16 August 2012

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

Interim Report

For the six months ended 30 June 2012

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

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

CHAIRMAN'S STATEMENT

During the first half of 2012 the Company's Net Asset Value increased by approximately 5.3% from $339.8 million to $357.9 million. The performance reflects the gain on the 2012 investment portfolio offset by the loss development of the catastrophic events of the first half of 2011.

Deployment

At the beginning of the period, CATCo Investment Management Ltd., the appointed investment manager, in conjunction with CATCo-Re Ltd. ("CATCo"), a licensed Class 3 Reinsurance Company through which the Company gains access to all of its reinsurance risk exposures, agreed terms with more than 20 counterparties in respect of reinsurance transactions. The counterparties deployed all of the available assets under management as at 1 January 2012.

Contracts typically have a 12-month risk period commencing on 1 January 2012 and expiring on 31 December 2012. Although there is a small portion of the portfolio written on a non-calendar basis. All Reinsurance Agreements written by CATCo are fully collateralised with liquid securities, namely, AAA-rated money market funds or short term US Treasury Bills which reside in Reinsurance Trust Accounts with the Bank of New York and whom act as Trustee.

Reinsurance Portfolio Diversification

CATCo's reinsurance portfolio contains a broad mix of 38 risk pillars (as at 30 June 2012). This diversification ensures that exposure to a single loss event, no matter the magnitude of the event, results in no erosion of capital.
In addition, in the event of any single catastrophic loss event CATCo's maximum exposure to such an event is completely transparent.

Catastrophic Events

Costa Concordia Cruise Ship Disaster

On 13 January 2012, the Costa Concordia cruise ship ran aground and keeled over off the west coast of Italy, near Giglio island, only two hours into a week-long cruise of the Western Mediterranean. There were over 4,200 passengers on the ship with 30 confirmed fatalities consisting of four crew members and 26 passengers. Two further bodies are yet to be found, one crew member and one passenger. The final cost of this accident is still to be determined by the insurance industry.

Current industry estimates suggest an insured loss of circa USD1.050 billion. The CATCo Reinsurance Fund's investment portfolio ("the Master Fund"), which almost all of the Company's assets are invested in, does not have any exposure to this marine event for industry losses below USD1.25 billion.

At this level, the Costa Concordia event would have no impact on the Company's 2012 investment portfolio. For illustrative purposes only, the maximum exposure of the Offshore Marine risk pillar as at 30 April 2012 was 3%, providing a maximum annualised net return of 20% if there were to be a total loss to this pillar associated with this event.

Christchurch (New Zealand) Earthquake and Tohoku (Japan)

The Company's Ordinary Shareholders are indirectly exposed to potential losses arising from the New Zealand earthquake that occurred on 22 February 2011 and the Japan earthquake that occurred on 11 March 2011 through the Master Fund and ultimately through CATCo-Re Ltd. The two retrocessional reinsurance counterparties that represent the NZ and Japan Exposures have implemented a 100% loss reserve on their respective balance sheets associated with CATCo-Re's protections.

As a consequence, the Master Fund's Board of Directors has resolved to include the same loss reserve provision in the Net Asset Value calculation as at 30 June 2012, which has, in turn, been reflected in the Company's Net Asset Value. Shareholders should note that this is a loss reserve, and not a crystalised loss, as CATCo-Re's protections are based on the actual paid claims.

As explained in the subsequent events note, the Company has merged the C Shares, which have no exposure to the NZ and Japanese Exposures, with the Ordinary Shares.

US Hurricane Season

The US hurricane season officially begins every year on 1 June. 44% of the Company's distribution is in North America and the Caribbean with a large proportion of the exposure being associated to catastrophic wind events.
To date there have been no hurricane events in this region that would have any impact on the Company's portfolio. During this period the Company benefits from increased levels of premium demonstrating the seasonality of global catastrophic events and incomes received.

