

14 August 2014

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

**Interim Financial Report**

**For the Six Months Ended 30 June 2014**

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**

The fund has enjoyed strong performance over the past six months with no significant insured losses incurred on the 2014 portfolio. This was both a result of the relatively low level of catastrophe events in addition to de-risking the 2014 portfolio.

**Financial performance and capital management**

The Company's stated target annual net return is LIBOR plus 12 to 15 percent per annum. For 2014, the Board of Directors believe there is an optimum level of capital needed to achieve this return, beyond which they may begin to become impaired by competitive forces resulting from an oversupply of capital in an attractive investment sector. As a result, we practiced prudent capital management and, in the best interest of all stakeholders, the Directors agreed to return capital to Shareholders via means of a Return of Value which was completed in January 2014 together with enhancing value through a share buyback programme that took place in May 2014.

A disciplined approach to underwriting has been maintained, with the Manager prepared to reject retrocessional reinsurance transactions that were unfavourable or not in line with investment or underwriting guidelines. This has ensured the portfolio remains strong and well protected.

The Manager, on behalf of CATCo-Re Ltd., has provided retrocession capacity to multiple reinsurance counterparties, predominantly traditional reinsurance counterparties and Lloyd's syndicates.

Given the performance achieved since launch, the Company is seeking better than targeted returns for 2014, assuming there are no major losses that impact the portfolio during the remainder of the year.

The net asset value ("NAV") capital return for the first six months of 2014 was 4.27%, whilst the respective return for the original Ordinary Shares issued on 20 December 2010 was 7.27% following the contingent distribution paid in relation to the 2011 Tohoku, Japan earthquake. The share price capital return was 4.01%, compared to the insurance-linked securities ("ILS") benchmark total return of 2.41%. The Company's share price stood at a premium of 0.26% to NAV at 30 June 2014. The NAV Total Returns Since Inception of Shares to 30 June 2014 of the Ordinary Shares issued on 20 December 2010, C Shares issued on 20 May 2011 and C Shares issued on 16 December 2011 respectively were 33.17%, 51.90% and 36.51%.

The CATCo Group of Companies continue to build their brand and reputation in the retrocession arena, now accounting for a fifth of global market share of the retrocessional reinsurance market. Part of the attractiveness of the CATCo products is their ability to be tailored to client needs, with a broad selection of geographic regions and risk pillars, offering diversification and reducing exposure to any single event.

## **Catastrophic activity to 30 June 2014**

The most notable catastrophe events in the first half of the year from an insured-loss perspective stemmed from European winter storms and severe weather in the US. In January, Europe continued to be impacted by a series of low pressure weather systems that brought high winds and heavy precipitation.

The month of April saw a dramatic increase in the level of severe weather affecting the US. The biggest event was an outbreak of severe weather and flash flooding that spanned several days resulting in a number of fatalities and injuries. Thunderstorms, tornadoes and heavy rain caused extensive damage to over 20 states across the Plains, Mississippi Valley, Southeast, Midwest and Mid-Atlantic. There were nearly 70 confirmed tornadoes that touched down, including at least 11 of EF-3 or greater intensity.

Damage from severe US weather to date (with further events in May and June) is likely to cost the insurance industry \$5.5bn, according to estimates by Impact Forecasting. While significant, these are the lowest first half losses from severe weather since 2007. It is currently anticipated that they will result in a negative drag on earnings for US property insurers, but the claims are unlikely to trigger meaningful reinsurance payouts or have a material impact on CATCo's 2014 portfolio.

## **Changes to issued share capital**

A Return of Value to Shareholders took place on 28 January 2014, further details of which appear in the Company's 2013 Annual Report, on pages 21 and 22.

On 19 May 2014, the Company bought back 5,700,000 Ordinary Shares in the market at an average price of \$1.025 per share. These shares were subsequently cancelled. The resultant total number of Ordinary Shares in issue, and the total number of voting rights, is 303,582,970.

## **Dividends**

On 24 January 2014, the Company paid a contingent distribution of \$0.02887 per Ordinary Share. This distribution related to the resolution of CATCo's remaining exposure to the Japan Earthquake of 11 March 2011.

On 31 January 2014, the Company paid an annual dividend of \$0.05737 in respect of the Ordinary Shares for the financial year ended 31 December 2013.

Further details about both dividends appear in the Company's 2013 Annual Report, on page 20.

## **Outlook**

Excess capacity in both property catastrophe reinsurance and retrocession has resulted in a challenging operating environment for participants in 2014 compared to previous years. In a low interest rate environment, the appetite from capital market investors for catastrophe risk remains high and there is a general acceptance that the "new money" is here to stay.

