CATCo Reinsurance Opportunities Fund Ltd.

16 March 2021

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

Annual Financial Report

For the 12 month period 1 January 2020 to 31 December 2020

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

CHAIRMAN'S STATEMENT

As the investment portfolios of CATCo Reinsurance Opportunities Fund Ltd. (the "Company") are in run-off (the "Run-Off"), Markel CATCo Investment Management Ltd. (the "Investment Manager") wrote no new risk contracts in 2020, therefore the Company is not exposed to any new reinsurance risk from 1 January 2020 onwards.

All remaining investments held by the Company are exposed to risk relating to reinsurance contracts entered into from 2016 to 2019 only, and the Investment Manager remains focused on proactively managing the trapped capital and returning it to Shareholders in as timely and orderly a manner as possible.

NET ASSET VALUE ("NAV")

The Company opened the year with a total NAV of $306.9m which consisted of $81.3m Ordinary Share NAV and $225.6m of C Share NAV. During the year, the NAV reduced to $111.8m, of which $47.7m relates to the Ordinary Share NAV and $64.1m to the C Share NAV. The overall reduction in the NAV is predominantly due to the return of capital to Shareholders in 2020 of $196.3m split between the Ordinary Shares and the C Shares.

During the same period, the NAV per Share of the Ordinary Shares has increased moderately to $0.2828 ($0.2659: 1 Jan 2020) whilst the C Share NAV per Share has remained relatively stable closing at $0.5071 ($0.5157: 1 Jan 2020). The slight increase in the NAV per Ordinary Share, as reflected in the December 2020 NAV, was due to a reduction in claims associated with the 2017 California wildfires as described in the Side Pocket Investments section below.

SIDE POCKET INVESTMENTS ("SPIs")

As at 31 December 2020, the SPIs in total represent c. 92.4 per cent of Ordinary Share NAV (31 December 2019: c. 93.74 per cent) and c. 83.07 per cent of the C Share NAV (31 December 2019: c. 91.51 per cent).

The position of the 2016, 2017, 2018 and 2019 SPIs is as follows, as at 31 December 2020:

- 2016 SPIs, established for the Fort McMurray Wildfire, Jubilee Oil Field, Hurricane Matthew, and the South Island earthquake in New Zealand, amount to c. 10.51 per cent of the Company's Ordinary Share NAV (31 December 2019: c. 11.30 per cent of Ordinary Share NAV)
- 2017 SPIs, principally relating to Hurricanes Harvey, Irma and Maria and the 2017 California Wildfires, amount to c. 58.38 per cent of the Company's Ordinary Share NAV (31 December 2019: c. 30.02 per cent of Ordinary Share NAV)
- 2018 SPIs, principally relating to Hurricanes Michael and Florence, Typhoon Jebi and the 2018 California Wildfires, amount to c. 10.56 per cent of Ordinary Share NAV and c. 43.24 per cent of C Share NAV (31 December 2019: c. 26.40 per cent and c. 52.83 per cent of Ordinary Share and C Share NAV respectively)
- 2019 SPIs relating to Hurricane Dorian, Typhoons Faxai and Hagibis and the Australian bushfires, amount to c. 12.95 per cent of Ordinary Share NAV and c. 39.83 per cent of C Share NAV (31 December 2019: c. 26.02 per cent and c. 38.68 per cent of Ordinary Share and C Share NAV respectively).

In respect of the underlying investments related to underwriting years 2016-2019, the Investment Manager places increasing reliance on the latest available claim information from cedants which, at this point in time, post the loss events, is given more weight than modelled losses or the insured loss estimates provided by third parties. Whilst the Investment Manager deems the existing loss reserves are sufficient, there is necessarily an ongoing element of uncertainty in relation to underlying prior year loss event contracts which may lead to favourable or adverse loss development in the future.

To date, but in particular following receipt of Q3 Cedant reported loss updates, the Investment Manager has seen some reductions in the 2017 California wildfire losses over previous quarterly loss notifications, which resulted in the December NAV per Ordinary Share increasing by c. 7.0%.

Whilst there was also a modest reduction in 2018 California Wildfire claims reported during FY2020, this was offset by some adverse development experienced in relation to Typhoon Jebi and Hurricane Michael resulting in the 2018 SPIs remaining stable year on year.

Meanwhile, the underlying investment values for both 2016 and 2019 risk portfolios have remained unchanged during the year.

The Investment Manager continues to liaise with cedants in order to determine the effect of California wildfire subrogation recoveries (where applicable) on reported losses on indemnity contracts.

RETURN OF CAPITAL TO SHAREHOLDERS

The return of capital to the Company by Markel CATCo Reinsurance Fund Ltd (the “Master Fund SAC”) is subject to the approval of the Bermuda Monetary Authority (“BMA”) and driven by the contractual arrangements between cedants and Markel CATCo Re Ltd. (“the Reinsurer”), with such cedants typically releasing capital that is held in a Side Pocket Investment (“SPI”) on the earlier of:

i. the capital no longer being needed to cover potential losses (in accordance with the terms of the relevant reinsurance contract); or
ii. upon settlement commutation (the negotiation of which will begin no later than 36 months after the end of the risk period).

Since commencement of the Run-Off (26 March 2019), to date, the Company has successfully returned $271.3m of capital to Shareholders by means of dividends, tender offer, share buybacks and compulsory share redemptions.

The following table shows the capital returned to Shareholders during 2020:

Compulsory Redemption	Redemption Date	Ordinary Share Class ($m)	C Share Class ($m)	Total ($m)
Partial Compulsory Redemption 1	20 April 2020	5.3	24.0	29.3
Partial Compulsory Redemption 2	18 May 2020	4.6	14.2	18.8
Partial Compulsory Redemption 3	1 July 2020	3.6	12.2	15.8
Partial Compulsory Redemption 4	2 September 2020	7.0	30.9	37.9
Partial Compulsory Redemption 5	7 October 2020	15.9	78.6	94.5
Total Capital Return 2020		**36.4**	**159.9**	**196.3**

In addition, on 23 December 2020, the Company announced that it would return an aggregate amount of approximately $8.0m by way of a sixth Partial Compulsory Redemption, with a Redemption Date of 11 January 2021. Of the $8.0m returned to Shareholders, $2.0m was returned to holders of the Ordinary Shares, and $6.0m to holders of the C Shares.

