CATCo® Reinsurance Opportunities Fund Ltd.

18 February 2014

CATCo Reinsurance Opportunities Fund Ltd. ("the Company")

Annual Financial Report

For the 12 month period 1 January 2013 to 31 December 2013

To: Specialist Fund Market, London Stock Exchange and Bermuda Stock Exchange

CATCo Reinsurance Opportunities Fund Ltd. provides its shareholders the opportunity to participate in the returns from investments linked to catastrophe reinsurance risks, principally by investing in fully collateralised reinsurance contracts and also via a variety of insurance-based investments.

2013 Highlights

- NAV growth of 21.90%
- Share price total return of 24.34%
- Share price growth of 19.04%
- Premium to NAV of 0.64% at 31 December 2013
- New Zealand and Japanese 2011 earthquake side pocket investments finalized and cease to exist
- Contingent distribution of USD0.02887 per share resulting from the Japanese earthquake side pocket investment commutation paid to affected Shareholders
- 2013 annual dividend of USD0.05737 per share paid to Shareholders
- USD63.6m paid to Shareholders who elected for Return of Value payment

CHAIRMAN'S STATEMENT

Financial performance

Welcome to the 2013 CATCo Reinsurance Opportunities Fund Ltd (the “Company”) Annual Report. In the twelve month period to 31 December 2013, the Company's investment portfolio generated a very strong financial performance for the year, achieving a net return for shareholders of 21.90 per cent. The share price growth of 19.04 per cent for the full year reflected an expansion of the premium to net asset value. Including the annual dividend (at a rate of LIBOR plus 5 per cent of the company's NAV) it resulted in a share price total return of 24.34 per cent. These positive gains resulted from a well-diversified and balanced investment portfolio of global risks.

2013 has been another year of growth for the CATCo Group of Companies (“CATCo” or the “Group”) as it maintains its position as one of the leading retrocessional reinsurance investment companies in the industry. In just three years, the Group has generated a market share of approximately 20 per cent of the retrocessional market and built a strong brand presence. The impressive results of the past three years have been achieved despite the first two years - 2011 and 2012 - being years of record catastrophe losses for the insurance industry.

In 2013, through a disciplined Board-approved underwriting plan and process, CATCo Investment Management Ltd. (the “Investment Manager”) created a more diversified investment portfolio with an increased number of geographic exposures and risk pillars compared to previous years. This was a prudent approach, with minimal catastrophe losses impacting the portfolio during the twelve month period under review.

Catastrophic activity in 2013

2013 was a relatively benign catastrophe year. The largest insured catastrophe losses in 2013 stemmed from events outside of the US. At approximately USD45bn, property catastrophe reinsurance industry losses for the year were well below average in comparison with the past ten years.

While the catastrophe picture for 2013 was a diverse spread of both perils and regions, the year’s catastrophic events had a relatively insignificant impact on the 2013 portfolio, demonstrating the diversity of the Company's portfolio of business and the strength of its underwriting business.

Return of value and 2013 annual dividend

With the continued growth of the Company combined with no significant insured losses incurred on the 2013 investment portfolio in December, the Board, following consultation with larger Shareholders, determined that a Return of Value of approximately USD74m would be in the best interests of the Shareholders. As announced on 3 January 2014, the Company made a special one-off capital/income return of USD0.20 per share to its investors, representing 18.1 percent of NAV at 31 December 2013, which was approved at a Special General Meeting of the Shareholders held on 27 January 2014.

The Return of Value was separate and in addition to the annual dividend paid to shareholders.

The Return of Value demonstrates the Investment Manager's disciplined investment approach and capital management at a time when property and specialty catastrophe rates are somewhat displaced. The Investment Manager will continue to target an internal rate of return in excess of LIBOR plus 12 percent to 15 percent per annum. To that end, the Directors believe there is an optimum level of capital required to achieve this without diminishing returns.

At the launch of the Company, the Board of Directors indicated the intention to pay an annual dividend in respect of any Fiscal Year of an amount equal to LIBOR plus 5 percent of the Net Asset Value as at the end of the relevant Fiscal Year.

An annual dividend of USD0.05737 in respect of the Ordinary Shares for the year to 31 December 2013 was declared on 14 January 2014. This dividend was in addition to the Return of Value, as detailed above.

The record date for this dividend was 24 January 2014 and the Ordinary Shares went ex-dividend on 22 January 2014. The final dividend was paid to shareholders on 31 January 2014.

Distribution in relation to Tohoku Japan earthquake

Since the Company's launch, side pocket investments (SPIs) have been formed to reserve for catastrophic loss events. These include both the Japan and New Zealand earthquakes of 2011 and the Costa Concordia marine disaster and Superstorm Sandy of 2012.

Following resolution of CATCo's remaining exposures to the Japan Earthquake of 11 March 2011, the Board of Directors announced on 14 January 2014 a contingent distribution to ordinary shareholders of USD0.02887 per share, which was paid on 24 January 2014. This represents a 3.0 percent restated capital return for the 2011 calendar year, and further demonstrates the value to shareholders of CATCo's prudent loss reserve methodology.

The Investment Manager waived its right to claim any performance fee due on the Distribution amount. There remains no change to expectations of Costa Concordia and Superstorm Sandy at this time.

Good corporate governance
The Board of Directors is committed to maintaining its high standards of corporate governance with particular emphasis on ensuring the Company is operating in the best possible interests of Shareholders. This includes regularly evaluating the relationship and effectiveness of the Investment Manager. The Board places a high emphasis on risk management and assesses internal controls each year.

Regulatory changes
As I mentioned in the Interim Report 2013, two important regulatory changes are the application of FATCA rules in Bermuda and the implementation of the European AIFM Directive in Europe.

In relation to the former, the Company is taking steps to ensure that it is registered with the IRS by the deadline of 1 July 2014.

In relation to the AIFM Directive, the Bermuda Monetary Authority signed a co-operation agreement with Europe. The Company may continue to be marketed in the EU under the applicable private placement regimes. The Directive also introduces new reporting obligations.

The Board will continue to monitor the progress and likely implications for the Company of both FATCA and the AIFM Directive.

Convergence results in a challenging renewal season
For many, 2013 was the year of "convergence", with traditional reinsurers and capital market capacity moving closer together in pricing and solutions on offer, particularly for US peak catastrophe risk. At the financial year-end, new capital from non-traditional sources had grown to reach USD50bn, offering buyers of reinsurance more choice and flexibility in their risk transfer solutions and broader coverage terms.

The growth of insurance-linked securities (ILS) and collateralised markets has been driven by increased investor interest in the catastrophe reinsurance sector at a time when interest rates remain low. Catastrophe reinsurance offers attractive returns to pension funds and other institutional investors, that are largely uncorrelated to broader financial markets.

So far, interest from investors has been largely focused on peak zone catastrophe covers, where ILS pricing has fallen by up to 25-40 per cent year-on-year in some cases, due to the oversupply of capital. The picture has been less acute in the retrocession arena in which the Group operates; however the oversupply of investment capital did result in a more challenging renewal season at 1 January 2014. Details about the 2014 portfolio written to date can be seen in the Managers' Review.

