23 March 2020

CATCo Reinsurance Opportunities Fund Ltd. (the "Company")
Annual Financial Report
For the 12 month period 1 January 2019 to 31 December 2019

To: London Stock Exchange's Specialist Fund Segment, and Bermuda Stock Exchange

CHAIRMAN'S STATEMENT

The Company's investment in the 2019 portfolio held by the Master Fund achieved a return of c. 4.3 per cent on the underwriting year ended 31 December 2019.

Furthermore, over $100m of capital was returned to Shareholders during the year with additional payments anticipated during the first half of 2020.

Following two consecutive years of severe catastrophic activity, 2019 proved to be another active year with Hurricane Dorian, Typhoon Faxai, Typhoon Hagibis and the Australia bushfires being the year's most significant events.

The reinsurance industry continued to witness loss creep across a number of prior year events. The most extensive loss creep has been in relation to Hurricane Irma and Typhoon Jebi, which has impacted the Company's Side Pocket Investments held in relation to 2017 and 2018, respectively.

SIDE POCKET INVESTMENTS ("SPIs")

In addition to the existing SPIs held throughout the year in relation to 2016-2018 catastrophe events, the Company now holds SPIs relating to the 2019 underwriting year. As at 31 December 2019, the SPIs in total represent c. 93.74 per cent of Ordinary Share Net Asset Value ("NAV") (2018: 62.10 per cent) and c. 91.51 per cent of C Share NAV (2018: 46.76 per cent). The SPIs in relation to 2016 to 2019 are as follows (in each case, as at 31 December 2019):

2016 SPIs, established for the Fort McMurray wildfire, Jubilee oil field, Hurricane Matthew and the South Island earthquake in New Zealand, amount to c. 11.30 per cent of the Company's Ordinary Share NAV (31 December 2018: c. 7.53 per cent of Ordinary Share NAV).

2017 SPIs, principally relating to Hurricanes Harvey, Irma and Maria and the 2017 California wildfires, amount to c. 30.02 per cent of the Company's Ordinary Share NAV (31 December 2018: c 31.49 per cent of Ordinary Share NAV).

2018 SPIs, principally relating to, inter alia, Hurricanes Michael and Florence, Typhoon Jebi and the 2018 California wildfires, amount to c. 26.40 per cent of the Ordinary Share NAV (31 December 2018: 21.1 per cent) and c. 52.83 per cent of the C Share NAV (31 December 2018: 46.76 per cent).

2019 SPIs relating to Hurricane Dorian, Typhoons Faxai and Hagibis and the Australian bushfires, amount to c. 26.02 per cent of the Ordinary Share NAV and c. 38.68 per cent of the C Share NAV.

On 30 January 2020, the Company announced its decision to consent to a partial waiver of 50 per cent (one-half) of the management fee paid by Markel CATCo Reinsurance Fund Ltd. to the Investment Manager in respect of SPIs, being exposed to SPIs by way of its holding of certain classes of share in Markel Catco Diversified Fund (the "Master Fund") (2018: 33.334% (one-third)). The reduction resulting from the waiver will have effect from 1 January 2020 until 31 December 2020, but is subject to possible extension by the Investment Manager and Markel CATCo Diversified Fund (the "Master Fund").

SHAREHOLDER DISTRIBUTIONS

In February 2019, dividends of $0.0265 per Ordinary Share and $0.0445 per C Share were paid to Shareholders with respect to fiscal year 2018. In November 2019, a further dividend distribution was made to Shareholders with dividends paid of $0.0127 per Ordinary Share and $0.0262 per C Share.

As noted in the section “Run-Off” below, the Company has requested the redemption of all of its holding in the Master Fund, and consequently has distributed the net redemption proceeds received to date by way of a tender offer which was settled on 23 September 2019, and a programme of share buybacks between 24 October 2019 and 27 December 2019, both of which were conducted following the approval of the Ordinary Shareholders and C Shareholders granted on 6 September 2019.

Under the tender offer, as announced by the Company on 6 September 2019, the Company accepted to purchase 76,490,478 Ordinary Shares at the strike price of 20 cents per Ordinary Share (a total consideration of $15.3m), and 90,322,577 C Shares at the strike price of 31 cents per C Share (a total consideration of $28.0m), and subsequently cancelled these Shares.

Under the share buyback programme, 9,364,092 Ordinary Shares and 17,632,810 C shares were repurchased by the Company for an aggregate consideration of $1.9m and $5.9m respectively and subsequently cancelled.

The Company intends to distribute all further net redemption proceeds received (after payment of any costs and making provision for working requirements). The method, timing and amount of each distribution will be at the Board’s discretion. However, the Shareholder Circular dated 13 March 2020 sets out proposals which, if approved by Shareholders, will permit the Company to carry out compulsory redemptions of its Ordinary and C Shares.

The Company has successfully returned over $100m of capital to Shareholders during 2019 as highlighted in the table below.

Form of Return	**Payment Date/ Period**	**Ordinary Share Class ($m)**	**C Share Class ($m)**	**Total ($m)**
Dividend	25 February 2019	10.4	24.3	34.7
Tender Offer	23 September 2019	15.3	28.0	43.3
Interim Dividend	1 November 2019	4.0	11.9	15.9
Share Buyback	Oct to Dec 2019	1.9	5.8	7.7
Total Capital Return		31.6	70.0	101.6

EVENTS AT THE INVESTMENT MANAGER

On 6 December 2018, Markel Corporation reported that the U.S. Department of Justice, U.S. Securities and Exchange Commission and Bermuda Monetary Authority (collectively, the “Governmental Authorities”) are conducting inquiries (the “Markel CATCo Inquiries”) into loss reserves recorded in late 2017 and early 2018 at the Investment Manager and its subsidiaries (collectively, “Markel CATCo”). These inquiries are limited to Markel CATCo and do not involve Markel Corporation or its other subsidiaries.

Markel Corporation previously disclosed that it had retained outside counsel to conduct an internal review of Markel CATCo’s loss reserving in late 2017 and early 2018. The internal review was completed in April 2019 and found no evidence that Markel CATCo personnel acted in bad faith in exercising business judgment in the setting of reserves and making related disclosures during late 2017 and early 2018. Markel Corporation’s outside counsel has met with the Governmental Authorities and reported the findings from the internal review. The Markel CATCo Inquiries have not yet concluded and Markel Corporation and the Investment Manager continue to fully co-operate with the Governmental Authorities. Markel Corporation cannot currently predict the duration, scope or result of the Markel CATCo Inquiries. On 18 January 2019, Anthony Belisle and Alissa Fredricks ceased to be engaged by the Investment Manager and were replaced by Jed Rhoads, President and Chief Underwriting Officer, Markel Global Reinsurance and Andrew Barnard, Senior Managing Director, Head of International Property Catastrophe and Retro Reinsurance at Markel Global Reinsurance.

RUN-OFF

Following a shareholder consultation in February 2019, the Board sought the approval of Shareholders to put the Company's portfolios into an orderly Run-Off (the "Run-Off"), which approval was given on 26 March 2019.

Markel CATCo Reinsurance Fund Ltd. (the "Master Fund SAC") granted a special redemption right to all shareholders in the Markel CATCo Diversified Fund (the "Master Fund"), exercisable by 29 March 2019, which allowed the shareholders to redeem all or part of their shares in the Master Fund as of 30 June 2019.

The Company therefore elected to redeem 100 per cent of its shares in the Master Fund SAC attributable to the Master Fund (the "Master Fund Shares") as of 30 June 2019 (the "Special Redemption"), as approved by the Ordinary Shareholders and C Shareholders on 26 March 2019.

The Investment Manager announced on 25 July 2019 that it would cease accepting new investments in the Master Fund SAC and would not write any new business going forward through the Markel CATCo Re Ltd. (the "Reinsurer"). The Investment Manager has commenced the orderly Run-Off of the Reinsurer's existing portfolio, which is expected to take approximately three years from 1 January 2020. As part of this Run-Off, the Master Fund is returning capital to its investors, including the Company. The Company has distributed the net proceeds (less costs, reserves and working capital) of the Special Redemption received to date to Shareholders.

As noted in the section "Shareholder Distributions" above, any return to Shareholders of further proceeds of the Special Redemption will be in such manner and at such time as the Directors determine. Shareholders are referred to the Shareholder Circular dated 13 March 2020 for details of the Board's proposals in this regard. In these circumstances, the Company will not continue to pay an annual dividend, and no continuation votes will be held while the Run-Off continue.

The Directors have concluded that the Company will not raise further capital in any circumstances, and so the Company is being wound down by means of a managed process leading to liquidation in due course. The only further business, therefore, that will be undertaken is that necessary to complete the Run-Off of each of the Company's portfolios.

The Directors remain of the view that it is currently in the best interests of the Company for the Investment Manager to continue to manage the Run-Off, rather than to commence a formal members' voluntary liquidation. The Directors will keep this approach under review and currently anticipate that they will not look to put the Company into members' voluntary liquidation until the Run-Off are substantially completed.

At such time, a circular will be delivered to Shareholders to convene a further meeting at which the Shareholders will be asked to approve the liquidation. The return of capital to Shareholders which is to take place as and when the disposal of each of the Company's portfolios occurs is part of this managed wind-down process, and such return of capital will, in due course, be completed via the liquidation process.

