CATCo
Reinsurance Opportunities Fund Ltd.

18 April 2019

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

Annual Financial Report

For the 12 month period 1 January 2018 to 31 December 2018

To: London Stock Exchange’s Specialist Fund Segment, 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 the 2018 Annual Report for CATCo Reinsurance Opportunities Fund Ltd. (the “Company”).

In 2018, following a second consecutive year of significant catastrophic events, including Hurricanes Florence and Michael, Typhoon Jebi and California wildfires, together with the continuing and unexpected deterioration of the 2017 loss reserves, the Company recorded decreases of 58.43 per cent (2017: -27.60 per cent) in the net asset value (after deducting dividend payments) of its Ordinary Shares and 35.74 per cent in the net asset value of its C Shares.

This, when combined with certain events at the Investment Manager at the end of 2018 and the beginning of 2019, has led to the Board taking the difficult decision to put the Company’s investment portfolios into run-off with effect from 30 June 2019.

Financial Performance since Inception

The cumulative NAV total returns since inception to 31 December 2018 of the Ordinary Shares issued on 20 December 2010 and the various issuances of C Shares (all of which, except for the C Shares issued on 12 December 2017, have since been converted into Ordinary Shares) are listed as follows:

Share Class (Date of Issuance)	NAV Total Returns since Inception (to 31 December 2018)
Ordinary Shares (issued 20 Dec. 2010)	-45.28 per cent
C Shares issued (20 May 2011 – converted to Ordinary Shares in Aug. 2012)	-39.65 per cent
C Shares issued (16 Dec. 2011 - converted to Ordinary Shares in Aug. 2012)	-45.77 per cent
C Shares issued (2 Nov. 2015 – converted to Ordinary Shares in May 2017)	-67.67 per cent
C Shares (issued 28 November 2018)	-35.74 per cent

Side Pocket Investments (“SPIs”)

More SPIs were established in 2018 following the number of severe catastrophic events that occurred during the year. As at 31 December 2018, the SPIs in total represent c. 62.10 per cent of Ordinary Share

NAV (2017: 65.90 per cent) and c. 46.76 per cent of C Share NAV. The SPIs in relation to 2015 to 2018 are as follows (in each case, as at 31 December 2018):

- 2015 SPIs, principally relating to U.S. and Canada winter storms and U.S. severe convective storms, amount to c. 2.04 per cent of the Company's Ordinary Share NAV (31 December 2017: c 1.60 per cent of Ordinary Share NAV).
- 2016 SPIs, established for the Fort McMurray wildfire, Jubilee oil field, Hurricane Matthew and the South Island earthquake in New Zealand, amount to c. 7.53 per cent of the Company's Ordinary Share NAV (31 December 2017: c. 8 per cent of Ordinary Share NAV).
- 2017 SPIs, principally relating to Hurricanes Harvey, Irma and Maria and the 2017 California wildfires, amount to c. 31.49 per cent of the Company's Ordinary Share NAV (31 December 2017: c. 55 per cent of Ordinary Share NAV).
- 2018 SPIs, principally relating to, inter alia, Hurricanes Michael and Florence, Typhoon Jebi and the 2018 California wildfires, amount to c. 21.05 per cent of the Ordinary Share NAV and c. 46.76 per cent of the C Share NAV.

On 11 March 2019, the Company announced its decision to consent to a partial waiver of 33.3334 per cent (one-third) of the management fee it indirectly pays to the Investment Manager in respect of SPIs, being exposed to SPIs by way of its holding of certain classes of share in the Master Fund. The reduction resulting from the waiver will have effect from 1 January 2019 until 31 December 2019, but is subject to possible extension by the Investment Manager and the Master Fund SAC.

Annual Dividend

Since inception, the Company has met its intentions of paying an annual dividend equal to LIBOR plus five per cent of the year-end NAV. With respect to 2018, dividends of $0.0265 per Ordinary Share and $0.0445 per C Share were paid to Shareholders on 25 February 2019.

Since inception, the Company has returned capital of $269 million to Ordinary and C Share Shareholders via dividends and return of value distributions with the original Ordinary Share Shareholders from December 2010 having received approximately 78 per cent of their original investment through such distributions.

Events at the Investment Manager

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

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

On 18 January 2019, Anthony Belisle and Alissa Fredricks ceased to be engaged by the Investment Manager and were replaced by Jed Rhoads and Andrew "Barney" Barnard.

The Board has no further information in relation to the Markel CATCo Inquiries and remains confident that the transition of the Investment Manager's management team can be carried out successfully.

Run-Off

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

The Run-Offs will be implemented principally by redeeming all of the Company's Master Fund Shares attributable to the Ordinary Shares or C Shares (as the case may be) as of 30 June 2019 and distributing the net proceeds thereof to the relevant class of Shareholders. There can be no assurances in relation to the length of the Run-Offs as they are dependent on the underlying reinsurance contracts going "off risk" and any related loss reserves being settled and collateral balances released (which is out of the Company's and the Investment Manager's control)

As such, the Company does not intend to continue to pay an annual dividend, and no continuation votes will be held while the Company remains in run-off.

Closing Remarks

I would like to acknowledge the hard work and co-operation of both the Company's Board and Markel CATCo throughout 2018, which have enabled the Company to respond proactively to the events described above.

In particular, I would like to extend my thanks to Alastair Barbour, who is due to retire from the Board towards the end of 2019. Alastair has served tirelessly as a non-executive Director since 2011, and his coolheaded support will be greatly missed.

I look forward to continuing to serving you in my role as Chairman as the Company enters into the next phase of its life.

James Keyes
Chairman,
CATCo Reinsurance Opportunities Fund Ltd.
18 April 2019

INVESTMENT MANAGER'S REVIEW

During 2018 the Company experienced a second successive year of severe catastrophic activity, with 2017 and 2018 now being recognized as the first and fourth highest insured loss years on record respectively[1]. As a result, for the year ended 31 December 2018, the Company experienced a decline in NAV of -35.74 per cent in the year for the C Shares issued in November 2018. Separately, the NAV of the Ordinary shares declined by -58.43 per cent due to (i) adverse loss development experienced during 2018 on the 2017 loss events and (ii) 2018 portfolio losses.

