Blue Capital Global Reinsurance Fund Limited
Annual Report

For the year ended 31 December 2014

Contents

Summary Information

The Company

Blue Capital Global Reinsurance Fund Limited (the "Company") is an exempted closed-ended mutual fund company incorporated under the laws of Bermuda and listed on the London Stock Exchange's Specialist Fund Market ("SFM") with a secondary listing on the Bermuda Stock Exchange ("BSX"). Trading in the Company's shares commenced on 6 December 2012, at which time the Company raised $100.1[1] million from an initial public offering ("IPO") of 100.1 million ordinary shares of the Company ("Ordinary Shares"), $50 million of which was invested by Montpelier Reinsurance Ltd. ("Montpelier Re"), a wholly owned subsidiary of Montpelier Re Holdings Ltd. (NYSE: MRH) ("Montpelier"), which in turn wholly owns Blue Capital Management Ltd., the Company's investment manager (the "Manager").

Pursuant to a 12-month placing programme initiated on 16 April 2013 (the "2013-14 Placing Programme"), the Company raised an additional $75.3 million. After the close of the 2013-14 Placing Programme in April of 2014, the Company initiated another placing programme on 20 November 2014 (the "2014-15 Placing Programme" and together with the 2013-14 Placing Programme, the "Placing Programmes"). The first placing under the 2014-15 Placing Programme raised an additional $21.2 million on 28 November 2014. To date, since its IPO, the Company has raised an additional $96.5 million through the Placing Programmes. The Company also raised an additional $6.9 million on 6 May 2014 in order to satisfy market demand.

The Company provides investors access to risk premia from the reinsurance industry and achieved an increase in NAV of 8.8 per cent inclusive of dividends to Shareholders during 2014.

Management Arrangements

The Company has entered into an agreement with the Manager for the provision of investment management services. The Manager also provides underwriting and administrative services to Blue Water Re Ltd. (the "Reinsurer"), a Bermuda special purpose insurer which helps to support the Company's investment objective. Underwriting services were formerly provided by the Manager's wholly-owned subsidiary, Blue Capital Insurance Managers Ltd. (the "Reinsurance Manager"); however, the Manager and the Reinsurance Manager consummated a short form merger on 15 December 2014, with the Manager surviving by operation of statute. Accordingly, the Manager has and will continue to act as the Company's investment manager as well as the Reinsurer's insurance manager and insurance agent in place of, and on the same terms as, the Reinsurance Manager.

The Manager attends each quarterly Board meeting and maintains open dialogue with the Directors on an ongoing basis. Fees payable by the Company to the Manager are disclosed in the Directors' Report beginning on page 10.

Target Return[2]

The Company targets an annualised dividend yield of LIBOR plus 6 per cent. per annum on the original issue price of the Ordinary Shares issued in December 2012. The Company also targets a net return to Shareholders (comprised of dividends and other distributions to Shareholders together with increases in the Company's net asset value ("NAV")) of LIBOR plus 10 per cent. per annum to be achieved over the longer term.

Summary of Investment Objective and Investment Policy

The investment objective of the Company is to generate attractive returns from a sustainable annual dividend yield and longer-term capital growth by investing substantially all of its assets in shares linked to the segregated account identified as Blue Capital Global Reinsurance SA-I (the "Master Fund") within Blue Water Master Fund Ltd., an exempted Bermuda mutual fund segregated accounts company.

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[1] All currency references in this Annual Report are in US Dollars unless otherwise noted.

[2] These are targeted amounts and not profit forecasts. There can be no assurance that these targets can or will be met or that the Company will make any distributions at all and these should not be viewed as an indication of the Company's expected or actual results or returns.

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 Master Fund predominantly invests in fully collateralised reinsurance-linked contracts through preference shares issued by the Reinsurer. The Master Fund's investment in other reinsurance-linked investments carrying exposure to insured catastrophe event risks such as industry loss warranties ("ILWs"), 144A rated catastrophe bonds ("Cat Bonds") and other insurance-linked instruments ("Insurance-Linked Instruments") may be made directly by the Master Fund or indirectly via the Reinsurer.

An overview of the Company's investment policy, including investment restrictions, is set out in the Directors' Report.

