CATCo
Reinsurance Opportunities Fund Ltd.

2 March 2017

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

Annual Financial Report

For the 12 month period 1 January 2016 to 31 December 2016

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.

2016 Highlights

- Net Asset Value Return of 8.12% (Ordinary Shares) and 7.27% (C Shares)
- NAV total return since inception of 74.81%
- 2016 annual dividend of $0.07180 per share in respect of Ordinary Shares and $0.05795 in respect of the C Shares
- Outperformed industry benchmark by 57% (Ordinary Shares) and 40% (C Shares)

CHAIRMAN'S STATEMENT

Welcome to the 2016 Annual Report for CATCo Reinsurance Opportunities Fund Ltd. (the "Company"). For the year ended 31 December 2016 the Company achieved a net return for Shareholders of 8.12 percent for the Ordinary Shares and 7.27 percent for the C Shares. This is despite the number of significant catastrophic events that occurred during the year, making 2016 the worst year for insured losses since 2012 (Source: Munich Re).

The Company's Ordinary and C Shares significantly outperformed the industry benchmark, the Eurekahedge ILS Advisors Index (2016: 5.18 percent), by 57 percent and 40 percent respectively. This is the sixth year in a row that the financial performance of the Company has significantly exceeded the index.

Furthermore, 2016 represented continued solid performance with a NAV total return since inception of 74.81 percent, which includes the annual dividend (at a rate of LIBOR plus 5 percent of the Company's Net Asset Value ("NAV")) and the prior year's return of value. The Company forms part of the Markel CATCo group of companies ("the Group") which now has combined private and public fund assets under management ("AUM") of approximately $4.3 billion.

In 2014, Side Pocket Investments ("SPI's") were created as a result of U.S. severe convective storm events, amounting to approximately 3.5 percent of the Company's NAV at the time. As at 31 December 2016, these SPI's represented approximately 1.6 percent of the Ordinary Share NAV (31 December 2015: 1.5 percent).

In 2015, SPI's were created principally as a result of the winter storms in the U.S. and Canada, the Tianjin explosion in China and the UK floods. In the first quarter of 2016, the Investment Manager was able to release the entire Side Pocket Investment and loss reserve in relation to the UK floods, resulting in a 1 percent appreciation in the Ordinary Share NAV. As at 31 December 2016, the remaining SPI's represented approximately 3.2 percent of the Ordinary Share NAV (31 December 2015: 5.5 percent). The combined 2014 and 2015 SPI's amount to 4.8 percent of the Ordinary Share NAV as at 31 December 2016.

SPI's were also created for 2016 as a result of the Fort McMurray wildfire in Canada, the Jubilee oil field off the coast of Ghana, Hurricane Matthew in Southeast United States and the South Island earthquake in New Zealand. As at 31 December 2016, the SPI's established in relation to the 2016 portfolio represented approximately 7.1 percent of both the Ordinary and C Share NAV's. These 2016 SPI's represent capital held by reinsurance counterparties in excess of the loss reserves and reflect the above average catastrophic events during the year.

The combined 2014, 2015 and 2016 SPI's amount to 11.5 percent of the Ordinary Share NAV. Further information about the loss reserves is included in the Manager's Review.

Capital Raising
Following the raise of $91.84 million of new capital in the fourth quarter of 2015 the Company raised a further $10.89 million in March 2016. This new capital was used to meet a proportion of new demand from reinsurance clients which occurred prior to the mid-year reinsurance contract renewals.

Your Board believes that it is important for the Company to be able to raise additional capital, should there be an appropriate level of demand from both reinsurance clients and potential new and existing investors. In addition, therefore, to the authority which the Board seeks annually from Shareholders to allot Ordinary Shares up to a maximum of 10 percent of the number of Ordinary Shares in issue at the date of the AGM, your Board is seeking a similar authority in relation to the C Shares. The issuance of either Ordinary Shares or C Shares will only take place at a premium to the prevailing NAV.

Any C Shares issued under this shareholder authority would, in due course, be consolidated into a single class, following Board approval, with the Ordinary Shares along with the pre-existing C Shares in issue.

C Share Conversion
Your Board continually keeps under review the materiality of SPI's and the possible timing for conversion of the C shares into Ordinary Shares and will only do when the SPI's have either been released or are deemed immaterial, thus limiting the exposure of new capital to past losses.

As at the date of publication of this Annual Report, that remains the case, however a further release of the 2014 and 2015 SPI's is expected during 2017 and, subsequent to such releases, the Board will consider the remaining materiality of the SPI's and the possible timing of the conversion of the C Shares.

Tender Offer and Dividend
As set out in the Circular to Shareholders dated 29 September 2015, the Company has implemented a Return of Value Tender with the objective of making an investment in the Company more attractive to a wider range of investors.

The Tender Offer is offered at the Board's discretion and only if the Company's shares trade at a discount on the day the NAV per share, as at 31 October in a particular year, is announced. The Company's Ordinary Shares and C Shares traded at a 0.25 percent discount and a 0.53 percent discount respectively, to the Net Asset Value as at 14 November 2016. After consulting with major Shareholders, and in light of the narrow discount to the Net Asset Value, the Board decided not to implement the Return of Value Tender for either class of share.

An annual dividend of $0.07180 in respect of Ordinary Shares and $0.05795 in respect of the C Shares was paid to Shareholders on 17 February 2017 as announced on 26 January 2017.

Shareholders
I would like to notify Shareholders that it is my intention to stand down from the Board of Directors at the Company's forthcoming AGM in order to become Chairman of the Markel CATCo Reinsurance Fund Ltd. I believe that, with my experience of the reinsurance industry, this new role will allow me to best serve the interests of all of the Group's stakeholders.

