Blue Capital Global Reinsurance Fund Limited
Annual Report

For the period 6 December 2012 (Commencement of operations)
to 31 December 2013

Contents

Summary Information

The Company

Blue Capital Global Reinsurance Fund Limited (the "Company") is an exempted closed-ended mutual fund company incorporated under the laws of Bermuda and listed on the London Stock Exchange's Specialist Fund Market ("SFM") with a secondary listing on the Bermuda Stock Exchange ("BSX"). Trading in the Company's shares commenced on 6 December 2012, at which time the Company raised $100.1[1] million from an initial public offering ("IPO") of 100.1 million ordinary shares of the Company ("Ordinary Shares"), $50 million of which was invested by Montpelier Reinsurance Ltd. ("Montpelier Re"), a wholly owned subsidiary of Montpelier Re Holdings Ltd. (NYSE: MRH) ("Montpelier"), which in turn wholly owns Blue Capital Management Ltd., the Company's investment manager (the "Investment Manager"). Pursuant to a 12-month placing programme initiated on 16 April 2013 (the "Placing Programme"), the Company raised an additional $52.3 million on 3 May 2013 and $23.0 million on 15 November 2013. The Company provides investors access to risk premia directly from the reinsurance industry and achieved an increase in NAV of 11.8 per cent inclusive of dividends during 2013, its first year of operations.

Management Arrangements

The Company has entered into an agreement with the Investment Manager for the provision of investment management services. Blue Capital Insurance Managers Ltd. (the "Reinsurance Manager", and collectively with the Investment Manager, the "Managers"), which is wholly owned by the Investment Manager, provides underwriting and administrative services to Blue Water Re Ltd. (the "Reinsurer"), a Bermuda special purpose insurer which helps to support the Company's investment objective. Both the Investment Manager and Reinsurance Manager attend each quarterly Board meeting and maintain open dialogue with the Directors on an ongoing basis. Fees payable by the Company to the Investment Manager and Reinsurance Manager are disclosed in the Directors' Report beginning on page 8.

Target Return[2]

The Company targets an annualised dividend yield of LIBOR plus 6 per cent. per annum on the original issue price of the Ordinary Shares issued in December 2012. The Company also targets a net return to Shareholders (comprised of dividends and other distributions to Shareholders together with increases in the Company's net asset value ("NAV")) of LIBOR plus 10 per cent. per annum to be achieved over the longer term.

Summary of Investment Objective and Investment Policy

The investment objective of the Company is to generate attractive returns from a sustainable annual dividend yield and longer-term capital growth by investing substantially all of its assets in shares linked to the segregated account identified as Blue Capital Global Reinsurance SA-1 (the "Master Fund") within Blue Water Master Fund Ltd., an exempted Bermuda mutual fund segregated accounts company.

The Master Fund invests in a diversified portfolio of fully collateralised reinsurance-linked contracts and other investments carrying exposures to insured catastrophe event risks. The Master Fund predominantly invests in fully collateralised reinsurance-linked contracts through preference shares issued by the Reinsurer. The Master Fund's investment in other reinsurance-linked investments carrying exposure to insured catastrophe event risks such as industry loss warranties ("ILWs"), 144A rated catastrophe bonds ("Cat Bonds") and other insurance-linked instruments ("Insurance-Linked Instruments") may be made directly by the Master Fund or indirectly via the Reinsurer.

The Company's investment policy, including investment restrictions, is set out in full in the Directors' Report.

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1 All currency references in this Annual Report are in US Dollars unless otherwise noted.

2 These are targeted amounts and not profit forecasts. There can be no assurance that these targets can or will be met or that the Company will make any distributions at all and these should not be viewed as an indication of the Company's expected or actual results or returns.

Shareholder Information

At 31 December 2013, the Company had 172,451,028 Ordinary Shares with a NAV of $185,409,053 and a NAV per Ordinary Share of $1.0751. The Company's NAV per Ordinary Share is calculated by the Company's administrator, Prime Management Limited (a division of SS&C GlobeOp) (the "Administrator"), (or such other person as the Directors may appoint for such purpose from time to time) as at the NAV Calculation Date and published on a monthly basis, within 15 business days after the end of each calendar month through a regulatory information service ("RIS") approved by the Financial Conduct Authority (the "FCA") and on the list of RISs maintained by the FCA.

Financial Highlights

31 December 2013	
Total Net Assets	$185.40m
NAV per Ordinary Share	$1.08
Mid-Market Share price	$1.11
Premium to NAV	2.78%

Chairman's Statement

On behalf of the Company's Board, I am pleased to present the Company's first annual report for the period from the commencement of operations, 6 December 2012, to 31 December 2013.

Subsequent to the Company's IPO and its admission to trading on the London Stock Exchange's Specialist Fund Market (SFM), the Company has raised, in aggregate, an additional $75.3 million pursuant to the Placing Programme. As of the date of this report the Company has fully deployed through investment in the Master Fund, the investable aggregate net proceeds (excluding funds retained for working capital purposes) of the IPO and the subsequent May 2013 and November 2013 tranches of the Placing Programme.

Performance

During 2013 the Company issued event reports relating to Oklahoma tornados and European floods, neither of which generated material losses for the Company. The Company's increased NAV per share by +11.8 per cent. inclusive of dividends, and the Ordinary Shares traded at an average premium to their NAV of +3.6 per cent. during the year.

Dividend

The Company continues to target an annualised dividend of LIBOR plus 6 per cent. on the original issue price of its Ordinary Shares in December 2012.[3] In August 2013, the Company declared dividends of $0.019 per share for the period 1 January 2013 to 30 June 2013, and in January 2014 declared a further $0.044 per share for the second half of 2013, which was paid in February 2014. A scrip dividend alternative was offered to Shareholders for the dividend declared in February 2014 and elections were received in respect of 9.7 per cent. of Ordinary Shares in issue at the record date of 17 January 2014.

Outlook

The continuing convergence of traditional reinsurance and capacity from capital markets provides carriers with additional flexibility in their risk transfer solutions and establishes capital market solutions as a sustainable complement to traditional reinsurance. However, this will also result in challenges for our Managers. The January 2014 underwriting period was a competitive one, characterized by pressure to reduce prices and offer more generous contractual terms and conditions. From a pricing standpoint, the Company benefitted from its continued focus on regionally-exposed traditional reinsurance business. While prices in the retrocessional and Cat Bond markets decreased in excess of 20 per cent., observed risk-adjusted price changes on the Company's contract renewals were 12 per cent. lower compared to the January 2013 renewals. Additionally, contractual terms and conditions on regionally-exposed traditional business remained consistent with market best practice. The January 2014 portfolio also incorporates the addition of a quota-share participation of a traditional property catastrophe book of business, which further increases the Company's access to its preferred client base.

The Company is pleased with the diversified portfolio our Managers have created, which has attractive risk-adjusted return characteristics, consistent with the investment objectives. I am gratified by the strong positive performance achieved by this portfolio in our first year of operations. I would like to thank our Shareholders for their support. If you have any questions regarding your Company please do not hesitate to contact the Company or our Managers.

John R. Weale

Chairman
10 April 2014

[3] This is a target and not a profit forecast. There can be no assurance that this target can or will be met or that the Company will make any distributions at all and it should not be viewed as an indication of the Company's expected or actual results or returns.

Investment Manager's Report

The NAV of the Company's Ordinary Shares increased by 11.8 per cent. net of fees and expenses, and inclusive of dividends, during the year from 1 January 2013, when the Company's assets were first deployed, to 31 December 2013. The Company has declared dividends totaling $0.063 per Ordinary Share relating to the period. A dividend of $0.019 was declared and paid in August 2013 in respect of the six months ended 30 June 2013, and a dividend of $0.044 was declared in January 2014 and paid in February 2014 in respect of the six months ended 31 December 2013.

2013 was a successful first year for the Company, which opened the year with net assets of $98.0 million and finished it with net assets of $185.4 million. Capital raises, net of dividends, accounted for most of this growth, generating $70.9 million of new funds net of placing expenses. The remaining $16.5 million, which represented profits generated by the Company's underlying reinsurance contracts net of expenses, reflected the successful deployment of the Company's investable capital and a low level of natural catastrophe activity during the year. The 11.8 per cent. return during 2013 was in line with expectations for our first year of operations and was ahead of the LIBOR plus 10 per cent. target return.[4]

We had an encouraging reception from insurance brokers and clients to the launch of the Company in late 2012. Given the limited marketing window from the IPO in December 2012 to the important January 1 renewals, the Company did well to get as much traction as it did with traditional regional programmes. Each of these relationships, new to the Company but generally not to Montpelier Re, are the seeds for longer-term relationships which we hope to grow, subject to satisfactory terms and conditions.

The Company focuses on traditional reinsurance, which provides customized reinsurance protection to insurance clients in bespoke indemnity programmes. Traditional reinsurance, which is most commonly provided in the rated (as opposed to collateralised) reinsurance market, represents the bulk of the more than $300 billion of limits purchased annually. The advantage of establishing relationships with longer-term reinsurance buyers is that the business is more of a relationship market than a trading market, where the consistency of counterparties is an important consideration for the reinsurance buyer.

As at 31 December 2013, we had deployed approximately 86 per cent. of the Company's capital, with the remaining 14 per cent. held in cash. Of that 86 per cent, 69 per cent. was invested in the traditional reinsurance market, and the balance of 17 per cent. was deployed through the non-traditional market. The remaining cash was deployed during the 2014 January renewal period.

In December 2013, the Company adjusted its investment guidelines to refine the risk constraints to enable more efficient deployment of capital and specifically outlined that any quota share participation with Montpelier Re would be reviewed and approved in advance of execution by the Board. The quota share agreement provides the Company with access to an attractive portfolio of risks diversified by geography, peril and attachment point which the Company would not be able to access directly, therefore improving the expected return for the portfolio.

Loss Events Impacting the Company

Loss activity during 2013 was light, representing a reduction in return of approximately 100 basis points. These losses were driven by US weather events during the first half of the year. The Oklahoma tornados and European floods, while significant, did not generate material losses for the Company. Nevertheless the Company issued event reports relating to each of those events.

General Market Overview

The absence of major catastrophe losses (which typically stabilize reinsurance rates or drive rates higher) during 2013, together with the influx of new capacity from capital markets investors have contributed to increased pricing competition within certain segments of the global property catastrophe reinsurance market. However, reinsurance rate decreases have not been uniform across the market.

[4] This is a target and not a profit forecast. There can be no assurance that this target can or will be met or that the Company will make any distributions at all and it should not be viewed as an indication of the Company's expected or actual results or returns.

Typically, those segments which are easiest for securitized product investors to penetrate, for example Cat Bonds, have seen new issue spreads compress more than 30.0% on a risk adjusted basis. Similarly, the ILW market and the high yield retrocession market have seen rates suffer with estimated rate softening of more than 20 per cent. on a risk adjusted basis. The traditional reinsurance markets, which for structural reasons can be much harder for capital markets investors to penetrate, have seen rates reduce by between 15 per cent. to 20 per cent., although there have been some areas of rate hardening, such as tornado exposed reinsurance programs in the United States.

Given the Company's focus on accessing opportunities from the traditional reinsurance market, rather than the more commoditized segment of the insurance-linked market, the impact of rate softening is estimated to be less relevant for it than some of its peers who focus more on Cat Bonds, ILWs and high yield retrocession. In particular, the Company focuses on accessing risks from small to medium size insurance companies with regional or sub-regional exposures. These insurers are generally less willing or able to purchase their reinsurance protections via the Cat Bond market which has high frictional costs for the insurer and requires a minimum transaction size to be viable.

These market dynamics have also created opportunities for the Company as a buyer of protection. In response to rate softening in the ILW markets, the Company has opportunistically purchased collateralized protection to optimize its portfolio while managing downside risk. The Company will continue to monitor these opportunities and to purchase ILW protections for risk management and/or arbitrage purposes.

We are very pleased with the Company's performance in its first full year of operations and we are confident in our ability to consolidate this leadership position and deliver attractive risk adjusted returns to Shareholders in 2014 due to our ability to construct investment portfolios dynamically throughout market cycles.

Board Members

The Company's directors (the "Directors"), each of whom was appointed on 5 November 2012, are as follows:

John R. Weale (55) (Chairman) is currently a non-executive director and chairman of the compensation and nominating committee of Blue Capital Reinsurance Holdings Ltd., a Bermuda-based holding company listed on the NYSE that offers collateralised reinsurance in the property catastrophe market and invests in various insurance-linked securities. Mr. Weale has over 30 years of professional financial management and accounting experience in the insurance/reinsurance industry and is a resident in Bermuda. Until November 2011, Mr. Weale was Chief Financial Officer of Catalina Holdings (Bermuda) Ltd., which acquires and manages non-life insurance and reinsurance companies and portfolios in run-off. Prior to this role, Mr. Weale spent over 13 years at IPCRe Limited and IPC Holdings, Ltd., a Bermuda publicly listed reinsurance company that specialised in property catastrophe business, which merged with Validus Holdings Ltd. in 2009. At IPC, he was Executive Vice President from July 2008 and Chief Financial Officer from June 1996, and Interim President and Chief Executive Officer during 2009. Previously, he held various positions at American International Company, Limited, including Vice President, Insurance Management Services. Mr. Weale has also served as chairman and audit committee member of Butterfield Money Market Fund Limited and Butterfield Liquid Reserve Fund Limited, and as a director of Butterfield Select Fund Limited. He holds a Bachelor of Arts degree in Accounting & Finance and is a fellow of the Chartered Institute of Management Accountants, and a Chartered Global Management Accountant (a recent designation issued jointly by the Chartered Institute of Management Accountants and the American Institute of Certified Public Accountants).

