CATCo Reinsurance Opportunities Fund Ltd.

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Portfolio Update

To: SFM, London Stock Exchange and Bermuda Stock Exchange

Date: 15 January 2015

Highlights

- FY14 net asset value ("NAV") growth of 14.08%
- FY14 share price total return of 9.20%
- FY14 share price growth of 4.04%
- FY14 annual dividend declared of $0.05929 per share
- Side pockets set up at 31 December 2014 amount to approximately 3.5% of NAV but are not expecteded to result in loss payments
- Proposed Return of Value to Shareholders equivalent to $35 million in aggregate from profits generated during FY14
- Increased demand for CATCo-Re Ltd (the "Reinsurer") products has led to 100% of available capital deployed at 1 January 2015
- CATCo Investment Management, Ltd (the "Manager") has maintained a disciplined 2015 deployment which has yielded a de-risked portfolio while still achieving in excess of the Company's stated targeted gross investment return of LIBOR plus 12-15% per annum
- FY15 portfolio provides for an indicative net return of 19%
- 2015 average risk per pillar decreased to 3.3% (2014: 4.1%). Helped by reduced cost of hedging the portfolio

FY14 Performance

Similar to 2013, CATCo again achieved positive capital gains over the year to 31 December 2014 ("the period") resulting from a well-diversified and balanced investment portfolio of global risks.

Following US severe convective storm activity in 2014 the Manager established small aggregate loss reserves during 2014 amounting to approximately 1% of NAV. The NAV appreciation for the period was 14.08% ahead of the Eurekahedge Insurance Linked Securities Advisors Index of 4.96%*

The Company has continued to pay an annual dividend representing approximately LIBOR plus 5% of the net asset value of the Company at 31 December each year.

On 5 January 2015 the Board of Directors declared the FY14 annual dividend of $0.05929 per share.

Side Pocket Investments ("SPIs")
The only remaining side pocket associated with calendar years prior to 2014 is in relation to Super-storm Sandy which occurred in late October of 2012. This SPI amounted to 2.8% of the net asset value at 31 December 2014.

In accordance with the Reinsurer's contracts, the Reinsurer and the reinsured counterparties must agree to commute the remaining liability by no later than 31 December 2015. The Manager expects that the release of liabilities related to Super-storm Sandy will result in an enhancement to the indicative net returns for 2015.

Proposed Return of Value to Shareholders
With no significant insured losses incurred on the 2014 investment portfolio the Company concluded a successful year with the net asset value benefitting from approximately 14 cents per Ordinary Share of net insurance premiums earned over the full year.

Consequently, the Company announced on 5 January 2015 that the Directors propose to return US$35 million in aggregate, or US$0.11528 per Existing Ordinary Share equating to approximately 10% of the Company's market capitalization as at 1 January 2015, by way of the proposed Return of Value (Capital or Income Distribution), or if the Return of Value is not approved by Shareholders simply by way of a dividend.

The Return of Value is separate and in addition to the target annual distribution of an amount equal to LIBOR plus 5% of the Net Asset Value at the end of each Fiscal Year.

2015 Investment Portfolio Deployment
At the date of this announcement, the Investment Manager, on behalf of the Reinsurer, has agreed terms on new 2015 reinsurance transactions with multiple reinsurance counterparties that have utilized 100% of the available capital received.

The Company and Master Fund's reinsurance portfolio contains a significantly diverse set of global risk pillars. Indicative annualized net returns for 2015, including retrocessional protections, provide for a maximum, no-loss, return of 19%. Furthermore, the average risk per pillar for 2015 has decreased to 3.3% versus 4.1% for 2014. In addition, the Master Fund's diversified portfolio, including reinsurance protections, ensures that exposure to a single loss event, no matter the magnitude of the event, results in net portfolio returns for investors in the current financial year of not worse than negative 10%.

** Eurekahedge Insurance Linked Securities Advisors Index is not the Company's stated investment benchmark.*

This information is based on research undertaken by CATCo. CATCo Investment Management Limited may change its opinions and views without prior notice. It does not constitute investment advice nor is it an invitation to invest in this company. This is purely a scenario analysis and not a forecast.

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