COMMUTATIONS

The Investment Manager is continuing proactively to pursue the run-off of the existing 2016-2019 risk portfolios and, whilst the underlying risk contracts typically have a 36-month reporting period post expiry of the risk period, the Investment Manager has the discretion to either commute the contract or continue to hold it open if they consider that to do so is in the best interest of the investors.

MANAGEMENT FEE REDUCTION

On 28 January 2021, the Company announced the continuance of the 50 per cent partial waiver of the management fee paid by Markel CATCo Reinsurance Fund Ltd. to the Investment Manager in respect of SPIs.

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 the BMA (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 that 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 was completed in April 2019 and 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. Markel Corporation cannot currently predict the duration, scope or result of the Markel CATCo Inquiries.

OUTLOOK

The amount of capital successfully distributed to date demonstrates the Investment Manager’s commitment to ensuring cedants release trapped capital and that, accordingly, the Company is able to return that capital to Shareholders in a timely manner.

While it is not straightforward to estimate the timing and amount of capital to be released, the Investment Manager continues to work closely with its cedants in order to secure the release of capital to investors as soon as practicable.

Distributions of capital by the Company are contingent on the required regulatory approvals being received from the BMA in relation to capital releases between the Reinsurer and the Master Fund SAC.

James Keyes
Chairman,
CATCo Reinsurance Opportunities Fund Ltd.
16 March 2021

REVIEW OF BUSINESS

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

The Company is a limited liability closed ended fund, registered and incorporated as an exempted mutual fund company in Bermuda with an indefinite life. The Company’s Ordinary Shares and C Shares are admitted to trading on the special fund segment of the London Stock Exchange.

STRATEGY

The management of the investment portfolio is conducted by the Investment Manager. The Company is a feeder fund and invests substantially all of its assets in Markel CATCo Diversified Fund (the “Master Fund”), a segregated account of the Master Fund SAC, a segregated accounts company incorporated in Bermuda. The Investment Manager also manages the Master Fund and the Master Fund SAC. The Master Fund in turn accesses all of its exposure to fully collateralised Reinsurance Agreements through the Reinsurer. As noted in the section below headed “Efficient Capital Management during Run-Off of Portfolio and Distributions”, the Company has elected to redeem 100% of its Master Fund Shares and will distribute the proceeds of any such redemption to shareholders of the applicable class (after payment of any costs and save for any amount required for reserves in respect of anticipated liabilities and for working capital purposes).

The Board is responsible for the stewardship of the Company, including overall strategy, investment policy, borrowings, dividends, corporate governance procedures and risk management.

EFFICIENT CAPITAL MANAGEMENT DURING RUN-OFF OF PORTFOLIO AND DISTRIBUTIONS

During the period from inception of the Company to 26 March 2019, the investment objective of the Company and the Master Fund was 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 the Reinsurer.

With effect from 26 March 2019, the Company's Shareholders approved an amendment to the Company's investment policy so as to allow an orderly Run-Off of the Company's portfolios (the "Run-Off") with the effect that the Company's investment policy is now limited to realising the Company's assets and distributing any net proceeds to the relevant shareholders.

Consequently, the Company exercised a special redemption right in respect of 100 per cent of its holding in the Master Fund (the "Master Fund Shares") with effect from 30 June 2019 (the "Special Redemption"). Proceeds of such redemptions that are received by the Company will continue to be distributed to shareholders of the applicable class (after payment of any costs and save for any amount required for reserves in respect of anticipated liabilities and for working capital purposes). Master Fund Shares which represent side pocket investments are illiquid and will not be redeemed until such time as the corresponding side pocket investments are realised.

The Investment Manager announced on 25 July 2019 that it would cease accepting new investments in the Master Fund SAC and would not write any new business going forward through the Reinsurer. The Investment Manager has commenced the orderly Run-Off of the Reinsurer's existing portfolio, which is expected to take approximately three years from 1 January 2020. As part of this Run-Off, the Master Fund is returning capital to its investors, including the Company. The Company distributed the net proceeds of the Special Redemption received during the year ended 31 December 2019 by means of special dividend, tender offer and share buybacks. On 6 April 2020, Shareholders approved the proposals set out in the Shareholder Circular dated 13 March 2020 to permit the Company to return further capital to Shareholders by means of compulsory share redemptions. During the year ended 31 December 2020, the Company returned $196.3m to Shareholders by means of compulsory share redemptions as detailed in the Chairman's Statement, with a further $8.0m being returned by the same method on 11 January 2021. It is intended that the Company will continue to return capital to Shareholders by means of compulsory share redemptions for the foreseeable future.

The Directors have concluded that the Company will not raise further capital in any circumstances, and so the Company is being wound down by means of a managed process leading to liquidation in due course. Accordingly, the only further business that will be undertaken is that necessary to complete the Run-Off of each of the Company's portfolios. The Directors remain of the view that it is currently in the best interests of the Company for the Investment Manager to continue to manage the Run-Off, rather than to commence a formal members' voluntary liquidation. The Directors will keep this approach under review and currently anticipate that they will not look to put the Company into member's voluntary liquidation until the Run-Off is substantially completed. At such time, a further circular will be delivered to Shareholders to convene a further meeting at which the Shareholders will be asked to approve the liquidation.

The return of capital to Shareholders which is to take place as and when the disposal of each of the Company's portfolios occurs is part of this managed termination process, and such return of capital will, in due course, be completed via the liquidation process.

REVIEW OF PERFORMANCE

An outline of the performance, market background, investment activity and portfolio during the year under review, as well as the investment outlook, are provided in the Chairman's Statement. The distribution of the Company's investments is shown in Note 6 to the Financial Statements.