Gregory D. Haycock (67) (Audit Committee Chairman) is currently chairman of several international exempt companies, including two life insurance companies and two investment companies. He is based in Bermuda and also serves on the boards of various local companies, including BF&M Limited, a general and life insurance company. Mr. Haycock joined KPMG as a partner in 1985 and at his retirement in September 2006 was a Senior Partner. In the year before his retirement, Mr. Haycock was Chairman of KPMG TOG Ltd. with responsibility for ten offshore island jurisdictions and a member of KPMG's European Board and International Council. Before joining KPMG, Mr. Haycock held positions with a number of charities as well as government and local boards, including the Bermuda Monetary Authority, the Bank of Butterfield, The Bermuda Press (Holdings) Ltd. and the Bermuda Electric Light Company Limited. He retired as Chairman of the Board of the Bermuda International Business Association in 2007. In 1993 Mr. Haycock was elected a Fellow of, and is a past President and Council member of, the Institute of Chartered Accountants of Bermuda. During his tenure he was also a member of the Canadian Institute of Chartered Accountants Board of Governors. He was appointed a Justice of the Peace by the Governor of Bermuda in 1987.

Neil W. McConachie (41) is a founding member of the management of two publicly listed insurance companies. He is based in the UK and currently serves as a non-executive director as well as a member of the audit committee and the governance and nominating committee of Third Point Reinsurance Ltd., a Bermuda-based specialty property and casualty reinsurer with a reinsurance and investment strategy. Previously, he was a member of the audit and investment committee of Lancashire Holdings Limited, a FTSE 250 UK-listed worldwide insurer and reinsurer focusing primarily on specialty property risks. He retired as Group President of Lancashire in June 2012 having previously held a number of executive positions with the company, including Chief Financial Officer, Chief Risk Officer and Chief Operating Officer. Prior to joining Lancashire in 2006, Mr. McConachie held various positions at Montpelier, including Treasurer and Chief Accounting Officer. He has previously worked for Baker Tilly, PricewaterhouseCoopers and Stockton Reinsurance Limited in Edinburgh, London and Bermuda. Mr. McConachie has a Bachelor of Science degree in Accounting & Finance and a Masters in Business Administration (with Distinction). He is a qualified chartered accountant with the Institute of Chartered Accountants of Scotland.

Directors' Report

The Directors present their report and the audited financial statements of the Company for the period from 6 December 2012 to 31 December 2013.

Principal Activity

The Company was incorporated with limited liability in Bermuda as a closed-ended mutual fund company on 8 October 2012. The Ordinary Shares were listed on the SFM and admitted to trading on the London Stock Exchange, with a secondary listing on the BSX, on 6 December 2012.

Company Law

These financial statements have been prepared under Bermuda law.

Investment Objective and Policy

The Company's investment objective is to generate attractive returns from a sustainable annual dividend yield and longer-term capital growth by investing substantially all of its assets in the Master Fund.

The focus of the Company's investment portfolio is on non-commoditised, collateralised reinsurance contracts offering attractive risk adjusted returns. Exposure of the investment portfolio is well diversified across global geographies, products and insurers with no exposure to life, casualty risk or other non-modeled insurance risks.

The Company is not permitted to borrow for investment purposes, although borrowings are permitted for working capital purposes. Any borrowings for working capital purposes are limited to 20 per cent. of the NAV of the Company at the time of draw down. The Company currently has no borrowings.

Investment Restrictions

The Master Fund, has adopted the following investment restrictions which apply at the time of investment:

- the portfolio will be diversified geographically with an emphasis on 20 regions set out in the investment policy;

- the maximum net aggregate exposure (i.e. the sum of all collateral invested less reinsurance recoverable) in any one zone (each zone being defined by a combination of geography, peril and occurrence) will not exceed 35 per cent. of the Master Fund's NAV;

- the net probable maximum loss (i.e. net of (a) reinsurance recoverable, (b) net unearned premiums on loss impacted contracts and (c) any reinstatement premiums receivable) from any one catastrophe loss event at the one in one hundred year return period will not exceed 25 per cent. of the Master Fund's NAV;

- the net probable maximum loss (i.e. net of (a) reinsurance recoverable, (b) net unearned premiums on loss impacted contracts and (c) any reinstatement premiums receivable) from any one earthquake loss event at the one in two hundred and fifty year return period will not exceed 25 per cent. of the Master Fund's NAV;

- no more than 20 per cent. of the Master Fund's NAV will be invested in any one catastrophe-linked contract or security; and

- the Master Fund will not invest in contracts or securities with a premium of less than 5 per cent. of the limit exposed to a single event.

Based on the information available to the Investment Manager at the time, if a new investment being considered would cause an investment restriction to be breached, or if an investment restriction relevant to that new investment opportunity is already in breach, then that new investment shall not be made. The existence of investment restriction breaches does not preclude the Master Fund from making any new investments but only restricts it from making new investments that would result in a new breach or exacerbate existing breaches of investment restrictions.

Principal Risks and Uncertainties

Institutional Credit Risk

In the event of the insolvency of the institutions, including brokerage firms, banks and custodians, with which the Master Fund and the Reinsurer may do business, or to which assets have been entrusted, the Master Fund and the Reinsurer may be temporarily or permanently deprived of the assets held by or entrusted to that institution, which will affect the performance of the Master Fund and the Reinsurer and, in turn, the performance of the Company.

For example, the Reinsurer may pay amounts owed on claims under fully collateralised reinsurance-linked contracts entered into in respect of the Master Fund to reinsurance brokers, and these brokers, in turn, may pay these amounts over to the ceding companies that have reinsured a portion of their liabilities with the Reinsurer. In some jurisdictions, if a broker fails to make such a payment, the Reinsurer might remain liable to the ceding company for the deficiency. Conversely, in certain jurisdictions when the ceding company pays premiums in respect of reinsurance contracts to reinsurance brokers for payment over to the Reinsurer, these premiums are considered to have been paid and the ceding company will no longer be liable to the Reinsurer for those amounts, whether or not the Reinsurer has actually received the premiums. Consequently, consistent with industry practice, the Reinsurer assumes a degree of credit risk associated with brokers.

Furthermore, while the Master Fund invests predominantly in fully-collateralised reinsurance-linked contracts by subscribing for preference shares issued by the Reinsurer, it may, in accordance with its investment policy and when the Investment Manager identifies suitable investment opportunities, also invest in other reinsurance-linked investments and such investments may form a material part of its investment portfolio from time to time. Where the Master Fund invests in certain Insurance-Linked Instruments, a broker may trade with an exchange as a principal on behalf of the Master Fund, in a "debtor/creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. That broker could, therefore, have title to all of the assets of the Master Fund (for example, the transactions which the broker has entered as principal as well as the margin payments that the Master Fund provides). In the event of the broker's insolvency, the transactions which the broker has entered into as principal could default and the Master Fund's assets could become part of the insolvent broker's estate, resulting in the Master Fund's rights being limited to that of an unsecured creditor.

Illiquidity of Insurance-Linked Instruments

Insurance-Linked Instruments have a limited or, in some cases, no secondary market. Fully collateralised reinsurance-linked contracts of the type that the Reinsurer enters into in respect of the Master Fund typically cover annual periods. Cat Bonds and investments in sidecars may have market quotes, but the trading volume may be low and pricing correspondingly ineffective. ILWs have even less liquidity and pricing transparency, and bilateral insurance contracts currently have no secondary market.

The liquidity of Insurance-Linked Instruments may also be affected by a number of other factors, such as whether a covered event has occurred or whether a catastrophe season has passed. It is anticipated that the Master Fund and/or the Reinsurer will retain their respective exposures for the duration of the Insurance-Linked Instruments, gradually recognising income as the likelihood of a covered event occurring in respect of one of more Insurance-Linked Instrument, and therefore the Master Fund and/or the Reinsurer incurring a loss, diminishes.

While these Insurance-Linked Instruments generally can be sold at a price, they are largely "buy and hold" instruments, and it may require substantial time to enter into or exit a position and the amount that could be recognised upon liquidation may be materially less than its theoretical fair value. Consequently, the Master Fund may need to realise assets at below fair value and the Master Fund may need to borrow to meet its financing needs, each of which will have an impact on the returns to Shareholders.

Further, the illiquidity of Insurance-Linked Instruments means that the Master Fund's portfolio is more likely to be mis-valued as the valuation ascribed to an Insurance-Linked Instrument may differ significantly from the price at which it may ultimately be realised. In turn, any mis-valuation is likely to have an impact on the trading price of the Ordinary Shares, which may be adverse to Shareholders, as well as on the fees based on such valuations.

<u>Portfolio invested in Insurance-Linked Instruments</u>

The Master Fund predominantly invests in a diversified portfolio of fully collateralised reinsurance-linked contracts, through preference shares issued by the Reinsurer, but also invests in other investments carrying exposures to insured catastrophe event risks, such as ILWs and Cat Bonds. The Master Fund's portfolio is therefore concentrated in Insurance-Linked Instruments. Insurance-Linked Instruments are particularly exposed to sudden substantial or total loss due to, among other things, natural catastrophes or other covered risks, which together with other factors, can cause sudden and significant price movements in Insurance-Linked Instruments. The Master Fund's, and hence the Company's, portfolio is more exposed to such risks, than it would be if it were diversified across other asset classes in addition to Insurance-Linked Instruments.

<u>Currency risk</u>

The Master Fund's and the Reinsurer's functional currency is the US dollar, but a portion of their respective businesses will receive premiums and hold collateral in currencies other than US dollars. The Master Fund and the Reinsurer use currency hedges for balances held in non-US currencies. Therefore, they can choose (but are not obliged) to manage currency fluctuation exposure. The Master Fund and the Reinsurer may experience foreign exchange losses to the extent their respective foreign currency exposure is not hedged, which in turn would adversely affect their respective financial condition and that of the Company.

<u>Counterparty risk; counterparty credit risk</u>

Where the Master Fund invests other than in fully collateralised reinsurance-linked contracts, a number of the investment techniques that may be utilised by the Master Fund, and a number of markets in which the Master Fund may invest, will expose it to counterparty risk, which is the risk that arises due to uncertainty in a counterparty's ability to meet its obligations. Non-performance by counterparties for financial or other reasons could expose the Master Fund, and therefore Shareholders, to losses.

Shareholder Information

The Administrator calculates the NAV of the Company and the NAV per Ordinary Share as of the last day of each calendar month. The monthly NAV of the Ordinary Shares is announced through a RIS provider within 15 business days after the end of each calendar month.

Results

The results for the period covered by this Annual Report are set out in the Statement of Operations on page 22. The dividend paid per Ordinary Share for the period to 31 December 2013, amounted to $0.019 per Ordinary Share.

Significant Events

There were no significant events during the period.

Placing Programme

On 16 April 2013, the Company published a prospectus in relation to the issue of new Ordinary Shares by way of a Placing Programme. Pursuant to the Placing Programme, the Company raised an additional $52.3 million from the issue of 51,250,000 Ordinary Shares on 3 May 2013 and $23.0 million from the issue of 21,101,028 Ordinary Shares on 15 November 2013.

Life of the Company

The Company has been established with an indefinite life. However, the Company will propose a continuation vote to Shareholders at a general meeting of the Company within four calendar months of 30 June 2014 if the Company's NAV as at 30 June 2014 is less than $150 million.

The vote will require more than 50 per cent. of the total voting rights cast on the resolution to be in favour in order for the Company to continue in its current format. If the resolution is not passed, the Directors intend to formulate proposals to be put to Shareholders within six months of such resolution being defeated for the reorganisation or reconstruction of the Company. Such proposals may or may not involve winding-up the Company, and therefore, failure to pass the continuation vote will not necessarily result in the winding-up of the Company.

Management Arrangements and Fees

The Investment Manager – *(Blue Capital Management Ltd.)*

The Investment Manager is a specialist alternative asset manager in the Insurance-Linked Instrument asset class. The Investment Manager is licensed to conduct investment business by the Bermuda Monetary Authority and is run by a market-leading team of professionals with a deep bench of experience in both reinsurance and capital markets. Currently, the Investment Manager manages approximately $600 million in assets across a range of insurance-linked strategies. The Investment Manager is wholly-owned by Montpelier, a leader in global reinsurance.

The Investment Manager has been retained by the Master Fund to manage its assets on a discretionary basis pursuant to an investment management agreement dated 27 November 2012. The Investment Manager is entitled to a monthly management fee of: (a) 0.125 per cent. (1.5 per cent. per annum) of the month-end NAV (prior to accrual of the performance fee) of the Master Fund, up to a NAV of $300 million; and (b) 0.104 per cent. (1.25 per cent. per annum) of such month-end NAV above $300 million.

The Reinsurer – *(Blue Water Re Ltd.)*

The Reinsurer is an exempted company incorporated on 18 November 2011 with limited liability under the laws of Bermuda that is licensed by the Bermuda Monetary Authority as a special purpose insurer with an underwriting plan focused on fully collateralised reinsurance protection of the property catastrophe insurance and reinsurance markets.

The Master Fund invests in the Reinsurer by way of subscription for a separate series of non-voting redeemable preference shares of the Reinsurer linked to each reinsurance contract entered into by the Reinsurer per loss occurrence period or exposure period, as applicable. For each fully collateralised reinsurance-linked contract identified by the Investment Manager in accordance with the investment policy, the Master Fund invests the necessary collateral in redeemable preference shares of the Reinsurer. The Reinsurer then pledges this collateral to secure its obligations under the relevant contract to the ceding company. Net premiums received from ceding companies may be used to make further investments or to pay distributions to the Master Fund, as appropriate.

The Reinsurance Manager is entitled to an annual performance fee equal to 15 per cent. of: (a) the aggregate appreciation in the NAV of the Master Fund shares held by the Company (excluding special memorandum account shares) over the previous high water mark; less (b) the performance hurdle of LIBOR plus 3 per cent. on the starting NAV of the Master Fund shares held by the Company, provided that the performance fee shall not be less than zero and provided further that no Performance Fee will be payable in a performance period unless the performance trigger of LIBOR plus 10 per cent. on the starting NAV of the Master Fund shares held by the Company during the performance period has been reached.

The Reinsurance Manager – *(Blue Capital Insurance Managers Ltd.)*

The Reinsurance Manager is a Bermuda exempted company incorporated with limited liability. The Reinsurance Manager was incorporated on 23 July 2004 and adopted its role as the reinsurance manager of the Reinsurer in 2012.

