

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other appropriate professional adviser authorised for the purposes of the Financial Services and Markets Act 2000, or if you are not in the United Kingdom, another appropriately authorised professional adviser.

If you have sold or otherwise transferred all of your Ordinary Shares in the Company, Blue Capital Global Reinsurance Fund Limited, please forward this Circular, together with the accompanying documents, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, neither this Circular nor any accompanying documents should be forwarded to or sent in or into any jurisdiction in which to do so would constitute a breach of the relevant laws of such jurisdiction. If you have sold or otherwise transferred, only part of your holding of Ordinary Shares, you should retain this Circular and the accompanying documentation and consult the stockbroker, bank or other agent through whom the sale or transfer was or will be effected.

This Circular should be read as a whole. Your attention is drawn to the letter from the Chairman of the Board of Directors of the Company which is set out in Part 1 of this Circular and which contains the Board's recommendation that you vote in favour of the Ordinary Resolutions to be proposed at the Special General Meeting referred to below.

BLUE CAPITAL GLOBAL REINSURANCE FUND LIMITED

(incorporated and registered as an exempted mutual fund company in Bermuda with registered number 46969)

PROPOSALS TO REVISE THE COMPANY'S INVESTMENT POLICY AND TO MODIFY THE PERFORMANCE FEES PAYABLE TO THE COMPANY'S INVESTMENT MANAGER

-AND-

NOTICE CONVENING SPECIAL GENERAL MEETING

You will find set out in Part 2 of this Circular, a notice convening a Special General Meeting for 9.00 a.m. (Bermuda time) on 21 December 2015 to be held at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

****ONLY FOR SHAREHOLDERS WHO DO NOT HOLD DEPOSITARY INTERESTS THROUGH CREST**** The accompanying Form of Proxy for use by Shareholders in relation to the Special General Meeting should be completed and returned, in accordance with the instructions printed on it, to Computershare Investor Services (Bermuda) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received as soon as possible and, in any event, not later than 9.00 a.m. (Bermuda time) (1 p.m. GMT) on 18 December 2015. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the Special General Meeting should they so wish and if they are so entitled.

****ONLY FOR SHAREHOLDERS WHO HOLD DEPOSITARY INTERESTS THROUGH CREST**** A Form of Instruction is enclosed for use by Depositary Interest Holders in relation to the Special General Meeting and should be completed and returned, in accordance with the instructions printed on it, to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY so as to be received as soon as possible and, in any event, not later than 9.00 a.m. (Bermuda time) (1 p.m. GMT) on 17 December 2015. Depositary Interest Holders who are CREST members and who wish to appoint or give instruction to the Depositary through the CREST electronic proxy appointment service should follow the procedures as to the appointment of a proxy or as to instruction described in this Circular. Completion and return of a Form of Instruction or transmission of a CREST Proxy Instruction will not preclude Depositary Interest Holders from attending and voting in person at the Special General Meeting should they so wish and if they are so entitled.

Capitalised terms used in this Circular have the meanings given in Part 3 of this Circular.

Shareholders should make their own investigation of the proposals set out in this Circular, including the merits and risks involved. Nothing in this Circular constitutes legal, tax, financial or other advice, and Shareholders should consult their own professional advisers.

Dated 4 December 2015.

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Accompanying Documents

Form of Proxy

Form of Instruction

EXPECTED TIMETABLE

Latest time and date for receipt of Forms of Instruction and CREST Proxy Instructions from the Depositary Interest Holders for the Special General Meeting	9.00 a.m. (Bermuda time) (1.00 p.m. GMT) on 17 December 2015
Latest time and date for receipt of Forms of Proxy for the Special General Meeting	9.00 a.m. (Bermuda time) (1.00 p.m. GMT) on 18 December 2015
Special General Meeting	9.00 a.m. (Bermuda time) (1.00 p.m. GMT) on 21 December 2015

In the event that the Special General Meeting is adjourned, the timetable will be revised and Shareholders will be notified accordingly

PART 1 – LETTER FROM THE CHAIRMAN

BLUE CAPITAL GLOBAL REINSURANCE FUND LIMITED

(incorporated and registered as an exempted mutual fund company in Bermuda with registration number 46969)

Directors

John R. Weale (Chairman)
Gregory D. Haycock
S. George Cubbon

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

4 December 2015

To Shareholders

Dear Shareholder

PROPOSALS TO REVISE THE COMPANY'S INVESTMENT POLICY AND TO MODIFY THE PERFORMANCE FEES PAYABLE TO THE COMPANY'S INVESTMENT MANAGER

1. Introduction

Following discussions with the Investment Manager, the Board now believes that it is in the best interests of the Company and the Shareholders as a whole to revise the Company's (and the Master Fund's) investment policy in advance of the January 2016 reinsurance cycle (the "**Revised Investment Policy**"). In connection with this, and its long-term view of the property catastrophe market, the Board also believes that it is appropriate to: (a) reduce the Company's target return (the "**Revised Target Return**"); and (b) modify the calculation of the Performance Fee paid to the Investment Manager by the Master Fund (the "**Modified Performance Fee**").

The Revised Investment Policy represents a material amendment to the Company's investment policy, which requires the approval of Shareholders. Adopting the Modified Performance Fee does not require the approval of Shareholders; however, the Board believes that seeking Shareholder approval for these changes represents sound corporate governance. If approved, it is intended that the Revised Investment Policy and the Modified Performance Fee will have effect on and from 1 January 2016. The Revised Target Return is not subject to Shareholder approval and the Board will adopt the Revised Target Return with effect on and from 1 January 2016 regardless of whether or not the other proposals are approved.

The purpose of this Circular is to explain the background to, and reasons for, the aforementioned proposals. A notice convening the Special General Meeting at which Shareholders' approval will be sought is set out in Part 2 of this Circular.

Shareholders should make their own investigation of the proposals set out in this Circular, including the merits and risks involved. Nothing in this Circular constitutes legal, tax, financial or other advice, and Shareholders should consult their own professional advisers.

