11 February 2013

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

Annual Financial Report

For the 12 month period 1 January 2012 to 31 December 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

Welcome to our 2012 Annual Report. In my first statement as Chairman, the twelve month period to 31 December 2012 has been a period of continued progress for the Company. During 2012, the CATCo Group of Companies (the "Group") consolidated its position as one of the leading companies within the retrocessional reinsurance industry.

Having deployed in excess of $2 billion of collateralised retrocession reinsurance capacity at the beginning of 2013 the CATCo Reinsurance Fund Ltd (the "Master Fund"), demonstrated it is one of the largest providers in its industry.

This is a significant milestone for the Group after two years of operation and demonstrates the demand the industry already has for the type of products the Group offers in a relatively short period of time.

In addition, CATCo Diversified Fund (the Master Fund) and other segregated accounts managed by the Managers, received new investments of approximately USD330 million which were deployed 1 January 2013.

CATCo Reinsurance Opportunities Fund had, at the end of the year, a Net Asset Value of USD353.8 million.

Catastrophic Activity in 2012

Overall, reinsurance industry losses were significantly lower in 2012 than in the previous year, when record figures were posted due to the earthquakes in Japan and New Zealand and severe floods in Thailand.

Global natural disasters in 2012 combined to cause economic losses of $200 billion, just above the ten year average of $187 billion. In total there were 295 separate events during the year, compared to an average of 257. These disasters caused insured losses of $72 billion, about 36% above the ten year run-rate of $53 billion.

Losses in 2012 represented a welcome reduction after the extreme economic and insured losses of 2011. In contrast to 2011, when the largest events occurred in the Asia-Pacific region, the two largest global events of 2012 occurred in the US: Hurricane Sandy and a year long drought. These two events accounted for nearly half of economic losses but, owing to higher insurance penetration in the U.S., 67% of total insured losses globally.

The costliest events outside of the U.S. in 2012 were two earthquakes in Italy's Emilia-Romagna region during May that struck within nine days of each other and caused significant damage. Flood events in China, typhoon landfalls in Asia and flooding in the United Kingdom were additional notable economic loss events in 2012.

The only other notable non-elemental disaster of 2012 was the partial sinking of the Italian cruise ship Costa Concordia when it ran aground at Isola del Giglio, Tuscany.

Convergence of Capital Markets in the Reinsurance Sector

The convergence of traditional reinsurance and capital markets capacity continues. The influence of capital markets capacity is set to expand strongly over the next few years in the reinsurance sector. This development will provide carriers with additional flexibility to offload and diversify risk and establish capital market solutions as a sustainable complement to traditional reinsurance.

Over the course of 2012, fifty three new international insurers, four new insurance agencies, five new insurance managers and two insurance brokerages were launched in Bermuda alone.

Of the insurers, twenty seven were Special Purpose Insurers and most of these have been formed to undertake some kind of fully collateralised reinsurance often with third-party capital backing them. This clearly shows how popular reinsurance activity has become as an asset class among third-party capital investors.

However, very few of these new entrants were retrocessionnaires and as a consequence do not compete with the Company's investment strategy.

Total Returns and NAV Performance

The 2012 investment portfolio generated a total return of 7.06 percent to Shareholders without exposure to the 2011 New Zealand and Japan earthquakes (previously C Share investors). See note 10 for performance breakdown of differing share classes.

Since CATCo's inception the Company has completed three significant fund raisings leading to NAV total return calculations for differing share classes. The NAV calculations included both the 2011 dividend and the deduction of the 2012 Sandy Loss Reserve.

The NAV total returns by share class, with their event exposures, are listed below:

- Ordinary Shares issued on 20 December 2010: +2.41% (Exposed to Japan/NZ Quakes, Costa Concordia, Hurricane Sandy)

- C Shares Issued on 20 May 2011: +19.51% (Exposed to Costa Concordia and Hurricane Sandy)

- C Shares issued on 16 December 2011: +7.40% (Exposed to Costa Concordia and Hurricane Sandy)

Conversion of C Shares

In August 2012 the Board announced it had completed the consolidation of the Company's share classes into one class of Ordinary Shares.

2012 Annual Dividend

At the launch of the Company, the Board of Directors indicated its 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 9 January 2013, the Board of Directors indicated their intention to pay an annual dividend of $0.05006 in respect of the Ordinary Shares.

The record date for this dividend was 18 January 2013. It is expected that this final dividend will be paid to shareholders in March 2013, subject to shareholder approval at the forthcoming Annual General Meeting.