Looking ahead, the Company's investment portfolio team has constructed a fully diversified 2019 portfolio with an illustrative maximum net return (assuming no losses)* of 30 per cent which is up from the 2018 portfolio maximum net no loss return of 23 per cent. The Investment Manager has continued to experience strong buyer demand for its unique reinsurance strategy for the 1 January 2019 renewals and, notwithstanding the recent decision to put the existing portfolios into run-off, it remains committed to delivering the 2019 portfolio to the Company's Shareholders.

* This figure represents the Company's projected net portfolio returns, is for illustrative purposes only and does not take into account any unforeseen costs, expenses or other factors which may affect the Company or its assets.

2018 Significant Loss Events Update

Global insured losses during 2018 are estimated to be $80bn[1], the fourth costliest year on record, compared to 2017, the worst year on record which resulted in over $140bn[1] of insured losses. Both years endured a confluence of wind and wildfire events late in the year causing unprecedented levels of trapped capital industry wide and made for a dislocated January 1 renewal.

During the month of September, Typhoon Jebi made landfall in the Japanese Prefecture of Tokushima on Shikoku Island as the equivalent of a Category 3 hurricane. The typhoon made a second landfall on the main island of Honshu where it affected Kobe and Osaka. Typhoon Jebi is the most intense tropical cyclone to make landfall over Japan since Typhoon Yancy in 1993. Typhoon Jebi has also made its mark as Japan's largest typhoon-related insurance and reinsurance market loss on record. Munich Re estimates that insured losses total roughly $9 billion[1], which is slightly higher than the insured loss of Typhoon Mireille in 1991.

A few weeks later, Typhoon Trami made landfall near the city of Tanabe City in the Wakayama Prefecture as the equivalent of a Category 2 hurricane. Trami impacted the region with heavy rainfall, high winds and storm surge causing extensive power outages and disruption to transportation, causing an estimated $2bn[1] in further insured losses to the region.

During the same time period, Hurricane Florence was making landfall in Wrightsville, North Carolina as a Category 1 hurricane, causing heavy rainfall and major flooding across the Carolinas region. The latest insured loss estimate as at 6 February 2019 for Hurricane Florence is $4.4bn[2] of insured losses.

Less than a month later, Hurricane Michael made landfall in the Florida Panhandle, near Mexico Beach as a Category 4 hurricane making it the strongest hurricane to affect the Continental U.S. since Hurricane Andrew in 1992 and the most powerful hurricane to impact the Florida Panhandle since the first records were recorded in 1851. After making landfall in Florida, Hurricane Michael headed northeast through Georgia as a Category 3 storm and then along the Mid-Atlantic States. The latest insured loss estimate as at 3 March 2019 for Hurricane Michael $8.6bn[2].

While not nearly as devastating as the Harvey, Irma, Maria ("HIM") trio in 2017, Typhoons Jebi and Trami followed by Hurricanes Florence and Michael are estimated to be close to $30bn once fully developed. In addition to these 2018 events, due to late reporting by primary carriers, the PCS estimate for HIM increased a further $13bn in 2018 to $69bn[2], which does not include the associated loss adjustment expenses which are upwards of 20 per cent in the case of Irma as a result of the ongoing AOB (assignment of benefits) litigation in Florida.

Similar to 2017, late in the fourth quarter, which is typically quiet from an insured catastrophe perspective, massive wildfires charred both North and South California in almost identical areas. Most notably, the Camp Fire, the deadliest and most destructive wildfire to ever impact the State started in Butte County in Northern California, just adjacent to where the Tubbs / Atlas outbreaks took place in 2017, and within days, completely destroyed the entire town of Paradise with an estimated $9.17bn[2] of insured damages as at 8 April 2019.

At the very same time, 500 miles to the South, the Woolsey Fire ignited in Ventura County which is home to some of the highest valued properties in the US and not too far from where the Thomas Fire wreaked havoc one year prior. The Woolsey Fire is estimated to have caused $3.83bn[2] in insured losses as 8 April 2019.

Nevertheless, over the past 30 years there has been approximately $40bn[2] in insured losses as per PCS due to Wildfire (trended and inflated), with nearly $30bn[2] of the losses occurring in the last two years.

1 Munich Re NatCat SERVICE, January 2019
2 PCS

Loss Reserves

<u>2017 Loss events</u>

As previously reported in the interim financial report, significant uncertainty has existed regarding the loss events of 2017, with the industry continuing to experience growth in losses from HIM and the California wildfires. The Company itself announced that the Investment Manager had increased its recorded loss reserve in relation to the 2017 events in April and November/December 2018 resulting in an equivalent 2017 NAV return on the Ordinary shares of -61.43 per cent.

2018 Loss events

During 2018, the Investment Manager recorded total loss reserves of c. 61.20 per cent across the following main loss events:

Loss Event	Loss Reserve (per cent of C Shares)
Typhoon Jebi	c. 9.10 per cent
Hurricane Florence and Hurricane Michael	c. 15.69 per cent
California Wildfires	c. 35.05 per cent
Attritional loss reserves	c. 1.23 per cent

Whilst significant uncertainty exists when estimating reserves, the Investment Manager has established initial 2018 loss event reserves based on the information available including catastrophe modeled data, industry insured loss estimates, and advice from brokers and cedants whilst also factoring in further conservatism following the industry wide learning from the loss development experienced on 2017 loss events. The Investment Manager will continue to review these specific reserves throughout 2019 and beyond, and reminds Shareholders that the expected portfolio exposure to 2018 loss events could change materially, resulting in either an increase or decrease to reserves, after further information has been made available.

Furthermore, as a result of the 2018 loss activity, the 2018 side pocket investments established represented c. 47 per cent of the C Shares as at 31 December 2018.

2019 Outlook

With 2017 and 2018 being two of the four worst insured loss years on record, the retrocessional reinsurance market has entered into a period of hardening market conditions with reduced capacity compared with previous years, leading to stronger product demand. As a result, the Investment Manager has been able to build a globally-diversified 2019 portfolio with improved reinsurance terms and an enhanced return profile that is attractive to investors seeking an alternative, non-correlated investment opportunity.

Separately, on the back of these two heavy loss years, the entire ILS industry is currently navigating its way through new challenges such as unprecedented amounts of trapped capital, loss creep leading to severe loss development and a higher frequency of events in recent years compared with the relatively benign period between 2011 and 2016. Specifically as it relates to trapped capital, the Investment Manager will continue to work closely with its reinsurance counterparties in 2019 in the proactive management of the side pocket investments in place and will seek to release capital back to shareholders in a proactive, timely and orderly manner.