2. The Revised Investment Policy

The text of the Revised Investment Policy is set out in Appendix A and a blacklined version showing the amendments to the existing investment policy is set out in Appendix B, each of which form part of this Circular.

Shareholders should, in particular, note the following changes:

- the formal adoption of investment guidelines and restrictions relating to the classes of reinsurance (e.g. indemnity reinsurance, indemnity retrocession, quota share, etc.) in which the Master Fund may invest;

- the adjustment to certain maximum net aggregate exposure and net probable maximum loss limits, enabling the Master Fund to have more flexibility to pursue exposure to particular zones (being specific occurrences of specific perils in specific geographical regions); and
- the removal of the prohibition on the Master Fund from investing directly in contracts or securities with a premium of less than 5 per cent. of the limit exposed to a single event.

The Board, as advised by the Investment Manager, believes that the Revised Investment Policy is beneficial to the Company and the Shareholders as a whole for the following reasons:

- the Revised Investment Policy, taken as a whole, will afford the Investment Manager greater flexibility to implement its investment strategies which is expected to improve the ability of the Company to achieve its broad investment objective to generate attractive returns from a sustainable annual dividend yield and longer-term capital growth;
- the Revised Investment Policy will allow the Investment Manager to target larger Quota Share Agreements, enabling it to make better use of underwriting leverage and distribution;
- the Revised Investment Policy will allow the Investment Manager to diversify its product offering and portfolio construction so as to better differentiate itself from competitors; and
- the revisions reflect the refinement of the Investment Manager's risk management approach over the past three years and bring the Company's investment policy broadly into line with other products offered by the Investment Manager and its group.

The adoption of the Revised Investment Policy is conditional on the approval of the Revised Investment Policy by the Shareholders. Subject to this, the Revised Investment Policy will take effect on and from 1 January 2016.

The Master Fund will make the same revisions to its investment policy at the same time as the Revised Investment Policy is adopted (and the Company will consent to such changes in accordance with the Control Agreement only if the Shareholders approve the Revised Investment Policy at the Special General Meeting).

3. The Revised Target Return

In the Company's view, the property catastrophe reinsurance market has matured steadily over the past several years, with greater participation by a wider and more knowledgeable investor base and increasing acceptance of third party capital by cedants. These structural changes have led the Company to re-evaluate its targeted returns in light of its expectation of long-term market conditions. To better reflect the current market environment, the Company believes that, with effect on and from 1 January 2016, it is appropriate to change its target net return from LIBOR plus 10% per annum to LIBOR plus 8% per annum, to be achieved over the longer term. For the avoidance of doubt, the Company's distribution target remains unchanged, being an annualised dividend yield of LIBOR plus 6% per annum on the original issue price of its Ordinary Shares in December 2012.¹

The Revised Target Return is not subject to Shareholder approval and the Board will adopt the Revised Target Return with effect on and from 1 January 2016 regardless of whether or not the other proposals are approved.

¹ Shareholders should note that the return and distribution targets are targets only and not profit forecasts. There can be no assurance that these targets will be met and they should not be viewed as an indication of the Company's expected or actual results.

4. The Modified Performance Fee

The text of the Modified Performance Fee is set out in Appendix C, and a blacklined version showing the proposed modifications is set out in Appendix D, each of which form part of this Circular.

Under the terms of the Underwriting and Insurance Management Agreement, the Performance Fee payable by the Master Fund to the Investment Manager is calculated (*inter alia*) by reference to a Performance Hurdle and a Performance Trigger. Broadly, a Performance Fee is paid in respect of a particular Performance Period on profits over the Performance Hurdle, but only if the profits exceed the Performance Trigger.

In connection with the Revised Target Return and the adoption of the Revised Investment Policy, the Board believes that, in light of long-term market expectations, the Investment Manager will be more appropriately incentivised and more closely aligned with the Company's interests if the Performance Trigger is reduced from LIBOR plus 10% to LIBOR plus 8%, meaning that annual performance has to meet the lower Revised Target Return for a Performance Fee to be paid. However, it is also proposed that the Performance Hurdle is increased from LIBOR plus 3% to LIBOR plus 5%, meaning that the Performance Fee will only be paid on profits over a higher threshold than is currently in place.

The adoption of the Modified Performance Fee is conditional on the approval of the Modified Performance Fee by the Shareholders. Subject to this, the Modified Performance Fee will take effect on and from 1 January 2016.

Consistent with the principles of sound corporate governance, Montpelier Re, an affiliate of the Investment Manager and the holder of 25.1% of the Company's Ordinary Shares, has agreed with the Board to abstain from voting in relation to the Modified Performance Fee.

The Master Fund, the Reinsurer and the Investment Manager will amend the Underwriting and Insurance Management Agreement to give effect to the Modified Performance Fee from and on 1 January 2016 (and Company will consent to such changes in accordance with the Control Agreement only if the Shareholders approve the Modified Performance Fee at the Special General Meeting).

To the extent there is an improvement in targeted long-term returns for the Company, the Board will review the Performance Trigger and may make appropriate recommendations to increase the Performance Trigger.

5. Special General Meeting

A Special General Meeting will be held at 9.00 a.m. (Bermuda time) on 21 December 2015 at Canon's Court, 22 Victoria Street, Hamilton, HM12 Bermuda at which two Ordinary Resolutions will be put to Shareholders: the first seeking approval for the adoption of the Revised Investment Policy; and the second seeking approval for the Modified Performance Fee.

A notice convening the Special General Meeting is set out in Part 2 of this Circular.

The return of a completed Form of Proxy, Form of Instruction or CREST Proxy Instruction will not prevent a Shareholder or Depositary Interest Holder from attending the Special General Meeting and voting in person (in substitution for their proxy vote) if they wish to do so and are so entitled.

Confirmation as to whether or not the Revised Investment Policy and the Modified Performance Fee have been approved by Shareholders will be contained in a regulatory announcement to be published following the Special General Meeting.

6. Action To Be Taken

The only action that you need to take is to complete the accompanying Form of Proxy or, if you are a Depository Interest Holder, the accompanying Form of Instruction or a CREST Proxy Instruction. Shareholders are asked to complete a Form of Proxy, a Form of Instruction or a CREST Proxy Instruction, as appropriate, whether or not they wish to attend the Special General Meeting.