Good Corporate Governance

The Board of Directors is resolved to maintain high corporate governance standards with particular focus on ensuring that the Company is operating in the best possible interests of shareholders. This includes regularly evaluating the relationship and effectiveness of the Investment Manager. During 2012, The Bermuda Monetary Authority completed a full audit of the Investment Manager without any significant matters being raised. The Board places a high emphasis on risk management and assesses internal controls each year.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Governance Code, except the Governance Code provisions relating to:

• The role of the Chief Executive (A.1.2)

• Executive Directors' remuneration (B.2.1 and B.2.2)

• The need for an internal audit function (C.3.5)

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of CATCo Reinsurance Opportunities Fund Ltd., being an externally managed investment company.

The Company has therefore not reported further in respect of these provisions.

Acknowledgement and Board Changes

I would like to acknowledge the valuable contribution and support provided to the Board of Directors, and Managers, by Anthony Taylor our retiring Chairman.

The Board of Directors was strengthened in May 2012 with the appointment of Ms Margaret Gadow who has over twenty three years' experience in investment management. Her appointment compliments the Board's experience and broadens its knowledge of the industry.

Regular dialogue with the Company's shareholders is encouraged and I would like to remind shareholders that CATCo will be repeating its Investor Day presentation in London again during September 2013 and, my Directors and Managers would welcome your attendance.

2013 Investment Portfolio Deployment

The Managers, on behalf of CATCo Re Ltd., have agreed terms on retrocessional reinsurance transactions with multiple reinsurance counterparties predominantly with Lloyds of London Syndicates and traditional reinsurers that have utilised approximately 98% of the available capital received from existing and new investment in the Company, the Master Fund and other separately managed Investment Funds.

The Company and Master Fund's reinsurance portfolio contains a significantly diverse set of global risk pillars. The Company's diversified portfolio exposure, including reinsurance protections, ensures that the impact to a single loss event, no matter the magnitude of the event, results in positive net portfolio returns for investors in 2013 with the exception of the worst US Hurricane event which results in a potentially small negative net return.

Shareholders

I would like to thank shareholders for their continued support and please do not hesitate to contact the Company, or our Managers, if you have any questions regarding your Company.

You are invited to attend the Annual Investor Day in London, United Kingdom in September when I will have a chance to meet you as well as receive the latest update from the Manager.

Nigel Barton
Chairman

MANAGER'S REVIEW

I am pleased to be able to confirm to shareholders that CATCo Reinsurance Opportunities Fund (the "Company") had a good year in the circumstances, continuing its strong financial total return performance while increasing its market share of the global retrocessional reinsurance sector. Shareholders without exposure to the 2011 New Zealand and Japan earthquakes (previously C Share investors) achieved a total return of 7.06 percent for the year. In addition, the Company's 2012 investment portfolio achieved significant premium rate increases and better diversification as compared to the 2011 investment portfolio.

After 10 months of benign natural catastrophe activity, the reinsurance market had begun to assume that 2012 would be a year when natural catastrophes played no part in financial results and that strong underwriting revenues could be generated. Unfortunately, with the year-end in sight, these expectations were muted by Hurricane Sandy, a freakish combination of storms that included an unprecedented sharp left turn resulting in a direct hit on the New York City area.

2012 Portfolio Update

Nine of the top ten insured loss events occurred in the United States during 2012, six related to severe weather, two were tropical cyclones and one was a drought. Hurricane Sandy, which made landfall in New Jersey as a post-tropical cyclone, was the costliest insured event of the year, though the prolonged drought in the U.S. also prompted a significant level of claims and crop insurance payments.

During 2012, there were two significant events that impacted the Company's 2012 investment portfolio. Firstly, Hurricane Sandy, which is expected to be the second costliest Atlantic hurricane on record, affected the Company's US Hurricane risk pillar exposure. Secondly, the cruise ship Costa Concordia, which ran aground off the Italian coast resulting in the most expensive marine disaster, impacted the Company's Offshore Marine risk pillar exposure.

The Company's Ordinary Shareholders are exposed to potential losses arising from both of these events. All other 2012 investment exposures have been released by the Company's reinsurance counterparties with the exception of the twelve month reinsurance transactions issued mid-year during 2012 and representing less than 4% of the Company's 2013 reinsurance exposures.

Hurricane Sandy ("Sandy") Update

On 31 October and 10 December 2012, the Board of Directors released two separate announcements concerning the potential impact from Sandy. The Investment Managers had modeled the projected loss distribution for Sandy across CATCo-Re Ltd's (the "Reinsurance Company") 2012 portfolio based upon

Property Claims Services ("PCS") estimated industry loss as well as varying average expected industry insured losses suggested by Eqecat, AIR Worldwide and RMS.