However the flow of new money into the catastrophe risk sector has now slowed down, resulting in a smaller number of new ILS funds, sidecars and collateralised catastrophe writers being formed. As property catastrophe prices soften, we are seeing the ILS sector now diversifying into some other insurance classes in which CATCo does not participate.

While competitive conditions in catastrophe classes persist, we are of the view that CATCo has built a well-diversified portfolio of risks emanating from high-quality clients which, combined together, should generate superior returns for investors over time.

Nigel Barton  
*Chairman*  
*CATCo Reinsurance Opportunities Fund Ltd.*  
14 August 2014

## **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 CATCo Reinsurance Fund Ltd. – Diversified Fund (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 2013, on page 13, explains in detail how the Company and the Master Fund ensure that appropriate diversification is achieved.

#### *Risks related to the Company's investment activities*

These risks include, but are not limited to, market price, counterparty, interest rate, liquidity and credit risk. Such key risks relating to investment underwriting and strategy including for example, inappropriate asset allocation or borrowing are managed through investment policy guidelines and restrictions, and by the process of oversight at each Board meeting. Operational disruption, accounting and legal risks are also covered annually, and regulatory compliance is reviewed at each Board meeting.

In the view of the Board, there have not been any changes to the fundamental nature of these risks since the previous report, and these principal risks and uncertainties are equally applicable to the remaining six months of the financial year as they were to the six months under review.

### **Related Party Disclosure and Transactions with the Investment Manager**

The Investment Manager is regarded as a related party and details of the management fees payable are set out in the unaudited Statement of Operations and note 6.

### **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.

### **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.)

The Half-Yearly Financial Report was approved by the Board on 14 August 2014 and the above responsibility statement was signed on its behalf by the Chairman.

Nigel Barton  
Chairman,  
For and on behalf of the Board  
14 August 2014

## UNAUDITED STATEMENTS OF ASSETS AND LIABILITIES

(Expressed in United States Dollars)	30 June 2014	30 June 2013	31 Dec. 2013
	\$	\$	\$
<b>Assets</b>			
Investment in CATCo Reinsurance Fund Ltd.- CATCo Diversified Fund, at fair value	331,804,083	361,235,811	408,828,848
Cash and cash equivalents	747,890	918,464	286,057
Other assets	93,320	36,543	67,032
<b>Total assets</b>	<b>332,645,293</b>	<b>362,190,818</b>	<b>409,181,937</b>
<b>Liabilities</b>			
Accrued expenses and other liabilities	185,982	154,368	149,988
Management fee payable	819	1,001	254
<b>Total liabilities</b>	<b>186,801</b>	<b>155,369</b>	<b>150,242</b>
<b>Net assets</b>	<b>332,458,492</b>	<b>362,035,449</b>	<b>409,031,695</b>

See accompanying notes

**UNAUDITED STATEMENTS OF OPERATIONS**

(Expressed in United States Dollars)	<b>Six months to 30 June 2014</b>	<b>Six months to 30 June 2013</b>	<b>Year ended 31 Dec. 2013</b>
	\$	\$	\$
<b>Net investment loss allocated from CATCo Reinsurance Fund Ltd. - CATCo Diversified Fund</b>			
Interest	11,695	11,670	12,903
Management fee	(2,461,340)	(2,641,665)	(5,654,620)
Performance fee	(1,567,459)	(3,043,583)	(8,643,163)
Professional fees and other	(142,245)	(155,352)	(271,795)
Administrative fee	(95,237)	(113,597)	(227,560)
Miscellaneous expenses	(3,565)	(17,778)	(23,992)
Net investment loss allocated from CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund	(4,258,151)	(5,960,305)	(14,808,227)
<b>Company expenses</b>			
Professional fees and other	(945,817)	(632,658)	(1,199,136)
Administrative fee	(27,000)	(27,000)	(54,000)
Management fee	(20,557)	(8,135)	(11,448)
Total Company expenses	(993,374)	(667,793)	(1,264,584)
Net investment loss	(5,251,525)	(6,628,098)	(16,072,811)
<b>Net realised gain and net (decrease)/increase in unrealised appreciation on securities allocated from CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund</b>			
Net realised gain on securities	75,407,454	17,581,186	19,854,893
Net (decrease)/increase in unrealised appreciation on securities	(56,102,355)	15,784,117	69,951,369
<b>Net gain on securities</b>	19,305,099	33,365,303	89,806,262
<b>Net increase in net assets resulting from operations</b>	14,053,574	26,737,205	73,733,451

