introduced a new corporate criminal offence of 'failing to take reasonable steps to prevent the facilitation of tax evasion', the Board confirms that it is committed to preventing the facilitation of tax evasion and takes all reasonable steps to do so.

### SOCIAL AND ENVIRONMENTAL ISSUES

The Board also keeps under review developments involving other social and environmental issues, such as modern slavery, and will report on those to the extent they are considered relevant to the Company's operations. Further explanation of these issues is detailed on page 7 under 'Climate Change and ESG Risks'.

### ONGOING CHARGES

The ongoing charges (the "Ongoing Charges") represent the Company's management fee and all other operating expenses, excluding finance costs, performance fees, share issue or buyback costs and non-recurring legal and professional fees, expressed as a percentage of the average of the daily net assets during the year.

Ongoing Charges for the years ended 31 December 2022 and 31 December 2021 have been prepared in accordance with the AIC's recommended methodology.

The following table presents the Ongoing Charges for each share class of the Company for the years ended 31 December 2022 and 31 December 2021.

#### 31.12.22

	STERLING SHARES	US DOLLAR SHARES
Company – Ongoing Charges	1.68%	1.74%
Master Fund – Ongoing Charges	0.20%	0.22%
Performance fees	4.23%	4.20%
Ongoing Charges plus performance fees	6.11%	6.16%

#### 31.12.21

	STERLING SHARES	US DOLLAR SHARES
Company – Ongoing Charges	1.34%	1.11%
Master Fund – Ongoing Charges	0.45%	0.45%
Performance fees	0.64%	0.69%
Ongoing Charges plus performance fees	2.43%	2.25%

The Master Fund's ongoing charges represent the portion of the Master Fund's operating expenses which have been allocated to the Company. The Company invests substantially all of its investable assets in ordinary Sterling and US Dollar-denominated Class B shares issued by the Master Fund. These shares are not subject to management fees and performance fees within the Master Fund. The Master Fund's operating expenses include an operational services fee payable to the Manager of 1/12 of 0.5% per month of the prevailing Master Fund NAV attributable to the Company's investment in the Master Fund.

### PERFORMANCE GRAPHS

The graphs shown on page 3 detail the performance of the Company's NAV and share prices over the year.

### AUDIT COMMITTEE

The Company's Audit Committee conducts formal meetings at least three times a year for the purpose, amongst others, of considering the appointment, independence and effectiveness of the audit and remuneration of the auditors, and to review and recommend the annual statutory accounts and interim report to the Board of Directors. It is chaired by John Le Poidevin and comprises Bronwyn Curtis, Claire Whittet, Julia Chapman and Caroline Chan. The Terms of Reference of the Audit Committee are available from the Administrator.

## MANAGEMENT ENGAGEMENT COMMITTEE

The Board has established a Management Engagement Committee with formal duties and responsibilities. The Management Engagement Committee meets formally at least once a year and comprises all members of the Board.

It was chaired by Claire Whittet until 17 June 2022, when Julia Chapman was appointed Chair.

The function of the Management Engagement Committee is to ensure that the Company's Management Agreement is competitive and reasonable for the Shareholders, along with the Company's agreements with all other third-party service providers (other than KPMG Channel Islands Limited (the "Independent Auditor")). The Management Engagement Committee also monitors the performance of all service providers on an annual basis and writes to each service provider regarding their Business Continuity Plans. To date, all services have proved to be robust and there has been no disruption to the Company. The Terms of Reference of the Management Engagement Committee are available from the Administrator.

The details of the Manager's fees and notice period are set out in note 4 to the Audited Financial Statements.

The Board continuously monitors the performance of the Manager and a review of the Manager is conducted by the Management Engagement Committee annually.

The Manager has wide experience in managing and administering investment companies and has access to extensive investment management resources.

At its meeting on 9 September 2022, the Management Engagement Committee concluded that the continued appointment of each of the Manager, the Administrator, the Company's UK and Guernsey legal advisers, the Registrar and corporate broker on the terms agreed was in the interests of the Company's Shareholders as a whole. At the date of this report, the Board continues to be of the same opinion.

## REMUNERATION AND NOMINATION COMMITTEE

The Board established a Remuneration and Nomination Committee on 17 June 2022 with formal duties and responsibilities. The Remuneration and Nomination Committee meets formally at least once a year, is chaired by Bronwyn Curtis and comprises all members of the Board.

The function of the Remuneration and Nomination Committee is to:

- regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any changes that are deemed necessary;
- identify, from a variety of sources, candidates to fill Board vacancies as and when they arise with a continued focus on Board diversity;
- assess and articulate the time needed to fulfil the role of the Chair and of a non-executive director, and undertake an annual performance evaluation to ensure that all the members of the Board have devoted sufficient time to their duties, and also to review their contribution to the work of the Board and the breadth of experience of the Board as a whole; and
- annually review the levels of remuneration of the Chair of the Board, the Chair of the Audit Committee and the Chair of each other Board committee and other non-executive directors having regard to the maximum aggregate remuneration that may be paid under the Company's Articles.

## INTERNAL CONTROLS

Responsibility for the establishment and maintenance of an appropriate system of internal control rests with the Board and to achieve this, a process has been established which seeks to:

- review the risks faced by the Company and the controls in place to address those risks;
- identify and report changes in the risk environment;
- identify and report changes in the operational controls;
- identify and report on the effectiveness of controls and errors arising; and
- ensure no override of controls by the Manager, the Administrator and its other service providers.

A report is tabled and discussed at each Audit Committee meeting, and reviewed at least once a year by the Board, setting out the Company's risk exposure and the effectiveness of its risk management and internal control systems. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

## DIRECTORS' REPORT CONTINUED

### INTERNAL CONTROLS (CONTINUED)

In order to recognise any new risks that could impact the Company and ensure that appropriate controls are in place to manage those risks, the Audit Committee undertakes a regular review of the Company's risk matrix. This review took place on three occasions during the year.

The Board has delegated the management of the Company and the administration, corporate secretarial and registrar functions, including the independent calculation of the Company's NAV and the production of the Annual Report and Audited Financial Statements, which are independently audited. Whilst the Board delegates these functions, it remains responsible for the functions it delegates and for the systems of internal control. Formal contractual agreements have been put in place between the Company and the providers of these services. On an ongoing basis, Board reports are provided at each quarterly Board meeting by the Manager, the Administrator and Corporate Secretary and the Registrar. A representative from the Manager is asked to attend these meetings.

In common with most investment companies, the Company does not have an internal audit function. All of the Company's management functions are delegated to the Manager, the Administrator and Corporate Secretary and the Registrar which have their own internal audit and risk assessment functions.

Further reports are received from the Administrator in respect of compliance, LSE continuing obligations and other matters. The reports were reviewed by the Board. No material adverse findings were identified in these reports.

### INTERNATIONAL TAX REPORTING

For purposes of the US Foreign Account Tax Compliance Act, the Company registered with the US Internal Revenue Services ("IRS") as a Guernsey reporting Foreign Financial Institution ("FFI"), received a Global Intermediary Identification Number (5QHZVI.99999.SL.831), and can be found on the IRS FFI list.

The Common Reporting Standard ("CRS") is a global standard for the automatic exchange of financial account information developed by the Organisation for Economic Co-operation and Development ("OECD"), which was adopted by Guernsey and came into effect on 1 January 2016. The CRS replaced the intergovernmental agreement between the UK and Guernsey to improve international tax compliance that had previously applied in respect of 2014 and 2015. The Company made its latest report for CRS to the Director of Income Tax on 27 June 2022.

### RELATIONS WITH SHAREHOLDERS

The Board welcomes Shareholders' views and places great importance on communication with the Company's Shareholders. The Board receives regular reports on the views of Shareholders and the Chair and other Directors are available to meet Shareholders, with a number of such meetings taking place during the period. The Company provides weekly unaudited estimates of NAV, month end unaudited estimates and unaudited final NAVs. The Company also provides a monthly newsletter. These are published via RNS and are also available on the Company's website. Risk reports of the Master Fund are also available on the Company's website.

The Manager maintains regular dialogue with institutional Shareholders, the feedback from which is reported to the Board. Shareholders who wish to communicate with the Board should contact the Administrator in the first instance.

Having reviewed the Financial Conduct Authority's restrictions on the retail distribution of non-mainstream pooled investments, the Company, after taking legal advice, announced on 15 January 2014 that it is outside the scope of those restrictions, so that its shares can continue to be recommended by UK authorised persons to ordinary retail investors.

Following the publication of the updated AIC Code in February 2019, when 20 per cent or more of Shareholder votes have been cast against a Board recommendation for a resolution, the Company should explain, when announcing voting results, what actions it intends to take to consult Shareholders in order to understand the reasons behind the result. An update on the views received from Shareholders and actions taken should be published no later than six months after the Shareholder meeting. The Board should then provide a final summary in the Annual Report and, if applicable, in the explanatory notes to resolutions at the next Shareholder meeting, on what impact the feedback has had on the decisions the Board has taken and any actions or resolutions now proposed. During the period, no resolution recommended by the Board received 20 per cent or more votes against it.

**SIGNIFICANT SHAREHOLDERS**

As at 24 March 2023, the following Shareholders had significant shareholdings in the Company:

	% HOLDING IN CLASS
<b>SIGNIFICANT SHAREHOLDERS</b>	
<b>STERLING SHARES</b>	
Ferlim Nominees Limited	20.5%
Rathbone Nominees Limited	10.3%
Cheviot Capital (Nominees) Limited	6.6%
Smith & Williamson Nominees Limited	6.6%
Vestra Nominees Limited	4.4%
Pershing Nominees Limited	4.3%
Lion Nominees Limited	4.1%
Vidacos Nominees Limited	3.2%
Brewin Nominees Limited	3.1%
HSBC Global Custody Nominee (UK) Limited	3.1%

	% HOLDING IN CLASS
<b>SIGNIFICANT SHAREHOLDERS</b>	
<b>US DOLLAR SHARES</b>	
Hero Nominees Limited	17.2%
Vidacos Nominees Limited	16.3%
Euroclear Nominees	13.1%
Luna Nominees Limited	5.9%
CGWL Nominees Limited	4.3%
Rathbone Nominees Limited	3.4%
Ferlim Nominees Limited	3.2%
Vestra Nominees Limited	3.1%

Signed on behalf of the Board by:

**Richard Horlick**  
Chair

**John Le Poidevin**  
Director

28 March 2023

## STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and Audited Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they are required to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America and applicable law.

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern basis; and
- use the going concern basis of accounting unless liquidation is imminent.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's Independent Auditor is unaware, and each has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant information and to establish that the Company's Independent Auditor is aware of that information;
- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- each of the Chair's Statement, the Strategic Report, the Directors' Report and the Manager's Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

We consider the Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board by:

**Richard Horlick**  
Chair

**John Le Poidevin**  
Director

28 March 2023

# DIRECTORS' REMUNERATION REPORT

31 December 2022

## INTRODUCTION

An ordinary resolution for the approval of the Directors' Remuneration Report was passed by the Shareholders at the Annual General Meeting held on 9 September 2022.