BOARD CHANGES

On 4 December 2019, Alastair Barbour retired as a Director and Chairman of the Audit Committee. I would like, on behalf of the Board, to extend my sincere thanks to Alastair, who has, since his appointment as a Director in 2011, provided consistent support and sound advice to the Board and Investment Manager.

I am pleased to confirm that the Board have appointed Arthur Jones as a non-executive Director and Chairman of the Audit Committee with effect from 4 December 2019. Arthur is a Chartered Accountant with 35 years' experience in the financial services industry. He is currently Chief Financial Officer of the

Consolidated Group of Companies which provides corporate and accounting services to clients in, amongst others, the insurance and investment fund industries. He has been with the Consolidated Group of Companies since 1987. From 2005 to 2018, Arthur served on the Boards of Directors of a number of Bermuda-incorporated hedge and long-only equity funds managed by Martin Currie Group. He is a Bermuda resident. The Board believes that Arthur has the qualifications and experience necessary to enable him to perform the role of Audit Committee Chairman, and is pleased to welcome him onto the Board.

CLOSING REMARKS

I would like to reassure Shareholders that, while it is not straightforward to estimate the timing and amount of capital to be released, the Investment Manager remains fully committed to working with its cedents and the Bermuda Monetary Authority ("BMA") in order to secure the release of capital to investors as soon as practicable. Distributions of capital by the Company are contingent on the required regulatory approvals being received from the BMA in relation to capital releases between the Reinsurer and the Master Fund SAC.

The Board of Directors is engaged in regular contact with the Investment Manager regarding the Run-Off process and has received assurances from the owner of the Investment Manager, Markel Corporation, that adequate resources will remain in place until the conclusion of the Run-Off.

An augmented management team is now in place at the Investment Manager. Consequently the Directors believe the Investment Manager remains the best-placed organisation to manage the Run-Off.

The Directors will closely monitor the implementation of the Run-Off and the return of capital to Shareholders to ensure that the Investment Manager remains committed to, and focused upon, the orderly management of the Run-Off, and that it continues to dedicate sufficient resources to support that process.

James Keyes
Chairman,
CATCo Reinsurance Opportunities Fund Ltd.
23 March 2020

INVESTMENT MANAGER'S REVIEW

The Company's 2019 investment portfolio was impacted by comparatively lower levels of catastrophic activity following two consecutive years of severe natural catastrophic events, but was nonetheless exposed to significant losses, primarily from Japanese Typhoons Faxai and Hagibis. The higher premiums achieved during the 1 January 2019 renewals helped to offset some of these losses, resulting in the 2019 investment portfolio generating an estimated return of c. 4.3 per cent on capital invested in the Master Fund.

Meanwhile, the 2017 and 2018 portfolio investments experienced some deterioration during 2019, primarily in the first half of the year as previously announced by the Company in its Portfolio Update on 3 June 2019. The second half of the year generally witnessed a stabilizing of losses relating to the prior year investment portfolios, notwithstanding one further adjustment to the Ordinary Share NAV during December 2019, driven by further claim settlements in relation to 2017 events.

2019 LOSS EVENTS

Global insured losses during 2019 are estimated to be $52bn[1], which is in line with the long-term average, compared to 2017 and 2018, which represented the first-and fourth-costliest years on record, resulting in over $140bn[1] and $80bn[1] of insured losses respectively.

While 2019 experienced significantly lower insured losses compared to 2017 and 2018, a similar confluence of events occurred throughout 2019, causing further trapped capital industry-wide for the third year in a row.

Multiple severe thunderstorms swept through the United States during 2019, resulting in over $19.5bn[2] of insured losses, the second-worst year over the past three decades after 2011, when severe thunderstorms generated approximately $26.5bn[2] of insured losses. The most significant storm occurred in May 2019 which impacted the Midwest States of Illinois, Nebraska and Ohio and caused approximately $3.4bn[2] of insured losses. This was the worst tornado since the Joplin and Tuscaloosa tornados of 2011, which caused approximately $7bn[2] of insured losses each.

For the fourth consecutive year, the Atlantic Basin experienced a relatively active hurricane season with eighteen named storms, significantly above the annual average of twelve. The strongest hurricane of the season, Hurricane Dorian, was the most intense tropical cyclone on record to strike the Bahamas, and is regarded as the worst natural disaster in the country's history, causing approximately $4bn[1] of insured losses. Continuing northwest from the Bahamas, Dorian threatened to strike Florida as a Category 3 hurricane, but gradually dwindled northeast, only making contact with the edge of Cape Hatteras as a Category 1 before moving out to the open Atlantic and then making landfall again in Canada.

As in 2018, Japan was again struck by a series of severe typhoons, the most significant of these being Faxai and Hagibis, which generated $7bn[1] and $10bn[1] of insured losses respectively, topping the combined insured losses generated by Typhoons Jebi and Trami of 2018, the insured losses from which are currently estimated to be approximately $11.4bn[1]. Both 2019 typhoons hit the Tokyo area, with Faxai sweeping over Tokyo Bay and making landfall in the city of Chiba. Hagibis struck further northwest, directly over the Yokohama-Tokyo conurbation, with as much as approximately 1 metre of rain falling within two days, breaching levees and seriously damaging many industrial operations.

As was the case in the preceding two years, California experienced more wildfires in the fourth quarter of 2019. However, these were far less devastating than the record $30bn[2] for the combined insured California wildfire losses in 2017 and 2018. The Saddle Ridge, Walker and Kincade fires were the headline California wildfire events of 2019, burning a total of 140,000 acres and causing approximately $1bn[2] of insured losses.

Lastly, during the final weeks of the year, hundreds of bushfires across all of Australia continued to materialize, a number of which are still burning at the time of this report. The Insurance Council of Australia indicated that the countrywide insured losses due to the bushfires was approximately $200m at 2019 year–end. However, as at the date of this report the figure is over $1bn, following further fires in the first quarter of 2020.

2017 AND 2018 LOSS EVENTS UPDATE

The latest insured losses and loss adjustment expenses for Hurricane Irma, which occurred in 2017, are estimated at $29.1bn[2]. Insured losses for Hurricane Irma deteriorated further during 2019 following continued late reporting and loss development amounting to more than $3.6bn[2].

Hurricane Irma's insured losses have deteriorated nearly $10.0bn[2] since the original estimate by Property Claim Services ("PCS"), the insured property loss reporting agency, in September 2017.

As announced by the Company on 3 June 2019 in its Portfolio Update, as a result of the continued development and late reporting from cedents, the Investment Manager decided to strengthen the reserves for 2017 and 2018 events in the 31 May 2019 NAV, representing a c. 11.05 per cent and c. 8.11 per cent deterioration in the brought forward April 2019 Ordinary Share NAV.

In addition, as announced on 30 January 2020, a reduction in the Company's Ordinary Share December 2019 NAV of c. 3.6 per cent was recorded, driven by further claim settlements in relation to 2017 events, predominantly Hurricane Irma.

The Investment Manager believes that the total loss reserves established for the 2017 and 2018 loss events are sufficient to provide for all claims with respect to the loss events, based on the information currently available. However, there is still some level of uncertainty with regard to the final insured loss impact of the 2017 events.

1 Munich Re NatCatSERVICE, January 2020
2 Property Claim Services

2019 LOSS RESERVES

During 2019, the Investment Manager recorded total loss reserves of c. 31.40 per cent in relation to the 2019 investment portfolio across the following main loss events:

Loss Event	Loss Reserve (percent of 2019 investment portfolio)
Typhoon Faxai	c. 6.60 per cent
Hurricane Dorian	c. 1.40 per cent
Typhoon Hagibis	c. 15.90 per cent
Attritional/other loss reserves	c. 7.50 per cent

Whilst significant uncertainty exists when estimating reserves, the Investment Manager has established initial 2019 loss event reserves based on the information available including catastrophe modeled data, industry insured loss estimates, and advice from brokers and cedents, whilst also factoring in further conservatism following the industry-wide learning from the loss development experienced on 2017 and 2018 loss events.

It remains too soon to be able to confirm what impact, if any, the Australian bushfires will have on the 2019 portfolio. Consequently, this specific event has required the creation of higher levels of SPIs due to the proximity of the event to the end of the risk period. The Investment Manager expects further clarity from its cedents with regard to establishing accurately the amount of trapped capital relating to this event in the first half of 2020.

The Investment Manager will continue to review all of the specific loss reserves throughout 2020 and beyond, and reminds Shareholders that the expected portfolio exposure to loss events could change materially, resulting in either an increase or decrease to reserves, after further information has been made available.

2020 OUTLOOK

Following the approval in Q1 2019 by the Shareholders to put the existing portfolios into Run-Off, the Company remains focused on seeking to return capital as it comes off-risk to its Shareholders as efficiently as possible.

As recently announced on 30 January 2020, the Investment Manager continues to work closely with its cedents to agree the release of capital associated with the 2016-2019 portfolios and the Board will determine the timing and method of this capital distribution, as and when appropriate, in conjunction with discussions between Shareholders and the Company’s brokers, Numis Securities Limited.