MANAGEMENT OF RISK

The Board of Directors regularly reviews the major strategic and emerging 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 relate to market price, interest rate, liquidity and credit risk and the efficient management of the Run-Off process. 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 formal oversight at each Board meeting. Operational disruption, accounting and legal risks are also covered annually, and regulatory compliance is reviewed at each Board meeting. The emergence of the novel coronavirus ("COVID-19") at the start of January 2020 has not to date had a significant financial impact on the Company, and is not expected to do so in the foreseeable future (please refer to Note 5 to the Financial Statements ("COVID-19 Considerations"). The Board is assured that the operational activities of the Investment Manager continue to be substantially unaffected by COVID-19 in terms of quality and continuity, that there are sufficient systems and controls in place to ensure the continuity and adequacy of the services provided by the Investment Manager, and that the Run-Off process, including returns of capital to Shareholders, will continue to be managed efficiently. In the view of the Board, there have not been any changes to the fundamental nature of these risks since the previous Report.

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.

The Companies Act 1981 of Bermuda, as amended, requires the Board to prepare financial statements for each financial year.

Under those laws, 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 the Investment Manager is, so far as it relates to the Company, the responsibility of the Investment Manager.

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 Guidance and Transparency Guidance, and to the best of their knowledge, each Director 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 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.

Arthur Jones
Chairman of the Audit Committee
16 March 2021

STATEMENTS OF ASSETS AND LIABILITIES

(Expressed in United States Dollars)	**31 Dec. 2020**	**31 Dec. 2019**
	$	$
Assets		
Investments in Markel CATCo Reinsurance Fund - Markel CATCo Diversified Fund, at fair value (Notes 2 and 6)	97,370,089	282,640,471
Cash and cash equivalents (Note 3)	4,268,386	2,634,719
Due from Markel CATCo Reinsurance Fund - Markel CATCo Diversified Fund (Note 10)	10,696,244	22,124,939
Other assets	53,369	77,784
Total assets	112,388,088	307,477,913
Liabilities		
Management fee payable	9,053	4,737
Accrued expenses and other liabilities	532,664	594,444
Total liabilities	541,717	599,181
Net assets	111,846,371	306,878,732
NAV per Share (Note 8)		

STATEMENTS OF OPERATIONS

(Expressed in United States Dollars)	**Year ended 31 Dec. 2020**	**Year ended 31 Dec. 2019**
	$	$
Net investment loss allocated from Master Funds* (Note 6)		
Interest income	436,586	2,641,840
Management fee waived (Note 10)	1,516,824	999,738
Management fee (Note 10)	(3,033,648)	(5,490,438)
Administrative fee	(181,302)	(196,388)
Professional fees and other	(150,707)	(316,189)
Performance fee	-	(15,666)
Net investment loss allocated from Master Funds (Note 6)	(1,412,247)	(2,377,103)
Investment income		
Interest	53,416	419,772
Total investment income	53,416	419,772
Company expenses		
Management fee waived (Note 10)	224,034	-
Professional fees and other	(1,415,303)	(1,305,963)
Management fee (Note 10)	(448,068)	(429,226)
Administrative fee (Note 11)	(75,000)	(75,000)
Total Company expenses	(1,714,337)	(1,810,189)

Net investment loss	(3,073,168)	(3,767,520)
Net realised loss and net change in unrealised gain / (loss) on securities allocated from Master Funds (Note 6)		
Net realised loss on securities	(169,722,417)	(233,175,549)
Net change in unrealised loss on securities	174,126,929	165,658,877
Net gain / (loss) on securities allocated from Master Funds	4,404,512	(67,516,672)
Net increase / (decrease) in net assets resulting from operations	1,331,344	(71,284,192)

*Up until 31 March 2019, the Company also maintained an investment in CATCo Diversified Fund, and together with the Master Fund is collectively referred to as the "Master Funds".

STATEMENTS OF CHANGES IN NET ASSETS

(Expressed in United States Dollars)	**Year ended 31 Dec. 2020** $	**Year ended 31 Dec. 2019** $
Operations		
Net investment loss	(3,073,168)	(3,767,520)
Net realised loss on securities allocated from Master Funds*	(169,722,417)	(233,175,549)
Net change in unrealised loss on securities allocated from Master Funds	174,126,929	165,658,877
Net increase / (decrease) in net assets resulting from operations	1,331,344	(71,284,192)
Capital share transactions		
Repurchase of Class Ordinary Shares (Note 8)	(36,433,899)	(17,185,451)
Repurchase of Class C Shares (Note 8)	(159,929,806)	(33,884,196)
Dividend paid (Note 8)	-	(50,572,951)
Net decrease in net assets resulting from capital share transactions	(196,363,705)	(101,642,598)
Net decrease in net assets	(195,032,361)	(172,926,790)
Net assets, at 1 January	306,878,732	479,805,522
Net assets, at 31 December	111,846,371	306,878,732

*Up until 31 March 2019, the Company also maintained an investment in CATCo Diversified Fund, and together with the Master Fund is collectively referred to as the "Master Funds".

STATEMENTS OF CASH FLOWS

(Expressed in United States Dollars)	**Year ended 31 Dec. 2020 $**	**Year ended 31 Dec. 2019 $**
Cash flows from operating activities		
Net increase / (decrease) in net assets resulting from operations	1,331,344	(71,284,192)
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net investment loss, net realised loss and net change in unrealised (loss) / gain on securities allocated from Master Funds*	(2,992,265)	69,893,775
Sale of investment in Master Funds	188,262,647	69,126,591
Changes in operating assets and liabilities:		
Due from Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund	11,428,695	32,628,303
Other assets	24,415	(68,784)
Management fee payable	4,316	73,538
Accrued expenses and other liabilities	(61,780)	305,933
Net cash provided by operating activities	197,997,372	100,675,164

Cash flows from financing activities		
Repurchase of Class Ordinary Shares	(36,433,899)	(17,185,451)
Repurchase of Class C Shares	(159,929,806)	(33,884,196)
Dividend paid	-	(50,572,951)
Net cash used in financing activities	(196,363,705)	(101,642,598)
Net increase / (decrease) in cash and cash equivalents	1,633,667	(967,434)
Cash and cash equivalents, at 1 January	2,634,719	3,602,153
Cash and cash equivalents, at 31 December	4,268,386	2,634,719

*Up until 31 March 2019, the Company also maintained an investment in CATCo Diversified Fund, and together with the Master Fund is collectively referred to as the "Master Funds".

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

(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 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.