Investor Presentation 21 September 2012

On 21 September 2012 the Company and its Manager will be hosting a presentation to shareholders about its investment strategy, expected returns and a review of the retrocessional re-insurance industry. A number of guest speakers will also be present. To attend this event please contact mark.way@catcoim.com.

Outlook

The global retrocessional pricing for the Company's protection remains favourable given the appetite from reinsurance counterparties. Being fully asset backed, the predicted industry retrocessional capacity erosion experienced during the year from other collateralised reinsurers has created significant advantages for the Company.

The Board is pleased with the progress during the first half of the year with the Company remaining focused on low frequency high-severity exposure profile. The Board remains committed to ensuring that the investment targeted returns are achieved.

Anthony Taylor
Chairman

DIRECTORS' REPORT

Risks and Uncertainties

The Board of Directors has identified a number of key risks that affect the Company's business. The principal risks are:

Reinsurance risk
The objective of the Company and of the Master Fund is to give its Shareholders the opportunity to participate in the returns from investments linked to catastrophe reinsurance risks, principally by investing in fully collateralised Reinsurance Agreements accessed by investments in preferred shares of the Reinsurer, CATCo Re Ltd. The Master Fund spreads investment risk by seeking exposure to multiple non-correlated risk categories so as to endeavour to limit the amount of capital at risk with respect to a single catastrophic event. The Company's Annual Report 2011, at page 18, explains in detail as to how the Company and the Master Fund ensure that appropriate diversification is achieved.

Risks related to the Company's investment activities
These risks include market price, interest rate, liquidity and credit risk. Such key risks relating to investment and strategy including for example, inappropriate asset allocation or borrowing are managed through investment policy guidelines and restrictions, and by the process of oversight at each Board meeting outlined above. Operational disruption, accounting and legal risks are also covered annually, and regulatory compliance is reviewed at each Board meeting.

Directors' Responsibility Statement

The Directors are responsible for preparing the Half-Yearly Financial Report in accordance with applicable law and regulations. The Directors confirm that, to the best of their knowledge:
1.The condensed set of financial statements contained within the Half-Yearly Financial Report has been prepared in accordance with the applicable accounting standards.

2. The Chairman's Statement, the Financial Highlights and the notes to the unaudited financial statements provides a fair review of the information required by rule 4.2.7R of the Disclosure and Transparency Rules (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year) and rule 4.2.8R (being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position of the company during that period; and any changes in the related party transaction described in the last annual report that could do so.)

Going Concern Status

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement.
In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk issued in October 2009, the Board of Directors have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Company's assets consist of cash and a diverse portfolio of retrocessional reinsurance investments which, in most circumstances, are fully liquid at the end of their contractual term. The Board of Directors have reviewed forecasts and they believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these accounts.

UNAUDITED STATEMENT OF ASSETS AND LIABILITIES

(Expressed in United States Dollars)	30 June 2012	30 June 2011	31 December 2011
Assets			
Investment in CATCo Reinsurance Fund Ltd.- CATCo Diversified Fund, at fair value	356,966,811	212,037,571	227,981,444
Cash and cash equivalents	1,197,126	45,686,267	123,194,026
Other assets	55,364	28,960	7,260
Total assets	358,219,301	257,752,798	351,182,730
Liabilities			
Dividend payable	-	-	10,859,876
Accrued expenses and other liabilities	295,922	572,779	456,858
Management fee payable	1,196	1,207	72,184
Amounts due to CATCo Reinsurance Fund Ltd. -Diversified Fund	-	44,176,633	-
Total liabilities	297,118	44,750,619	11,388,918
Net assets	$ 357,922,183	$213,002,179	$ 339,793,812