Shareholder Information

At 31 December 2014, the Company had 199,105,326 Ordinary Shares with a NAV of $216,673,617 and a NAV per Ordinary Share of $1.0882. The Company's NAV per Ordinary Share is calculated by the Company's administrator, Prime Management Limited (a division of SS&C GlobeOp) (the "Administrator"), (or such other person as the Directors may appoint for such purpose from time to time) and published on a monthly basis, within 15 business days after the end of each calendar month through a regulatory information service ("RIS") authorised by the Financial Conduct Authority (the "FCA") and on the list of RISs maintained by the FCA.

Financial Highlights

31 December 2014	
Total Net Assets	$216.7m
NAV per Ordinary Share	$1.088
Mid-Market Share price	$1.075
Discount to NAV	1.2%

Chairman's Statement

On behalf of the Company's Board, I am pleased to present the Company's annual report for the year ended 31 December 2014 (the "Annual Report"), which includes the Company's annual audited financial statements for the year ended 31 December 2014. As at 31 December 2014 the Company had net assets of $217 million compared to $185 million at the beginning of the year. During the year, the Company raised an additional $29 million of capital, earned $16 million and distributed $13 million as dividends to Shareholders.

Performance

The Company increased NAV per share by 8.8 per cent. inclusive of dividends to Shareholders, and the Ordinary Shares traded at an average premium to their NAV of 1.5 per cent. during 2014. Since inception the Company has increased NAV per share inclusive of dividends to Shareholders by 22 per cent., representing an annualised return of 10 per cent. Returns by month for the first two years of operations are shown in the table below. Further details relating to the performance of the Company are set out in the Manager's report.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2013	0.3%	0.4%	0.5%	0.7%	0.1%	0.8%	1.0%	2.4%	3.2%	1.9%	0.1%	0.0%	11.8%
2014	0.2%	0.3%	0.0%	-0.1%	0.3%	0.4%	1.3%	1.9%	2.4%	1.1%	0.3%	0.5%	8.8%

Dividend

The Company continues to target an annualised dividend of LIBOR plus 6 per cent. on the original issue price of its Ordinary Shares in December 2012.[3] In July 2014, the Company declared dividends of $0.032 per share for the period from 1 January 2014 to 30 June 2014, and in January 2015 declared a further $0.033 per share for the second half of 2014, which was paid in March 2015. The combined dividends declared during 2014 were slightly above the Company's target.

Outlook

The continuing convergence of traditional reinsurance and capacity from capital markets provides insurance companies with additional flexibility in their risk transfer solutions and establishes the capital market as a sustainable complement to traditional reinsurance. However, this convergence has also created challenges for the Manager. The January 2015 underwriting period was another competitive one, characterised by pressure to reduce prices and offer more generous contractual terms and conditions. The Company's differentiated product focus on collateralised reinsurance transactions with smaller, regional insurance companies enabled it to sidestep the most competitive market segments. Overall, the January trades were executed with an average risk adjusted rate decrease of approximately 13 per cent. compared to last year. The January 2015 portfolio incorporates an increase in the quota-share participation of a traditional property catastrophe book of business, which further increases the Company's access to its preferred client base.

The Company remains pleased with the diversified portfolio that the Manager has created, which has attractive risk adjusted return characteristics, consistent with the Company's investment objectives. I am pleased with the performance achieved by this portfolio in our first two years of operations, and I would like to thank our Shareholders for their support. If you have any questions regarding your Company, please do not hesitate to contact the Company or the Manager.

John R. Weale

Chairman
13 April 2015

[3] This is a target and not a profit forecast. There can be no assurance that this target can or will be met or that the Company will make any distributions at all and it should not be viewed as an indication of the Company's expected or actual results or returns.

Manager's Report

The NAV of the Company's Ordinary Shares increased by 8.8 per cent. net of fees and expenses, and inclusive of dividends to Shareholders, during the year ended 31 December 2014. The Company declared dividends totaling $0.065 per Ordinary Share relating to the period, representing a dividend yield of just over 6 per cent. on the original offering price, which is in line with the Company's target.

The Company opened 2014 with net assets of $185.4 million and finished it with net assets of $216.7 million. Capital raises, net of dividends, accounted for $15.3 million of new funds net of placing expenses. The remaining $16.0 million, which represented profits generated by the Company's underlying reinsurance contracts net of expenses, reflected the successful deployment of capital and a relatively low level of natural catastrophe activity during the year. The 8.8 per cent. return during 2014 was behind the longer-term target of LIBOR plus 10 per cent. due to the impact of falling rates and losses incurred from regional catastrophe events. However the annualised return for the first two years of operations was 10 per cent.