Jed Rhoads
Markel CATCo Investment Management Ltd.
23 March 2020

REVIEW OF BUSINESS

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

INVESTMENT OBJECTIVE

During the period from inception of the Company to 26 March 2019, the investment objective of the Company and Markel CATCo Diversified Fund (the "Master Fund"), a segregated account of Markel CATCo Reinsurance Fund Ltd. (the "Master Fund SAC") was to give their Shareholders the opportunity to participate in the returns from investments linked to catastrophe reinsurance risks, principally by investing in fully collateralised Reinsurance Agreements accessed by investments in Preference Shares of Markel CATCo Re Ltd. (the "Reinsurer").

With effect from 26 March 2019, the Company's Shareholders approved an amendment to the Company's investment policy so as to allow an orderly Run-Off of the Company's portfolios (the "Run-Off") with the effect that the Company's investment policy is now limited to realising the Company's assets and distributing any net proceeds to the relevant shareholders.

MASTER FUND INVESTMENT POLICY AND INVESTMENT STRATEGY

The Master Fund SAC ceased accepting new investments on 25 July 2019 and will not write any new business through the Reinsurer. The investment policy and strategy of the Master Fund, with effect from 25 July 2019, is, as the orderly Run-Off of the Reinsurer's existing portfolio takes place, to return capital to its investors, including the Company. The Investment Manager continues to proactively work closely with its reinsurance cedents to agree the release of the remaining 2016-2019 portfolio's capital and will return proceeds to investors on a timely basis subject to underlying reinsurance cedents providing capital release and the Investment Manager receiving the required approval from the Bermuda Monetary Authority. Reinsurance contracts forming part of the 2019 portfolio would be expected to come off risk on 31 December 2022, provided there is agreement then between the parties as to the amount of capital to be released back to the Reinsurer. Where agreement has not been reached by that date, negotiations between the Investment Manager and the reinsurance cedents will take place to secure the release of the remaining 2019 portfolio's capital.

Ultimately, under the reinsurance contracts, there is recourse to arbitration if agreement between the parties cannot be reached, and the timing of any capital releases which are the subject of arbitration could therefore be uncertain.

Prior to 25 July 2019, the Master Fund spread investment risk by seeking exposure to multiple non-correlated risk categories so as to endeavour to limit the amount of capital at risk with respect to a single catastrophic event.

DIVIDEND, SHARE BUYBACKS AND TENDER OFFER

On 31 January 2019, the Company announced an annual dividend of $0.0265 in respect of each of the Ordinary Shares, and an annual dividend of $0.0445 in respect of each of the C Shares, for the year to 31 December 2018, payable on 25 February 2019. The record date for these dividends was 8 February 2019 and the ex-dividend date 7 February 2019. On 4 October 2019, the Company announced interim dividends of $0.0127 in respect of each of the Ordinary Shares and $0.0262 in respect of each of the C Shares for the year to 31 December 2019, payable on 1 November 2019. The record date for these dividends was 18 October 2019 and the ex-dividend date 17 October 2019.

The Company also distributed the net redemption proceeds received to Ordinary Shareholders and C Shareholders (as appropriate) by way of a tender offer which settled on 23 September 2019 and a programme of share buybacks conducted between 24 October 2019 and 27 December 2019, both of which were carried out pursuant to the authorities granted by the Shareholders on 6 September 2019.

Under the tender offer, the results of which were announced by the Company on 6 September 2019, the Company accepted for purchase 76,490,478 Ordinary Shares at the strike price of 20 cents per Ordinary

Share (a total consideration of $15.3m), and 90,322,577 C Shares at the strike price of 31 cents per C Share (a total consideration of $28.0m), and subsequently cancelled these Shares.

Pursuant to the share buyback programme, 9,364,092 Ordinary Shares and 17,632,810 C shares (as further detailed in note 7 to the Financial Statements were repurchased by the Company for an aggregate consideration of, respectively $1.878m and $5.855m, and subsequently cancelled.

The Company's issued share capital at 1 January 2019 amounted to 391,666,430 Ordinary Shares and 546,367,863 C Shares.

The Company's issued share capital at 31 December 2019 amounted to 305,811,860 Ordinary Shares and 437,412,476 C Shares. These numbers are unchanged as at the date of this Report, 23 March 2020.

TOTAL ASSETS AND NET ASSET VALUE

At 31 December 2019, the Company had Total Assets of $306.88m and a Net Asset Value per Ordinary and C Share of $0.2659 and $0.5157 respectively.

MANAGEMENT OF RISK

The Board of Directors regularly reviews the major strategic and emerging risks that the Board and the Investment Manager have identified, and against these, the Board sets out the delegated controls designed to manage those risks. The principal risks facing the Company relate to market price, interest rate, liquidity and credit risk and the efficient management of the Run-Off process. Such key risks relating to investment underwriting and strategy including, for example, inappropriate asset allocation or borrowing, are managed through investment policy guidelines and restrictions, and by the process of oversight at each Board meeting as previously outlined.

Operational disruption, accounting and legal risks are also covered annually, and regulatory compliance is reviewed at each Board meeting.

RESULTS AND DIVIDENDS

The total return attributable to Ordinary Shareholders for the year amounted to -19.77 per cent (2018: -58.43 per cent) and -15.57 per cent (2018: -35.74) for the C Shares.

On 31 January 2019, the Company announced an annual dividend of $0.0265 in respect of each of the Ordinary Shares, and an annual dividend of $0.0445 in respect of each of the C Shares, for the year to 31 December 2018, and paid on 25 February 2019. The record date for these dividends was 8 February 2019 and the ex-dividend date 7 February 2019.

Following the receipt by the Company of additional redemption proceeds from its redemption of the Company's Master Fund Shares, the Company declared interim dividends of $0.0127 in respect of each of the Ordinary Shares and $0.0262 in respect of each of the C Shares for the year to 31 December 2019. The record date for these dividends was 18 October 2019 and ex-dividend date was 17 October 2019, and paid on 1 November 2019.

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

On 15 November 2017, the Company announced that the Board had decided to enhance the dividend policy, and would consider paying an additional special dividend (the "Special Dividend") from 2019 (in respect of the financial year ending 31 December 2018) onwards, in relation to both the Ordinary and the C Shares.

The Special Dividend would be an amount equal to the level of accumulated profits of each shares class in the relevant fiscal year in excess of LIBOR plus 7.5 per cent (the “Performance Threshold”). The Performance Threshold was not met during the financial year ended 31 December 2019.

DIRECTORS’ RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year.

Under that law, the Board has elected to prepare the financial statements in accordance with US Generally Accepted Accounting Principles (“US GAAP”). The financial statements are required by the Bermuda Companies Act 1981 to present fairly in all material respects the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The Board considers that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for Shareholders to assess the Company’s performance, business model and strategy.

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

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

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

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

Arthur Jones

Chairman of the Audit Committee
23 March 2020

AUDITED STATEMENTS OF ASSETS AND LIABILITIES

(Expressed in United States Dollars)	**31 Dec. 2019**	**31 Dec. 2018**
	$	$
Assets		
Investments in Master Funds, at fair value (Notes 2 and 5)	282,640,471	421,660,837
Cash and cash equivalents (Note 3)	2,634,719	3,602,153
Due from Master Funds (Note 9)	22,124,939	54,753,242
Other assets	77,784	9,000
Total assets	307,477,913	480,025,232
Liabilities		
Accrued expenses and other liabilities	599,181	219,710
Total liabilities	599,181	219,710
Net assets	306,878,732	479,805,522
NAV per Share (Note 7)		

See accompanying Notes to the Audited Financial Statements

AUDITED STATEMENTS OF OPERATIONS

(Expressed in United States Dollars)	**Year ended 31 Dec. 2019**	**Year ended 31 Dec. 2018**
	$	$
Net investment loss allocated from Master Funds (Note 5)		
Interest income	2,641,840	4,379,432
Management fee waived (Note 9)	999,738	-
Miscellaneous income	-	48,815
Management fee (Note 9)	(5,490,438)	(11,943,832)
Professional fees and other	(316,189)	(582,276)
Administrative fee	(196,388)	(610,031)
Performance fee (Note 9)	(15,666)	44,409
Net investment loss allocated from Master Funds	(2,377,103)	(8,663,483)
Investment income		
Interest	419,772	14,699
Total investment income	419,772	14,699
Company expenses		
Professional fees and other	(1,305,963)	(1,515,492)
Management fee (Note 9)	(429,226)	(105,687)

Administrative fee (Note 10)	(75,000)	(137,417)
Total Company expenses	(1,810,189)	(1,758,596)
Net investment loss	(3,767,520)	(10,407,380)
Net realised loss and net change in unrealised gain / (loss) on securities allocated from Master Funds (Note 5)		
Net realised loss on securities	(233,175,549)	(95,399,760)
Net change in unrealised gain / (loss) on securities	165,658,877	(276,560,998)
Net loss on securities allocated from Master Funds	(67,516,672)	(371,960,758)
Net decrease in net assets resulting from operations	(71,284,192)	(382,368,138)