It is proposed that James Keyes will replace me as Chairman of the Company. Also, it is the Board's intention to appoint an additional director in order to maintain the number of directors on the Board at four.

I would like to thank not only Shareholders for the support they have given me as their Chairman, but also the Investment Manager for their exemplary performance. During this period of my tenure as Chairman, the Company has grown its NAV by over 30 percent, returned profits of over $98 million and has paid a dividend each year equal to LIBOR plus 5 percent of the Net Asset Value.

On behalf of all of the directors I would like to express our gratitude to the Investment Management team for their continued hard work during 2016, which has resulted in another positive year for the Company and strong prospects for the future.

Nigel Barton

Chairman,
CATCo Reinsurance Opportunities Fund Ltd.
2 March 2017

MANAGER'S REVIEW

Under the new ownership of Markel Corporation ("Markel"), Markel CATCo Investment Management Ltd. ("MCIM" or the "Investment Manager") successfully achieved significant growth in terms of both demand from its reinsurance clients and its assets under management ("AUM"). AUM as at 1 January 2017 increased by over 20 percent to $4.3 billion compared to the previous year, the new capital being used to meet additional reinsurance buyer demand for the 1 January 2017 renewal season.

The integration process between MCIM and Markel was completed in August 2016 during which a number of synergies between the two organisations were identified. Markel has provided significant benefits to MCIM through scale and financial and operational support. Much of the success of the integration was due to the similar cultures of the two companies and their joint focus on providing the best service possible to clients. The Investment Manager continues to enjoy strong support from its parent company.

In response to the Group's growth, and in order to provide additional resource, MCIM has invested in its team and during the year appointed additional key personnel including Alissa Fredricks as Chief Risk Officer and John Whiley as Chief Compliance Officer. The Investment Manager also appointed a new Senior Actuary, Kimberly Kerivan who previously worked for the international catastrophe modeling company, AIR Worldwide. These appointments strengthen the management team and help the Investment Manager to develop and focus on providing its reinsurance buyers with the leading edge innovative products available in the retrocessional reinsurance industry. The Investment Manager will continue to invest in resources in line with the development of its business.

2016 Significant Loss Events Update

Following three years of relatively low natural catastrophe activity, economic loss figures for the past twelve months were nearly as high as the estimated figure for 2012 of $180 billion. According to Munich Re, total economic losses due to natural catastrophes in 2016 amounted to approximately $175 billion. Almost 30 percent of the losses, or approximately $50 billion, were insured. This makes 2016 one of the five worst years for insured losses due to natural disasters. The share of uninsured losses, known as the protection gap, highlights that a key growth opportunity exists for both the insurance and reinsurance markets to expand into new regions and perils.

The costliest natural catastrophe of the year was the April earthquake in Kumamoto, Japan, which resulted in $5.9 billion of insured loss. While a significant event for the region, loss levels are expected to remain significantly below our coverage levels.

Hurricane Matthew, which impacted the Caribbean and Southeast United States, was the largest event to impact North America in 2016, with claims currently estimated at $3.8 billion. North America was also impacted by other extreme events, including the Fort McMurray wildfire which became the largest catastrophe to ever impact Canada with cumulative insured losses of approximately $2.9 billion.

Another significant earthquake event occurred in November in South Island, New Zealand, with current insured loss estimates of approximately $2 billion.

The most costly manmade disaster in 2016 was associated with the Jubilee oil field offshore energy loss off the coast of Ghana. Current estimates related to business interruption, joint hull and machinery losses for this event are in the range of $1.2 billion to $1.5 billion.

Loss Reserves

During 2016 the Investment Manager established total loss reserves of 9.5 percent for the following events; Jubilee oil field 3.5 percent, Canada wildfire 3 percent, Hurricane Matthew 1 percent, the New Zealand earthquake 1 percent and attritional losses 1 percent.

As previously highlighted in our interim report, during the first quarter of 2016, the Investment Manager released the entire loss reserves related to the 2015 UK floods, resulting in a 1 percent appreciation in the Ordinary Share NAV.

Attritional Loss Reserve

As a consequence of the increasing size and diversity of the Company's portfolio, inevitably a number of small ('attritional') losses will be incurred. Notifications of a proportion of these losses are occasionally received an extended time after the loss event and towards the end of the Company's financial year.

To offset this concentration of loss reporting that impacts the NAV towards the end of the year, the Company introduced a monthly attritional loss reserve of approximately 0.15 percent with effect from January 2016.

2017 Outlook

With 2016 producing the highest level of catastrophe losses since 2012, the Investment Manager has been able to improve terms and conditions for its reinsurance clients. Despite the challenging soft market, client retentions remain at very high levels and a number of new clients were successfully added to the portfolio.

According to Guy Carpenter, traditional reinsurance pricing continued to see downwards pricing pressure of approximately 3.7 percent, as at 1 January 2017, compared to a decrease of 8.8 percent in the previous year. The most significant movement in the sector has been within the Cat Bond market which has seen rate reductions of up to 30 percent during the fourth quarter of 2016. Despite this backdrop, the Group has successfully maintained its premium rates due principally to its unique pillared product that can be personalised for each individual client.

The low price environment and the continued growth of the ILS market has again enabled the Investment Manager to purchase broader balance sheet protections for 2017, mainly in the form of ILWs that were purchased at similar price levels to 2016. These protections reduce the Company's exposure to potential losses from significant catastrophic events.

Demand for the Group's product is at its highest point since the Company's inception, which has allowed the Investment Manager to deploy 100 percent of its available capital during the 2017 renewal process. With a broad geographic spread, a balanced exposure to differing risk perils and with portfolio protections in place, the Investment Manager has successfully built a stronger investment portfolio for 2017 with a return and risk profile which is similar to that of the 2016 portfolio.