We continue to benefit from a strong reception from insurance brokers and clients to the launch of the Company in late 2012. The Company has successfully targeted traditional regional programmes, which, in the Manager's opinion, tend to be more persistent buyers of reinsurance and generally have a superior risk adjusted expected return. We view each of these relationships as the basis for a longer-term relationship which we hope to grow over time, subject to satisfactory terms and conditions.

The Company focuses on traditional reinsurance, which provides customised protection to insurance clients in bespoke indemnity programmes. Traditional reinsurance, which is most commonly provided in the rated (as opposed to collateralised) reinsurance market, represents the bulk of the more than $320 billion of limits purchased annually. The advantage of establishing relationships with longer-term reinsurance buyers is that consistency of counterparties, service quality and claims-paying history are important considerations for buyers of reinsurance.

As at 28 February 2015, the portfolio was 92 per cent. deployed, with 69 per cent. invested in the traditional property catastrophe reinsurance market and 23 per cent. in the non-traditional market. Substantially all of the remaining 8 per cent. represented cash to be used to fund the dividend paid in March and the Company's expenses.

In March 2015, the Company amended its investment guidelines to refine the risk constraints to enable a more efficient deployment of capital. The amendments clarify the application of certain constraints in cases where the Company uses quota share and stop loss agreements to gain exposure to multiple underlying reinsurance contracts. More details of the changes made can be found in the Portfolio Update announced on 11 March 2015.

Loss Events Impacting the Company

Loss activity during 2014 was relatively light, representing a reduction in return of approximately 160 basis points, net of performance fees that would have been due to the Manager. The 2014 loss activity related primarily to U.S. wind and hail storms that occurred in June. Although the reinsurance market as a whole experienced significant losses in connection with European windstorms that occurred during 2014, these events did not have a material impact on the Company's results.

General Market Overview

The absence of major catastrophe losses (which typically stabilise reinsurance rates or drive rates higher) during 2014, together with the continued influx of new capacity from capital markets, have contributed to increased pricing competition within the global property catastrophe reinsurance market. However, reinsurance rate decreases have not been uniform across the market.

Typically, those segments which are easiest for providers of securitised instruments, such as Cat Bonds, to penetrate have seen new issue spreads compress more than 30 per cent. on a risk adjusted basis. Similarly, the ILW and high-yield retrocession markets have seen rates suffer with estimated rate softening of more than 20 per cent. on a risk adjusted basis. However, the Company focuses on accessing risks from small to medium-sized insurance companies with regional or sub-regional exposures. These insurers are generally less willing or able to purchase their reinsurance protections via the Cat Bond market, which has high frictional costs for the insurer and requires a minimum transaction size to be viable. These traditional reinsurance markets have seen rates reduce by approximately 10 per cent. to 15 per cent., although there have been some areas of the market, such as reinsurance programs exposed to U.S. tornado and hail, that have experienced small pricing increases and improvements in terms and conditions.

These market dynamics have also created opportunities for the Company as a buyer of reinsurance protection through the Reinsurer. In response to rate softening in the ILW markets, the Company may purchase collateralised protection to optimise its portfolio while managing downside risk. The Company will continue to monitor these opportunities and to purchase ILW protections for risk management and/or arbitrage purposes.

We remain pleased with the Company's performance in its second year of operations and we are confident in our ability to consolidate this leadership position and deliver attractive risk adjusted returns to Shareholders in 2015 due to our ability to construct investment portfolios dynamically throughout market cycles.

Remuneration Practices of the Manager

On 18 November 2014, the Manager gave written notice to the FCA that it intended to market Ordinary Shares (and/or C shares) in the United Kingdom (the "UK") in accordance with section 59(1) of the UK Alternative Investment Fund Managers Regulations (2013/1773). As a result, the Manager is required to comply, inter alia, with Article 22 of the Alternative Investment Fund Managers Directive (2011/61/EU) (the "Directive") regarding the contents of this Annual Report insofar as it is relevant to the Manager and the Company. This includes the requirement to make certain disclosures on the remuneration practices of the Manager.

As a Bermuda based investment manager, the Manager is not required to implement a remuneration policy consistent with Annex II to the Directive, and the disclosures below address the Article 22 requirements to the extent they are relevant to the Manager's remuneration practices and appropriate information is available.

The Manager is a wholly owned subsidiary of Montpelier, and is generally subject to Montpelier's compensation practices and policies. The Manager has certain employees to whom it paid direct compensation for services provided during 2014. The Manager is also supported through service agreements with Montpelier, which has approximately 170 employees globally. The costs of such services to the Manager are allocated according to a services agreement among various Montpelier subsidiaries (the "Shared Services Agreement").