## REMUNERATION POLICY

A Remuneration and Nomination Committee was established on 17 June 2022. Prior to this, the Board as a whole considered matters relating to the Directors' remuneration. No advice or services were provided by any external person in respect of its consideration of the Directors' remuneration.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate Directors of a quality required to run the Company successfully. The Chair of the Board is paid a higher fee in recognition of his additional responsibilities, as are the Chairs of the various Board committees and the Senior Independent Director. The policy is to review fee rates periodically, although such a review will not necessarily result in any changes to the rates, and account is taken of fees paid to Directors of comparable companies.

There are no long-term incentive schemes provided by the Company and no performance fees are paid to Directors.

No Director has a service contract with the Company but each of the Directors is appointed by a letter of appointment which sets out the main terms of their appointment. The Directors were appointed to the Board for an initial term of three years and Article 21.3 of the Company's Articles requires, as does the AIC Code, that all of the Directors retire at each Annual General Meeting. At the Annual General Meeting of the Company on 9 September 2022, Shareholders re-elected all the Directors, except for Caroline Chan, who was appointed as a Director on 6 December 2022. Director appointments can also be terminated in accordance with the Articles. Should Shareholders vote against a Director standing

for re-election, the Director affected will not be entitled to any compensation. There are no set notice periods and a Director may resign by notice in writing to the Board at any time.

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally.

No other remuneration or compensation was paid or payable by the Company during the year to any of the Directors apart from the reimbursement of allowable expenses.

## DIRECTORS' FEES

Until 30 June 2022, the Company's Articles limited the fees payable to Directors in aggregate to £400,000 per annum. The annual Directors' fees were: £70,000 for Richard Horlick, the Chair; £55,000 for John Le Poidevin, the Chair of the Audit Committee; £50,000 for Claire Whittet, as Chair of the Management Engagement Committee and the Senior Independent Director and £45,000 for all other Directors.

The annual Directors' fees from 1 July 2022 have been:

ROLE	FEE PER ANNUM £
Board Chair	90,000
Audit Committee Chair	65,000
Management Engagement Committee Chair	55,000
Remuneration and Nomination Committee Chair	55,000
Senior Independent Director	55,000
All other Directors	50,000

At the Annual General Meeting, held on 9 September 2022, Shareholders approved an increase in the annual aggregate limit of fees payable to Directors from £400,000 per annum to £800,000 per annum.



## DIRECTORS' REMUNERATION REPORT CONTINUED

### DIRECTORS' FEES (CONTINUED)

The fees payable by the Company in respect of each of the Directors who served during the year ended 31 December 2022 and the year ended 31 December 2021 were as follows:

	YEAR ENDED 31.12.22 £	YEAR ENDED 31.12.21 £
Richard Horlick*	80,000	66,678
Colin Maltby**	N/A	8,822
Caroline Chan***	3,562	N/A
Julia Chapman****	50,000	11,250
Bronwyn Curtis	50,000	45,000
John Le Poidevin	60,000	55,000
Claire Whittet	52,500	50,000
<b>TOTAL</b>	<b>296,062</b>	<b>236,750</b>

\* On 15 February 2021, Richard Horlick was appointed Chair at a fee of £70,000 p.a. Prior to that date, he served as a Director at a fee of £45,000 p.a. From 1 July 2022, his fee was £90,000 p.a.

\*\* Colin Maltby retired as Chair and Director on 15 February 2021 and was paid a fee of £70,000 p.a. until that date.

\*\*\* Caroline Chan was appointed to the Board on 6 December 2022 at a fee of £50,000 p.a.

\*\*\*\* Julia Chapman was appointed to the Board on 1 October 2021 at a fee of £45,000 p.a. From 1 July 2022, she was paid £55,000 per annum as Chair of the Management Engagement Committee.

Signed on behalf of the Board by:

**Richard Horlick**  
Chair

**John Le Poidevin**  
Director

28 March 2023



# REPORT OF THE AUDIT COMMITTEE

31 December 2022

On the following pages, we present the Audit Committee's (the "Committee") Report for 2022, setting out the Committee's structure and composition, principal duties and key activities during the year. As in previous years, the Committee has reviewed the Company's financial reporting, the independence and effectiveness of the Independent Auditor and the internal control and risk management systems of the service providers.

## STRUCTURE AND COMPOSITION

The Committee is chaired by John Le Poidevin and its other members are Claire Whittet, Bronwyn Curtis and Julia Chapman. Caroline Chan was appointed to the Audit Committee on 6 December 2022.

Appointment to the Committee is for a period of up to three years which may be extended for two further three-year periods, provided that the majority of the Committee remains independent of the Manager. Claire Whittet is currently serving her third term. John Le Poidevin is currently serving his third term, Bronwyn Curtis is serving her second term and Julia Chapman and Caroline Chan are serving their first terms.

The Committee conducts formal meetings at least three times a year. The table in the Directors' Report, on page 13 sets out the number of Committee meetings held during the year ended 31 December 2022 and the number of such meetings attended by each committee member. The Independent Auditor is invited to attend those meetings at which the annual and interim reports are considered. The Independent Auditor and the Committee will meet together without representatives of either the Administrator or the Manager being present if the Committee considers this to be necessary.

## PRINCIPAL DUTIES

The role of the Committee includes:

- monitoring the integrity of the published Financial Statements of the Company;
- reviewing and reporting to the Board on the significant issues and judgements made in the preparation of the Company's published Financial Statements (having regard to matters communicated by the Independent Auditor), significant financial returns to regulators and other financial information;
- monitoring and reviewing the quality and effectiveness of the Independent Auditor and their independence;
- considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration to the Company's Independent Auditor; and
- monitoring and reviewing the internal control and risk management systems of the service providers.

The complete details of the Committee's formal duties and responsibilities are set out in the Committee's Terms of Reference, which can be obtained from the Company's Administrator.

The independence and objectivity of the Independent Auditor is reviewed by the Committee, which also reviews the terms under which the Independent Auditor is appointed to perform non-audit services, which includes consideration of the Financial Reporting Council Revised Ethical Standard 2019. The Committee has also established policies and procedures for the engagement of the Company's auditor to provide audit, assurance and other services. The services which the Independent Auditor may not provide are any which:

- places them in a position to audit their own work;
- creates a mutuality of interest;
- results in the Independent Auditor functioning as a manager or employee of the Company; or
- puts the Independent Auditor in the role of advocate of the Company.

## INDEPENDENT AUDITOR

The audit and any non-audit fees proposed by the Independent Auditor each year are reviewed by the Committee taking into account the Company's structure, operations and other requirements during the year and the Committee makes recommendations to the Board.

KPMG Channel Islands Limited ("KPMG CI") has been the Company's Independent Auditor from the date of the initial listing on the London Stock Exchange. The external audit was most recently tendered for the year ended 31 December 2016, where KPMG CI was re-appointed as auditor following the completion of the tender process.

## REPORT OF THE AUDIT COMMITTEE CONTINUED

### KEY ACTIVITIES IN 2022

The following sections discuss the assessment made by the Committee during the year:

#### Significant Financial Statement Issues

The Committee's review of the annual Audited Financial Statements focused on the following area:

The Company's investment in the Master Fund had a fair value of US\$1,628.8 million as at 31 December 2022 and represents substantially all the net assets of the Company. The valuation of the investment is determined in accordance with the Accounting Policies set out in note 3 to the Audited Financial Statements. The Financial Statements of the Master Fund for the year ended 31 December 2022 were audited by KPMG Cayman who issued an unqualified audit opinion dated 24 March 2023. The Audit Committee has reviewed the Financial Statements of the Master Fund and the accounting policies and determined the fair value of the investment as at 31 December 2022 is reasonable.

This matter was discussed during the planning and final stage of the audit and there was no significant divergence of views between the Committee and the Independent Auditor.

The Committee has carried out a robust assessment of the risks to the Company in the context of making the Viability Statement in these Audited Financial Statements. Furthermore, the Committee has concluded it appropriate to continue to prepare the Audited Financial Statements on the going concern basis of accounting.

#### Effectiveness of the Audit

The Committee held formal meetings with KPMG CI during the course of the year: 1) before the start of the audit to discuss formal planning and to discuss any potential issues and to agree the scope that would be covered; and 2) after the audit work was concluded, to discuss the significant issues including those stated above.

The Committee considered the effectiveness and independence of KPMG CI by using a number of measures, including but not limited to:

- reviewing the audit plan presented to them before the start of the audit;
- reviewing and challenging the audit findings report including variations from the original plan;
- reviewing any changes in audit personnel; and
- requesting feedback from both the Manager and the Administrator.

Further to the above, during the year ended 31 December 2021, the Committee performed a specific evaluation of the performance of the Independent Auditor. This was supported by the results of questionnaires completed by the Committee covering areas such as the quality of the audit team, business understanding, audit approach and management. There were no significant adverse findings from the 2021 evaluation.

#### Audit Fees and Safeguards on Non-Audit Services

The table below summarises the remuneration paid by the Company to KPMG CI for audit and non-audit services during the years ended 31 December 2022 and 31 December 2021.

	YEAR ENDED 31.12.22 £	YEAR ENDED 31.12.21 £
Annual audit	65,000	55,000
Interim review	33,000	16,000
Specified procedures relating to 30 June 2021 Tender offer	–	11,000
Specified procedures relating to 31 July 2021 NAV Review	–	11,000
Reporting accountant services - Combination with BH Global	–	80,000

The Audit Committee has examined the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the Independent Auditor, with particular regard to non-audit fees, and considers KPMG CI, as Independent Auditor, to be independent of the Company. Further, the Committee has obtained KPMG CI's confirmation that the services provided by other KPMG member firms to the wider Brevan Howard organisation do not prejudice its independence.

#### Internal Control

The Audit Committee has also reviewed the need for an internal audit function. The Committee has concluded that the systems and procedures employed by the Manager and the Administrator, including their own internal audit functions, currently provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

## KEY ACTIVITIES IN 2022 (CONTINUED)

The Committee examined externally prepared assessments of the control environment in place at the Manager and the Administrator, with the Manager providing an International Standard on Assurance Engagements ("ISAE 3402") report and the Administrator providing a Service Organisation Control ("SOC1") report. No significant findings have been noted during the year.

### Conclusion and Recommendation

After reviewing various reports such as the operational and risk management framework and performance reports from the Manager and the Administrator, consulting where necessary with KPMG CI, and assessing the significant Audited Financial Statements' issues noted in the Report of the Audit Committee, the Committee is satisfied that the Audited Financial Statements appropriately address the critical judgements and key estimates (both in respect of the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised and challenged and are sufficiently robust. At the request of the Board, the Audit Committee considered and was satisfied that the 2022 Annual Report and Audited Financial Statements are fair, balanced and understandable and provide the necessary information for Shareholders to assess the Company's performance, business model and strategy.