Anthony Belisle
Chief Executive Officer
Markel CATCo Investment Management Ltd.
2 March 2017

REVIEW OF BUSINESS

A review of the Company's activities is given in the Chairman's Statement and in the Manager's 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, Markel CATCo Reinsurance Fund Ltd. (the "Master Fund") and CATCo Reinsurance Fund Ltd. (the "CATCo Master Fund") is to give their 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 Preference Shares of the Reinsurer. The Company's investment policy and Manager's Review appear below and explain 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 and the CATCo Master Fund intend 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 and the CATCo Master Fund intend that:

- no more than 20 percent of their respective capital will be exposed to a single catastrophic event;
- their respective 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 or the CATCo Master Fund, as appropriate;

- their respective capital will be exposed to aviation and marine (including offshore energy) losses caused by catastrophes; and
- at least 50 percent of their respective capital will be exposed to residential and commercial property losses.

At 31 December 2016, 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 50 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.

A portfolio review by the Investment Manager is given in the Manager's Review.

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.

Share Capital
The Company's issued share capital at 1 January 2017 amounted to 273,224,673 Ordinary Shares and 102,510,018 C Shares. On 24 March 2016, the Company issued 10,675,000 C Shares, resulting in a total of 102,510,018 C Shares as at 1 January 2017.

Note 7 to the Financial Statements contains further details relating to the C Shares..

Total Assets and Net Asset Value
At 31 December 2016, the Company had Total Assets of $463.62mn and a Net Asset Value per Ordinary and C Share of $1.3024 and $1.0512 respectively.

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 and the CATCo 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 portfolio managed by Markel CATCo Investment Management Limited consists of fully collateralised reinsurance contracts 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.

Monitoring Performance
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.

Management of Risk

The Manager's risk objectives are closely linked to their performance goals. They seek to optimise trade-offs to ensure that they meet their return objectives, control the volatility of these returns, track underlying liquidity and identify and manage macro-factor risk.

The Board of Directors regularly reviews 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.

Results and Dividends

The total return attributable to Ordinary Shareholders for the year amounted to 8.12 percent (2015 – 11.58 percent) and 7.27 percent for the C Shares.

An annual dividend of $0.07180 in respect of Ordinary Shares and $0.05795 in respect of the C Shares was paid to Shareholders on 17 February 2017 as announced on 26 January 2017.

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.

The record date for this dividend was 3 February 2017 and the Ordinary and C Shares went ex-dividend on 2 February 2017. The dividend was paid to Shareholders on 17 February 2017.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 present fairly in all material respects 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 the 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, Markel CATCo Investment Management Ltd. The maintenance and integrity of the website maintained by Markel CATCo Investment Management Ltd. is, so far as it relates to the Company, the responsibility of Markel 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 present fairly the assets, liabilities, financial position and profit or loss of the Company.

Furthermore, each Director confirms that, to the best of his or her knowledge, the management report (which consists of the Chairman's Report, the Manager's Review, the Strategic Report and the Directors' Report) includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

Alastair Barbour
Chairman of the Audit Committee
2 March 2017

AUDITED STATEMENTS OF ASSETS AND LIABILITIES

(Expressed in United States Dollars)	**31 Dec. 2016**	**31 Dec. 2015**
	$	$
Assets		
Investments in Master Funds, at fair value (see Note 5)	463,116,346	347,516,987
Cash and cash equivalents	819,558	1,839,305
Advance subscription in Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund	-	88,000,000
Other assets	20,257	30,125
Total assets	463,956,161	437,386,417
Liabilities		
Accrued expenses and other liabilities	339,036	282,989
Total liabilities	339,036	282,989
Net assets	**463,617,125**	**437,103,428**

NAV per Share (see Note 7)
See accompanying Notes to Financial Statements

AUDITED STATEMENTS OF OPERATIONS

(Expressed in United States Dollars)	**Year ended 31 Dec. 2016**	**Year ended 31 Dec. 2015**
	$	$
Net investment loss allocated from Master Funds (see Note 5)		
Interest	142,741	7,768
Miscellaneous Income	11,874	2,992
Management fee	(6,739,718)	(4,987,744)
Performance fee	(3,906,968)	(4,274,137)
Professional fees and other	(312,932)	(383,083)
Administrative fee	(229,233)	(157,199)

Net investment loss allocated from Master Funds	(11,034,236)	(9,791,403)
Company expenses		
Professional fees and other	(1,412,957)	(2,468,689)
Administrative fee	(99,000)	(54,000)
Management fee	(80,620)	(18,175)
Total Company expenses	(1,592,577)	(2,540,864)
Net investment loss	(12,626,813)	(12,332,267)
Net realised gain and net decrease in unrealised appreciation on securities allocated from Master Funds (see Note 5)		
Net realised gain on securities	57,663,896	51,154,113
Net decrease in unrealised appreciation on securities	(11,149,939)	(2,445,883)
Net gain on securities allocated from Master Funds	46,513,957	48,708,230
Net increase in net assets resulting from operations	33,887,144	36,375,963