See accompanying notes

## UNAUDITED STATEMENTS OF CHANGES IN NET ASSETS

(Expressed in United States Dollars)	<b>Six months to 30 June 2014</b>	<b>Six months to 30 June 2013</b>	<b>Year ended 31 Dec. 2013</b>
	\$	\$	\$
<b>Operations</b>			
Net investment loss	(5,251,525)	(6,628,098)	(16,072,811)
Net realised gain on securities	75,407,454	17,581,186	19,854,893
Net (decrease)/increase in unrealised appreciation on securities	(56,102,355)	15,784,117	69,951,369
Net increase in net assets resulting from operations	14,053,574	26,737,205	73,733,451
<b>Capital share transactions</b>			
Dividends declared	(21,218,256)	(18,514,658)	(18,514,658)
Return of value distribution	(63,536,808)	-	-
Share buyback (see note 4)	(5,871,713)	-	-
Net decrease in net assets resulting from capital share transactions	(90,626,777)	(18,514,658)	(18,514,658)
<b>Net (decrease)/increase in net assets</b>	<b>(76,573,203)</b>	<b>8,222,547</b>	<b>55,218,793</b>
<b>Net assets, beginning of period</b>	<b>409,031,695</b>	<b>353,812,902</b>	<b>353,812,902</b>
<b>Net assets, end of period</b>	<b>332,458,492</b>	<b>362,035,449</b>	<b>409,031,695</b>

See accompanying notes

## UNAUDITED STATEMENTS OF CASH FLOWS

(Expressed in United States Dollars)	Six months to 30 June 2014	Six months to 30 June 2013	Year ended 31 Dec. 2013
	\$	\$	\$
<b>Cash flows from operating activities</b>			
Net increase in net assets resulting from operations	14,053,574	26,737,205	73,733,451
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:			
Net investment loss, net realised gain and net (decrease)/increase in unrealised appreciation on securities allocated from CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund	(15,046,948)	(27,404,998)	(74,998,034)
Sale of investment in CATCo Reinsurance Fund Ltd.- CATCo Diversified Fund	92,071,713	19,500,000	19,500,000
Changes in operating assets and liabilities:			
Other assets	(26,288)	(11,140)	(41,629)
Accrued expenses and other liabilities	35,994	(99,070)	(103,451)
Management fee payable	565	398	(349)
<b>Net cash provided by operating activities</b>	91,088,610	18,722,395	18,089,988
<b>Cash flows from financing activities</b>			
Dividend paid	(21,218,256)	(18,514,658)	(18,514,658)
Return of value distribution paid	(63,536,808)	-	-
Share buyback	(5,871,713)	-	-
<b>Net cash used in financing activities</b>	(90,626,777)	(18,514,658)	(18,514,658)
<b>Net increase/(decrease) in cash and cash equivalents</b>	461,833	207,737	(424,670)
<b>Cash and cash equivalents, beginning of period</b>	286,057	710,727	710,727
<b>Cash and cash equivalents, end of period</b>	747,890	918,464	286,057

See accompanying notes



(Expressed in United States Dollars)

## **1. Nature of Operations and Summary of Significant Accounting Policies**

### *Nature of Operations*

CATCo Reinsurance Opportunities Fund Ltd. (the “Company”) is a closed-ended fund, registered and incorporated as an exempted mutual fund company in Bermuda on 30 November 2010 and commenced operations on 20 December 2010. The Company 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 CATCo Investment Management Ltd. (the “Investment Manager”). The assets attributable to each segregated account of the Master Fund shall only be available to creditors in respect of that segregated account. Pursuant to an investment management agreement, the Company is managed by the Investment Manager. Refer to the Company’s prospectus for more information.

The Company’s Shares are listed and traded on the Specialist Fund Market (“SFM”), a market operated by the London Stock Exchange. The Company’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, fires, explosions, marine 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 Master Fund*

The Company 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 Company'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 Expenses*

The Company records its proportionate share of the Master Fund's income, expenses, realised gains and losses and increases and decreases in unrealised appreciation on a monthly basis. In addition, the Company 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 Company does not isolate the portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Such fluctuations are included in net gain (loss) on investments in the statement of operations.

### *Income Taxes*

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

The Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit recognised is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realised upon ultimate settlement with the relevant taxing authority. De-recognition of a tax benefit previously recognised results in the Company recording a tax liability that reduces ending net assets. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognised tax benefits as of 30 June 2014. However, the Company's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Company recognises interest and penalties related to unrecognised tax benefits in interest expense and other expenses, respectively. No interest expense or penalties have been recognised as of and for the period ended 30 June 2014.

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

The Company 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 Company's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. 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 Company maintains its cash balances (not assets supporting retrocessional transactions) in financial institutions, which at times may exceed federally insured limits. The Company is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties. At 30 June 2014, cash and cash equivalents are held with HSBC Bank Bermuda Ltd. which has a credit rating of A as issued by Standard & Poor's.