The Board of Directors of the Reinsurance Company and CATCo Reinsurance Fund ("the Master Fund") have taken a cautious approach to estimating the exposure to Hurricane Sandy and a retrocessional reinsurance loss reserve provision was 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 that time.

This is primarily a retrocessional reinsurance loss reserve, and not a crystalised loss, as the Reinsurer's protections are based on the reinsurance counterparties actual paid claims. The Board of Directors of the Reinsurance Company, the Master Fund or the Investment Managers have no reason, at this time, to change the retrocessional reinsurance loss reserve.

PCS, an independent company which investigates reported disasters and determines the extent and type of damage, dates of occurrence and geographic areas affected, primarily within the US, published a re-survey in January 2013 of their initial November 2012 loss estimate from affected insurers resulting from the events of Hurricane Sandy which began on 23 October 2012. The revised loss estimate was $18.75 billion.

The existing retrocessional reinsurance loss reserve provision that is included in the Company's Net Asset Value calculation was based on an insured industry loss of $20 billion. The Board of Directors remains of the opinion that there is no need to amend the existing retrocessional reinsurance loss reserve provision that is currently in place. 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.

The majority of the Company's catastrophic property exposure is through Ultimate Net Loss contracts ("UNLs") and therefore any losses that may be suffered by the Company will be based on actual losses of the insured counterparties rather than industry loss triggers as is the case for Industry Loss Warranty contracts ("ILWs"). However, the magnitude of the industry insured losses provides a reasonable guide as to the expected level of UNL claims.

PCS will conduct a re-survey in approximately 60 days following their new 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.

Costa Concordia Update

On 21 December 2012, The Insurance Insider reported that, the International Group (IG)'s insured loss estimate for the protection and indemnity portion of the Costa Concordia in- sured loss had increased to USD744 million. This brings the total insured loss estimate, including the hull value, to roughly USD1.25 billion. The Reinsurance Company and Master Fund's investment portfolio exposure to this marine event is triggered at industry losses equal to or greater than USD1.25 billion. The increased loss estimate is largely due to the estimated increase in clean up costs. The wreck removal plan had an original timeline that assumed the parbuckling and refloating would be completed in January of 2013, but is now projected to be completed three to four months later, at significant additional cost.

The Company's maximum 2012 exposure to Offshore Marine risk was 4% of the 'expected' 2012 gross returns, assuming a total loss to this cover from this event. In November 2012, the Investment Managers had reached agreement to fully and finally commute 100% of the exposure with respect to one of two reinsurance counterparties (representing approximately 40% of the total Offshore Marine portfolio exposure), at a cost which represents approximately 1.5% of the 2012 gross return.

This commutation was a settlement agreement reached between the reinsured counterparty and the Reinsurance Company by which the reinsurance obligation was terminated by an agreement by the reinsurer to pay funds at present value that are not yet due under the reinsurance agreement.

As a result of the IG's increased loss estimate, the Master Fund's Board of Directors have decided to include a retrocessional reinsurance loss reserve provision in the Net Asset Value calculation at 31 December 2012 representing 100% of the remaining Costa Concordia exposure. Reinsurance Opportunities Fund Ltd.

Impact of Side Pocket Investments

The current retrocessional reinsurance loss reserves, included in the Net Asset Value calculation, at 31 December 2012 equate to 7.52 percent of shareholder funds.

Capital Raising

The Master Fund and other segregated accounts managed by the Investment Managers have received new investments of approximately $330 million for deployment at 1 January 2013.

2013 Investment Portfolio

We are excited about the prospects of the 2013 investment portfolio. Not only has the portfolio been modestly de-risked compared to the 2012 portfolio, but greater Risk Pillar diversification has also been achieved along with a significant increase in potential shareholder returns.

The management team has maintained a measured and client-centric approach to the Company's investment portfolio by providing adequate capacity to buyers, together with an increasingly differentiated approach at a client and class-specific level. Final terms and conditions have, in most cases, been in line with both client and manager expectations. In the absence of Hurricane Sandy and Costa Concordia, the managers would have expected some degree of buyer pressure for price concessions. However, Sandy's impact has assisted market pricing on an overall basis and demand remains strong in terms of capacity and continuity.

CATCo Investment Team

Our people play a vital role in the success of our business and they are our most valuable resource. We have added a number of key individuals to both our investment and operational processes and this has already started to pay dividends. Continued build out of the management team's experience and expertise has been, and remains, a key priority. We have continued to make good progress during the year in recruitment, development of our staff and enhancement of our systems and internal controls.

Anthony Belisle
Director

DIRECTORS' RESPONSIBILITIES

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

Furthermore, each Director certifies that the report of the Directors 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.