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”). Up until 31 March 2019, the Company also maintained an investment in CATCo Diversified Fund, the former Master Fund, which was exposed to reinsurance risk through its preference shares investment in CATCo-Re Ltd. At 31 December 2020, the Company’s ownership is 15.94 per cent of the Master Fund.

On 25 July 2019, the Board of Directors (the “Board”) announced that the Company will cease accepting new investments and will not write any new business going forward through the Reinsurer. As of this date, the Investment Manager commenced the orderly Run-Off (the “Run-Off”) of the Reinsurer’s existing portfolio, which is reasonably expected to be completed in the first half of 2023. As part of this Run-Off, the Company will return capital (which will continue to be subject to side pockets) to investors as such capital becomes available. Refer to Going Concern Considerations under Basis of Presentation below.

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 Board. The Investment Manager is responsible for all of the Company’s investment decisions. On 1 January 2020, the Investment Manager entered into a Run-Off Services Agreement with Lodgepine Capital Management Limited (“LCML”), under which LCML will provide services relating to the management of the Run-Off business of the Investment Manager.

The Reinsurer is a Bermuda licensed Class 3 reinsurance company, registered as a segregated account company under the SAC Act, through which the Master Fund access the majority of its reinsurance risk exposure. The Reinsurer forms 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, winter storms, floods, tsunamis, tornados, windstorms, extreme temperatures, aviation accidents, fires, wildfires, explosions, marine accidents, terrorism, satellite, energy and other perils.

The Company's shares are listed and traded on the Specialist Fund Segment of the Main Market of the London Stock Exchange ("SFS"). The Company's shares are also listed on the Bermuda Stock Exchange ("BSX").

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").

Going Concern Considerations

In accordance with ASC 205-40-50, Presentation of Financial Statements-Going Concern, the Investment Manager and the Board have reviewed the Company's ability to continue as a going concern and have confirmed their intent to continue to run-off the Company's portfolios as a going concern with no imminent plans to liquidate the Company. The Investment Manager and the Board have concluded that the Company has sufficient financial resources to continue as a going concern based on the following key considerations: (i) the Company holds investments in the Master Fund which are supported by underlying fully collateralised reinsurance contracts in the Reinsurer that are expected to be settled in the first half of 2023, (ii) the Investment Manager and the Directors' have reviewed the Company's cash forecast for 18 months from the date of this report and have determined that the Company has sufficient cash to adequately meet operational expenses, and (iii) Markel Corporation, is fully committed to the orderly run-off of the Reinsurer and Master Fund portfolios. Based on the aforementioned reasons, the Company continues to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2020.

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 Investments in the Master Fund

The Company records its investments 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 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 Fund)

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

In determining fair value, the 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 the Board of Directors of the Master Fund (the "Board of the Master Fund") about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

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

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

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

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realised due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the 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 Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Master Fund uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified to a lower level within the fair value hierarchy.

Fair Value - Valuation Techniques and Inputs

Investments in Securities (Master Fund)
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:

i. the amount of capital invested in such preference shares; plus
ii. the amount of net earned premium (as described below) that has been earned period-to-date for such contract; plus
iii. the amount of the investment earnings earned to date on both the capital invested in such preference shares and the associated reinsurance premiums in respect of such contract; minus
iv. the amount of any loss estimates associated with potential claims triggering covered events (see "Estimates" below); minus
v. 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.

As a result of the Reinsurer conducting reinsurance activities, it incurs expenses. The Reinsurer established a separate preference share (the "Expense Cell") to allocate these expenses to the Master

Fund. To the extent that the inputs into the valuation of preference shares are unobservable, the preference shares would be classified as Level 3 within the fair value hierarchy.

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. As of 31 December 2020, the Master Fund has no remaining reinsurance protections.

Derivative Financial Instruments
The Master Fund invests in derivative financial instruments such as industry loss warranties ("ILWs"), which are recorded at fair value as at the reporting date. The Master Fund generally records a realised gain or loss on the expiration, termination or settlement of a derivative financial instrument. Changes in the fair value of derivative financial instruments are recorded as net change in unrealised gain or loss on derivative financial instruments in the Statement of Operations in the year.

The fair value of derivative financial instruments at the reporting date generally reflects the amount that the Master Fund would receive or pay to terminate the contract at the reporting date.

These derivative financial instruments used by the Master Fund 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.

As of 31 December 2020, the Master Fund has no remaining ILW contracts held.

<u>Investment in Securities issued by the Reinsurer and subscribed to by the Master Fund</u>

Earned Premiums
Premiums are considered earned with respect to computing the Master Fund's net asset value in direct proportion to the percentage of the risk that is deemed to have expired year-to-date. Generally, all premiums, 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. As a result of the run-off of the Company's existing portfolio, as discussed in Note 1, no new premiums were written in 2020 and all premiums outstanding in 2019 have been fully earned during the year.

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 Reinsurer to the Administrator for review. As the Reinsurer's reinsurance agreements are fully collateralised, any loss estimates above the contractual thresholds as contained in the reinsurance agreements will require capital to be held in a continuing reinsurance trust account with respect to the maximum contract exposure with respect to the applicable Covered Event.

"Fair Value" Pricing used by the Master Fund
Any investment that cannot be reliably valued using the principles set forth above (a "Fair Value Instrument") is marked at its fair value, based upon an estimate made by the Investment Manager, in good faith and in consultation or coordination with 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 Fund's prime brokers or lending agents and/or pricing services. The Investment Manager, may, but will not be required to, input pricing information into models (including models that are developed by the Investment Manager or by third parties) to determine whether the quotations accurately reflect fair value.

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. This risk of conflict of interest is mitigated through the rigorous quarterly loss reserving process, which includes a review of the loss reserves by Markel Corporation's executives.

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

Side 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 Fund's 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 gains or losses 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 2020. 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 2020 and 2019.

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 2020 and 2019.