See accompanying Notes to Financial Statements

AUDITED STATEMENTS OF CHANGES IN NET ASSETS

(Expressed in United States Dollars)	**Year ended 31 Dec. 2016**	**Year ended 31 Dec. 2015**
	$	$
Operations		
Net investment loss	(12,626,813)	(12,332,267)
Net realised gain on securities allocated from Master Funds	57,663,896	51,154,113
Net decrease in unrealised appreciation on securities allocated from Master Funds	(11,149,939)	(2,445,883)
Net increase in net assets resulting from operations	33,887,144	36,375,963
Capital share transactions		
Issuance of Class C Shares	10,920,013	91,838,761
Dividend declared	(18,084,741)	(17,999,434)
Offering costs	(208,719)	(1,840,444)
Return of value distribution	-	(34,997,045)
Net (decrease) / increase in net assets resulting from capital share transactions	(7,373,447)	37,001,838
Net increase in net assets	26,513,697	73,377,801
Net assets, at 1 January	437,103,428	363,725,627

Net assets, at 31 December	463,617,125	437,103,428

See accompanying Notes to Financial Statements

AUDITED STATEMENTS OF CASH FLOWS

(Expressed in United States Dollars)	**Year ended 31 Dec. 2016**	**Year ended 31 Dec. 2015**
	$	$
Cash flows from operating activities		
Net increase in net assets resulting from operations	33,887,144	36,375,963
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 decrease in unrealised appreciation on securities allocated from Master Funds	(35,479,721)	(38,916,827)
Sale of investment in CATCo Reinsurance Fund Ltd. - CATCo Diversified Fund	334,580,362	55,200,000
Purchase of investment in Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund	(414,700,000)	-
Changes in operating assets and liabilities:		
Advance subscription in Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund	88,000,000	(88,000,000)
Other assets	9,868	441
Accrued expenses and other liabilities	56,047	71,728
Net cash provided by / (used in) operating activities	6,353,700	(35,268,695)
Cash flows from financing activities		
Issuance of Class C Shares	10,920,013	91,838,761
Dividend paid	(18,084,741)	(17,999,434)
Offering costs	(208,719)	(1,840,444)
Return of value distribution paid	-	(34,997,045)
Net (used in) / provided by financing activities	(7,373,447)	37,001,838
Net (decrease) / increase in cash and cash equivalents	(1,019,747)	1,733,143
Cash and cash equivalents, at 1 January	1,839,305	106,162
Cash and cash equivalents, at 31 December	819,558	1,839,305

See accompanying Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017

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 originally organised as a feeder fund to invest substantially all of its assets in CATCo Diversified Fund (the "CATCo Master Fund"). The CATCo 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 CATCo Master Fund will establish a separate account for each class of shares comprised in each segregated account (each, a "SAC Fund"). Each SAC Fund is a separate individually managed pool of assets constituting, in effect, a separate fund with its own investment objective and policies. The assets attributable to each segregated account of the CATCo Master Fund shall only be available to creditors in respect of that segregated account.

On 10 September 2015, Markel Corporation ("Markel") and CATCo Investment Management Ltd. ("CIML") jointly announced that they had entered into an agreement (the "Acquisition") whereby Markel would acquire substantially all of the assets of CIML.

On 8 December 2015, the Acquisition was completed and substantially all of the assets of CIML were acquired by Markel. As a result of the Acquisition, Markel CATCo Investment Management Ltd. ("MCIM") commenced operation and CIML's management team, led by Chief Executive Officer Anthony Belisle, transitioned into commensurate roles at MCIM and continues to operate the business from its Hamilton, Bermuda headquarters, now under Markel's ultimate ownership.

Pursuant to an investment management agreement, the Company is now being managed by MCIM (the "Investment Manager"), a Bermuda based limited liability company. Subject to the ultimate supervision of the Company's Board of Directors (the "Board"), the Investment Manager is responsible for all of the Company's investment decisions. The Investment Manager commenced operations on 8 December 2015 (see Note 8).

On 8 December 2015, the Investment Manager entered into a Run-Off Services Agreement with CIML, under which the former will provide services relating to the management of the run-off business of CIML.

As a result of the completion of the Acquisition, effective 1 January 2016, the Company conducts substantially all of its investment activities through the Markel CATCo Diversified Fund (the "Master Fund"), a segregated account of Markel CATCo Reinsurance Fund Ltd., instead of the CATCo Master Fund. Meanwhile, the Company will retain an interest in any run-off business of the CATCo Master Fund, overseen by CIML, until such business is liquidated. The Master Fund and the CATCo Master Fund are hereafter referred to as the "Master Funds".

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.

The objective of the Master Funds 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 Funds would be exposed to reinsurance risk, insurance-linked securities (such as notes, swaps and other derivatives), and other financial instruments. The majority of the Master Fund's exposure to reinsurance risk is obtained through its investment (via preference shares) in Markel CATCo Re Ltd (the "Reinsurer"). At 31 December 2016, the Company's ownership is 16% of the Master Fund (31 December 2015: 0%) and 16% of the CATCo Master Fund (31 December 2015: 15%).

The Reinsurer and CATCo-Re Ltd. (the "CATCo Reinsurer"), (together the "Reinsurers") are Bermuda licensed Class 3 reinsurance companies, registered as a segregated accounts companies under the SAC Act, through which the Master Funds access the majority of their reinsurance risk exposure. The Reinsurers will form a segregated account that corresponds solely to the Master Funds' investment in the Reinsurers with respect to each particular reinsurance agreement.

