

26 April 2023

**CATCo Reinsurance Opportunities Fund Ltd. (the "Company")**  
**Annual Financial Report**  
**For the 12 month period 1 January 2022 to 31 December 2022**

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"), all remaining investments are exposed to risk relating to reinsurance contracts entered into from 2018 to 2019.

Markel CATCo Investment Management Ltd. (the "Investment Manager") continues to be focused on proactively managing the trapped capital and returning it to Shareholders in as timely and cost effective a manner as possible.

**BUY-OUT TRANSACTION**

On 27 September 2021, the Company announced a proposal for a Buy-Out Transaction, which successfully completed in Q1 of 2022 and provided for, inter alia, an accelerated return of substantially all the net asset value ("NAV") in Markel CATCo Reinsurance Fund Ltd. (the "Master Fund SAC") and the Company (together, the "Funds") to investors in exchange for mutual releases more fully described in the announcement. The Buy-Out Transaction terms were improved on 26 October 2021, and it was implemented with funding provided by Markel Corporation through Bermuda schemes of arrangement (the "Schemes") proposed by both the Company and the Master Fund SAC.

To support the implementation of the Buy-Out Transaction through the Schemes, each of the Company, the Master Fund SAC, the Investment Manager and Markel CATCo Re Ltd. (the "Reinsurer") filed applications with the Supreme Court of Bermuda for the appointment of joint provisional liquidators with limited powers (the "JPLs"). The JPLs were appointed on 1 October 2021. On 5 October 2021, the JPLs petitioned for the provisional liquidation proceedings to be recognised by the United States Bankruptcy Court in the Southern District of New York. This request was subsequently granted along with other ancillary relief.

The appointment of the JPLs and the United States recognition allowed, along with the necessary investor support, for the smooth implementation of the Buy-Out Transaction and approval of the Schemes. The Company did not make any further returns of capital while the JPLs were appointed and the Buy-Out Transaction was being considered and implemented. Following completion of the Buy-Out Transaction, the JPLs were discharged effective 10 June 2022.

Under the improved terms of the Buy-Out Transaction, investors in the Funds retained the right to receive any possible upside at the end of the applicable run-off period if currently held reserves exceed the amounts ultimately necessary to pay claims and after the repayment of the "Buy-Out Amount" provided by affiliates of Markel Corporation to fund the return of NAV to investors.

On 7 March 2022 at scheme meetings convened by Bermuda Court order, the Funds' respective investors voted overwhelmingly to approve the Schemes to implement the Buy-Out Transaction. On 11 March 2022, the Supreme Court of Bermuda entered orders approving the Schemes. On 16 March 2022, the United States Bankruptcy Court for the Southern District of New York entered orders approving the enforcement in the United States of the Bermuda court sanctioning orders pursuant to Chapter 15 of the United States Bankruptcy Code. The Closing Date of the Buy-Out Transaction occurred on 28 March 2022 in accordance with the terms of the Schemes.

Under the Buy-Out Transaction, the Funds' investors received an accelerated return of 100% of the NAV of the Funds as at 31 January 2022, with investors retaining the right to any upside at the end of the applicable run-off period if currently-held reserves exceed the amounts advanced by affiliates of Markel Corporation to fund the return of capital after ultimate claims related to reinsurance loss events have been settled. Investors in the Master Fund SAC, including the Company, also received their pro rata share of an additional cash contribution of approximately \$54 million from a Markel Corporation affiliate, which will be used to off-set transaction costs and future running costs of the Master Fund SAC, and to provide additional cash consideration to investors.

In relation to the Company, the Buy-Out Transaction was implemented by way of a redemption of 99% of the holdings of each investor, the proceeds of which were paid to investors on 11 April 2022, amounting to \$51.7m and \$53.9m for the Ordinary Shares and C Shares respectively.

Under the terms of the Schemes of Arrangement Buy-Out agreement, estimated ordinary course fees, including estimated fees for the remaining Run-Off period of the Company, were accelerated and formed part of the investor Buy-Out settlement. As such, these fees have been recognised as Scheme of Arrangement Ordinary Course fees in the statements of assets and liabilities and the related statements of operations, changes in net assets and cash flows.

Investors remain entitled, through their retained interest in the Company, to receive the remaining assets of the Company (as and when such assets become available for distribution and the Board determines it is appropriate to make such distributions), including any surplus from the existing cash reserves held by the Company and any upside following the repayment of the Buy-Out Amount and settlement of reinsurance claims.

#### NET ASSET VALUE ("NAV")

The Company opened the year with a total NAV of \$106.8m which consisted of \$50.6m Ordinary Share NAV and \$56.2m of C Share NAV. During the year, the NAV reduced to \$9.0m, of which \$1.5m relates to the Ordinary Share NAV and \$7.5m to the C Share NAV. The overall reduction in the NAV is due to the completion of the Buy-Out Transaction which resulted in payment to investors on 11 April 2022 amounting to \$51.7m and \$53.9m for the Ordinary Shares and C Shares respectively and a subsequent distribution of capital in the amount of \$17.8m derived from favorable loss reserve development in the underlying portfolio as highlighted in the sub-section Return of Capital to Shareholders. These distributions were offset by further upside recorded in Q4 2022 relating to positive development on the 2018 and 2019 reinsurance portfolios resulting in a closing NAV per share of \$13.22 and \$96.08 for Ordinary Shares and C Shares respectively.