Shareholders
I would like to thank Shareholders for their continued support throughout 2013. Please do not hesitate to contact the Company, or our Investment Manager, if you have any questions.

Nigel Barton
Chairman,
CATCo Reinsurance Opportunities Fund Ltd.
18 February 2014

MANAGERS' REVIEW

CATCo Reinsurance Opportunities Fund Ltd. (the "Company") had an outstanding year in 2013 thanks to a well-balanced investment portfolio and a year that was largely unimpeded by catastrophe events. Aside from a modest exposure to US tornadoes, the Company enjoyed an otherwise clean year, generating a net return of 21.90 per cent. for shareholders while further growing its market share of the global retrocessional market.

As the end of the year approached, it became apparent that market conditions were changing, with pricing in the retrocessional sector coming under pressure. This is largely a result of the continued interest from capital market investors in the catastrophe reinsurance and retrocession space. The Company took advantage of the reduced pricing by purchasing significant global retrocessional protections for the period 1 November to 31 December to lock in the value of the portfolio until the end of the year at a cost of approximately one per cent. of net assets.

2013 investment portfolio update

While there is no such thing as a "typical" catastrophe year, 2013 stood out for its benign activity and, in particular, the low level of claims, which were around 25 per cent below the ten-year average.

There were however some significant catastrophes in 2013, notably the Central European floods, hail storms in Germany and Super Typhoon Haiyan in the Philippines. Even within Europe, with its relatively high levels of insurance penetration, these events were not at sufficient loss levels to trigger the Company's retrocessional agreements.

Floods in Central Europe and hailstorms in Germany were the highest catastrophe insurance losses for the year, estimated at USD3bn and USD4.1bn respectively. Other notable events included high levels of cyclonic activity in the Pacific Basin and a succession of winter storms in Europe towards the end of the year and into 2014. The latter, known as Winter Storms Xaver and Christian, are likely to generate losses in the low single-digit billion dollar range.

Super Typhoon Haiyan, one of the strongest tropical cyclones ever recorded, was a human catastrophe for the Philippines. It struck central Philippines at a Category 5 strength, resulting in over 6,000 fatalities and causing widespread destruction to infrastructure and agriculture. While the total economic loss is estimated at USD10bn, the insured loss from Haiyan is predicted by AIR Worldwide to be between USD300m and USD700m, due to the country's very low insurance penetration.

The North Atlantic Hurricane season was very quiet in spite of forecasts for an above-average year, and no hurricanes made landfall in the US in 2013. The most serious natural catastrophe for the year in the US was an EF5 intensity tornado near Moore, Oklahoma on 20 May 2013. It was part of a strong weather system which produced 16 tornado touchdowns on 18 May, 29 on 19 May and 31 on 20 May. Total insured losses from these tornadoes are estimated at USD1.8bn. In Canada, flooding in Calgary, Alberta in June 2013 generated insured losses of USD1.6bn, making it the country's costliest natural catastrophe on record.

Side Pocket Investments (SPIs)

Since the Company's launch, SPIs have been formed to reserve for catastrophic loss events including the 2011 Japan Earthquake, 2011 New Zealand Earthquake, Costa Concordia Marine disaster of 2012 and Hurricane Sandy in 2012.

During the course of 2013, any outstanding claims in relation to the SPIs for 2011 earthquakes were fully settled and there remains no further liability connected to either the Japan or New Zealand events.

Regarding SPIs related to Costa Concordia and Hurricane Sandy, there remains little or no change in the expectations of the Company's exposure to these events. CATCo Investment Management Ltd. (the "Investment Manager") continues to anticipate that 100 per cent of the Costa Concordia loss reserve will be paid out in claims settlements during the course of 2014.

As at 31 December 2013, total claim payments made in relation to Sandy amounted to approximately 41 per cent. of the original retrocessional reinsurance loss reserve. At year-end 2013 this SPI amounted to 3.5 per cent. of the Company's portfolio, less than half of the total retrocessional reinsurance loss reserves held at the same time a year ago.

2014 investment portfolio

The influx of capacity into the property catastrophe reinsurance and retrocession market, compounded by fewer favourable catastrophe losses over the past 12 months, has led to a depression in pricing for certain types of products. This downturn is more pronounced in the traditional reinsurance market and ILS space, where prices were down by 25 per cent to 40 per cent in some cases.

In the retrocessional arena in which CATCo-Re Ltd., the Company's reinsurer, operates, market rates fell on average by 7.5 per cent for business written at comparable risk levels to 2013, reflecting current market pricing conditions. At the same time, given the low level of catastrophe losses in 2013, some retrocession buyers have decreased the extent of their purchases for 2014.

The Investment Manager has responded to these more competitive conditions by targeting prudent capital management. The Return of Value to shareholders, which was approved by shareholders at a special general meeting on 27 January 2014, is one example of this disciplined approach.

Under the Return of Value, shareholders elected to receive approximately USD63.6m and reinvest approximately USD10.4m according to their chosen option. The decision allows the Investment Manager to maintain an optimum level of capital in the Company in order to continue to target effectively the Company's stated annual return of LIBOR plus 12 to 15 per cent per annum. Should market conditions change and new opportunities present themselves throughout the year, as they did in 2011, it would very much be the intention of the Investment Manager to allow investors to participate in them.

For 2014, the investment portfolio has been further de-risked and diversified by geography and peril using the Master Fund's multi-pillared approach. For 2014, the Investment Manager has only considered transactions that have met or exceeded the Company's investment return target while adhering to strict investment guidelines.

As at 15 January 2014, 85 per cent of available capital had been deployed with terms on new 2014 reinsurance transactions agreed with multiple reinsurance counterparties, both via existing relationships and through new counterparty arrangements. As renewals within the retrocessional sector were negotiated very late this year, a number of 1 January 2014 contracts have yet to be closed. The Investment Manager will hold back approximately 10% of its capital base as cash for opportunistic plays through the year.

Around one-third of the 2014 capital has been deployed into reinsurance contracts with approximately 40 per cent lower risk level. Overall, the portfolio has an aggregate risk level that is 20 per cent lower than the previous year. Taking into account the 2014 investment portfolio's well-diversified set of global risk pillars, the portfolio is in a strong position to generate a maximum no-loss return of 18 per cent for the year. This net return is inclusive of retrocessional protection, which was secured at competitive pricing and terms.

This ensures that exposure to a single loss event, no matter how great the magnitude, results in net portfolio returns for investors in the current financial year of not less than negative four per cent.

The positive impact of the property protections purchased can be observed by examining the impact of a modelled one-in-100-year event (i.e. one per cent annual probability of loss occurrence) for each of the 42 risk perils making up the 2014 investment portfolio.

Under this modelled scenario, even a severe one-in-100-year single catastrophic insured property event results in net portfolio returns of at least eight per cent. for all perils. The only exceptions to this would be the categories of US Wind, Europe Wind or Offshore Non Elemental Marine.