The Reinsurers focus primarily on property catastrophe insurance and may be exposed to losses arising from hurricanes, earthquakes, typhoons, hailstorms, winterstorms, floods, tsunamis, tornados, windstorms, extreme temperatures, aviation accidents, fires, wildfires, explosions, marine accidents, terrorism, satellite, energy and other 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 ("U.S. GAAP"). The Company is an investment company and follows the accounting and reporting guidance contained within Topic 946, "Financial Services Investment Companies", of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

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 Investments in Master Funds
The Company records its investments in the Master Funds at the net asset value as reported by the Master Funds, which is the Company's proportionate interest in the net assets of the Master Funds. The performance of the Company is directly affected by the performance of the Master Funds and is subject to the same risks to which the Master Funds are subject. Valuation of investments held by the Master Funds, 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 Funds)
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 Investment Manager 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 Investment Manager. Unobservable inputs reflect the assumptions of the Investment Manager in conjunction with both Board of Directors of each of the respective Master Funds (the "Board of the Master Funds") 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 Funds have 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 Investment Manager 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 Funds' own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Master Funds use 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 Funds)

The value of preference shares issued by the Reinsurers and subscribed for by the Master Funds 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 net 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 amount of any loss estimates associated with potential claims triggering covered events (see "Covered Event Estimates" below); minus

v. the amount of any risk margin considered necessary to reflect uncertainty and to compensate a market participant for bearing the uncertainty of cash flows in an exit of the reinsurance transaction.

Protections
Included within the Master Fund's investment in the Reinsurer are certain preference shares issued by the Reinsurer and subscribed for by the Master Fund is in relation to reinsurance protections ("Protections") purchased by the Master Fund. The Protections are purchased in order to meet the desired level of risk based on the strategy deemed appropriate by the Investment Manager. The premium payment associated with the Protections is fair valued over the duration of the contract. The Protections are valued at nil representing the amount of unamortized paid premium held as at 31 December 2016 (31 December 2015: nil). No claims were recovered in relation to these Protections during 2016 or 2015.

Derivative Financial Instruments
The Master Funds use derivative financial instruments such as industry loss warranties ("ILWs"), which are recorded at fair value as at the reporting date. Realised and unrealised appreciation or depreciation in fair values are included in net gain on securities in the Statements of Operations in the year in which the changes occur.

The fair value of derivative financial instruments at the reporting date generally reflects the amount that the Master Funds would receive or pay to terminate the contract at the reporting date. These derivative financial instruments used by the Master Funds are fair valued similar to preference shares held with respect to reinsurance agreements, unless otherwise unavailable, except that following a Covered Event (as defined below), loss information from the index provider on the trade will be used.

Investments in Securities held by the Reinsurers

Earned Premiums
Premiums shall be considered earned with respect to computing the Master Funds' net asset value in direct proportion to the percentage of the risk that is deemed to have expired year-to-date. Generally, all premiums, net of acquisition costs, 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 recognition of certain instruments, 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.

Covered Event Estimates
The Investment Manager provides monthly loss estimates for all incurred loss events ("Covered Events") potentially affecting investments relating to a retrocessional reinsurance agreement of the Reinsurers. As the Reinsurers' 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 Funds

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 the Administrator, as defined in Note 10, 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 Funds, 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 Funds' 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 management and performance fee.

At any given time, a substantial portion of the Master Funds' 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 Pocket Investments

The Board of the Master Funds, 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 of losses 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 Statements of Assets and Liabilities at their fair value as determined in good faith by the Board of the Master Funds 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 Funds' income, expenses, realised gains and losses and increases and decreases in unrealised appreciation on a monthly basis. In addition, the Company incurs and accrues its own income and expenses.

Investment transactions of the Master Funds 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 income and expense are 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 on securities 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 2016 and 2015. 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 tax-related expense or penalties have been recognised as of and for the years ended 31 December 2016 and 2015.

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 United States 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 United States federal or foreign tax laws. The Company was not subjected to any tax examinations during the years ended 31 December 2016 and 2015.

Use of Estimates
The preparation of Financial Statements in conformity with U.S. GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements. Actual results could differ from those estimates.

Offering Costs
The costs associated with each capital raise are expensed against paid-in capital as incurred.

2. SCHEDULE OF THE COMPANY'S SHARE OF THE INVESTMENTS HELD IN THE MASTER FUNDS AND FAIR VALUE MEASUREMENTS

The following table reflects the Company's proportionate share of the fair value of investments in the Reinsurers held by the Master Funds at 31 December 2016.

Preference Shares *- Investments in Markel CATCo Re Ltd.*	*$ Fair Value*
Class A Preference Shares	27,444,563
Class B Preference Shares	11,714,124
Class C Preference Shares	4,217,525
Class D Preference Shares	20,768,970
Class E Preference Shares	1,456,100
Class F Preference Shares	34,081,333

Class G Preference Shares	20,923,116
Class H Preference Shares	6,239,253
Class I Preference Shares	22,049,112
Class J Preference Shares	6,246,001
Class K Preference Shares	2,163,040
Class L Preference Shares	9,368,899
Class M Preference Shares	3,244,520
Class N Preference Shares	4,679,440
Class O Preference Shares	5,152,761
Class P Preference Shares	47,467,366
Class Q Preference Shares	7,336,796
Class R Preference Shares	4,415,684
Class S Preference Shares	5,933,215
Class T Preference Shares	8,466,064
Class U Preference Shares	3,119,626
Class V Preference Shares	5,211,726
Class W Preference Shares	1,478,259
Class X Preference Shares	1,093,007
Class Y Preference Shares	5,929,661
Class Z Preference Shares	2,370,483
Class BA Preference Shares	793,206
Class BB Preference Shares	7,151,367
Class BC Preference Shares	791,816
Class BD Preference Shares	2,379,027
Class BE Preference Shares	7,726,069
Class BF Preference Shares	9,371,882
Class BM Preference Shares	1,137,365
Class BN Preference Shares	2,284,789
Class BO Preference Shares	2,280,551
Class BP Preference Shares	5,753,082
Class BQ Preference Shares	6,027,176
Class BR Preference Shares	1,411,318
Class BS Preference Shares	8,922,565
Class BT Preference Shares	27,215,619
Class BU Preference Shares	780,567
Class BV Preference Shares	2,253,634
Class BW Preference Shares	2,268,713
Expense Cell Preference Shares	128,019
Total Investments in Markel CATCo Re Ltd.	**$361,247,409**