AUDITED STATEMENTS OF ASSETS AND LIABILITIES

(Expressed in United States Dollars)	31 December 2012	31 December 2011
Assets	$	$
Investment in CATCo Reinsurance Fund Ltd.- CATCo Diversified Fund, at fair value (cost 2012 - $316,940,120; 2011 - $206,435,090)	$353,330,814	$227,981,444
Cash and cash equivalents	710,727	123,194,026
Other assets	25,403	7,260
Total assets	354,066,944	351,182,730
Liabilities		
Dividend payable	-	10,859,876
Accrued expenses and other liabilities	253,439	456,858
Management fee payable	603	72,184
Total liabilities	254,042	11,388,918
Net assets	353,812,902	339,793,812

NAV Per Share (See note 6)

See accompanying notes

AUDITED STATEMENTS OF OPERATIONS

(Expressed in United States Dollars)	For the 12 month period to 31 December 2012	For the period 20 December 2010 to 31 December 2011
	$	$
Net investment loss allocated from CATCo Reinsurance Fund Ltd. - CATCo Diversified Fund		
Interest	5,030	-
Management fee	(5,413,680)	(2,537,082)
Administrative fee	(340,305)	(177,249)
Professional fees and other	(241,542)	(185,807)
Miscellaneous expenses	(24,415)	(48,469)
Performance fee	-	(2,739,375)
Total net investment loss allocated from CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund	(6,014,912)	(5,687,982)
Fund investment income		
Interest	-	515
Fund expenses		
Professional fees and other	(762,379)	(617,174)
Administrative fee	(54,000)	(33,000)
Management fee	(13,901)	(145,142)
Total Fund expenses	(830,280)	(795,316)
Net investment loss	(6,845,192)	(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 on securities	18,490,351	-
Net change in unrealised gain on securities	2,373,931	27,234,336
Net gain on investments	20,864,282	27,234,336
Net increase in net assets resulting from operations	14,019,090	20,751,553

See accompanying notes

AUDITED STATEMENTS OF CHANGES IN NET ASSETS

(Expressed in United States Dollars)	**For the 12 month period to 31 December 2012**	**For the period 20 December 2010 to 31 December 2011**
	$	**$**
Operations		
Net investment loss	(6,845,192)	(6,482,783)
Net realised gain on securities	18,490,351	-
Net change in unrealised gain on securities	2,373,931	27,234,336
Net increase in net assets resulting from operations	14,019,090	20,751,553
Capital share transactions		
Transfer of Class 2 - C Shares (see note 6)	(276,563,190)	-
Transfer to Class 1 - Ordinary Shares (see note 6)	276,563,190	-
Issuance of shares	-	338,047,487
Dividend declared	-	(10,859,876)
Offering costs	-	(8,145,352)
Net change in net assets resulting from capital share transactions	-	319,042,259
Net change in net assets	14,019,090	339,793,812
Net assets, beginning of period	339,793,812	-
Net assets, end of period	353,812,902	339,793,812

See accompanying notes

AUDITED STATEMENTS OF CASH FLOWS

(Expressed in United States Dollars)	**For the 12 month period to 31 December 2012**	**For the period 20 December 2010 to 31 December 2011**
	$	**$**
Cash flows from operating activities		
Net increase in net assets resulting from operations	14,019,090	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 and net change in unrealised gain on securities allocated from CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund	(14,849,370)	(21,546,354)
Changes in operating assets and liabilities:		
Purchase of investment in CATCo Reinsurance Fund Ltd.- CATCo Diversified Fund	(110,500,000)	(206,435,090)
Other assets	(18,143)	(7,260)
Accrued expenses and other liabilities	(203,419)	456,858
Management fee payable	(71,581)	72,184
Net cash used in operating activities	(111,623,423)	(206,708,109)
Cash flows from financing activities		
Dividends paid	(10,859,876)	-
Proceeds from issuance of shares	-	338,047,487
Offering costs	-	(8,145,352)
Net cash provided by financing activities	(10,859,876)	329,902,135
Net change in cash	(122,483,299)	123,194,026
Cash, beginning of period	123,194,026	-
Cash, end of period	710,727	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 organised 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 preference 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 preference shares) in CATCo-Re Ltd. (the "Reinsurer"). The Fund's ownership is less than 50% of the Master Fund at 31 December 2012.

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 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 Master Fund

The Fund records its investment in the Master Fund at the net asset value as reported by the Master Fund. The Fund records its investment in the Master Fund at fair value which is the Fund's proportionate interest in the net assets of the Master Fund. The performance of the Fund is directly affected by the performance of the Master Fund and is subject to the same risks to which the Master Fund is subject. Valuation of investments held by the Master Fund, including, but not limited to the valuation techniques used and classification within the fair value hierarchy of investments held are discussed as follows:

Fair Value - Definition and Hierarchy (Master Fund)

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 Master Fund 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 Master Fund. Unobservable inputs reflect the Master Fund’s assumptions 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 Fund has 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 Master Fund in determining fair value is greatest for investments categorised in Level 3. 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 Fund’s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Master Fund uses 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.