The Manager provides services to several client funds and does not track its remuneration expenses by client. It is therefore impossible to determine the proportion of the Manager's remuneration expenses that are attributable to the services it performs for the Company. During 2014, the Manager recognised $5,498,121 in total remuneration expenses as follows:

	Remuneration Expense (in $US)
Incurred directly by the Manager	1,230,128
Billed to the Manager by Montpelier	4,267,993
Total	**5,498,121**

Risk Management

Article 23(4) of the Directive requires the Company to disclose its current risk profile and the risk management systems employed by the Manager to manage those risks.

The Manager relies upon Montpelier's dedicated analytics, risk management and actuarial team to perform its risk management function. Certain key risks are managed using a combination of

Montpelier's proprietary risk modeling application (CATM®), various third-party vendor models and underwriting judgment. The Manager's approach focuses on tracking exposed contract limits, estimating the potential impact of a single natural catastrophe event, and simulating the yearly net operating result to reflect aggregate underwriting and investment risk. The Manager seeks to refine and improve each of these approaches based on operational feedback. Underwriting judgment involves important assumptions about matters that are inherently unpredictable and beyond the Manager's control and for which historical experience and probability analysis may not provide sufficient guidance.

An important component of any underwriting decision is the selection of ceding companies who have an effective and robust claims mitigation capability following a loss. The Manager's experience indicates that there can be a significant variation in the performance of ceding companies following a large event if claims are handled judiciously and effectively by a dedicated in-house team or other committed resource. The Manager targets ceding companies who are expected to outperform in this regard to ensure that losses are minimised by leveraging the underwriting reviews and historical perspective of Montpelier Re.

Material Changes

The Company has been required to make certain information available to investors under Article 23 of the Directive from 18 November 2014 following the Manager giving notice to the FCA of its intention to market the Company's shares in the UK. There were no material changes to such information from such date to 31 December 2014. This information can be found in the Directive Investor Disclosure Document available at www.bcgr.bm.

Board Members

The Company's directors (the "Directors"), each of whom was appointed on 5 November 2012, are as follows:

John R. Weale (56) (Chairman) is currently a non-executive director of Blue Capital Reinsurance Holdings Ltd., a Bermuda-based holding company listed on the NYSE that offers collateralised reinsurance in the property catastrophe market and invests in various insurance-linked securities, where he serves as a member chairman of the compensation and nominating committee. He has over 30 years of professional financial management and accounting experience in the insurance/reinsurance industry and has been resident in Bermuda since March 1983. Until November 2011, Mr. Weale was Chief Financial Officer of Catalina Holdings (Bermuda) Ltd., which acquires and manages non-life insurance and reinsurance companies and portfolios in run-off. Prior to this role, Mr. Weale spent over 13 years at IPCRe Limited and IPC Holdings, Ltd., a Bermuda publicly listed reinsurance company that specialised in property catastrophe business, which merged with Validus Holdings Ltd in 2009. At IPC, he was Executive Vice President from July 2008 and Chief Financial Officer from June 1996, and Interim President and Chief Executive Officer during 2009. Previously, he held various positions at American International Company, Limited, including Vice President – Insurance Management Services. Mr. Weale has also served as chairman and audit committee member of Butterfield Money Market Fund Limited and Butterfield Liquid Reserve Fund Limited, and as a director of Butterfield Select Fund Limited. Mr. Weale holds a Bachelor's degree in Accounting & Finance. He is a fellow of the Chartered Institute of Management Accountants and is a Chartered Global Management Accountant (a designation issued jointly by the Chartered Institute of Management Accountants and the American Institute of Certified Public Accountants).

Gregory D. Haycock (68) (Audit Committee Chairman) is currently chairman of several international exempt companies, including two life insurance companies and two investment companies. He is based in Bermuda and is also on the boards of various local companies, including BF&M Ltd., a general and life insurance company, and its Cayman subsidiary Island Heritage Limited. Mr. Haycock joined KPMG as a partner in 1985 and at his retirement in September 2006 was the Senior Partner of KPMG in Bermuda. In the year before his retirement, Mr. Haycock was Chairman of KPMG TOG Ltd with responsibility for ten offshore island jurisdictions and a member of KPMG's European Board and International Council. Before joining KPMG, Mr. Haycock held positions on a number of charities as well as government and local boards, including the Bermuda Monetary Authority, the Bank of Butterfield, The Bermuda Press Holdings Ltd and the Bermuda Electric Light Company Limited. He retired as Chairman of the Board of the Bermuda International Business Association in 2007. In 1993 Mr. Haycock was elected a Fellow of, and is a past President and Council member of, the Institute of Chartered Accountants of Bermuda. During his tenure he was also a member of the Canadian Institute of Chartered Accountants Board of Governors. He was appointed a Justice of the Peace by the Governor of Bermuda in 1987.