See accompanying Notes to the Audited Financial Statements

AUDITED STATEMENTS OF CHANGES IN NET ASSETS

(Expressed in United States Dollars)	**Year ended 31 Dec. 2019**	**Year ended 31 Dec. 2018**
	$	$
Operations		
Net investment loss	(3,767,520)	(10,407,380)
Net realised loss on securities allocated from Master Funds	(233,175,549)	(95,399,760)
Net change in unrealised gain / (loss) on securities allocated from Master Funds	165,658,877	(276,560,998)
Net decrease in net assets resulting from operations	(71,284,192)	(382,368,138)
Capital share transactions		
Repurchase of Class C Shares (Note 7)	(33,884,196)	(984,900)
Repurchase of Ordinary Shares (Note 7)	(17,185,451)	-
Dividends paid (Note 7)	(50,572,951)	(21,447,654)
Net decrease in net assets resulting from capital share transactions	(101,642,598)	(22,432,554)
Net decrease in net assets	(172,926,790)	(404,800,692)
Net assets, at 1 January	479,805,522	884,606,214
Net assets, at 31 December	306,878,732	479,805,522

See accompanying Notes to the Audited Financial Statements

AUDITED STATEMENTS OF CASH FLOWS

(Expressed in United States Dollars)	**Year ended 31 Dec. 2019**	**Year ended 31 Dec. 2018**
	$	$
Cash flows from operating activities		

Net decrease in net assets resulting from operations	(71,284,192)	(382,368,138)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:		
Net investment loss, net realised loss and net change in unrealised gain / (loss) on securities allocated from Master Funds	69,893,775	380,624,241
Purchase of investment in Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund*	-	(557,003,000)
Sale of investment in Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund*	69,126,591	102,410,387
Changes in operating assets and liabilities:		
Advance subscription in Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund	-	515,000,000
Due from the Master Funds	32,628,303	(54,653,242)
Other assets	(68,784)	31,618
Accrued expenses and other liabilities	379,471	(400,573)
Net cash provided by operating activities	100,675,164	3,641,293
Cash flows from financing activities		
Repurchase of Class C Shares	(33,884,196)	(984,900)
Repurchase of Ordinary Shares	(17,185,451)	-
Dividends paid	(50,572,951)	(21,447,654)
Net cash used in financing activities	(101,642,598)	(22,432,554)
Net decrease in cash and cash equivalents	(967,434)	(18,791,261)
Cash and cash equivalents, at 1 January	3,602,153	22,393,414
Cash and cash equivalents, at 31 December	2,634,719	3,602,153

* For the year ended 31 December 2019, noncash transactions relating to purchases and sales of investments in Markel CATCO Diversified Fund amounted to $322,881,335 and $322,881,335 respectively (2018: $202,514,410, $202,514,410)

See accompanying Notes to the Audited Financial Statements

NOTES TO THE AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2019
(Expressed in United States Dollars)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations
CATCo Reinsurance Opportunities Fund Ltd. (the "Company") is a closed-ended mutual fund company, registered and incorporated as an exempted mutual fund company under the laws of Bermuda on 30 November 2010, which commenced operations on 20 December 2010. The Company is organised as a feeder fund to invest substantially all of its assets in Markel CATCo Diversified Fund (the "Master Fund"). The Master Fund is a segregated account of Markel CATCo Reinsurance Fund Ltd., a mutual fund company incorporated in Bermuda and registered as a segregated account company under the Segregated Accounts

Company Act 2000, as amended (the “SAC Act”). Markel CATCo Reinsurance Fund Ltd. establishes a separate account for each class of shares comprised in each segregated account (each, a “SAC Fund”). Each SAC Fund is a separate individually managed pool of assets constituting, in effect, a separate fund with its own investment objective and policies. The assets attributable to each SAC Fund of Markel CATCo Reinsurance Fund Ltd. shall only be available to creditors in respect of that segregated account.

Pursuant to an investment management agreement, the Company is managed by Markel CATCo Investment Management Ltd. (the “Investment Manager”), a Bermuda based limited liability company that is subject to the ultimate supervision of the Company’s Board of Directors (the “Board”). The Investment Manager is responsible for all of the Company’s investment decisions. The Investment Manager commenced operations on 8 December 2015 and entered into a Run-Off Services Agreement with CATCo Investment Management Limited (“CIML”), under which the Investment Manager will provide services relating to the management of the Run-Off business of CIML.

The objective of the Master Fund is to provide shareholders the opportunity to participate in the investment returns of various fully-collateralised reinsurance-based instruments, securities (such as notes, swaps and other derivatives), and other financial instruments. The majority of the Master Fund’s exposure to reinsurance risk is obtained through its investment (via preference shares) in Markel CATCo Re Ltd. (the “Reinsurer”). Up until 31 March 2019, the Company also maintained an investment in CATCo Diversified Fund, the former Master Fund, (together with the Master Fund collectively referred to as “the Master Funds”), which was exposed to reinsurance risk through its preference shares investment in CATCo-Re Ltd. At 31 December 2019, the Company’s ownership is 15.54 per cent of the Master Fund.

On 25 July 2019, the Board announced that the Company will cease accepting new investments and will not write any new business going forward through the Reinsurer. As of this date, the Investment Manager commenced the orderly Run-Off of the Reinsurer’s existing portfolio, which is expected to take approximately three years to completion. As part of this Run-Off, the Company will return capital (which will continue to be subject to side pockets) to investors as such capital becomes available. Refer to Going Concern Considerations under Basis of Presentation below.

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

The Reinsurers focus primarily on property catastrophe insurance and may be exposed to losses arising from hurricanes, earthquakes, typhoons, hailstorms, winter storms, floods, tsunamis, tornados, windstorms, extreme temperatures, aviation accidents, fires, wildfires, explosions, marine accidents, terrorism, satellite, energy and other perils.

The Company’s shares are listed and traded on the Specialist Fund Segment of the Main Market of the London Stock Exchange (“SFM”). The Company’s shares are also listed on the Bermuda Stock Exchange (“BSX”).

Basis of Presentation

The audited Financial Statements are expressed in United States dollars and have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Company is an investment company and follows the accounting and reporting guidance contained within Topic 946, “Financial Services Investment Companies”, of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

Going Concern Considerations

In accordance with ASC 205-40-50, Presentation of Financial Statements–Going Concern, the Investment Manager and the Board have reviewed the Company's ability to continue as a going concern and have confirmed their intent to continue to Run-Off the Company's portfolio with no imminent plans to liquidate the Company. The Investment Manager and the Board have concluded that the Company has sufficient financial resources to continue as a going concern based on the following key considerations: (i) the Company holds investments in the Master Fund which are supported by underlying fully collateralised reinsurance contracts in the Reinsurer or directly held by the Master Fund itself that are expected to be settled on or around 31 December 2022, (ii) the Investment Manager and the Directors' have reviewed the Company's cash forecast for 18 months after the date that the financial statements are issued and have determined that the Company has sufficient cash to adequately meet operational expenses, and (iii) Markel Corporation, is fully committed to the orderly Run-Off of the Reinsurer and Master Fund portfolios. Based on aforementioned reasons, the Company continues to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2019.

Cash and Cash Equivalents

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

Valuation of Investments in Master Funds

The Company records its investments in the Master Funds at fair value based upon an estimate made by the Investment Manager, in good faith and in consultation or coordination with Centaur Fund Services (Bermuda) Limited (the "Administrator"), as defined in Note 10, where practicable, using what the Investment Manager believes in its discretion are appropriate techniques consistent with market practices for the relevant type of investment. Fair value in this context depends on the facts and circumstances of the particular investment, including but not limited to prevailing market and other relevant conditions, and refers to the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value is not the amount that an entity would receive or pay in a forced transaction or involuntary liquidation.

Fair Value - Definition and Hierarchy (Master Funds)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.
In determining fair value, the Investment Manager uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximises the use of observable inputs and minimises the use of unobservable inputs by requiring that the most observable inputs are to be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Investment Manager. Unobservable inputs reflect the assumptions of the Investment Manager in conjunction with both Board of Directors of each of the respective Master Funds (the "Board of the Master Funds") about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorised into three levels based on the inputs as follows:

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

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

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

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

Fair Value - Valuation Techniques and Inputs

Investments in Securities (Master Funds)
The value of preference shares issued by the Reinsurers and subscribed for by the Master Funds and held with respect to a reinsurance agreement will equal:

i. the amount of capital invested in such preference shares; plus
ii. the amount of net earned premium (as described below) that has been earned period-to-date for such contract; plus
iii. the amount of the investment earnings earned to date on both the capital invested in such preference shares and the associated reinsurance premiums in respect of such contract; minus
iv. the amount of any loss estimates associated with potential claims triggering covered events (see "Estimates" below); minus
v. the amount of any risk margin considered necessary to reflect uncertainty and to compensate a market participant for bearing the uncertainty of cash flows in an exit of the reinsurance transaction.

As a result of the Reinsurer conducting reinsurance activities, it incurs expenses. The Reinsurer established a separate preference share (the "Expense Cell") to allocate these expenses to the Master Fund. To the extent that the inputs into the valuation of preference shares are unobservable, the preference shares would be classified as Level 3 within the fair value hierarchy

Reinsurance Protections
Included within the Master Fund's investment in the Reinsurer are certain preference shares issued by the Reinsurer and subscribed for by the Master Fund in relation to reinsurance purchased specifically to meet the desired level of risk as set out in the Company's investment strategy ("Reinsurance Protections"). The underlying premiums are amortised over the duration of the contracts.

