

BREVAN HOWARD

BREVAN HOWARD US INVESTMENT MANAGEMENT, LP

**DISCLOSURE DOCUMENT:
FORM ADV PART 2A BROCHURE**

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This brochure provides information about the qualifications and business practices of Brevan Howard US Investment Management, LP. If you have any questions about the contents of this brochure, please contact us at +1.212.602.7800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Brevan Howard US Investment Management, LP is available on the SEC's website at www.adviserinfo.sec.gov.

The delivery of this Disclosure Document at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. This Disclosure Document will supersede all other documents containing information about this advisory program.

Brevan Howard US Investment Management, LP is an investment adviser that is registered with the SEC. Registration with the SEC does not imply a certain level of skill or training.

Material Changes to Disclosure Document

Our current Form ADV Part 2A, also known as the “brochure”, will be available to our existing and prospective clients 24 hours a day through the Investment Adviser Public Disclosure website. Additionally, we will annually and within 120 days of the end of our fiscal year, provide our clients with either: (i) a copy of our Form ADV Part 2A that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Form ADV Part 2A. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest and disciplinary history.

Summary of Material Changes

As a newly registered investment adviser, this section is not yet relevant to Brevan Howard US Investment Management, LP. In the future, this section will be used to update, identify and discuss specific material changes to the brochure since the last annual update.

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Item 4. Advisory Business

- (A) **Operational and Organizational Information.** Brevan Howard US Investment Management, LP, (“BHUSIM” or the “Firm”), a Delaware limited partnership, is an investment adviser registered with the SEC and was founded on 30 April 2012. BHUSIM is principally owned by Brevan Howard Partnership Services Limited, which is indirectly owned and controlled by Brevan Howard Capital Management LP (“BHCM”), a limited partnership located in Jersey, Channel Islands. BCHM is the principal manager of the Brevan Howard group of affiliated investment managers founded in 2002 (“Brevan Howard”), of which Alan Howard is the principal owner.

It is envisaged that BHUSIM’s clients (“Clients”) will be exclusively pooled investment vehicles managed by BCHM. Currently, BHUSIM has been appointed by BCHM as one of the investment managers of Brevan Howard Master Fund Limited (“Brevan Howard Master Fund”) which is organized as a master-feeder structure. BHUSIM commenced operations in August 2012.

- (B) **Types of Advisory Services Offered.** BHUSIM provides investment management services for private pooled investment vehicles and manages assets across a number of diversified strategies, predominantly focusing on global fixed income and foreign exchange markets. BHUSIM trades a wide variety of products and instruments, including, among others, derivative instruments, interest rates, currencies, equities, commodities and debt securities to effect its Clients’ investment objectives.
- (C) **Client Investment Guidelines and Parameters.** BHUSIM tailors its investment management services to the investment objectives of its Clients. These objectives are described in the offering documentation for its pooled investment vehicle Clients. Clients may impose restrictions on investing in certain securities, instruments or strategies. Any such investment restrictions are agreed with each Client on a case-by-case basis.
- (D) **Wrap Fee Programs.** The Firm does not participate in wrap fee programs.
- (E) **Assets under Management.** The Firm manages all Client assets on a discretionary basis. The net asset value of the Client assets managed by BHUSIM on a discretionary basis is approximately \$800million. BHUSIM will not manage any Client assets on a non-discretionary basis.

Item 5. Fees and Compensation

- (A) As compensation for the investment management services which it provides to its Clients, BHUSIM will be paid fees by BCHM out of the fees that BCHM receives for acting as manager of each Client fund. Fees paid to BHUSIM will normally comprise a monthly management fee calculated as a percentage of the total net asset value (“NAV”) of the assets that it manages for that Client, and an annual performance fee calculated as a percentage of any positive returns achieved for that Client’s account.

Fees paid by Clients to BCHM normally comprise a monthly management fee of between 1.5% to 2% per annum of the NAV of the assets of its Client funds and an annual or semi-annual performance fee of either 20% or 25%, calculated as described above. In respect of certain Client funds, BCHM may also receive an operational services fee of 0.5% of the total value of the net assets managed in respect of that Client.

Investors in certain of the Client funds for which BHUSIM acts as investment adviser may be subject to certain lock-in provisions and early redemption

penalties, which allows Brevan Howard to invest effectively and manage liquidity requirements. To ensure that Client funds and their investors do not suffer two layers of fees, where a Client fund invests in any other Brevan Howard managed fund, the administrator will make an adjustment in the fee calculations to ensure that fees are only charged at one level. Further details of the fees payable by Clients of BHUSIM are set out in the offering memoranda for such Client funds.