##### 2022 Ordinary Shares NAV (\$m)

Opening balance 1/1/22	\$	50.6
Buy-Out Transaction		(51.7)
Partial Compulsory Redemption 8		(4.6)
Investment appreciation net of expenses		7.2
Closing balance 12/31/22	\$	1.5

##### 2022 C Shares NAV (\$m)

Opening balance 1/1/22	\$	56.2
Buy-Out Transaction		(53.9)
Partial Compulsory Redemption 8		(13.2)
Investment appreciation net of expenses		18.4
Closing balance 12/31/22	\$	7.5

#### RETURN OF CAPITAL TO SHAREHOLDERS

Following the Buy-Out Transaction and the successful commutation of all of 2017 contracts and a number of 2018 and 2019 contracts, the Company returned \$4.6m and \$13.2m of capital to Ordinary Shareholders and C Shareholders respectively, by means of a compulsory share redemption in November 2022.

From the commencement of the Run-Off (26 March 2019) to 31 December 2022, the Company has successfully returned \$413.9m of capital to Shareholders by means of dividends, tender offer, share buybacks, compulsory share

redemptions and a Buy-Out Transaction.

During the period from 1 January 2022 to 31 December 2022, the Company returned \$123.4m of capital to Shareholders by means of a Buy-Out Transaction and a compulsory share redemption.

Total Capital Return since 26 March 2019 (date on which Shareholders approved the Run-Off) to 31 December 2022:

Form of Return	Payment or Redemption Date	Ordinary Shares (\$m)	C Shares (\$m)	Total (\$m)
Tender Offer	23 September 2019	15.3	28.0	43.3
Interim Dividend	1 November 2019	4.0	11.9	15.9
Share Buyback	Oct to Dec 2019	1.9	5.9	7.8
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
Partial Compulsory Redemption 6	11 January 2021	2.0	6.0	8.0
Partial Compulsory Redemption 7	11 May 2021	3.4	15.8	19.2
Buy-Out Transaction	11 April 2022	51.7	53.9	105.6
Partial Compulsory Redemption 8	29 November 2022	4.6	13.2	17.8
<b>Total Capital Return</b>		<b>119.3</b>	<b>294.6</b>	<b>413.9</b>

## COMMUTATIONS

The Investment Manager is continuing to proactively pursue the run-off of the remaining 2018 and 2019 risk portfolios, having successfully, at the date of this report, commuted all 2016 and 2017 contracts. 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 it considers that to do so is in the best interest of Shareholders.

At the time of this report, there were 10 open contracts remaining at the Reinsurer, of which seven related to the 2018 underwriting year and three to the 2019 underwriting year. As at 31 December 2022, all open contracts are subject to commutation negotiations.

## OVERVIEW OF INVESTMENTS

The following table outlines the investments held by the Ordinary Shares and C Shares respectively.

Investments Held by Share Class as at 31 December 2022:

SPIs	% of Share NAV	Value in \$m
<b>Ordinary Shares</b>		
SPI 2018	66.58%	1.0
SPI 2019	10.58%	0.2
<b>C Shares</b>		
SPI 2018	75.94%	5.7
SPI 2019	8.75%	0.7

Additionally, as at 31 December 2022, cash of \$0.3m and \$1.1m is held by the Ordinary Shares and C Shares respectively.

Whilst it is not possible to determine the ultimate value of Side Pocket Investments ("SPIs") to be realised, the Investment Manager will continue to report the fair value of underlying investments through the issuance of Ordinary and C Share NAVs on a quarterly basis as explained further in this statement.

## SIDE POCKET INVESTMENTS

As at 31 December 2022, the SPIs in total represent a 77.16 per cent of Ordinary Share NAV (31 December 2021: a

As at 31 December 2022, the SPIs in total represent c. 77.10 per cent of Ordinary Share NAV (31 December 2021: c. 97.66 per cent) and c. 84.69 per cent of the C Share NAV (31 December 2021: c. 92.36 per cent).

After the successful commutation of all 2016 and 2017 SPIs during the year, the position of the 2018 and 2019 SPIs as at 31 December 2022 was as follows:

2018 SPIs, principally relating to Hurricanes Michael and Florence, Typhoon Jebi and the 2018 California Wildfires, amount to c. 66.58 per cent of Ordinary Share NAV and c. 75.94 per cent of C Share NAV (31 December 2021: c. 12.38 per cent and c. 62.41 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. 10.58 per cent of Ordinary Share NAV and c. 8.75 per cent of C Share NAV (31 December 2021: c. 8.06 per cent and c. 29.95 per cent of Ordinary Share and C Share NAV respectively).

As previously disclosed, in respect of the underlying investments related to underwriting years 2018 and 2019, the Investment Manager relies on the latest available claim information provided by cedants which, at this point in time, post the loss events, supersedes the modelled losses or the insured loss estimates provided by third parties.

## **QUARTERLY NAV REPORTING**

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The Investment Manager has successfully implemented a move to quarterly reporting of the NAV since it estimates this will generate appropriate cost savings and because all of the remaining cedants report their losses on a quarterly basis.

Changing the Funds' NAV reporting frequency enables the Investment Manager to track the information received from the Reinsurer's cedants at the same pace. The implementation of a quarterly NAV was effective from 1 July 2022.

## **OUTLOOK**

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The Board is pleased with the progress made during 2022 in terms of distributing funds to Shareholders in the most efficient manner possible whether as a result of the Buy-Out Transaction or derived through further releases of trapped capital subsequent to the Buy-Out Transaction.

The Board continues to meet with the Investment Manager to determine the outlook for the Company and evaluate the future potential for further upside from the underlying portfolio.

As the Company has reported before, whilst it is not possible to determine the ultimate future value of the remaining contracts, the Investment Manager is confident that it is likely that additional commutations will be achieved within the next six to 12 months.

Consistent with the upside achieved in 2022, any further possible upside will be reflected in the future reported NAVs and such proceeds will be distributed to Shareholders thereafter.

In the meantime, the Investment Manager is committed to working on the remaining commutations with the cedants in the best interest of Shareholders.