The Independent Auditor reported to the Committee that no unadjusted material misstatements were found in the course of its work. Furthermore, both the Manager and the Administrator confirmed to the Committee that they were not aware of any unadjusted material misstatements including matters relating to the presentation of the Audited Financial Statements. The Committee confirms that it is satisfied that the Independent Auditor has fulfilled its responsibilities with diligence and professional scepticism.

Consequent to the review process on the effectiveness of the independent audit and the review of audit and non-audit services, the Committee has recommended that KPMG CI be reappointed for the coming financial year.

For any questions on the activities of the Committee not addressed in the foregoing, a member of the Audit Committee remains available to attend each Annual General Meeting to respond to such questions.

**John Le Poidevin**

Audit Committee Chair

28 March 2023

## MANAGER'S REPORT

Brevan Howard Capital Management LP ("BHCM" or the "Manager") is the manager of BH Macro Limited (the "Company") and of Brevan Howard Master Fund Limited (the "Master Fund"). The Company invests all of its assets (net of short-term working capital) in the ordinary shares of the Master Fund.

### PERFORMANCE REVIEW

The NAV per share of the GBP shares of the Company appreciated by 21.91% during 2022, while the NAV per share of the USD shares appreciated by 21.17%.

The month-by-month NAV performance of each currency class of the Company since it commenced operations in 2007 is set out below.

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	6.85	(2.61)	(2.33)	0.95	2.91	1.33	1.21	(2.99)	2.84	4.23	(0.67)	23.25
2009	5.19	2.86	1.18	0.05	3.03	(0.90)	1.36	0.66	1.55	1.02	0.40	0.40	18.00
2010	(0.23)	(1.54)	0.06	1.45	0.36	1.39	(1.96)	1.23	1.42	(0.35)	(0.30)	(0.45)	1.03
2011	0.66	0.52	0.78	0.51	0.59	(0.56)	2.22	6.24	0.39	(0.73)	1.71	(0.46)	12.34
2012	0.90	0.27	(0.37)	(0.41)	(1.80)	(2.19)	2.38	1.01	1.95	(0.35)	0.94	1.66	3.94
2013	1.03	2.43	0.40	3.42	(0.08)	(2.95)	(0.80)	(1.51)	0.06	(0.55)	1.36	0.41	3.09
2014	(1.35)	(1.10)	(0.34)	(0.91)	(0.18)	(0.09)	0.82	0.04	4.29	(1.70)	0.96	(0.04)	0.26
2015	3.26	(0.58)	0.38	(1.20)	0.97	(0.93)	0.37	(0.74)	(0.63)	(0.49)	2.27	(3.39)	(0.86)
2016	0.60	0.70	(1.78)	(0.82)	(0.30)	3.31	(0.99)	(0.10)	(0.68)	0.80	5.05	0.05	5.79
2017	(1.54)	1.86	(2.95)	0.59	(0.68)	(1.48)	1.47	0.09	(0.79)	(0.96)	0.09	(0.06)	(4.35)
2018	2.36	(0.51)	(1.68)	1.01	8.19	(0.66)	0.82	0.79	0.04	1.17	0.26	0.31	12.43
2019	0.52	(0.88)	2.43	(0.60)	3.53	3.82	(0.78)	1.00	(1.94)	0.47	(1.22)	1.52	7.98
2020	(1.42)	5.49	18.31	0.19	(0.85)	(0.53)	1.74	0.94	(1.16)	(0.02)	0.75	3.04	28.09
2021	1.20	0.32	0.81	0.15	0.25	(1.50)	(0.49)	0.87	0.40	0.27	0.00	0.47	2.76
2022	0.94	1.79	5.39	3.86	1.66	1.05	0.15	2.84	2.12	(0.40)	(1.15)	1.88	21.91

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	(3.13)	2.76	3.75	(0.68)	20.32
2009	5.06	2.78	1.17	0.13	3.14	(0.86)	1.36	0.71	1.55	1.07	0.37	0.37	18.04
2010	(0.27)	(1.50)	0.04	1.45	0.32	1.38	(2.01)	1.21	1.50	(0.33)	(0.33)	(0.49)	0.91
2011	0.65	0.53	0.75	0.49	0.55	(0.58)	2.19	6.18	0.40	(0.76)	1.68	(0.47)	12.04
2012	0.90	0.25	(0.40)	(0.43)	(1.77)	(2.23)	2.36	1.02	1.99	(0.36)	0.92	1.66	3.86
2013	1.01	2.32	0.34	3.45	(0.10)	(3.05)	(0.83)	(1.55)	0.03	(0.55)	1.35	0.40	2.70
2014	(1.36)	(1.10)	(0.40)	(0.81)	(0.08)	(0.06)	0.85	0.01	3.96	(1.73)	1.00	(0.05)	0.11
2015	3.14	(0.60)	0.36	(1.28)	0.93	(1.01)	0.32	(0.78)	(0.64)	(0.59)	2.36	(3.48)	(1.42)
2016	0.71	0.73	(1.77)	(0.82)	(0.28)	3.61	(0.99)	(0.17)	(0.37)	0.77	5.02	0.19	6.63
2017	(1.47)	1.91	(2.84)	3.84	(0.60)	(1.39)	1.54	0.19	(0.78)	(0.84)	0.20	0.11	(0.30)
2018	2.54	(0.38)	(1.54)	1.07	8.41	(0.57)	0.91	0.90	0.14	1.32	0.38	0.47	14.16
2019	0.67	(0.70)	2.45	(0.49)	3.55	3.97	(0.66)	1.12	(1.89)	0.65	(1.17)	1.68	9.38
2020	(1.25)	5.39	18.40	0.34	(0.82)	(0.54)	1.84	0.97	(1.11)	(0.01)	0.76	3.15	28.89
2021	1.21	0.31	0.85	0.16	0.26	(1.47)	(0.47)	0.86	0.31	0.14	(0.09)	0.59	2.67
2022	0.74	1.77	5.27	3.80	1.09	0.76	0.12	3.11	2.46	(0.50)	(1.09)	2.01	21.17

Source: Master Fund NAV data is provided by the administrator of the Master Fund, State Street Fund Services (Ireland) Limited. The Company's NAV and NAV per Share data is provided by the Company's administrator, Northern Trust International Fund Administration Services (Guernsey) Limited.

The Company's NAV per Share % Monthly Change is calculated by BHCM.

The Company's NAV data is unaudited and net of all investment management and performance fees and all other fees and expenses payable by the Company. In addition, the Company's investment in the Master Fund is subject to an operational services fee.

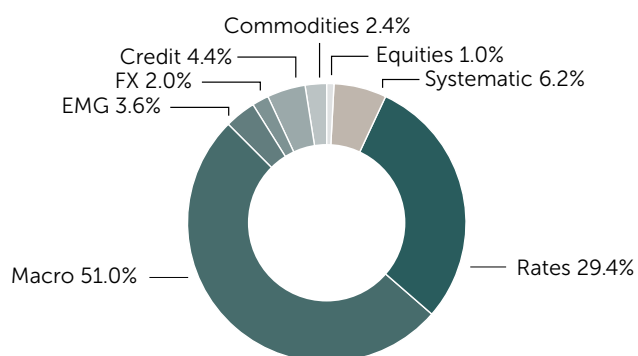
NAV performance is provided for information purposes only. Shares in the Company do not necessarily trade at a price equal to the prevailing NAV per Share.

Data as at 30 December 2022.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

## PERFORMANCE REVIEW (CONTINUED)

## Strategy Group Exposure (% of capital allocation\*)



Source: BHCM, as at 30 December 2022. Data may not sum to 100% due to rounding.

\* Capital allocations are subject to change.

\* FX allocation includes Digital assets.

The above strategies are categorised as follows:

“Systematic”: rules-based futures trading

“Rates”: developed interest rates markets

“Macro”: multi-asset global markets, mainly directional (for the Master Fund, the majority of risk in this category is in rates)

“EMG”: global emerging markets

“FX”: global FX forwards and options

“Equities”: global equity markets including indices and other derivatives

“Commodities”: commodity futures and options

“Credit”: corporate and asset-backed indices, bonds and CDS

#### Quarterly and Annual contribution (%) to the performance of the Company's USD Shares (net of fees and expenses) by asset class\*

The information (below) is given in US\$ only, consistent with monthly shareholder reporting for the underlying US\$ denominated Master Fund.

	RATES	FX	COMMODITIES	CREDIT	EQUITY	DIGITAL ASSETS	DISCOUNT MANAGEMENT	TOTAL
Q1 2022	7.28	1.30	0.72	0.09	(1.05)	(0.39)	0.00	7.93
Q2 2022	6.91	(0.37)	(0.22)	(0.43)	0.41	(0.51)	0.00	5.72
Q3 2022	1.90	3.57	(0.02)	(0.58)	(0.17)	0.03	0.99	5.77
Q4 2022	3.64	(1.76)	(0.60)	0.45	(1.02)	(0.27)	0.00	0.39
YTD 2022	21.13	2.69	(0.12)	(0.47)	(1.83)	(1.14)	0.99	21.17

Data as at 30 December 2022.

Quarterly and YTD figures are calculated by BHCM as at 30 December 2022, based on performance data for each period provided by the Company's administrator, Northern Trust. Figures rounded to two decimal places.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

## MANAGER'S REPORT CONTINUED

### Methodology and Definition of Contribution to Performance:

Attribution by asset class is produced at the instrument level, with adjustments made based on risk estimates.