Neil W. McConachie (42) is a founding member of the management of two publicly listed insurance companies. He is based in the UK and is currently serving as a non-executive director of Third Point Reinsurance Ltd., a Bermuda-based specialty property and casualty reinsurer with a reinsurance and investment strategy, where he serves as a member of the audit committee and the governance and nominating committee. Previously, he was a member of the audit and investment committee of Lancashire Holdings Limited, a FTSE 250 UK-listed worldwide insurer and reinsurer focusing primarily on specialty property risks. He retired as Group President of Lancashire in June 2012 and prior to this held a number of executive positions including Chief Financial Officer, Chief Risk Officer and Chief Operating Officer. Prior to joining Lancashire in 2006, Mr. McConachie held various positions at Montpelier, including Treasurer and Chief Accounting Officer. He has previously worked for Baker Tilly, PricewaterhouseCoopers Ltd. and Stockton Reinsurance Limited in Edinburgh, London and Bermuda. Mr. McConachie has a Bachelor's degree in Accounting & Finance and a Masters in Business Administration (with Distinction). He is a qualified chartered accountant with the Institute of Chartered Accountants of Scotland.

Directors' Report

The Directors present their report and the annual audited financial statements of the Company for the year ended 31 December 2014.

Principal Activity

The Company was incorporated with limited liability in Bermuda as a closed-ended mutual fund company on 8 October 2012. The Ordinary Shares were listed on the SFM and admitted to trading on the London Stock Exchange, with a secondary listing on the BSX, on 6 December 2012.

Company Law

The financial statements provided in this Annual Report have been prepared in accordance with Bermuda law.

Investment Objective and Policy

The Company's investment objective is to generate attractive returns from a sustainable annual dividend yield and longer term capital growth. To meet this objective, the Company invests, pursuant to a "master-feeder" structure via its investment in the Master Fund, substantially all of its assets in an investment portfolio focused on non-commoditised, collateralised reinsurance contracts offering attractive risk adjusted returns. The exposure of the investment portfolio is well diversified across global geographies, products and insurers with no exposure to life, casualty risk or other non-modeled insurance risks.

The Company is not permitted to borrow for investment purposes, although borrowings are permitted for working capital purposes. Any borrowings for working capital purposes are limited to 20 per cent. of the NAV of the Company at the time of draw down. Effective 15 May 2014, the Company entered into a 364-day $20.0 million revolving credit facility for working capital purposes.

Investment Restrictions

The Master Fund, has adopted the following investment restrictions which apply at the time of investment:

- the portfolio will be diversified geographically with an emphasis on 20 regions set out in the investment policy;

- the maximum net aggregate exposure (i.e. the sum of all collateral invested less reinsurance recoverable) in any one zone (each zone being defined by a combination of geography, peril and occurrence) will not exceed 35 per cent. of the Master Fund's NAV;

- 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 per cent. of the Master Fund's NAV;

- 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 per cent. of the Master Fund's NAV;

- no more than 20 per cent. of the Master Fund's NAV will be invested in any one catastrophe-linked contract or security (in the case of quota share or stop loss agreements, the analysis looks through to the underlying reinsurance contracts); and

- the Master Fund will not invest in contracts or securities with a premium of less than 5 per cent. of the limit exposed to a single event, except that it may do so indirectly through quota share or stop loss agreements.

Based on the information available to the 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 but only restricts it from making new investments that would result in a new breach or exacerbate existing breaches of investment restrictions.

Principal Risks and Uncertainties

Institutional Credit Risk

In the event of the insolvency of the institutions, including brokerage firms, banks and custodians, with which the Master Fund and the Reinsurer may do business, or to which assets have been entrusted, the Master Fund and the Reinsurer may be temporarily or permanently deprived of the assets held by or entrusted to that institution, which will affect the performance of the Master Fund and the Reinsurer and, in turn, the performance of the Company.