CATCo Reinsurance Opportunities Fund is able to offer its counterparties full certainty that claims will be met when they occur. There is no credit risk for clients as the Company is fully cash collateralised for every USD1 of risk it assumes.

Anthony Belisle
Chief Executive Officer
CATCo Investment Management Ltd.
18 February 2014

REVIEW OF BUSINESS

A review of the Company's activities is given in the Chairman's Statement and in the Managers' Review. This includes a review of the business of the Company and its principal activities, and likely future developments of the business.

Investment Objective

The investment objective of the Company and CATCO Reinsurance Fund Ltd. (the "Master Fund") is to give its Shareholders the opportunity to participate in the returns from investments linked to catastrophe reinsurance risks, principally by investing in fully collateralised Reinsurance Agreements accessed by investments in preferred shares of the Reinsurer, CATCo-Re Ltd. The Company's investment policy appears opposite, and the Manager's Review explains how the Company and the Master Fund have invested their assets with a view to spreading investment risk in accordance with the Company's investment policy.

Benchmark

Eurekahedge Insurance Linked Securities index. This index is not a benchmark used for investment performance measurement.

Investment Policy and Investment Strategy

The Master Fund intends to spread investment risk by seeking exposure to multiple non-correlated risk categories so as to endeavour to limit the amount of capital at risk with respect to a single catastrophic event.

The Master Fund intends that:

• no more than 20 percent of its capital will be exposed to a single catastrophic event;

• its capital will only be exposed to catastrophic events at loss levels that have not occurred more than twice in the past 40 years on a trended loss estimate basis, unless otherwise approved by the Board of Directors of the Master Fund;

• its capital will be exposed to aviation and marine (including offshore energy) losses caused by catastrophes; and

• at least 50 percent of its capital will be exposed to residential and commercial property losses.

At 31 December 2013, the Portfolio of Investments reflects the stated guidelines as each of the reinsurance arrangements entered into by the Reinsurer contain several non-correlated pillars of risk and provides a portfolio exposure to 42 diversified risk pillars.

When investing, the Company's policy is to move freely between different risk perils as opportunities arise. There are no limits to geographical or sector exposures, except as stated above, but these are reported to, and monitored by, the Board of Directors in order to ensure that adequate diversification is achieved.

While there is a comparative index for the purpose of measuring performance, no attention is paid to the composition of this index when constructing the portfolio and the composition of the portfolio is likely to vary substantially from that of the index. A short term view is taken and there may be periods when the net asset value per share declines both in absolute terms and relative to the comparative index.

Capital Structure and Voting Rights
369,849,337 Ordinary Shares of $0.0001 par value each entitled to one vote as at 31 December 2013.

As at the date of this Report, the Company's issued ordinary share capital consists of 309,282,970 Ordinary Shares of $0.0001 par value each entitled to one vote.

Total Assets and Net Asset Value
At 31 December 2013, the Company had Total Assets of $409,031,695 and a Net Asset Value per Ordinary Share of $1.1059.

Borrowing
The Company will not borrow for investment purposes, although it may borrow for temporary cash flow purposes such as for satisfying working capital requirements. The Master Fund will not borrow for investment or other purposes but may invest in Insurance-Linked Instruments which are themselves leveraged.

Duration
The Company does not have a fixed life. A continuation vote will be put to Shareholders every five years.

Risk
The investment funds managed by CATCo Investment Management Limited are fully collateralised and are largely uncorrelated to traditional asset classes. Risk is spread across multiple non-correlated risk pillars which aims to limit the amount of capital exposed with respect to a single catastrophic event.

Management of Risk
The Board of Directors regularly review the major strategic risks that the Board and the Investment Manager have identified, and against these, the Board sets out the delegated controls designed to manage those risks. The principal risks facing the Company in addition to the reinsurance risks as discussed above relate to the Company's investment activities and include market price, interest rate, liquidity and credit risk. Such key risks relating to investment and strategy including for example, inappropriate asset allocation or borrowing are managed through investment policy guidelines and restrictions, and by the process of oversight at each Board meeting as previously outlined. Operational disruption, accounting and legal risks are also covered annually, and regulatory compliance is reviewed at each Board meeting.

Oversight and Review of Performance
The Board typically meet five times per year. At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators used to measure the progress and performance of the Company over time are established industry measures and are as follows:

- the movement in net asset value per ordinary share on a gross, net and total return basis;

- the movement in the share price on a share price and total return basis;

. the discount; and

. the total expense ratio.

In addition to the above, the Board of Directors also considers peer group comparative performance.

Key risks relating to investment and strategy, for example, inappropriate asset allocation or gearing, are managed through investment policy guidelines and restrictions, and by the process of oversight at each Board meeting outlined above. Operational disruption, accounting and legal risks are also covered annually, and regulatory compliance is reviewed at each Board meeting.

An explanation of other risks relating to the Company's investment activities, specifically concentration of credit risk and concentration of reinsurance risk, are contained in notes 3 and 4 to the financial statements.

Results and Dividends
The total return attributable to Shareholders for the year amounted to 21.9% (2012 – 7.06%).

With the continued growth of the Company combined with no significant insured losses incurred on the 2013 investment portfolio in December, the Board, following consultation with larger shareholders, determined that a Return of Value of approximately USD74m would be in the best interests of the Shareholders. As announced on 3 January 2014, the Company made a special one-off capital/income return of USD0.20 per share to its investors, which was approved at a Special General Meeting of the shareholders held on 27 January 2014.

The Return of Value was separate and in addition to the annual dividend paid to shareholders of USD0.20 per share representing 18.1 percent of NAV at 31 December 2013.

At the launch of the Company, the Board of Directors indicated the intention to pay an annual dividend in respect of any Fiscal Year of an amount equal to LIBOR plus 5 percent of the Net Asset Value as at the end of the relevant Fiscal Year.

An annual dividend of USD0.05737 in respect of the Ordinary Shares for the year to 31 December 2013 was declared on 14 January 2014.

The record date for this dividend was 24 January 2014 and the Ordinary Shares went ex-dividend on 22 January 2014. The final dividend was paid to shareholders on 31 January 2014.

As referred to in further detail in the Chairman's Statement, having resolved the Company's remaining exposures to the Japan Earthquake of 11 March 2011, the Board of Directors announced on 14 January 2014 a contingent distribution of $0.02887 per Ordinary Share, to be paid on 24 January 2014. The record date for this distribution was 10 August 2012 and the ex-dividend date 8 August 2012.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors are responsible for preparing the Annual Report and the 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 the Board of Directors have elected to prepare the financial statements in accordance with US Generally Accepted Accounting Principles ("US GAAP"). The financial statements are required by the Bermuda Companies Act 1981 to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Board of Directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent; and
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that are sufficient to disclose the Company's transactions and that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Bermuda Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors consider that Annual Report and 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.