## **BOARD AND ONGOING COSTS**

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The Board has been working with the Investment Manager to reduce the ongoing operational expenses of the Company and will continue to ensure that these expenses are kept as low as possible in order to maximise value for Shareholders.

During the year, the Board reduced in size from three to two as part of this exercise, and achieved operational costs savings during 2022 where possible.

The Board has previously considered the benefits of maintaining a UK listing. While a number of contracts remain open and the possibility for valuation upside remains, the Board has determined, once again, that it is appropriate to remain listed at this point in time.

## 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 Market 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 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 (after repayment of the Buy-Out Amount, as described below). 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").

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 then commenced the orderly Run-Off of the Reinsurer's existing portfolio, which is reasonably expected to be completed in the course of 2024. As part of this Run-Off, the Master Fund SAC will return capital to its investors, including the Company (after repayment of the Buy-Out Amount, as described below).

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 2021, the Company returned \$27.2m to Shareholders by means of compulsory share redemptions.

On 27 September 2021, the Company announced a proposal for a buy-out transaction (the "Buy-Out Transaction") that successfully completed in Q1 2022 and provided for, inter alia, an accelerated return of substantially all the net asset value (NAV) in the Master Fund SAC and the Company (together, the "Funds") to investors. In order to implement the Buy-Out Transaction, Schemes of Arrangement in Bermuda (the "Schemes") were overwhelmingly approved by the Funds' respective investors at scheme meetings convened by Bermuda court order on 7 March 2022, and sanctioned by the Bermuda court on 11 March 2022. The "Closing Date" of the Buy-Out Transaction occurred on 28 March 2022 in accordance with the terms of the Schemes.

Under the Buy-Out Transaction, the Funds' investors received an accelerated return of 100% of the net asset value

(NAV) of the Funds as at 31 January 2022, with investors retaining the right to any upside at the end of the applicable run-off period if currently-held reserves exceed the amounts advanced by affiliates of Markel Corporation to fund the return of capital (the "Buy-Out Amount") after the settlement of reinsurance related claims.

Investors in the Master Fund SAC, including the Company, also received their pro rata share of an additional cash contribution of approximately \$54 million from a Markel Corporation affiliate to off-set transaction costs and future running costs of the Master Fund SAC and to provide additional cash consideration to investors.

In relation to the Company, the Buy-Out Transaction was implemented by way of a redemption of 99% of the holdings of each investor, the proceeds of which were paid to investors via CREST on 11 April 2022.

A further return of capital to Shareholders by way of a compulsory share redemption took place on 29 November 2022. Further details appear in the Chairman's Statement.

Investors remain entitled, through their retained interest in the Company, to receive the remaining assets of the Company (as and when such assets become available for distribution and the Board determines it is appropriate to make such distributions), including any surplus from the existing cash reserves held by the Company and any upside following the repayment of the Buy-Out Amount.

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.

#### **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 share price, liquidity and interest rate risk and the efficient management of the Run-Off process. Such key risks relating to investment underwriting and strategy 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.. 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 (after repayment of the Buy-Out Amount, as described above) and the management of costs and expenses, 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. Additionally, emerging risks in the reinsurance market are not relevant to the underlying portfolio that is in Run-Off.

#### **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

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](http://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 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*

*26 April 2023*

## STATEMENTS OF ASSETS AND LIABILITIES

(Expressed in United States Dollars)

	31 Dec. 2022	31 Dec. 2021
	\$	\$
<b>Assets</b>		
Investments in Markel CATCo Reinsurance Fund - Markel CATCo Diversified Fund, at fair value (Notes 2 and 6)	7,537,919	101,307,151
Cash and cash equivalents (Note 3)	4,395,950	5,606,161
Other assets	44,665	59,963
<b>Total assets</b>	<b>11,978,534</b>	<b>106,973,275</b>
<b>Liabilities</b>		
Management fee payable (Note 10)	2,806	3,420
Accrued expenses and other liabilities	160,717	193,343
Schemes of Arrangement Buy-Out Ordinary Course Fees (Note 1, Note 8 and Note 15)	2,780,635	-
<b>Total liabilities</b>	<b>2,944,158</b>	<b>196,763</b>
<b>Net assets</b>	<b>9,034,376</b>	<b>106,776,512</b>

NAV per Share (Note 8)

## STATEMENTS OF OPERATIONS

(Expressed in United States Dollars)

	31 Dec. 2022	31 Dec. 2021
	\$	\$

<b>Net investment loss allocated from Master Fund (Note 6)</b>		
Income from Buy-Out Transaction	9,204,154	-
Interest income	11,098	1,074
Schemes of Arrangement Buy-Out Transaction Cost (Note 14)	68,627	(4,437,070)
Management fee waived (Note 10)	125,575	684,764
Management fee (Note 10)	(251,150)	(1,369,528)
Administrative fee (Note 11)	(79,383)	(112,234)
Professional fees and other	(42,944)	(116,558)
Schemes of Arrangement Buy-Out Ordinary Course Fees (Note 15)	(346,325)	-
Net investment gain/(loss) allocated from Master Fund	8,689,652	(5,349,552)
<b>Investment income</b>		
Income from Buy-Out Transaction (Note 8)	1,482,176	-
Interest	115,955	657
Total investment income	1,598,131	657
<b>Company expenses</b>		
Schemes of Arrangement Buy-Out Transaction Cost (Note 14)	(245,245)	(229,415)
Schemes of Arrangement Buy-Out Ordinary Course Fees (Note 15)	(2,780,635)	-
Management fee waived (Note 10)	165,018	56,526
Professional fees and other	(622,637)	(659,723)
Management fee (Note 10)	(330,036)	(113,052)
Administrative fee (Note 11)	(54,500)	(75,000)
Total Company expenses	(3,868,035)	(1,020,664)
Net investment gain/(loss)	6,419,748	(6,369,559)
Net realised loss and net change in unrealised gain / (loss) on securities allocated from Master Fund		
Net realised loss on securities	(12,399,264)	(63,096,478)
Net change in unrealised loss on securities	33,103,014	91,596,068
Net gain on securities allocated from Master Fund	20,703,750	28,499,590
Net increase in net assets resulting from operations	27,123,498	22,130,031