For example, the Reinsurer may pay amounts owed on claims under fully collateralised reinsurance-linked contracts entered into in respect of the Master Fund to reinsurance brokers, and these brokers, in turn, may pay these amounts over to the ceding companies that have reinsured a portion of their liabilities with the Reinsurer. In some jurisdictions, if a broker fails to make such a payment, the Reinsurer might remain liable to the ceding company for the deficiency. Conversely, in certain jurisdictions when the ceding company pays premiums in respect of reinsurance contracts to reinsurance brokers for payment over to the Reinsurer, these premiums are considered to have been paid and the ceding company will no longer be liable to the Reinsurer for those amounts, whether or not the Reinsurer has actually received the premiums. Consequently, consistent with industry practice, the Reinsurer assumes a degree of credit risk associated with brokers.

Furthermore, while the Master Fund invests predominantly in fully-collateralised reinsurance-linked contracts by subscribing for preference shares issued by the Reinsurer, it may, in accordance with its investment policy and when the Manager identifies suitable investment opportunities, also invest in other reinsurance-linked investments and such investments may form a material part of its investment portfolio from time to time. Where the Master Fund invests in certain Insurance-Linked Instruments, a broker may trade with an exchange as a principal on behalf of the Master Fund, in a "debtor/creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. That broker could, therefore, have title to all of the assets of the Master Fund (for example, the transactions which the broker has entered as principal as well as the margin payments that the Master Fund provides). In the event of the broker's insolvency, the transactions which the broker has entered into as principal could default and the Master Fund's assets could become part of the insolvent broker's estate, resulting in the Master Fund's rights being limited to that of an unsecured creditor.

Illiquidity of Insurance-Linked Instruments

Insurance-Linked Instruments have a limited or, in some cases, no secondary market. Fully collateralised reinsurance-linked contracts of the type that the Reinsurer enters into in respect of the Master Fund typically cover annual periods. Cat Bonds and investments in sidecars may have market quotes, but the trading volume may be low and pricing correspondingly ineffective. ILWs have even less liquidity and pricing transparency, and bilateral insurance contracts currently have no secondary market.

The liquidity of Insurance-Linked Instruments may also be affected by a number of other factors, such as whether a covered event has occurred or whether a catastrophe season has passed. It is anticipated that the Master Fund and/or the Reinsurer will retain their respective exposures for the duration of the Insurance-Linked Instruments, gradually recognising income as the likelihood of a covered event occurring in respect of one of more Insurance-Linked Instrument, and therefore the Master Fund and/or the Reinsurer incurring a loss, diminishes.

While these Insurance-Linked Instruments generally can be sold at a price, they are largely "buy and hold" instruments, and it may require substantial time to enter into or exit a position and the amount that could be recognised upon liquidation may be materially less than its theoretical fair value. Consequently, the Master Fund may need to realise assets at below fair value and the Master Fund may need to borrow to meet its financing needs, each of which will have an impact on the returns to Shareholders. Further, the illiquidity of Insurance-Linked Instruments means that the Master Fund's portfolio is more likely to be mis-valued as the valuation ascribed to an Insurance-Linked Instrument may differ significantly from the price at which it may ultimately be realised. In turn, any mis-valuation is likely to have an impact on the trading price of the Ordinary Shares, which may be adverse to Shareholders, as well as on the fees based on such valuations.

Portfolio invested in Insurance-Linked Instruments

The Master Fund predominantly invests in a diversified portfolio of fully collateralised reinsurance-linked contracts, through preference shares issued by the Reinsurer, but also invests in other investments carrying exposures to insured catastrophe event risks, such as ILWs and Cat Bonds. The Master Fund's portfolio is therefore concentrated in Insurance-Linked Instruments. Insurance-Linked Instruments are particularly exposed to sudden substantial or total loss due to, among other things, natural catastrophes or other covered risks, which together with other factors, can cause sudden and significant price movements in Insurance-Linked Instruments. The Master Fund's, and hence the Company's, portfolio is more exposed to such risks, than it would be if it were diversified across other asset classes in addition to Insurance-Linked Instruments.

Currency risk

The Master Fund's and the Reinsurer's functional currency is the US dollar, but a portion of their respective businesses will receive premiums and hold collateral in currencies other than US dollars. The Master Fund and the Reinsurer may use currency hedges for balances held in non-US currencies. Therefore, they can choose (but are not obliged) to manage currency fluctuation exposure. The Master Fund and the Reinsurer may experience foreign exchange losses to the extent their respective foreign currency exposure is not hedged, which in turn would adversely affect their respective financial condition and that of the Company.