The Reinsurance Manager has been retained by the Reinsurer to provide management, administrative, underwriting and other services as well as operational infrastructure. The Reinsurance Manager also provides stand-alone and portfolio risk modelling and assists the Reinsurer to originate business by entering into reinsurance agreements with ceding companies. The Reinsurance Manager is licensed with the Bermuda Monetary Authority as an insurance manager and insurance agent and is authorised to provide the services to be performed for the Reinsurer under an Underwriting and Insurance Management Agreement.

The Administrator – *(Prime Management Limited)*

The Company and the Master Fund have each appointed the Administrator, which on 1 October 2013 became part of the SS&C GlobeOp group, as its administrator. The Administrator has been retained by the Company and the Master Fund to calculate their respective NAVs and to provide certain other administrative services.

Directors' Interests

The Directors, as stated on page 7, all served during the period under review. None of the Directors had a beneficial interest in the Company.

Substantial Interests

Disclosure and Transparency Rules ("DTRs") are now contained in the UK Financial Conduct Authority handbook. Pursuant to the DTRs, substantial Shareholders are required to make relevant holding notifications to the Company and the UK Financial Conduct Authority. The Company must then disseminate this information to the wider market.

Corporate Governance

Introduction

The Board strives to create a transparent corporate governance culture that meets the listing requirements and provides fair and informative disclosures for investors.

Bermuda Regulatory Environment

Bermuda has no specific corporate governance regime applicable to the Company; but, in recognition of the importance of sound corporate governance, the Company has joined the Association of Investment Companies (the "AIC"). Furthermore, the Board endorses and has adopted the AIC Code of Corporate Governance (the "AIC Code"). The Company has carefully considered the principles and recommendations of the AIC Code and has elected to follow the AIC's Corporate Governance Guide for Investment Companies (the "AIC Guide").

The AIC Code of Corporate Governance "A framework of best practice for member companies" was issued in October 2010, and it is publicly available on the AIC website. On 22 January 2013, the Financial Reporting Council provided the AIC with an endorsement letter to cover the fifth edition of the AIC Code. The endorsement confirms that by following the AIC Code investment company boards should fully meet their obligations in relation to the UK Corporate Governance Code.

AIC and UK Corporate Governance Code Compliance

Management and the Company Secretary have undertaken a review of the corporate governance principles of the Board of the Company. The Directors confirm that during the period for the accounting year ended 31 December 2013, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as follows: (a) there was no chief executive position within the Company which is not in accordance with A.2.1 of the UK Corporate Governance Code but is not relevant to the Company as the Company does not have and does not intend to have employees or executive directors; (b) the Company did not establish a separate remuneration or nomination committee which is not in accordance with D.2.1 and B.2.1, respectively, of the UK Corporate Governance Code but is not relevant to the Company as the Company does not have and does not intend to have employees or executive directors; and (c) the Company did not have a senior independent director which is not in accordance with A.4.1 of the UK Corporate Governance Code.

The Board

The Board consists of three non-executive Directors, each of whom is independent of the Investment Manager in accordance with Principle 2 of the AIC Code. The Board has determined that each non-executive Director met the independence criteria set forth in Principle 1 of the AIC Code upon appointment and has continued to meet this condition throughout his term of service. Moreover, no Director has a service contract with the Company. The names and biographies of each Director appear on page 7 of this Annual Report.

The Company's Bye-laws provide that one third of the Directors retire by rotation each year. This year, however, each Director has retired and offered himself for re-election at the annual general meeting.

The Directors stay fully informed of the business affairs and internal investment and financial controls of the Company. All matters relevant to the Company's business are brought to the attention of the Board, which also has access to independent professional advice at the expense of the Company.

Each year, the Board performs a formal performance appraisal of itself and its individual Directors. Presently, the Board is satisfied that all Directors continue to discharge their duties effectively and contribute to the work of the Board and its committees.

In addition to reviewing the performance, independence and tenure of its individual Directors, the Board also considers its overall composition and balance as well as the adequacy and continuity of itself and its committees.

In considering its composition, the Board strives to achieve a balance of skills, experience, length of service and knowledge of the Company with the ultimate goal of creating value for investors while meeting a high standard of corporate governance. Given the Company's limited operating history and the considerable experience and expertise brought to bear by each Director, the Board has determined it to be in the best interest of the Shareholders to maintain the continuity of the Directors. Accordingly, the Board recommends the re-election of each Director, whose supporting biographies appear on page 7 of this Annual Report. A full list of other public company directorships for each Director is disclosed on page 51.

The Board holds regular meetings 4 times a year, at a minimum, and maintains ongoing communications with the Investment Manager and the Company's other service providers. During the period ended 31 December 2013, the Board held an additional six (6) full Board and ad-hoc/committee meetings to address various administrative matters.

The table below sets out the attendance record of the Directors.

	Quarterly Board	**Audit Committee**
No. of Meetings:	4	1*
Meetings Attended:		
John R. Weale (Chairman)	4	1
Gregory D. Haycock	4	1
Neil W. McConachie	2	1

* In addition, an initial meeting of the Audit Committee meeting was held with the Chairman only as well as the Managers and Independent Auditor.

Notices and agendas, and any other materials that are deemed necessary or useful are circulated to the Board prior to each meeting so that the Directors have sufficient time to review the items to be addressed at the meeting. Directors may also request the addition to the agenda of any items they deem appropriate for Board consideration. Regular Board meetings primarily focus on the Company's investment performance, risk management, asset allocation, compliance, investor relations and any other matters the Board considers appropriate for review. If a Director has any potential or actual conflicts of interest, he must disclose such conflict prior to each Board meeting.

Directors' Authorities

The Directors have adopted a set of authorities reserved to the Board in accordance with Principle 16 of the AIC Code, which provide a non-exclusive list of the principal areas in which the Board reserves approval over activities or transactions by the Company. The principal Authorities Reserved to the Board include the following:

- design and maintenance of investment objectives, restrictions and policies;
- appointment, oversight and delegation of authorities to Committees of the Board;
- establishment of limits of authority of management relating to monetary expenditures and approval all expenditures exceeding such limits;
- declaration of all Shareholder dividends;
- review and approval of all borrowing by the Company;
- recommendation and approval of the compensation of Directors;
- oversight over all aspects of Company's risk management function, including the definition of the Company's risk appetite and design of the Company's risk management process; and
- any other matters having a material effect on the Company.

Management and Remuneration and Audit Committees

The Company generally complies with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code.

In view of the Company's non-executive and independent nature, the Board considers it inappropriate for there to be a Remuneration Committee as anticipated by the AIC Code. The Company does not, and does not intend to, have employees or executive directors. Accordingly, the Board as a whole fulfils the functions of the Remuneration Committee.

Audit Committee

In accordance with the AIC Code, the Company has established an Audit Committee, which comprises all three of the Company's Directors. Mr. Haycock serves as chairman of the Audit Committee. As discussed above, all of the Company's Directors are independent, and the Board considers it appropriate for all three Directors to serve on the Audit Committee because, given the Board's small size, it would be unnecessarily burdensome to establish a separate Audit Committee.

The terms of reference of the Audit Committee, which are available from the Company Secretary upon request, provide that it will meet at least two times per year at appropriate times in the reporting and audit cycle and otherwise as required. The Audit Committee's principal duties are to consider among other things: (a) annual and interim accounts; (b) auditor reports; and (c) terms of appointment and remuneration for the Auditors (including overseeing the independence of the external auditors particularly as it relates to the provision of non-audit services).

The Audit Committee pays particular attention to the qualifications, expertise and resources of the external auditor, as well as the effectiveness of the audit process. Where the external auditor is to provide non-audit services to the Company, the Audit Committee fully considers the implications of the provision of those services on the independence of the external auditor prior to undertaking any such engagement. If such non-audit services are provided, the Audit Committee reviews the services to ensure the preservation of the external auditor's independence.

In accordance with its terms of reference, the Audit Committee has reviewed the Annual Report and accounts in detail and considered all matters brought to the attention of the Board during the accounting period. The Audit Committee has subsequently determined that the report and accounts fairly represent the status of the Company's affairs.

Internal Controls

The Board bears ultimate responsibility for the Company's system of internal control. The Company does not have an internal audit function as it has no employees to undertake such a task. The Board, however, recognises the need for effective high level internal controls. Accordingly, the terms of reference of the Audit Committee provide that the Board will perform the following functions relating to internal audit in addition to its functions associated with management and remuneration:

- rigorous selection process for key service providers;
- regular physical board meetings and ad hoc board meetings as required;
- receipt and consideration of quarterly (or more frequent if necessary) reporting from each of the Company's key service providers;
- receipt and consideration of quarterly reports from the Company's Administrator;
- establishment of committees of the Board (if any) ;
- ensure existence of dual signatories in respect of the Company's bank accounts;
- annual reviews of all key service providers;
- annual review of the Company's and the Administrator's systems of internal controls;
- quarterly review of management accounts; and
- quarterly review of reporting against budget.

Corporate Responsibility

In accordance with Principle 20 of the AIC Code, the Board takes responsibility for, and is kept aware of, all relevant communications with Shareholders. The Company relies upon its service providers to perform its operations, and it maintains an open line of communication with those providers to address the ongoing concerns of Shareholders. In addition, the Company may also address the concerns of its investors through direct discussions with Shareholders.

Relations with Shareholders

The Company maintains regular communications with institutional Shareholders through its Investment Manager, and the Board is kept aware of the feedback received from such investors. Board members are also available to respond to Shareholder questions at the Annual General Meeting, and Shareholders may request meetings with Directors or communicate with the Board directly by contacting the Company Secretary.

Furthermore, in accordance with Principle 19 of the AIC Code, the Board monitors the Shareholder profile of the Company on a regular basis.

The Board encourages all Shareholders to attend and participate in the Annual General Meeting, at which the key issues affecting the Company will be addressed. The Notice on page 56 of this Annual Report, together with the Summary of the Resolutions beginning on page 52, sets out the business of the upcoming Annual General Meeting including the resolutions to be voted upon. The Company announces meeting results as soon as practicable after they are determined.

Going Concern Status

In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk issued in October 2009, the Board of Directors has reviewed the Company's ability to continue as a going concern.

The Company's assets consist of cash and a diverse portfolio of fully collateralised reinsurance-linked contracts (held indirectly through investments in preference shares of the Reinsurer) and other Insurance-Linked Instruments. The Board has considered the Company's assets and reviewed forecasts and has determined that the Company has sufficient financial resources to continue as a going concern. Accordingly, the Directors have adopted the going concern basis in preparing these accounts.

Disclosure of Information to Auditors

The Directors have determined that, to their knowledge, there is no relevant audit information unknown to the Company's external auditor. Furthermore, each Director has taken adequate and appropriate steps to make himself aware of any relevant information and to convey such information to the Company's external auditor.

Auditors

A resolution to appoint PricewaterhouseCoopers Ltd., an independent registered public accounting firm, as the Company's independent auditor for 2014 and to authorize the Board, acting by the Company's Audit Committee, to set their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board

John R. Weale	**Gregory D. Haycock**	**Neil W. McConachie**
Chairman	Director	Director
10 April 2014		

Statement of Directors’ Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Director’s Report and the financial statements in accordance with the applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with accounting principles generally accepted in the US (“GAAP”).

The financial statements are required by law 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 period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Bermuda Companies Act 1981, as amended. The Board is also responsible for safeguarding the assets of the Company and taking all reasonably available steps to prevent and detect fraud and other irregularities.

Directors’ Responsibility Statement

In accordance with Chapter 4 of the Disclosure and Transparency Rules, the Directors confirm that, to the best of their knowledge and belief, they have complied with the above requirements in preparing the financial statements and that:

- the Chairman’s Statement, the Investment Manager’s Report and the Directors’ Report include 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; and
- the financial statements, prepared in accordance with GAAP, give a true and fair view of the assets, liabilities, financial position and profit of the Company.

Signed on behalf of the Board by:

John R. Weale	**Gregory D. Haycock**	**Neil W. McConachie**
Chairman 10 April 2014	Director	Director

Blue Capital Global Reinsurance Fund Limited

(Incorporated in Bermuda)

Financial Statements

For the period 6 December 2012 (Commencement of operations) to 31 December 2013

(expressed in thousands of U.S. dollars) pwc

April 9, 2014

Independent Auditor's Report

To the Board of Directors and Shareholders of
Blue Capital Global Reinsurance Fund Limited

We have audited the accompanying financial statements of Blue Capital Global Reinsurance Fund Limited (the "Company"), which comprise the statement of assets and liabilities, as of 31 December 2013 and the related statements of operations, of changes in net assets and of cash flows for the period 6 December 2012 (Commencement of operations) to 31 December 2013.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Capital Global Reinsurance Fund Limited at 31 December 2013, and the results of its operations, changes in its net assets, and its cash flows for the period 6 December 2012 (Commencement of operations) to 31 December 2013, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers Ltd.
Chartered Accountants

Reference: Independent Auditor's Report on the Financial Statements of Blue Capital Global Reinsurance Fund Limited as at 31 December 2013 and for the period 6 December 2012 (Commencement of operations) to 31 December 2013
April 9, 2014
Page 2 of 2

Blue Capital Global Reinsurance Fund Limited

Statement of Assets and Liabilities

As of 31 December 2013

(expressed in thousands of U.S. dollars, except share and per share amounts)

	$
Assets	
Investments in Blue Water Master Fund Ltd.- BCGR SA-I	
- at fair value (cost - $144,681)	161,804
Cash and cash equivalents	8,127
Subscription made in advance (Note 5)	15,405
Other assets	127
Amounts due from related parties (Note 5)	45
Total assets	185,508
Liabilities	
Accrued expenses and other liabilities	99
Total liabilities	99
Net assets	185,409
Shares in issue	172,451,028
Net asset value per Ordinary Share	$1.0751

See accompanying notes to the financial statements

Blue Capital Global Reinsurance Fund Limited

Statement of Operations

For the period 6 December 2012 (Commencement of operations) to 31 December 2013

(expressed in thousands of U.S. dollars, except share and per share amounts)

	$
Net investment loss allocated from Blue Water Master Fund Ltd. – BCGR SA-I	
Performance fees	(2,399)
Management fees	(1,778)
Other fees	(441)
Administrative fees	(139)
Professional fees	(42)
Interest income	33
Total net investment loss allocated from Blue Water Master Fund Ltd. – BCGR SA-I	(4,766)
Expenses	
Professional fees and other	(656)
Administrative fee	(50)
Total expenses	(706)
Net investment loss	(5,472)
Realized and unrealized gain / (loss) on investments allocated from Blue Water Master Fund Ltd. – BCGR SA-I:	
Net increase in unrealized gain on securities	21,889
Net increase in net assets resulting from operations	16,417