See accompanying notes

UNAUDITED STATEMENT OF OPERATIONS

(Expressed in United States Dollars)	**6 months to 30 June 2012**	**Period 20 December 2010 to 30 June 2011**	**Period 20 December 2010 to 31 December 2011**
Net investment loss allocated from CATCo Reinsurance Fund Ltd. - CATCo Diversified Fund			
Management fee	(2,602,795)	(819,876)	(2,537,082)
Performance fee	(1,708,594)	(622,498)	(2,739,375)
Administrative fee	(165,898)	(61,070)	(177,249)
Professional fees and other	(106,672)	(97,740)	(185,807)
Miscellaneous expenses	(14,601)	(23,626)	(48,469)
Total net investment loss allocated from CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund	(4,598,560)	(1,624,810)	(5,687,982)
Fund investment income			
Interest	-	-	515
Fund expenses			
Professional fees and other	(321,638)	(292,883)	(617,174)
Administrative fee	(27,000)	(16,500)	(33,000)
Management fee	(8,358)	(68,952)	(145,142)
Total Fund expenses	(356,996)	(378,335)	(795,316)
Net investment loss	(4,955,556)	(2,003,145)	(6,482,783)
Net realised and net change in unrealised gain on securities allocated from CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund			
Net realised gain (loss) on securities	19,425,984	-	-
Net change in unrealised gain on securities	3,657,943	7,227,292	27,234,336
Net gain on investments	23,083,927	7,227,292	27,234,336
Net increase in net assets resulting from operations	$ 18,128,371	$ 5,224,147	$ 20,751,553

See accompanying notes

UNAUDITED STATEMENT OF CHANGES IN NET ASSETS

(Expressed in United States Dollars)	**6 months to 30 June 2012**	**Period 20 December 2010 to 30 June 2011**	**Period 20 December 2010 to 31 December 2011**
Operations			
Net investment loss	(4,955,556)	(2,003,145)	(6,482,783)
Net realised gain (loss) on securities	19,425,984	-	-
Net change in unrealised gain on securities	3,657,943	7,227,292	27,234,336
Net increase in net assets resulting from operations	18,128,371	5,224,147	20,751,553
Capital share transactions			
Issuance of shares	-	213,047,487	338,047,487
Dividend declared	-	-	(10,859,876)
Offering costs	-	(5,269,455)	(8,145,352)
Net change in net assets resulting from capital share transactions	-	207,778,032	319,042,259
Net change in net assets	18,128,371	213,002,179	339,793,812
Net assets, beginning of period	339,793,812	-	-
Net assets, end of period	$ 357,922,183	213,002,179	339,793,812

See accompanying notes

UNAUDITED STATEMENT OF CASH FLOWS

(Expressed in United States Dollars)	**6 months to 30 June 2012**	**Period 20 December 2010 to 30 June 2011**	**Period 20 December 2010 to 31 December 2011**
Cash flows from operating activities			
Net increase in net assets resulting from operations	18,128,371	5,224,147	20,751,553
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:			
Net investment loss, net realised gain (loss) and net change in unrealised gain on securities allocated from CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund	(18,485,367)	(5,602,482)	(21,546,354)
Changes in operating assets and liabilities:			
Purchase of investment in CATCo Reinsurance Fund Ltd.- CATCo Diversified Fund	(110,500,000)	(206,435,089)	(206,435,090)
Other assets	(48,104)	(28,960)	(7,260)
Amounts due to CATCo Reinsurance Fund Ltd. -Diversified Fund	-	44,176,633	-
Accrued expenses and other liabilities	(160,936)	572,779	456,858
Management fee payable	(70,988)	1,207	72,184
Net cash used in operating activities	(111,137,024)	(162,091,765)	(206,708,109)
Cash flows from financing activities			
Proceeds from issuance of shares	-	213,047,487	338,047,487
Dividends paid	(10,859,876)	-	-
Offering costs	-	(5,269,455)	(8,145,352)
Net cash provided by financing activities	(10,859,876)	207,778,032	329,902,135
Net change in cash	(121,996,900)	45,686,267	123,194,026
Cash, beginning of period	123,194,026	-	-
Cash, end of period	$ 1,197,126	$ 45,686,267	$ 123,194,026

See accompanying notes

1. Nature of operations and summary of significant accounting policies

Nature of Operations

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

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

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

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

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

Basis of Presentation

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

Cash and Cash Equivalents

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

Valuation of Investment in the Master Fund

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

Financial Instruments

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

Investment Transactions and Related Investment Income and Expense

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

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

Translation of Foreign Currency

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

The Fund does not isolate the portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Such fluctuations are included in net gain (loss) on investments in the statement of operations.