The financial statements will be published on www.catcoreoppsfund.com, which is maintained by the Investment Manager, CATCo Investment Management Ltd. The maintenance and integrity of the website maintained by CATCo Investment Management Ltd. is, so far as it relates to the Company, the responsibility of CATCo Investment Management Ltd.

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

In accordance with Chapter 4 of the Disclosure and Transparency Rules, and to the best of their knowledge, each Director of CATCo Reinsurance Opportunities Fund Ltd. confirms that the financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

Furthermore, each Director certifies that the report of the Directors 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 the Company faces.

Alastair Barbour
Chairman of the Audit Committee
18 February 2014

AUDITED STATEMENTS OF ASSETS AND LIABILITIES

(Expressed in United States Dollars)	**31 December 2013**	**31 December 2012**
Assets	**$**	**$**
Investment in CATCo Reinsurance Fund Ltd.- CATCo Diversified Fund, at fair value	$408,828,848	$353,330,814
Cash and cash equivalents	286,057	710,727
Other assets	67,032	25,403
Total assets	409,181,937	354,066,944
Liabilities		
Accrued expenses and other liabilities	149,988	253,439
Management fee payable	254	603
Total liabilities	150,242	254,042
Net assets	409,031,695	353,812,902

NAV Per Share (See note 6)

See accompanying notes

AUDITED STATEMENTS OF OPERATIONS

(Expressed in United States Dollars)	Year Ended 31 December 2013	Year Ended 31 December 2012
	$	$
Net investment loss allocated from CATCo Reinsurance Fund Ltd. - CATCo Diversified Fund		
Interest	12,903	5,030
Performance fee	(8,643,163)	-
Management fee	(5,654,620)	(5,413,680)
Professional fees and other	(271,795)	(241,542)
Administrative fee	(227,560)	(340,305)
Miscellaneous expenses	(23,992)	(24,415)
Net investment loss allocated from CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund	(14,808,227)	(6,014,912)
Fund expenses		
Professional fees and other	(1,199,136)	(762,379)
Administrative fee	(54,000)	(54,000)
Management fee	(11,448)	(13,901)
Total Fund expenses	(1,264,584)	(830,280)
Net investment loss	(16,072,811)	(6,845,192)
Net realised and net change in unrealised gain on securities allocated from CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund		
Net realised gain on securities	19,854,893	18,490,351
Net change in unrealised gain on securities	69,951,369	2,373,931
Net gain on securities	89,806,262	20,864,282
Net increase in net assets resulting from operations	73,733,451	14,019,090

See accompanying notes

AUDITED STATEMENTS OF CHANGES IN NET ASSETS

(Expressed in United States Dollars)	**Year Ended 31 December 2013**	**Year Ended 31 December 2012**
	$	**$**
Operations		
Net investment loss	(16,072,811)	(6,845,192)
Net realised gain on securities	19,854,893	18,490,351
Net change in unrealised gain on securities	69,951,369	2,373,931
Net increase in net assets resulting from operations	73,733,451	14,019,090
Capital share transactions		
Dividend declared	(18,514,658)	-
Transfer of Class 2 - C Shares (see note 6)	-	(276,563,190)
Transfer to Class 1 - Ordinary Shares (see note 6)	-	276,563,190
Net decrease in net assets resulting from capital share transactions	(18,514,658)	-
Net increase in net assets	55,218,793	14,019,090
Net assets, at January 2013	353,812,902	339,793,812
Net assets, at 31 December 2013	409,031,695	353,812,902

See accompanying notes

AUDITED STATEMENTS OF CASH FLOWS

(Expressed in United States Dollars)	**Year Ended 31 December 2013**	**Year Ended 31 December 2012**
	$	**$**
Cash flows from operating activities		
Net increase in net assets resulting from operations	73,733,451	14,019,090
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net investment loss, net realised gain and net change in unrealised gain on securities allocated from CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund	(74,998,034)	(14,849,370)
Sale/(purchase) of investment in CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund	19,500,000	(110,500,000)
Changes in operating assets and liabilities:		
Other assets	(41,629)	(18,143)
Accrued expenses and other liabilities	(103,451)	(203,419)
Management fee payable	(349)	(71,581)
Net cash provided by (used in) operating activities	18,089,988	(111,623,423)
Cash flows from financing activities		
Dividends paid	(18,514,658)	(10,859,876)
Net cash used in financing activities	(18,514,658)	(10,859,876)
Net decrease in cash and cash equivalents	(424,670)	(122,483,299)
Cash and cash equivalents, at 1 January 2013	710,727	123,194,026
Cash and cash equivalents, at 31 December 2013	286,057	710,727

See accompanying notes

1. Nature of operations and summary of significant accounting policies

Nature of Operations

CATCo Reinsurance Opportunities Fund Ltd. (the "Company") is a closed-ended fund, registered and incorporated as an exempted mutual fund company in Bermuda on 30 November 2010 and commenced operations on 20 December 2010. The Company was organised as a feeder fund to invest substantially all of its assets in CATCo Diversified Fund (the "Master Fund"). The Master Fund is a segregated account of CATCo Reinsurance Fund Ltd., a mutual fund company incorporated in Bermuda and registered as a segregated account company under the Segregated Accounts Company Act 2000, as amended (the "SAC Act"). The Master Fund will establish a separate account for each class of shares comprised in each segregated account (each, an "Account"). Each Account is a separate individually managed pool of assets constituting, in effect, a separate fund with its own investment objective and policies and overseen by CATCo Investment Management Ltd. (the "Investment Manager"). The assets attributable to each segregated account of the Company shall only be available to creditors in respect of that segregated account. Pursuant to an investment management agreement, the Company is managed by the Investment Manager. Refer to the Company's prospectus for more information.

The Company's Shares are listed and traded on the Specialist Fund Market ("SFM"), a market operated by the London Stock Exchange. The Company's Shares are also listed on the Bermuda Stock Exchange following the Secondary Listing on 20 May 2011.

The objective of the Master Fund is to give the shareholders the opportunity to participate in the investment returns of various insurance-based instruments, including preference shares through which the Master Fund would be exposed to reinsurance risk, insurance-linked securities (such as notes, swaps and other derivatives), and other financial instruments. All of the Master Fund's exposure to reinsurance risk is obtained through its investment (via preference shares) in CATCo-Re Ltd. (the "Reinsurer"). The Company's ownership is less than 50% of the Master Fund at 31 December 2013 and 2012.

The Reinsurer is a Bermuda licensed Class 3 reinsurance company, registered as a segregated accounts company under the SAC Act, through which the Master Fund accesses all of its reinsurance risk exposure. The Reinsurer will form a segregated account that corresponds solely to the Master Fund's investment in the Reinsurer with respect to each particular reinsurance agreement.

The Reinsurer focuses primarily on property catastrophe insurance and may be exposed to losses arising from hurricanes, earthquakes, typhoons, hailstorms, floods, tsunamis, tornados, windstorms, extreme temperatures, aviation accidents, fires, explosions, marine disasters and other retrocessional perils.