Finally, given the recent decision by the Company's Shareholders to put the existing portfolios into run-off, the Company will seek to return expiring mid-year deal capital to its Shareholders post mid-year risk expiration, which, subject to side pockets, will help investors to gain capital back via an orderly portfolio redemption process.

Jed Rhoads
Markel CATCo Investment Management Ltd.
18 April 2019

REVIEW OF BUSINESS

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

INVESTMENT OBJECTIVE

The investment objective of the Company and Markel CATCo Reinsurance Fund Ltd. (the "Master Fund") is to give their Shareholders the opportunity to participate in the returns from investments linked to catastrophe reinsurance risks, principally by investing in fully collateralised Reinsurance Agreements accessed by investments in Preference Shares of Markel CATCo Re Ltd. (the "Reinsurer"). The Company's investment policy appears below, and the Investment Manager's Review appears above. Both explain how the Company and the Master Fund have invested their assets with a view to spreading investment risk in accordance with the Company's investment policy.

BENCHMARK

Eurekahedge Insurance-Linked Securities index. This index is not a benchmark used for investment performance measurement.

INVESTMENT POLICY AND INVESTMENT STRATEGY

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 Master Fund operates within the following limits:

- no more than 20 per cent of its capital will be exposed to a single catastrophic event;
- capital will only be exposed to catastrophic events at loss levels that have not occurred more than twice in the past 40 years on a trended loss estimate basis, unless otherwise approved by the Board of Directors of the Master Fund;
- capital will be exposed to aviation and marine (including offshore energy) losses caused by catastrophes; and
- at least 50 per cent of capital will be exposed to residential and commercial property losses.

At 31 December 2018, the Portfolio of Investments reflects the stated guidelines as each of the reinsurance arrangements entered into by the Reinsurer contain several non-correlated pillars of risk and provides a portfolio exposure to 50 diversified risk pillars.

When investing, the Company's policy is to move freely between different risk perils as opportunities arise. There are no limits to geographical or sector exposures, except as stated above, but these are reported to, and monitored by, the Board of Directors in order to ensure that adequate diversification is achieved.

A portfolio review by the Investment Manager is given in the Investment Manager's Review.

While there is a comparative index for the purpose of measuring performance, no attention is paid to the composition of this index when constructing the portfolio and the composition of the portfolio is likely to vary substantially from that of the index. A short term view is taken and there may be periods when the Net Asset Value per Share declines both in absolute terms and relative to the comparative index.

SHARE CAPITAL

The Company's issued share capital at 1 January 2018 amounted to 391,666,430 Ordinary Shares and 545,367,863 C Shares.

On 21 September 2018, the Company completed a Share buyback of 1,000,000 C Shares for cancellation in the market.

The Company's issued share capital at 1 January 2019 amounted to 391,666,430 Ordinary Shares and 545,367,863 C Shares. That number is unchanged as at the date of this announcement, 18 April 2019.

TOTAL ASSETS AND NET ASSET VALUE

At 31 December 2018, the Company had Total Assets of $479.81mn and a Net Asset Value per Ordinary and C Share of $0.3479 and $0.6299 respectively.

BORROWING

The Company will not borrow for investment purposes, although it may borrow for temporary cash flow purposes such as for satisfying working capital requirements. The Master Fund and the CATCo Master Fund will not borrow for investment or other purposes but may invest in Insurance-Linked Instruments which are themselves leveraged.

DURATION

The Company does not have a fixed life. A continuation vote will be put to Shareholders every five years.

RISK

The investment funds portfolio managed by Markel CATCo Investment Management Limited consists of fully collateralised reinsurance contracts and are largely uncorrelated to traditional asset classes. Risk is spread across multiple non-correlated risk pillars which aims to limit the amount of capital exposed with respect to a single catastrophic event.

MANAGEMENT OF RISK

The Manager's risk objectives are closely linked to their performance goals. They seek to optimise trade-offs to ensure that they meet their return objectives, control the volatility of these returns, track underlying liquidity and identify and manage macro-factor risk.

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

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

RESULTS AND DIVIDENDS

The total return attributable to Ordinary Shareholders for the year amounted to -58.43 per cent (2017: -27.60 per cent) and -35.74 per cent for the C Shares.

An annual dividend of $0.05476 in respect of Ordinary Shares was paid to Shareholders on 26 February 2018 as announced on 31 January 2018. The record date for this dividend was 9 February 2018 and went ex-dividend on 8 February 2018.

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

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

The Special Dividend would be an amount equal to the level of accumulated profits of each shares class in the relevant fiscal year in excess of LIBOR plus 7.5 per cent (the “Performance Threshold”). The Performance Threshold was not met during the financial year ended 31 December 2018.

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

DIRECTORS’ RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

Alastair Barbour
Chairman of the Audit Committee
18 April 2019

AUDITED STATEMENTS OF ASSETS AND LIABILITIES

(Expressed in United States Dollars)	**31 Dec. 2018** $	**31 Dec. 2017** $
Assets		
Investments in Master Funds, at fair value (Notes 2 and 5)	421,660,837	347,692,465
Cash and cash equivalents (Note 3)	3,602,153	22,393,414
Due from Master Funds (Note 9)	54,753,242	100,000
Advance subscription in Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund	—	515,000,000
Other assets	9,000	40,618
Total assets	480,025,232	885,226,497
Liabilities		
Accrued expenses and other liabilities	219,710	620,283
Total liabilities	219,710	620,283
Net assets	479,805,522	884,606,214
NAV per Share (Note 7)		

See accompanying Notes to Audited Financial Statements

AUDITED STATEMENTS OF OPERATIONS

(Expressed in United States Dollars)	**Year ended 31 Dec. 2018**	**Year ended 31 Dec. 2017**
	$	$
Net investment loss allocated from Master Funds (Note 5)		
Interest income	4,379,432	855,847
Miscellaneous income	48,815	-
Performance fee	44,409	(1,373)
Management fee	(11,943,832)	(6,678,874)
Administrative fee	(610,031)	(216,748)
Professional fees and other	(582,276)	(356,909)
Net investment loss allocated from Master Funds	(8,663,483)	(6,398,057)
Investment income		
Interest	14,699	—
Total investment income	14,699	—
Company expenses		
Professional fees and other	(1,515,492)	(1,629,446)
Administrative fee (Note 10)	(137,417)	(60,000)
Management fee (Note 9)	(105,687)	(66,234)
Total Company expenses	(1,758,596)	(1,755,680)
Net investment loss	(10,407,380)	(8,153,737)
Net realised (loss) / gain and net change in unrealised (loss) / gain on securities allocated from Master Funds (Note 5)		
Net realised (loss) / gain on securities	(95,399,760)	46,131,007
Net change in unrealised loss on securities	(276,560,998)	(172,074,933)
Net loss on securities allocated from Master Funds	(371,960,758)	(125,943,926)
Net decrease in net assets resulting from operations	(382,368,138)	(134,097,663)