****ONLY FOR SHAREHOLDERS WHO DO NOT HOLD DEPOSITARY INTERESTS THROUGH CREST**** Shareholders are asked to complete the accompanying Form of Proxy in accordance with the instructions printed on it and return it to Computershare Investor Services (Bermuda) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received as soon as possible and, in any event, not later than 9.00 a.m. (Bermuda time) (1 p.m. GMT) on 18 December 2015.

****ONLY FOR SHAREHOLDERS WHO HOLD DEPOSITARY INTERESTS THROUGH CREST**** Depository Interest Holders are asked to complete a Form of Instruction in accordance with the instructions printed on it and return it to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY so as to be received as soon as possible and, in any event, not later than 9.00 a.m. (Bermuda time) (1.00 p.m. GMT) on 17 December 2015. Depository Interest Holders who hold their interests in respect of Ordinary Shares in CREST may instruct the Depository by completing and transmitting a CREST Proxy Instruction to Computershare Investor Services PLC so that it is received by no later than 9.00 a.m. (Bermuda time) (1 p.m. GMT) on 17 December 2015.

7. Recommendation

The Board believes that the adoption of each of the Revised Investment Policy and the Modified Performance Fee is in the best interests of the Company and the Shareholders as a whole and unanimously recommends you to vote in favour of the Ordinary Resolutions to be proposed at the Special General Meeting.

Yours sincerely

John R. Weale
Chairman

PART 2 - NOTICE OF SPECIAL GENERAL MEETING

BLUE CAPITAL GLOBAL REINSURANCE FUND LIMITED

(incorporated and registered as an exempted mutual fund company in Bermuda with registration number 46969)

NOTICE IS HEREBY GIVEN that a SPECIAL GENERAL MEETING of Blue Capital Global Reinsurance Fund Limited (the "**Company**") will be held at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda on 21 December 2015 at 9.00 a.m. (Bermuda time). Capitalised terms in this notice will have the meaning given to them in Part 3 of the circular published on 4 December 2015 (the "**Circular**"). This Special General Meeting is being convened for the purpose of considering and, if thought fit, passing the following two Ordinary Resolutions, each of which requires the approval of a majority of the votes cast in respect of it.

ORDINARY RESOLUTION 1

THAT the adoption of the Revised Investment Policy by the Company, as set out in Appendix A of the Circular, be and is hereby approved and adopted on and from 1 January 2016.

ORDINARY RESOLUTION 2

THAT the adoption of the Modified Performance Fee, as set out in Appendix C of the Circular, be and is hereby approved with effect on and from 1 January 2016.

By Order of the Board

4 December 2015

Registered office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Registered in Bermuda Number: 46969

Notes:

1. Every Shareholder has the right to appoint some other person(s) of their choice, who need not be a Shareholder as his proxy to attend, speak and vote on their behalf at the meeting. A Shareholder entitled to attend and vote at the Special General Meeting may appoint one or more proxies (who need not be Shareholders of the Company) to attend, speak and vote on his or her behalf. A Shareholder may appoint more than one proxy in relation to the Special General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. In order to be valid, any appointment of proxy (and the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of such power or authority) must be put in place and returned in accordance with these notes and the notes set out on the accompanying Form of Proxy.
2. ****ONLY FOR INVESTORS WHO DO NOT HOLD DEPOSITARY INTERESTS THROUGH CREST****
A Form of Proxy is enclosed for use at the Special General Meeting. The Form of Proxy should be completed and sent together with (if not previously registered with the Company) the power of attorney or other authority (if any) under which it is executed, to Computershare Investor Services (Bermuda) Limited c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received as soon as possible and, in any event, not later than 9.00 a.m. (Bermuda time) on 18 December 2015. The Form of Proxy may also be returned by fax or email in accordance with the instructions printed on the form. Completing and returning a Form of Proxy will not prevent a Shareholder from attending and voting in person at the Special General Meeting should he or she so wish. To have the right to attend and vote at the Special General Meeting (and also for the purpose of calculating how many votes the Shareholder may cast on a

poll), a Shareholder must first have his or her name entered in the Company's register of shareholders no later than 9.00 a.m. (Bermuda time) (1.00 p.m. GMT) on 18 December 2015. Changes to entries in that register after that time shall be disregarded in determining the rights of any Shareholder to attend and vote at the Special General Meeting. Return of the Form of Proxy will not preclude a Shareholder from attending the Special General Meeting and voting in person.

3. ****ONLY FOR INVESTORS WHO HOLD DEPOSITARY INTERESTS THROUGH CREST**** A Form of Instruction is enclosed for use at the Special General Meeting. The Form of Instruction should be completed and sent together with (if not previously registered with the Company) the power of attorney or other authority (if any) under which it is executed, to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY so as to be received as soon as possible and, in any event, by no later than 9.00 a.m. (Bermuda time) (1.00 p.m. GMT) on 17 December 2015. In the case of joint holders of Depositary Interests, a Form of Instruction completed by the senior holder will be accepted to the exclusion of a Form of Instruction completed by any of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the register of Depositary Interests in respect of the joint holding.

A Depositary Interest Holder who is a CREST member and who wishes to appoint, or to give instruction to, the Depositary through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by 9.00 a.m. (Bermuda time) (1.00 p.m. GMT) on 17 December 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The return of a completed Form of Direction or CREST Proxy Instruction will not prevent a Depositary Interest Holder from attending the Special General Meeting and voting in person (in substitution for their proxy vote) if they wish to do so and are so entitled and, if a Depositary Interest Holder wishes to attend the Special General Meeting, a letter of representation must be requested from Computershare Investor Services PLC by 9.00 a.m. (Bermuda time) (1.00 p.m. GMT) on 17 December 2015.

4. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.
5. As at the date of this Circular, the Company's issued share capital is 199,105,326 Ordinary Shares carrying on a poll one vote each.
6. Copies of the following documents will be available for inspection at the registered office of the Company, Canon's Court, 22 Victoria Street, Hamilton, HM12 Bermuda during normal business hours until the conclusion of the Special General Meeting: (i) the existing Bye-Laws of the Company; and (ii) a copy of this Circular.

PART 3 - DEFINITIONS

The following definitions apply throughout this Circular, unless the context requires otherwise:

"Affiliated Reinsurer"	any reinsurance business that is affiliated with the Investment Manager, including Montpelier Re;
"Board" or "Directors"	the directors of the Company or, where the context permits, the board of directors of the Company (or any duly authorised committee of such board);
"Cat Bonds"	a class of fixed income assets offering investors a defined return in exchange for the acceptance of risk linked to the occurrence of a specified catastrophe or extreme mortality event;
"Circular"	this document, including, for the avoidance of doubt, the appendices hereto;
"Company"	Blue Capital Global Reinsurance Fund Limited, an exempted mutual fund company incorporated with limited liability and registered in Bermuda with registration number 46969;
"Control Agreement"	the control agreement dated 30 November 2012 between the Company, Master Fund SAC, the Investment Manager and the Reinsurer, under which the Master Fund, the Investment Manager and the Reinsurer have, <i>inter alia</i> , agreed not to change the Master Fund's investment policy or any fees payable to the Investment Manager without the Company's consent;
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations);
"CREST Manual"	the CREST manual issued by Euroclear;
"CREST member"	a person who has been admitted by Euroclear as a system member (as defined in the CREST Regulations);
"CREST participant"	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations);
"CREST Proxy Instruction"	the instruction whereby CREST members send a CREST message appointing Computershare Company Nominees Limited to vote as custodian of its Depository Interests at the Special General Meeting and instructing Computershare Company Nominees Limited how to vote and containing the information set out in the CREST Manual;
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
"CREST sponsor"	a CREST participant admitted to CREST as a CREST sponsor being a sponsoring system participant (as defined in the CREST Regulations);
"CREST sponsored member"	a CREST member admitted to CREST as a sponsored member;
"Depository"	means Computershare Investor Services PLC, or where

	applicable its nominated custodian;
"Depository Interest Holders"	holders of Depository Interests;
"Depository Interests"	the dematerialised Depository Interests issued in respect of Ordinary Shares (on a one-for-one basis);
"Form of Instruction"	the form of instruction accompanying this Circular for use by Depository Interest Holders in relation to voting on the Ordinary Resolutions to be proposed at the Special General Meeting;
"Form of Proxy"	the form of proxy accompanying this Circular for use by Shareholders in relation to voting on the Ordinary Resolutions to be proposed at the Special General Meeting;
"Insurance-Linked Securities"	Insurance-based instruments, including participation in traditional reinsurance, insurance-linked swaps and Industry Loss Warranties, insurance-linked securities as well as other financial instruments;
"Industry Loss Warranties"	Insurance-Linked Instruments which offer a defined premium payment in exchange for losses upon the occurrence of a defined catastrophe or extreme mortality event;
"Investment Manager"	Blue Capital Management Ltd., an exempted company incorporated with limited liability and registered in Bermuda with registration number 33829;
"LIBOR"	the US dollar London Interbank Offered Rate or, in relation to the target return, the average of the one-month US dollar London Interbank Offered Rate as at the first Business Day of each fiscal year;
"Master Fund"	Blue Capital Global Reinsurance SA-I, a segregated account of the Master Fund SAC;
"Master Fund SAC"	Blue Water Master Fund Ltd., an exempted mutual fund company incorporated with limited liability and registered in Bermuda with registration number 46069;
"Modified Performance Fee"	the proposed modified performance fee that will be adopted by the Company if the relevant Ordinary Resolution is approved, as set out in Appendix C to this Circular and which is further described in paragraph 4 of Part 1 of this Circular;
"Montpelier Re"	Montpelier Reinsurance Ltd., a company incorporated in Bermuda with registration number 31261;
"Net Asset Value"	the net asset value of the Company or the Master Fund or per Share (as the context requires);
"Ordinary Resolution"	a resolution passed by a majority of the votes cast by Shareholders (in nominal value) of the issued Ordinary Shares;
"Ordinary Share"	an ordinary share of US\$0.00001 in the capital of the Company;
"Performance Fee"	the performance related fee which the Investment Manager is entitled to receive from the Master Fund pursuant to the terms

	of the Underwriting and Insurance Management Agreement;
"Performance Trigger"	has the meaning given to it in Appendix C of this Circular (on the assumption that the Ordinary Resolution regarding the Modified Performance Fee is approved);
"Performance Period"	has the meaning given to it in Appendix C of this Circular (on the assumption that the Ordinary Resolution regarding the Modified Performance Fee is approved);
"Performance Hurdle"	has the meaning given to it in Appendix C of this Circular (on the assumption that the Ordinary Resolution regarding the Modified Performance Fee is approved);
"Quota Share Agreement"	a form of reinsurance in which a ceding insurer cedes an agreed percentage of every risk it insures falling within certain agreed classes of business, subject to a reinsurance treaty;
"Reinsurer"	Blue Water Re Ltd., an exempted company incorporated with limited liability in Bermuda with registration number 45989 and licensed by the Bermuda Monetary Authority as a "special purpose insurer" to transact property reinsurance business;
"Revised Investment Policy"	the proposed revised investment policy that will be adopted by the Company if the relevant Resolution is approved, as set out in Appendix A to this Circular and which is further described in paragraph 2 of Part 1 of this Circular;
"Revised Target Return"	the revision to the Company's target return, which is described in paragraph 3 of Part 1 of this Circular;
"Share"	a share in the capital of the Company (of whatever class);
"Shareholder"	a registered holder of a Share and/or, as the context may require, Depositary Interests Holders;
"Special General Meeting"	the special general meeting of the Company, notice of which is set out in Part 2 of this Circular, or any adjournment of that meeting;
"Stop-Loss Agreement"	a form of reinsurance agreement which has the effect of capping the liability of an insurer or reinsurer with respect to a particular risk event or risk events at one or more agreed thresholds; and
"Underwriting and Insurance Management Agreement"	an agreement dated 27 November 2012 between the Master Fund SAC (on behalf of the Master Fund), Blue Capital Insurance Managers Ltd. (which merged with the Investment Manager on 15 December 2014) and the Reinsurer pursuant to which Blue Capital Insurance Managers Ltd. (or, following the merger, the Investment Manager) provides underwriting, risk management, claims management, ceded retrocession agreement management and actuarial and accounting services to the Reinsurer.