See accompanying notes to the financial statements

Blue Capital Global Reinsurance Fund Limited

Statement of Changes in Net Assets

For the period 6 December 2012 (Commencement of operations) to 31 December 2013

(expressed in thousands of U.S. dollars, except share and per share amounts)

	$
Increase in net assets	
From operations	
Net investment loss	(5,472)
Net increase in unrealized gains on securities	21,889
Net increase in net assets resulting from operations	16,417
From capital share transactions	
Issuance of shares	173,874
Purchase premium	1,501
Offering costs	(3,508)
Dividend payments	(2,875)
Net increase in net assets resulting from capital transactions	168,992
Increase in net assets	185,409
Net assets – Beginning of period	-
Net assets – End of period	185,409

See accompanying notes to the financial statements

Blue Capital Global Reinsurance Fund Limited

Statement of Cash Flows

For the period 6 December 2012 (Commencement of operations) to 31 December 2013

(expressed in thousands of U.S. dollars, except share and per share amounts)

	$
Cash flows from operating activities	
Net increase in net assets resulting from operations	16,417
Adjustments to reconcile to net cash used in operations:	
Purchases of investments in Blue Water Master Fund Ltd.- BCGR SA-I	(144,681)
Net investment loss and net increase in unrealized gains on securities allocated from Blue Water Master Fund Ltd. – BCGR SA-I	(17,123)
Net change in other assets:	
Increase in amounts due from related parties	(15,450)
Increase in other assets	(127)
Increase in accrued expenses and other liabilities	99
Net cash used in operating activities	(160,865)
Cash flows from financing activities	
Issuance of shares	173,874
Purchase premium	1,501
Offering costs	(3,508)
Dividend payments	(2,875)
Net cash provided by financing activities	168,992
Net increase in cash and cash equivalents	8,127
Cash and cash equivalents – Beginning of period	-
Cash and cash equivalents – End of period	8,127

See accompanying notes to the financial statements

(expressed in thousands of U.S. dollars, except share and per share amounts)

1. Nature of operations

Blue Capital Global Reinsurance Fund Limited (the "Company") is a closed-ended exempted mutual fund company of unlimited duration incorporated under the laws of Bermuda on 8 October 2012 which commenced operations on 6 December 2012. The Company invests substantially all of its assets through a "master fund/feeder fund" structure in Blue Capital Global Reinsurance SA-I ("BCGR SA-I" or the "Master Fund"). The Master Fund is a segregated account of Blue Water Master Fund Ltd., a mutual fund company incorporated under the laws of Bermuda on 12 December 2011, and registered as a segregated account company under the Segregated Accounts Company Act 2000. The investment objective of the Company is to generate attractive returns from a sustainable annual dividend yield and longer-term capital growth through its investment in the Master Fund. The Company is the only investor in the Master Fund. The financial statements of the Master Fund, including the condensed schedule of investments, are attached to this report and should be read in conjunction with these financial statements.

The Initial Public Offering of the Company took place in December 2012, raising gross proceeds of approximately $100,100. On 9 May 2013 the Company completed the successful first closing under the placing programme (the "Placing Programme") initiated in April 2013, raising gross proceeds of approximately $52,275. On 21 November 2013 the Company completed the successful second closing under the Placing Programme initiated in October 2013, raising gross proceeds of approximately $23,000. The Company's shares are listed on the Specialist Fund Market, a market operated by the London Stock Exchange (symbol BCGR LN). The Company's shares are also listed on the Bermuda Stock Exchange (symbol BCGR BH).

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The significant accounting policies are as follows:

Investment in Master Fund

The Company records its investment in the Master Fund at fair value, determined as the value of the net asset of the Master Fund. Valuation of investments held by the Master Fund is discussed in the notes to the Master Fund financial statements attached to this report.

Investment transactions

The Company records its proportionate share of the Master Fund income, expenses, and realized and unrealized gains and losses. The Company records its investment transactions on a trade date basis. Realized gains and losses on disposals of investments are calculated using the first-in, first-out (FIFO) method. In addition, the Company records its own income and expenses on the accrual basis of accounting.

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.

(expressed in thousands of U.S. dollars, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Foreign currency

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars using rates of exchange prevailing at the date of the Statement of Assets and Liabilities. Foreign currency revenue and expense items are translated into U.S. dollars at the rates of exchange in effect at the date when transactions occurred. The resulting exchange gains and losses are reflected in the Statement of Operations.

Offering Costs

Offering costs are costs directly incurred in connection with the registration and distribution of the Company's shares at each capital raise and are recorded as a reduction to paid-in-capital.

3. Fair value measurements

In accordance with the authoritative guidance on fair value measurements and disclosures under US GAAP, the Company discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 - Inputs that are unobservable.

The investment in the Master Fund is carried at fair value and has been estimated using the Net Asset Value ("NAV"). FASB guidance provides for the use of NAV as a "Practical Expedient" for estimating fair value of alternative investments. The Company uses the "market approach" valuation technique to value its investments in the Master Fund. As the Board of Directors' valuation of the Company's investment in the Master Fund has been based upon observable inputs such as ongoing redemption and subscription activity, the Company's investment in the Master Fund has been classified as Level 2. The determination of what constitutes "observable" requires significant judgment by the Board of Directors. The categorization within the hierarchy does not necessarily correspond to the Board of Directors' perceived risk of an investment in the Master Fund, nor the level of the investments held within the Master Fund.

The following table presents the investment in the Master Fund carried on the Statement of Assets and Liabilities by level within the valuation hierarchy as of 31 December 2013.

Fair Value Measurements	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Investments in BCGR SA-I	$ -	$ 161,804	$	$ 161,804
	$ -	$ 161,804	$ -	$ 161,804

(expressed in thousands of U.S. dollars, except share and per share amounts)

3. Fair value measurements (continued)

Additional disclosure regarding fair value measurements relating to the Master Fund investment portfolio can be found in Note 3 of the Master Fund financial statements. There have been no transfers between levels for the period ended 31 December 2013.

4. Investment management, incentive and administration fees

Management and incentive fees are charged to the Master Fund and flow through to the Company as part of the expenses allocated from the Master Fund in the Statement of Operations. For details, investors should refer to Note 6 in the Master Fund financial statements attached to this report.

Prime Management Limited (the "Administrator") serves as the administrator, secretary, and registrar for the Company and the Master Fund. Prime was acquired by SS&C Technologies Holdings, Inc. on 1 October 2013. For its administrator and registrar services, the Administrator receives a monthly fee based on the NAV of the Company and Master Fund, subject to a monthly minimum fee. Administration fees relating to the Master Fund are charged to the Master Fund and flow through to the Company as part of the expenses allocated from the Master Fund in the Statement of Operations. For its secretary services, the Administrator receives a fixed annual fee.

5. Related party transactions

As of 31 December 2013, the Company had a $15,405 advanced subscription into the Master Fund for shares to be issued on 1 January 2014.

As of 31 December 2013, Montpelier Reinsurance Ltd. ("Montpelier Re") owns 29.0% of the voting rights of the ordinary shares (the "Ordinary Shares") issued in the Company. Montpelier Re and Blue Capital Management Ltd. (the "Investment Manager") are both 100% owned by Montpelier Re Holdings Ltd.

Issue Costs

The issue costs are those fees, expenses and costs necessary for the establishment of the Company and for the issue and include fees payable under the placing agreement, legal, accounting, registration, printing, advertising and distribution costs, costs associated with the creation of depository interests and the subscription by the Company into the Master Fund, and any other applicable costs, expenses and taxes. Pursuant to the placing agreement, issue costs of up to 2% of the gross proceeds of the issue were paid by the Company, and the remaining issue costs were paid by Montpelier Re. At 31 December 2013, $45 was owed from Montpelier Re, in respect to issue costs in excess of the 2% cap that were paid by the Company.

6. Financial instruments

The Company's investment activities expose it to various types of risk, which are associated with the securities and markets in which it invests. As the majority of the Company's assets are invested in the Master Fund, they are primarily exposed to the risks faced by the Master Fund. The Master Fund was established solely for the Company to invest in and as such the Company is the only feeder fund of the Master Fund. For a summary of risks, investors should refer to the financial statements of the Master Fund attached to this report.

(expressed in thousands of U.S. dollars, except share and per share amounts)

7. Capital share transactions

The Company is authorized to issue up to 990,000,000 Ordinary Shares of par value $0.00001 per share. The Company had an initial placing which closed on 6 December 2012, raising $100,100 through the issuance of 100,100,000 Ordinary Shares. The Company had a first closing under the placing programme, resulting in $52,275 being raised through the issuance of 51,250,000 Ordinary Shares on 9 May 2013. The Company had a second closing under the placing programme, resulting in $23,000 being raised through the issuance of 21,101,028 Ordinary Shares on 21 November 2013.

Transactions in Ordinary Shares during the period and the Ordinary Shares outstanding and the NAV per share as of 31 December 2013 are as follows:

	Beginning Shares	Shares issued	Shares Redeemed	Ending Shares
Ordinary Shares	-	172,451,028.00	-	172,451,028.00

Beginning Amounts	Amounts Issued	Purchase Premium	Offering Costs	Dividend Payment	Results of Operations	Ending Net Assets
$ -	$ 173,874	$ 1,501	$ (3,508)	$ (2,875)	$ 16,417	$ 185,409

The Company has been established as a closed-ended mutual fund and, as such, shareholders do not have the right to redeem their shares.

Including the Montpelier Re as described in note 5, at December 31, 2013, there are five unaffiliated shareholders who, in the aggregate, held approximately 76% of the share capital of the Company.

8. Taxes

At the present time, no income, profit, capital transfer or capital gains taxes are levied in Bermuda and accordingly, no provision for such taxes has been recorded by the Company. The Company has received an undertaking from the Minister of Finance of Bermuda, under the Exempted Undertakings Tax Protection Act 1966 exempting the Company from income, profit, capital transfer or capital taxes, should such taxes be enacted, until 31 March 2035.

Management assesses uncertain tax positions by determining whether a tax position of the Company is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty per cent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Investment Manager has not identified any uncertain tax positions in the Company arising in this or any preceding period.

However, Investment Manager's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analysis of changes to tax laws, regulations and interpretations thereof. The Investment Manager has determined that there are no reserves for uncertain tax positions necessary for any of the Company's open tax years.

(expressed in thousands of U.S. dollars, except share and per share amounts)

8. Taxes (continued)

The Investment Manager does not expect the total amount of unrecognized tax benefits will materially change over the next twelve months.

9. Financial highlights

Financial highlights for the period ended 31 December 2013 are as follows:

		Ordinary Shares
Per share operating performance		
Net asset value, beginning of period	$	1.0000
Offering costs		(0.0296)
Net asset value, beginning of period after offering costs	$	0.9704
Income (loss) from investment operations:		
Net investment loss		(0.0004)
Performance fee*		(0.0159)
Management fee*		(0.0125)
Net gain from investments		0.1525
Total from investment operations		0.1237
Dividend payment per share		(0.0190)
Net asset value, end of period	$	1.0751
Total return		
Total return before performance fee		13.96 %
Dividend paid		(1.90)
Performance fee*		(1.59)
Total return after performance fee		10.47 %
Ratio to average net assets		
Expenses other than performance fee		(2.11) %
Performance fee*		(1.65)
Total expenses after performance fee		(3.76) %
Net investment loss before performance fee		(2.11) %
Net investment loss after performance fee		(3.76) %

Financial highlights are calculated for each permanent, non-managing class or series of ordinary share. An individual shareholder’s return and ratios may vary based on different performance fee and/or management fee arrangements, and the timing of capital share transactions. Returns and ratios shown above are for the period from 6 December 2012 (Commencement of operations) to 31 December 2013. The ratios include effects of allocations of net investment income/(loss) from the Master Fund.

* The performance fee and management fee is charged in the Master Fund.

(expressed in thousands of U.S. dollars, except share and per share amounts)

10. Commitments and contingencies

In the normal course of business, the Company may enter into contracts or agreements that contain indemnifications or warranties. The Company's exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, management expects the risk of loss to be remote.

11. Subsequent events

On 9 January 2014, the Company declared a dividend covering the period 1 July 2013 to 31 December 2013 of US$0.044 per Ordinary Share. The Company offered a scrip dividend alternative so that shareholders could elect to receive new Ordinary Shares instead of all or part of their cash dividend. On 28 February 2014, a cash dividend of $6,855,462 was paid and 677,123 Ordinary Shares were admitted to trading on the London Stock Exchange's Specialist Fund Market and on the Bermuda Stock Exchange.

These financial statements were approved by management and available for issuance on 9 April 2014. Subsequent events have been evaluated through this date.