Use of Estimates
The preparation of Financial Statements in conformity with U.S. GAAP requires the Company's management to make estimates and assumptions in determining the reported amounts of assets and liabilities, including fair value of investments, the disclosure of contingent assets and liabilities as of the date of the Financial Statements, and the reported amounts of income and expenses during the reported period. 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 Net Asset Value (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

Markel CATCo Governmental Inquiries

Markel Corporation previously reported that the U.S. Department of Justice, U.S. Securities and Exchange Commission and Bermuda Monetary Authority (together, the Governmental Authorities) are conducting inquiries into loss reserves recorded in late 2017 and early 2018 at our Markel CATCo. Those reserves are held at Markel CATCo Re Ltd., an unconsolidated subsidiary of Markel CATCo Investment Management ("MCIM"). The Markel CATCo Inquiries are limited to MCIM and its subsidiaries (together, Markel CATCo) and do not involve other Markel Corporation subsidiaries.

Markel Corporation retained outside counsel to conduct an internal review of Markel CATCo's loss reserving in late 2017 and early 2018. The internal review was completed in April 2019 and 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. At this time, Markel Corporation is unable to predict the duration, scope or result of the Markel CATCo Inquiries.

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, Anthony Belisle v. Markel CATCo Investment Management Ltd and Markel Corporation (U.S. District Court for the District of New Hampshire), which was amended on 29 March 2019. As amended, the complaint alleged claims for, among other things, breach of contract, defamation, invasion of privacy, indemnification, intentional interference with contractual relations and deceptive and unfair acts and sought relief of, among other things, $66 million in incentive compensation, enhanced compensatory damages, consequential damages, damages for emotional distress and injury to reputation, exemplary damages and attorneys' fees. In June 2019, MCIM, Markel Corporation, and Mr. Belisle agreed to commence binding arbitration to finally, fully and confidentially resolve the claims and counterclaims alleged in the action, and the Belisle suit was dismissed with prejudice in July 2019. In late July 2020, the parties commenced settlement discussions and reached an agreement on a mutually acceptable settlement amount and a settlement agreement was entered into. There was no financial impact to the Company.

California Bankruptcy Court and the PG&E Proposed Settlement (at 14 December 2020)

The Investment Manager closely monitored the procedural developments in the California Bankruptcy Court with the assistance of external counsel. The information contained in this section is a summary of publicly available information and further detailed information regarding the PG&E chapter 11 case can be found on https://restructuring.primeclerk.com/pge/.

As reported earlier, effective 1 July 2020, the California Bankruptcy Court formally approved the PG&E reorganization plan. Part of that plan included an $11 billion settlement with the Ad Hoc Subrogation Group (originally, primary insurers only, now primary insurers and hedge funds that bought subrogation rights from primary insurers).

Whilst it is estimated that the $11 billion plan represents a 55% recovery on an aggregate basis to those primary insurers, such distributions are subject to a confidential allocation formula based upon the applicable fire (defined as claims relating to the 2017 North fires and 2018 Camp fire). Thus not all 2017 and 2018 California Wildfire losses are in scope for PG&E subrogation proceeds.

There remains uncertainty with regards to the allocation of recoveries across the insurance sector. Estimating recoveries is further complicated by the fact that many primary insurers have sold their claims during the course of the chapter 11 proceeding at what may have been at discounted rates, which will ultimately decrease the amount available to reinsurers. The Investment Manager continues to liaise with cedants in order to determine the effect (where applicable) on reported losses on applicable indemnity contracts.

Contractually any reduction due to subrogation in ground up loss (or recovery) to the original Insurance companies will flow through to the reinsurance placements. Any potential recoveries will be based on the reduction in loss to treaty reinsurance and retrocessional reinsurance programs and will be based on the level of each applicable layer - the order of recovery will flow from the top down. For companies that have sold their subrogation rights, any reduction in cedant reported loss would have been computed already by the flow of any sale price, and the likelihood of any additional recovery flowing through to Markel CATCo as a result of the $11 billion payment will be less likely. The Master Fund has not accrued any amount for the PG&E proposed settlement. To date, but in particular following receipt of Q3 Cedant reported loss updates, the Investment Manager has seen some reductions in the 2017 California wildfire losses over previous quarterly loss notifications, which resulted in the December Ordinary Share NAV increasing by c. 7.0%.

Whilst there was also a modest reduction in 2018 California Wildfire claims reported during FY2020, this was offset by some adverse development experienced in relation to Typhoon Jebi and Hurricane Michael resulting in the Side Pocket Investments of 2018 remaining stable year on year.

The Manager continues to liaise with cedants in order to determine the effect of California wildfire subrogation recoveries (where applicable) on reported losses on applicable indemnity contracts.

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

The following table reflects the Company's proportionate share of the fair value of investments in the Reinsurer held by the Master Fund at 31 December 2020.

Preference Shares - Investments in Markel CATCo Re Ltd.	**$ Fair Value**	**Preference Shares - Investments in Markel CATCo Re Ltd.**	**$ Fair Value**
Class D	874,235	Class DP	885,163
Class P	3,021	Class DQ	64
Class S	3,615,936	Class DR	1,055,090
Class U	582,149	Class DS	39,464
Class Z	701,779	Class DT	1,349,569
Class BB	17,027	Class DY	645
Class BQ	1,549,134	Class DZ	1,662,082
Class BR	1,187,890	Class EA	2,438
Class BX	158,696	Class EB	890,698
Class BY	214,491	Class EC	183
Class BZ	6	Class ED	62,865
Class CA	382	Class EG	652,377
Class CB	7,864,225	Class EH	434,859
Class CC	1,958,820	Class EI	92,246
Class CD	1,024,262	Class EK	435,207
Class CE	1,921,558	Class EL	435,624
Class CF	330,869	Class EM	1,463,651
Class CI	1,898,899	Class EQ	522,647
Class CJ	2,052,077	Class ER	2,181,660
Class CK	209,579	Class ET	878,608
Class CL	2,770,841	Class EU	8,895,840

Class CM	580,856	Class EX	132
Class CQ	3,312,584	Class EY	339,857
Class CS	800,937	Class FA	3,075,054
Class CT	1,176,096	Class FB	2,050,036
Class CW	971,363	Class FC	930
Class CX	37,565	Class FD	1,384,229
Class DB	952	Class FE	3,951,449
Class DC	2,738,401	Class FG	1,828,845
Class DE	5,786,124	Class FH	517,507
Class DF	429,726	Class FI	199,767
Class DG	517	Class FJ	14,508
Class DH	31	Class FK	104
Class DI	20	Class FL	8,293,724
Class DK	581	Class FM	2,780,991
Class DL	356	Class FN	367,462
Class DM	694	Class FO	565,295
Class DN	59,339	Class FQ	1,293,084
Class DO	2,127,799	Expense Cell	156,026
Total Investments in Markel CATCo Re Ltd. Preference Shares		**$**	**95,719,797**

The following table reflects the Company's proportionate share of the fair value of investments in the Reinsurer held by the Master Fund at 31 December 2019.