Preference Shares *- Investments in CATCo-Re Ltd.*	*$ Fair Value*
Class AE Preferred Shares	1,536,115
Class AF Preferred Shares	898,753
Class BF Preferred Shares	705,363
Class BJ Preferred Shares	1,739,074
Class BW Preferred Shares	582,346
Class CM Preferred Shares	711,384
Class DC Preferred Shares	248,639
Class DE Preferred Shares	114,245
Class DF Preferred Shares	373,316
Class DG Preferred Shares	171,725
Class DL Preferred Shares	1,455,090
Class DM Preferred Shares	907,344
Class DN Preferred Shares	1,042,388
Class DP Preferred Shares	2,502,853
Class DV Preferred Shares	567,772
Class DZ Preferred Shares	332,657

Total Investments in CATCo-Re Ltd.	**$13,889,064**

Investments in Markel CATCo Re Ltd. *- Aquilo Re*	*$ Fair Value*
Aquilo Re Series AQ002	77,841
Aquilo Re Series AQ003	29,584
Aquilo Re Series AQ004	8,571
Total Investments in Markel CATCo Re Ltd. - Aquilo Re	**$115,996**

Total Investments in Preference Shares	**$375,252,469**

The following table reflects the Company's proportionate share of the fair value of investments in the CATCo Reinsurer held by the CATCo Master Fund at 31 December 2015.

Preference Shares *- Investments in CATCo-Re Ltd*	*$ Fair Value*
Class AE Preference Shares	1,223,811
Class AF Preference Shares	711,469
Class AH Preference Shares	895,303
Class BE Preference Shares	673,307
Class BF Preference Shares	770,068
Class BJ Preference Shares	1,548,021
Class BV Preference Shares	5,263,700
Class BW Preference Shares	866,351
Class CF Preference Shares	1,420,588
Class CG Preference Shares	1,425,306
Class CJ Preference Shares	5,706,906
Class CL Preference Shares	2,446,006
Class CM Preference Shares	1,158,793
Class CY Preference Shares	714,540
Class CZ Preference Shares	8,429,733
Class DA Preference Shares	1,395,503
Class DB Preference Shares	5,597,618
Class DC Preference Shares	5,021,051
Class DE Preference Shares	1,593,616
Class DF Preference Shares	7,534,096
Class DG Preference Shares	2,392,942
Class DH Preference Shares	8,841,186
Class DI Preference Shares	3,772,307
Class DJ Preference Shares	19,751,999
Class DK Preference Shares	14,738,984
Class DL Preference Shares	20,926,012
Class DM Preference Shares	4,636,909
Class DN Preference Shares	15,010,496
Class DO Preference Shares	29,617,064
Class DP Preference Shares	15,745,974
Class DQ Preference Shares	2,943,777
Class DR Preference Shares	4,336,655
Class DS Preference Shares	44,816,134
Class DU Preference Shares	2,943,540
Class DV Preference Shares	7,477,724
Class DX Preference Shares	7,366,567
Class DZ Preference Shares	1,775,307

Class EA Preference Shares	9,873,258
Class EB Preference Shares	1,541,880
Class ED Preference Shares	125,845
Class EF Preference Shares	539,505
Class EQ Preference Shares	2,941,917
Class ES Preference Shares	5,193,364
Class ET Preference Shares	2,210,704
Class FL Preference Shares	1,376,670
Class FM Preference Shares	363,857
Class FN Preference Shares	710,910
Class FO Preference Shares	14,124,277
Class FP Preference Shares	132,965
Class KK Preference Shares	1,026,955
Class W Preference Shares	1,193
Total Investments in CATCo-Re Ltd.	**301,652,663**

Investments in CATCo-Re Ltd. - Aquilo Re	*$ Fair Value*
Aquilo Re Series AQ001	221,134
Aquilo Re Series AQ002	2,984,020
Aquilo Re Series AQ003	1,141,892
Aquilo Re Series AQ004	329,592
Total Investments in CATCo-Re Ltd. - Aquilo Re	**$4,676,638**
Total Investments in Preference Shares	**$306,329,301**

Included within the Company's investment in Master Funds is cash and cash equivalents held in trust by the Master Funds representing the Company's proportionate share of derivative transactions entered into by the Master Funds amounting to approximately $85,882,181 (31 December 2015: $42,730,882) as of 31 December 2016.

As of 31 December 2016, the total balance of investments held in the Master Funds of $463,116,346 (31 December 2015: $347,516,987) is net of undeployed cash, performance fee and management fee accruals recorded by the Master Funds.

As at 31 December 2016, Side Pocket Investments represent 10.50% of total investment in the Master Funds (31 December 2015: 7.27%).

In accordance with FASB ASC Sub-topic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not required to be classified within the fair value hierarchy. As the Company investments as at 31 December 2016 comprised solely of investments in other investment companies, namely the Master Funds, which are valued using the net asset value per share (or its equivalent) practical expedient, no fair value hierarchy has been disclosed.

The Company considers all short-term investments with daily liquidity as cash equivalents and are classified as Level 1 within the fair value hierarchy. No cash equivalents were held as at 31 December 2016 (31 December 2015: $Nil).

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

Type of Investment	**Valuation Technique**	**Unobservable Input**	**Range**
Preference Shares	Premium earned	Premiums earned - straight line for uniform perils	12 months
		Premiums earned - seasonality adjusted for non-uniform perils	5 to 6 months

Loss reserves	Loss reserves*	0 to contractual limit
Risk margin	Risk margin	0% to 15%

* Based on 'from ground-up' losses as reported by Reinsurance clients.