\*The above asset classes are categorised as follows:

"Rates": interest rates markets

"FX": FX forwards and options

"Commodities": commodity futures and options

"Credit": corporate and asset-backed indices, bonds and CDS

"Equity": equity markets including indices and other derivatives

"Digital Assets": crypto-currencies

"Discount Management": buyback activity or sales of shares

### PERFORMANCE AND ECONOMIC OUTLOOK COMMENTARY

The economic environment last year proved favourable for our core macro strategies. Surging inflation, combined with central banks reversing years of monetary stimulus, triggered high levels of volatility across a range of markets, creating a rich opportunity set. Our core theme of higher US rates played out during the first three quarters of the year. When sentiment shifted in the fourth quarter toward the possibility of an end to the rate-hiking cycle in the US and concerns about recession in Europe, the Master Fund was able to generate additional gains by positioning for lower rates. European interest rate trading was much more tactical throughout the year, also contributing to gains. Not only did the traditional macro directional strategies perform well, but so too did a range of other strategies including FX, relative value, inflation, and emerging markets. Looking to the future, it is worth considering the recent past. The decade following the Great Financial Crisis saw the longest economic recovery on record, fuelled by unprecedented monetary and fiscal stimulus. Macroeconomic and market volatility was suppressed as policymakers used an ever-growing set of policy tools designed to curtail potential bad outcomes. Harvesting risk premium in this quiescent environment was relatively straightforward for investors. Eventually, though, the consequence of such hyper-easy monetary and fiscal policy was a surge in inflation exacerbated by pandemic-related disruptions to the supply side of the global economy. Against this backdrop, inflation broke out of 40-year ranges in many developed market (DM) and emerging market (EM) economies. Huge uncertainties remain as to whether global central banks will succeed in containing inflation without triggering severe recessions. Something always breaks during a rate-hiking cycle and there's no such thing as a pain-free recession. At the beginning of this year, it looked like investors were willing to believe in a soft landing. However, by the end of the first quarter, bank failures in the US and a near-miss in Europe reminded markets that interest-rate sensitive sectors of the economy are in for a rough time. The near-term prospect of a credit crunch which slows economic activity has to be evaluated against continued unwelcome inflationary pressures. Policymakers are experienced, coordinated and determined. But, it's unclear whether they have the macro prudential tools to reassure financial markets while simultaneously using monetary policy tools to tame inflation. Soft landing may turn into turbulence or worse. This task is made harder as economies adapt to new geopolitical realities by accelerating re-shoring and supply chain independence, while political classes remain incentivised to push in the opposite direction by keeping the fiscal reins loose. Global imbalances, both within individual economies as well as between them, in part due to economic desynchronisation, are at generational extremes. As a consequence, the macro landscape looks set to remain extremely interesting.

Brevan Howard wishes to thank shareholders once again for their continued support.

Brevan Howard Capital Management LP,  
acting by its sole general partner,  
Brevan Howard Capital Management Limited.

28 March 2023



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BH MACRO LIMITED

## OUR OPINION IS UNMODIFIED

We have audited the financial statements of BH Macro Limited (the "Company"), which comprise the Audited Statement of Assets and Liabilities as at 31 December 2022, the Audited Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2022, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with U.S. generally accepted accounting principles; and
- comply with the Companies (Guernsey) Law, 2008.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our

responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as required by the Crown Dependencies' Audit Rules and Guidance. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## KEY AUDIT MATTERS: OUR ASSESSMENT OF THE RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (2021: Valuation of Investment in Brevan Howard Master Fund Limited and Combination with BH Global Limited):

	THE RISK	OUR RESPONSE
Valuation of Investment in Brevan Howard Master Fund Limited (the "Master Fund")  \$1,628,766,000; (2021: \$1,288,417,000)  Refer to the Report of the Audit Committee on pages 23 to 25 and note 3 accounting policy.	<p><b>Basis:</b> The Company, which is a multi-class feeder fund, had invested 99.29% (2021: 99.28%) of its net assets at 31 December 2022 into the ordinary US Dollar and Sterling denominated Class B Shares issued by the Master Fund, which is an open-ended investment company.</p> <p>The Company's investment holdings in the Master Fund are valued using the respective net asset value per share class as provided by the Master Fund's independent administrator.</p> <p><b>Risk:</b> The valuation of the Company's investment in the Master Fund, given that it represents the majority of the net assets of the Company, is a significant area of our audit.</p>	<p><i>Our audit procedures included, but were not limited to:</i></p> <ul style="list-style-type: none"> <li>• Obtained an independent confirmation from the administrator of the Master Fund detailing the net asset value per share for both the US Dollar and Sterling Class B shares and reconciled these to the net asset values used in the valuation of the investment in the Master Fund;</li> <li>• Reviewed the audit work performed by the auditor of the Master Fund to gain insight over the work performed on the significant elements of the Master Fund's net asset value and held discussions on key audit findings with the auditor of the Master Fund; and</li> <li>• Examined the Master Fund's coterminous audited financial statements to corroborate the net asset value per share of both the US Dollar and Sterling Class B shares.</li> </ul> <p>We also considered the Company's investment valuation policies as disclosed in note 3 to the financial statements for conformity with U.S. generally accepted accounting principles.</p>





## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BH MACRO LIMITED CONTINUED

### OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the financial statements as a whole was set at £24,600,000, determined with reference to a benchmark of net assets of \$1,640,448,000, of which it represents approximately 1.5% (2021: 1.5%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Company was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to \$18,450,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$1,230,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

### GOING CONCERN

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to affect the Company's financial resources or ability to continue operations over this period were:

- Availability of capital to meet operating costs and other financial commitments;

- The likelihood of a share class closure or liquidation resolution votes being triggered.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in note 3 to the financial statements gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the directors' statement in the notes to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and that statement is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

### FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

#### Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:





- enquiring of management as to the Company's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

- Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

#### **Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations**

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or impacts on the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### **Context of the ability of the audit to detect fraud or breaches of law or regulation**

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

#### **OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BH MACRO LIMITED CONTINUED

### DISCLOSURES OF EMERGING AND PRINCIPAL RISKS AND LONGER TERM VIABILITY

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge. We have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement (pages 9 and 10) that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the emerging and principal risks disclosures describing these risks and explaining how they are being managed or mitigated;
- the directors' explanation in the Viability Statement (pages 9 and 10) as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on pages 9 and 10 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

### CORPORATE GOVERNANCE DISCLOSURES

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;

- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

### WE HAVE NOTHING TO REPORT ON OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

### RESPECTIVE RESPONSIBILITIES

#### Directors' responsibilities

As explained more fully in their statement set out on page 20, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless liquidation is imminent.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**THE PURPOSE OF THIS REPORT AND RESTRICTIONS  
ON ITS USE BY PERSONS OTHER THAN THE  
COMPANY'S MEMBERS AS A BODY**

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Guilbert

For and on behalf of KPMG Channel Islands Limited

Chartered Accountants and Recognised Auditors  
Guernsey

28 March 2023

# AUDITED STATEMENT OF ASSETS AND LIABILITIES

As at 31 December 2022

	31.12.22 US\$'000	31.12.21 US\$'000
<b>ASSETS</b>		
Investment in the Master Fund (note 3)	1,628,766	1,288,417
Master Fund redemption proceeds receivable	70,411	600
Prepaid expenses	43	294
Cash and bank balances denominated in Sterling	7,271	15,884
Cash and bank balances denominated in US Dollars	639	546
Combination costs receivable	–	1,749
<b>TOTAL ASSETS</b>	<b>1,707,130</b>	<b>1,307,490</b>
<b>LIABILITIES</b>		
Performance fees payable (note 4)	62,261	6,205
Management fees payable (note 4)	4,224	3,252
Accrued expenses and other liabilities	117	254
Directors' fees payable	14	–
Administration fees payable (note 4)	66	51
<b>TOTAL LIABILITIES</b>	<b>66,682</b>	<b>9,762</b>
<b>NET ASSETS</b>	<b>1,640,448</b>	<b>1,297,728</b>
<b>NUMBER OF SHARES IN ISSUE (NOTE 5)</b>		
Sterling shares	30,156,454	25,864,663
US Dollar shares	2,858,135	2,689,547
<b>NET ASSET VALUE PER SHARE (NOTES 7 AND 9)</b>		
Sterling shares	£41.81	£34.30
US Dollar shares	US\$43.28	US\$35.71

See accompanying Notes to the Audited Financial Statements.

Signed on behalf of the Board by:

Richard Horlick  
Chair

John Le Poidevin  
Director

28 March 2023

# AUDITED STATEMENT OF OPERATIONS

For the year ended 31 December 2022

	01.01.22 TO 31.12.22 US\$'000	01.01.21 TO 31.12.21 US\$'000
<b>NET INVESTMENT LOSS ALLOCATED FROM THE MASTER FUND</b>		
Interest income	14,309	4,830
Dividend and other income (net of withholding tax: 31 December 2022: US\$127,840; 31 December 2021: US\$41,739)	6,166	443
Expenses	(24,561)	(9,738)
<b>NET INVESTMENT LOSS ALLOCATED FROM THE MASTER FUND</b>	<b>(4,086)</b>	<b>(4,465)</b>
<b>COMPANY INCOME</b>		
Bank interest income	32	–
<b>TOTAL COMPANY INCOME</b>	<b>32</b>	<b>–</b>
<b>COMPANY EXPENSES</b>		
Performance fees (note 4)	63,844	6,286
Management fees (note 4)	23,776	10,921
Other expenses	1,063	1,465
Directors' fees	366	326
Administration fees (note 4)	241	156
Foreign exchange losses (note 3)	149,089	13,044
<b>TOTAL COMPANY EXPENSES</b>	<b>238,379</b>	<b>32,198</b>
<b>NET INVESTMENT LOSS</b>	<b>(242,433)</b>	<b>(36,663)</b>
<b>NET REALISED AND UNREALISED GAIN ON INVESTMENTS ALLOCATED FROM THE MASTER FUND</b>		
Net realised gain on investments	118,371	46,982
Net unrealised gain on investments	236,140	1,691
<b>NET REALISED AND UNREALISED GAIN ON INVESTMENTS ALLOCATED FROM THE MASTER FUND</b>	<b>354,511</b>	<b>48,673</b>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>112,078</b>	<b>12,010</b>

See accompanying Notes to the Audited Financial Statements.

# AUDITED STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2022

	01.01.22 TO 31.12.22 US\$'000	01.01.21 TO 31.12.21 US\$'000
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>		
Net investment loss	(242,433)	(36,663)
Net realised gain on investments allocated from the Master Fund	118,371	46,982
Net unrealised gain on investments allocated from the Master Fund	236,140	1,691
	<b>112,078</b>	<b>12,010</b>
<b>SHARE CAPITAL TRANSACTIONS</b>		
<b>PROCEEDS ON ISSUE OF SHARES FROM TREASURY (NOTE 5)</b>		
Sterling shares	–	129,006
US Dollar shares	–	3,216
<b>ISSUE OF NEW SHARES FROM THE COMBINATION WITH BH GLOBAL LIMITED (IN VOLUNTARY WINDING UP)</b>		
Sterling shares	–	339,914
US Dollar shares	–	25,733
<b>ISSUE OF NEW SHARES</b>		
Sterling shares	218,027	91,896
US Dollar shares	12,615	–
<b>TENDER OFFER</b>		
Sterling shares	–	(60,902)
US Dollar shares	–	(4,314)
<b>TOTAL SHARE CAPITAL TRANSACTIONS</b>	<b>230,642</b>	<b>524,549</b>
<b>NET INCREASE IN NET ASSETS</b>	<b>342,720</b>	<b>536,559</b>
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<b>1,297,728</b>	<b>761,169</b>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>1,640,448</b>	<b>1,297,728</b>

See accompanying Notes to the Audited Financial Statements.