Income Taxes

Under the laws of Bermuda, the Fund is generally not subject to income taxes, until 31 March 2035. 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 Fund 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 recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. De-recognition of a tax benefit previously recognized results in the Fund recording a tax liability that reduces ending net assets. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits as of 30 June 2012. However, the Fund'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 Fund recognizes interest and penalties related to unrecognized tax benefits in interest expense and other expenses, respectively. No interest expense or penalties have been recognized as of and for the period ended 30 June 2012.

Generally, the Fund is subject to income tax examinations by major taxing authorities for all tax years since its inception.

The Fund may be subject to potential examination by U.S. federal or foreign jurisdiction authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal or foreign tax laws.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Fund's management to make estimates and assumptions that affect the amounts disclosed in the financial statements and accompany notes. Actual results could differ from those estimates.

Offering costs

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

2. Concentration of credit risk

In the normal course of business, the Fund maintains its cash balances in financial institutions, which at times may exceed federally insured limits. The Fund is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties. At 30 June 2012 cash is held with HSBC Bank Bermuda Ltd. which has a credit rating of A+.

3. Loss reserves

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

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

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

During 2011 and in the six months to 30 June 2012, the Reinsurer paid claims of $5,625,000 net of additional loss premium of $1,875,000 pertaining to the Tohoku, Japan earthquake in March 2011. At 30 June 2012, the Reinsurer established gross and net reserves of $23,877,400 associated with the 2011 earthquakes in Christchurch, New Zealand and Tohoku, Japan.

4. Capital share transactions

As of 30 June 2012, the Fund has authorized capital stock of 500,000,000 unclassified shares of par value $0.0001 per share.

The Fund had an initial placing which closed on 20 December 2010 raising $80,392,000 through the issuance of 80,392,000 Ordinary Shares. On 31 March 2011 a further $7,358,750 was raised through an additional issuance of 7,250,000 Ordinary Shares. The Fund had a further placing opening on 18 May 2011 resulting in $124,446,737 being raised through the issuance of 124,446,737 C Shares on 20 May 2011 and $850,000 being raised through the issuance of 850,000 C Shares on 23 May 2011. A further $125,000,000 was raised through an additional issuance of 118,821,292 C Shares on 16 December 2011.

As of 30 June 2012, the Fund has issued 87,642,000 Class 1 Ordinary Shares and 244,118,029 Class 2 C Shares (collectively the "Shares").

Transactions in Shares during the period, and the Shares outstanding and the net asset value ("NAV") per Share as of 30 June 2012 is as follows:

	Beginning Shares	Shares Issued	Shares Redeemed	Ending Shares
Class 1 - Ordinary shares	87,642,000	-	-	87,642,000
Class 2 - C Shares	244,118,029	-	-	244,118,029

	Beginning Shares	Amounts Issued	Amounts Redeemed	Ending Net Assets	Ending NAV Per Share
Class 1 - Ordinary shares	$ 87,750,750	$ -	$ -	$84,826,055	$0.9679
Class 2 - C Shares	$ 250,296,737	$ -	$ -	$273,096,128	$1.1187

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

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

The Reinsurer has entered into fully collateralized reinsurance contracts under which it is potentially exposed to losses arising from the New Zealand earthquake on 22 February 2011 and the Japan earthquake on 11 March 2011 (respectively, "NZ Exposures" and "Japan Exposures"). Due to the uncertainty in valuing these investments and the tenure of these contracts, the Master Fund's Board has designated the Master Fund's potential NZ Exposures and Japan Exposures as a Side Pocket Investment, represented by a new Class of shares ("SP Shares"). Accordingly, SP Shares have been issued as at 1 April 2011 to each Master Fund Shareholder by way of the conversion of a pro rata proportion of their Master Fund Class A, B and C Shares into SP Shares. In this way, Master Fund shares that are issued to Master Fund shareholders after 31 March 2011 will participate fully in the Master Fund's portfolio, except that they will not have any NZ Exposures or Japan Exposures for the events that have already occurred and will accordingly not participate in any losses or premiums attributable to such exposures.