Preference Shares - Investments in Markel CATCo Re Ltd.	**$ Fair Value**	**Preference Shares - Investments in Markel CATCo Re Ltd.**	**$ Fair Value**
Class D	846,103	Class DP	2,586,774
Class I	575,509	Class DQ	386,742
Class J	606,196	Class DR	7,667,357
Class L	912,858	Class DS	98,536
Class P	462,802	Class DT	2,315,881
Class R	837,706	Class DY	75,420
Class S	3,393,419	Class DZ	1,170,345
Class U	841,465	Class EA	1,492,872
Class V	42,782	Class EB	1,681,692
Class Z	564,489	Class EC	1,936,817
Class BB	869,897	Class ED	3,577,191
Class BQ	1,572,590	Class EE	4,733
Class BR	1,373,288	Class EG	874,236
Class BS	141,689	Class EH	14,403
Class BX	119,924	Class EI	465,586
Class BY	567,978	Class EK	28,763
Class BZ	50,481	Class EL	57,526
Class CA	144,672	Class EM	1,775,149
Class CB	5,776,342	Class EO	19,970
Class CC	7,463,307	Class EP	6,657
Class CD	872,130	Class EQ	43,071

Class CE	398,427	Class ER	1,342,984
Class CI	1,346,238	Class ES	169,433
Class CJ	1,064,806	Class ET	517,355
Class CK	470,763	Class EU	13,280,132
Class CL	2,630,175	Class EV	13,187
Class CM	1,177,420	Class EX	826,179
Class CQ	3,098,654	Class EY	1,238,225
Class CS	1,623,363	Class FA	5,429,891
Class CT	37,619	Class FB	3,619,928
Class CV	94,223	Class FC	2,489,462
Class CW	802,265	Class FD	92,330
Class CX	411,440	Class FE	5,769,249
Class DB	1,263,931	Class FF	8,919,205
Class DC	3,794,515	Class FG	15,033,584
Class DD	892,506	Class FH	525,003
Class DE	13,060,566	Class FI	756,342
Class DF	812,151	Class FJ	556,558
Class DG	29,174	Class FK	788,013
Class DH	42,972	Class FL	13,722,403
Class DI	28,648	Class FM	4,005,134
Class DJ	511,970	Class FN	2,602,598
Class DK	897,892	Class FO	2,485,634
Class DL	80,013	Class FP	289,902
Class DM	108,833	Class FQ	1,757,835
Class DN	439,145	Class FR	896,436
Class DO	2,724,666	Expense Cell	41,237
Total Investments in Markel CATCo Re Ltd. Preference Shares		$	**179,325,962**

As at 31 December 2019, included within the Company's investment in the Master Fund was cash and cash equivalents held in trust by the Master Fund representing the Company's net proportionate share of derivative transactions entered into by the Master Fund amounting to approximately $118,144,335. The Master Fund held no derivative positions as at 31 December 2020. As at 31 December 2020, the Company's proportionate share of the Master Fund's cash and cash equivalents is $5,440,338.

As at 31 December 2020, the Company held no preference shares relating to Reinsurance Protections (31 December 2019: Nil).

As at 31 December 2020, 100.00 per cent of total investments held by the Master Fund are classified as Side Pocket Investments (31 December 2019: 100.00 per cent).

In accordance with FASB ASC Sub-topic 820-10, certain investments that are measured at fair value using the NAV 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 2020 comprised solely of investments in another investment company, the Master Fund, 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.

As at 31 December 2020, The Master Fund's investment in securities are classified as Level 3 within the fair value hierarchy. The table below summarises information about the significant unobservable inputs used in determining the fair value of the Master Fund's 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 30%

* Based on underlying cedant loss notifications with management judgement applied as deemed appropriate

As described in Note 6, significant increases or decreases in loss reserves of the Reinsurer would result in a significantly lower or higher fair value measurement. The derivative financial instruments pertain to non- exchange traded derivatives under standard derivatives agreements. The Master Fund is required to post collateral on derivatives if the Master Fund is in a net liability position with the counterparty. The collateral held is governed by the terms of a tripartite Trust Agreement with any withdrawals only permissible as prescribed by the terms of the Trust Agreement. Following the full commutation of the six derivative financial instruments, c. $602.5m of collateral was released during the year and no ILW contracts or collateral relating to ILW contracts were held as at 31 December 2020.

Master Fund's Other Assets and Liabilities

As at 31 December 2020, the Company's proportionate share in the Master Fund's other net assets amounts to approximately $61,209 (2019 net liabilities: $37,368,121) and is included in 'Investments in Markel CATCo Reinsurance Fund – Markel CATCo Diversified Fund' on the Statement of Assets and Liabilities. This includes amounts due to other segregated accounts of the Master Fund SAC, and other accrued expenses (net of other assets and due from the Reinsurer).

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 2020, cash and cash equivalents are held with HSBC Bank Bermuda Ltd., which has a credit rating of A-/A-2, and with HSBC Global Asset Management (USA) Inc., 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 the investment portfolios of the Company are in run-off, and the Investment Manager wrote no new risk contracts in 2020, the reinsurance risk profile as at 31 December 2020 is based on the loss reserves (see Note 7) as at this date compared to 2019 which was based on reinsurance premiums written.