- (B) Management and performance fees are deducted directly from Clients' assets, management fees at the end of each month and performance fees at the end of every half-year or year depending on the Client fund. Fees are calculated and deducted by the independent administrator of each Client fund and then paid to BHCM.
- (C) The fees and expenses described above and in Item 6 below are the only fees payable by Client funds to Brevan Howard entities, including BHUSIM. However, BHUSIM's Clients may incur various other expenses in connection with BHUSIM's investment management services. Securities or assets acquired for Clients are normally purchased through brokers on securities exchanges or directly from the issuer or from an underwriter or market maker for the securities or assets. Fees or expenses incurred in connection with such transactions may include, but are not limited to, transaction costs, commissions, brokerage commissions, clearing and settlement charges, borrowing charges on securities sold short, interest on borrowings, including borrowings from brokers and custodians, any issue or transfer taxes or fees in connection with securities transactions, any foreign withholding taxes, legal and/or rating agency fees incurred for specific transactions, exchange transaction and membership fees and charges and custodial services and will be paid out of the assets of the Client fund. Brokerage services are conducted on an arm's-length basis. Client funds may also incur expenses associated with certain regulatory filings made by BHUSIM.

Other fees and expenses incurred by Client funds and their investors that may not be directly related to BHUSIM's services include, but are not limited to, the following: (a) fund administration fees, (b) custody and bank fees charged on the balances held by Clients, (c) charges and expenses of auditors, legal and other professional advisers to Client funds, (d) costs associated with regulatory filings relating to Client funds, (e) investor communication expenses, (f) costs of insurances taken out by Clients, (g) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business, (h) listing costs and (i) other organisational and operating expenses.

All fees or expenses in connection with the use of brokerage services are separate and distinct from the management and performance fees received by BHCM. Clients should carefully review Item 12: Brokerage Practices which discusses conflicts of interest related to brokerage practices and provides additional information on brokerage transactions and costs.

- (D) **Fees Paid in Advance.** BHUSIM does not require or permit Clients to pay any fees in advance.
- (E) **Compensation For the Sale of Securities or Other Investment Products.** Neither the Firm nor any of its principals or employees receives any transaction-based compensation for the sale of securities or other investment products.

Item 6. Performance-Based Fees and Side-By-Side Management

At the current time, BHUSIM only provides investment management services to one Client, Brevan Howard Master Fund. Therefore it does not face any potential conflicts of interest with respect to multiple Clients with differing fee

arrangements. However, BHUSIM may in the future agree to act for further Clients and may agree to differing compensation arrangements among such Clients. If this occurs, BHUSIM may face conflicts of interest with respect to its Clients because of these varying fee arrangements. Specifically, BHUSIM may have an incentive to favor a Client for which it may receive more compensation than another.

As a fiduciary, BHUSIM focuses on acting in the best interests of *each* of its Clients. BHUSIM has adopted policies and procedures designed to identify and mitigate any conflicts of interest. Specifically, BHUSIM will address any potential future conflicts of interest relating to varying fee arrangements by adhering to its trade allocation policy which sets forth objective factors for determining how to allocate investment opportunities among Clients. For a description of BHUSIM's trade allocation policy, please see Item 12: Brokerage Practices.

Item 7. Types of Clients

BHUSIM only provides investment management services to private funds which are pooled investment vehicles.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

BHUSIM employs a combination of global macro and relative value trading strategies predominately in the fixed income and FX markets. BHUSIM believes that extracting economic value is fundamentally a function of effective risk management.

Global macro trading seeks to take advantage of changes in global economies and has a natural focus on monetary policy formation, macro-economic changes, policy changes and changes to regulatory conditions as well as capital flows.

Relative value strategies seek to identify related sets of securities and derivatives, which differently price and discount a given set of expectations with respect to the global economy (e.g. yield curve trades, cross-currency spread positions, currency vs. fixed income positions, equity vs. bond positions). Understanding of the structural inefficiencies of capital markets, and the relative value mispricing they can create, can be used to construct trades that express directional and non-directional views with asymmetrical risk/reward characteristics.

Despite BHUSIM's investment analysis and risk management approach, investing in any securities involves a risk of loss that any of BHUSIM's Clients or any of the investors in BHUSIM's Clients must be prepared to bear. BHUSIM does not offer its Clients a guaranteed level of risk or return or any guarantee that the original capital value of any investment will be maintained.