Counterparty risk; counterparty credit risk

Where the Master Fund invests other than in fully collateralised reinsurance-linked contracts, a number of the investment techniques that may be utilised by the Master Fund, and a number of markets in which the Master Fund may invest, will expose it to counterparty risk, which is the risk that arises due to uncertainty in a counterparty's ability to meet its obligations. Non-performance by counterparties for financial or other reasons could expose the Master Fund, and therefore Shareholders, to losses.

Shareholder Information

The Administrator calculates the NAV of the Company and the NAV per Ordinary Share as of the last day of each calendar month. The monthly NAV of the Ordinary Shares is announced through an RIS provider within 15 business days after the end of each calendar month.

Results

The results for the period covered by this Annual Report are set out in the Statement of Operations. The dividend paid per Ordinary Share for the period ended 31 December 2014, amounted to $0.065 per Ordinary Share.

Significant Events

Except as described elsewhere in this Annual Report, there were no significant events during the period.

Tap Issue

On 30 April 2014, the Company completed a "tap issue" whereby it issued 6,489,615 new Ordinary Shares at $1.065 per share to satisfy market demand. The Ordinary Shares were admitted to trading on the SFM and the BSX on 6 May 2014.

Placing Programme

On 20 November 2014, the Company published a prospectus in relation to the issue of new Ordinary Shares by way of the 2014-15 Placing Programme. Pursuant to the first placing under the 2014-15 Placing Programme, the Company raised an additional $21.2 million from the issue of 19,487,560 new Ordinary Shares on 28 November 2014.

Management Arrangements and Fees

The Manager – *(Blue Capital Management Ltd.)*

The Manager is a specialist alternative asset manager in the Insurance-Linked Instrument asset class. The Manager is licensed to conduct investment business by the Bermuda Monetary Authority and is run by a market-leading team of professionals with a deep bench of experience in both reinsurance and capital markets. Currently, the Manager manages approximately $790 million in assets across a range of insurance-linked strategies. The Manager is wholly-owned by Montpelier, a leader in global reinsurance.

The Manager has been retained by the Master Fund to manage its assets on a discretionary basis pursuant to an investment management agreement dated 27 November 2012. The Manager is entitled to a monthly management fee of: (a) 0.125 per cent. (1.5 per cent. per annum) of the month-end NAV (prior to accrual of the performance fee) of the Master Fund, up to a NAV of $300 million; and (b) 0.104 per cent. (1.25 per cent. per annum) of such month-end NAV above $300 million.

Prior to 15 December 2014, the Reinsurance Manager provided management, administrative, underwriting and other services as well as operational infrastructure to the Reinsurer. The Reinsurance Manager also provided stand-alone and portfolio risk modelling and assisted the Reinsurer to originate business by entering into reinsurance agreements with ceding companies. Following the merger (described above on page 3), effective 15 December 2014, the Manager acts as the Reinsurer's insurance manager and insurance agent in place of, and on the same terms as, the Reinsurance Manager.

The Manager is licensed with the Bermuda Monetary Authority as an insurance manager and insurance agent and is authorised to provide services to the Reinsurer under an Underwriting and Insurance Management Agreement.

The Reinsurer – *(Blue Water Re Ltd.)*

The Reinsurer is an exempted company incorporated on 18 November 2011 with limited liability under the laws of Bermuda that is licensed by the Bermuda Monetary Authority as a special purpose insurer with an underwriting plan focused on fully collateralised reinsurance protection of the property catastrophe insurance and reinsurance markets.

The Master Fund invests in the Reinsurer by way of subscription for a separate series of non-voting redeemable preference shares of the Reinsurer linked to each reinsurance contract entered into by the Reinsurer per loss occurrence period or exposure period, as applicable. For each fully collateralised reinsurance-linked contract identified by the Manager in accordance with the investment policy, the Master Fund invests the necessary collateral in redeemable preference shares of the Reinsurer. The Reinsurer then pledges this collateral to secure its obligations under the relevant contract to the ceding company. Net premiums received from ceding companies may be used to make further investments or to pay distributions to the Master Fund, as appropriate.

The Manager is entitled to an annual performance fee equal to 15 per cent. of: (a) the aggregate appreciation in the NAV of the Master Fund shares held by the Company (excluding special memorandum account shares) over the previous high water mark; less (b) the performance hurdle of LIBOR plus 3 per cent. on the starting NAV of the Master Fund shares held by the Company, provided that the performance fee shall not be less than zero and provided further that no performance fee will be payable in a performance period unless the performance trigger of LIBOR plus 10 per cent. on the starting NAV of the Master Fund shares held by the Company during the performance period has been reached.