#### STATEMENTS OF CHANGES IN NET ASSETS

(Expressed in United States Dollars)

	Year ended 31 Dec. 2022	Year ended 31 Dec. 2021
	\$	\$
<b>Operations</b>		
Net investment gain (loss)	6,419,748	(6,369,559)
Net realised loss on securities allocated from Master Fund	(12,399,264)	(63,096,478)
Net change in unrealised loss on securities allocated from Master Fund	33,103,014	91,596,068
Net increase in net assets resulting from operations	27,123,498	22,130,031
<b>Capital share transactions</b>		
Repurchase of Class Ordinary Shares (Note 8)	(56,327,613)	(5,399,961)
Repurchase of Class C Shares (Note 8)	(67,055,845)	(21,799,929)
Dividends paid (Note 8)	(1,482,176)	-
Net decrease in net assets resulting from capital share transactions	(124,865,634)	(27,199,890)
Net decrease in net assets	(97,742,136)	(5,069,859)
Net assets, at 1 January	106,776,512	111,846,371
Net assets, at 31 December	9,034,376	106,776,512

#### STATEMENTS OF CASH FLOWS

(Expressed in United States Dollars)

	Year ended 31 Dec. 2022	Year ended 31 Dec. 2021
	\$	\$
<b>Cash flows from operating activities</b>		
Net increase in net assets resulting from operations	27,123,498	22,130,031
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net investment gain/(loss), net realised loss and net change in unrealised gain/(loss) on securities allocated from Master Fund	(29,393,399)	(23,150,038)
Sale of investment in Master Fund	114,022,425	19,212,976
Dividends from Buy-Out Transactions	9,140,206	-
Changes in operating assets and liabilities:		
Due from Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund	-	10,696,244
Other assets	15,298	(6,594)
Management fee payable	(614)	(5,633)
Schemes of Arrangement Buy-Out Ordinary Course Fees	(2,780,635)	-



(Note 1b)	2,180,635	-
Accrued expenses and other liabilities	(32,626)	(339,321)
<b>Net cash provided by operating activities</b>	<b>123,655,423</b>	<b>28,537,665</b>
<b>Cash flows from financing activities</b>		
Repurchase of Class Ordinary Shares	(56,327,613)	(5,399,961)
Repurchase of Class C Shares	(67,055,845)	(21,799,929)
Dividends paid (Note 8)	(1,482,176)	-
<b>Net cash used in financing activities</b>	<b>(124,865,634)</b>	<b>(27,199,890)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,210,211)</b>	<b>1,337,775</b>
<b>Cash and cash equivalents, at 1 January</b>	<b>5,606,161</b>	<b>4,268,386</b>
<b>Cash and cash equivalents, at 31 December</b>	<b>4,395,950</b>	<b>5,606,161</b>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022**  
(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. (the "Master Fund SAC"), 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"). At 31 December 2022, the Company's ownership is 17.33 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 now reasonably expected to be completed in the course of 2024. 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 (after repayment of the Buy-Out Amount, as described below). Refer to Going Concern Considerations under Basis of Presentation below.

On 27 September 2021 the Company announced a proposal for a buy-out transaction (the "Buy-Out Transaction") that would provide for, inter alia, an accelerated return of substantially all the net asset value ("NAV") in the Master Fund SAC (the "Private Fund") and the Company (together, the "Funds") to investors (further details of the Buy-Out Transaction appear in the Chairman's Statement. To support the implementation of the Buy-Out Transaction through the Schemes of Arrangement in Bermuda (the "Schemes"), each of the Company, the Private Fund, the Investment Manager and the Reinsurer filed applications with the Supreme Court of Bermuda for the appointment of joint provisional liquidators with limited powers (the "JPLs"). On 1 October 2021 the JPLs were appointed. On 5 October 2021, the JPLs petitioned for the provisional liquidation proceedings to be recognised by the U.S. Bankruptcy Court in the Southern District of New York, which request was subsequently granted along with other ancillary relief.

The appointment of the JPLs and U.S. recognition allowed, along with the necessary investor support, for the smooth implementation of the Buy-Out Transaction and approval of the Schemes. The Company did not make any further returns of capital while the JPLs were appointed and the Buy-Out Transaction was being considered and implemented.

Upon the expiry of the "Early Consent Deadline" for the Buy-Out Transaction on 22 October 2021 investors representing over 90% of the Private Fund investors representing over 95% of the Company had entered into support undertakings or otherwise indicated their support for the Buy-Out Transaction.

On 26 October 2021, it was announced that Markel Corporation had agreed to increase the funding it would provide, to facilitate certain improvements to the terms of the Buy-Out Transaction. The improvements resulted in the buy-out of all segregated accounts of the Funds, plus an additional cash distribution to investors by way of an increased consent fee and other cash consideration provided by Markel Corporation and its affiliates. On 28 October 2021, the Funds launched the Schemes to implement the Buy-Out Transaction.

Under the improved terms of the Buy-Out Transaction, investors in the Funds retained the right to receive any possible upside at the end of the applicable Run-Off period if currently held reserves exceed the amounts ultimately necessary to repay claims and after the repayment of the "Buy-Out Amount" provided by affiliates of Markel Corporation to fund the return of NAV to investors.