During 2011, the Financial Accounting Standard Board (“FASB”) issued ASU 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs”, which expands on current guidance relating to valuation methodologies for investments that are categorised within level 3 of the fair value hierarchy. The amendments are effective during interim and annual periods beginning after 15 December 2011. The adoption of this pronouncement resulted in additional disclosures in the Master Fund’s financial statements.

Fair Value - Valuation Techniques and Inputs

Investments in Securities (Master Fund)

The value of preference shares issued by the Reinsurer and subscribed for by the Master Fund 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 earned premium (as described below) that has been earned period-to-date for such contract; plus

. (iii) the amount of the investment earnings earned to date on both the capital invested in such preference shares and the associated reinsurance premiums in respect of such contract; minus

. (iv) the amount of any loss estimates associated with potential claims triggering covered events (see "Covered Event Estimates" below).

The value of preferred shares issued by the Reinsurer will also recognise expenses which are directly attributable to the Master Fund as a result of the Reinsurer conducting reinsurance activities that inure to the benefit or detriment of the Master Fund.

Investments in Securities held by the Reinsurer

Industry Loss Warranties (“ILWs”)

ILWs will be marked similar to preference shares held with respect to reinsurance agreements, unless otherwise unavailable, except that following a Covered Event, loss information from the index provider on the trade will be used.

Insurance-Linked Securities (“ILS”)

Cat Bonds and other ILS will be valued at the average of the bids from the pricing sheets or indicative bids provided by at least two broker-dealers or other market makers.

Risk Transfer Derivative Agreements

Risk transfer derivative agreements will be marked similar to ILWs except that following a Covered Event, loss information provided by the Investment Manager or the counterparty will be used.

Earned Premiums

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

Covered Event Estimates

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

"Fair Value" Pricing used by the Master Fund

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 Prime Management Limited (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 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 Fund, 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 Fund's prime brokers or lending agents and/or pricing services. The Investment Manager, may, but will not be required to, input pricing information into models (including models that are developed by the Investment Manager or by third parties) to determine whether the quotations accurately reflect fair value.

In addition, the Investment Manager, may in its discretion, consult with the members of the investment team to determine the appropriate valuation of an instrument or additional valuation techniques that may be helpful to such valuation.

From time to time, the Investment Manager may change its fair valuation technique as applied to any investment if the change would result in an estimate that the Investment Manager in good faith believes is more representative of fair value under the circumstances. The determination of fair value is inherently subjective in nature, and the Investment Manager has a conflict of interest in determining fair value in light of the fact that the valuation determination may affect the amount of the Investment Manager's performance fee.

At any given time, a substantial portion of the Master Fund's 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 Pockets

The Board of Directors of the Master Fund (the "Board"), in consultation with the Investment Manager, may classify certain Insurance-Linked Instruments as investments in which only persons which are shareholders at the time of such classification can participate ("Side Pocket Investments"). This typically will happen if a Covered Event has recently occurred or seems likely to occur under an Insurance-Linked Instrument, because determining the level of losses once a Covered Event has occurred under an Insurance-Linked Instrument is often both a highly uncertain and a protracted process. Side Pocket Investments are valued in the statement of assets and liabilities at their fair value as determined in good faith by the Board following consultation with the Investment Manager.

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 realised and changes in unrealised 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. Realised gains or losses on the sale of investments are calculated using the specific identification method of accounting. Interest is 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 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 recognised is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realised upon ultimate settlement with the relevant taxing authority. De-recognition of a tax benefit previously recognised results in the 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 unrecognised tax benefits as of 31 December 2012 and as of 31 December 2011. However, the Fund's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, ongoing analyses of and changes to tax laws, regulations and interpretations thereof.

The Fund recognises interest and penalties related to unrecognised tax benefits in interest expense and other expenses, respectively. No interest expense or penalties have been recognised as of and for the year ended 31 December 2012 and 31 December 2011.