There can be no assurance that BHUSIM's investment activities will be successful or that Clients will not suffer losses. This section sets out some further detail regarding the significant investment strategies or products that BHUSIM may utilize in advising its Clients, as well as some of the risks that may be associated with such strategies or products. The following explanation of certain risks is not intended to be exhaustive, but highlights some of the more significant risks involved in BHUSIM's investment strategies:

Investment Judgment and Market Risk: The success of BHUSIM's investment strategies depends, in large part, on correctly evaluating future price movements and/or cash flows of potential investments. BHUSIM cannot guarantee that it will

be able to accurately predict these price movements or cash flows and that its investment programs will be successful. Investments in securities and other financial instruments involve a degree of risk that the entire investment may be lost.

Risks associated with complex financial instruments: BHUSIM may invest its Clients' assets in complex financial instruments (e.g. derivatives), the value of which is connected to underlying assets. It may also employ leverage, short sales or option trading. Some of these financial instruments may, in certain circumstances, produce a leveraged investment that could exacerbate the impact of unfavorable price movements on Clients' investments resulting in gains or losses that are greater than the original amount invested. Short sales are investment positions whose value will increase where there is a fall in a security's price or a currency's value. If the price or value rises, BHUSIM's Clients will incur a loss. Please also see the paragraph on "Derivatives" below.

Counterparty Risk: BHUSIM's Clients may suffer losses if a counterparty to a financial instrument defaults and fails to meet its payment obligations to the Client.

Credit Risk: BHUSIM may invest its Clients' assets in securities which are exposed to the risk that the borrower will be unable to meet its repayment obligations. The credit rating and risks associated with such securities can change over time and therefore affect the performance of such investments.

Interest rate and Exchange Rate Risk: BHUSIM may invest its Clients' assets in financial instruments whose value may be adversely affected by changes in interest rates or foreign exchange rates.

Liquidity Risk: BHUSIM invests in assets which are normally easy to buy and sell and, under normal market conditions, may be sold at their fair market value. However, in certain extreme situations (e.g. periods of market turbulence) the tradeability of the assets may be adversely affected so that it may be difficult to buy or sell assets in a timely fashion or it may only be possible to sell the assets at a loss, thereby reducing the value of Clients' investments. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of Clients' positions resulting in potentially greater losses.

Emerging Markets Risk: BHUSIM may invest its Clients' assets in securities, instruments or foreign exchange linked to certain emerging markets or less developed countries. Such markets or countries may face more political, economic or structural challenges than developed countries. This may mean that the value of Clients' investments in such markets or countries is at greater risk of suffering loss and therefore the value of Clients' investments is at greater risk.

Financial Markets: The instability pervading global financial markets has heightened the risks associated with the investment activities and operations of hedge funds, including those resulting from a reduction in the availability of credit, a decrease in market liquidity and an increased risk of bankruptcy of third parties with which BHUSIM works.

Legal and Regulatory Change: Market disruptions over recent years and the increase in capital being allocated to hedge funds and other alternative investment vehicles have led to increased scrutiny and regulation over the hedge fund and asset management industry and the products and markets that they trade. In addition, the laws and regulations affecting business continue to evolve unpredictably. Laws and regulations applicable to BHUSIM's Clients, especially those involving taxation, investment and trade, can change quickly and unpredictably in a manner adverse to Clients' interests.

The following paragraphs set out additional information with respect to certain risks that may be associated with the products or instruments that BHUSIM may trade on behalf of its Clients.

Derivatives: BHUSIM may invest its Clients' assets in both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of its investment approach. These instruments can be highly volatile, incorporate leverage, and expose investors to a high risk of loss. Trading in derivatives often involves trading on margin and using leverage which carries certain risks which are described in more detail below. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, potentially resulting in unexpected losses. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. The derivatives markets are frequently characterised by limited liquidity, which may make it difficult, as well as costly, to close out an open position to realise gain or to limit loss. It may not be possible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk.

Credit Default Swaps: BHUSIM may invest in credit default swaps to implement its Clients' investment strategies. The market for credit default swaps is unregulated, and the contracts may be frequently traded so that the identities of the ultimate obligors are not clear. The possibility also exists that the counterparty may not have the financial strength to abide by the contract's provisions. The leverage involved in many credit default swap transactions, and the possibility that a widespread downturn in the market could cause massive defaults and challenge the ability of risk-buyers to pay their obligations, both add to the uncertainty of an investment in these instruments.

Margin Transactions: To increase their buying power, sometimes BHUSIM engages in margin transactions on behalf of its Clients. Trading on margin is a form of leverage. The securities purchased on margin serve as collateral for the broker's loan. Trading on margin is risky because it not only can increase gains, but also can amplify losses to the point where a Client may lose more than its initial investment. BHUSIM may employ short-term margin borrowing, which can be especially risky. For example, should the collateralized securities decline in value, a Client could be subject to a "margin call," under which it must either deposit additional funds or securities with the broker or sell the pledged securities to compensate for the decline in value. If the value of a Client's assets suddenly drops, BHUSIM might not be able to liquidate the Client's assets quickly enough to satisfy its margin requirements.