Basis of Presentation

The audited financial statements are expressed in United States dollars and have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as detailed in the Financial Accounting Standards Board's Accounting Standards Codification.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments, such as money market funds, that are readily convertible to known amounts of cash and have original maturities of three months or less.

Valuation of Investment in Master Fund

The Company records its investment in the Master Fund at the net asset value as reported by the Master Fund. The Company records its investment in the Master Fund at fair value which is the Company's proportionate interest in the net assets of the Master Fund. The performance of the Company is directly affected by the performance of the Master Fund and is subject to the same risks to which the Master Fund is subject. Valuation of investments held by the Master Fund, including, but not limited to the valuation techniques used and classification within the fair value hierarchy of investments held are discussed as follows:

Fair Value - Definition and Hierarchy (Master Fund)
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Master Fund uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximises the use of observable inputs and minimises the use of unobservable inputs by requiring that the most observable inputs are to be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Master Fund. Unobservable inputs reflect the Master Fund's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorised into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Master Fund has the ability to access. Valuation adjustments are not applied to Level 1 investments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these investments does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realised due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Master Fund in determining fair value is greatest for investments categorised in Level 3 of the fair value hierarchy. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Master Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Master Fund uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified to a lower level within the fair value hierarchy.

Fair Value - Valuation Techniques and Inputs
Investments in Securities (Master Fund)

The value of preference shares issued by the Reinsurer and subscribed for by the Master Fund and held with respect to a reinsurance agreement will equal:

(i) the amount of capital invested in such preference shares; plus

(ii) the amount of earned premium (as described below) that has been earned period to-date for such contract; plus

(iii) the amount of the investment earnings earned to date on both the capital invested in such preference shares and the associated reinsurance premiums in respect of such contract; minus

(iv) the fair value of any loss estimates associated with potential claims triggering covered events (see "Covered Event Estimates" below).

The value of preference shares issued by the Reinsurer will also recognise expenses which are directly attributable to the Master Fund as a result of the Reinsurer conducting reinsurance activities that inure to the benefit or detriment of the Master Fund. To the extent that the inputs into the valuation of preference shares are unobservable, the preference shares would be classified as level 3 within the fair value hierarchy.

<u>Investments in Securities held by the Reinsurer</u>
Industry Loss Warranties ("ILWs")
ILWs will be marked similar to preference shares held with respect to reinsurance agreements, except that following a Covered Event, loss information from the index provider on the trade will be used.

Earned Premiums
Premiums shall be considered earned with respect to computing the Master Fund's Net Asset Value in direct proportion to the percentage of the risk that is deemed to have expired year-to-date. Generally, all premiums shall be earned uniformly over each month of the risk period. However, for certain risks, there is a clearly demonstrable seasonality associated with these risks. Accordingly, seasonality factors are utilised for the establishment of certain investments, including preference shares relating to reinsurance agreements, ILWs and risk transfer derivative agreements, where applicable. Prior to the investment in any seasonal contract, the Investment Manager is required to produce a schedule of seasonality factors, which will govern the income recognition and related fair value price for such seasonal contract in the absence of a covered event. The Investment Manager may rely on catastrophe modeling software, historical catastrophe loss information or other information sources it deems reliable to produce the seasonality factors for each seasonal contract. Once established, the seasonality factors do not change unless for a significant outlying catastrophic event.

Covered Event Estimates
The Investment Manager provides monthly loss estimates for all incurred loss events ("Covered Events") potentially affecting investments relating to a reinsurance agreement of the Reinsurer. As the Reinsurer's reinsurance agreements are fully collateralised, any loss estimates above the contractual thresholds as contained in the reinsurance agreements will require capital to be held in a continuing reinsurance trust account with respect to the maximum contract exposure with respect to the applicable Covered Event.

"Fair Value" Pricing used by the Master Fund
Any investment that cannot be reliably valued using the principles set forth above (a "Fair Value Instrument") is marked at its fair value, based upon an estimate made by the Investment Manager, in good faith and in consultation or coordination with Prime Management Limited (the "Administrator") where practicable, using what the Investment Manager believes in its discretion are appropriate techniques consistent with market practices for the relevant type of investment. Fair valuation in this context depends on the facts and circumstances of the particular investment, including but not limited to prevailing market and other relevant conditions, and refers to the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value is not the amount that an entity would receive or pay in a forced transaction or involuntary liquidation.

The process used to estimate a fair value for an investment may include a single technique or, where appropriate, multiple valuation techniques, and may include (without limitation and in the discretion of the Investment Manager, or in the discretion of the Administrator subject to review by the Investment Manager where practicable) the consideration of one or more of the following factors (to the extent relevant): the cost of the investment to the Master Fund, a review of comparable sales (if any), a discounted cash flow analysis, an analysis of cash flow multiples, a review of third-party appraisals, other material developments in the investment (even if subsequent to the valuation date), and other factors.

For each Fair Value Instrument, the Investment Manager and/or the Administrator, may as practicable, endeavor to obtain quotes from broker-dealers that are market makers in the related asset class, counterparties, the Master Fund's prime brokers or lending agents and/or pricing services. The Investment Manager, may, but will not be required to, input pricing information into models (including models that are developed by the Investment Manager or by third parties) to determine whether the quotations accurately reflect fair value.

In addition, the Investment Manager, may in its discretion, consult with the members of the investment team to determine the appropriate valuation of an instrument or additional valuation techniques that may be helpful to such valuation.

From time to time, the Investment Manager may change its fair valuation technique as applied to any investment if the change would result in an estimate that the Investment Manager in good faith believes is more representative of fair value under the circumstances. The determination of fair value is inherently subjective in nature, and the Investment Manager has a conflict of interest in determining fair value in light of the fact that the valuation determination may affect the amount of the Investment Manager's performance fee.

At any given time, a substantial portion of the Master Fund's portfolio positions may be valued by the Investment Manager using the fair value pricing policies. Prices assigned to portfolio positions by the Administrator or the Investment Manager may not necessarily conform to the prices assigned to the same financial instruments if held by other accounts or by affiliates of the Investment Manager.

Side Pockets

The Board of Directors of the Master Fund (the "Board"), in consultation with the Investment Manager, may classify certain Insurance-Linked Instruments as investments in which only persons which are shareholders at the time of such classification can participate ("Side Pocket Investments"). This typically will happen if a Covered Event has recently occurred or seems likely to occur under an Insurance-Linked Instrument, because determining the fair value once a Covered Event has occurred under an Insurance-Linked Instrument is often both a highly uncertain and a protracted process. Side Pocket Investments are valued in the statement of assets and liabilities at their fair value as determined in good faith by the Board following consultation with the Investment Manager.

Financial Instruments

The fair values of the Company's assets and liabilities, which qualify as financial instruments under ASC 825, *Financial Instruments*, approximate the carrying amounts presented in the statements of assets and liabilities.

Investment Transactions and Related Investment Income and Expenses

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

Investment transactions of the Master Fund are accounted for on a trade-date basis. Realised gains or losses on the sale of investments are calculated using the specific identification method of accounting. Interest is recognised on the accrual basis.