Derivative Financial Instruments
The Master Fund invests in derivative financial instruments such as industry loss warranties ("ILWs"), which are recorded at fair value as at the reporting date. The Master Fund generally records a realised gain or loss on the expiration, termination or settlement of a derivative financial instrument. Changes in the fair value of derivative financial instruments are recorded as net change in unrealised gain or loss on derivative financial instruments in the Statement of Operations.

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

Investment in Securities issued by the Reinsurer and subscribed to by the Master Fund

<u>Earned Premiums</u>
Premiums are considered earned with respect to computing the Master Funds' net asset value in direct proportion to the percentage of the risk that is deemed to have expired year-to-date. Generally, all premiums, net of acquisition costs, are earned uniformly over each month of the risk period. However, for certain risks, there is a clearly demonstrable seasonality associated with these risks. Accordingly, seasonality factors are utilised for the recognition of certain instruments, including preference shares relating to reinsurance agreements, ILWs and risk transfer derivative agreements, where applicable. Prior to the investment in any seasonal contract, the Investment Manager is required to produce a schedule of seasonality factors, which will govern the income recognition and related fair value price for such seasonal contract in the absence of a covered event. The Investment Manager may rely on catastrophe modeling software, historical catastrophe loss information or other information sources it deems reliable to produce the seasonality factors for each seasonal contract.

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

<u>"Fair Value" Pricing used by the Master Funds</u>
Any investment that cannot be reliably valued using the principles set forth above (a "Fair Value Instrument") is marked at its fair value, based upon an estimate made by the Investment Manager, in good faith and in consultation or coordination with the Administrator, as defined in Note 10, where practicable, using what the Investment Manager believes in its discretion are appropriate techniques consistent with market practices for the relevant type of investment. Fair valuation in this context depends on the facts and circumstances of the particular investment, including but not limited to prevailing market and other relevant conditions, and refers to the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value is not the amount that an entity would receive or pay in a forced transaction or involuntary liquidation.

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

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

From time to time, the Investment Manager may change its fair valuation technique as applied to any investment if the change would result in an estimate that the Investment Manager in good faith believes is more representative of fair value under the circumstances.

The determination of fair value is inherently subjective in nature, and the Investment Manager has a conflict of interest in determining fair value in light of the fact that the valuation determination may affect the amount of the Investment Manager's management and performance fee.

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

Side Pocket Investments

The Board of the Master Fund, in consultation with the Investment Manager, may classify certain Insurance-Linked Instruments as Side Pocket Investments in which only investors who are shareholders at the time of such classification can participate ("Side Pocket Investments"). This typically will happen if a Covered Event has recently occurred or seems likely to occur under an Insurance-Linked Instrument, because determining the fair value of losses once a Covered Event has occurred under an Insurance-Linked Instrument is often both a highly uncertain and a protracted process. When a Side Pocket Investment is established, the Master Fund converts a corresponding portion of each investor's Ordinary Shares into Side Pocket Shares (Note 7).

Financial Instruments

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

Investment Transactions and Related Investment Income and Expenses

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

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

Translation of Foreign Currency

Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the period-end exchange rates. Transactions denominated in foreign currencies, including purchases and sales of investments, and income and expenses, are translated into United States dollar amounts on the transaction date. Adjustments arising from foreign currency transactions are reflected in the Statements of Operations.

The Company does not isolate the portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Such fluctuations are included in net gains or losses on securities in the Statements of Operations.

Income Taxes

Under the laws of Bermuda, the Company is generally not subject to income taxes. The Company has received an undertaking from the Minister of Finance of Bermuda, under the Exempted Undertakings Tax Protection Act 1966 that in the event that there is enacted in Bermuda any legislation imposing income or capital gains tax, such tax shall not until 31 March 2035 be applicable to the Company. However, certain United States dividend income and interest income may be subject to a 30% withholding tax. Further, certain United States dividend income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction.

The Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit recognised is measured as the largest amount of benefit that has a greater than fifty per cent likelihood of being realised upon ultimate settlement with the relevant taxing authority. De-recognition of a tax benefit previously recognised results in the Company recording a tax liability that reduces ending net assets. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognised tax benefits as of 31 December 2019. However, the Company's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Company recognises interest and penalties related to unrecognised tax benefits in interest expense and other expenses, respectively. No tax-related interest expense or penalties have been recognised as of and for the years ended 31 December 2019 and 2018.

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

The Company may be subject to potential examination by United States federal or foreign jurisdiction authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with United States federal or foreign tax laws. The Company was not subjected to any tax examinations during the years ended 31 December 2019 and 2018.

Use of Estimates
The preparation of Financial Statements in conformity with U.S. GAAP requires the Company's management to make estimates and assumptions in determining the reported amounts of assets and liabilities, including fair value of investments and the disclosure of contingent assets and liabilities as of the date of the Financial Statements, and the reported amounts of income and expenses during the reported period. Actual results could differ from those estimates.

Offering Costs
The costs associated with each capital raise are expensed against paid-in capital and the Company's existing cash reserves as incurred.

Premium and Discount on Share Issuance
Issuance of shares at a price in excess of the Net Asset Value (the "NAV") per share at the transaction date results in a premium and is recorded as paid-in capital. Discounts on share issuance are treated as a deduction from paid-in capital.

Other Matters

<u>Markel CATCo Governmental Inquiries</u>
On 6 December 2018, Markel Corporation reported that the U.S. Department of Justice, U.S. Securities and Exchange Commission and Bermuda Monetary Authority (collectively, the "Governmental Authorities") are conducting inquiries (the "Markel CATCo Inquiries") into loss reserves recorded in late 2017 and early

2018 at the Investment Manager and its subsidiaries (collectively, “Markel CATCo”). These inquiries are limited to Markel CATCo and do not involve Markel Corporation or its other subsidiaries.

Markel Corporation previously disclosed it had retained outside counsel to conduct an internal review of Markel CATCo’s loss reserving in late 2017 and early 2018. The internal review has been completed and the outside counsel found no evidence that Markel CATCo personnel acted in bad faith in exercising business judgment in the setting of reserves and making related disclosures during late 2017 and early 2018. Markel Corporation’s outside counsel has met with the Governmental Authorities and reported the findings from the internal review. The Markel CATCo Inquiries are ongoing and Markel Corporation and the Investment Manager continue to fully co-operate with them. Markel Corporation cannot currently predict the duration, scope or result of the Markel CATCo Inquiries.

Revised employment litigation:

Anthony Belisle v. Markel CATCo Investment Management Ltd and Markel Corp. (U.S. District Court for the District of New Hampshire)
On 21 February 2019, Anthony Belisle filed a lawsuit against Markel CATCo and Markel Corporation, which suit was amended on 29 March 2019. As amended, the complaint alleges claims for, among other things, breach of contract, defamation, invasion of privacy, indemnification, intentional interference with contractual relations and deceptive and unfair acts. It seeks relief of, among other things, $66.0 million in incentive compensation, consequential damages, damages for emotional distress and injury to reputation, exemplary damages and attorneys’ fees. Markel Corporation believes that the claims are without merit. In June 2019, Markel CATCo, Markel Corporation, and Mr. Belisle agreed to commence binding arbitration to finally, fully and confidentially resolve the claims and counterclaims alleged in the action, and the Belisle suit was dismissed with prejudice in July 2019. The arbitrators have been selected and the arbitration proceeding has commenced. The Company believes that Mr. Belisle’s claims are without merit and any material loss resulting from the Belisle binding arbitration to be remote.

Alissa Fredricks v. Markel CATCo Investment Management Ltd. and Markel Corp. (U.S. District Court for the District of Massachusetts)
On 21 February 2019, Alissa Fredricks filed a lawsuit against Markel CATCo and Markel Corporation, which suit was amended on 28 March 2019. As amended, the complaint alleges claims for, among other things, breach of contract, defamation, invasion of privacy, indemnification, intentional interference with contractual relations and deceptive and unfair acts. It seeks relief of, among other things, $7.5 million in incentive compensation, consequential damages, damages for emotional distress and injury to reputation, exemplary damages and attorneys’ fees. Markel Corporation believes that the claims are without merit. In June of 2019, the action filed by Ms. Fredricks was settled by mutual agreement to the satisfaction of all parties.

California Bankruptcy Court and the PG&E Proposed Settlement
The Investment Manager continues to monitor developments in the California Bankruptcy Court with the assistance of external counsel. The information contained in this section is a summary of publicly available information and further detailed information regarding the PG&E chapter 11 case can be found on https://restructuring.primeclerk.com/pge/.

In particular, external counsel continue to monitor the developments in the California Bankruptcy Court closely with regard to: (i) PG&E’s court approved $11 billion settlement with the Ad Hoc Subrogation Group (the “Subrogation Settlement”); (ii) PG&E’s court approved $13.5 billion settlement with the Tort Claimants’ Committee and a number of individual fire victims (the “TCC Settlement”) and (iii) the recently filed proposed Noteholder Settlement (the “Noteholder Settlement”).