On 3 February 2022, the Manager, the Private Fund and Markel Corporation entered into a settlement agreement with certain investors that had opposed the Schemes (the "Litigation Claimants"), which resolved their opposition to the Schemes and certain litigation brought against a former officer of the Manager in the U.S. (the "Settlement"). Pursuant to the Settlement, the Litigation Claimants withdrew their opposition to the Schemes and, following the Closing Date of the Buy-Out Transaction, the Litigation Claimants received (i) the NAV of their Private Fund shares in full and final satisfaction of their interests in the Private Fund and (ii) an aggregate additional payment of \$20 million funded by Markel Corporation and D&O insurance coverage in consideration for granting the releases of their claims and dismissing with prejudice the U.S. litigation.

On 7 March 2022 at scheme meetings convened by Bermuda court order, the Funds' respective investors voted overwhelmingly to approve the Schemes to implement the Buy-Out Transaction. On 11 March 2022, the Supreme Court of Bermuda entered orders approving the Schemes. On 16 March 2022, the United States Bankruptcy Court for the Southern District of New York entered orders approving the enforcement in the United States of the Bermuda court sanctioning orders pursuant to Chapter 15 of the United States Bankruptcy Code. The Closing Date of the Buy-Out Transaction occurred on 28 March 2022 in accordance with the terms of the Schemes.

Under the Buy-Out Transaction, the Funds' investors received an accelerated return of 100% of the NAV of the Funds as at 31 January 2022, with investors retaining the right to any upside at the end of the applicable Run-Off period if currently-held reserves exceed the amounts advanced by affiliates of Markel Corporation to fund the return of capital after ultimate claims related to reinsurance loss events have been settled. Investors in the Master Fund SAC, including the Company, also received their pro rata share of an additional cash contribution of approximately \$54 million from a Markel Corporation affiliate to off-set transaction costs and future running costs of the Master Fund and to provide additional cash consideration to investors.

In relation to the Company, the Buy-Out Transaction was implemented by way of a redemption of 99% of the holdings of each investor, the proceeds of which were paid to investors on 11 April 2022 amounting to \$51.7m and \$53.9m for Ordinary Shares and C Shares respectively.

Investors remain entitled, through their retained interest in the Company, to receive the remaining assets of the Company (as and when such assets become available for distribution and the Board determines it is appropriate to make such distributions), including any surplus from the existing cash reserves held by the Company and any upside following the repayment of the Buy-Out Amount.

In June 2022, the Reinsurer repaid an amount of \$24m to the affiliates of Markel Corporation who financed the Buy-Out Amount for the Master Fund.

The Investment Manager is subject to the ultimate supervision of the Board, and 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. On 15 November 2021, Markel announced its intention to wind down LCML, its retrocessional Insurance Linked Securities (ILS) fund manager based in Bermuda.

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 accesses 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 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"). 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"), except for the recognition of future operating expenses in the financial statements.

Under the terms of the Schemes of Arrangement Buy-Out agreement, estimated ordinary course fees, including estimated fees for the remaining Run-Off period of the Company, were accelerated and formed part of the investor Buy-Out settlement. As such, these fees have been recognised as Scheme of Arrangement Ordinary Course fees (Note 15) in the statements of assets and liabilities and the related statements of operations, changes in net assets and cash flows.

### **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 on or around 31 December 2023, and (ii) the Investment Manager and the Board have reviewed the Company's cash forecast for 12 months from the date of this report and have determined that the Company has sufficient cash to adequately meet operational expenses. 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 2022.

### **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 11, 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**

The Reinsurer also issues preference shares in relation to reinsurance protections purchased specifically to meet the desired level of risk as set out in the Master Fund's investment strategy ("Reinsurance Protections"). The Master

Fund subscribes for Protections on behalf of itself and the Feeder Fund. The underlying premiums are amortised over the duration of the contracts.

As of 31 December 2022 and 2021, 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 2022 and 2021, the Master Fund held no ILW contracts.

#### **Investment in Securities issued by the Reinsurer and subscribed to by the Master Fund**

This section identifies the inputs and considerations used in the fair value determination of the Investment in Preference of the Reinsurer held by the Master Fund. Refer to note 2 & 7 for further discussion on the unobservable inputs.

#### **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 2022 and 2021.

#### **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 quarterly basis effective 1 July 2022 (previously a monthly basis to 30 June 2022) - Note 10. 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**

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

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 2022. 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 2022 and 2021.

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 2022 and 2021.

#### **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.

On September 27, 2021, Markel Corporation was notified by the, U.S. Securities and Exchange Commission that it

has concluded its investigation and it does not intend to recommend an enforcement action against MCIM. Additionally, On September 28, 2021, the U.S. Department of Justice advised Markel Corporation that it has concluded its investigation and will not take any action against MCIM. There are currently no pending requests from the Bermuda Monetary Authority.

#### **California Bankruptcy Court and the PG&E Settlement (at 19 April 2022)**

The Investment Manager closely monitored the procedural developments in the California Bankruptcy Court with the assistance of external counsel. Further detailed information regarding the PG&E chapter 11 case can be found on <https://restructuring.primeclerk.com/pg/>. The Investment Manager believes that any subrogation benefitting Markel CATCo was substantially realised as at 31 December 2021 through reductions in updated cedant loss reports. Therefore, the Investment Manager is of the view that the benefits of such subrogation are reflected in the Company's investments in the underlying participating shares of the Reinsurer.