APPENDIX A – THE REVISED INVESTMENT POLICY

The Company

The Company seeks to achieve its investment objective by investing all of its assets (other than cash or near cash pending distribution to Shareholders or investment in the Master Fund and any funds required for short-term working capital purposes) in the Master Fund. The Master Fund invests in a diversified portfolio of fully collateralised reinsurance-linked contracts and other investments carrying exposures to insured catastrophe event risks.

The Company's published investment policy is consistent with that of the Master Fund set out below. The Master Fund SAC has agreed pursuant to the Control Agreement that it will not amend the Master Fund's investment policy without the consent of the Company.

The Company may not borrow for investment purposes however borrowings may be used for the purposes of funding repurchases of Ordinary Shares or managing other working capital requirements. In each of these circumstances, the Company is limited to borrowing an amount equivalent to a maximum of 20 per cent. of its Net Asset Value, at the time of draw down.

Any material change to the investment policy of the Company will be made only with the approval of Shareholders.

The Master Fund

The investment objective of the Master Fund is to generate attractive returns by investing in a diversified portfolio of fully collateralised reinsurance-linked contracts and other investments carrying exposures to insured catastrophe event risks.

The Master Fund predominantly invests in fully collateralised reinsurance-linked contracts through preference shares issued by the Reinsurer which in turn writes the reinsurance contracts with the ceding companies.

The Master Fund's investment in other reinsurance-linked investments carrying exposure to insured catastrophe event risks such as Industry Loss Warranties, Cat Bonds and other Insurance-Linked Instruments are made directly by the Master Fund or indirectly via the Reinsurer.

In order to ensure that the Master Fund has a spread of investment risk, the Master Fund has adopted the following investment restrictions:

- The following limits shall apply (at the time of investment) to the Master Fund's investments in the following classes of reinsurance (each limit being expressed as a percentage of the Company's Net Asset Value):
 - up to 100 per cent. in indemnity reinsurance;
 - up to 50 per cent. in indemnity retrocession;
 - up to 50 per cent. in quota share retrocessional agreements;
 - up to 50 per cent. in Industry Loss Warranties;
 - up to 10 per cent. in Cat Bonds; and
 - up to 10 per cent. in other non-property catastrophe risks.

- The portfolio will be diversified geographically with an emphasis on the 20 regions set out below:

<i>North American Regions</i>	<i>European Regions</i>	<i>Rest of World Regions</i>
USA, Northeast	UK and Ireland	Middle East
USA, Mid-Atlantic	Northern Europe, Benelux	Australia
USA, Florida	and Scandinavia	New Zealand
USA, Gulf	Western Europe (France, Japan	
USA, New Madrid	Germany, Switzerland and South America	
USA, Midwest	Austria)	
USA, California	Southern Europe	
USA, Hawaii	Eastern Europe	
Canada, Eastern		
Canada, Western		

- The maximum net aggregate exposure (i.e. the sum of all collateral invested less reinsurance recoverable) in any one zone will not exceed 50 per cent. of the Company's Net Asset Value. For these purposes, a zone is defined by a combination of geographical regions (as outlined above), peril and occurrence. Examples of individual zones include, but are not limited to: USA Florida Windstorm 1st event; USA Florida Windstorm 2nd event; UK and Ireland Windstorm 1st event; UK and Ireland Windstorm 2nd event; USA California Earthquake 1st event; Japan Earthquake 1st event; and USA Midwest Aggregate.
- The net probable maximum loss (i.e. net of (a) reinsurance recoverable, (b) net unearned premiums on loss impacted contracts and (c) any reinstatement premiums receivable) from any one catastrophe loss event at the one in one hundred year return period will not exceed 35 per cent. of the Company's Net Asset Value. For these purposes, a single catastrophe loss event is defined by a combination of region, territory and peril. Examples of individual catastrophe loss events include, but are not limited to: USA Florida Hurricane; USA Gulf Hurricane; USA Northeast Hurricane; USA Hawaii Hurricane; UK and Ireland Windstorm; Western Europe (France) Windstorm; and Japan Typhoon.
- The net probable maximum loss (i.e. net of (a) reinsurance recoverable, (b) net unearned premiums on loss impacted contracts and (c) any reinstatement premiums receivable) from any one earthquake loss event at the one in two hundred and fifty year return period will not exceed 35 per cent. of the Company's Net Asset Value. For these purposes, a single earthquake loss event is defined by a combination of region, territory and peril. Examples of individual earthquake loss events include, but are not limited to: USA California Earthquake; USA New Madrid Earthquake; USA Pacific Northwest Earthquake; Canada Western (British Colombia) Earthquake; Southern Europe (Italy) Earthquake; and Japan Earthquake.
- No more than 20 per cent. of the Company's Net Asset Value will be invested in any one catastrophe linked contract or security. For avoidance of doubt, in the case of Quota Share or Stop Loss Agreements the analysis will look through to the underlying contracts.

The investment restrictions above apply in respect of any new investment at the time of investment, using the information available to the Investment Manager at that time. This will include information on the existing portfolio contract limits and modelled loss exposures by zone, as well as estimations of the potential impact on the portfolio limits and modelled loss exposures from unquantified external factors.

These factors include industry loss events that have the potential to cause loss to the Master Fund's portfolio, and changes in methodology for calculating modelled losses. Based on the information available to the Investment Manager at the time, if a new investment being considered would cause an investment restriction to be breached, or if an investment restriction

relevant to that new investment opportunity is already in breach, then that new investment shall not be made. The existence of investment restriction breaches does not preclude the Master Fund from making any new investments, it only restricts it from making new investments that would result in a new breach or exacerbate existing breaches of investment restrictions.