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 audited 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. Schedule of the Fund's share of the investments held in the Master Fund and fair value measurements

The following table reflects the Fund's proportionate share of the fair value of investments in the Reinsurer held by the Master Fund at 31 December 2012:

Preferred Shares	
Investments in CATCo-Re Ltd.	
Class M preferred Shares	$18,076,018
Class N preferred Shares	40,097,989
Class O preferred Shares	16,870,658
Class P preferred Shares	34,750,348
Class Q preferred Shares	10,276,065
Class R preferred Shares	4,064,605
Class S preferred Shares	48,026,408
Class T preferred Shares	21,085,490
Class U preferred Shares	13,556,340
Class V preferred Shares	42,168,817
Class W preferred Shares	8,073,758
Class X preferred Shares	4,064,810
Class Y preferred Shares	2,514
Class Z preferred Shares	9,486,883
Class AA preferred Shares	12,755,634
Class BB preferred Shares	17,614,960
Class CC preferred Shares	8,048,037
Class JJ preferred Shares	1,472

Class KK preferred Shares	2,106,198
Class MM1 preferred Shares	1,378,727
Class MM2 preferred Shares	1,378,732
Class NN preferred Shares	6,017,296
Class OO preferred Shares	6,774,069
Class PP preferred Shares	6,553,697
Class UU preferred Shares	2,558,923
Class VV preferred Shares	902,475
Class WW preferred Shares	1,805,268
Class XX preferred Shares	1,504,185
Class YY preferred Shares	1,354,253
Class ZZ preferred Shares	2,708,448
Class AAA preferred Shares	1,504,203
Class BBB preferred Shares	2,708,165
Class CCC preferred Shares	1,382,070
Class DDD preferred Shares	1,503,719
Class EEE preferred Shares	1,409,127
Class FFF preferred Shares	751,841
Class SP preferred Shares	8,612
Total Investments in CATCo-Re Ltd.	353,330,814

The following table reflects the Fund's proportionate share of the fair value of investments in the Reinsurer held by the Master Fund at 31 December 2011.

Preferred Shares
Investments in CATCo-Re Ltd.

Class A preferred Shares	$ 26,123,929
Class B preferred Shares	6,573,657
Class C preferred Shares	31,889,016
Class D preferred Shares	21,494,602
Class E preferred Shares	16,077,344
Class F preferred Shares	34,447,557
Class G preferred Shares	10,124,083
Class H preferred Shares	22,008,743
Class I preferred Shares	5,288,068
Class J preferred Shares	43,356,315
Class K preferred Shares	24,881
Class L preferred Shares	-
Class SP preferred Shares	10,573,249
Total Investments in CATCo-Re Ltd.	$227,981,444

The Fund's assets and liabilities recorded at fair value have been categorised based upon a fair value hierarchy as described in the Fund's significant accounting policies in Note 1. The following table presents information about the Fund's assets measured at fair value:

Year ended 31 December 2012

Assets (at fair value)	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in securities				
Preferred shares	$ -	$ -	$ 353,330,814	$ 353,330,814
Total Investments in securities	$ -	$ -	$ 353,330,814	$ 353,330,814

Year ended 31 December 2011

Assets (at fair value)	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in securities				
Preferred shares	$ -	$ -	$ 227,981,444	$ 227,981,444
Total Investments in securities	$ -	$ -	$ 227,981,444	$ 227,981,444

Transfers between Levels 1 and 2 generally relate to whether a market becomes active or inactive. Transfers between Levels 2 and 3 generally relate to whether significant relevant observable inputs are available for the fair value measurements in their entirety. See Note 1 for additional information related to the fair value hierarchy and valuation techniques and inputs. All transfers are recognised by the Fund at the end of each reporting period.

There were no transfers between levels for the year ended 31 December 2012 and the year ended 31 December 2011.

The following table presents additional information about Level 3 assets and liabilities measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Fund has classified within the Level 3 category. As a result, the unrealised gains and losses for assets and liabilities within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

Changes in Level 3 assets measured at fair value for the period ended 31 December 2012 were as follows:

	Beginning Balance 1 January 2012	**Change in Realised & Unrealised Gains (Losses)(a)**	**Purchases**	**Sales**	**Settlements**	**Transfers In/(Out) Level 3**	**Ending Balance 31 December 2012**	**Change in Unrealised Gains for Securities Still held 31 Dec 2012 (b)**
Assets (at fair value)								
Investments in Preferred shares	$ 227,981,444	$14,849,370	$ 110,500,000	$ -	$ -	$ -	$353,330,814	$14,849,370

(a) Realised and change in unrealised gains are all included in net gain (loss) on securities in the statement of operations.

(b) The change in unrealised gains for the period ended 31 December 2012 for securities still held at 31 December 2012 are reflected in the net change in unrealised gains on securities in the statement of operations.