See accompanying Notes to Audited Financial Statements

AUDITED STATEMENTS OF CHANGES IN NET ASSETS

(Expressed in United States Dollars)	**Year ended 31 Dec. 2018** $	**Year ended 31 Dec. 2017** $
Operations		
Net investment loss	(10,407,380)	(8,153,737)
Net realised (loss) / gain on securities allocated from Master Funds	(95,399,760)	46,131,007
Net change in unrealised loss on securities allocated from Master Funds	(276,560,998)	(172,074,933)
Net decrease in net assets resulting from operations	(382,368,138)	(134,097,663)
Capital share transactions		
Repurchase of Class C Shares (Note 7)	(984,900)	-
Dividend paid (Note 7)	(21,447,654)	(25,557,987)
Issuance of Ordinary Shares	-	45,265,957
Issuance of C Shares	-	546,367,863
Offering costs Ordinary Shares	-	(688,389)
Offering costs Class C Shares	-	(10,927,358)
Premium on issuance of shares	-	626,666
Net (decrease) / increase in net assets resulting from capital share transactions	(22,432,554)	555,086,752
Net (decrease) / increase in net assets	(404,800,692)	420,989,089
Net assets, at 1 January	884,606,214	463,617,125
Net assets, at 31 December	479,805,522	884,606,214

See accompanying Notes to Audited Financial Statements

AUDITED STATEMENTS OF CASH FLOWS

(Expressed in United States Dollars)	**Year ended 31 Dec. 2018** $	**Year ended 31 Dec. 2017** $
Cash flows from operating activities		
Net decrease in net assets resulting from operations	(382,368,138)	(134,097,663)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided /(used in) operating activities:		
Net investment loss, net realised (loss) / gain and net change in unrealised (loss) / gain on securities allocated from Master Funds	380,624,241	132,341,983
Purchase of investment in Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund *	(557,003,000)	(54,440,000)
Sale of investment in Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund *	102,410,387	37,521,898
Changes in operating assets and liabilities:		
Advance subscription in Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund	515,000,000	(515,000,000)
Due from related parties	(54,653,242)	(100,000)
Other assets	31,618	(20,361)
Accrued expenses and other liabilities	(400,573)	143,145
Net cash provided by / (used in) operating activities	3,641,293	(533,650,998)
Cash flows from financing activities		
Repurchase of Class C Shares	(984,900)	-
Dividend paid	(21,447,654)	(25,557,987)
Issuance of Ordinary Shares	-	45,265,957
Issuance of Class C Shares	-	546,367,863
Offering costs Ordinary Shares	-	(688,389)
Offering costs Class C Shares	-	(10,789,256)
Premium on issuance of Ordinary Shares	-	626,666
Net cash (used in) /provided by financing activities	(22,432,554)	555,224,854
Net (decrease) / increase in cash and cash equivalents	(18,791,261)	21,573,856
Cash and cash equivalents, at 1 January	22,393,414	819,558
Cash and cash equivalents, at 31 December	3,602,153	22,393,414

*Non - cash transactions relating to purchases and sales of investment in Markel CATCo Diversified Fund amounted to $202,514,410 and $202,514,410, respectively.

See accompanying Notes to Audited Financial Statements

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

CATCo Reinsurance Opportunities Fund Ltd. (the "Company") is a closed-ended mutual fund company, registered and incorporated as an exempted mutual fund company under the laws of Bermuda on 30 November 2010, which commenced operations on 20 December 2010. The Company is organised as a feeder fund to invest substantially all of its assets in Markel CATCo Diversified Fund (the "Master Fund"). The Master Fund is a segregated account of Markel CATCo Reinsurance Fund Ltd., a mutual fund company incorporated in Bermuda and registered as a segregated account company under the Segregated Accounts Company Act 2000, as amended (the "SAC Act"). Markel CATCo Reinsurance Fund Ltd. establishes a separate account for each class of shares comprised in each segregated account (each, a "SAC Fund"). Each SAC Fund is a separate individually managed pool of assets constituting, in effect, a separate fund with its own investment objective and policies. The assets attributable to each SAC Fund of Markel CATCo Reinsurance Fund Ltd. shall only be available to creditors in respect of that segregated account.

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

The objective of the Master Fund is to provide shareholders the opportunity to participate in the investment returns of various fully-collateralised reinsurance-based instruments, securities (such as notes, swaps and other derivatives), and other financial instruments. The majority of the Master Fund's exposure to reinsurance risk is obtained through its investment (via preference shares) in Markel CATCo Re Ltd. (the "Reinsurer"). The Company also maintains an investment in CATCo Diversified Fund, the former Master Fund, (together with the Master Fund collectively referred to as "the Master Funds"), which is exposed to reinsurance risk through its preference shares investment in CATCo-Re Ltd. At 31 December 2018, the Company's ownership is 17.44 per cent of the Master Fund and 13.93 per cent of CATCo Diversified Fund.

The Reinsurer and CATCo-Re Ltd., (together the "Reinsurers") are Bermuda licensed Class 3 reinsurance companies, registered as segregated accounts companies under the SAC Act, through which the Master Funds access the majority of their reinsurance risk exposure. The Reinsurers will form a segregated account that corresponds solely to the Master Funds' investment in the Reinsurers with respect to each particular reinsurance agreement. The Reinsurers focus primarily on property catastrophe insurance and may be exposed to losses arising from hurricanes, earthquakes, typhoons, hailstorms, winter storms, floods, tsunamis, tornados, windstorms, extreme temperatures, aviation accidents, fires, wildfires, explosions, marine accidents, terrorism, satellite, energy and other perils.