The Master Fund may, from time to time, purchase retrocessional protection, directly or indirectly via the Reinsurer, to hedge against the impact of catastrophe events on the portfolio. The Master Fund may (but is not obliged to) undertake currency hedging for exposures in non-US Dollar currencies.

The Master Fund may, via the Reinsurer, enter into fronting arrangements with highly rated, sophisticated participants, or otherwise well capitalised insurance companies that pass the Investment Manager's detailed credit review process, including Affiliated Reinsurers, under which such party will agree to enter into certain reinsurance contracts that are to be underwritten by the Reinsurer and such party will transfer risks and premiums under such contracts to the Reinsurer via a collateralised retrocessional reinsurance contract. A fronting fee will be deducted from premiums paid to the Reinsurer, which will be calculated on an arm's length basis and will be limited to 5 per cent. of any premium paid. The purpose of such fronting arrangement is to permit the Master Fund to access attractive catastrophe reinsurance opportunities with counterparties who prefer to transact such business with a rated reinsurance company. Where it is proposed that an Affiliated Reinsurer acts as fronting reinsurer, the Investment Manager has established procedures to deal with any potential conflicts of interest that may arise. Any such fronting services would only be supplied with the approval of the Directors who are independent of the Affiliated Reinsurer. For the avoidance of doubt, the Master Fund may enter into Quota Share and Stop Loss Agreements with rated reinsurers, including Affiliated Reinsurers. If transacted with an Affiliated Reinsurer, the terms of the agreements will be at arm's length and approved in advance by the Directors.

The Master Fund may not borrow for investment purposes. Borrowings may however be used for the purposes of working capital requirements. In such circumstances, the Master Fund is limited to borrowing an amount equivalent to a maximum of 10 per cent. of its Net Asset Value, at the time of draw down.

APPENDIX B – BLACKLINE SHOWING CHANGES TO THE INVESTMENT POLICY

The Company

The Company seeks to achieve its investment objective by investing all of its assets (other than cash or near cash pending distribution to Shareholders or investment in the Master Fund and any funds required for short-term working capital purposes) in the Master Fund. The Master Fund invests in a diversified portfolio of fully collateralised reinsurance-linked contracts and other investments carrying exposures to insured catastrophe event risks.

The Company's published investment policy is consistent with that of the Master Fund ~~which is~~ set out below. The Master Fund SAC has agreed pursuant to the Control Agreement that it will not amend the Master Fund's investment policy without the consent of the Company.

The Company may not borrow for investment purposes however borrowings may be used for the purposes of funding repurchases of Ordinary Shares or managing other working capital requirements. In each of these circumstances, the Company is limited to borrowing an amount equivalent to a maximum of 20 per cent. of its Net Asset Value, at the time of draw down.

~~The Directors do not currently intend to propose any material changes to the Company's investment policy, save in the case of exceptional or unforeseen circumstances. Any material change to the investment policy of the Company will be made only with the approval of Shareholders.~~

The Master Fund

The investment objective of the Master Fund is to generate attractive returns by investing in a diversified portfolio of fully collateralised reinsurance-linked contracts and other investments carrying exposures to insured catastrophe event risks.

The Master Fund predominantly invests in fully collateralised reinsurance-linked contracts through preference shares issued by the Reinsurer which in turn writes the reinsurance contracts with the ceding companies.

The Master Fund's investment in other reinsurance-linked investments carrying exposure to insured catastrophe event risks such as Industry Loss Warranties, Cat Bonds and other Insurance-Linked Instruments ~~may be~~ are made directly by the Master Fund or indirectly via the Reinsurer.

In order to ensure that the Master Fund has a spread of investment risk, the Master Fund has adopted the following investment restrictions:

- The following limits shall apply (at the time of investment) to the Master Fund's investments in the following classes of reinsurance (each limit being expressed as a percentage of the Company's Net Asset Value):
 - up to 100 per cent. in indemnity reinsurance;
 - up to 50 per cent. in indemnity retrocession;
 - up to 50 per cent. in quota share retrocessional agreements;
 - up to 50 per cent. in Industry Loss Warranties;
 - up to 10 per cent. in Cat Bonds; and

- up to 10% in other non-property catastrophe risks.

- The portfolio will be diversified geographically with an emphasis on the 20 regions set out below:

North American Regions

USA, Northeast
USA, Mid-Atlantic
USA, Florida
USA, Gulf
USA, New Madrid
USA, Midwest
USA, California
USA, Hawaii
Canada, Eastern
Canada, Western

European Regions

UK and Ireland
Northern Europe, Benelux
and Scandinavia
Western Europe (France,
Germany, Switzerland and
Austria)
Southern Europe
Eastern Europe