As described in Note 6, significant increases or decreases in loss reserves of the Reinsurers 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 reinsurance 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 2016 and 2015, cash and cash equivalents are held with HSBC Bank Bermuda Ltd. which has a credit rating of A- as issued by Standard & Poor's.

4. CONCENTRATION OF REINSURANCE RISK

The following table illustrates the diversified risk profile of the Reinsurers' portfolio by geography and peril as at 31 December 2016 and 31 December 2015.

Geographic Distribution

		31 Dec. 2016	31 Dec. 2015
1.	North America/Caribbean	39%	47%
2.	All Other	17%	11%
3.	Europe	10%	9%
4.	Global Backup Protection	9%	10%
5.	Japan	7%	6%
6.	Mexico/Central America/ South America	6%	6%
7.	Global Marine/Energy/Terrorism/Aviation/Satellite	6%	7%
8.	Australia/New Zealand	4%	4%
9.	Asia Excluding Japan	2%	0%

Exposure by Risk Peril

		31 Dec. 2016	31 Dec. 2015
1.	Wind	35%	41%
2.	Backup Protection	21%	10%
3.	Earthquake	21%	21%
4.	Any Natural Peril	8%	12%
5.	Marine/Energy/Aviation/Satellite	4%	4%
6.	Winterstorm/Wildfire	3%	3%
7.	Severe Convective Storm	2%	3%
8.	Other	2%	0%
9.	Terrorism	2%	3%
10.	Flood	2%	2%

5. INVESTMENTS IN MASTER FUNDS, AT FAIR VALUE

The following table summarises the Company's Investments in Master Funds:

	31 Dec. 2016	31 Dec. 2015
Investment in Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund, at fair value	$446,049,992	-
Investment in CATCo Reinsurance Fund Ltd. - CATCo Diversified Fund, at fair value	17,066,354	347,516,987
Investments in Master Funds, at fair value	$463,116,346	$347,516,987

From 1 January to 31 December 2016, the net investment loss allocated from Master Funds, and the net realised gain and net decrease in unrealised appreciation on securities allocated from Master Funds in the Statements of Operations consisted of the combined results from the Company's Investments in the Master Funds as detailed below:

	Investment in Master Fund $	Investment in CATCo Master Fund $	Total $
Net investment loss allocated from Master Funds			
Interest	141,428	1,313	142,741
Miscellaneous income	-	11,874	11,874
Management fee	(6,435,246)	(304,472)	(6,739,718)
Performance fee	(3,483,332)	(423,636)	(3,906,968)
Professional fees and other	(270,343)	(42,589)	(312,932)
Administrative fee	(201,816)	(27,417)	(229,233)
Net investment loss allocated from Master Funds	(10,249,309)	(784,927)	(11,034,236)
Net realised gain and net decrease in unrealised appreciation on securities allocated from Master Funds			
Net realised gain on securities (a)	4,672,504	52,991,392	57,663,896
Net decrease in unrealised appreciation on securities (b)	36,926,797	(48,076,736)	(11,149,939)
Net gain on securities allocated from Master Funds	41,599,301	4,914,656	46,513,957

a) Includes gross realized gain on securities of $63,572,316 (2015: $ 61,241,411) and gross realized loss on securities of $5,908,420 (2015: $10,087,298).

b) Includes gross increase in unrealized appreciation on securities of $70,091,133 (2015: $66,132,036) and gross decrease in unrealized appreciation on securities of $81,241,072 (2015: $68,577,919).

6. LOSS RESERVES

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

The reserve for unpaid losses and loss expenses recorded by the Reinsurers includes estimates for losses incurred but not reported as well as losses pending settlement. The Reinsurers make 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 Reinsurers use their own models and historical loss analysis data as well as assessments from counter-parties to estimate the level of reserves required. In addition, the Reinsurers record risk margin to reflect uncertainty surrounding cash flows relating to loss reserves.

Future adjustments to the amounts recorded as of year-end, resulting from the continual review process, as well as differences between estimates and ultimate settlements, will be reflected in the Reinsurers' Statements 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 2016, the Reinsurer paid claims of $50,431,965 (31 December 2015: $Nil) predominantly in relation to the Jubilee Oil Field and Canada Wildfire events. The CATCo Reinsurer paid claims of $32,007,856 (31 December 2015: $77,572,664) predominantly in relation to the Tianjin Explosion and United States Severe Convective Storm events.

7. CAPITAL SHARE TRANSACTIONS

As of 31 December 2016, the Company has authorised share capital of 1,500,000,000 (31 December 2015: 1,500,000,000) unclassified shares of US$0.0001 each and Class B Shares ("B Shares") of such nominal value as the Board may determine upon issue.

As of 31 December 2016, the Company has issued 273,224,673 (31 December 2015: 273,224,673) Class 1 ordinary shares (the "Ordinary Shares") and 102,510,018 (31 December 2015: 91,835,018) Class C Shares ("C Shares").