In filings before the Bankruptcy Court, PG&E has asserted that the claims associated with the Subrogation Settlement (defined as claims relating to the 2017 North fires and 2018 Camp fire) were estimated to be greater than $20 billion and the settlement amount represents an approximate 55% recovery on an aggregate basis; but such distributions are subject to various allocations based upon the applicable fire that is the source of the claim. It is understood that while the Subrogation Settlement was entered into between PG&E and approximately 85% of the subrogation claim holders, the treatment outlined in PG&E's plan as described in the Subrogation Settlement will dictate the treatment of all subrogation claims. However, because the fire allocation percentages have not been released publicly, there is uncertainty with regards to the allocation of recoveries across the insurance sector. It will take considerable time before the exact amounts are known, with increased time lag as you move up from primary to retrocessional insurers.

It is also understood that the Bankruptcy Judge has approved the Subrogation Settlement, the TCC Settlement and the Noteholder Settlement. In addition to court approval of the settlements, PG&E must also confirm a plan of reorganization (i) in order for these settlements to go effective and (ii) for creditors to receive any distributions. It has been noted that a condition of the TCC Settlement is that California Governor Newsom confirm that PG&E's plan of reorganization is compliant with California legislation (AB 1054) regarding access to a public wildfire fund. The Governor has continued to object to PG&E's plan primarily on governance grounds. PG&E has filed an amended plan that incorporates the Noteholder Settlement and certain changes to safety and governance procedures. It is presently uncertain whether PG&E's plan will resolve the Governor's concerns, but in order to take advantage of the public wildfire funds pursuant to AB 1054, PG&E's plan would need to be confirmed prior to 30June 2020.

If the PG&E estimated $11 billion settlement goes ahead, Markel CATCo can expect to get a reduction in cedent reported loss at some point, as contractually any reduction due to subrogation in ground up loss (or recovery) to the original Insurance companies will flow through to the reinsurance placements. Any potential recoveries will be based on the reduction in loss to treaty reinsurance and retrocessional reinsurance programs and will be based on the level of each applicable layer - the order of recovery will flow from the top down. For companies that have sold their subrogation rights, any reduction in cedent reported loss would have been computed already by the flow of any sale price, and the likelihood of any additional recovery flowing through to Markel CATCo as a result of the $11 billion payment will be less likely. The Company has not accrued any amount for the PG&E proposed settlement.

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

The following table reflects the Company's proportionate share of the fair value of investments in the Reinsurer held by the Master Funds at 31 December 2019.

Preference Shares – Investments in Markel CATCo Re Ltd.	**$ Fair Value**
Class D	846,103
Class I	575,509
Class J	606,196
Class L	912,858
Class P	462,802
Class R	837,706
Class S	3,393,419
Class U	841,465
Class V	42,782
Class Z	564,489
Class BB	869,897
Class BQ	1,572,590
Class BR	1,373,288
Class BS	141,689
Class BX	119,924

Class BY	567,978
Class BZ	50,481
Class CA	144,672
Class CB	5,776,342
Class CC	7,463,307
Class CD	872,130
Class CE	398,427
Class CI	1,346,238
Class CJ	1,064,806
Class CK	470,763
Class CL	2,630,175
Class CM	1,177,420
Class CQ	3,098,654
Class CS	1,623,363
Class CT	37,619
Class CV	94,223
Class CW	802,265
Class CX	411,440
Class DB	1,263,931
Class DC	3,794,515
Class DD	892,506
Class DE	13,060,566
Class DF	812,151
Class DG	29,174
Class DH	42,972
Class DI	28,648
Class DJ	511,970
Class DK	897,892
Class DL	80,013
Class DM	108,833
Class DN	439,145
Class DO	2,724,666
Class DP	2,586,774
Class DQ	386,742
Class DR	7,667,357
Class DS	98,536
Class DT	2,315,881
Class DY	75,420
Class DZ	1,170,345
Class EA	1,492,872
Class EB	1,681,692
Class EC	1,936,817
Class ED	3,577,191
Class EE	4,733
Class EG	874,236

Class EH	14,403
Class EI	465,586
Class EK	28,763
Class EL	57,526
Class EM	1,775,149
Class EO	19,970
Class EP	6,657
Class EQ	43,071
Class ER	1,342,984
Class ES	169,433
Class ET	517,355
Class EU	13,280,132
Class EV	13,187
Class EX	826,179
Class EY	1,238,225
Class FA	5,429,891
Class FB	3,619,928
Class FC	2,489,462
Class FD	92,330
Class FE	5,769,249
Class FF	8,919,205
Class FG	15,033,584
Class FH	525,003
Class FI	756,342
Class FJ	556,558
Class FK	788,013
Class FL	13,722,403
Class FM	4,005,134
Class FN	2,602,598
Class FO	2,485,634
Class FP	289,902
Class FQ	1,757,835
Class FR	896,436
Expense Cell	41,237
Total investments in Markel CATCo Re Ltd. Preference Shares	$179,325,962

Derivative Financial Instruments	**$ Fair Value**
Industry Loss Warranties	-
Total investments in Derivative Financial Instruments	$ -

*As at 31 December 2019, the Company held no investment in CATCo Re

The following table reflects the Company's proportionate share of the fair value of investments in the Reinsurers held by the Master Funds at 31 December 2018.

Preference Shares – Investments in Markel CATCo Re Ltd.	**$ Fair Value**
Class A	103,768

Class D	2,417,341
Class I	586,783
Class J	614,610
Class L	925,507
Class P	843,528
Class Q	762,055
Class R	864,852
Class S	2,397,414
Class U	733,302
Class V	43,120
Class Y	633,997
Class Z	1,440,478
Class BB	1,048,149
Class BE	2,401,646
Class BQ	2,855,235
Class BR	1,425,595
Class BS	163,836
Class BX	266,348
Class BY	7,200,356
Class BZ	850,535
Class CA	1,748,880
Class CB	2,320,691
Class CC	9,803,693
Class CD	1,500,498
Class CE	4,244,438
Class CF	-
Class CI	1,630,315
Class CJ	1,481,397
Class CK	893,299
Class CL	2,447,415
Class CM	1,250,837
Class CO*	2,561,206
Class CQ	6,291,832
Class CS	1,647,043
Class CT	608,332
Class CV	4,806,287
Class CW	258,495
Class CX	2,727,788
Class DB	5,513,162
Class DC	4,771,705
Class DD	1,733,317
Class DE	17,049,896
Class DF	1,095,183
Class DG	334,205
Class DH	3,652,951

Class DI	2,435,301
Class DJ	7,705,404
Class DK	3,691,777
Class DL	1,856,695
Class DM	5,436,780
Class DN	4,831,869
Class DO	24,677,403
Class DP	5,940,954
Class DQ	2,036,839
Class DR	23,593,635
Class DS	4,190,163
Class DT	8,886,588
Class DU	4,494,015
Class DV	2,675,629
Class DW	1,284,023
Class DX	2,675,901
Class DY	138,796
Class DZ	7,611,953
Class EA	21,442,081
Class EB	5,344,165
Class EC	14,226,214
Class ED	2,500,323
Class EE	7,109,271
Class EF	3,567,759
Class EG	3,526,088
Class EH	2,236,837
Class EI	2,318,862
Class EJ	1,719,057
Class EK	28,168
Class EL	55,872
Class EM	2,353,816
Class EN	336,469
Class EO	4,133,355
Class EP	1,372,110
Class EQ	1,927,042
Class ER	2,509,874
Class ES	3,346,013
Class ET	1,418,330
Class EU	14,028,813
Class EV	5,008,632
Class EW	4,420,241
Class EX	5,256,395
Class EY	945,602
Class EZ	1,469
Class BBM	4,811

Class BBN	1,503
Expense Cell	19,584
Total investments in Markel CATCo Re Ltd. Preference Shares	**$334,273,801**

* Fair value of Class CO includes rated paper of $1,198,600 which was released on 1 January 2019.

Preference Shares – Investments in CATCo Re Ltd.	**$ Fair Value**
Class DV	256,688
Total investments in CATCo Re Ltd. Preference Shares	**$256,668**
Total investments in Preference Shares	**$334,530,489**

Derivative Financial Instruments	**$ Fair Value**
Industry Loss Warranties	(59,869,805)
Total investments in Derivative Financial Instruments	$(59,869,805)

Included within the Company's investment in the Master Funds is cash and cash equivalents held in trust by the Master Funds representing the Company's net proportionate share of derivative transactions entered into by the Master Funds amounting to approximately $118,144,335 as of 31 December 2019 (31 December 2018: $177,105,183).

The preference shares relating to Reinsurance Protections are valued at nil (31 December 2018: nil) representing the unamortised portion of premium paid and claims recoverable as at 31 December 2019.

As at 31 December 2019, 100.00 per cent of total investments held by the Master Fund are classified as Side Pocket Investments (31 December 2018: 57.50 per cent).

In accordance with FASB ASC Sub-topic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient are not required to be classified within the fair value hierarchy. As the Company's investments as at 31 December 2019 comprised solely of investments in another investment company, the Master Fund, which are valued using the net asset value per share (or its equivalent) practical expedient, no fair value hierarchy has been disclosed.

The Company considers all short-term investments with daily liquidity as cash equivalents and are classified as Level 1 within the fair value hierarchy.