Rest of World Regions

Middle East
Australia
New Zealand
Japan
South America

- The maximum net aggregate exposure (i.e. the sum of all collateral invested less reinsurance recoverable) in any one zone will not exceed ~~35~~ 50 per cent. of the ~~Master Fund's~~Company's Net Asset Value. For these purposes, a zone is defined by a combination of geographical regions (as outlined above), peril and occurrence. Examples of individual zones include, but are not limited to: USA Florida Windstorm 1st event; USA Florida Windstorm 2nd event; UK and Ireland Windstorm 1st event; UK and Ireland Windstorm 2nd event; USA California Earthquake 1st event; Japan Earthquake 1st event; and USA Midwest Aggregate.
- The net probable maximum loss (i.e. net of (a) reinsurance recoverable, (b) net unearned premiums on loss impacted contracts and (c) any reinstatement premiums receivable) from any one catastrophe loss event at the one in one hundred year return period will not exceed ~~25~~ 35 per cent. of the ~~Master Fund's~~Company's Net Asset Value. For these purposes, a single catastrophe loss event is defined by a combination of region, territory and peril. Examples of individual catastrophe loss events include, but are not limited to: USA Florida Hurricane; USA Gulf Hurricane; USA Northeast Hurricane; USA Hawaii Hurricane; UK and Ireland Windstorm; Western Europe (France) Windstorm; and Japan Typhoon.
- The net probable maximum loss (i.e. net of (a) reinsurance recoverable, (b) net unearned premiums on loss impacted contracts and (c) any reinstatement premiums receivable) from any one earthquake loss event at the one in two hundred and fifty year return period will not exceed ~~25~~ 35 per cent. of the ~~Master Fund's~~Company's Net Asset Value. For these purposes, a single earthquake loss event is defined by a combination of region, territory and peril. Examples of individual earthquake loss events include, but are not limited to: USA California Earthquake; USA New Madrid Earthquake; USA Pacific Northwest Earthquake; Canada, Western (British Columbia) Earthquake; Southern Europe (Italy) Earthquake; and Japan Earthquake.
- No more than 20 per cent. of the ~~Master Fund's~~Company's Net Asset Value will be invested in any one catastrophe linked contract or security. For avoidance of doubt, in the case of Quota Share or Stop Loss Agreements the analysis will look through to the underlying contracts.
- ~~The Master Fund will not invest directly in contracts or securities with a premium of less than 5 per cent. of the limit exposed to a single event. The Master Fund may invest in contracts with a premium of less than 5 per cent. of the limit exposed to a single event indirectly through a Quota Share or Stop Loss Agreement.~~

The investment restrictions above apply in respect of any new investment at the time of investment, using the information available to the Investment Manager at that time. This will

include information on the existing portfolio contract limits and modelled loss exposures by zone, as well as estimations of the potential impact on the portfolio limits and modelled loss exposures from unquantified external factors.

These factors include industry loss events that have the potential to cause loss to the Master Fund's portfolio, and changes in methodology for calculating modelled losses. Based on the information available to the Investment Manager at the time, if a new investment being considered would cause an investment restriction to be breached, or if an investment restriction relevant to that new investment opportunity is already in breach, then that new investment shall not be made. The existence of investment restriction breaches does not preclude the Master Fund from making any new investments, it only restricts it from making new investments that would result in a new breach or exacerbate existing breaches of investment restrictions.

The Master Fund may, from time to time, purchase retrocessional protection, directly or indirectly via the Reinsurer, to hedge against the impact of catastrophe events on the portfolio. The Master Fund may (but is not obliged to) undertake currency hedging for exposures in non-US Dollar currencies.

The Master Fund may, via the Reinsurer, enter into fronting arrangements with highly rated, sophisticated participants, or otherwise well capitalised insurance companies that pass the ~~Reinsurance~~ Investment Manager's detailed credit review process, including ~~Montpelier ReAffiliated Reinsurers~~, under which such party will agree to enter into certain reinsurance contracts that are to be underwritten by the Reinsurer and such party will transfer all risks and premiums under such contracts to the Reinsurer via a collateralised retrocessional reinsurance contract. A fronting fee will be deducted from premiums paid to the Reinsurer, which will be calculated on an arm's length basis and will be limited to 5 per cent. of any premium paid. The purpose of such fronting arrangement is to permit the Master Fund to access attractive catastrophe reinsurance opportunities with counterparties who prefer to transact such business with a rated reinsurance company. Where it is proposed that ~~Montpelier Rean Affiliated Reinsurer~~ acts as fronting reinsurer, the Investment Manager has established procedures to deal with any potential conflicts of interest that may arise. Any such fronting services would only be supplied with the approval of the Directors, ~~all of whom~~ are independent of ~~Montpelier Rethe Affiliated Reinsurer~~. For the avoidance of doubt, the Master Fund may enter into Quota Share and Stop Loss Agreements with rated reinsurers, including ~~Montpelier ReAffiliated Reinsurers~~. If transacted with ~~Montpelier Rean Affiliated Reinsurer~~, the terms of the agreements will be at arm's length and approved in advance by the Directors.

The Master Fund may not borrow for investment purposes. Borrowings may however be used for the purposes of working capital requirements. In such circumstances, the Master Fund is limited to borrowing an amount equivalent to a maximum of 10 per cent. of its Net Asset Value, at the time of draw down.

APPENDIX C – THE REVISED PERFORMANCE FEE WORDING

Performance Fee

The Master Fund pays the Investment Manager a Performance Fee equal to 15 per cent. of: (a) the aggregate appreciation in the Net Asset Value of the Master Fund Shares held by the Company (excluding SMA Shares) over the previous High Water Mark; less (b) the Performance Hurdle, at the end of each Fiscal Year or earlier upon redemption or transfer of Master Fund Shares or the termination of the Underwriting and Insurance Management Agreement (each a "**Performance Period**"), provided that the Performance Fee shall not be less than zero and provided further that no Performance Fee is payable in a Performance Period unless a Performance Trigger has been reached.

The Performance Fee is not payable in any Performance Period until the previous High Water Mark with respect to the Master Fund Shares has been exceeded as of the end of such period. The "**High Water Mark**" for the Master Fund Shares at the end of any Performance Period is equal to: (a) where there is New Net Profit (as defined below) in such Performance Period, the then current Net Asset Value of such Master Fund Shares; or (b) where there is no New Net Profit in such Performance Period, the previous High Water Mark. The initial High Water Mark for the Master Fund Shares is equal to the initial subscription amount of US\$1,000. Appropriate adjustments are made to account for subscriptions, redemptions and distributions, if any.

"**New Net Profit**" for the Master Fund Shares held by the Company for any Performance Period is the appreciation of the Net Asset Value of such Master Fund Shares during such Performance Period ("**Profit**") after deducting any depreciation in Net Asset Value in any prior Performance Period that has not been previously eliminated by profit in prior Performance Periods. New Net Profit is not reduced by any Performance Fees previously paid.