Hedging Transactions: BHUSIM often engages in hedging transactions on its Clients' behalf. Employing hedging techniques is intended to reduce a portfolio's vulnerability to various risks. Hedging entails determining certain risks in one's portfolio and making trades to offset those risks. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but rather it establishes other positions designed to gain from those same developments, moderating the decline in the portfolio positions' value. On the other hand, hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase.

The success of a Client's hedging strategy is subject to BHUSIM's ability to assess correctly the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments

in the portfolio being hedged. There is a risk that BHUSIM may not always choose the right variable to hedge against. Also, it is important to note that BHUSIM may not always choose to hedge against, or might not anticipate, certain risks, and its Clients' portfolios will always be exposed to certain risks that cannot be hedged.

Many other investment strategies BHUSIM employs can be used as hedging techniques, such as options, futures contracts, forward contracts, swaps, currency transactions and short selling.

Futures: A future, also known as a futures contract, is a contractual agreement to buy or sell a particular commodity or financial instrument at a pre-determined price in the future. At times, futures may be illiquid investments because certain commodity exchanges limit fluctuations in particular futures contract prices during a single day. Once the price of a futures contract has increased or decreased by an amount equal to the daily limit, that contract cannot be traded unless traders are willing to trade it within that limit. This could prevent BHUSIM from promptly selling unfavorable contracts and thus would subject its Clients to substantial losses. There is also the risk that an exchange or the Commodity Futures Trading Commission may suspend trading, order immediate liquidation or settlement in a particular contract. This could also prevent BHUSIM from promptly selling unfavorable contracts.

Forwards: A forward, or a forward contract, is a contract between two parties to buy or sell an asset at a specified future date at a price agreed upon at the time the contract is made. It is very similar to a futures contract, except forward contracts are negotiated privately and are not traded on an exchange, and thus, are not subject to limitations on daily price moves. On the other hand, this means that there is not a big secondary market for forwards, which means they may be difficult to sell should they become unfavorable for BHUSIM's Clients.

Options: There are certain risks associated with the sale and purchase of options. BHUSIM may, on behalf of its Clients, invest in call and/or put options. A buyer of either type of option assumes the risk of losing its entire investment in the option. A buyer of a call option risks losing its investment if the particular security never reaches the designated price within the set time period. A buyer of a put option risks losing its investment if the particular security does not decline enough to reach the designated price within the set time period. BHUSIM may trade options over-the-counter, instead of on an exchange. The risk of non-performance by opposing parties on over-the-counter options is typically greater than the risk of non-performance on exchange-traded options. Also, options not traded on exchanges are not subject to the same level of government regulation as are exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with over-the-counter transactions.

Not only will BHUSIM buy and sell traditional equity stock options on behalf of its Clients, but it may buy and sell options on any of the instruments that are discussed in this section.

Interest Rate Swaps: BHUSIM may invest its Clients' assets in interest rate swaps. An interest rate swap is a contract between two parties under which parties exchange interest rates on a principal amount. Investing in interest rate swaps carries the risk that interest rates will go in an unanticipated direction, which could result in losses to BHUSIM's Clients. The risk also exists that the other party will default and be unable to complete the contract, which could also result in losses to BHUSIM's Clients.

Equity Securities: BHUSIM may buy equity securities, seeking to profit from both security selection and thematic sector or market timing decisions. The value of

these investments will generally vary with their issuer's performance and movements in the equity markets. Consequently, BHUSIM's Clients may suffer losses if it purchases equity instruments of issuers whose performance diverges from its expectations or if equity markets generally move in a downward direction and it has not hedged against this type of move (see above for an explanation of risks associated with hedging).

Short Selling: Short selling of securities occurs when BHUSIM borrows securities and sells them, promising to buy them at a later date to return to the lender. If the price drops, BHUSIM can buy the securities at the lower price and make a profit on the difference. If the price of the securities rises, BHUSIM has to buy them back at the higher price, and the investment loses money. Buying the securities can itself cause the price of the securities to rise further which would exacerbate the potential for loss.

Global Securities: BHUSIM buys and sells securities issued outside of the United States for its Clients' accounts. Investing in global securities involves certain risk factors not typically associated with investing in U.S. securities, such as fluctuation between exchange rates and the costs of converting from one currency to another. BHUSIM's investment theses may work out the way it anticipated in local currency terms, yet Clients may still suffer losses in dollar terms if currencies move in ways BHUSIM does not anticipate or hedge.