As at 31 December 2019, The Master Fund's investment in securities and derivative financial instruments are classified as Level 3 within the fair value hierarchy. The table below summarises information about the significant unobservable inputs used in determining the fair value of the Master Funds' Level 3 assets:

Type of Investment	Valuation Technique	Unobservable Input	Range
Preference Shares	Premium earned	Premiums earned - straight line for uniform perils	12 months
		Premiums earned - seasonality adjusted for non-uniform perils	5 to 6 months
	Loss reserves	Loss reserves*	0 to contractual limit

	Risk margin	Risk margin	0% to 30%
Derivative financial instruments	Fixed rate earnings	Fixed rate earnings - straight line for uniform perils	12 months
		Fixed rate earnings - seasonality adjusted for non-uniform perils	5 to 6 months
	Covered event liability	Covered event liability**	0 to contractual limit

* Based on proprietary models and historical loss analysis data as well as assessments from counterparties
** Based on loss information from the index provider on the trade date

As described in Note 6, significant increases or decreases in loss reserves of the Reinsurer would result in a significantly lower or higher fair value measurement. The derivative financial instruments pertain to non-exchange traded derivatives under standard derivatives agreements. The Master Fund is required to post collateral on derivatives if the Master Fund is in a net liability position with the counterparty. The collateral held is governed by the terms of a tripartite Trust Agreement with any withdrawals only permissible as prescribed by the terms of the Trust Agreement. As of December 31, 2019, the Company's proportionate share of the Master Fund's amount posted to collateral with regard to its derivative financial instruments is $132,514,690.

Master Fund's Other Assets and Liabilities
As at 31 December 2019, the Company's proportionate share in the Master Fund's net liabilities amounts to approximately $37,368,121 (2018: $32,915,235) and is included in 'Investments in the Master Funds' on the Statement of Assets and Liabilities. This includes amounts due to counterparty, amounts due to other segregated accounts of the Master Fund SAC; amounts due to the Reinsurer; and other accrued expenses (net of other assets).

3. CONCENTRATION OF CREDIT RISK

In the normal course of business, the Company maintains its cash balances (not assets supporting retrocessional reinsurance transactions) in financial institutions, which at times may exceed federally insured limits. The Company is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties. At 31 December 2019, cash and cash equivalents are held with HSBC Bank Bermuda Ltd., which has a credit rating of A-/A-2, and with HSBC Global Asset Management (USA) Inc., which has a credit rating of A/A-1 as issued by Standard & Poor's.

4. CONCENTRATION OF REINSURANCE RISK

The following table illustrates the diversified risk profile of the Reinsurer's portfolio by geography and peril as at 31 December 2019 and 2018. Reinsurance Protections purchased specifically to meet the desired level of risk as set out in the Company's investment strategy have not been considered.

Geographic Distribution		**2019**	**2018**
1	North America/Caribbean	36%	43%
2	All Other	23%	22%
3	GlobalMarine/Energy/Terrorism/Aviation/Satellite	10%	6%
4	Europe	9%	9%
5	Japan	9%	6%
6	Global Backup Protection	5%	5%

7	Mexico/Central America/South America	4%	4%
8	Australia/New Zealand	3%	3%
9	Asia Excluding Japan	1%	2%

Exposure by Risk Peril		**2019**	**2018**
1	Wind	28%	31%
2	Any Natural Peril	26%	24%
3	Earthquake	18%	15%
4	Backup Protection	10%	10%
5	Marine/Energy/Aviation/Satellite	10%	5%
6	Winterstorm/Wildfire	3%	5%
7	Severe Convective Storm	3%	5%
8	Terrorism	1%	1%
9	Flood	1%	2%
10	Other	0%	2%

5. INVESTMENTS IN MASTER FUNDS, AT FAIR VALUE

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

		31 Dec. 2019		**31 Dec. 2018**
Investment in Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund, at fair value	$	282,640,471	$	421,184,607
Investment in CATCo Reinsurance Fund Ltd. - CATCo Diversified Fund, at fair value		-		476,230
Investments in Master Funds, at fair value	$	282,640,471	$	421,660,837

The net investment loss allocated from the Master Funds, and the net realised loss and net change in unrealised gain / (loss) on securities allocated from Master Funds in the Statements of Operations consisted of the combined results from the Company's Investments in the Master Funds as detailed below:

(Expressed in United States Dollars)		**2019 Investment in Master Fund**		**2019 Investment in CATCo Diversified Fund**		**2019 Total**		**2018 Investment in Master Fund**		**2018 Investment in CATCo Diversified Fund**		**2018 Total**
Net investment loss allocated from Master Funds												
Interest income	$	2,641,840	$	-	$	2,641,840	$	4,379,432	$	-	$	4,379,432
Miscellaneous income		-		-		-		48,815		-		48,815
Management fee		(4,488,039)		(2,661)		(4,490,700)		(11,875,542)		(68,290)		(11,943,832)
Performance fee [(a)]		-		(15,666)		(15,666)		-		44,409		44,409
Professional fees and other		(306,520)		(9,669)		(316,189)		(561,615)		(20,661)		(582,276)
Administrative fee		(192,618)		(3,770)		(196,388)		(598,197)		(11,834)		(610,031)
Net investment loss allocated from Master Funds	$	(2,345,337)	$	(31,766)	$	(2,377,103)	$	(8,607,107)	$	(56,376)	$	(8,663,483)
Net realised (loss) / gain on securities	$	(232,825,116) [(b)]	$	(350,433) [(b)]	$	(233,175,549)	$	(97,171,593) [(b)]	$	1,771,833 [(b)]	$	(95,399,760)
Net change in unrealised gain / (loss) on securities		165,231,375 [(c)]		427,502 [(c)]		165,658,877		(274,862,795) [(c)]		(1,698,203) [(c)]		(276,560,998)

Net (loss) / gain on securities allocated from Master Funds	$ (67,593,741)	$ 77,069	$ (67,516,672)	$ (372,034,388)	$ 73,630	$ (371,960,758)

a) Performance fee relates to SPI releases during 2019 following commutation of a legacy CATCo Re Ltd. deal.
b) Includes gross realised gain on securities of: 2019: $359,647 (2018: $39,425,415) and gross realised loss on securities of: 2019: $233,535,196 (2018: $134,825,175)
c) Includes gross change in unrealised gain on securities of: 2019: $270,619,536 (2018: $205,021,413) and gross change in unrealised loss on securities of 2019: $104,960,659 (2018: $481,582,411)

6. LOSS RESERVES

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

The reserve for unpaid losses and loss expenses recorded by the Reinsurer includes estimates for losses incurred but not reported as well as losses pending settlement. The Reinsurer make a provision for losses on contracts only when an event that is covered by the contract has occurred. When a potential loss event has occurred, the Reinsurer use proprietary models and historical loss analysis data as well as assessments from counter-parties to estimate the level of reserves required. The process of estimating loss reserves is a complex exercise, involving many variables and a reliance on actuarial modeled catastrophe loss analysis. However, there is no precise method for evaluating the adequacy of loss reserves when industry loss estimates are not final, and actual results could differ from original estimates. In addition, the Reinsurer's reserves include an implicit risk margin to reflect uncertainty surrounding cash flows relating to loss reserves. The risk margin is set by the actuarial team of the Investment Manager.

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

The Reinsurer's loss reserves for losses pertaining to Hurricane Dorian, Typhoon Faxai and Typhoon Hagibis represent the Insurance Manager's current best estimate of ultimate settlement values. The reserves are subject to inherent uncertainty due to industry loss estimates varying from final insured losses. The timing and the amount of losses reported to the Reinsurer is in the control of third parties, and has a direct effect on loss reserves, which may require re-estimation as new information becomes available over time.

The Insurance Manager believes that the total loss reserve established for the 2018 loss events is sufficient to provide for all unpaid losses and loss expenses with respect to Hurricane Michael, Typhoon Jebi, Hurricane Florence and the 2018 California Wildfires based on the industry loss information currently available. Inherent uncertainty with regard to the final insured loss impact of the 2018 loss events continues. Therefore, actual results may materially differ if actual reinsured client losses differ from the established loss reserves. The significant uncertainty underlying the industry loss estimates could result in the need to further adjust loss reserves, either in the event that reserves are found to be insufficient or, conversely, if loss reserves are found to be too conservative.

As part of the ongoing reserving process, the Insurance Manager reviews loss reserves on a monthly basis and will make adjustments, if necessary and such future adjustments in loss reserves could have further material impact either favourably or adversely on investor earnings.

As at 31 December 2019, 2019 Side Pocket Investments amounting to 26 per cent of the Ordinary Share NAV and 39 per cent of the C Share NAV were established. Furthermore, as at 31 December 2019, the 2018 Side Pocket Investments, 2017 Side Pocket Investments and 2016 Side Pocket Investments represent 26 per cent, 30 per cent , and 11 per cent of Ordinary Share NAV respectively. The 2018 Side Pocket Investment represent 53 per cent of the C Share NAV. The Side Pocket Investments reflect 100 per cent of any potential liability that may exist with the Reinsurer's counterparties in excess of the loss reserves held by the Reinsurer. These Side Pocket Investments will be released should they no longer be required by the reinsurance counterparties.