Geographic Distribution		2020	2019	Exposure by Risk Peril		2020	2019
1.	North America/Caribbean	70%	36%	1.	Wind	70%	28%
2.	Japan	26%	9%	2.	Winterstorm/Wildfire	23%	3%
3.	Global Marine/Energy/Terrorism/ Aviation/Satellite	2%	10%	3.	Severe Convective Storm	3%	3%
4.	Australia/New Zealand	2%	3%	4.	Marine/Energy/Aviation/Satellite	2%	10%
5.	All Other	0%	23%	5.	Flood	1%	1%
6.	Europe	0%	9%	6.	Other	1%	0%

7.	Global Backup Protection	0%	5%	7.	Any Natural Peril	0%	26%
8.	Mexico/Central America/South America	0%	4%	8.	Earthquake	0%	18%
9.	Asia Excluding Japan	0%	1%	9.	Backup Protection	0%	10%
				10.	Terrorism	0%	1%

5. COVID-19 CONSIDERATIONS

As at 31 December 2020, the Board and the Investment Manager have concluded that the recent outbreak of the novel Coronavirus ("COVID-19") at the start of January 2020 did not have a significant financial impact on the Company's going concern assessment. There was minimal disruption in operational activities, evident through the several commutations and the resulting six side pocket releases conducted during FY 2020. The rapid development and fluidity of COVID-19 precludes any prediction to its ultimate impact, which may have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown.

The Investment Manager is monitoring developments relating to COVID-19 and is coordinating its operational response based on existing business continuity plans and on guidance from global health organisations, relevant governments, and general pandemic response best practices.

6. INVESTMENTS IN MASTER FUND, AT FAIR VALUE

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

(Expressed in United States Dollars)	**2020 Investment in Master Fund**	**2020 Investment in CATCo Diversified Fund**	**2020 Total**	**2019 Investment in Master Fund**	**2019 Investment in CATCo Diversified Fund**	**2019 Total**
Net investment loss allocated from Master Funds						
Interest income	$ 436,586	$ -	$ 436,586	$ 2,641,840	$ -	$ 2,641,840
Management fee waived	1,516,824	-	1,516,824	-	-	-
Management fee	(3,033,648)	-	(3,033,648)	(4,488,039)	(2,661)	(4,490,700)
Administrative fee	(181,302)	-	(181,302)	(192,618)	(3,770)	(196,388)
Professional fees and other	(150,707)	-	(150,707)	(306,520)	(9,669)	(316,189)
Performance fee [(a)]	-	-	-	-	(15,666)	(15,666)
Net investment loss allocated from Master Funds	$ (1,412,247)	$ -	$ (1,412,247)	$ (2,345,337)	$ (31,766)	$ (2,377,103)
Net realised loss on securities[(b)]	$ (169,722,417)	$ -	$(169,722,417)	$ (232,825,116)	$ (350,433)	$ (233,175,549)
Net change in unrealised loss on securities[(c)]	174,126,929	-	174,126,929	165,231,375	427,502	165,658,877
Net gain / loss on securities allocated from Master Funds	$ 4,404,512	$ -	$ 4,404,512	$ (67,593,741)	$ 77,069	$ (67,516,672)

(a) Performance fee relates to SPI releases during 2019 following commutation of a legacy CATCo Re Ltd. deal.
(b) Includes gross realised gain on securities of: 2020: $25,435,700 (2019: $359,647) and gross realised loss on securities of: 2020: $195,158,117 (2019: $233,535,196)

(c) Includes gross change in unrealised gain on securities of: 2020: $217,026,799 (2019: $270,619,536) and gross change in unrealised loss on securities of 2020: $42,899,870 (2019: $104,960,659)

7. LOSS RESERVES

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

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 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 Reinsurer uses the underlying cedant loss notifications along with management's judgement as deemed appropriate 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 Reinsurer's 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 the Investment Manager.

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 Reinsurer's 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.

Markel CATCo Investment Management Ltd, (the "Insurance Manager"), believes that the total loss reserve established from the previous years loss events mainly on the 2019 losses pertaining to Hurricane Dorian, Typhoon Faxai and Typhoon Hagibis, the 2018 losses pertaining to Hurricane Michael, Typhoon Jebi, Hurricane Florence, the 2018 California Wildfires and the 2017 losses pertaining to Hurricanes Harvey, Irma, Maria and the 2017 California Wildfires is sufficient to provide for all unpaid losses and loss expenses based on best estimates of ultimate settlement values and on the industry loss information currently available. Inherent uncertainty with regard to the final insured loss impact of the 2019 and 2018 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 2020, all of the Company's investments were in Side Pocket Investments. 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 2020, the Reinsurer paid claims of $627,919,002 (December 2019: $1,306,627,263). Of this amount $8,693,470 related to the 2016 events, $164,187,993 related to the 2017 events, $412,822,740 related to the 2018 loss events and $42,214,799 was in respect of 2019 events.

8. CAPITAL SHARE TRANSACTIONS

As of 31 December 2020, the Company has authorised share capital of 1,500,000,000 (31 December 2019: 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 2020, the Company has issued 168,898,993 (31 December 2019: 305,811,860) Class 1 Ordinary Shares (the "Ordinary Shares") and 126,369,585 (31 December 2019: 437,412,476) Class C Shares (the "C Shares").

Transactions in shares during the year, shares outstanding, NAV and NAV per share are as follows:

31 December 2020							
	Beginning Shares	Share Repurchase	Ending Shares		Ending Net Assets		Ending NAV Per Share
Class 1 Ordinary Shares	305,811,860	(136,912,867)	168,898,993	$	47,764,929	$	0.2828
Class C Shares	437,412,476	(311,042,891)	126,369,585	$	64,081,442	$	0.5071
				$	111,846,371		
31 December 2019							
	Beginning Shares	Share Repurchase	Ending Shares		Ending Net Assets		Ending NAV Per Share
Class 1 Ordinary Shares	391,666,430	(85,854,570)	305,811,860	$	81,309,461	$	0.2659
Class C Shares	545,367,863	(107,955,387)	437,412,476	$	225,569,271	$	0.5157
				$	$ 306,878,732		

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.

The Company's existing portfolio is currently in run-off and as a result has only SPI Shares outstanding.

The Company issued a circular to Shareholders dated 28 February 2019 (the "February 2019 Circular") concerning the proposed implementation of the orderly Run-Off of the Company's portfolios by means of a change to the Company's investment policy to enable the Company to redeem all of the Company's Master Fund Shares attributable to the Ordinary or C Shares, as the case may be (the "Proposals"), and distributing the net proceeds thereof to the relevant class of Shareholders. The Proposals were approved at class meetings of the Ordinary and C shareholders of the Company held on 26 March 2019.

