CATCo Reinsurance Opportunities Fund Ltd. (“the Company”)

Portfolio Update – Hurricane Sandy (“Sandy”) Loss Reserve

To: SFM, London Stock Exchange and Bermuda Stock Exchange

Date: 10 December 2012

Hurricane Sandy was a hurricane that devastated portions of the Caribbean and the Mid-Atlantic and Northeastern United States during late October 2012, with lesser impacts in the Southeastern and Midwestern states and Eastern Canada.

Sandy, classified as the eighteenth named storm and tenth hurricane of the 2012 Atlantic hurricane season, was a Category 2 storm at its peak intensity. While it was a Category 1 storm off the coast of the Northeastern United States, the storm became the largest Atlantic hurricane on record (as measured by diameter).

Other unique characteristics of Sandy include the direct hit to the coast, the historic barometric pressure and storm surge, and the landfall at high tide during a full moon. Preliminary estimates of losses due to damage and business interruption are likely to make it the second-costliest Atlantic hurricane, as well as US natural disaster, behind only Hurricane Katrina.

The unprecedented nature of Sandy’s mass, and scale of storm related flooding, has created ambiguity around the variation of industry insured loss estimates. The insurance and reinsurance industries continue to respond to the volume and magnitude of claims as a result of the storm.

What was initially predicted as a minor event, quickly escalated due to the large amount of coastal storm surge damage combined with widespread (and ongoing) power outages in the US Northeast. The situation has been complicated by ongoing interpretation of coverage - wind damage versus flood damage, fire, contingent business interruption policy wording and the extent of losses that will flow to the US Government’s National Flood Insurance Program.

Property Claim Services (“PCS”) who investigate reported disasters and report on the extent and type of damage, dates of occurrence, and geographic areas affected released a preliminary estimate of insured property damage of $11 billion on the 22 November 2012. Their estimate was caveated with a number of subjectivities that could result in the estimate increasing.

The PCS report at regular intervals and past experience has been that the loss estimates evolve upwards over time. The reason for this is that it takes time for insurers to fully understand the scale of the claims and resulting losses that they face.

Natural catastrophes of the scale of Sandy provide insurers with complex and technical issues surrounding collection of claims, their assessment, negotiation of claims payments and resolution of regulatory issues such as, in the case of Sandy, its definition as a hurricane or post-tropical storm and the consequent impact on deductibles.

There is no quick or easy way to come to an accurate industry loss estimate, hence why any Industry Loss Warranties or Ultimate Net Loss exposures have defined reporting intervals which specify when the final loss estimate should be received and a decision be made on whether they have been triggered or not.

Modelling firms Eqecat, AIR Worldwide and RMS have all issued estimates of the expected insured loss from Sandy that range from $7 to $25 billion, with the average being c.$15 billion.

The majority of the Company's US exposures are based on Ultimate Net Loss contracts and the settlement, if any, may be sooner, or later, depending on the result of discussions with our reinsurance counterparties which the Manager have already begun.

Hypothetically, if all US hurricane exposure written in 2012 was completely eroded, which is highly unlikely, given the range of expected loss occurrence probabilities on the contracts written, the maximum 'capped' impact on gross expected returns would be 27%, resulting in an expected gross return of 1% for the year, absent the impact of Costa Concordia.

The Investment Managers have modeled the projected loss distribution for Sandy across CATCo-Re Ltd's 2012 portfolio based upon PCS's estimated industry loss as well as varying average expected industry insured losses suggested by Eqecat, AIR Worldwide and RMS.

The Board of Directors of CATCo Reinsurance Fund Ltd (the "Master Fund") have taken a cautious approach to estimating the exposure to Sandy and a retrocessional reinsurance loss reserve provision has been included in the Net Asset Value calculation at 30 November 2012 based on a best estimate of the insured industry loss of $20 billion as at this time.

This is a retrocessional reinsurance loss reserve, and not a crystalised loss, as the Reinsurer's protections are based on the reinsurance counterparties actual paid claims. At this level, gross expected returns for 2012 will be eroded by 13.2%.

In order to provide additional clarity with respect to performance achieved on the three significant corporate transactions of 20 December 2010, 23 May 2011 and 16 December 2011, net asset value total returns (inclusive of dividends) as of 30 November 2012 for each of these investment dates are shown in the table below:

NAV total return since inception of differing share classes (includes 2011 dividend and after deduction of 2012 Sandy Loss Reserve)

- Ordinary Shares issued on 20 December 2010: **+3.5%** [Exposed to Japan/NZ Quakes, Costa Concordia, Hurricane Sandy]
- C Shares Issued on 20 May 2012: **+20.77%** [Exposed to Costa Concordia and Hurricane Sandy]
- C Shares issued on 16 December 2012: **+8.53%** [Exposed to Costa Concordia and Hurricane Sandy]

PCS will conduct a re-survey in approximately 60 days following their initial estimate and will update the loss estimate at that time with new data gained from affected insurers. It is the Directors intention to update the Company's Shareholders with any additional information when this information is released and whether side pocket investments are required prior to the year end.

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