# AUDITED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	01.01.22 TO 31.12.22 US\$'000	01.01.21 TO 31.12.21 US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net increase in net assets used in operations	112,078	12,010
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Net investment loss allocated from the Master Fund	4,086	4,465
Net realised gain on investments allocated from the Master Fund	(118,371)	(46,982)
Net unrealised gain on investments allocated from the Master Fund	(236,140)	(1,691)
Purchase of investment in the Master Fund <sup>1</sup>	(221,798)	(145,200)
Proceeds from sale of investment in the Master Fund	11,008	113,482
Foreign exchange losses	149,089	13,044
Decrease/(increase) in prepaid expenses	251	(258)
Increase/(decrease) in performance fees payable	56,056	(34,263)
Increase in management fees payable	972	2,830
(Decrease)/increase in accrued expenses and other liabilities	(137)	152
Increase in Directors' fees payable	14	–
Decrease/(increase) in combination fees receivable	1,749	(1,749)
Increase/(decrease) in administration fees payable	15	(12)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(241,128)</b>	<b>(84,172)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Purchase of own shares into treasury	–	(65,216)
Proceeds from share issue <sup>1,2</sup>	230,642	160,179
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>230,642</b>	<b>94,963</b>
<b>CHANGE IN CASH</b>	<b>(10,486)</b>	<b>10,791</b>
<b>CASH, BEGINNING OF THE YEAR</b>	<b>16,430</b>	<b>961</b>
Effect of exchange rate fluctuations	1,966	4,678
<b>CASH, END OF THE YEAR</b>	<b>7,910</b>	<b>16,430</b>
<b>CASH, END OF THE YEAR</b>		
Cash and bank balances denominated in Sterling <sup>3</sup>	7,271	15,884
Cash and bank balances denominated in US Dollars	639	546
	<b>7,910</b>	<b>16,430</b>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES</b>		
<sup>1</sup> Supplemental disclosure of non-cash financing activities: In the year ended 31 December 2021, non-cash amounts of US\$429.6 million in relation to the Combination with BH Global Limited (in Voluntary Winding Up) have been excluded from the Audited Statement of Cash Flows.		
<sup>2</sup> The balance for the year ended 31 December 2021 contains proceeds from both the Combination with BH Global Limited (in Voluntary Winding Up) and subsequent block listings.		
<sup>3</sup> Cash and bank balances in Sterling (GBP'000)	<b>6,045</b>	<b>11,726</b>

See accompanying Notes to the Audited Financial Statements.

# NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1. THE COMPANY

BH Macro Limited (the "Company") is a limited liability closed-ended investment company which was incorporated in Guernsey on 17 January 2007 and then admitted to the Official List of the London Stock Exchange ("LSE") later that year.

Currently, ordinary shares are issued in Sterling and US Dollars.

## 2. ORGANISATION

The Company is organised as a feeder fund and seeks to achieve its investment objective by investing all of its investable assets, net of short-term working capital requirements, in the ordinary Sterling and US Dollar-denominated class B shares issued by Brevan Howard Master Fund Limited (the "Master Fund") and, as such, the Company is directly and materially affected by the performance and actions of the Master Fund.

The Master Fund is an open-ended investment company with limited liability formed under the laws of the Cayman Islands on 22 January 2003. The investment objective of the Master Fund is to generate consistent long-term appreciation through active leveraged trading and investment on a global basis. The Master Fund employs a combination of investment strategies that focus primarily on economic change and monetary policy and market inefficiencies. The underlying philosophy is to construct strategies, often contingent in nature with superior risk/return profiles, whose outcome will often be crystallised by an expected event occurring within a pre-determined period of time. New trading strategies will be added as investment opportunities present themselves.

At the date of these Audited Financial Statements, there were four other feeder funds in operation in addition to the Company that invest all of their assets (net of working capital) in the Master Fund. Furthermore, other funds managed by the Manager invest some of their assets in the Master Fund as at the date of these Audited Financial Statements.

Off-Balance Sheet, market and credit risks of the Master Fund's investments and activities are discussed in the notes to the Master Fund's Audited Financial Statements for the year ended 31 December 2022. The Company's investment in the Master Fund exposes it to various types of risk, which are associated with the financial instruments and markets in which the Brevan Howard underlying funds invest.

Market risk represents the potential loss in value of financial instruments caused by movements in market factors including, but not limited to, market liquidity, investor sentiment and foreign exchange rates.

## The Manager

Brevan Howard Capital Management LP (the "Manager") is the manager of the Company. The Manager is a Jersey limited partnership, the general partner of which is Brevan Howard Capital Management Limited, a Jersey limited company (the "General Partner"). The General Partner is regulated in the conduct of fund services business by the Jersey Financial Services Commission pursuant to the Financial Services (Jersey) Law, 1998 and the Orders made thereunder.

The Manager also manages the Master Fund and in that capacity, as at the date of these Audited Financial Statements, has delegated the function of investment management of the Master Fund to Brevan Howard Asset Management LLP, Brevan Howard (Hong Kong) Limited, Brevan Howard Investment Products Limited, Brevan Howard US Investment Management LP, Brevan Howard Private Limited, Brevan Howard (Tel Aviv) Limited and BH-DG Systematic Trading LLP.

On 23 January 2023 the Management Agreement between the Company and the Manager was amended. See note 11 for further details.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These Audited Financial Statements, which give a true and fair view, are prepared in accordance with United States Generally Accepted Accounting Principles and comply with the Companies (Guernsey) Law, 2008. The functional and reporting currency of the Company is US Dollars.

As further described in the Directors' Report, these Audited Financial Statements have been prepared using the going concern basis of accounting.

The Board continues to monitor the ongoing impact of various geopolitical events, including the disruption arising from the aftermath of the COVID-19 pandemic, elevated levels of global inflation, recessionary risks and the ongoing war in Ukraine. The Board has concluded that the biggest threat to the Company in relation to these geopolitical concerns remains the failure of a key service provider to maintain business continuity and resiliency. The Board has assessed the measures in place by key service providers to maintain business continuity and, so far, has not identified any significant issues that affect the Company. The financial position of the Company has not been negatively impacted by these geopolitical events either. For these reasons, the Board is confident that these events have not impacted the going concern assessment of the Company.

The Company is an investment company which has applied the provisions of Accounting Standards Codification ("ASC") 946.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following are the significant accounting policies adopted by the Company:

#### Valuation of investments

The Company records its investment in the Master Fund at fair value. Fair value is determined as the Company's proportionate share of the Master Fund's capital, which approximates fair value. At 31 December 2022, the Company was the sole investor in the Master Fund's ordinary Sterling and US Dollar class B shares as disclosed in the table below. Within the table below, the Company's investment in each share class in the Master Fund is included, with the overall total investment shown in the Audited Statement of Assets and Liabilities.

	PERCENTAGE OF MASTER FUND'S CAPITAL	NAV PER SHARE (CLASS B)	SHARES HELD IN THE MASTER FUND (CLASS B)	INVESTMENT IN MASTER FUND CCY '000	INVESTMENT IN MASTER FUND US\$'000
<b>31 DECEMBER 2022</b>					
Sterling	15.03%	£6,634.79	188,704	£1,252,014	1,506,049
US Dollar	1.22%	US\$6,606.92	18,573	US\$122,717	122,717
					<b>1,628,766</b>
<b>31 DECEMBER 2021</b>					
Sterling	14.73%	£5,196.52	169,474	£880,666	1,192,908
US Dollar	1.18%	US\$5,179.12	18,439	US\$95,511	95,509
					<b>1,288,417</b>

ASC Topic 820 defines fair value as the price that the Company would receive upon selling a security in an orderly transaction to an independent buyer in the principal or most advantageous market of the security.

The valuation and classification of securities held by the Master Fund is discussed in the notes to the Master Fund's Audited Financial Statements which are available on the Company's website, [www.bhmacro.com](http://www.bhmacro.com).

#### Income and expenses

The Company records monthly its proportionate share of the Master Fund's income, expenses and realised and unrealised gains and losses. In addition, the Company accrues its own income and expenses.

#### Use of estimates

The preparation of Financial Statements in accordance with United States Generally Accepted Accounting Principles 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 these Audited Financial Statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

#### Leverage

The Manager has discretion, subject to the prior approval of a majority of the independent Directors, to employ leverage for and on behalf of the Company by way of borrowings to effect share purchases or share buy-backs, to satisfy working capital requirements and to finance further investments in the Master Fund.

The Company may borrow up to 20% of its NAV, calculated as at the time of borrowing. Additional borrowing over 20% of NAV may only occur if approved by an ordinary resolution of the Shareholders.

## NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Foreign exchange

Transactions reported in the Audited Statement of Operations are translated into US Dollar amounts at the date of such transactions. Assets and liabilities denominated in foreign currencies are translated into US Dollars at the exchange rate at the reporting date. The share capital and other capital reserves are translated at the historic ruling at the date of the transaction.

Investment securities and other assets and liabilities of the Sterling share class are translated into US Dollars, the Company's reporting currency, using exchange rates at the reporting date. The Audited Statement of Operations' items of the Sterling share class are converted into US Dollars using the average exchange rate. Exchange differences arising on translation are included in foreign exchange losses in the Audited Statement of Operations. This foreign exchange adjustment has no effect on the value of net assets allocated to the individual share classes.

#### Cash and bank balances

Cash and bank balances comprise demand deposits.

#### Allocation of results of the Master Fund

Net realised and unrealised gains/losses of the Master Fund are allocated to the Company's share classes based upon the percentage ownership of the equivalent Master Fund class.

#### Treasury shares

Where the Company has purchased its own share capital, the consideration paid, which includes any directly attributable costs, has been recognised as a deduction from equity Shareholders' funds through the Company's reserves.

Where such shares have been subsequently sold or reissued to the market, any consideration received, net of any directly attributable incremental transaction costs, is recognised as an increase in equity Shareholders' funds through the share capital account. Where the Company cancels treasury shares, no further adjustment is required to the share capital account of the Company at the time of cancellation. Shares held in treasury are excluded from calculations when determining NAV per share as detailed in note 7 and in the 'Financial highlights' in note 9.

Refer to note 8 for details of sales of shares from treasury or purchases by the Company of its share capital.

### 4. MANAGEMENT AGREEMENT AND ADMINISTRATION AGREEMENT

#### Management fee and performance fee

The Company has entered into the Management Agreement with the Manager to manage the Company's investment portfolio. The Management Fee charged to the Company is reduced by the Company's share of management fees incurred by the Master Fund through any underlying investments of the Master Fund that share the same manager as the Company. Effective from 1 July 2021, the Management Fee charged was changed to 1/12 of 1.5% per month of the NAV. On 23 January 2023 the Management Agreement between the Company and the Manager was amended. See note 11 for further details.

Until 30 June 2021, the Management Fee charged was the lower of (a) 0.5% the prevailing NAV of each class of shares and (b) 0.5% the NAV of that class of shares as at 1 April 2017<sup>1</sup>. The investment in the class B shares of the Master Fund was not subject to management fees, but was subject to an operational services fee payable to the Manager of 1/12 of 0.5% per month of the NAV.