Translation of Foreign Currency
Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the period-end exchange rates. Transactions denominated in foreign currencies, including purchases and sales of investments, and income and expenses, are translated into United States dollar amounts on the transaction date. Adjustments arising from foreign currency transactions are reflected in the statements of operations.
The Company does not isolate the portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Such fluctuations are included in net gain (loss) on investments in the statements of operations.

Income Taxes
Under the laws of Bermuda, the Company is generally not subject to income taxes. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event that there is enacted in Bermuda any legislation imposing income or capital gains tax, such tax shall not until 31 March 2035 be applicable to the Company. However, certain United States dividend income and interest income may be subject to a 30% withholding tax. Further, certain United States dividend income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction.

The Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit recognised is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realised upon ultimate settlement with the relevant taxing authority. De-recognition of a tax benefit previously recognised results in the Company recording a tax liability that reduces ending net assets. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognised tax benefits as of 31 December 2013. However, the Company's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Company recognises interest and penalties related to unrecognised tax benefits in interest expense and other expenses, respectively. No interest expense or penalties have been recognised as of and for the year ended 31 December 2013.

Generally, the Company may be subjected to income tax examinations by relevant major taxing authorities for all tax years since its inception.

The Company may be subject to potential examination by U.S. federal or foreign jurisdiction authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal or foreign tax laws. The Company was not subjected to any tax examinations during the year ended 31 December 2013.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Offering Costs
The costs associated with each capital raise are expensed as incurred.

2. Schedule of the Company's share of the investments held in the Master Fund and fair value measurements

The following table reflects the Company's proportionate share of the fair value of investments in the Reinsurer held by the Master Fund at 31 December 2013.

Preferred Shares Investments in CATCo-Re Ltd.	$ Fair Value
Class AA preferred Shares	$18,681,478
Class BB preferred Shares	4,074,807
Class CC preferred Shares	1,275,717
Class KK preferred Shares	1,582,598
Class Q preferred Shares	2,377,034
Class S preferred Shares	3,596,617
Class T preferred Shares	3,019,922
Class W preferred Shares	2,051
Class Z preferred Shares	2,264,403
Class SP preferred Shares	8,311
Class MM1 preferred Shares	1,035,815
Class MM2 preferred Shares	1,035,804
Class AB preferred Shares	45, 293,030
Class AC preferred Shares	22,644,591
Class AD preferred Shares	35,101,162
Class AE preferred Shares	15,963,598
Class AF preferred Shares	4,397,637
Class AG preferred Shares	3,960,440
Class AH preferred Shares	16,980,915
Class AI preferred Shares	19,952,719
Class AJ preferred Shares	9,424,666
Class AK preferred Shares	36,232,561
Class AL preferred Shares	21,510,733
Class AM preferred Shares	19,020,624
Class AN preferred Shares	9,055,982
Class AO preferred Shares	5,024,878
Class AP preferred Shares	7,538,724
Class AQ preferred Shares	1,181,920
Class AR preferred Shares	8,942,495
Class AS preferred Shares	3,960,418
Class AT preferred Shares	20,945,312
Class AU preferred Shares	3,394,191
Class AV preferred Shares	26,125,482
Class AW preferred Shares	30,145,301
Class AX preferred Shares	1,016,097
Class BA preferred Shares	4,254,847
Class BC preferred Shares	1,644,595
Class BD preferred Shares	1,095,633
Class BE preferred Shares	1,021,473
Class BF preferred Shares	997,473
Class BH preferred Shares	241,481
Total Investments in CATCo-Re Ltd.	416,023,535

The following table reflects the Company's proportionate share of the fair value of investments in the Reinsurer held by the Master Fund at 31 December 2012.

Preferred Shares - Investments in CATCo-Re Ltd.

Preferred Shares Investments in CATCo-Re Ltd.	$ Fair Value
Class M preferred Shares	$18,076,018
Class N preferred Shares	40,097,989
Class O preferred Shares	16,870,658
Class P preferred Shares	34,750,348
Class Q preferred Shares	10,276,065
Class R preferred Shares	4,064,605
Class S preferred Shares	48,026,408
Class T preferred Shares	21,085,490
Class U preferred Shares	13,556,340
Class V preferred Shares	42,168,817
Class W preferred Shares	8,073,758
Class X preferred Shares	4,064,810
Class Y preferred Shares	2,514
Class Z preferred Shares	9,486,883
Class AA preferred Shares	12,755,634
Class BB preferred Shares	17,614,960
Class CC preferred Shares	8,048,037
Class JJ preferred Shares	1,472
Class KK preferred Shares	2,106,198
Class MM1 preferred Shares	1,378,727
Class MM2 preferred Shares	1,378,732
Class NN preferred Shares	6,017,296
Class OO preferred Shares	6,774,069
Class PP preferred Shares	6,553,697
Class UU preferred Shares	2,558,923
Class VV preferred Shares	902,475
Class WW preferred Shares	1,805,268
Class XX preferred Shares	1,504,185
Class YY preferred Shares	1,354,253
Class ZZ preferred Shares	2,708,448
Class AAA preferred Shares	1,504,203
Class BBB preferred Shares	2,708,165
Class CCC preferred Shares	1,382,070
Class DDD preferred Shares	1,503,719
Class EEE preferred Shares	1,409,127
Class FFF preferred Shares	751,841
Class SP preferred Shares	8,612
Total Investments in CATCo-Re Ltd.	353,330,814

The Company’s assets and liabilities recorded at fair value have been categorised based upon a fair value hierarchy as described in the Company’s significant accounting policies in Note 1. The following table presents information about the Company’s assets measured at fair value:

Year ended 31 December 2013

Assets (at fair value)	Level 1	Level 2	Level 3	Total
Investments in securities				
Investment in Master Fund	$ -	$ -	$ 408,828,848	$ 408,828,848
Total Investments in securities	$ -	$ -	$ 408,828,848	$ 408,828,848

Year ended 31 December 2012

Assets (at fair value)	Level 1	Level 2	Level 3	Total
Investments in securities				
Investment in Master Fund	$ -	$ -	$ 353,330,814	$ 353,330,814
Total Investments in securities	$ -	$ -	$ 353,330,814	$ 353,330,814

Transfers between Levels 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Levels 2 and 3 generally relate to whether significant relevant observable inputs are available for the fair value measurements in their entirety. See Note 1 for additional information related to the fair value hierarchy and valuation techniques and inputs. All transfers are recognised by the Company at the end of each reporting period.

There were no transfers between levels for the years ended 31 December 2013 and 2012.

The following table presents additional information about Level 3 assets and liabilities measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within the Level 3 fair value category. As a result, the unrealised gains and losses for assets and liabilities within the Level 3 fair value category may include changes in fair value that were attributable to both observable and unobservable inputs.