## **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 2022.

Preference Shares - Investments in Markel CATCo Re Ltd.	Number of Shares	Cost (\$)	Percentage of Net Assets (%)	Fair Value (\$)
Class DE	955	647	0.99	89,427
Class DG	130,286	2,159	0.01	870
Class DR	23	721	20.87	1,885,266
Class DZ	441,208	20,692	14.48	1,308,305
Class EB	-	-	0.26	23,049
Class ED	46,205	2,008	30.59	2,763,770
Class EM	3	6	0.01	1,030
Class EQ	12,539	1,311	0.13	11,994
Class ER	2,280	1,091	2.12	191,201
Class EX	75	186	0.03	3,031
Class EY	213	384	1.80	162,641
Class FA	-	-	1.22	109,926
Class FB	-	-	0.81	73,284
Class FD	17	0	0.37	33,010
Class FE	6,841	36	6.51	588,028
Class FO	-	-	0.53	48,264
Expense Cell	13	1,134,897	1.78	160,862
Total Investments in Markel CATCo Re Ltd. Preference Shares	\$	1,164,138	82.51	7,453,958

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 2021.

Preference Shares - Investments in Markel CATCo Re Ltd.	\$ Fair Value	Preference Shares - Investments in Markel CATCo Re Ltd.	\$ Fair Value
Class P	3,332	Class DR	4,391
Class Z	4	Class DS	25,857
Class BY	189,729	Class DZ	2,481,453
Class BZ	6	Class EB	827,397
Class CB	9,468,390	Class ED	1,464
Class CD	1,049,768	Class EG	210
Class CE	2,112,789	Class EI	430
Class CI	32	Class EK	2,646,721
Class CL	2,893,982	Class EL	1,299
Class CM	1,548,225	Class EM	198,735
Class CQ	2,679,089	Class EQ	1,145
Class CT	2,032,338	Class ER	1,036
Class CW	743,309	Class EX	178
Class DC	2,822,531	Class EY	190,901
Class DE	5,572	Class FA	2,487,081
Class DF	8	Class FR	1,658,063



Class DG	829	Class FC	1,431
Class DH	31	Class FD	2,099
Class DI	21	Class FE	1,598,531
Class DK	15	Class FG	1,195
Class DL	795	Class FN	420,877
Class DN	993	Class FO	213,371
Class DO	2,588	Class FQ	672,968
Class DQ	167	Expense Cell	104,161
Total Investments in Markel CATCo Re Ltd. Preference Shares			\$ 39,095,537

As at 31 December 2022, the Company's proportionate share of the Master Fund's cash and cash equivalents was \$485,924 (2021: \$1,169,848).

As at 31 December 2022 and 2021, 100.00 per cent of total investments held by the Master Fund were classified as Side Pocket Investments.

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 2022 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 2022 and 2021, 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	NAV of the Reinsurer	Premium earned - straight line for uniform perils	12 months
		Premium earned - Seasonality adjusted for non-uniform perils	5 to 6 months
	Loss reserves	Loss reserves*	0 to contractual limit

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

#### **Master Fund's Other Assets and Liabilities**

As at 31 December 2022, the Company's proportionate share in the Master Fund's other net liabilities amounted to approximately \$474,375 (2021 net assets: \$61,840,690) and is included in 'Investments in Markel CATCo Reinsurance Fund - Markel CATCo Diversified Fund' on the Statement of Assets and Liabilities. This includes net amounts due from other segregated accounts of the Master Fund and amounts due to the Manager and other accrued expenses.

### **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. Cash and cash equivalents are held at major financial institutions and are subject to credit risk to the extent those balances exceed applicable Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC) limitations. At 31 December 2022, cash and cash equivalents were 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-1 as issued by Standard & Poor's.

### **4. CONCENTRATION OF REINSURANCE RISK**

The principal exposure of the Fund's portfolio is primarily through its investment in the Reinsurer as the performance of the Fund is directly affected by the performance of the Reinsurer and its underlying reinsurance contracts. For the year ended 31 December 2022, the Reinsurer's unsettled contracts provided reinsurance property protection against

natural catastrophe perils for financial years 2018 and 2019. Geographically, these contracts cover locations including, but not limited to, the U.S. (43.00 per cent; 2021: 49.00 per cent), Japan (47.00 per cent; 2021: 41.00 per cent) and the rest of the world (10.00 per cent; 2021: 10.00 per cent). Prior year comparatives have been reclassified to conform with the current year presentation.

## 5. RUSSIA - UKRAINE WAR CONSIDERATIONS

The Russia-Ukraine war caused severe disruptions of the global supply chain, putting significant pressure on inflation. The recent commencement of war in Ukraine had an impact on international financial markets, leading to a significant rise in the price of oil and gas. The unpredictable outcome of this conflict could inflict on the world economy significant and/or prolonged harm. Recent Russian military actions in Ukraine have prompted and might prompt further sanctions on Russia from the United States, the European Union, and other nations. Despite the fact that the Company has no direct exposure to Russia or the surrounding regions, the military incursion by Russia and the sanctions that follow could have a negative impact on the world's energy and financial markets. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions caused by Russian military action or resulting sanctions may magnify the impact of other risks described herein.

## 6. INVESTMENTS IN MASTER FUND, AT FAIR VALUE

The net investment loss allocated from the Master Fund, and the net realised loss and net change in unrealised loss on securities allocated from Master Fund in the Statements of Operations consisted of the results from the Company's Investments in the Master Fund. Net realised loss on securities includes gross realised gain on securities of \$18,141,690 (2021: \$15,332,410) and gross realised loss on securities of \$30,540,954 (2021: \$78,428,888). Net change in unrealised loss on securities includes gross change in unrealised gain on securities of \$41,903,442 (2021: \$104,247,330) and gross change in unrealised loss on securities of \$8,800,428 (2021: \$12,651,262).