On 13 March 2020 the Company issued a circular to Shareholder announcing that the Company will not raise further capital in any circumstances, and so the Company is being terminated by means of a managed process ("Compulsory Redemptions") leading to liquidation in due course. Accordingly, the only further business that will be undertaken is that necessary to complete the run-off of the Company's portfolios.

During the year ended 31 December 2020, the Company completed 5 partial Compulsory Redemptions as follows:

Compulsory Redemption	Redemption Date	Ordinary Share Class ($m)	C Share Class ($m)	Total ($m)
Partial Compulsory Redemption 1	20 April 2020	5.3	24.0	29.3
Partial Compulsory Redemption 2	18 May 2020	4.6	14.2	18.8
Partial Compulsory Redemption 3	1 July 2020	3.6	12.2	15.8
Partial Compulsory Redemption 4	2 September 2020	7.0	30.9	37.9
Partial Compulsory Redemption 5	7 October 2020	15.9	78.6	94.5
Total Capital Return 2020		**36.4**	**159.9**	**196.3**

There were no partial compulsory redemptions during the year ended 31 December 2019.

9. 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 10).

The Investment Manager also acts as the Master Fund’s investment manager and the Reinsurer’s insurance manager.

On 1 January 2020, the Investment Manager entered into a Run-Off Services Agreement with Lodgepine Capital Management Limited (“LCML”), a subsidiary of Markel Corporation, under which, LCML will provide services relating to the management of the Run-Off business of Markel CATCo Investment Management.

10. 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 Fund’s 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.

On 30 January 2020, the Investment Manager agreed to reduce the Management Fee on Side Pocket Investments for the financial year 2020 by 50 per cent (2019: 33.3334 per cent) of the original fee of 1.5 per cent. This is equal to an annual Management Fee of 0.75 per cent.

Markel Corporation, which holds the entire share capital of the Investment Manager, holds 3.86 per cent (31 December 2019: 2.72 per cent) of the voting rights of the Ordinary Shares and 0 per cent (31 December 2019: 0 per cent) of the voting rights of the C Shares issued in the Company as of 31 December 2020.

As noted in Note 9, on 1 January 2020, the Investment Manager entered into a Run-Off Services Agreement with LCML, a subsidiary of Markel Corporation. LCML receives a monthly service fee of 75 per cent of the net management fees due to the Investment Manager.

In addition, as at 31 December 2020, two of the Directors are also shareholders of the Company. The Directors’ holdings are immaterial, representing below 1 per cent of the Company NAV.

As at 31 December 2020, the Company was due a receivable of $10,696,244 from Markel CATCo Diversified Fund exclusively related to 1 December 2020 Side Pocket release.

11. ADMINISTRATIVE FEE

Centaur Fund Services (Bermuda) Limited serves 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.

12. FINANCIAL HIGHLIGHTS

Financial highlights for the years ended 31 December 2020 and 2019 are as follows:

	2020		2019	
	Class 1 Ordinary Shares	Class C Shares	Class 1 Ordinary Shares	Class C Shares
Per share operating performance				
Net asset value, beginning of year	$ 0.2659	$ 0.5157	$ 0.3479	$ 0.6299
Loss from investment operations:				
Net investment (loss) / income	(0.0023)	(0.0044)	(0.0003)	0.0012
Performance fee*	-	-	(0.0001)	-
Management fee	(0.0019)	(0.0033)	(0.003)	(0.0061)
Net gain / (loss) on investments	0.0210	0.0010	(0.0612)	(0.0889)
Total from investment operations	$ 0.0168	$ (0.0067)	$ (0.0646)	$ (0.0938)
Dividend	-	-	(0.0392)	(0.0707)
Discount on Share Buy-Back	0.0001	(0.0019)	0.0218	0.0503
Net asset value, end of year	$ 0.2828	$ 0.5071	$ 0.2659	$ 0.5157
Total net asset value return				
Total net asset value return before performance fee‡	6.32%	(1.29)%	(18.57)%	(14.90)%
Performance fee*	-%	-%	(0.01)%	-%
Total net asset value return after performance fee	6.32%	(1.29)%	(18.58)%^	(14.90)%^
Ratios to average net assets				
Expenses other than performance fee **	(1.67)%	(1.32)%	(1.60)%	(1.69)%
Performance fee*	-%	-%	(0.01)%	-%
Total expenses after performance fee	(1.67)%	(1.32)%	(1.61)%	(1.69)%
Net investment loss	(1.58)%	(1.49)%	(0.98)%	(0.78)%
Management fee waived	(0.72)%	(0.65)%	(0.29)%	(0.23)%

* The performance fee is charged in the Master Funds and relates to crystalized performance fee on Side Pocket investments
** Expenses presented above is net of management fees waived by the Master Fund
^ Adjusting the opening capital to reflect the dividend declared on 31 January 2019, the normalised total return for 2019 is equivalent to -22.52 per cent and -18.86 per cent for the Ordinary and C Shares respectively
‡ Exclusive of dividends declared and paid, and discount on share buy backs

Financial highlights are calculated for each class of shares. An individual shareholder’s return may vary based on the timing of capital transactions. Returns and ratios shown above are for the years ended 31 December 2020 and 2019. The per share amounts and ratios reflect income and expenses allocated from the Master Funds.

13. 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.

14. SUBSEQUENT EVENTS

On 21 January 2021, the Company completed its sixth partial compulsory redemption, returning an amount of $0.2652 per Ordinary Share and $0.5081 per C Share. This translates to a return of approximately $2m for Ordinary Shares and $6m for C Shares, for a total return of $8m.

On 28 January 2021, the Company announced its decision to maintain a partial waiver of 50 per cent (one-half) of the management fee paid by Markel CATCo Reinsurance Fund Ltd to the Investment Manager in respect of SPIs.

These Financial Statements were approved by the Board and available for issuance on 16 March 2021. Subsequent events have been evaluated through this date.

FOR FURTHER INFORMATION:

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