Changes in Level 3 assets measured at fair value for the year ended 31 December 2013 were as follows:

	Beginning Balance 1 January 2013	**Realised and change in Unrealised Gains (Losses)(a)**	**Purchases**	**Sales**	**Settlements**	**Transfers Into Level 3**	**Trasfers (out) of Level 3**	**Ending Balance 31 December 2013**	**Change in Unrealised Gains for Securities Still held at 31 Dec 2013 (b)**
Assets (at fair value)									
Investments in Master Fund	$ 353,330,814	$74,998,034	$ -	$ (19,5000,000)	$ -	$ -	$ -	$408,828,848	$74,998,034

(a) Realised and change in unrealised gains are all included in net investment loss allocated from the Master Fund and net gain on securities in the statements of operations.

(b) The change in unrealised gains for the year ended 31 December 2013 for securities still held at 31 December 2013 are reflected in net Investment loss allocated from the Master Fund and net gain on securities in the statements of operations.

Changes in Level 3 assets measured at fair value for the period ended 31 December 2012 were as follows:

	Beginning Balance 1 January 2012	Realised and change in Unrealised Gains (Losses)(a)	Purchases	Sales	Settlements	Transfers In/(Out) Level 3	Ending Balance 31 December 2012	Change in Unrealised Gains for Securities Still held at 31 Dec 2012 (b)
Assets (at fair value)								
Investments in Preferred shares	$ 227,981,444	$14,849,370	$ 110,500,000	$ -	$ -	$ -	$353,330,814	$14,849,370

(a) Realised and change in unrealised gains are all included in net investment loss allocated from the Master Fund and net gain on securities in the statements of operations.

(b) The change in unrealised gains for the year ended 31 December 2012 for securities still held at 31 December 2012 are reflected in net investment loss allocated from the Master Fund and net gain on securities in the statements of operations.

The table below summarises information about the significant unobservable inputs used in determining the fair value of the Master Fund's Level 3 assets:

	Valuation Technique	Unobservable Input	Range
Preferred Shares	Premium earned	Premiums earned – straight line	12 months
	+ investment income	Premiums earned – seasonality adjusted	5 to 6 months
	- Loss reserve	Investment income	0.10% to 0.15%
		Loss Reserves	0 to contractual limit

As described in note 5, significant increases or decreases in loss reserves would result in a significantly lower or higher fair value measurement.

3. Concentration of credit risk

In the normal course of business, the Company maintains its cash balances (not assets supporting retrocessional transactions) in financial institutions, which at times may exceed federally insured limits. The Company is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties. At 31 December 2013 and 2012, cash and cash equivalents are held with HSBC Bank Bermuda Ltd. which has a credit rating of A and A+ as issued by Standard & Poor's, respectively.

4. Concentration of reinsurance risk

The following table illustrates the diversified risk profile of the Reinsurer's portfolio by geography and peril as at 31 December 2013.

2013 Retrocessional Reinsurance Portfolio

Geographic Distribution

1.	North America & Caribbean	36%
2.	All Other	15%
3.	Europe	9%
4.	Australia/ New Zealand	9%
5.	Global Backup Protections	9%
6.	Global Marine/Energy/Terrorism/Aviation	8%
7.	Japan	8%
8.	Mexico/Central America/South America	6%

Exposure by Risk Peril

1.	Wind	45%
2.	Earthquake	31%
3.	Back Up Protections	9%
4.	Marine/Energy/Aviation	7%
5.	Severe Convective Storms	3%
6.	Flooding	2%
7.	Winterstorm/Wildfire	2%
8.	Terrorism	1%

4. Concentration of reinsurance risk

The following table illustrates the diversified risk profile of the Reinsurer's portfolio by geography and peril as at 31 December 2012.

2012 Retrocessional Reinsurance Portfolio*

Geographic Distribution		Exposure by Risk Peril	
1. North America & Caribbean	39%	1. Wind	50%
2. Europe	13%	2. Earthquake	27%
3. Global Backup Protections	13%	3. Back Up Protections	13%
4. All Other	9%	4. Marine/Energy/Aviation	6%
5. Japan	9%	5. Severe Convective Storms	2%
6. Global Marine/Energy/Terrorism/	7%	6. Flooding	1%
7. Mexico/Central America/South America	6%	7. Terrorism	1%
8. Australia/ New Zealand	4%		

*Presentation of note 4 was different in the 2012 audited financial statements. Hence 2012 comparative is unaudited.

5. Loss Reserves

The following disclosures on loss reserves are included for information and relate specifically to the Reinsurer and are reflected through the valuations of investments held by the Company.

The reserve for unpaid losses and loss expenses recorded by the Reinsurer includes estimates for losses incurred but not reported as well as losses pending settlement.

The Reinsurer makes a provision for losses on contracts only when an event that is covered by the contract has occurred. When a potential loss event has occurred, the Reinsurer obtains and uses assessments from counter- parties as a baseline, incorporating its own models and historical data regarding loss development, to determine the level of reserves required.

Future adjustments to the amounts recorded as of period-end, resulting from the continual review process, as well as differences between estimates and ultimate settlements, will be reflected in the Reinsurer's statement of operations in future periods when such adjustments become known. Future developments may result in losses and loss expenses materially greater or less than the reserve provided.

During 2013, the Reinsurer paid claims of $65,256,034 pertaining to the Christchurch, New Zealand earthquake in February 2011, Tohoku, Japan earthquake in March 2011, Costa Concordia marine disaster in January 2012 and Superstorm Sandy in October 2012.

6. Capital share transactions

As of 31 December 2013 and 2012, the Company has authorised capital stock of 500,000,000 unclassified shares of par value $0.0001 per share.

As of 31 December 2013 and 2012, the Company has issued 369,849,337 Class 1 Ordinary Shares (the "Shares").

Transactions in Shares during the year, and the Shares outstanding and the net asset value ("NAV") per share are as follow:

31 December 2013

	Beginning Shares	Shares Issued	Shares Redeemed	Ending Shares
Class 1 - Ordinary shares	369,849,337	-	-	369,849,337

	Beginning Amounts	Amounts Issued	Amounts Redeemed	Ending Net Assets	Ending NAV Per Share
Class 1 - Ordinary shares	$ 353,812,902	-		$409,031,695	$1.1059

31 December 2012

	Beginning Shares	Shares Issued	Shares Converted	Ending Shares
Class 1 - Ordinary shares	87,642,000	282,207,337	-	369,849,337
Class 2 - C Shares	244,118,029	-	(244,118,029)	-

	Beginning Amounts	Amounts Issued	Amounts Converted	Ending Net Assets	Ending NAV Per Share
Class 1 - Ordinary shares	$ 87,750,750	$276,563,190	-	$353,812,902	$0.9566
Class 2 - C Shares	$ 250,296,737	-	$(276,563,190)		

The Company has been established as a closed-ended fund and, as such, shareholders do not have the right to redeem their Shares. The Shares are held in trust by Capita IRG Trustees Limited (the “Depository”) in accordance with the Depository Agreement between the Company and the Depository. The Depository holds the Shares and in turn issues depository interests in respect of the underlying Shares which have the same rights and characteristics of the Shares.