In addition, there may be less information available regarding global securities because companies and governments in other countries may have different standards of accounting, auditing and financial reporting compared to those of the U.S. There also might be a greater risk of political, social or economic instability and the possibility that withholding or other taxes may be imposed on Clients' income. BHUSIM also may have less familiarity with legal systems in other countries.

Currencies: BHUSIM may, on behalf of its Clients, enter into transactions to purchase or sell one or more currencies to hedge a currency exposure created by other investment activities. Because currency control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These can result in losses to BHUSIM's Clients.

Illiquid Investments: On behalf of its Clients, BHUSIM may from time to time make illiquid investments or make investments that become illiquid. Illiquid investments are investments that are not heavily traded and cannot easily be converted to cash. If any of BHUSIM's Clients requires cash and it must sell illiquid investments at an inopportune time, it might not be able to sell such investments at prices that reflect its assessment of their value or the amount paid for them. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in over-the-counter markets.

- (C) BHUSIM encourages its Clients to consider all of the risk factors it has explained, as any investment can be risky and Clients must be prepared to assume any potential loss. Further details of the risks associated with the investment strategies pursued by BHUSIM on behalf of its Clients are set out in the offering memoranda for such Client funds.

Item 9. Disciplinary Information

There are no legal or disciplinary events which BHUSIM believes are material to any Client's or prospective Client's evaluation of BHUSIM's advisory business or the integrity of its management.

Item 10. Other Financial Industry Activities and Affiliations

(A) Save as described in the following sentence, neither BHUSIM, nor any of its directors, officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer. Alessandra Sassun, Chief Compliance Officer ("CCO") of BHUSIM, and Tim Chalus, a member of BHUSIM's executive committee, are registered representatives of Brevan Howard US LLC, a FINRA regulated broker-dealer.

(B) Neither BHUSIM nor any of its directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of such.

(C) BHUSIM, as a subsidiary of BHCM, is affiliated with other investment manager subsidiaries of BHCM, including Brevan Howard (Israel) Limited, Brevan Howard (Hong Kong) Limited, Brevan Howard Asset Management LLP and Brevan Howard Investment Products Limited. These entities are exempt from registration with the SEC but file reports on Form ADV as Exempt Reporting Advisers.

As noted in Item 4, it is envisaged that BHUSIM's Clients will be exclusively pooled investment vehicles managed by BHCM. BHUSIM has been appointed by BHCM as one of the investment managers of Brevan Howard Master Fund, subject to risk oversight by BHCM or one of its affiliates. Brevan Howard Investment Products Limited currently provides risk oversight for Brevan Howard Master Fund.

BHUSIM is part of the same corporate group as Brevan Howard General Partner Limited, the general partner of Brevan Howard, L.P., the onshore feeder of Brevan Howard Master Fund.

(D) BHUSIM does not recommend or select other investment advisers for its Clients.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics. BHUSIM has adopted a Code of Ethics ("Code") pursuant to Rule 204A-1 of the Investment Advisers Act of 1940. BHUSIM's Code is intended to ensure that its employees conduct certain personal securities transactions in a manner consistent with BHUSIM's fiduciary duty to its Clients and to promote compliance with applicable legal and regulatory requirements. The key policies under BHUSIM's Code of Ethics are as follows: (1) the Firm and its employees must identify and comply with all applicable federal securities laws; (2) its employees must comply with certain restrictions on personal trading, including preclearance of certain transactions, and must report personal securities transactions; (3) the Firm and its employees must not trade for personal accounts ahead of its Clients; (4) all employees must act with competence, dignity, integrity and in an ethical manner; (5) the Firm must provide its Code and any amendments thereto to all of its employees; and (6) BHUSIM will retain written acknowledgements from all of its employees that they received, understand and abide by its Code of Ethics and any amendments.

The personal trading restrictions, preclearance requirements and reporting requirements contained in the Code are intended to reduce certain conflicts of interest that may arise between Client accounts and the personal trading activities of BHUSIM's employees. Among other restrictions, no employee may

engage in a personal transaction in a security or other financial instrument if the transaction would disadvantage a Client; personal trades may not be timed to precede any order of the same or similar securities that BHUSIM places for a Client; and buying or selling securities or any other personal trading transaction on the basis of material non-public information is prohibited.