During the year ended 31 December 2022, US\$23,776,341 (31 December 2021: US\$10,921,176) was earned by the Manager as net Management Fees. At 31 December 2022, US\$4,224,444 (31 December 2021: US\$3,251,592) of the Management Fee remained outstanding.

The Manager is also entitled to an annual performance fee for both share classes. The performance fee is equal to 20% of the appreciation in the NAV per share of that class during that calculation period which is above the base NAV per Share of that class, other than that arising to the remaining shares of the relevant class from any repurchase, redemption or cancellation of any share in the calculation period. The base NAV per share is the greater of the NAV per Share of the relevant class at the time of issue of such share and the highest NAV per share achieved as at the end of any previous calculation period.

<sup>1</sup> On the basis that all shares redeemed pursuant to the Company's 2017 own share tender offer had been redeemed on that date (subject to certain other adjustments, including to take account of conversions between share classes).

#### 4. MANAGEMENT AGREEMENT AND ADMINISTRATION AGREEMENT (CONTINUED)

The Manager will be paid an estimated performance fee on the business day preceding the last business day of each calculation period. Within 5 business days of the publication of the final NAV of each class of shares as at the end of the calculation period, any difference between the actual performance fee and the estimated amount will be paid to or refunded by the Manager, as appropriate. Any accrued performance fee in respect of shares which are converted into another share class prior to the date on which the performance fee would otherwise have become payable in respect of those shares will crystallise and become payable on the date of such conversion. The performance fee is accrued on an ongoing basis and is reflected in the Company's published NAV. During the year ended 31 December 2022, US\$63,843,904 (31 December 2021: US\$6,285,545) was earned by the Manager as performance fees. At 31 December 2022, US\$62,261,207 (31 December 2021: US\$6,205,245) of the fee remained outstanding.

The Master Fund may hold investments in other funds managed by the Manager. To ensure that Shareholders of the Company are not subject to two tiers of fees, the fees paid to the Manager as outlined above are reduced by the Company's share of any fees paid to the Manager by the underlying Master Fund investments, managed by the Manager.

Until 30 June 2021, the Management Agreement could have been terminated by either party giving the other party not less than 3 months' written notice. In certain circumstances, the Company would have been obliged to pay compensation to the Manager of the aggregate Management Fees which would otherwise have been payable during the 3 months following the date of such notice and the aggregate of any accrued performance fee in respect of the current calculation period. Compensation would not have been payable if more than 3 months' notice of termination is given.

The notice period for termination of the Management Agreement without cause by both the Company and the Manager was increased from 3 months to 12 months, with effect from 1 July 2021. On 23 January 2023 the Management Agreement between the Company and the Manager was amended. See note 11 for further details.

#### Administration fee

The Company has appointed Northern Trust International Fund Administration Services (Guernsey) Limited as its administrator and corporate secretary (the "Administrator" and "Corporate Secretary") pursuant to an administration agreement. The Administrator is paid fees based on the NAV of the Company, payable quarterly in arrears. The fee is at a rate of 0.015% of the average month-end NAV of the Company, subject to a minimum fee of £67,500 per annum. In addition to the NAV-based fee, the Administrator is also entitled to an annual fee of £6,000 (31 December 2021: £6,000) for certain additional administration services. The Administrator is entitled to be reimbursed for out-of-pocket expenses incurred in the course of carrying out its duties as Administrator. During the year ended 31 December 2022, US\$240,727 (year ended 31 December 2021: US\$155,973) was earned by the Administrator as administration fees. The amounts outstanding are disclosed on the Audited Statement of Assets and Liabilities.

#### 5. SHARE CAPITAL

##### Issued and authorised share capital

The Company has the power to issue an unlimited number of ordinary shares with no-par value and an unlimited number of shares with a par value. Shares may be divided into at least two classes denominated in Sterling and US Dollars. Further issues of shares may be made in accordance with the Articles of Incorporation (the "Articles"). Shares may be issued in differing currency classes of ordinary redeemable shares including C shares. The treasury shares arose as a result of the discount management programme as described in note 8. The tables on the next page show the movement in ordinary and treasury shares.

On 14 January 2022, the Company issued 921,862 Sterling shares at a price of 3,670 pence per share.

On 16 March 2022, the Company issued 268,379 Sterling shares at a price of 3,770 pence per share.

At an Extraordinary General Meeting ("EGM") held on 5 May 2022, Shareholders approved a resolution allowing the Directors to issue up to 2,707,396 Sterling shares, being 10% of the Sterling shares in issue as at the date of the EGM.

## NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

### 5. SHARE CAPITAL (CONTINUED)

On 19 May 2022, the Company issued 1,521,441 Sterling shares at a price of 4,270 pence per share.

On 26 May 2022, the Company issued 59,631 Sterling shares at a price of 4,300 pence per share.

On 16 June 2022, the Company issued 582,182 Sterling shares at a price of 4,455 pence per share.

On 7 July 2022, the Company issued 187,684 Sterling shares at a price of 4,300 pence per share.

On 11 August 2022, the Company issued 356,458 Sterling shares and 185,000 US Dollar Shares at a price of 4,375 pence per share and US\$44.20 per share respectively.

On 2 September 2022, the Company issued 94,360 US Dollar shares at a price of US\$47.30 per share.

At an AGM held on 9 September 2022, Shareholders approved a Resolution allowing the Directors to issue up to 9,818,410 Sterling shares and 873,549 US Dollar shares.

On 13 October 2022, the Company issued 303,513 Sterling shares at a price of 4,600 pence per share.

For the year ended 31 December 2022

	STERLING SHARES	US DOLLAR SHARES
<b>NUMBER OF ORDINARY SHARES</b>		
In issue at 1 January 2022	25,864,663	2,689,547
Share conversions	90,641	(110,772)
Issue of new shares	4,201,150	279,360
<b>IN ISSUE AT 31 DECEMBER 2022</b>	<b>30,156,454</b>	<b>2,858,135</b>
<b>NUMBER OF TREASURY SHARES</b>		
In issue at 1 January 2022 and at 31 December 2022	—	—

**5. SHARE CAPITAL (CONTINUED)**

For the year ended 31 December 2021

	STERLING SHARES	US DOLLAR SHARES
<b>NUMBER OF ORDINARY SHARES</b>		
In issue at 1 January 2021	15,009,868	2,191,379
Share conversions	153,458	(202,031)
Issue of new shares	9,689,134	449,971
Sale of shares from treasury	2,346,302	375,391
Tender offer shares transferred to treasury	(1,334,099)	(125,163)
<b>IN ISSUE AT 31 DECEMBER 2021</b>	<b>25,864,663</b>	<b>2,689,547</b>
<b>NUMBER OF TREASURY SHARES</b>		
In issue at 1 January 2021	1,012,203	250,228
Tender offer shares transferred to treasury	1,334,099	125,163
Sale of shares from treasury	(2,346,302)	(375,391)
<b>In issue at 31 December 2021</b>	<b>–</b>	<b>–</b>

**Share classes**

In respect of each class of shares, a separate class account has been established in the books of the Company. An amount equal to the aggregate proceeds of issue of each share class has been credited to the relevant class account. Any increase or decrease in the NAV of the Master Fund US Dollar shares and Master Fund Sterling shares as calculated by the Master Fund is allocated to the relevant class account in the Company. Each class account is allocated those costs, prepaid expenses, losses, dividends, profits, gains and income which the Directors determine in their sole discretion relate to a particular class.

**Voting rights of shares**

Ordinary shares carry the right to vote at general meetings of the Company and to receive any dividends attributable to the ordinary shares as a class declared by the Company and, in a winding-up will be entitled to receive, by way of capital, any surplus assets of the Company attributable to the ordinary shares as a class in proportion to their holdings remaining after settlement of any outstanding liabilities of the Company.

As prescribed in the Company's Articles, the different classes of ordinary shares have different values attributable to their votes. The attributed values have been calculated on the basis of the Weighted Voting Calculation (as described in the Articles) which takes into account the prevailing exchange rates on the date of initial issue of ordinary shares. On a vote, a single US Dollar ordinary share has 0.7606 votes and a single Sterling ordinary share has 1.4710 votes.

## NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

### 5. SHARE CAPITAL (CONTINUED)

#### Repurchase of ordinary shares

Under the Company's Articles, Shareholders of a class of shares have the ability to call for repurchase of that class of shares in certain circumstances. See note 8 for further details.

#### Further issue of shares

As approved by the Shareholders at the Annual General Meeting held on 24 September 2021, the Directors had the power to issue further shares for cash totalling 7,965,377 Sterling shares and 931,107 US Dollar shares, respectively; with authority to dis-apply pre-emption rights in respect of 279,360 shares designated as US Dollar shares and 2,389,852 shares designated as Sterling share. These authorities expired at the conclusion of the 9 September 2022 Annual General Meeting. An additional authority to dis-apply pre-emption rights in respect of Sterling shares only was adopted at the 5 May 2022 Extraordinary General Meeting ("EGM"), as noted below.

As approved by the Shareholders at an EGM held on 5 May 2022, the Directors had the power to issue further shares for cash on a non-pre-emptive basis totalling 2,707,396 Sterling shares. This power expired on the conclusion of the 9 September 2022 Annual General Meeting of the Company.

As approved by the Shareholders at the Annual General Meeting held on 9 September 2022, the Directors have the power to issue further shares for cash on a non-pre-emptive basis totalling 9,818,410 Sterling shares and 873,549 US Dollar shares, respectively. This power was due to expire fifteen months after the passing of the resolution or on the conclusion of the next Annual General Meeting of the Company, whichever was earlier, unless such power was varied, revoked or renewed prior to that Meeting by a resolution of the Company in general meeting.

On 23 January 2023, the Board announced the commencement of its Initial Issue, comprising of the Placing, Intermediaries Offer and Offer for Subscription of new ordinary shares of no par value in the capital of the Company, together with an issuance programme for subsequent issues, which remains open until 23 January 2024. See note 11 for further details.

#### Distributions

The Master Fund has not previously paid dividends to its investors. This does not prevent the Directors of the Company from declaring a dividend at any time in the future if the Directors consider payment of a dividend to be appropriate in the circumstances. If the Directors declare a dividend, such dividend will be paid on a per class basis.

As announced on 15 January 2014, the Company intends to be operated in such a manner to ensure that its shares are not categorised as non-mainstream pooled investments. This may mean that the Company may pay dividends in respect of any income that it receives or is deemed to receive for UK tax purposes so that it would qualify as an investment trust if it were UK tax-resident.

Further, the Company will first apply any such income in payment of its Management Fee and performance fees.

Treasury shares are not entitled to distributions.