## **3. 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.

In the six months to 30 June 2014, the Reinsurer paid claims of \$24,477,280 pertaining to the Tohoku, Japan earthquake in March 2011 and Superstorm Sandy in October 2012.

The existing Side Pocket Investment valuation remains accurate based on current information available to the Manager through reinsurance counterparties.

## **4. Capital Share Transactions**

As of 30 June 2014, the Company has authorised share capital of 500,000,000 unclassified shares of par value \$0.0001 per share.

As of 30 June 2014, the Company has issued 303,582,970 Class 1 Ordinary Shares.

Transactions in shares during the period, and the shares outstanding and the net asset value ("NAV") per share as of 30 June 2014 is as follows:

	<b>Beginning Shares</b>	<b>Adjustment following Share Capital Consolidation</b>	<b>Share Buyback</b>	<b>Ending Shares</b>
Class 1 - Ordinary Shares	369,849,337	(60,566,367)	(5,700,000)	303,582,970

	<b>Beginning Net Assets</b>	<b>Dividend Paid</b>	<b>Return of Value Amount</b>	<b>Share Buyback</b>	<b>Ending Net Assets</b>	<b>Ending NAV Per Share</b>
Class 1 - Ordinary Shares	\$ 409,031,695	(\$21,218,256)	(\$ 63,536,808)	(\$ 5,871,713)	\$332,458,492	\$1.0951

The Company 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 Company 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 Company (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 Company will issue further Ordinary Shares.

On 14 January 2014, the Board declared a final dividend of \$0.05737 per share in respect of the Ordinary Shares with a record date of 24 January 2014. The final dividend was paid to Shareholders on 31 January 2014.

In addition, the Board announced on 14 January 2014 that it had declared a contingent distribution in relation to the cessation of the Japanese Tohoku earthquake loss reserve for 2011 of \$0.02887 per share to Ordinary Shares. The contingent dividend was paid to Shareholders on 24 January 2014.

On 27 January 2014, the Board announced that the proposed return of value to Shareholders of \$0.20 per existing Ordinary Share, equivalent to approximately \$74,000,000, and the subsequent share capital consolidation were approved. Following the share capital consolidation, a total of 299,577,962 Ordinary Shares were issued effective 28 January 2014. In addition, a total of 9,705,008 Ordinary Shares were issued effective 29 January 2014.

On 19 May 2014, the Company completed a share buyback of 5,700,000 Ordinary Shares for cancellation in the market at an average price of USD 1.025 per share, resulting in a total amount paid including commission of \$5,871,713.

## **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 Company and to exercise full discretion in the management of the trading, investment transactions and related borrowing activities of the Company in order to implement such strategy.

## **6. Related Party Transactions**

The Investment Manager of the Company 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 Company which is not attributable to the Company’s investment in the Master Fund Shares as at the last calendar day of each calendar month. Management fees related to the investment in the Master Fund Shares are charged in the Master Fund and allocated to the Company. Performance fees are charged in the Master Fund and allocated to the Company.

Qatar Insurance Company, an affiliate of the Investment Manager, holds 5.40% of voting rights of the Ordinary Shares issued in the Company. In addition, the Directors of the Company are also Shareholders of the Company.

## 7. Administrative Fee

Prime Management Limited (the “Administrator”), a subsidiary of SS&C GlobeOp, serves as the Company's Administrator and performs certain administrative and clerical services on behalf of the Company. For the provision of the service under the Administration Agreement, the Administrator receives a fixed fee.

## 8. Financial Highlights

### Class 1 Ordinary Shares

Per share operating performance

Net asset value, beginning of period	1.1059
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Income/(loss) from investment operations:

Net investment loss	(0.0031)
Performance fee	(0.0051)
Management fee	(0.0080)
Net gain on investments	0.0628

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Total from investment operations	0.0466
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Dividend	(0.0574)
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Net asset value, end of period	1.0951
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Total net asset value return

Total net asset value return before performance fee	4.60%
Performance fee*	(0.46)%

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Total net asset value return after performance fee**	4.14%
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Ratio to average net assets

Expenses other than performance fee	(0.99)%
Performance fee*	(0.46)%

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Total expenses after performance fee	(1.45)%
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Net investment loss	(1.45)%
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\* The performance fee is charged in the Master Fund.

\*\*Adjusting the opening capital to reflect the dividend declared on 14 January 2014, the normalised total return for the period 1 January to 30 June 2014 is equivalent to 4.27%.

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 2014 and have not been annualised.

## **9. Indemnifications or Warranties**

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

## **10. Subsequent Events**

The unaudited financial statements were approved by management and Board of Directors and available for issuance on 14 August 2014. Subsequent events have been evaluated through this date and no events require further disclosure.

### **For further information, please contact:**

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