	31 Dec. 2022	31 Dec. 2021
Investment in Markel CATCo Reinsurance Fund Ltd. - Markel CATCo Diversified Fund, at fair value	\$ 7,537,919	\$ 101,307,151

## 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 makes a provision for losses on contracts only when an event that is covered by the contract has occurred. When a potential loss event has occurred, the Reinsurer uses the underlying cedant loss notifications along with management's judgment 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 2018 losses pertaining to Hurricane Michael, Typhoon Jebi, Hurricane Florence, and the 2018 California Wildfires, and 2019 losses pertaining predominantly to Hurricane Dorian, Typhoon Faxai and Typhoon Hagibis 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 2018 and 2019 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 2022 and 2021, all of the Company's investments were in Side Pocket Investments in the Master Fund, which reflect the remaining investments held by the Master Fund in respect of each investment year.

During 2022, the Reinsurer paid claims of \$168,676,352 (December 2021: \$395,922,603). Of this amount \$59,093,141 related to the 2017 events, \$64,905,059 related to the 2018 loss events and \$44,678,152 was in respect of 2019 events.

## 8. CAPITAL SHARE TRANSACTIONS

As of 31 December 2022, the Company has authorised share capital of 1,500,000,000 (31 December 2021: 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 2022, the Company had issued 114,104 (31 December 2021: 149,305,187) Class 1 Ordinary Shares (the "Ordinary Shares") and 78,324 (31 December 2021: 83,230,467) Class C Shares (the "C Shares").

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

### 31 December 2022

	Beginning Shares	Share Repurchase	Ending Shares	Ending Net Assets	Ending NAV Per Share
Class 1 Ordinary Shares	149,305,187	(149,191,083)	114,104	\$ 1,508,702	\$ 13.2222
Class C Shares	83,230,467	(83,152,143)	78,324	\$ 7,525,674	\$ 96.0839
				<u>\$ 9,034,376</u>	

### 31 December 2021

	Beginning Shares	Share Repurchase	Ending Shares	Ending Net Assets	Ending NAV Per Share
Class 1 Ordinary Shares	168,898,993	(19,593,806)	149,305,187	\$ 50,598,834	\$ 0.3389
Class C Shares	126,369,585	(43,139,118)	83,230,467	\$ 56,177,678	\$ 0.6750
				<u>\$ 106,776,512</u>	

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 Shareholders 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. As discussed in Note 1, on 27 September 2021 the Company announced the terms of the Buy-Out Transaction, which facilitated an accelerated return of substantially all

Company announced the terms of the Buy-Out Transaction, which resulted in accelerated return of substantially all the net asset value to the shareholders of the Company. Accordingly, the only further business that will be undertaken is that necessary to complete the Buy-Out of the Company's portfolios.

Following the completion of the necessary applicable conditions precedent to complete the Buy-Out of the Company's portfolios, the Closing Date of the Schemes of Arrangement to implement the Buy-Out Transaction occurred on 28 March 2022. Under the Buy-Out Transaction, the Company received an accelerated return of 100% of the NAV of its investment in the Master Fund as at 31 January 2022, with investors retaining the right to any upside at the end of the applicable Run-Off period if currently held reserves exceed the Buy-Out Amount; and their pro rata share of an additional cash contribution of approximately \$54 million from a Markel Corporation affiliate, to off-set transaction costs and future running costs of the Master Fund and to provide additional cash consideration to investors.

In relation to the Company, the Buy-Out Transaction was implemented by way of a redemption of 99% of the holdings of each investor.

#### **Consent Fees**

The Early Consent Fee due to investors, totaling \$1,482,176, was paid on 30 March 2022 mostly through CREST to the accounts of holders of shares that issued a valid Transfer to Escrow Instruction, irrespective of whether such accounts continue to hold Public Fund Shares.

The Early Consent Fee paid per Share was:

Early Consent Fee per Ordinary Share: \$0.00676446

Early Consent Fee per C Share: \$0.01347267

#### **Redemption of Shares**

On 6 April 2022, to effect the Buy-Out Transaction, the Company redeemed 147,812,056 Ordinary Shares at a rate of \$0.349957 per Ordinary Share (approximately USD 0.3465 per Ordinary Share held on the basis of 100% of each Shareholder's then outstanding Shares) and 82,398,091 C Shares at a rate of USD 0.653616 per C Share (approximately USD 0.6471 per C Share held on the basis of 100% of each Shareholder's then outstanding Shares). The resulting proceeds from the Buy-Out Transaction, amounting to \$51.7m for Ordinary Shares and \$53.9m for C Shares, were paid to Shareholders on 11 April 2022.

On 29 November 2022, the Company completed Partial Compulsory Redemption #8, redeeming 1,379,027 Ordinary Shares at a rate of \$3.3355 per Ordinary Share and 754,052 C Shares at a rate of \$17.5042 per C Share.

### **9. INVESTMENT MANAGEMENT AGREEMENT**

Prior to the implementation of the Buy-Out Transaction, the Company's investments were managed pursuant to an Investment Management Agreement dated 8 December 2015 (the "Old Investment Management Agreement"). In connection with the Buy-Out Transaction, on 28 March 2022 the Old Investment Management Agreement was terminated and the Company and the Investment Manager entered into a new Investment Management Agreement (the "Investment Management Agreement"), the terms of which substantially mirrored those of the Old Investment Management Agreement. Pursuant to the Investment Management Agreement, 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. LCML earns a fee from the Investment Manager for such services. On 15 November 2021, Markel announced its intention to wind down LCML, its retrocessional Insurance Linked Securities ("ILS") fund manager based in Bermuda, effective 1 January 2022.

### **10. RELATED PARTY TRANSACTIONS**

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

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. The fees payable under the Investment Management Agreement are the same as those which had been payable under the Old Investment Management Agreement.