Blue Water Master Fund Ltd. –
Blue Capital Global Reinsurance SA-I

(Incorporated in Bermuda)

Financial Statements

For the period 1 January 2013 (Commencement of operations) to 31 December 2013

(expressed in thousands of U.S. dollars)

April 9, 2014

Independent Auditor's Report

To the Board of Directors and Shareholders of
Blue Water Master Fund Ltd. – Blue Capital Global Reinsurance SA-I

We have audited the accompanying financial statements of Blue Water Master Fund Ltd. – Blue Capital Global Reinsurance SA-I (the "Master Fund"), which comprise the statement of assets and liabilities, including the condensed schedule of investments, as of 31 December 2013 and the related statements of operations, of changes in net assets and of cash flows for the period 1 January 2013 (Commencement of operations) to 31 December 2013.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Master Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Master Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers Ltd., Chartered Accountants, P.O. Box HM 1171, Hamilton HM EX, Bermuda
T: +1 (441) 295 2000, F: +1 (441) 295 1242, www.pwc.com/bermuda

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Water Master Fund Ltd. – Blue Capital Global Reinsurance SA-I at 31 December 2013, and the results of its operations, changes in its net assets, and its cash flows for the period 1 January 2013 (Commencement of operations) to 31 December 2013, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers Ltd.
Chartered Accountants

Reference: Independent Auditor's Report on the Financial Statements of Blue Water Master Fund Ltd. – Blue Capital Global Reinsurance SA-I as at 31 December 2013 and for the period 1 January 2013 (Commencement of operations) to 31 December 2013
April 9, 2014
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Blue Water Master Fund Ltd. - Blue Capital Global Reinsurance SA-I

Statement of Assets and Liabilities

As of 31 December 2013

(expressed in thousands of U.S. dollars, except share and per share amounts)

	$
Assets	
Investments in securities, at fair value (cost - $157,783)	179,086
Cash and cash equivalents	1,424
Interest receivable	33
Total assets	180,543
Liabilities	
Subscription received in advance	15,405
Performance fee payable	2,399
Management fee payable	817
Accrued expenses and other liabilities	118
Total liabilities	18,739
Net assets	161,804
Shares in issue	142,062
Net asset value per redeemable preference share	1,138.9697

See accompanying notes to the financial statements

Blue Water Master Fund Ltd. - Blue Capital Global Reinsurance SA-I

Statement of Operations

For the period 1 January 2013 (Commencement of operations) to 31 December 2013

(expressed in thousands of U.S. dollars, except share and per share amounts)

	$
Income	
Interest	33
Expenses	
Performance fees	(2,399)
Management fees	(1,778)
Other fees	(441)
Administrative fees	(139)
Professional fees	(42)
Total expenses	(4,799)
Net investment loss	(4,766)
Realized and unrealized gain on investments in securities	
Net realized gain on investments in securities	586
Net increase in unrealized appreciation on investments in securities	21,303
Net gain on investments in securities	21,889
Net increase in net assets resulting from operations	17,123

See accompanying notes to the financial statements

Blue Water Master Fund Ltd. - Blue Capital Global Reinsurance SA-I

Statement of Changes in Net Assets

For the period 1 January 2013 (Commencement of operations) to 31 December 2013

(expressed in thousands of U.S. dollars, except share and per share amounts)

	$
Increase in net assets	
From operations	
Net investment loss	(4,766)
Net realized gain on investments in securities	586
Net increase in unrealized appreciation on investments in securities	21,303
Net increase in net assets resulting from operations	17,123
From capital share transactions	
Issuance of shares	144,681
Net increase in net assets resulting from capital transactions	144,681
Increase in net assets	161,804
Net assets – Beginning of period	-
Net assets – End of period	161,804

See accompanying notes to the financial statements

Blue Water Master Fund Ltd. - Blue Capital Global Reinsurance SA-I

Statement of Cash Flows

For the period 1 January 2013 (Commencement of operations) to 31 December 2013

(expressed in thousands of U.S. dollars, except share and per share amounts)

	$
Cash flows from operating activities	
Net increase in net assets resulting from operations	17,123
Adjustments to reconcile to net cash used in operations:	
Purchases of investments in securities	(172,197)
Sales of investments in securities	15,000
Net realised gain on investments in securities	(586)
Net increase in unrealized appreciation on investments in securities	(21,303)
Change in other assets and liabilities:	
Increase in interest receivable	(33)
Increase in performance fee payable	2,399
Increase in management fee payable	817
Increase in accrued expenses and other liabilities	118
Net cash used in operating activities	(158,662)
Cash flows from financing activities	
Proceeds from issuance of shares	144,681
Subscription received in advance	15,405
Net cash provided by financing activities	160,086
Net increase in cash and cash equivalents	1,424
Cash and cash equivalents – Beginning of period	-
Cash and cash equivalents – End of period	1,424

See accompanying notes to the financial statements

Blue Water Master Fund Ltd. - Blue Capital Global Reinsurance SA-I

Condensed Schedule of Investments

As of 31 December 2013

(expressed in thousands of U.S. dollars, except share and per share amounts)

Type	Cost $	Number of Shares	Fair Value $	Percentage of Net Assets %
Investments held in Risk Linked Instruments of Blue Water Re Ltd.				
Blue Water Re Ltd Series A	31,654	31,654.4568	37,047	22.90
Blue Water Re Ltd Series B	1,269	1,269.0035	1,430	0.88
Blue Water Re Ltd Series C	7,504	7,504.0000	7,812	4.83
Blue Water Re Ltd Series D	4,248	4,248.0000	4,986	3.08
Blue Water Re Ltd Series E	1,613	1,612.6880	2,130	1.32
Blue Water Re Ltd Series H-1	16,818	16,818.1260	20,142	12.45
Blue Water Re Ltd Series I-1	4,361	4,360.9770	5,794	3.58
Blue Water Re Ltd Series J	1,906	1,905.9250	2,375	1.47
Blue Water Re Ltd Series K-1	4,338	4,337.6965	6,078	3.76
Blue Water Re Ltd Series L-1	3,133	3,133.0110	4,310	2.66
Blue Water Re Ltd Series M-1	7,015	7,015.2230	10,149	6.27
Blue Water Re Ltd Series N-1	7,776	7,775.6650	8,776	5.42
Blue Water Re Ltd Series O-1	2,792	2,792.3920	3,687	2.28
Blue Water Re Ltd Series P-1	9,497	9,496.8270	11,160	6.90
Blue Water Re Ltd Series Q-1	4,448	4,448.0490	5,436	3.36
Blue Water Re Ltd Series R-1	1,561	1,561.0070	1,684	1.04
Blue Water Re Ltd Series S-1	314	313.6490	420	0.26
Blue Water Re Ltd Series T-1	313	312.7930	419	0.26
Blue Water Re Ltd Series U-1	312	311.7750	420	0.26
Blue Water Re Ltd Series V-1	262	261.6320	355	0.22
Blue Water Re Ltd Series W-1	312	312.3690	419	0.26
Blue Water Re Ltd Series X-1	6,843	6,842.9340	7,347	4.54
Blue Water Re Ltd Series Y	2,000	2,000.0000	-	0.00
Blue Water Re Ltd Series Z	475	475.0000	-	0.00
Blue Water Re Ltd Series AA	1,000	1,000.0000	-	0.00
Blue Water Re Ltd Series AB	1,109	1,109.2110	1,178	0.73
Blue Water Re Ltd Series AC	4,501	4,501.2500	5,000	3.09
Blue Water Re Ltd Series AD	8,860	8,860.0000	8,990	5.56
Blue Water Re Ltd Series Z-SAI	19,549	19,549.4145	19,549	12.08
	155,783	155,783.0743	177,093	
Catastrophe Bonds				
United States				
Multi-Peril				
Residential Re 2013-II	2,000	2,000,000.0000	1,993	1.23
	2,000	2,000,000.0000	1,993	
Total	**157,783**		**179,086**	

See accompanying notes to the financial statements

(expressed in thousands of U.S. dollars, except share and per share amounts)

1. Nature of operations

Blue Water Master Fund Ltd. (the "Master Fund SAC") is an open-ended mutual fund company of unlimited duration incorporated with a limited liability under the laws of Bermuda on 12 December 2011 that commenced operations on 1 June 2012. The Master Fund SAC is registered as a segregated account company under the Segregated Accounts Companies Act 2000, as amended (the "SAC Act"). The Master Fund SAC will establish a separate account for each class of shares comprised in each segregated account (each, a "Segregated Account"). Each Segregated 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 Blue Capital Management Ltd. (the "Investment Manager"), a wholly-owned subsidiary of Montpelier Re Holdings Ltd. ("Montpelier Holdings"), an exempted Bermuda company incorporated with limited liability whose common shares are listed on the New York Stock Exchange (symbol MRH) and the Bermuda Stock Exchange (symbol MRH BH).

The Master Fund SAC currently has two Segregated Accounts that have commenced operations, being Blue Capital Global Reinsurance SA-1 (the "Master Fund") and BCAP Mid Vol Fund. The Master Fund operates under a "master fund/feeder fund" structure. Blue Capital Global Reinsurance Fund Limited (the "Feeder Fund"), a closed-ended exempted mutual fund company of unlimited duration with limited liability incorporated under the laws of Bermuda on 8 October 2012 and commenced operations on 6 December 2012, invests substantially all of its assets by way of subscription for non-voting redeemable preference shares of the Master Fund. These preference shares are also referred to as Offered Shares. See Note 5. Outside the activities of the Segregated Accounts, the Master Fund SAC has no substantial operations of its own.

The investment objective of the Master Fund is to generate attractive returns by investing in a diversified portfolio of fully collateralized reinsurance-linked instruments ('RLI") and other investments carrying exposures to insured catastrophe event risks. The Master Fund predominantly invests in fully collateralized RLIs through non-voting redeemable preference shares issued by Blue Water Re Ltd. (the "Reinsurer") which in turns writes reinsurance contracts with the ceding companies. Each non-voting redeemable preference share of the Reinsurer corresponds to a specific reinsurance contract entered into by the Reinsurer. The Master Fund's investments in other reinsurance-linked investments, which carry exposure to insured catastrophe event risks such as industry loss warranties, cat bonds and other insurance-linked instruments, are made directly by the Master Fund.

The capital of the Master Fund is represented by the net assets attributable to holders of non-voting redeemable preference shares. The Investment Manager's objective when managing capital is to safeguard the Master Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Master Fund. In order to maintain or adjust the capital structure, the Investment Manager's policy is to monitor any subscriptions and redemptions relative to the liquid assets and adjust the amount of distributions the Master Fund may pay to the Feeder Fund.

The Reinsurer is an exempted limited liability company incorporated on 12 December 2011 under the laws of Bermuda and is licensed by the Bermuda Monetary Authority as a special purpose insurer with an underwriting plan focused on fully collateralized reinsurance protection of the property catastrophe insurance and reinsurance market. The Insurance Manager to the Reinsurer is Blue Capital Insurance Managers Ltd. (the "Insurance Manager" and collectively with the Investment Manger, the "Managers").

2. Summary of significant accounting policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of financial statements in conformity with US GAAP

(expressed in thousands of U.S. dollars, except share and per share amounts)

2. Summary of significant accounting policies (continued)

requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The significant accounting policies are as follows:

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.

Investment Valuation

The Master Fund records its investments in the Reinsurer at fair value. Fair value is the amount for which an asset could be exchanged, or a liability transferred, between knowledgeable, willing parties in an arm's length transaction. Determining the fair value for these instruments requires the use of management's judgment. The fair value of the investments in the Reinsurer is ultimately dependent on the nature of the underlying fully-collateralized property catastrophe reinsurance protection risk assumed.

Under US GAAP, the Master Fund must determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy prioritizes inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three-levels. It gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and

Level 3 - Inputs that are unobservable.

Level 3 includes financial instruments that are valued using the market approach and income approach valuation techniques. These methods incorporate both observable and unobservable inputs. The Master Fund's financial instruments in this category consist of collateralized property catastrophe risks from traditional reinsurance markets.

For positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence; management's determination of fair value is then based on the best information available in the circumstances, and may incorporate management's own assumptions and may involve some degree of judgment.

The fair values assigned to Level 2 and 3 securities are based upon available information and do not necessarily represent amounts which might ultimately be realized. Because of the inherent uncertainty of valuation, the estimated fair value may differ significantly from the values that would have been used had a ready market for such securities existed and these differences could be material.

(expressed in thousands of U.S. dollars, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Investment Valuation (continued)

The fair value of each RLI held by the Master Fund will equal:

(i) the amount of capital invested in such RLI; plus
(ii) the amount of net premium that been earned to date for such RLI; plus
(iii) the amount of the investment earnings earned to date on both the capital invested in the RLI and the associated reinsurance premiums; minus
(iv) the amount of any losses paid and Loss and Loss Adjustment Expense ("LAE") reserves.

Valuations are performed on a monthly basis, whereby each redeemable preference share will be valued on the basis of the remaining risk inherent in the agreement, adjusted for any potential covered events.

The fair value of catastrophe bonds held directly by the Master Fund are based on broker or underwriter bid indications for the same or similar catastrophe bond, as of the valuation date.

The accounting policies utilized for the Reinsurer

Reinsurance Premiums and Related Costs

The Reinsurer's reinsurance contracts are written on a losses-occurring basis. Losses-occurring reinsurance contracts cover all claims occurring during the period of the contract, regardless of the inception dates of the underlying policies. Any claims occurring after the expiration of the losses occurring contract are not covered.

Premiums written are recognized as revenues, net of any applicable underlying reinsurance coverage, and are earned over the term of the related policy or contract, based on earning patterns appropriate to the types of cover provided and the exposure period thereon.

Deferred acquisition costs are comprised of brokerage fees, excise taxes and commissions paid to ceding companies, all of which relates directly to the writing of insurance and reinsurance contracts. These deferred acquisition costs are amortized over the underlying exposure period of the related contracts. However, if the sum of a contract's expected losses and LAE, and deferred acquisition costs exceeds related unearned premiums and projected investment income, a premium deficiency is determined to exist. In this event, deferred acquisition costs are immediately expensed to the extent necessary to eliminate the premium deficiency. If the premium deficiency exceeds deferred acquisition costs then a liability is accrued for the excess deficiency. During the period the Reinsurer did not record a premium deficiency.

Reinsurance

The Reinsurer purchases reinsurance from third parties in order to manage its exposures. Ceded reinsurance premiums are accounted for on bases consistent with those used in accounting for the underlying premiums assumed, and are reported as reductions in net premiums written and earned.

As an additional means of managing its underwriting risk, the Reinsurer has entered into ILW swap contracts ("ILW Swaps") which provide reinsurance-like protection for specific loss events. However, unlike traditional reinsurance, ILW Swaps loss payments are determined purely on the basis of losses incurred by the insurance industry as a whole, with no reference to losses incurred by the Reinsurer. ILW Swaps are valued on the basis of models developed by the Reinsurer.

(expressed in thousands of U.S. dollars, except share and per share amounts)

2. Summary of significant accounting policies (continued)

***The accounting policies utilized for the Reinsurer* (continued)**

Loss and Loss Adjustment Expenses Reserves

LAE reserves on reinsurance contracts are comprised of case reserves and incurred but not reported ("IBNR") reserves. Case reserve estimates are initially set on the basis of loss reports received from third parties if it is expected that these losses would result in a loss for the Reinsurer based on the underlying exposures. IBNR reserves consist of a provision for additional development in excess of the case reserves reported by ceding companies as well as a provision for claims which have occurred but which have not yet been reported to the Reinsurer by ceding companies. IBNR reserves are estimated by management using various actuarial methods as well as a combination of historical insurance industry loss experience and management's professional judgment.