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

31 December 2016

	Beginning shares	Adjustment following Share Capital Consolidation	Share Issuance	Ending Shares	Ending Net Assets	Ending NAV Per Share
Class 1 Ordinary Shares	273,224,673	-	-	273,224,673	$ 355,855,825	$ 1.302
Class C Shares	91,835,018	-	10,675,000	102,510,018	$ 107,761,300	$ 1.051
					$ 463,617,125	

31 December 2015

	Beginning Shares	Adjustment following Share Capital Consolidation	Share Issuance	Ending Shares	Ending Net Assets	Ending NAV Per Share
Class 1 Ordinary Shares	303,582,970	(30,358,297)	-	273,224,673	$ 347,105,110	$ 1.271
Class C Shares	-	-	91,835,018	91,835,018	$ 89,998,318	$ 0.980
					$ 437,103,428	

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 Pocket Investments 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 29 January 2016, the Board declared a dividend of $0.06619 per share in respect of the Ordinary Shares with a record date of 12 February 2016 and the ex-dividend date was on 11 February 2016. The dividend was paid to shareholders on 26 February 2016.

8. INVESTMENT MANAGEMENT AGREEMENT

Pursuant to the Investment Management Agreement dated 8 December 2015, 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. The Investment Manager earns a fee for such services (see Note 9).

As discussed in Note 1, prior to completion of the Acquisition, the Company was managed by CIML as investment manager pursuant to the Investment Management Agreement dated 16 December 2010.

9. RELATED PARTY TRANSACTIONS

The Investment Manager of the Company is also the Investment Manager of the Master Fund and the Insurance Manager of the Reinsurer. CIML is the Investment Manager of the CATCo Master Fund and the Insurance Manager of the CATCo 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 Funds' shares as at the last calendar day of each calendar month. Management fees related to the investment in the Master Funds shares are charged in the Master Funds and allocated to the Company. Performance fees are charged in the Master Funds and allocated to the Company.

Markel, which holds the entire share capital of the Investment Manager, holds 24.39% (31 December 2015: 27.22%) of the voting rights of the C Shares issued in the Company as of 31 December 2016.

Qatar Insurance Company ("QIC"), which holds the entire share capital of CIML, holds 0% (31 December 2015: 2.51%) of the voting rights of the Ordinary Shares issued in the Company as of 31 December 2016.

In addition, three of the Directors of the Company are also shareholders of the Company.

10. ADMINISTRATIVE FEE

Prime Management Limited, a division of SS&C GlobeOp serves as the Company's administrator (the "Administrator") and performs certain administrative services on behalf of the Company. On 31 October 2016, Prime Management Limited merged with SS&C Fund Services (Bermuda) Ltd., another division of SS&C GlobeOp operating in Bermuda. The combined companies now operate as one single entity under the name of SS&C Fund Services (Bermuda) Ltd., a licensed fund administrator pursuant to the provisions of the Bermuda Investment Funds Act. The Administrator receives a fixed monthly fee.

11. FINANCIAL HIGHLIGHTS

Financial highlights for the years ended 31 December 2016 and 2015 are as follows:

	2016			**2015**	
United States Dollar	**Class 1 Ordinary Shares**	**Class C Shares**		**Class 1 Ordinary Shares**	**Class C Shares**
Per Share operating performance					
Net Asset Value, beginning of year	$1.2705	$0.9800		$1.1981	$1.0000
Income (loss) from investment operations:					
Net investment loss	(0.0065)	(0.0044)		(0.0127)	-
Performance Fee*	(0.0105)	(0.0083)		(0.0156)	-
Management Fee	(0.0191)	(0.0153)		(0.0183)	-
Net gain on investments	0.1342	0.0992		0.1783	-
Total from investment operations	0.0981	0.0712		0.1317	-
Dividend	(0.0662)	-		(0.0593)	-
Issuance cost	-	-		-	(0.0200)
Net Asset Value, end of year	$1.3024	$1.0512		$1.2705	$0.9800

Total net asset value return					
Total net asset value return before performance fee	8.56%	8.12%		12.42%	-
Performance fee*	(0.83)%	(0.85)%		(1.31)%	-
Total net asset value return after performance fee	7.73%^	7.27%		11.11%+	-
Ratios to average net assets					
Expenses other than performance fee	(2.24)%	(2.05)%		2.45%	-
Performance fee* ^	(0.88)%	(0.80)%		1.30%	-
Total expenses after performance fee	(3.12)%	(2.85)%		3.75%	-
Net investment loss	(2.84)%	(2.86)%		3.89%	-

+ Adjusting the opening capital to reflect the dividend declared on 5 January 2015, the normalised total return for 2015 is equivalent to 11.58%

^ Adjusting the opening capital to reflect the dividend declared on 29 January 2016, the normalised total return for 2016 is equivalent to 8.12%

* The performance fee is charged in the Master Funds

The ratios to weighted average net assets are calculated for each class of shares 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 years ended 31 December 2016 and 2015. The per share amounts and ratios reflect income and expenses allocated from the Master Funds.

12. 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.

13. SUBSEQUENT EVENTS

On 26 January 2017 the Board declared a final dividend of $0.07180 per share in respect of the Ordinary Shares and $0.05795 per share in respect of the C shares. The record date for these dividends was 3 February 2017 and the ex-dividend date was 2 February 2017. These final dividends were paid to shareholders on 17 February 2017.

Effective 1 February 2017, the Investment Manager released a proportion of the 2014 and 2015 Side Pocket Investments. As a result, the remaining 2014 and 2015 Side Pocket Investments represent approximately 3.7% of the Company's Ordinary Share NAV.

These Financial Statements were approved by the Board and available for issuance on 2 March 2017. Subsequent events have been evaluated through this date.

For further information:
Judith Wynne
General Counsel
Markel CATCo Investment Management Ltd.
Telephone: +1 441 493 9005
Email: judith.wynne@markelcatco.com

Mark Way
Chief Operating Officer
Markel CATCo Investment Management Ltd.
Telephone: +1 441 493 9001
Email: mark.way@markelcatco.com

David Benda / Hugh Jonathan
Numis Securities Limited
Telephone: +44 (0) 20 7260 1000