#### Share conversion scheme

The Company has implemented a share conversion scheme. The scheme provides Shareholders with the ability to convert some or all of their ordinary shares in the Company of one class into ordinary shares of the other class. Shareholders are able to convert ordinary shares on the last business day of every month. Each conversion will be based on the NAV (note 7) of the shares of the class to be converted.

### 6. TAXATION

#### Overview

The Company is exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

#### Uncertain tax positions

The Company recognises the tax benefits of uncertain tax positions only where the position is more-likely-than-not (i.e. greater than 50%), to be sustained assuming examination by a tax authority based on the technical merits of the position. In evaluating whether a tax position has met the recognition threshold, the Company must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognise in the Company's Audited Financial Statements. Income tax and related interest and penalties would be recognised by the Company as tax expenses in the Audited Statement of Operations if the tax positions were deemed not to meet the more-likely-than-not threshold.

The Company analyses all open tax years for all major taxing jurisdictions. Open tax years are those that are open for examination by taxing authorities, as defined by the statute of limitations in each jurisdiction. The Company identifies its major tax jurisdictions as: Guernsey; the Cayman Islands; and foreign jurisdictions where the Company makes significant investments. The Company has no examinations by tax authorities in progress.

## 6. TAXATION (CONTINUED)

The Directors have analysed the Company's tax positions and have concluded that no liability for unrecognised tax benefits should be recorded related to uncertain tax positions. Further, the Directors are not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognised tax benefits will significantly change in the remainder of the year.

## 7. PUBLICATION AND CALCULATION OF THE COMPANY'S NET ASSET VALUE ("NAV")

The NAV of the Company is equal to the value of its total assets less its total liabilities. The NAV per share of each class will be calculated by dividing the NAV of the relevant class account by the number of shares of the relevant class in issue on that day.

The Company publishes the NAV per share for each class of shares as calculated by the Administrator based in part on information provided by the Master Fund, monthly in arrears, as at each month-end.

The Company also publishes an estimate of the NAV per share for each class of shares as calculated by the Administrator based in part on information provided by the Master Fund, weekly in arrears.

## 8. DISCOUNT MANAGEMENT PROGRAMME

The Company has previously implemented a number of methods in order to seek to manage any discount to NAV at which the Company's shares trade.

### Market purchases

Until October 2016, the Company regularly utilised its ability to make market purchases of its shares as part of the discount management programme, funded by the Company redeeming underlying shares in the Master Fund. As a condition of the April 2017 Tender Offer, this was suspended until 1 April 2017 and for much of the period since that date, the Company's shares have traded at a premium or minimal discount to NAV. However, if the Company's shares were again to trade at wide or volatile discounts to NAV in the future, it is the Board's intention to keep any resumption of market purchases of shares under review.

On 23 January 2023, the Board announced the commencement of its Initial Issue, comprising of the Placing, Intermediaries Offer and Offer for Subscription of new ordinary shares of no par value in the capital of the Company, together with an issuance programme for subsequent issues, which remains open until 23 January 2024. See note 11 for further details.

### Annual offer of partial return of capital

Under the Company's Articles, once in every calendar year, the Directors have discretion to determine that the Company make

an offer of a partial return of capital in respect of such number of shares of the Company in issue as they determine, provided that the maximum amount distributed does not exceed 100% of the increase in NAV of the Company in the prior calendar year.

The Directors have discretion to determine the particular class or classes of shares in respect of which a partial return of capital would be made, the timetable for that partial return of capital and the price at which the shares of each relevant class are to be returned.

The Company is entitled to redeem upon three months' notice, no more than once per year, a portion of its interest in the Master Fund representing up to 10 per cent of each class of the Company's holding of Master Fund shares as at the date of the relevant redemption request in connection with any such offer of a partial capital return of capital which is approved by the Directors.

The decision to make a partial return of capital in any particular year and the amount of the return depend, among other things, on prevailing market conditions, the ability of the Company to liquidate its investments to fund the capital return, the success of prior capital returns and applicable legal, regulatory and tax considerations.

### Class closure resolutions

If any class of shares trades at an average discount at or in excess of 8% of the monthly NAV in any year from 1 January to 31 December, the Company will hold a class closure vote of the relevant class.

The average premiums to NAV for the Sterling shares and US Dollar Shares for the year ended 31 December 2022 were 10.61% and 11.08% respectively and consequently, no closure vote will be held in 2023.

The arrangements are described more fully in the Company's principal documents which were approved at the EGM on 24 February 2017.

## 9. FINANCIAL HIGHLIGHTS

The following tables include selected data for a single ordinary share of each of the ordinary share classes in issue at 31 December 2022 and other performance information derived from the Audited Financial Statements.

The per share amounts and ratios which are shown reflect the income and expenses of the Company for each class of ordinary share.

# NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

## 9. FINANCIAL HIGHLIGHTS (CONTINUED)

	31.12.22 STERLING SHARES £	31.12.22 US DOLLAR SHARES US\$
<b>PER SHARE OPERATING PERFORMANCE</b>		
Net asset value at beginning of the year	34.30	35.71
<b>INCOME FROM INVESTMENT OPERATIONS</b>		
Net investment loss*	(2.44)	(2.50)
Net realised and unrealised gain on investment	8.87	9.22
Other capital items**	1.08	0.85
<b>TOTAL GAIN</b>	<b>7.51</b>	<b>7.57</b>
<b>NET ASSET VALUE, END OF THE YEAR</b>		
	<b>41.81</b>	<b>43.28</b>
Total gain before performance fees	26.78%	25.93%
Performance fees	(4.87%)	(4.76%)
<b>TOTAL GAIN AFTER PERFORMANCE FEES</b>	<b>21.91%</b>	<b>21.17%</b>

Total gain reflects the net return for an investment made at the beginning of the year and is calculated as the change in the NAV per ordinary share during the year from 1 January 2022 to 31 December 2022. An individual Shareholder's return may vary from these returns based on the timing of their purchase or sale of shares.

	31.12.22 STERLING SHARES £'000	31.12.22 US DOLLAR SHARES US\$'000
<b>SUPPLEMENTAL DATA</b>		
Net asset value, end of the year	1,260,923	123,686
Average net asset value for the year	1,132,773	110,421



**9. FINANCIAL HIGHLIGHTS (CONTINUED)**

	31.12.22 STERLING SHARES	31.12.22 US DOLLAR SHARES
<b>RATIO TO AVERAGE NET ASSETS</b>		
Operating expenses		
Company expenses***	1.68%	1.74%
Master Fund expenses****	0.41%	0.41%
Master Fund interest expenses*****	1.22%	1.18%
Performance fees	4.23%	4.20%
	7.54%	7.53%
Net investment loss before performance fees*	(1.95%)	(1.98%)
Net investment loss after performance fees*	(6.18%)	(6.18%)
	31.12.21 STERLING SHARES £	31.12.21 US DOLLAR SHARES US\$
<b>PER SHARE OPERATING PERFORMANCE</b>		
Net asset value at beginning of the year	33.38	34.78
<b>INCOME FROM INVESTMENT OPERATIONS</b>		
Net investment loss*	(0.86)	(0.82)
Net realised and unrealised gain on investment	1.40	1.66
Other capital items**	0.38	0.09
<b>TOTAL GAIN</b>	<b>0.92</b>	<b>0.93</b>
<b>NET ASSET VALUE, END OF THE YEAR</b>	<b>34.30</b>	<b>35.71</b>
Total gain before performance fees	3.45%	3.39%
Performance fees	(0.69%)	(0.72%)
<b>TOTAL GAIN AFTER PERFORMANCE FEES</b>	<b>2.76%</b>	<b>2.67%</b>

Total gain reflects the net return for an investment made at the beginning of the year and is calculated as the change in the NAV per ordinary share during the year from 1 January 2021 to 31 December 2021. An individual Shareholder's return may vary from these returns based on the timing of their purchase or sale of shares.

	31.12.21 STERLING SHARES £'000	31.12.21 US DOLLAR SHARES US\$'000
<b>SUPPLEMENTAL DATA</b>		
Net asset value, end of the year	887,143	96,050
Average net asset value for the year	651,999	83,120

## NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

### 9. FINANCIAL HIGHLIGHTS (CONTINUED)

	31.12.21 STERLING SHARES	31.12.21 US DOLLAR SHARES
<b>RATIO TO AVERAGE NET ASSETS</b>		
Operating expenses		
Company expenses***	1.33%	1.12%
Master Fund expenses****	0.68%	0.68%
Master Fund interest expenses*****	0.32%	0.33%
Performance fees	0.64%	0.70%
	<b>2.97%</b>	<b>2.83%</b>
<b>Net investment loss before performance fees*</b>	<b>(1.79%)</b>	<b>(1.58%)</b>
<b>Net investment loss after performance fees*</b>	<b>(2.43%)</b>	<b>(2.28%)</b>

#### Notes

- \* The net investment loss figures disclosed above, does not include net realised and unrealised gains/losses on investments allocated from the Master Fund.
- \*\* Included in other capital items are the discounts and premiums on conversions between share classes and on the sale of treasury shares as well as any partial capital return effected in the relevant year as compared to the NAV per share at the beginning of the year.
- \*\*\* Company expenses are as disclosed in the Audited Statement of Operations excluding the performance fee and foreign exchange losses/gains.
- \*\*\*\* Master Fund expenses are the operating expenses of the Master Fund excluding the interest and dividend expenses of the Master Fund.
- \*\*\*\*\* Master Fund interest expenses include interest and dividend expenses on investments sold short.

### 10. RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions.

The Management Fees, performance fees and administration fees are disclosed in note 4.

Until 30 June 2022, The Company's Articles limited the fees payable to Directors in aggregate to £400,000 per annum. The annual Directors' fees were: £70,000 for Richard Horlick, the Chair; £55,000 for John Le Poidevin, the Chair of the Audit Committee; £50,000 for Claire Whittet, as Chair of the Management Engagement Committee and the Senior Independent Director and £45,000 for all other Directors.

A Remuneration and Nomination Committee was established on 17 June 2022, with Bronwyn Curtis appointed as Chair of that committee. Julia Chapman became Chair of the Management Engagement Committee on 1 July 2022.

The annual Directors' fees from 1 July 2022 have been:

ROLE	FEE PER ANNUUM £
Board Chair	90,000
Audit Committee Chair	65,000
Management Engagement Committee Chair	55,000
Remuneration and Nomination Committee Chair	55,000
Senior Independent Director	55,000
All other Directors	50,000

## 10. RELATED-PARTY TRANSACTIONS (CONTINUED)

At the Annual General Meeting, held on 9 September 2022, Shareholders approved an increase in the annual aggregate limit of fees payable to Directors from £400,000 per annum to £800,000 per annum.