For the financial year ended 31 December 2021, the Investment Manager agreed to maintain the partial waiver of 50.00 per cent of the Management Fee on Side Pocket Investments of the original fee of 1.50 per cent. This is equal to an annual Management Fee of 0.75 per cent. The Investment Manager agreed to extend this reduction for financial year 2022. Total management fees charged to the Company for the year ended 31 December 2022, net of the 50.00 per cent partial waiver, amounted to \$165,018 of which \$2,806 was payable at year end.

Effective 1 July 2022, the Investment Manager successfully implemented a move to quarterly reporting as one of the Company's cost savings mechanisms. The move to quarterly reporting also aligns the Master portfolio results with cedants' quarterly loss reporting.

Markel Corporation, which holds the entire share capital of the Investment Manager, holds 6.60 per cent (31 December 2021: 6.61 per cent) of the voting rights of the Ordinary Shares and 0.00 per cent (31 December 2021: 0.00 per cent) of the voting rights of the C Shares issued in the Company as of 31 December 2022.

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. Prior to 1 January 2022, LCML received a monthly service fee of 75.00 per cent of the net management fees due to the Investment Manager. Effective 1 January 2022, this Run-Off Services Agreement was amended to a fixed fee arrangement between LCML and the Investment Manager.

In addition, as at 31 December 2022, one of the Directors is also a shareholder of the Company. The Directors' holdings are immaterial, representing below 1.00 per cent of the Company NAV.

As at 31 December 2022 and 2021, the Company had no receivable due from or payable due to Markel CATCo Diversified Fund.

## 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 2022 and 2021 are as follows:

	2022		2021	
	Class 1 Ordinary Shares	Class C Shares	Class 1 Ordinary Shares	Class C Shares
<b>Per share operating performance</b>				
Net asset value, beginning of year	\$ 0.3389	\$ 0.6750	\$ 0.2828	\$ 0.5071
Income (loss) from investment operations				
Net investment gain (loss)	0.6973	1.8139	(0.0193)	(0.0329)
Management fee	(0.0287)	(0.1941)	(0.0022)	(0.0038)
Net gain on investments	11.8392	86.5638	0.0763	0.2052
<b>Total from investment operations</b>	<b>\$ 12.5078</b>	<b>\$ 88.1836</b>	<b>\$ 0.0548</b>	<b>\$ 0.1685</b>
Dividend	(0.5144)	(0.8579)	-	-
Discount on Share Buy-Back	0.8899	8.0832	0.0013	(0.0006)
<b>Net asset value, end of year</b>	<b>\$ 13.2222</b>	<b>\$ 96.0839</b>	<b>\$ 0.3389</b>	<b>\$ 0.6750</b>
<b>Total net asset value return</b>				
Total net asset value return before performance fee*	3,690.71%	13,064.24%	19.38%	33.23%
Performance fee	- %	- %	- %	- %
<b>Total net asset value return after performance fee</b>	<b>3,690.71%</b>	<b>13,064.24%</b>	<b>19.38%</b>	<b>33.23%</b>
Ratios to average net assets				
Expenses other than performance fee**	(4.22)%	(4.77)%	(6.94)%	(6.15)%
Performance fee	- %	- %	- %	- %
Total expenses after performance fee	(4.22)%	(4.77)%	(6.94)%	(6.15)%
Net investment gain (loss)	197.29%	239.97%	(7.60)%	(7.24)%
Management fee waived	(0.25)%	(0.35)%	(0.76)%	(0.76)%

\* Exclusive of discount on share buy backs

\*\* Expenses presented above is net of management fees waived by the Master Fund

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 2022 and 2021. The per share amounts and ratios reflect income and expenses allocated from the Master Funds.

### **13. INDEMNITIES OR WARRANTIES**

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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. SCHEMES OF ARRANGEMENT COST**

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During the year, the Master Fund recorded a net amount of \$479,113 representing a reduction adjustment to the \$27,232,774 incurred in 2021 for legal fees and restructuring cost in relation to the Schemes of Arrangement. Of this reduction amount, a reduction adjustment of \$89,110 was allocated to the \$4,437,070 incurred by the Company in 2021. Additionally, the Company incurred direct expenses relating to the finalisation of the Schemes of Arrangement in the amount of \$245,245 (2021: \$229,415).

### **15. SCHEMES OF ARRANGEMENT ORDINARY COURSE FEES**

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Per the Schemes of Arrangement Buy-Out agreement, after closing of the Schemes, no additional fees or Per the Schemes of Arrangement Buy-Out agreement, after closing of the Schemes, no additional fees or expenses will be deducted from distributions of the Closing NAV and there will be no continuing management fees charged by the Investment Manager. Any such fees will have been accelerated and included in the Ordinary Course Fees for the Run-Off of the Funds. Post-closing of the Schemes with the Closing NAV effective 31 January 2022, the Company incurred operational costs totaling \$772,131 in 2022 which were allocated against unutilised Scheme of Arrangement costs of \$167,813 and total accelerated reserves Schemes of Arrangement Buy-Out Ordinary Course Fees of \$3,384,953. The acceleration of future operating expenses is a departure from U.S. GAAP, specifically in relation to U.S. GAAP conceptual framework of accrual accounting whereby the financial effects of an entity's transactions and other events and circumstances are recognised in the period in which those transactions, events, and circumstances occur. As a result of this U.S. GAAP departure, there is an amount of \$2,780,635 excess liability and expense in the Company's financial statements for the year ended 31 December 2022. As the acceleration of future operating expenses is in line with the Schemes of Arrangement Buy-Out Agreement approved by investors, the Investment Manager has included the estimated amount in the financial statements for the year ended 31 December 2022.

### **16. SUBSEQUENT EVENTS**

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These Financial Statements were approved by the Board and available for issuance on 26 April 2023. Subsequent events have been evaluated through this date.

### **FOR FURTHER INFORMATION:**

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