The Company's Ordinary Shares and C Shares are listed and traded on the Specialist Fund Segment of the Main Market of the London Stock Exchange. The Company's Ordinary and C Share are also listed on the Bermuda Stock Exchange.

Basis of Presentation

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

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 six months or less.

Valuation of Investments in Master Funds

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

Fair Value - Definition and Hierarchy (Master Funds)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Investment Manager uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximises the use of observable inputs and minimises the use of unobservable inputs by requiring that the most observable inputs are to be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Investment Manager. Unobservable inputs reflect the assumptions of the Investment Manager in conjunction with both Board of Directors of each of the respective Master Funds (the "Board of the Master Funds") about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

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

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

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

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

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

Fair Value - Valuation Techniques and Inputs

Investments in Securities (Master Funds)

i. The value of preference shares issued by the Reinsurers and subscribed for by the Master Funds and held with respect to a reinsurance agreement will equal:
ii. the amount of capital invested in such preference shares; plus
iii. the amount of net earned premium (as described below) that has been earned period-to-date for such contract; plus
iv. 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
v. the amount of any loss estimates associated with potential claims triggering covered events (see "Covered Event Estimates" below); minus
vi. the amount of any risk margin considered necessary to reflect uncertainty and to compensate a market participant for bearing the uncertainty of cash flows in an exit of the reinsurance transaction.

Reinsurance Protections

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

Derivative Financial Instruments

The Master Funds invest in derivative financial instruments such as industry loss warranties ("ILWs"), which are recorded at fair value as at the reporting date. Realised and unrealised gains or losses in fair values are included in net gain on securities in the Statements of Operations in the year in which the changes occur.

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

Investments in Securities held by the Reinsurers

Earned Premiums

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

Covered Event Estimates

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

"Fair Value" Pricing used by the Master Funds

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

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

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

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 management and performance fee.

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

Side Pocket Investments

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

Financial Instruments

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

Investment Transactions and Related Investment Income and Expenses

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

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

Translation of Foreign Currency

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

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

Income Taxes

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

The Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit recognised is measured as the largest amount of benefit that has a greater than fifty per cent likelihood of being realised upon ultimate settlement with the relevant taxing authority. De-recognition of a tax benefit previously recognised results in the Company recording a tax liability that reduces ending net assets. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognised tax benefits as of 31 December 2018. However, the Company's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Company recognises interest and penalties related to unrecognised tax benefits in interest expense and other expenses, respectively. No tax-related interest expense or penalties have been recognised as of and for the years ended 31 December 2018 and 2017.

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

The Company may be subject to potential examination by United States federal or foreign jurisdiction authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with United States federal or foreign tax laws. The Company was not subjected to any tax examinations during the years ended 31 December 2018 and 2017.

Use of Estimates

The preparation of Financial Statements in conformity with U.S. GAAP requires the Company's management to make estimates and assumptions that affect the reported 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 against paid-in capital and the Company's existing cash reserves as incurred.

Premium and Discount on Share Issuance

Issuance of shares at a price in excess of the NAV per share at the transaction date results in a premium and is recorded as paid-in capital. Discounts on share issuance are treated as a deduction from paid-in capital.

Other Matters

<u>Markel CATCo Governmental Inquiries</u>

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

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

Revised class action litigation:

David Bergen v. Markel Corporation et al. (U.S. District Court for the Southern District of New York)

Between 11 January 2019 and 7 March 2019, several related putative class actions were filed against Markel Corporation and certain present or former officers and directors alleging violations of the federal securities laws relating to the matters that are the subject of the Markel CATCo Inquiries. Plaintiffs seek to represent a class of persons or entities that purchased Markel securities between 26 July 2017 and 6 December 2018. The actions have been consolidated. Markel Corporation believes that the claims are without merit.

Revised employment litigation:

Anthony Belisle v. Markel CATCo Investment Management Ltd and Markel Corp. (U.S. District Court for the District of New Hampshire)

On 21 February 2019, Anthony Belisle filed a lawsuit against Markel CATCo and Markel, which suit was amended on 29 March 2019. As amended, the complaint alleges claims for, among other things, breach of contract, defamation, invasion of privacy, indemnification, intentional interference with contractual relations and deceptive and unfair acts. It seeks relief of, among other things, $66.0 million in incentive compensation, consequential damages, damages for emotional distress and injury to reputation, exemplary damages and attorneys' fees. Markel Corporation believes that the claims are without merit.

Alissa Fredricks v. Markel CATCo Investment Management Ltd. and Markel Corp. (U.S. District Court for the District of Massachusetts)

On 21 February 2019, Alissa Fredricks filed a lawsuit against Markel CATCo and Markel, which suit was amended on 28 March 2019. As amended, the complaint alleges claims for, among other things, breach of contract, defamation, invasion of privacy, indemnification, intentional interference with contractual relations and deceptive and unfair acts. It seeks relief of, among other things, $7.5 million in incentive compensation, consequential damages, damages for emotional distress and injury to reputation, exemplary damages and attorneys' fees. Markel Corporation believes that the claims are without merit.

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

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

Preference Shares - Investments in Markel CATCo Re Ltd.	**$ Fair Value**
Class A	103,768
Class D	2,417,341
Class I	586,783
Class J	614,610
Class L	925,507
Class P	843,528
Class Q	762,055
Class R	864,852
Class S	2,397,414

Class U	733,302
Class V	43,120
Class Y	633,997
Class Z	1,440,478
Class BB	1,048,149
Class BE	2,401,646
Class BQ	2,855,235
Class BR	1,425,595
Class BS	163,836
Class BX	266,348
Class BY	7,200,356
Class BZ	850,535
Class CA	1,748,880
Class CB	2,320,691
Class CC	9,803,693
Class CD	1,500,498
Class CE	4,244,438
Class CF	384,024
Class CI	1,630,315
Class CJ	1,481,397
Class CK	893,299
Class CL	2,447,415
Class CM	1,250,837
Class CO	2,561,206 *
Class CQ	6,291,832
Class CS	1,647,043
Class CT	608,332
Class CV	4,806,287
Class CW	258,495
Class CX	2,727,788
Class DB	5,513,162
Class DC	4,771,705
Class DD	1,733,317
Class DE	17,049,896
Class DF	1,095,183
Class DG	334,205
Class DH	3,652,951
Class DI	2,435,301
Class DJ	7,705,404
Class DK	3,691,777
Class DL	1,856,695
Class DM	5,436,780
Class DN	4,831,869
Class DO	24,677,403
Class DP	5,940,954
Class DQ	2,036,839
Class DR	23,593,635
Class DS	4,190,163