"**Performance Trigger**", in respect of a Performance Period is reached where the New Net Profit in respect of the Master Fund Shares held by the Company at the end of the Performance Period exceeds the sum of: (a) the Net Asset Value of the Master Fund Shares held by the Company as of the beginning of the Performance Period multiplied by the average of the one month US dollar LIBOR on the last Business Day of each month during such Performance Period; and (b) 8 per cent. of the Net Asset Value of the Master Fund Shares held by the Company as at the beginning of the Performance Period. The Performance Trigger is calculated on an annual basis. If a Performance Period is a partial calendar year, the Performance Trigger will be adjusted proportionately. The Performance Trigger is not cumulative and resets at the beginning of each Fiscal Year. Shortfalls or outperformance of the Performance Trigger in a given year has no effect on the Performance Fee calculated with respect to any other year. The Performance Trigger may be further equitably adjusted to reflect subscriptions which are made during a Performance Period or partial redemptions or distributions of the Master Fund Shares held by the Company.

The "**Performance Hurdle**" in respect of a Performance Period is the amount of New Net Profit, if any, in respect of the Master Fund Shares held by the Company at the end of such Performance Period which equals the sum of: (a) the Net Asset Value of the Master Fund Shares held by the Company as of the beginning of the Performance Period multiplied by the average of the one-month US dollar LIBOR on the last Business Day of each month during such Performance Period; and (b) 5 per cent. of the Net Asset Value of the Master Fund Shares held by the Company as at the beginning of the Performance Period. The Performance Hurdle is calculated on an annual basis. If a Performance Period is a partial calendar year, the Performance Hurdle will be adjusted proportionately. The Performance Hurdle is not cumulative and resets at the beginning of each Fiscal Year. Shortfalls or outperformance of the Performance Hurdle in a given year has no effect on the Performance Fee calculated with respect to any other year. The Performance Hurdle may be further equitably adjusted to reflect subscriptions which are made during a Performance Period or partial redemptions or distributions of the Master Fund Shares held by the Company.

From time to time, investments held by the Reinsurer which are attributable to the Master Fund may be subject to a loss occurrence (each, an "**SMA Investment**") but the amount of such loss occurrence may be uncertain. The Management Fees and Performance Fees attributable to any SMA Investments are calculated as described in the section entitled "Special Memorandum Accounts" in Part 11 of the Company's Prospectus dated 18 November 2014.

APPENDIX D – BLACKLINE SHOWING CHANGES TO THE PERFORMANCE FEE WORDING

Performance Fee

The Master Fund pays the Investment Manager a Performance Fee equal to 15 per cent. of: (a) the aggregate appreciation in the Net Asset Value of the Master Fund Shares held by the Company (excluding SMA Shares) over the previous High Water Mark; less (b) the Performance Hurdle, at the end of each Fiscal Year or earlier upon redemption or transfer of Master Fund Shares or the termination of the Underwriting and Insurance Management Agreement (each a "**Performance Period**"), provided that the Performance Fee shall not be less than zero and provided further that no Performance Fee is payable in a Performance Period unless a Performance Trigger has been reached.

The Performance Fee is not payable in any Performance Period until the previous High Water Mark with respect to the Master Fund Shares has been exceeded as of the end of such period. The "**High Water Mark**" for the Master Fund Shares at the end of any Performance Period is equal to: (a) where there is New Net Profit (as defined below) in such Performance Period, the then current Net Asset Value of such Master Fund Shares; or (b) where there is no New Net Profit in such Performance Period, the previous High Water Mark. The initial High Water Mark for the Master Fund Shares is equal to the initial subscription amount of US\$1,000. Appropriate adjustments are made to account for subscriptions, redemptions and distributions, if any.

"**New Net Profit**" for the Master Fund Shares held by the Company for any Performance Period is the appreciation of the Net Asset Value of such Master Fund Shares during such Performance Period ("**Profit**") after deducting any depreciation in Net Asset Value in any prior Performance Period that has not been previously eliminated by profit in prior Performance Periods. New Net Profit is not reduced by any Performance Fees previously paid.

"**Performance Trigger**", in respect of a Performance Period is reached where the New Net Profit in respect of the Master Fund Shares held by the Company at the end of the Performance Period exceeds the sum of: (a) the Net Asset Value of the Master Fund Shares held by the Company as of the beginning of the Performance Period multiplied by the average of the one month US dollar LIBOR on the last Business Day of each month during such Performance Period; and (b) ~~4~~ 8 per cent. of the Net Asset Value of the Master Fund Shares held by the Company as at the beginning of the Performance Period. The Performance Trigger is calculated on an annual basis. If a Performance Period is a partial calendar year, the Performance Trigger will be adjusted proportionately. The Performance Trigger is not cumulative and resets at the beginning of each Fiscal Year. Shortfalls or outperformance of the Performance Trigger in a given year has no effect on the Performance Fee calculated with respect to any other year. The Performance Trigger may be further equitably adjusted to reflect subscriptions which are made during a Performance Period or partial redemptions or distributions of the Master Fund Shares held by the Company.

The "**Performance Hurdle**" in respect of a Performance Period is the amount of New Net Profit, if any, in respect of the Master Fund Shares held by the Company at the end of such Performance Period which equals the sum of: (a) the Net Asset Value of the Master Fund Shares held by the Company as of the beginning of the Performance Period multiplied by the average of the one-month US dollar LIBOR on the last Business Day of each month during such Performance Period; and (b) ~~3~~ 5 per cent. of the Net Asset Value of the Master Fund Shares held by the Company as at the beginning of the Performance Period. The Performance Hurdle is calculated on an annual basis. If a Performance Period is a partial calendar year, the Performance Hurdle will be adjusted proportionately. The Performance Hurdle is not cumulative and resets at the beginning of each Fiscal Year. Shortfalls or outperformance of the Performance Hurdle in a given year has no effect on the Performance Fee calculated with respect to any other year. The Performance Hurdle may be further equitably adjusted to reflect subscriptions which are made during a Performance Period or partial redemptions or distributions of the Master Fund Shares held by the Company.

From time to time, investments held by the Reinsurer which are attributable to the Master Fund may be subject to a loss occurrence (each, an "**SMA Investment**") but the amount of such loss occurrence may be uncertain. The Management Fees and Performance Fees attributable to any SMA Investments are calculated as described in the section entitled "Special Memorandum Accounts" in Part 11 of the Company's Prospectus dated 18 November 2014.