Personal securities transactions (with certain exceptions, such as shares of U.S. open-end mutual funds) are subject to preclearance by BHUSIM. Generally, BHUSIM employees are discouraged from personal trading in securities held or traded by Clients, and in many circumstances such personal transactions will not be authorized. If a request to trade in a security held or traded by a Client is granted, the transaction may be subject to additional conditions and restrictions as deemed appropriate by BHUSIM in order to prevent any disadvantage to Clients. Reports of personal trading activity are monitored by the CCO.

BHUSIM strongly discourages having Clients purchase securities from each other (commonly called a “cross trade”). However, in rare circumstances, it may determine that it is in the best interests of Clients to effect a cross trade. In these circumstances, and only following extensive compliance review, BHUSIM engages unaffiliated brokers or custodians to effect its Clients’ cross trades. BHUSIM instructs brokers and custodians to execute its Clients’ cross trades at the midpoint between the current best bid price and current best offer price. Both participating Clients share equally in any transaction costs resulting from cross trades.

Copies of BHUSIM’s Code of Ethics are available to any Client or prospective Client upon request via:

Brevan Howard US Investment Management, LP
Attn: Chief Compliance Officer
590 Madison Ave, 9th Floor, New York, NY 10022
Tel: +1.212.602.7800
Fax: +1.212.602.7899

Item 12. Brokerage Practices

- (A) As part of BHUSIM’s fiduciary duty to its Clients, BHUSIM seeks to treat its customers fairly and to execute transactions (or place transactions for execution) according to its Order Execution Policy, which is designed to meet the regulatory requirements to which it is subject. BHUSIM seeks to achieve “best execution” for all trades, to trade securities in a manner that is fair to each of its Clients and to exercise diligence and care throughout the trading process. In taking steps to achieve best execution, BHUSIM takes into account a number of factors, including price, costs, speed, likelihood of execution and settlement (liquidity), size and nature of the order and counterparty risk. While price is generally a key factor, other factors may assume a relatively high importance, depending, for example, on the characteristics of the instrument. In the case of OTC instruments, such as currency options, counterparty risk and liquidity will figure prominently in the choice of broker. BHUSIM also undertakes a range of qualitative and quantitative reviews to test the effectiveness of its execution arrangements. In approving counterparties, BHUSIM is also acknowledging that they fit its base best execution requirements. BHUSIM’s Order Execution policy is issued to all new traders by BHUSIM’s CCO.

All brokers are reviewed on an ongoing basis by the Brevan Howard Risk and Compliance teams, for a variety of reasons such as counterparty risk, best execution or regulatory compliance. An immediate review would be carried out were there to be any material news on a counterparty and exposure would be reduced if necessary.

There are no incentives to place trades through certain brokers, other than to

seek best execution in accordance with BHUSIM's order execution policy, and the policy is to have consistent rates by product unless there is a genuine business reason to vary between Client funds.

1. Research and Other "Soft Dollar" Benefits

"Soft dollar benefits" refers to an arrangement in which an investment firm may pay higher prices to buy securities from, or accept lower prices for the sale of securities to, brokerage firms that provide it with investment and research information.

BHUSIM may engage in soft dollar arrangements whereby it directs commissions to certain brokerage firms which may furnish research or other services to BHUSIM's Clients. Accordingly, such Clients may be deemed to be paying for research and other services with "soft" or commission dollars. Even though the soft dollars may be generated in transactions carried out by BHUSIM that do not fall within Section 28(e) of the US Securities Exchange Act of 1934, as amended ("Section 28(e)"), BHUSIM intends to use dealing commissions or "soft dollars" only to pay for "eligible" brokerage and research services within the meaning of Section 28(e). Such non-Section 28(e) transactions may include transactions in futures, fixed income and asset-backed securities and instruments, to the extent they are executed on a principal basis (i.e., not on an agency basis or a "riskless principal" basis).

Generally, BHUSIM may use commissions generated from trading on behalf of its Client funds to obtain eligible brokerage and research services under the safe harbor created by Section 28(e) in connection with transactions executed on an agency basis (and certain "riskless principal" transactions), but soft dollars generated in respect of futures, fixed income, asset-backed securities and instruments executed on a principal basis do not fall within the safe harbor. The research products and services obtained with soft dollars generated by Clients from Section 28(e) transactions or non-Section 28(e) transactions may be used for the benefit of accounts other than the Client for which they were generated. BHUSIM may not allocate soft dollar benefits pro rata or on any other specific basis among its respective Clients. Where a product or service obtained with soft dollars provides both research and non-research (e.g. a "mixed use" item), BHUSIM will make a reasonable allocation of the cost which may be paid for with soft dollars.