Once the loss position in respect of the NZ and Japan Exposures is clarified, the Side Pocket Investment will be realised and the SP Shares will be exchanged for Master Fund Class A, B and C Shares.

Following the realization of the Side Pocket Investment in such circumstances, it is expected that any Class C Shares which have been issued will be converted into Ordinary Shares and will accordingly participate in any losses or premiums attributable to such Ordinary Shares.

5. Investment management agreement

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

6. Related party transactions

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

Qatar Insurance Company, an affiliate of the Investment Manager, holds 31.4% of voting rights of the Ordinary Shares issued in the Fund. In addition, the Directors of the Fund are also Shareholders of the Fund.

7. Administrative Fee

Prime Management Limited (the "Administrator") serves as the Fund's Administrator and performs certain administrative and clerical services on behalf of the Fund. For the provision of the service under the Administration Agreement, the Administrator receives an annual flat fee.

8. Financial highlights

Financial highlights for the Ordinary Shares are for the period 1 January 2012 to 30 June 2012 are as follows:

	Class 1 Ordinary Shares	**Class 2 C Shares**
	United States Dollar	United States Dollar
Per share operating performance		
Net asset value, beginning of period	0.9999	1.0329
Offering costs	-	-
Income (loss) from investment operations:		
Net investment loss	(0.0013)	(0.0198)
Net gain on investments	(0.0307)	0.1056
Total from investment operations	(0.0320)	0.0858
Premium	-	-
Dividend	-	-
Net asset value, end of period	0.9679	1.1187

Total return		
Total return before performance fee	(3.94)%	9.23%
Performance fee*	0.74	(0.93)
Total return after performance fee	(3.20)%	8.30%
Ratio to average net assets		
Expenses other than performance fee	(0.85)%	(0.43)%
Performance fee*	0.72	(0.40)
Total expenses after performance fee	(0.13)%	(0.83)%
Net investment loss	(0.13)%	(1.91)%

The ratios to weighted average net assets are calculated for each Class of Share taken as a whole. An individual shareholder's return and ratios to weighted average net assets may vary from these amounts based on the timing of capital transactions. Returns and ratios shown above are for the period ended 30 June 2012 and have not been annualized.

* The performance fee is charged in the Master Fund.

9. Indemnifications or warranties

In the ordinary course of its business, the Fund 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 Fund. Based on its history and experience, management believes that the likelihood of such an event is remote.

10. Subsequent events

On 2 August 2012 the Board of the Fund announced that it has declared a distribution (the "Distribution") to Ordinary Shareholders of any proceeds it receives in connection with that part of its investment in the Master Fund which is exposed to potential losses arising from the Master Fund's investment in reinsurance contracts linked to the New Zealand earthquake that occurred on 22 February 2011 and the Japan earthquake that occurred on 11 March 2011 (together, the "NZ and Japan Exposures").

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

Subsequent to the declaration of the Distribution the Board announced on 8 August 2012 that the Master Fund in which the Fund invests has closed its side pocket associated with the NZ and Japan Exposures by way of the compulsory redemption of the shares issued in respect of such side pocket, including those held by the Fund, on 1 August 2012. As described in the Prospectus, this triggers the conversion of C Shares into Ordinary Shares. The conversion of C Shares into Ordinary Shares was effective close of business 10 August 2012 with the admission for the new Ordinary shares effective 13 August 2012.

The unaudited financial statements were approved by management and Board of Directors and available for issuance on 16 August 2012. Subsequent events have been evaluated through this date.

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