Class DT	8,886,588
Class DU	4,494,015
Class DV	2,675,629
Class DW	1,284,023
Class DX	2,675,901
Class DY	138,796
Class DZ	7,611,953
Class EA	21,442,081
Class EB	5,344,165
Class EC	14,226,214
Class ED	2,500,323
Class EE	7,109,271
Class EF	3,567,759
Class EG	3,526,088
Class EH	2,236,837
Class EI	2,318,862
Class EJ	1,719,057
Class EK	28,168
Class EL	55,872
Class EM	2,353,816
Class EN	336,469
Class EO	4,133,355
Class EP	1,372,110
Class EQ	1,927,042
Class ER	2,509,874
Class ES	3,346,013
Class ET	1,418,330
Class EU	14,028,813
Class EV	5,008,632
Class EW	4,420,241
Class EX	5,256,395
Class EY	945,602
Class EZ	1,469
Class BBM	4,811
Class BBN	1,503
Expense Cell	19,584
Total Investments in Markel CATCo Re Ltd.	**$334,657,825**
Preference Shares - Investments in CATCo-Re Ltd.	**$ Fair Value**
Class DV	256,688
Total Investments in CATCo-Re Ltd.	**$256,688**
Total Investments in Preference Shares	**$334,914,513**

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

The following table reflects the Company's proportionate share of the fair value of investments in the Reinsurers held by the Master Funds at 31 December 2017.

Preference Shares - Investments in Markel CATCo Re Ltd.	**$ Fair Value**
Class A	1,155,227
Class B	4,079,104
Class D	4,538,516
Class E	1,848,506
Class F	4,602,089
Class H	103,750
Class I	952,936
Class J	611,923
Class K	919,730
Class L	921,522
Class M	1,379,548
Class N	901,043
Class O	1,533,743
Class P	5,406,226
Class Q	766,078
Class R	327,599
Class S	8,474,513
Class U	979,442
Class V	192,343
Class Y	637,123
Class Z	2,407,285
Class BA	814,211
Class BB	1,007,976
Class BC	831,679
Class BE	600,399
Class BM	1,171,335
Class BN	2,348,975
Class BO	2,355,958
Class BQ	2,597,739
Class BR	1,265,990
Class BS	85,616
Class BW	2,345,213
Class BX	536,335
Class BY	13,163,527
Class BZ	19,117,771
Class CA	4,815,954
Class CB	26,741,990
Class CC	22,580,368
Class CD	3,945,663
Class CE	7,423,112
Class CF	4,045,010
Class CG	854,363
Class CH	18,918,754
Class CI	3,538,019
Class CJ	5,997,536

Class CK	3,879,779
Class CL	4,086,112
Class CM	3,818,574
Class CN	2,933,690
Class CO	10,483,680
Class CP	6,472,549
Class CQ	6,843,757
Class CR	3,208,291
Class CS	5,456,695
Class CT	5,681,549
Class CU	1,603,055
Class CV	7,063,007
Class CW	2,709,492
Class CX	24,662,043
Class CY	2,669
Class CZ	2,669
Class AW	6,000,000
Class AX	8,400,000
Class AY	8,400,000
Class AZ	8,400,000
Expense Cell	92,291
Total Investments in Markel CATCo Re Ltd.	**$310,041,637**
Preference Shares - Investments in CATCo-Re Ltd.	**$ Fair Value**
Class AE	1,462,096
Class AF	893,636
Class BJ	1,406,969
Class BW	17,700
Class DC	584,590
Class DE	149,646
Class DF	879,421
Class DG	227,006
Class DL	968,287
Class DM	146,587
Class DN	1,158,063
Class DV	417,182
Total Investments in CATCo-Re Ltd.	**$8,311,183**
Investments in Markel CATCo-Re Ltd. - Aquilo Re	**$ Fair Value**
Class AQ002	27,660
Class AQ003	11,205
Total Investments in Markel CATCo-Re Ltd. - Aquilo Re	**$38,865**
Total Investments in Preference Shares	**$318,391,685**

Included within the Company’s investment in the Master Funds is cash and cash equivalents held in trust by the Master Funds representing the Company’s proportionate share of derivative transactions entered into by the Master Funds amounting to approximately $177,105,183 as of 31 December 2018 (31 December 2017: $113,652,588).

The preference shares relating to Reinsurance Protections are valued at nil (31 December 2017: $31,200,000) representing the unamortised portion of premium paid and claims recoverable as at 31 December 2018.

As at 31 December 2018, 57.50 per cent of total investments held by the Master Funds are classified as Side Pocket Investments (31 December 2017: 66.16 per cent).

In accordance with FASB ASC Sub-topic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not required to be classified within the fair value hierarchy. As the Company's investments as at 31 December 2018 comprised solely of investments in other investment companies, the Master Funds, which are valued using the net asset value per share (or its equivalent) practical expedient, no fair value hierarchy has been disclosed.

The Company considers all short-term investments with daily liquidity as cash equivalents and are classified as Level 1 within the fair value hierarchy. No cash equivalents were held as at 31 December 2018 (31 December 2017: nil).

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

Type of Investment	Valuation Technique	Unobservable Input	Range
Preference Shares	Premium earned	Premiums earned - straight line for uniform perils	12 months
		Premiums earned - seasonality adjusted for non-uniform perils	5 to 6 months
	Loss reserves	Loss reserves*	0 to contractual limit
	Risk margin	Risk margin	0% to 15%

* Based on proprietary models and historical loss analysis data as well as assessments from counter-parties.

As described in Note 6, significant increases or decreases in loss reserves of the Reinsurers would result in a significantly lower or higher fair value measurement.

3. CONCENTRATION OF CREDIT RISK

In the normal course of business, the Company maintains its cash balances (not assets supporting retrocessional reinsurance transactions) in financial institutions, which at times may exceed federally insured limits. The Company is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties. At 31 December 2018 and 2017, cash and cash equivalents are held with HSBC Bank Bermuda Ltd. which has a credit rating of A-/A-2 as issued by Standard & Poor's.