## 11. SUBSEQUENT EVENTS

On 23 January 2023, the Board announced the commencement of its Initial Issue, comprising of the Placing, Intermediaries Offer and Offer for Subscription of new ordinary shares of no par value in the capital of the Company, together with an issuance programme for subsequent issues, which remains open until 23 January 2024, which could be denominated as Sterling shares or US Dollar shares, at a price per share of the relevant class equal to the latest estimated net asset value per share of the relevant class as at the closing date of the Initial Issue, of the latest estimated NAV per share, plus a premium of two per cent.

The Company also announced the issue of a new prospectus and a circular to Shareholders (the "Circular"), in connection with the Issuance Programme.

In order to reflect the increased investment of the Company in the Master Fund, the Company and the Manager agreed to a number of amendments to the Management Agreement and the terms on which the Company's investment in the Master Fund could be redeemed in order to provide the Manager with more operational certainty regarding the Company's investment in the Master Fund. These changes, which did not require Shareholder approval, were as follows:

- The Company will ordinarily be required to provide 12 months' notice of the redemption of all or some of its investment in the Master Fund, except as may be required to fund the Company's specific working capital requirements and, up to a maximum amount equal to five per cent. of each class of the Company's holding of Master Fund shares every month, to finance on-market share buy backs. Any redemption of all or part of the Company's investment in the Master Fund on a winding up of the Company or to finance a tender offer or a class closure resolution will be required to be on 12 months' notice. In those cases, the Company would only receive the proceeds of redemption from the Master Fund (and, therefore, Shareholders would only receive payment from the Company) after the redemption date at the end of the 12 month notice period and the Company (and, therefore, Shareholders) would remain exposed to the investment performance of the Master Fund in the intervening period to that redemption date.
- The circumstances in which the Company can terminate the Management Agreement and redeem its investment in the Master Fund on less than 12 months' notice will be limited to certain "cause" events affecting the Manager, in which case the Company would be entitled to terminate the Management Agreement and redeem its investment in the Master Fund on three months' notice.
- In addition, the annual buy back allowance arrangements introduced in 2021 will continue to apply in respect of repurchases and redemptions of shares of each class in excess of five per cent of the relevant class in any calendar year, as described further in the Circular.

## NOTES TO THE AUDITED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

### 11. SUBSEQUENT EVENTS (CONTINUED)

The Directors believe that these changes are in the interests in the Company, given that they will help facilitate the Initial Issue and the Issuance Programme, and that the Initial Issue and the Issuance Programme should benefit the Company through a significant increase in its market capitalisation and potential increase in the liquidity of the Shares.

At an EGM held on 6 February 2023, resolutions were passed to approve the grant of authority to issue new shares and dis-apply pre-emption rights in respect of shares issued pursuant to the Initial Issue and the Issuance Programme and to sub-divide the Company's shares, so that each existing share would be replaced by ten shares of the same currency class, in order to assist in liquidity of the shares (the "Share Sub-Division"), together with the terms of the Company's investment in the Master Fund, in order to reflect the increased investment of the Company in the Master Fund, as a result of the Initial Issue and the Issuance Programme. This superseded the September 2022 AGM authorities to issue shares and dis-apply pre-emption rights in respect of the shares issued.

On 7 February 2023, dealings commenced in the shares arising from the Share Sub-Division. The price per share for the Initial Issue was announced, being 431.5 pence for the Sterling class shares and US\$4.47 for US Dollar class shares.

On 13 February 2023, the completion of the Initial Issue was announced. A total of 72,378,000 Sterling shares and 746,400 US Dollar shares were issued in the Initial Issue at a price per share equal, respectively, to 431.5 pence per Sterling share and US\$4.47 per US Dollar share, raising gross proceeds of approximately £315m (based on a US Dollar/Sterling FX spot rate of 1.2113 being the prevailing rate as at 3.00 p.m. on 10 February 2023).

The Directors have evaluated subsequent events up to 28 March 2023, which is the date that the Audited Financial Statements were approved and available to be issued and have concluded there are no further items that require disclosure or adjustment to the Audited Financial Statements.

## HISTORIC PERFORMANCE SUMMARY

As at 31 December 2022

	31.12.22 US\$'000	31.12.21 US\$'000	31.12.20 US\$'000	31.12.19 US\$'000	31.12.18 US\$'000
Net increase in net assets resulting from operations	112,078	12,010	181,533	59,462	34,985
TOTAL ASSETS	1,707,130	1,307,490	802,224	570,779	506,307
TOTAL LIABILITIES	(66,682)	(9,762)	(41,055)	(11,014)	(6,004)
NET ASSETS	1,640,448	1,297,728	761,169	559,765	500,303
NUMBER OF SHARES IN ISSUE					
Sterling shares	30,156,454	25,864,663	15,009,868	14,310,040	14,136,242
US Dollar shares	2,858,135	2,689,547	2,191,379	2,442,057	2,664,541
NET ASSET VALUE PER SHARE					
Sterling shares	£41.81	£34.30	£33.38	£26.06	£24.13
US Dollar shares	US\$43.28	US\$35.71	US\$34.78	US\$26.99	US\$24.67

## AFFIRMATION OF THE COMMODITY POOL OPERATOR

As at 31 December 2022

---

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



**Name:** Jonathan Hughes

**Title:** Chief Financial Officer and Authorised Signatory

Brevan Howard Capital Management Limited as general partner of Brevan Howard Capital Management LP, the manager and commodity pool operator of BH Macro Limited

28 March 2023

## GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES

### ALTERNATIVE PERFORMANCE MEASURES ("APMS")

We assess our performance using a variety of measures that are not specifically defined under US GAAP and therefore termed APMs. The APMs that we use may not be directly comparable with those used by other companies.

### AVERAGE PREMIUM TO NAV

The average premium to NAV of the whole year is calculated for each share class by using the following formula:

$$\frac{(A-B)}{B}$$

Where:

- 'A' is the average closing market price of a share of the relevant share class as derived from the trading price on the London Stock Exchange, calculated as the sum of all the closing market prices per share of that class as at each London Stock Exchange trading day during a calendar year, divided by the number of such trading days in such period; and
- 'B' is the average NAV per share of the shares of the relevant share class taken over the 12 month-end NAV Calculation Dates in the year ended 31 December 2022 calculated as the sum of the final NAV of the share class as at each month-end NAV Calculation Date during the period ended 31 December 2022, divided by 12.

### PREMIUM

If the share price of an investment is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share of the relevant share class and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, the shares are said to be trading at a premium. The Board monitors the level of discount or premium and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing and share buy-backs, where appropriate. The premium is shown below.

	STERLING SHARES		US DOLLAR SHARES	
	31.12.22	31.12.21	31.12.22	31.12.21
Share Price at Year End (A)	£44.90	£37.40	\$45.20	\$40.10
NAV per Share (B)	£41.81	£34.30	\$43.28	\$35.71
Premium to NAV (A-B)/B	7.39%	9.04%	4.44%	12.29%

## GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES CONTINUED

### ONGOING CHARGES

The Ongoing Charges are calculated using the AIC Ongoing Charges methodology, which was last updated in April 2022 and is available on the AIC website (theaic.co.uk). The Ongoing Charges represent the Company's Management Fee and all other operating expenses, excluding finance costs, performance fees, share issue or buyback costs and non-recurring legal and professional fees and are expressed as a percentage of the average of the daily net assets during the year (see page 16). The Board continues to be conscious of expenses and works hard to maintain a sensible balance between good quality service and cost. The Ongoing Charges calculation is shown below:

	STERLING SHARES		US DOLLAR SHARES	
	YEAR ENDED 31.12.22	YEAR ENDED 31.12.21	YEAR ENDED 31.12.22	YEAR ENDED 31.12.21
Average NAV for the year (A)	£1,132,773,154	£651,999,493	US\$110,421,043	US\$83,119,938
Management Fee	£17,787,437	£7,337,629	US\$1,792,074	US\$840,210
Other Company expenses	£1,248,572	£1,353,514	US\$127,701	US\$86,917
<b>TOTAL COMPANY EXPENSES</b>	<b>£19,036,009</b>	<b>£8,691,143</b>	<b>US\$1,919,775</b>	<b>US\$927,127</b>
Expenses allocated from the Master Fund	£2,325,281	£2,938,057	US\$238,666	US\$374,525
Performance Fee	£47,900,303	£4,155,847	US\$4,641,933	US\$575,942
<b>TOTAL EXPENSES (B)</b>	<b>£69,261,593</b>	<b>£15,785,047</b>	<b>US\$6,800,374</b>	<b>US\$1,877,594</b>
<b>ONGOING CHARGES (B/A)</b>	<b>6.11%</b>	<b>2.43%</b>	<b>6.16%</b>	<b>2.25%</b>

### THE NAV

The NAV is the net assets of the Company attributable to Shareholders, that is, total assets less total liabilities, expressed as an amount per individual share of the relevant class of shares.

### RETURN PER SHARE

Return per share is calculated using the net return on ordinary activities after finance costs and taxation (a gain of £195,693,403 and a gain of US\$19,301,255) divided by the weighted average number of shares in issue for the year ended 31 December 2022 (28,620,989 Sterling shares and 2,722,649 US Dollar shares). The Directors also regard returns per share to be a key indicator of performance. The return per share is shown on page 9 in the Strategic Report.



# NOTES

## NOTES CONTINUED

---

# COMPANY INFORMATION

---

## Directors

Richard Horlick (Chair)

Caroline Chan (appointed 6 December 2022)

Julia Chapman

Bronwyn Curtis

John Le Poidevin

Claire Whittet

*(All Directors are non-executive and independent for the purpose of Listing Rule 15.2.12-A)*

---

## Registered Office

PO Box 255  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey  
Channel Islands GY1 3QL

---

## Manager

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

---

## Administrator and Corporate Secretary

Northern Trust International Fund  
Administration Services (Guernsey) Limited  
PO Box 255  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey  
Channel Islands GY1 3QL

---

## Independent Auditor

KPMG Channel Islands Limited  
Gategny Court  
Gategny Esplanade  
St Peter Port  
Guernsey  
Channel Islands GY1 1WR

---

## Registrar and CREST Service Provider

Computershare Investor Services (Guernsey) Limited  
1st Floor  
Tudor House  
Le Bordage  
St Peter Port  
Guernsey GY1 1DB

---

## Legal Advisor (Guernsey Law)

Carey Olsen  
Carey House  
Les Banques  
St Peter Port  
Guernsey  
Channel Islands GY1 4BZ

---

## Legal Advisor (UK Law)

Hogan Lovells International LLP  
Atlantic House  
Holborn Viaduct  
London EC1A 2FG

---

## Corporate Broker

JPMorgan Cazenove  
25 Bank Street  
Canary Wharf  
London E14 5JP

---

## Tax Adviser

Deloitte LLP  
PO Box 137  
Regency Court  
Gategny Esplanade  
St Peter Port  
Guernsey  
Channel Islands GY1 3HW

For the latest information  
[www.bhmacro.com](http://www.bhmacro.com)  
Designed and produced by Fin International