The Board has the ability to issue C Shares during any period when the Master Fund has designated one or more investments as “Side Pocket Investments”. This typically will happen if a covered or other pre-determined event has recently occurred or seems likely to occur under an Insurance-Linked Instrument. In such circumstances, only those Shareholders on the date that the investment has been designated as a Side Pocket Investment will participate in the potential losses and premiums attributable to such Side Pocket investment. Any shares issued when side pockets exist will be as C Shares that will participate in all of the Master Fund’s portfolio other than in respect of potential losses and premiums attributable to any Side Pocket Investments in existence at the time of issue. If no Side Pocket Investments are in existence at the time of proposed issue, it is expected that the Company will issue further Ordinary Shares.

On 2 August 2012 the Board of the Company announced that it has declared a distribution (the "Distribution") to Ordinary Shareholders of any proceeds it receives in connection with that part of its investment in the Master Fund which is exposed to potential losses arising from the Master Fund's investment in reinsurance contracts linked to the Christchurch, New Zealand earthquake and Tohoku, Japan earthquake Exposures.

The Distribution, if any, would be made to Ordinary Shareholders on its register of members on 10 August 2012 (the "Record Date") pro rata to the number of Ordinary Shares held on the Record Date, as soon as practicable following receipt of any proceeds from the Master Fund. In January 2014, the

Board announced the declaration of a contingent distribution in relation to the cessation of Japanese Tohoku earthquake. Please refer to subsequent note 12 for further details.

On 8 August 2012 the Board announced that the Master Fund in which the Company invests had closed its side pocket associated with the Christchurch, New Zealand earthquake and Tohoku, Japan earthquake Exposures. As described in the Prospectus, this triggered the conversion of C Shares into Ordinary Shares. The conversion of 244,118,029 C Shares into 282,207,337 Ordinary Shares was effective close of business 10 August 2012 with the admission for the new Ordinary shares effective 13 August 2012.

On 9 January 2013, the Board declared a final dividend of $0.05006 in respect of the Ordinary Shares with a record date of 18 January 2013. This final dividend was paid to shareholders on 27 March 2013.

7. Investment management agreement

Pursuant to the Investment Management Agreement dated 16 December 2010, the Investment Manager is empowered to formulate the overall investment strategy to be carried out by the Company and to exercise full discretion in the management of the trading, investment transactions and related borrowing activities of the Company in order to implement such strategy.

8. Related party transactions

The Investment Manager of the Company is also the Investment Manager of the Master Fund and the Reinsurer. The Investment Manager is entitled to a management fee, calculated and payable monthly in arrears equal to 1/12 of 1.5% of the net asset value of the Company, which is not attributable to the Company's investment in the Master Fund Shares as at the last calendar day of each calendar month. Management fees related to the investment in the Master Fund shares are charged in the Master Fund and allocated to the Company. Performance fees are charged in the Master Fund and allocated to the Company.

Qatar Insurance Company, an affiliate of the Investment Manager, holds 7.10% and 7.44% of the voting rights of the Ordinary Shares issued in the Company as of 31 December 2013 and 2012 respectively. In addition, the directors of the Company are also shareholders of the Company.

9. Administrative Fee

Prime Management Limited (the "Administrator") a subsidiary of SS&C GlobeOp serves as the Company's Administrator and performs certain administrative services on behalf of the Company. For the provision of the service under the administration agreement, the Administrator receives a fixed fee.

10. Financial highlights

	Class 1 Ordinary Shares	**Class 1 Ordinary Shares**	**Class 2 C Shares ****
		United States Dollar	United States Dollar
Per share operating performance			
Net asset value, beginning of year	$0.9566	$ 0.9999	$ 1.0329
Income (loss) from investment operations:			
Net investment loss	(0.0048)	(0.0039)	(0.0023)
Performance Fee #*	(0.0234)	0.0120	(0.0112)
Management Fee	(0.0153)	(0.0146)	(0.0096)
Net gain (loss) on investments	0.2429	(0.0368)	0.1231

Total from investment operations	0.1994	(0.0433)	0.1000
Dividend	(0.0501)	-	-
Net asset value, end of year	$1.1059	$ 0.9566	$ 1.1329**
Total return			
Total return before performance fee	23.28%	(5.52)%	10.77%
Performance fee#*	(2.44)%	1.20%	(1.09)%
Total return after performance fee	20.84%	(4.32)%	9.68%
Ratios to average net assets			
Expenses other than performance fee	(2.01)%	(1.29)%	(1.29)%
Performance fee#*	(2.34)%	0.90%	(1.22)%
Total expenses after performance fee	(4.35)%	(0.39)%	(2.51)%
Net investment loss	(4.35)%	(0.39)%	(2.51)%

† Adjusting the opening capital to reflect the dividend declared on 9 January 2013, the normalised total return for 2013 is equivalent to 21.9%

* The performance fee is charged in the Master Fund.

At the time of the collapse of the Class 2 C Shares into the Class 1 Ordinary Shares, there was a performance fee accrued on the Class 2 C Shares that did not become payable on the collapse of the Class 2 C Shares, but became attached to the exchanged Class 1 Ordinary Shares. Subsequent to the date of the collapse, the accrued performance fee that attached to the exchanged Class 1 Ordinary Shares was reversed due to the performance of the Company. As a result, the performance fee numbers and ratios for the Ordinary shares appear income/recovery and not expense in 2012.

** Net asset value before conversion. Class 2 C Shares were converted to Ordinary Shares 10 August 2012. The total return and ratios have not been annualised.

The ratios to weighted average net assets are calculated for each Class of Share taken as a whole. An individual shareholder's return and ratios to weighted average net assets may vary from these amounts based on the timing of capital transactions. Returns and ratios shown above are for the year ended 31 December 2013 and 2012. Returns and ratios for periods of less than one year have not been annualised. The per share amounts and ratios reflect income and expenses allocated for the Master Fund.

11. Indemnifications or warranties

In the ordinary course of its business, the Company may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on its history and experience, management believes that the likelihood of such an event is remote.

12. Subsequent events

On 14 January 2014, the Board declared a final dividend of $0.05737 per share in respect of the

Ordinary Shares with a record date of 24 January 2014 and was paid on 31 January 2014.

In addition, the Board announced on 14 January 2014 that it had declared a contingent Distribution in relation to the cessation of the Japanese Tohoku earthquake loss reserve for 2011 (as discussed in Note 6) of $0.02887 per share to Ordinary Shares and was paid on 24 January 2014.

On 27 January 2014, the Board announced that the proposed return of value to shareholders of $0.20 per existing Ordinary Share, equivalent to approximately $74,000,000, and the subsequent share capital consolidation were approved. Following the share capital consolidation, a total of 299,577,962 Ordinary Shares were issued effective 28 January 2014. In addition, a total of 9,705,008 Ordinary Shares were issued effective 29 January 2014.

These financial statements were approved by the Board of Directors and available for issuance on 18 February 2014. Subsequent events have been evaluated through this date.

For further information, please contact:

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