4. CONCENTRATION OF REINSURANCE RISK

The following table illustrates the diversified risk profile of the Reinsurer's portfolio by geography and peril as at 31 December 2018 and 2017. Reinsurance Protections purchased specifically to meet the desired level of risk as set out in the Company's investment strategy have not been considered.

Geographic Distribution		2018	2017
1	North America/Caribbean	43%	44%
2	All Other	22%	17%
3	Europe	9%	10%
4	Global Backup Protection	5%	6%

5	Japan	6%	6%
6	Worldwide Marine/Energy/ Terrorism/Aviation/Satellite	6%	6%
7	Mexico/Central America/ South America	4%	5%
8	Australia/New Zealand	3%	4%
9	Asia Excluding Japan	2%	2%
Exposure by Risk Peril		**2018**	**2017**
1	Wind	31%	38%
2	Earthquake	15%	18%
3	Backup Protection	10%	14%
4	All Natural Perils	24%	10%
5	Marine/Energy/Aviation/ Satellite	5%	4%
6	Winterstorm/ Wildfire	5%	4%
7	Severe Convective Storm	5%	4%
8	Other	2%	4%
9	Terrorism	1%	2%
10	Flood	2%	2%

5. INVESTMENTS IN MASTER FUNDS, AT FAIR VALUE

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

		31 Dec. 2018		31 Dec. 2017
Investment in Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund, at fair value	$	421,184,607	$	338,085,861
Investment in CATCo Reinsurance Fund Ltd. - CATCo Diversified Fund, at fair value		476,230		9,606,604
Investments in Master Funds, at fair value	$	421,660,837	$	347,692,465

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

(Expressed in United States Dollars)		2018 Investment in Master Fund		2018 Investment in CATCo Diversified Fund		2018 Total		2017 Investment in Master Fund		2017 Investment in CATCo Diversified Fund		2017 Total
Net investment loss allocated from Master Funds												
Interest income	$	4,379,432	$	-	$	4,379,432	$	855,847	$	-	$	855,847
Miscellaneous income		48,815		-		48,815		-		-		-
Management fee		(11,875,542)		(68,290)		(11,943,832)		(6,516,021)		(162,853)		(6,678,874)
Performance fee [(a)]		-		44,409		44,409		(1,373)		-		(1,373)
Professional fees and other		(561,615)		(20,661)		(582,276)		(346,146)		(10,763)		(356,909)
Administrative fee		(598,197)		(11,834)		(610,031)		(200,983)		(15,765)		(216,748)
Net investment loss allocated from Master Funds	$	(8,607,107)	$	(56,376)	$	(8,663,483)	$	(6,208,676)	$	(189,381)	$	(6,398,057)
Net realised (loss) / gain on securities [(b)]	$	(97,171,593)	$	1,771,833	$	(95,399,760)	$	44,749,677	$	1,381,330	$	46,131,007
Net change in unrealised loss on securities [(c)]		(274,862,795)		(1,698,203)		(276,560,998)		(170,924,879)		(1,150,054)		(172,074,933)
Net (loss) / gain on securities allocated from Master Funds	$	(372,034,388)	$	73,630	$	(371,960,758)	$	(126,175,202)	$	231,276	$	(125,943,926)

a) Performance fee relates to SPI releases during 2018 following commutation of a legacy CATCo Re Ltd. deal resulting in a reversal of previously accrued performance fees.

b) Includes gross realised gain on securities of: 2018: $39,425,416 (2017: $59,362,678) and gross realised loss on securities of: 2018: $134,825,175 (2017: $13,231,671)

c) Includes gross change in unrealised gain on securities of: 2018: $205,021,413 (2017: $49,629,713) and gross change in unrealised loss on securities of 2018: $481,582,411 (2017: $221,704,646)

6. LOSS RESERVES

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

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

In addition, the Reinsurers' reserves include an implicit risk margin to reflect uncertainty surrounding cash flows relating to loss reserves. The risk margin is set by the actuarial team of Markel CATCo Investment Management Ltd.

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

The Reinsurer's loss reserves for losses pertaining to Hurricane Michael, Typhoon Jebi and the 2018 California Wildfires represent the Insurance Manager's current best estimate of ultimate settlement values. The reserves are subject to inherent uncertainty due to industry loss estimates varying from final insured losses. The timing and the amount of losses reported to the Reinsurer is in the control of third parties, and has a direct effect on loss reserves, which may require re-estimation as new information becomes available over time.

The Insurance Manager believes that the total loss reserve established for the 2017 loss events is sufficient to provide for all unpaid losses and loss expenses with respect to Hurricanes Harvey, Irma and Maria ("HIM") and the California Wildfires, based on the information currently available. Inherent uncertainty with regard to the final insured loss impact of the 2017 loss events continues. Therefore, actual results may materially differ if actual reinsured client losses differ from the established loss reserves. The significant uncertainty underlying the industry loss estimates could result in the need to further adjust loss reserves, either in the event that reserves are found to be insufficient or, conversely, if loss reserves are found to be too conservative.

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

As at 31 December 2018, 2018 Side Pocket Investments amounting to 21 per cent of the Ordinary Share NAV and 47 per cent of the C Share NAV were established. Furthermore, as at 31 December 2018, the 2016 Side Pocket Investments and 2017 Side Pocket Investments represent 11% and 42% of Ordinary Share NAV respectively. The Side Pocket Investments reflect 100 per cent of any potential liability that may exist with the Reinsurer's counterparties in excess of the loss reserves held by the Reinsurer. These Side Pocket Investments will be released should they no longer be required by the reinsurance counterparties.

During 2018, the Reinsurer paid claims of $1,457,255,573 (31 December 2017: $400,161,779) predominantly in relation to HIM and the 2017 California wildfire events. CATCo-Re Ltd. paid claims of

$13,550,705 (31 December 2017: $1,889,027) predominantly in relation to U.S. Severe Convective Storm events.

7. CAPITAL SHARE TRANSACTIONS

As of 31 December 2018, the Company has authorised share capital of 1,500,000,000 (31 December 2017: 1,500,000,000) unclassified shares of US$0.0001 each and Class B Shares ("B Shares") of such nominal value as the Board may determine upon issue.

As of 31 December 2018, the Company has issued 391,666,430 (31 December 2017: 391,666,430) Class 1 Ordinary shares (the "Ordinary Shares") and 545,367,863 (31 December 2017: 546,367,863) Class C Shares (the "C Shares").