During 2019, the Reinsurer paid claims of $1,306,627,263 (December 2018: $1,457,255,573) predominantly in relation to the 2017 Hurricanes Harvey, Irma and Maria, the 2017 and 2018 California Wildfire events and 2018 events including Typhoon Jebi, Hurricane Florence and Hurricane Michael.

7. CAPITAL SHARE TRANSACTIONS

As of 31 December 2019, the Company has authorised share capital of 1,500,000,000 (31 December 2018: 1,500,000,000) unclassified shares of US$0.0001 each and Class B Shares ("B Shares") of such nominal value as the Board may determine upon issue.

As of 31 December 2019, the Company has issued 305,811,860 (31 December 2018: 391,666,430) Class 1 Ordinary Shares (the "Ordinary Shares") and 437,412,476 (31 December 2018: 545,367,863) Class C Shares (the "C Shares").

Transactions in shares during the year, shares outstanding, NAV and NAV per share are as follows:

31 December 2019

	Beginning Shares	Adjustment following Share Capital Consolidation	Share Issuance	Share Repurchase	Ending Shares	Ending Net Assets	Ending NAV Per Share
Class 1 Ordinary Shares	391,666,430	–	–	(85,854,570)	305,811,860	$ 81,309,461	$ 0.2659
Class C Shares	545,367,863	–	–	(107,955,387)	437,412,476	$ 225,569,271	$ 0.5157
						$ 306,878,732	

31 December 2018

	Beginning Shares	Adjustment following Share Capital Consolidation	Share Issuance	Share Repurchase	Ending Shares	Ending Net Assets	Ending NAV Per Share
Class 1 Ordinary Shares	391,666,430	–	–	–	391,666,430	$ 136,259,360	$ 0.3479
Class C Shares	546,367,863	–	–	(1,000,000)	545,367,863	$ 343,546,162	$ 0.6299
						$ 479,805,522	

The Company has been established as a closed-ended mutual fund and, as such, shareholders do not have the right to redeem their shares. The shares are held in trust by Link Market Services (the "Depository") in accordance with the Depository Agreement between the Company and the Depository. The Depository holds the shares and in turn issues depository interests in respect of the underlying shares.

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

On 31 January 2019, the Board declared an annual dividend of $0.0265 per share in respect of the Ordinary Shares and $0.0445 per share in respect of C Shares. The record date for this dividend was 8 February

2019 and the ex-dividend date was 7 February 2019. The annual dividend was paid to shareholders on 25 February 2019.

On 23 September 2019, in accordance with Special Resolution 11, the Company completed a tender offer whereby the Company offered both share classes of shareholders the opportunity to tender a portion of their shares in for purchase by the Company. Upon completion of the tender offer, 76,490,478 Ordinary Shares and 90,322,577 C Shares were repurchased for the amounts of $15,298,096 and $27,999,999 respectively.

On 4 October 2019, the Board declared an interim dividend of $0.0127 per share in respect of the Ordinary Shares and $0.0262 per share in respect of C Shares. The record date for these dividends was 18 October 2019 and the ex-dividend date was 17 October 2019. The interim dividend was paid to shareholders on 1 November 2019.

During the three months period ended 31 December 2019, the Company completed share buybacks of 9,364,092 Ordinary Shares, and 17,632,810 C Shares for cancellation in the market at average prices of USD 0.1984 per share and USD 0.3249 per share respectively. As at 31 December 2019, the total amount paid for Ordinary Shares buybacks and C Shares buybacks, including commission, was $1,887,356 and $5,884,197 respectively.

8. INVESTMENT MANAGEMENT AGREEMENT

Pursuant to the Investment Management Agreement dated 8 December 2015, the Investment Manager is empowered to formulate the overall investment strategy to be carried out by the Company and to exercise full discretion in the management of the trading, investment transactions and related borrowing activities of the Company in order to implement such strategy. The Investment Manager earns a fee for such services (Note 9).

The Investment Manager also acts as the Master Fund's investment manager and the Reinsurer's insurance manager. CIML is the investment manager of CATCo Diversified Fund and also acts as CATCo-Re Ltd.'s insurance manager.

9. RELATED PARTY TRANSACTIONS

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

On 11 March 2019, the Board announced its decision to consent to a waiver of 33.3334 per cent (one-third) of the management fee paid to the Investment Manager in respect of side pocket investments. The reduction resulting from the waiver had effect from 1 January 2019 until 31 December 2019.

Markel which holds the entire share capital of the Investment Manager, holds 2.72 per cent (31 December 2018: 5.16 per cent) of the voting rights of the Ordinary Shares and 0 per cent (31 December 2018: 0 per cent) of the voting rights of the C Shares issued in the Company as of 31 December 2019.

In addition, as at 31 December 2019, two of the Directors are also shareholders of the Company. The Directors' holdings are immaterial, representing below 1 per cent of the Company NAV.

As at 31 December 2019, the Company was due a receivable of $22,124,939 from Markel CATCo Diversified Fund exclusively related to year-end redemptions.

10. ADMINISTRATIVE FEE

Centaur Fund Services (Bermuda) Limited serves as the Company's Administrator. As a licensed fund administrator pursuant to the provisions of the Bermuda Investment Funds Act, the Administrator performs certain administrative services on behalf of the Company. The Administrator receives a fixed monthly fee.

11. FINANCIAL HIGHLIGHTS

Financial highlights for the years ended 31 December 2019 and 2018 are as follows:

	2019				2018			
	Class 1 Ordinary Shares		Class C Shares		Class 1 Ordinary Shares		Class C Shares	
Per share operating performance								
Net asset value, beginning of year	$	0.3479	$	0.6299	$	0.8915	$	0.9800
Income (loss) from investment operations:								
Net investment (loss) gain		(0.0003)		0.0012		-		0.0027
Performance fee*		(0.0001)		-		0.0001		-
Management fee		(0.0030)		(0.0061)		(0.0100)		(0.0147)
Net loss on investments		(0.0612)		(0.0889)		(0.4789)		(0.3381)
Total from investment operations	$	(0.0646)	$	(0.0938)	$	(0.4888)	$	(0.3501)
Dividend		(0.0392)		(0.0707)		(0.0548)		-
Discount on Share Buy-Backs		0.0218		0.0503		-		-
Net asset value, end of year	$	0.2659	$	0.5157	$	0.3479	$	0.6299
Total net asset value return								
Total net asset value return before performance fee‡		(18.57)%		(14.90)%		(54.84)%		(35.75) %
Performance fee*		(0.01)%		-%		0.01%		- %
Total net asset value return after performance fee		(18.58)% ^		(14.90)% ^		(54.83)%+		(35.75) %
Ratios to average net assets								
Expenses other than performance fee**		(1.60)%		(1.69)%		(1.75)%		(1.34) %
Performance fee*		(0.01)%		-%		0.02%		- %
Total expenses after performance fee		(1.61)%		(1.69)%		(1.73)%		(1.34) %
Net investment loss		(0.98)%		(0.78)%		(1.11)%		(1.22) %

\+ Adjusting the opening capital to reflect the dividend declared on 31 January 2018, the normalised total return for 2018 is equivalent to -58.43 per cent

^ Adjusting the opening capital to reflect the dividend declared on 31 January 2019, the normalised total return for 2019 is equivalent to –22.52 per cent and –18.86 per cent for the Ordinary and C Shares respectively

‡ Exclusive of dividends declared and paid, and discount on share buy backs

* The performance fee is charged in the Master Funds and relates to crystalized performance fee on Side Pocket investments

** Expenses presented above is net of management fees waived by the Master Fund. The ratio of waived management fees to average net assets are 0.29% for Class 1 Ordinary Shares and 0.23% for Class C Shares.

Financial highlights are calculated for each class of shares. An individual shareholder's return may vary based on the timing of capital transactions. Returns and ratios shown above are for the years ended 31 December 2019 and 2018. The per share amounts and ratios reflect income and expenses allocated from the Master Funds.

12. INDEMNITIES OR WARRANTIES

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

13. SUBSEQUENT EVENTS

On 30 January 2020, the Investment Manager agreed to reduce the Management Fee on Side Pocket Investments for the financial year 2020 by 50 per cent of the original fee of 1.5 per cent. This is equal to an annual Management Fee of 0.75 per cent. The Management Fee on Side Pocket Investments will be reviewed again at the end of the current financial year.

Effective 1 February 2020, the Investment Manager anticipates redeeming a portion of 2018 Side Pockets Investments held at the Master Fund, resulting in the monies being returned from the Master Fund to the Company amounting to approximately c. $1.6m for Ordinary Shares and $8.9m for C Shares.

In early 2020, the existence of a new coronavirus (COVID-19) was confirmed. Since that time, COVID-19 has spread from China and to a significant number of other countries around the world. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the potential impact of COVID-19 on the Company's operations. While we do not expect any adverse impact on actual investment results, it may be possible that there may be an adverse impact on the Company's progress on its stated intentions to return capital to investors as quickly as possible.

On 13 March 2020, a Shareholder Circular was issued setting out proposals which, if approved by Shareholders, will permit the Company to carry out compulsory redemptions of its Ordinary and C Shares.

These Financial Statements were approved by the Board and available for issuance on 23 March 2020. Subsequent events have been evaluated through this date.

For further information:

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