Investment Transactions and Related Investment Income

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

Translation of Foreign Currency

The accounting records of the Master Fund are maintained in United States dollars. 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 statement of operations.

The Master Fund does not isolate that 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 unrealized gains from investments in the statement of operations.

Income Taxes

At the present time, no income, profit, capital transfer or capital gains taxes are levied in Bermuda and accordingly, no provision for such taxes has been recorded by the Master Fund. The Master Fund has received an undertaking from the Minister of Finance of Bermuda, under the Exempted Undertakings Tax Protection Act 1966 exempting the Master Fund from income, profit, capital transfer or capital taxes, should such taxes be enacted, until 31 March 2035.

Management assesses uncertain tax positions by determining whether a tax position of the Master Fund is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty per cent likelihood of being realized upon ultimate settlement with the relevant taxing authority. Management has not identified any uncertain tax positions in the Master Fund arising in this or any preceding period. However, management's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analysis of changes to tax laws, regulations and interpretations thereof. Management has determined that there are no reserves for uncertain tax positions necessary for any of the Master Fund's open tax years. Management does not expect the total amount of unrecognized tax benefits will materially change over the next twelve months.

(expressed in thousands of U.S. dollars, except share and per share amounts)

3. Fair value measurements

The Master Fund's assets recorded at fair value have been categorized based upon a fair value hierarchy as described in the significant accounting policies in Note 2. The following table presents information about the Master Fund's assets measured at fair value as of 31 December 2013:

	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Investments in Blue Water Re Ltd.				
Redeemable preference shares	$ -	$ -	$ 177,093	$ 177,093
Investments in Catastrophe Bonds	$ -	$ 1,993	$ -	$ 1,993
Total investments	$ -	$ 1,993	$ 177,093	$ 179,086

There were no transfers between levels for the period.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Master Fund has classified within the Level 3 category. As a result, the unrealized gains from investments within the Level 3 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 period were as follows:

	Beginning Balance 1 January 2013	Change in Unrealized appreciation on investments [(a)]	Purchases	Sales	Realized gain on investments	Ending Balance 31 December 2013	Change in Unrealized appreciation on investments still held at 31 December 2013 [(a)]
Assets (at fair value)							
Investments in Blue Water Re Ltd. Redeemable preference shares	$ -	$ 21,310	$ 170,197	$ (15,000)	$ 586	$ 177,093	$ 21,310

(a) The change in unrealized appreciation on investments for the period from 1 January 2013 (commencement of operations) to 31 December 2013 for securities still held at 31 December 2013 are reflected in the net change in unrealized gains from investments in the statement of operations.

Asset	Balance at 31 December 2013	Valuation Technique	Unobservable Inputs	Range/ Weighted average
			Premiums earned - straight line	12 months
U.S. Dollar Denominated		Premium earned	Premiums earned - seasonnality adjusted	5 to 6 months
Collateralized Property		+ investment income	Investment income	0.10% to 0.15%
Catastrophe Reinsurance	$ 177,093	- loss incurred and loss reserves	Loss Reserves	0 to contractual limit

(expressed in thousands of U.S. dollars, except share and per share amounts)

4. Financial Instruments: Risks

The performance of the Master Fund is directly affected by the performance of the Reinsurer and the underlying RLI contracts.

The Master Fund invests substantially all its assets in the Reinsurer and as a result the direct risk the Master Fund is exposed to is limited to liquidity risk. Liquidity risk represents the potential loss due to the difficulty in liquidating holdings quickly. There is little or no secondary market for RLI covering private reinsurance transactions, and there can be no assurance that an active trading market exists for the risks assumed by the Reinsurer. The absence of an active trading market could cause (i) the prices at which the underlying securities trade to differ significantly from those reflected in these financial statements or (ii) redemptions from the Master Fund to be delayed. There are no contractual redemption terms in place between the Master Fund and the Reinsurer.

Indirectly, the Master Fund is exposed to risks through its investment in the RLI. The indirect risks are as follows:

Valuation risk is the risk that a financial asset is overvalued and will realize less than expected when it matures or is sold by the entity that holds it. The valuation of the RLI involves estimating the risk of severe but infrequent natural catastrophe events and, consequently, a dimension of uncertainty to which most investment funds are not subject.

Due to the inherent uncertainty of valuations, these estimated values may differ from the values that would have been used had a ready market for the investments existed, and the differences could be material.

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.

Key Single Event Exposure Zone	% of NAV Value	Key Single Event Exposure Zone	% of NAV Value
US Hurricane [(a)]		European Wind [(c)]	
US - Gulf	26%	UK and Ireland	8%
US - Florida	20%	Northern Europe	8%
US - MidAtlantic	19%	Eastern Europe	8%
US - NorthEast	13%	Western Central Europe	8%
US - Hawaii	10%	Western Europe	8%
		Southern Europe	8%
Earthquake [(b)]		Other	
US - New Madrid	11%	US Midwest Severe Convection [(d)]	9%
US - Northwest	10%	Japan Wind [(e)]	3%
US - California	10%		
Japan	8%		

The table above groups contracts by the key underlying peril. These contracts may include other perils as follows:

(a) US Hurricane contracts often cover secondary perils, including earthquake, terrorism, and other perils;
(b) Earthquake contracts often cover secondary perils, including windstorm, terrorism and other perils;
(c) European Wind contracts often cover secondary perils, including terrorism and other perils;

(expressed in thousands of U.S. dollars, except share and per share amounts)

4. Financial Instruments: Risks (continued)

Concentration of Reinsurance Risk (continued)

(d) US Midwest Severe Convection contracts often cover secondary perils, including earthquake, terrorism, and other perils;
(e) Japanese Wind contracts often cover secondary perils, including terrorism and earthquake;

The exposures above are net of any coverage purchased by the Reinsurer.

None of the reinsurance contracts bound on behalf of the Master Fund carry exposure to nuclear, biological, chemical or radioactive perils. Therefore, the Managers consider the risk of incurring losses equal to the aggregate limits associated with terrorism or other secondary perils to be remote.

Market Risk

Market risk represents the potential loss that can be caused by a change in the market value of the insurance contract. Exposure to market risk is determined by a number of factors, including foreign currency exchange rates and market volatility caused by the supply and demand of similar property catastrophe capacity in the broader reinsurance markets. Additionally, as the occurrence of a covered property catastrophe event could lead to an immediate and total loss of the value of the affected RLI the risks of sudden major losses in RLI value are qualitatively different than those applicable to most conventional financial market investments such as equities and bonds. The Master Fund's RLI's in the Reinsurer may not be fully diversified and may sometimes assume relatively large risks in a single geographic region or in similar perils. The Master Fund may from time to time hold substantial amounts of capital which has not been invested in RLI due to the unpredictable nature of the Master Fund's cash flows or the inability to deploy capital into the reinsurance market. Such uninvested cash cannot earn a return consistent with the Master Fund's objectives.

Credit Risk

Credit risk represents the potential loss that the Master Fund would incur if counterparties failed to perform pursuant to the terms of their obligations to the Master Fund. The Master Fund 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. The Master Fund has concentration risks in relation to cash, investments and capital resulting from these accounts having only one counterparty at 31 December 2013 being HSBC Bank Bermuda, Ltd. At 31 December 2013 all cash is held with HSBC Bank Bermuda, Ltd. which has a credit rating of A+.

The Reinsurer's cash and cash equivalents are held at HSBC Bank of Bermuda, Ltd. and The Bank of New York Mellon which act as trustees on behalf of the Reinsurer and its counterparties. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties at either the Master Fund or the Reinsurer. At 31 December 2013 the Bank of New York Mellon has a credit rating of A+.

For the period ended 31 December 2013, the Reinsurer underwrote its business through certain established brokers and Montpelier Reinsurance Ltd ("Montpelier Re"). As of 31 December 2013, there were amounts due from brokers and Montpelier Re to the Reinsurer of $8.4 million and $2.1 million, respectively. No amounts were due from the broker to the Reinsurer's cedants in connection with business underwritten by the Reinsurer.

Although the Reinsurer purchases reinsurance from, and enters into ILW swaps with, third parties in order to manage its exposures, it is not relieved its obligations to ceding companies entering into such transactions and it is subject to credit risk to the extent that a counterparty is unable to pay amounts owed to it.

(expressed in thousands of U.S. dollars, except share and per share amounts)

4. Financial Instruments: Risks (continued)

Foreign Currency Risk

Foreign currency risk represents the potential loss caused by fluctuations in the prevailing levels of market exchange rates. Although the investments held by the Master Fund at 31 December 2013 are denominated in U.S. dollars, the Master Fund may invest in foreign currency denominated investments, the proceeds of which represent RLI of the Reinsurer denominated in currencies other than its reporting currency, the U.S. dollar. Consequently, the Master Fund is exposed to risks that the exchange rate of the U.S. dollar relative to other currencies may change in a manner that has an adverse affect on the reported value of that portion of the Master Fund's assets denominated in other currencies.

5. Capital share transactions

The Master Fund SAC has an authorized share capital of 100 ordinary, voting, non-redeemable shares (the "Management Shares") of $0.01 par value each and 10,000,000 non-voting, redeemable preference shares of par value $0.001 (the "Shares"). The Shares are divided upon issue into a designated class of shares, each class referencing a segregated account. As of 31 December 2013, the Master Fund SAC has issued 100 Management Shares with a total par value of $1 to the Investment Manager, which has been fully paid. Holders of management shares are to attend and vote at general meetings of the Master Fund SAC, are not be entitled to any dividend or other distribution and will, in the event of a winding-up or dissolution of the Master Fund SAC, whether voluntary or involuntary, be entitled to receive the amount of capital paid up on their management shares after payment in full of the capital paid up on the participating shares to the holders thereof, but will not be entitled to participate further in the surplus assets of the Master Fund SAC.

The Master Fund SAC initially offered Series B Shares ("Offered Shares") at an initial price of $1,000.00 per Share. Investors whom subscribed for Offered Shares were issued a series of Offered Shares. Investors who make additional investments will be issued shares of the same series at the then current Net Asset Value ("NAV") of the applicable series. Annual distributions will not be made in respect of the Offered Shares.

From time to time, investments held by the Reinsurer which are attributable to the Master Fund may be subject to a loss occurrence (each, an "SMA Investment") but the amount of such loss occurrence may be uncertain. At such time and at the discretion of the Board of Directors, if a Special Memorandum Account ("SMA") is established, a portion of each investor's Offered Shares will be converted into a new series of SMA shares at a price of $1,000.00 per share to reflect the investor's pro rata interest in such SMA Investment. SMA shares may not be redeemed by an investor at any Redemption Date.

SMA Investments will be segregated for accounting purposes and increases or decreases in the value of a particular SMA Investment will be separately accounted for in the series of SMA shares established for the SMA Investment. Upon the disposition of the SMA Investment or reclassification of the investment as a non-SMA Investment, the Master Fund will convert the corresponding series of SMA shares held by investors into additional Offered Shares.

Shareholders have redemption rights which contain certain restrictions with respect to rights of redemption of shares.

Subject to the Master Fund's ability to liquidate assets efficiently and other substantial limitations including those relating to SMA shares as discussed above, a holder of Offered Shares may redeem its Offered Shares monthly on the last day of each calendar month (each, a "Redemption Date") by giving ten calendar days' prior written notice to the Master Fund. Any such redemption of Offered Shares will be affected at the NAV of such shares as of the applicable Redemption Date, with cash settlement within forty-five days after such Redemption Date; provided, however, the Master Fund reserves the right to withhold amounts for its contingent liabilities.

(expressed in thousands of U.S. dollars, except share and per share amounts)

5. Capital share transactions (continued)

The Master Fund had no SMA investments at 31 December 2013.

Transactions in shares during the period from 1 January 2013 (commencement of operations) to 31 December 2013 are as follows:

	Beginning Shares	Shares issued	Shares Redeemed	Ending Shares
Offered Shares	-	142,062	-	142,062

	Beginning Amounts	Amounts Issued	Results of Operations	Ending Net Assets	NAV per Share
Offered Shares	$ -	$ 144,681	$ 17,123	$ 161,804	$ 1,138.9697

As at 31 December 2013, 100% of the Offered Shares are owned by the Feeder Fund.

6. Related party transactions

Management Fee

Pursuant to the Investment Management Agreement dated 27 November 2012, the Investment Manager is empowered to formulate the overall investment strategy to be carried out by the Master Fund and to exercise full discretion in the management of the trading, investment transactions and related borrowing activities of the Master Fund in order to implement such strategy. The Investment Manager is entitled to a management fee, calculated and payable monthly in arrears equal to (a) 1/12 of 1.5% of the month-end NAV (prior to accrual of the performance fee, as defined below) of all Offered Shares held by investors, up to a NAV of $300,000 and (b) 1/12 of 1.25% of the month-end NAV (prior to accrual of the performance fee, as defined below) of all Offered Shares held by investors, above a NAV of $300,000. As of 31 December 2013 the Master Fund accrued $817 for management fees.

Performance Fee

The Insurance Manager is entitled to a performance fee, payable on an annual basis by the Master Fund, which will generally be equal to 15% of the aggregate increase in NAV of the Master Fund over the previous High Water Mark (as defined below) of all series of shares (except for SMA shares) held by investors, minus the performance hurdle. The “High Water Mark” for a holder of Offered Shares at the end of any period is equal to (i) where there is New Net Profit (as defined below) in such period, the then current NAV of such Offered Shares, or (ii) where there is no New Net Profit in such period, the previous High Water Mark. The initial High Water Mark for any holder of Offered Shares is equal to the initial subscription amount of such Offered Shares. Appropriate adjustments will be made to account for subscriptions, redemptions and distributions, if any. “New Net Profit” for any series of Offered Shares for any period is the appreciation of the NAV of such series for such period (“Profit”) after deducting any depreciation in NAV of such series in any prior period that has not been previously eliminated by Profit in prior periods. As of 31 December 2013 the Master Fund accrued $2,399 for performance fees.