Transactions in shares during the year, shares outstanding, the net asset value ("NAV") and NAV per share are as follows:

31 December 2018

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

31 December 2017

	Beginning Shares	Adjustment following Share Capital Consolidation	Share Issuance	Share Repurchase	Ending Shares	Ending Net Assets	Ending NAV Per Share
Class 1 Ordinary Shares	273,224,673	82,835,718	35,606,039	–	391,666,430	$ 349,165,708	$ 0.8915
Class C Shares	102,510,018	(102,510,018)	546,367,863	–	546,367,863	$ 535,440,506*	$ 0.9800
						$ 884,606,214	

* Net issuance cost costs of $10,927,358

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

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

On 31 January 2018, the Board declared a final dividend of $0.05476 per share in respect of the Ordinary Shares. The record date for this dividend was 9 February 2018 and the ex-dividend date was 8 February 2018. The final dividend was paid to shareholders on 26 February 2018.

On 1 April 2018, the Board approved the termination of the CATCo Diversified Fund 2014 Side Pocket Investment. The related net asset value was released to investors.

On 21 September 2018, the Company completed a Share buyback of 1,000,000 C Shares for cancellation in the market at an average price of USD 0.9800 per share, resulting in a total amount paid including commission of $984,900.

8. INVESTMENT MANAGEMENT AGREEMENT

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

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

9. RELATED PARTY TRANSACTIONS

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

Markel Corporation (“Markel”), which holds the entire share capital of the Investment Manager, holds 5.16 per cent (31 December 2017: 5.16 per cent) of the voting rights of the Ordinary Shares and 0 per cent (31 December 2017: 0 per cent) of the voting rights of the C Shares issued in the Company as of 31 December 2018.

In addition, the Directors of are also shareholders of the Company. The Directors’ holdings are immaterial, representing below 1 per cent of the Company NAV.

As at 31 December 2018, the Company was due a receivable of $2,297,959 from CATCo Diversified Fund 2015 Side Pocket Investment release and $52,455,283 from Markel CATCo Diversified Fund inclusive of 2016 and 2017 Side Pocket Investment releases and year end redemptions.

10. ADMINISTRATIVE FEE

Effective 19 January 2018, the Board of Directors approved the appointment of Centaur Fund Services (Bermuda) Limited as the Company’s administrator. As a licensed fund administrator pursuant to the provisions of the Bermuda Investment Funds Act, the Administrator performs certain administrative services on behalf of the Company. The Administrator receives a fixed monthly fee.

The Company’s agreement with former administrator, SS&C Fund Services (Bermuda) Ltd. officially expired on 30 April 2018. For the nine-month period ending 30 April 2018, the Company incurred administrative fees from SS&C Fund Services (Bermuda) Ltd. and the Administrator for parallel administrative services to ensure the smooth onboarding of the Company onto the Administrator’s platform.

11. FINANCIAL HIGHLIGHTS

Financial highlights for the years ended 31 December 2018 and 2017 are as follows:

	2018		2017	
	Class 1 Ordinary Shares	Class C Shares	Class 1 Ordinary Shares	Class C Shares
Per share operating performance				
Net asset value, beginning of year	$ 0.8915	$ 0.9800	$ 1.3024	$ 1.0000
Income (loss) from investment operations:				
Net investment loss	-	0.0027	(0.0040)	-
Performance fee*	0.0001	-	(0.0004)	-
Management fee	(0.0100)	(0.0147)	(0.0177)	-
Net (loss) gain on investments	(0.4789)	(0.3381)	(0.3168)	-
Total from investment operations	$ (0.4888)	(0.3501)	$ (0.3389)	0.0000
Dividend	(0.0548)	-	(0.0718)	-
Premium on issuance	-	-	0.0016	-
Offering cost	-	-	(0.0018)	(0.0200)
Net asset value, end of year	$ 0.3479	$ 0.6299	$ 0.8915	$ 0.9800
Total net asset value return				
Total net asset value return before performance fee	(54.84)%	(35.75)%	(26.00)%	-%
Performance fee*	0.01%	-%	(0.03)%	-%
Total net asset value return after performance fee	(54.83)% ^	(35.75)%	(26.03)% +	-%
Ratios to average net assets				
Expenses other than performance fee	(1.75)%	(1.34)%	(2.09)%	-%
Performance fee*	0.02%	-%	0.08%	-%
Total expenses after performance fee	(1.73)%	(1.34)%	(2.01)%	-%
Net investment loss	(1.11)%	(1.22)%	(1.70)%	-%

+ Adjusting the opening capital to reflect the dividend declared on 26 January 2017, the normalised total return for 2017 is equivalent to -27.59 per cent

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

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

The ratios to weighted average net assets are calculated for each class of shares 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 years ended 31 December 2018 and 2017. The per share amounts and ratios reflect income and expenses allocated from the Master Funds.

12. INDEMNITIES OR WARRANTIES

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

13. SUBSEQUENT EVENTS

On 18 January 2019, the Company announced that, with immediate effect, Tony Belisle, Chief Executive Officer, and Alissa Fredricks, Chief Executive Officer – Bermuda, were no longer employed by the Investment Manager. With effect from 18 January 2019, management and oversight of the Investment Manager is being provided by Jed Rhoads, President and Chief Underwriting Officer, Markel Global Reinsurance, and Andrew Barnard, Senior Managing Director, Head of International Property Catastrophe and Retro Reinsurance at Markel Global Reinsurance.

On 31 January 2019, the Board declared an annual dividend of $0.0265 per share in respect of the Ordinary Shares and $0.0445 per share in respect of C Shares. The record date for this dividend was 8 February 2019 and the ex-dividend date was 7 February 2019. The annual dividend was paid to shareholders on 25 February 2019.

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

On 26 March 2019, the shareholders of the Company voted to amend the Company's investment policy in respect of the Ordinary Shares and C Shares with immediate effect, whereby the Company's investment policy in respect of Ordinary Shares and C Shares will be limited to realising the existing investments attributable to the Ordinary Shares and C shares in an orderly manner, and distributing the net proceeds to the Ordinary and C Shareholders. In addition to the aforementioned, the shareholders of the Company also voted to effect the implementation of the run-off in respect of the Ordinary Shares and C Shares but the Company will continue to operate as a going concern.

These Financial Statements were approved by the Board and available for issuance on 18 April 2019. Subsequent events have been evaluated through this date.

For further information:

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