Changes in Level 3 assets measured at fair value for the period ended 31 December 2011 were as follows:

	Beginning Balance 20 December, 2010	Change in Realised & Unrealised Gains (Losses)(c)	Purchases	Sales	Settlements	Transfers In/(Out) Level 3	Ending Balance 31 December 2011	Change in Unrealised Gains for Securities Still held 31 Dec 2011 (d)
Assets (at fair value)								
Investments in Preferred shares	$ -	$ 21,546,354	$ 206,435,090	$ -	$ -	$ -	$227,981,444	$21,546,354

(c) Realised and change in unrealised gains are all included in net gain (loss) on securities in the statement of operations.

(d) The change in unrealised gains for the period ended 31 December 2011 for securities still held at 31 December 2011 are reflected in the net change in unrealised gains on securities in the statement of operations.

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

	Valuation Technique	Unobservable Input	Range
Preferred Shares	Premium earned	Premiums earned – straight line	12 months
	+ investment income	Premiums earned – seasonality adjusted	5 to 6 months
	- Loss reserve	Investment income	0.10% to 0.15%
		Loss Reserves	0 to contractual limit

3. 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 31 December 2012 and 31 December 2011 cash is held with HSBC Bank Bermuda Ltd. which has a credit rating of A+.

4. Concentration of reinsurance risk

The following table illustrates the diversified risk profile of the Reinsurer's portfolio by geography and peril, with the percentage exposure representing the relative impact on the net return of each event risk against the Reinsurer's portfolio as a whole:

2012 Retrocessional Reinsurance Portfolio

Event Risk	% Net Return	Event Risk	% Net Return
No losses	23%		
New Zealand Wind	23%	Central America Quake	15%
South East Asia Quake	23%	Hong Kong Wind	14%
Guam Wind	23%	Taiwan Quake	14%
Guam Quake	23%	India Quake	14%
Onshore Energy	23%	Mexico Wind	11%
Terrorism	23%	Europe Flood	10%
US Wildfire	22%	Japan Wind	8%
Canada Wind	22%	Mexico Quake	8%
China Wind/Flood	22%	Europe Quake	8%
South Africa Quake	21%	South America Quake	5%
Indonesia Quake	20%	Caribbean Quake	5%

China Quake	20%	Caribbean Wind	5%
US/Canada Winterstorm	19%	Japan Quake	4%
Philippines Wind	19%	Europe Wind	3%
South Korea Wind	19%	Australia Wind	2%
Taiwan Wind	19%	Australia Quake	2%
Israel Quake	18%	New Zealand Quake	2%
Offshore Marine/Energy	15%	US/Canada Quake	2%
US Severe Convective Storms	15%	US Wind	-1%

2011 Retrocessional Reinsurance Portfolio

Event Risk	% Exposure	Event Risk	% Exposure
US/Canada Quake	13%	GA to VA Wind	3%
US/Caribbean Wind	13%	Florida Wind	3%
2nd Event Protections	12%	US 2nd Event Wind	3%
Japan/Caribbean Quake	9%	US 3rd Event Wind	3%
Marine Non-Elemental	8%	Japan Wind	2%
Europe All Natural Perils	6%	CA Quake	2%
Florida 2nd Event Wind	5%	US Excluding CA Quake	2%
Gulf of Mexico Wind	5%	Europe Wind	2%
Northeast Wind	5%	Japan All Natural Perils	1%
Rest of World	3%		

1. Not all of the 19 Event Risks listed above are fully non-correlated. However, no single event exposure is greater than 18%.

2. The 2nd event risk pillar provides additional coverage for the risk pillars excluding US 3rd event wind above at the same attachment points and in the same percentage exposure as the 1st event coverage.

5. Loss reserves

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

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 2012, the Reinsurer paid claims of $42,115,317 pertaining to the Tohoku, Japan earthquake in March 2011, Christchurch earthquake in February 2011, Costa Concordia disaster in January 2012 and Hurricane Sandy in October 2012 . The Reinsurer increased the gross and net loss reserve by $16,714,300 in June 2012 to record a total loss on the respective contracts for Japan and Christchurch earthquake. The Reinsurer recorded a net loss reserve of $140,000,000 for Hurricane Sandy and $37,500,000 for Costa Concordia.

In 2011, the Reinsurer paid claims of $1,165,933 net of additional loss premium of $1,875,000 pertaining to the Tohoku, Japan earthquake in March 2011. At 31 December 2011, the Reinsurer established net reserves of $11,622,167 associated with the 2011 earthquakes in Christchurch, New Zealand and Tohoku, Japan.

6. Capital share transactions

As of 31 December 2012 and 31 December 2011, the Fund has authorised capital stock of 500,000,000 unclassified shares of par value $0.0001 per share.

As of 31 December 2012, the Fund has issued 369,849,337 Class 1 Ordinary Shares (the "Shares"). As of 31 December 2011, the Fund had issued 87,642,000 Class 1 Ordinary Shares and 244,118,029 Class 2 C Shares (collectively the "Shares").