(expressed in thousands of U.S. dollars, except share and per share amounts)

6. Related party transactions (continued)

Performance Fee (continued)

The performance trigger in respect of a Performance Period (Performance Trigger") is reached when New Net Profit, if any, in respect of an investor's Offered Shares at the end of such Performance Period exceeds the sum of: (i) the NAV of such investor's Offered Shares as of the beginning of the Performance Period multiplied by the average of the one-month U.S. Dollar LIBOR on the last Business Day of each month during such Performance Period and (ii) 10% of the NAV of such investor's Offered Shares as at the beginning of the Performance Period. The Performance Trigger is calculated on an annual basis. If a Performance Period is a partial calendar year, the Performance Trigger will be adjusted proportionately. The Performance Trigger is not cumulative and resets at the beginning of each Fiscal Year. Shortfalls or outperformance of the Performance Trigger in a given year has no effect on the Performance Fee calculated with respect to any other year. The Performance Trigger may be further equitably adjusted to reflect subscriptions which are made during a Performance Period or partial redemptions or distributions of an investor's Offered Shares.

The performance hurdle in respect of a Performance Period "Performance Hurdle" is the amount of New Net Profit, if any, in respect of an investor's Offered Shares at the end of such Performance Period which equals the sum of: (i) the NAV of such investor's Offered Shares as of the beginning of the Performance Period multiplied by the average of the one-month U.S. Dollar LIBOR on the last Business Day of each month during such Performance Period and (ii) 3% of the NAV of such investor's Offered Shares as at the beginning of the Performance Period. The Performance Hurdle is calculated on an annual basis. If a Performance Period is a partial calendar year, the Performance Hurdle will be adjusted proportionately. The Performance Hurdle is not cumulative and resets at the beginning of each Fiscal Year. Shortfalls or outperformance of the Performance Hurdle in a given year has no effect on the Performance Fee calculated with respect to any other year. The Performance Hurdle may be further equitably adjusted to reflect subscriptions which are made during a Performance Period or partial redemptions or distributions of an investor's Offered Shares.

The Performance Fee attributable to the SMA shares upon the disposition of the SMA Investment or the recharacterization or reclassification of the investment as a non-SMA Investment (e.g., when the amount of loss has become sufficiently certain with respect to the loss occurrence, as determined by the Investment Manager in its sole discretion), if any, will be allocated to any series of Offered Shares held by the holder of the SMA shares. Any excess owing thereafter will be allocated and paid from any subsequent redemption proceeds payable to the investor.

One of the directors of the Master Fund SAC is a member of the Investment Manager and is not paid a fee for his service as a director.

The Master Fund SAC will pay on behalf of the Reinsurer all of the Reinsurer's operating costs, including legal fees, government licensing fees and fees in connection with the establishment of the Reinsurer. For the period, the Master Fund SAC incurred expenses of $175 on behalf of the Reinsurer. As of 31 December 2013, Master Fund has $56 payable to Master Fund SAC. The expenses of the Master Fund SAC and the Reinsurer are allocated between the Master Fund and BCAP Mid Vol Fund on a monthly basis based on their gross asset value. For the period ended 31 December 2013, the Master Fund was allocated expenses totaling $435.

7. Administrative fee

Prime Management Limited (the "Administrator") serves as the administrator, secretary, and registrar for the Master Fund SAC. Prime was acquired by SS&C Technologies Holdings, Inc. on 1 October 2013. For its administrator and registrar services, the Administrator receives a monthly fee based on the NAV of the Master Fund, subject to a monthly minimum fee. For its secretary services, the Administrator receives a fixed annual fee.

(expressed in thousands of U.S. dollars, except share and per share amounts)

8. Financial highlights

Financial highlights for the period are as follows:

	Series B
Per share operating performance	
Net asset value, beginning of period	$ 1,000.0000
Income (loss) from investment operations:	
Net investment loss	(6.2411)
Performance fees	(16.8904)
Managements fees	(15.9780)
Net gain from investments	178.0792
Total from investment operations	138.9697
Net asset value, end of period	$ 1,138.9697
Total return	
Total return before performance fee	15.59 %
Performance fee	(1.69)
Total return after performance fee	13.90 %
Ratio to average net assets	
Expenses other than performance fee	(1.78) %
Performance fee	(1.78)
Total expenses after performance fee	(3.56) %
Net investment loss before performance fee	(1.75) %
Net investment loss after performance fee	(3.53) %

Financial highlights are calculated for each permanent, non-managing class or series of preference shares. An individual shareholder's return and ratios may vary based on different performance fee and/or management fee arrangements, and the timing of capital share transactions. Returns and ratios shown above are for the period from 1 January 2013 (commencement of operations) to 31 December 2013.

9. Commitments and contingencies

In the normal course of business, the Master Fund may enter into contracts or agreements that contain indemnifications or warranties. The Master Fund's exposure under these arrangements is unknown, as this would involve future claims that may be made against the Master Fund that have not yet occurred. However, based on experience, management expects the risk of loss to be remote.

10. Subsequent events

On 1 January 2014, the Master Fund accepted subscriptions of approximately $15.4 million from the Feeder Fund and issued approximately 13,525.02 shares.

These financial statements were approved by management and available for issuance on 9 April 2014. Subsequent events have been evaluated through this date.

Corporate Information

Directors
John R. Weale – Chairman (Appointed 5 November 2012)
Gregory D. Haycock – Audit Committee Chairman (Appointed 5 November 2012)
Neil W. McConachie (Appointed 5 November 2012)

Investment Manager to the Company and the Master Fund
Blue Capital Management Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Reinsurance Manager to the Company and the Master Fund
Blue Capital Insurance Managers Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Administrator to the Company and the Master Fund
Prime Management Limited
(a division of SS&C GlobeOp)
Mechanics Building
12 Church Street
Hamilton HM 11
Bermuda

Company Secretary
Appleby Services (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM EX
Bermuda

Custodian to the Master Fund and the Reinsurer
Bank of New York Mellon
101 Barclay Street, 8W
New York, NY 10286

Solicitors to the Company
Hogan Lovells International LLP
Atlantic House
Holborn Viaduct
London EC1A 2FG
United Kingdom

Bermuda Legal Advisor to the Company and the Master Fund
Appleby (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM EX
Bermuda

Financial Advisor and Corporate Broker
Jefferies International Limited
Vintner Place
68 Upper Thames Street
London EC4V 3BJ

Registrar, Paying Agent and Transfer Agent
Computershare Investor Services (Bermuda) Limited
Corner House
Church and Parliament Streets
Hamilton HM FX
Bermuda

Depository
Computershare Investor Services PLC
The Pavilions
Bridgewater Road
Bristol, BS99 6ZZ

Auditors to the Company, the Master Fund and the Reinsurer
PricewaterhouseCoopers Ltd.
Dorchester House
7 Church Street
Hamilton HM EX
Bermuda

Bermuda Listing Sponsor
Prime Management Limited
(a division of SS&C GlobeOp)
Mechanics Building
12 Church Street
Hamilton HM 11
Bermuda

Disclosure of Directors in Public Companies Listed on Recognised Exchanges (Principle 5 of the AIC)

Director Name	Company Name	Exchange
John R. Weale	Blue Capital Reinsurance Holdings Ltd.	New York and Bermuda
Gregory D. Haycock	BF&M Limited	BSX
	The Bermuda Press (Holdings) Ltd.	BSX
Neil McConachie	Third Point Re Ltd.	New York

Summary of Resolutions to be Proposed at the Annual General Meeting

The following section gives details of the business to be transacted and the resolutions (the "Resolutions") to be put to the Shareholders at the Company's 2014 Annual General Meeting to be held at 94 Pitts Bay Road, Pembroke HM 08, Bermuda at 1:00 p.m. (Bermuda time) on 14 May 2014. Notice of the Annual General Meeting is set out in the following section.

The Resolutions below under the heading “Ordinary Resolutions” deal with the ordinary business and the Resolutions below the heading “Special Resolutions” detail the special business to be transacted at this meeting. The Ordinary Resolutions require approval by a majority of votes cast and shall be decided on a show of hands unless a poll is demanded. The Special Resolutions require approval of not less than 75 per cent. of votes cast. Further explanation in relation to each of the Resolutions is set out below.

ORDINARY RESOLUTIONS

Resolution 1 – Approval of Financial Statements

In accordance with the Bermuda Companies Act 1981**,** as amended**,** the Company's annual audited accounts for the year ended 31 December 2013 will be laid before the meeting. The Board will authorise any two Director to sign the balance sheet on its behalf. Shareholders are being asked to receive and consider the Company’s audited financial statements for the year ended 31 December 2013.

Resolution 2 – Board Size and Vacancies

Shareholders are being asked pursuant to Bye-Law 37 of the Company's Bye-laws (the "Bye-laws") to set the size of the Company’s Board at three (3) and to authorize the Directors to fill any vacancy on the Board which may occur from time to time as they may see fit.

Resolution 3 – Re-Election of John R. Weale as a Director

John R. Weale was appointed as Chairman and a member of the Board on 5 November 2012 and his biography appears in the section of this Annual Report entitled "Board Members" above.

It is proposed that Mr. Weale be re-elected as Chairman and a Director of the Company for a term expiring as required by Bye-law 37.6.

Resolution 4 – Re-Election of Gregory D. Haycock as a Director

Gregory D. Haycock was appointed as a member of the Board on 5 November 2012 and his biography appears in the section of this Annual Report entitled "Board Members" above.

It is proposed that Mr. Haycock be re-elected as a Director of the Company and Chairman of the Board’s Audit Committee for a term expiring as required by Bye-law 37.6.

Resolution 5 – Re-Election of Neil W. McConachie as a Director

Neil W. McConachie was appointed as a member of the Board on 5 November 2012 and his biography appears in the section of this Annual Report entitled "Board Members" above.

It is proposed that Mr. McConachie be re-elected as a Director of the Company for a term expiring as required by Bye-law 37.6.

Resolution 6 – Re-Appointment of PricewaterhouseCoopers Ltd. as Auditors of the Company

Shareholders are being asked to approve PricewaterhouseCoopers Ltd.’s re-appointment as the Company's auditors until the close of the next Annual General Meeting and to approve the giving of authority to the Board to determine their reasonable compensation.

Resolution 7 – Share buy-back authority

Shareholders are requested to approve the authority for the Company to make market acquisitions of its own Ordinary Shares up to a maximum of 14.99 per cent. of the Ordinary Shares in issue as at the date of passing of the Resolution (this equates to 25,951,909 Ordinary Shares as at the date of the notice of the Annual General Meeting).

This authority will expire at the conclusion of the Company's next annual general meeting or eighteen (18) months from the passing of the Resolution (whichever is earlier). As previously stated, the Board intends to seek Shareholder approval for the continued ability for the Company to make such market purchases at each annual general meeting. In addition, the Board may seek to refresh this authority from time to time to reflect the issue of further shares, such that the authority will be in relation to 14.99 per cent. of the shares in issue at the time such authority is refreshed.

SPECIAL RESOLUTIONS

Special Resolution 1 – Waiver of pre-emption rights for limited further issues

Pursuant to a Special Resolution of the Company's then sole Shareholder passed on 15 November 2012, the Board was granted the authority to allot a limited number of Ordinary Shares for cash without first offering them to Shareholders on a pro rata basis. This authority will expire on 12 May 2014.

Shareholders are requested to approve, by way of Special Resolution, the renewal of this authority until the earlier of the next annual general meeting or eighteen (18) months from the passing of this Resolution.

The number of Ordinary Shares which may be allotted under such authority is limited to the number of Ordinary Shares representing 10 per cent. of the Ordinary Shares in issue at the date on which the Resolution is passed (this equates to 17,312,815 Ordinary Shares as at the date of the notice of the Annual General Meeting).

Special Resolution 2 – Approval of 2014 Placing Programme

The Directors believe that it remains in the interests of the Company and Shareholders to enlarge the Company and to broaden its investor base and are therefore proposing to raise further capital by way of a further placing programme (the "2014 Placing Programme"), which is currently anticipated to commence in the fourth quarter of 2014.

Under the 2014 Placing Programme, the Company expects to propose to raise further capital by issuing up to 250 million shares. Such shares may be issued as Ordinary Shares or one or more classes of C share at the discretion of the Directors (the "New Shares").

It is not proposed to offer New Shares to be issued under the 2014 Placing Programme to existing Shareholders pro rata to their existing holdings in the first instance and the Company is therefore seeking to disapply the pre-emption rights contained in the Bye-laws. The Company wishes to take the opportunity to seek Shareholder approval at the Annual General Meeting to minimise the administrative burden and costs later in the year. Shareholders are therefore being asked to approve the issue of up to 250 million New Shares on a non-pre-emptive basis, being the maximum number of New Shares that could be issued pursuant to the 2014 Placing Programme. Such approval will expire on 31 December 2015 regardless of whether any New Shares have been issued before that time and will be limited to the allotment of New Shares pursuant to the 2014 Placing Programme.

If an existing Shareholder does not subscribe at each closing for such number of New Shares as is equal to his or her proportionate ownership of existing shares, his or her proportionate ownership and voting interest in the Company will be reduced and the percentage that his or her existing shares will represent of the total share capital of the Company will be reduced accordingly following each closing under the 2014 Placing Programme. However, the issue of Ordinary Shares under the 2014 Placing Programme should not be dilutive of the NAV of existing Ordinary Shares as new Ordinary Shares will be issued at a premium to the prevailing NAV per Ordinary Share. Similarly, the issue of C Shares under the 2014 Placing Programme and their subsequent conversion into Ordinary Shares should also not be dilutive of the NAV of existing Ordinary Shares as conversion will be effected on a NAV for NAV basis in accordance with the Bye-laws.

A prospectus in relation to the 2014 Placing Programme is expected to be issued in due course; however, the Directors reserve the right to postpone or not to proceed with the 2014 Placing Programme where, for example, prevailing market conditions are not supportive.