The products and services which BHUSIM may receive from brokers may, subject to applicable law and regulation, include (but are not limited to): research analyst analyses and recommendations; reports and analyses on issuers, securities and the advisability of investing in securities, however transmitted; assistance in arranging company visits; and subscriptions or access fees to news services, periodicals or academic journals involving economic, political or other issues related to the markets, an industry or a specified security.

In some instances commissions/soft dollars may be used to pay an affiliate of BHUSIM for onward payment to the producers of research. This may include, inter alia, research relating to the US and global economic outlook and associated monetary and fiscal policy. BHUSIM faces a conflict of interest in paying commissions/soft dollars to an affiliate for such research services. BHUSIM will use commissions/soft dollars to purchase research from an affiliate only when the relevant Investment Manager has determined that (a) the product or service provides "lawful and appropriate assistance," within the meaning of Section 28(e), in the performance of its investment decision-making responsibilities and (b) the price of the research services is fair in light of the price of similar services available from research providers not affiliated with BHUSIM.

Soft dollar credits generated from securities transactions of a particular Client fund of BHUSIM are segregated (at broker level) from soft dollar credits generated by other Client funds. However, given BHUSIM may in the future have multiple Client funds there is no way to ensure that other Client funds will not also benefit from any knowledge BHUSIM may retain from such products and services. BHUSIM is not required to allocate soft dollar costs pro rata or on any other specific basis among Client funds.

Any “unspent” soft dollar benefits are periodically repaid to the Client and not retained by the broker from which they were generated or BHUSIM for the benefit of another Client fund.

Using commissions generated by Client transactions to obtain research and other benefits creates incentives that may result in conflicts of interest between investment advisers and their Clients. If BHUSIM uses its markups or markdowns or Clients’ brokerage commissions to obtain research products and services, BHUSIM may receive a benefit because it does not have to produce or pay for the research products and services itself. The availability of these benefits could also influence BHUSIM to select one broker-dealer rather than another to perform services for Clients, based on its interest in receiving the products and services instead of on its Clients’ interest in receiving best execution for the trades in question. Obtaining these benefits could cause BHUSIM’s Clients to pay higher fees than those charged by other broker-dealers.

The use of soft dollars to obtain research could create a conflict of interest between BHUSIM and its Clients because its Clients could pay for products and services that would not be exclusively for their benefit and that may be primarily or exclusively for the benefit of BHUSIM. To the extent that BHUSIM could acquire these products and services without expending its own resources, the use of soft dollar benefits could increase BHUSIM’s profitability.

BHUSIM will manage such conflicts in accordance with the good faith exercise of its fiduciary duties, including its duty to seek to obtain best execution.

2. Brokerage for Client Referrals. BHUSIM does not consider referrals in selecting or recommending broker-dealers. It is BHUSIM’s policy to select broker-dealers only on the basis of our “best execution” policies described at the beginning of this section.

3. Directed Brokerage. Clients do not instruct BHUSIM as to which broker-dealers to use when executing trades. BHUSIM selects all brokers for executing its Clients’ transactions from a list of counterparties that has been pre-approved by BHCM.

(B) Trade Aggregation and Allocation

At the current time, BHUSIM has only one Client. However, in the future BHUSIM may provide investment management services to more than one Client, in which it may find trades that are appropriate for more than one of its Clients. When it is determined that an opportunity is suitable for more than one Client, BHUSIM will seek to allocate opportunities among those Clients (and, where relevant, execute orders for all participating Client accounts) on a fair and, over time, equitable basis. In this case, BHUSIM may execute an aggregate trade, which it then allocates to its Clients’ accounts at the time of confirmation in a fair manner.

When deciding how to allocate trade opportunities (and, as applicable, an aggregated order), BHUSIM will typically consider any combination of the following factors:

- the amount of capital, and the amount of available capital, in each Client's account;
- each Client's investment mandates;
- each Client's risk profile;
- how much BHUSIM has already invested for each Client in this type of trade; and
- whether the trade is too small to be broken into smaller allotments.

Ultimately, Clients may benefit when BHUSIM aggregates trades if it receives volume discounts on execution costs. To avoid any disadvantages to any of BHUSIM's Clients due to potential adverse price movements, in the event that a given investment decision gives rise to the execution of the same trade for more than one Client, it is BHUSIM's policy not to buy or sell the same securities for one Client account before doing so for another. BHUSIM will endeavour to ensure that the allocation of trades across Clients will be determined on a basis that is equitable to all clients. In doing so BHUSIM will take account of factors such as the investment mandates and risk limits associated with those Clients.