Transactions in Shares during the year, and the Shares outstanding and the net asset value ("NAV") per share as of 31 December 2012 is as follows:

2012

	Beginning Shares	Shares Issued	Shares Converted	Ending Shares
Class 1 - Ordinary shares	87,642,000	282,207,337	-	369,849,337
Class 2 - C Shares	244,118,029	-	(244,118,029)	-

	Beginning Amounts	Amounts Issued	Amounts Converted	Ending Net Assets	Ending NAV Per Share
Class 1 - Ordinary shares	$ 87,750,750	$276,563,190	-	$353,812,902	$0.9566
Class 2 - C Shares	$ 250,296,737	-	$(276,563,190)		

2011

	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 Amounts	Amounts Issued	Amounts Redeemed	Ending Net Assets	Ending NAV Per Share
Class 1 - Ordinary shares	$ -	$87,750,750	$ -	$87,633,736	$0.9999
Class 2 - C Shares	$ -	$250,296,737	$ -	$252,160,076	$1.0329

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 a 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.

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 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. As described in the Prospectus, this triggers the conversion of C Shares into Ordinary Shares. The conversion of 244,118,029 C Shares into 282,207,337 Ordinary Shares was effective close of business 10 August 2012 with the admission for the new Ordinary shares effective 13 August 2012.

7. 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.

8. 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 7.44% as of 31 December 2012 and 31.4% as of 31 December 2011 of voting rights of the Ordinary Shares issued in the Fund. In addition, the directors of the Fund are also shareholders of the Fund.

9. 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 a fixed annual fee.

10. Financial highlights

For the period 1 January 2012 to 31 December 2012

	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	(0.0039)	(0.0023)
Performance Fee	0.0120	(0.0112)
Management Fee	(0.0146)	(0.0096)
Net gain on investments	(0.0368)	0.1231
Total from investment operations	(0.0433)	0.1000
Premium	-	-
Dividend	-	-
Net asset value, end of period	$ 0.9566	$ 1.1329**
Total return		
Total return before performance fee	(5.52)%	10.77%
Performance fee**	1.20%	(1.09)%
Total return after performance fee	(4.32)%	9.68%
Ratio to average net assets		
Expenses other than performance fee	(1.29)%	(1.29)%
Performance fee*#	0.90%	(1.22)%
Total expenses after performance fee	(0.39)%	(2.51)%

Net investment loss	(0.39)%	(2.51)%

*The performance fee is charged in the Master Fund.

** Net asset value before conversion. C Shares were converted to Ordinary Shares on 10 August 2012. The total return and ratios have not been annualised

#At the time of the collapse of the Class 2 C Shares into the Class 1 Ordinary Shares, there was a performance fee accrued on the Class 2 C Shares that did not become payable on the collapse of the Class 2 C Shares, but became attached to the exchanged Class 1 Ordinary Shares. Subsequent to the date of the collapse, the accrued performance fee that attached to the exchanged Class 1 Ordinary Shares was reversed due to the performance of the Fund. As a result, the performance fee numbers and ratios for the Class 1 Ordinary shares appear as income/recovery and not expense.

For the period 20 December 2010 to 31 December 2011

	Class 1 Ordinary Shares	**Class 2 C Shares**
	United States Dollar	United States Dollar
Per share operating performance		
Net asset value, beginning of period	$ 1.0000	$ 1.0000
Offering costs	(0.0231)	(0.0389)
Income (loss) from investment operations:		
Net investment loss	(0.0360)	(0.0255)
Net gain on investments	0.1086	0.1383
Total from investment operations	0.0726	0.1128
Premium	0.0014	0.0100
Dividend	(0.0510)	(0.0510)
Net asset value, end of period	$ 0.9999	$ 1.0329
Total return		
Total return before performance fee	8.82%	12.98%
Performance fee*	(1.39)%	(1.29)%
Total return after performance fee	7.43%	11.69%
Ratio to average net assets		
Expenses other than performance fee	(2.15)%	(1.18)%
Performance fee*	(1.30)%	(1.01)%

Total expenses after performance fee	(3.45)%	(2.19)%
Net investment loss	(3.45)%	(2.19)%

*The performance fee is charged in the Master Fund.

11. 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.

12. Subsequent events

On 9 January 2013, the Board of Directors declared a final dividend of $0.05006 in respect of the Ordinary Shares with a record date of 18 January 2013. It is expected that this final dividend will be paid to shareholders in March 2013.

These financial statements were approved by the Board of Directors and were available for issuance on 8 February 2013. All significant subsequent events have been considered and evaluated through this date.

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- Ends -