ACTION TO BE TAKEN

If you have sold or otherwise transferred all of your Ordinary Shares in the Company, please send this Circular, together with any accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

****ONLY FOR SHAREHOLDERS WHO DO NOT HOLD DEPOSITORY INTERESTS THROUGH CREST**** Shareholders are asked to complete the accompanying Form of Proxy in accordance with the instructions printed on it and return it to Computershare Investor Services (Bermuda) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received as soon as possible and, in any event, not later than 1:00 p.m. (Bermuda time) on 9th May 2014.

****ONLY FOR SHAREHOLDERS WHO HOLD DEPOSITORY INTERESTS THROUGH CREST****Depository Interest Holders are asked to complete a Form of Instruction in accordance with the instructions printed on it and return it to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY so as to be received as soon as possible and, in any event, not later than 1:00 p.m. (Bermuda time) on 8th May 2014.

Holders of Depositary Interests in CREST may transmit voting instructions by utilising the CREST voting service in accordance with the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take appropriate action on their behalf. In order for instructions made using the CREST voting service to be valid, the appropriate CREST message (a “CREST Voting Instruction”) must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST).

To be effective, the CREST Voting Instruction must be transmitted so as to be received by the Company’s agent (3RA50) no later than 1:00 p.m. (Bermuda time) on 8th May 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST Voting Instruction by the CREST applications host) from which the Company’s agent is able to retrieve the CREST Voting Instruction by enquiry to CREST in the manner prescribed by CREST. Holders of Depositary Interests in CREST and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the transmission of CREST Voting Instructions. It is the responsibility of the Depositary Interest holder concerned to take (or, if the Depositary Interest holder is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST Voting Instruction is transmitted by means of the CREST voting service by any particular time. In this connection, Depositary Interest holders and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

If you are in any doubt about the contents of this document or the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other appropriate professional adviser authorised for the purposes of the Financial Services and Markets Act 2000, or if you are not in the United Kingdom, another appropriately authorised professional adviser.

RECOMMENDATION

The Board believes that the proposed Resolutions are in the best interests of the Company and the Shareholders and are in accordance with the Company's constitutional documents. Accordingly, the Board unanimously recommends that you vote in favour of the proposed Resolutions at the 2014 Annual General Meeting.

Notice of Annual General Meeting

BLUE CAPITAL GLOBAL REINSURANCE FUND LIMITED

(incorporated and registered as an exempted mutual fund company in Bermuda with registration number 46969)

NOTICE IS HEREBY GIVEN that the 2014 ANNUAL GENERAL MEETING of Blue Capital Global Reinsurance Fund Limited (the "Company") will be held at 94 Pitts Bay Road, Pembroke HM 08, Bermuda on 14 May 2014 at 1:00 p.m. (Bermuda time). Capitalised terms in this notice will have the meaning given to them in the Company's Annual Report published on 10 April 2014. The Annual General Meeting is being convened for the purpose of considering and, if thought fit, passing the following nine Resolutions, the first seven of which will be proposed as ordinary resolutions, each of which require the approval by a simple majority of the votes cast by Shareholders, and the last two of which will be proposed as special resolutions, each of which require the approval of not less than three-quarters of the votes cast by Shareholders.

ORDINARY RESOLUTIONS

1. THAT the audited financial statements of the Company for the year ended 31 December 2013 be and hereby are received and adopted.

2. THAT pursuant to Bye-Law 37 of the Company's bye-laws the maximum number of directors on the Company's Board shall be three (3) and that the directors are hereby authorized to fill any vacancy on the Board which may occur from time to time as they may see fit.

3. THAT the re-election of John R. Weale as Chairman and a Director of the Company for a term expiring as required by Bye-law 37.6 be and is hereby approved and adopted with immediate effect.

4. THAT the re-election of Gregory D. Haycock as a Director of the Company and Chairman of the Board's Audit Committee for a term expiring as required by Bye-law 37.6 be and is hereby approved and adopted with immediate effect.

5. THAT the re-election of Neil W. McConachie as a Director of the Company for a term expiring as required by Bye-law 37.6 be and is hereby approved and adopted with immediate effect.

6. THAT the reappointment of PricewaterhouseCoopers Ltd., an independent registered public accounting firm, as the Company's independent auditors for 2014 be and is hereby approved and adopted with immediate effect, and that the Board, acting through the Company's Audit Committee, is hereby authorised to set the auditor's remuneration.

7. THAT the Company be and is hereby generally and unconditionally authorised to make market acquisitions of its Ordinary Shares in issue provided that:

   a. the maximum number of Ordinary Shares hereby authorised to be purchased is 14.99 per cent. of the Company's Ordinary Shares in issue on the date on which this resolution is passed;

   b. the minimum price (exclusive of expenses) which may be paid for an Ordinary Share shall be US $0.00001;

   c. the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be not more than the higher of: (i) 5 per cent. above the average of the middle market quotations for the Ordinary Shares as derived from the price quoted by the London Stock Exchange plc for the Ordinary Shares for the five (5) business days before the day the purchase is made; and (ii) the higher of the price of the last independent trade and the highest independent bid at the time of the purchase of the Ordinary Shares;

   d. the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, eighteen (18) months from the date on which this resolution is passed, unless such authority is renewed, varied or revoked prior to such time;

e. the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make an acquisition of Ordinary Shares pursuant to any such contract; and

f. any Ordinary Shares bought back may be subsequently cancelled by the Company.

SPECIAL RESOLUTIONS

1. THAT the provisions of Bye-Law 14.1 of the Bye-Laws shall not apply and shall be excluded in relation to the issue of up to an aggregate number of Ordinary Shares as represents 10 per cent. of the number of Ordinary Shares in issue at the date of the passing of this resolution, provided that such disapplication and exclusion shall expire on the date which is eighteen (18) months from the date of the passing of this resolution or, if earlier, at the end of the next annual general meeting of the Company following the date of the passing of this resolution (unless previously renewed, revoked or varied by the Company by special resolution), save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot shares in pursuance of such an offer or agreement as if the disapplication and exclusion conferred hereby had not expired.

2. THAT, in addition to any subsisting authorities, the Directors be and are hereby are empowered to allot up to 250 million New Shares for cash as if Bye-law 14.1 does not apply in respect of any such allotment provided that:

   (a) this power shall (unless previously revoked, varied or renewed by the Company by special resolution) expire on 31 December 2015; and

   (b) this power shall be limited to the allotment of New Shares under the 2014 Placing Programme.

By order of the Board

10 April 2014

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Notes:

1. A Shareholder who is entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a Shareholder of the Company.

2. ****ONLY FOR INVESTORS WHO DO NOT HOLD DEPOSITORY INTERESTS THROUGH CREST**** A Form of Proxy is enclosed for use at the Annual General Meeting. The Form of Proxy should be completed and sent together with (if not previously registered with the Company) the power of attorney or other authority (if any) under which it is executed, to Computershare Investor Services (Bermuda) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received as soon as possible and, in any event, not later than 1:00 p.m. (Bermuda time) on 9th May 2014. The Form of Proxy may also be returned by fax or email in accordance with the instructions printed on the form. Completing and returning a Form of Proxy will not prevent a Shareholder from attending and voting in person at the Annual General Meeting should he or she so wish. To have the right to attend and vote at the Annual General Meeting (and also for the purpose of calculating how many votes the Shareholder may cast on a poll), a Shareholder must first have his or her name entered in the Company's register of Shareholders on 9th May 2014. Changes to entries in that register after that time shall be disregarded in determining the rights of any Shareholder to attend and vote at the Annual General Meeting.

3. ****ONLY FOR INVESTORS WHO HOLD DEPOSITORY INTERESTS THROUGH CREST**** A Form of Instruction is enclosed for use at the Annual General Meeting. The Form of Instruction should be completed and sent together with (if not previously registered with the Company) the power of attorney or other authority (if any) under which it is executed, to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY so as to be received as soon as possible and, in any event, by no later than 1:00 p.m. (Bermuda time) on 8th May 2014. In the case of joint holders of Depository Interests, a Form of Instruction completed by the senior holder will be accepted to the exclusion of a Form of Instruction completed by any of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the register of Depository Interests in respect of the joint holding. Depository Interest Holders wishing to attend the Annual General Meeting should contact the Depository at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY.

   Holders of Depositary Interests in CREST may transmit voting instructions by utilising the CREST voting service in accordance with the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take appropriate action on their behalf. In order for instructions made using the CREST voting service to be valid, the appropriate CREST message (a "CREST Voting Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST).

   To be effective, the CREST Voting Instruction must be transmitted so as to be received by the Company's agent (3RA50) no later than 1:00 p.m. (Bermuda time) on 8th May 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST Voting Instruction by the CREST applications host) from which the Company's agent is able to retrieve the CREST Voting Instruction by enquiry to CREST in the manner prescribed by CREST. Holders of Depositary Interests in CREST and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the transmission of CREST Voting Instructions. It is the responsibility of the Depositary Interest holder concerned to take (or, if the Depositary Interest holder is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST Voting Instruction is transmitted by means of the CREST voting service by any particular time. In this connection, Depositary Interest holders and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   If you are in any doubt about the contents of this document or the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other appropriate professional adviser authorised for the purposes of the Financial Services and Markets Act 2000, or if you are not in the United Kingdom, another appropriately authorised professional adviser.

Form of Proxy for the Annual General Meeting

I/We ____

of ____

Being (a) member(s) of Blue Capital Global Reinsurance Fund Limited, and entitled to vote, hereby appoint the Chairman of the Meeting or the representative of the Company Secretary (such appointment may be determined at the discretion of the Company Secretary)

or ____

As my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 1:00 p.m.(Bermuda time) on 14 May 2014 at 94 Pitts Bay Road, Pembroke HM08, Bermuda and at any adjournment thereof.

Please indicate by placing a cross in the appropriate spaces below how you wish your votes to be cast. Unless otherwise indicated the proxy will exercise his discretion both as to how he votes and as to whether or not he abstains from voting.

Ordinary Resolutions	**For**	**Against**	**Vote Withheld**
1. Adoption of the financial statements of the Company for the year ended 31 December 2013			
2. Setting of the size of the Company's Board of Directors at three (3) and authorization to fill any vacancy on the Board which may occur from time to time as the Board may see fit			
3. Re-election of Mr. John R. Weale			
4. Re-election of Mr. Gregory D. Haycock			
5. Re-election of Mr. Neil W. McConachie			
6. Appointment of PricewaterhouseCoopers Ltd., an independent registered public accounting firm, as the Company's independent auditor for 2014 and authorization of the Company's Board of Directors, acting by the Company's Audit Committee, to set the auditor's remuneration			

7. Authorisation to make market acquisitions of the Company's Ordinary Shares in issue provided that: a. the maximum number of Ordinary Shares hereby authorised to be purchased is 14.99 per cent. of the Company's Ordinary Shares in issue on the date on which this resolution is passed; b. the minimum price (exclusive of expenses) which may be paid for an Ordinary Share shall be US $0.00001; c. the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be not more than the higher of: (i) 5 per cent. above the average of the middle market quotations for the Ordinary Shares as derived from the price quoted by the London Stock Exchange plc for the Ordinary Shares for the five (5) business days before the day the purchase is made; and (ii) the higher of the price of the last independent trade and the highest independent bid at the time of the purchase of the Ordinary Shares; d. the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, eighteen (18) months from the date on which this resolution is passed, unless such authority is renewed, varied or revoked prior to such time; e. the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make an acquisition of Ordinary Shares pursuant to any such contract; and f. any Ordinary Shares bought back may be subsequently cancelled by the Company.			
Special Resolutions	**For**	**Against**	**Vote Withheld**
1. Authorisation to exclude the provisions of Bye-Law 14.1 of the Company's Bye-Laws in relation to the issue of up to an aggregate number of Ordinary Shares as represents 10 per cent. of the number of Ordinary Shares in issue at the date of the passing of this resolution, provided that such disapplication and exclusion shall expire on the date which is 18 months from the date of the passing of this resolution or, if earlier, at the end of the next annual general meeting of the Company following the date of the passing of this resolution (unless previously renewed, revoked or varied by the Company by special resolution), save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot shares in pursuance of such an offer or agreement as if the disapplication and exclusion conferred hereby had not expired.			
2. Authorisation to allow the Directors to allot up to 250 million New Shares for cash as if Bye-law 14.1 of the Company's Bye-laws does not apply in respect of any such allotment provided that: (a) such power shall (unless previously revoked, varied or renewed by the Company by special resolution) expire on 31 December 2015; and (b) such power shall be limited to the allotment of New Shares under the 2014 Placing Programme.			

Signed this ______________________________ day of _______________________________________ 2014

(Signature) ____

Please see Notes on page 2 of this Proxy

Notes:

1. If you desire someone other than the Chairman or a representative of the Company Secretary to act as your proxy, delete "the Chairman of the Meeting or the representative of the Company Secretary (such appointment may be determined at the discretion of the Company Secretary)" above and insert the name of the proxy desired. If you wish to appoint the representative of the Company Secretary to act as your proxy delete "the Chairman of the Meeting or". If you do not delete these words and you do not insert the name of an alternative proxy in the space provided, you will be deemed to have appointed the Chairman of the Meeting as your proxy. Any such proxy need not be a member of the Company.

2. In the case of a corporation this proxy must be executed under Common Seal or under the hand of an officer or duly authorised attorney.

3. In the case of joint holders the signature of the person whose name stands first in the Register is sufficient.

4. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

5. To be effective this Form of Proxy, duly completed together with any power of attorney or authority under which it is signed or a notarially certified copy of such power of attorney or other authority, must be lodged with the Company's Registrar, to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 1:00 p.m. (Bermuda time) on 9th May 2014.

6. The lodging of a completed Form of Proxy does not preclude a member from attending, speaking and voting at the AGM.

7. The quorum for this Meeting is two persons holding or representing by proxy 5 per cent. of the issued Share capital (excluding any Share capital represented by treasury shares) between them. If such a quorum is not present within half an hour from the time appointed for the Meeting, or if during the Meeting such a quorum ceases to be present, it shall stand adjourned to such day, time and place as a Chairman may determine and if at such adjourned meeting a quorum is not present within five minutes from the time appointed for the holding of the meeting, those Members present in person or by proxy shall be a quorum.

8. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for or against a resolution.