Trade Errors. The investment management agreement appointing BHUSIM provides that BHUSIM will not be liable for any loss arising from errors of fact or judgement or any action taken (or omitted to be taken) by it except to the extent that any such error or action (or the omission thereof) is due to BHUSIM's gross negligence, wilful default or fraud. Such error or action could include, for example, unintended errors in the communication or administration of trading instructions ("trade errors"). In the event of a trade error, it will be a matter of investment judgement for BHUSIM whether or not to retain the relevant position for its Client.

Item 13. Review of Accounts

- (A) Each of BHUSIM's portfolio managers regularly reviews that part of the Clients' portfolios for which they have been assigned investment management responsibility. In addition, the portfolios of Client funds are reviewed on a daily basis by Brevan Howard's risk team to ensure that each of the Client fund, BHUSIM and the individual traders within BHUSIM are operating within the predefined investment objectives and trading and risk limits set out within their trading mandates. The Brevan Howard risk team conducts a number of different reviews including reviews of "value at risk" limits, drawdown limits, specific exposure limits and compliance with trading mandates. A number of automated risk flags have also been implemented to indicate whether BHUSIM traders are taking large risk positions relative to pre-defined levels.

BHCM, the manager of BHUSIM's Client fund, has delegated responsibility for the monitoring described above to Brevan Howard Investment Products Limited, an affiliate of BHUSIM. Ultimate risk oversight for Client funds is the responsibility of Brevan Howard's Chief Risk Officer ("CRO") and a team of dedicated risk specialists. Brevan Howard Investment Products Limited also operates a Fund Risk Committee chaired by the CRO. The Fund Risk Committee meets once weekly to formally review and discuss risk issues, with a focus on market, liquidity and counterparty risk and also trader-level market risk, each in the context of the investment objectives agreed with each Client. In addition, BHUSIM's risk officer monitors trading carried out on behalf of its clients and reports back to the CRO and Brevan Howard Investment Products Limited.

Brevan Howard's Compliance Department also monitors trading activity.

(B) Reviews of Client funds are conducted on a daily basis irrespective of any other factors.

(C) Clients receive the following regular reports from BHUSIM or one of its affiliates:

- weekly estimated and monthly final fund net asset values;
- monthly fund performance update (teleconference);
- annual audited and semi-annual financial statements; and
- a quarterly Manager's report from BHCM.

Clients also receive:

- detailed quarterly reporting from the fund administrator; and
- annual reporting from the independent auditors.

Item 14. Client Referrals and Other Compensation

(A) In connection with managing Clients' accounts, BHUSIM receives management fees and performance-based fees from BHCM, as described in Item 5: Fees and Compensation. BHUSIM does not, nor do any of its officers or employees, receive any other economic benefit from non-Clients for providing services to its Clients.

(B) BHUSIM has not and does not expect to enter into arrangements whereby it will compensate persons that are not its supervised persons for Client referrals.

Item 15. Custody

BHUSIM does not have custody (under the Investment Advisers Act "Custody Rule" definition) of any Client funds or securities.

Item 16. Investment Discretion

BHUSIM accepts discretionary authority to manage securities portfolios for its Clients. Essentially, this means that BHUSIM has the authority to determine, without obtaining specific Client consent, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, BHUSIM is committed to adhering to the investment objectives and program set forth in each of its Clients' offering documentation and/or investment management agreements and any risk mandate prescribed by, or on behalf of, BHCM. By entering into investment management agreements with BHUSIM, Clients and BHCM give BHUSIM complete authority to manage its Clients' assets in accordance with their investment objectives and program.

Item 17. Voting Client Securities

BHUSIM has the authority to vote the proxies of any investments in the portfolios that it manages for its Clients. In addition to voting proxies for equity securities, it may also vote on corporate actions such as restructurings, bankruptcy reorganizations and mergers, and similar events related to its Clients' debt (and other) investments. BHUSIM votes each Client proxy in accordance with its fiduciary duty to its Clients. BHUSIM's portfolio managers decide how BHUSIM votes each proxy, seeking to vote in a manner that maximizes the value of each Client's assets and that is in each Client's best interest. BHUSIM may abstain

from voting a Client's proxy if it determines that doing so is in the best interest of the Client.

BHUSIM's CCO documents any potential material conflicts of interest and may consult with outside counsel or other third parties regarding the potential conflicts.

BHUSIM's CCO maintains records of all of its proxy votes. Upon request by BHUSIM's Clients or BHCM, Clients can obtain (1) records of proxy votes on their behalf and (2) a copy of BHUSIM's proxy voting policies and procedures.

Item 18. Financial Information

- (A) BHUSIM does not require or solicit prepayment of fees in advance of services rendered.
- (B) BHUSIM is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its Clients.
- (C) BHUSIM has never been the subject of a bankruptcy petition.