The Administrator – *(Prime Management Limited)*

The Company and the Master Fund have each appointed the Administrator as its administrator. The Administrator has been retained by the Company and the Master Fund to calculate their respective NAVs and to provide certain other administrative services.

Directors' Interests

The Directors, as stated on page 9, all served during the period under review. None of the Directors had a beneficial interest in the Company during the period.

Substantial Interests

As the Ordinary Shares have been admitted to trading on the SFM, the Company is required to comply with the Disclosure and Transparency Rules ("DTRs"), which are now contained in the FCA's handbook. Pursuant to the DTRs, Shareholders are required to notify the Company and the FCA when their holdings exceed, reach or fall below certain prescribed thresholds. The Company must then disseminate this information to the wider market.

Corporate Governance

Introduction

The Board strives to create a transparent corporate governance culture that meets the listing requirements and provides fair and informative disclosures for investors.

Bermuda Regulatory Environment

Bermuda has no specific corporate governance regime applicable to the Company; but, in recognition of the importance of sound corporate governance, the Company has joined the Association of Investment Companies (the "AIC"). Furthermore, the Board endorses and has adopted the AIC Code of Corporate Governance (the "AIC Code"). The Company has carefully considered the principles and recommendations of the AIC Code and has elected to follow the AIC's Corporate Governance Guide for Investment Companies (the "AIC Guide").

The AIC Code of Corporate Governance "A framework of best practice for member companies" was issued in February 2013, and it is publicly available on the AIC website. On 22 January 2013, the Financial Reporting Council provided the AIC with an endorsement letter to cover the fifth edition of the AIC Code. The endorsement confirms that by following the AIC Code investment company boards should fully meet their obligations in relation to the UK Corporate Governance Code.

AIC and UK Corporate Governance Code Compliance

Management have undertaken a review of the corporate governance principles of the Board of the Company. The Directors confirm that during the period for the accounting year ended 31 December 2014, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as follows: (a) there was no chief executive position within the Company which is not in accordance with A.2.1 of the UK Corporate Governance Code but is not relevant to the Company as the Company does not have and does not intend to have employees or executive directors; (b) the Company did not establish a separate remuneration or nomination committee which is not in accordance with D.2.1 and B.2.1, respectively, of the UK Corporate Governance Code but is not relevant to the Company as the Company does not have and does not intend to have employees or executive directors; and (c) the Company did not have a senior independent director which is not in accordance with A.4.1 of the UK Corporate Governance Code, but it is not relevant to the Company or its Board because the Board is composed of only three directors, each of whom are independent.

The Board

The Board consists of three non-executive Directors, each of whom is independent of the Manager in accordance with Principle 2 of the AIC Code. The Board has determined that each non-executive Director met the independence criteria set forth in Principle 1 of the AIC Code upon appointment and has continued to meet this condition throughout his term of service. Moreover, no Director has a service contract with the Company. The names and biographies of each Director appear on page 9 of this Annual Report.

The Company's Bye-laws provide that one third of the Directors retire by rotation each year. This year, however, as in 2014, each Director has retired and offered himself for re-election at the annual general meeting.

The Directors stay fully informed of the business affairs and internal investment and financial controls of the Company. All matters relevant to the Company's business are brought to the attention of the Board, which also has access to independent professional advice at the expense of the Company.

Each year, the Board performs a formal performance appraisal of itself and its individual Directors. Presently, the Board is satisfied that all Directors continue to discharge their duties effectively and contribute to the work of the Board and its committees.

In addition to reviewing the performance, independence and tenure of its individual Directors, the Board also considers its overall composition and balance as well as the adequacy and continuity of itself and its committees.

In considering its composition, the Board strives to achieve a balance of skills, experience, length of service and knowledge of the Company with the ultimate goal of creating value for investors while meeting a high standard of corporate governance. Given the Company's limited operating history and the considerable experience and expertise brought to bear by each Director, the Board has determined it to be in the best interest of the Shareholders to maintain the continuity of the Directors. Accordingly, the Board recommends the re-election of each Director, whose supporting biographies appear on page 9 of this Annual Report. A full list of other public company directorships for each Director is disclosed on page 62.

The Board holds regular meetings four times a year, at a minimum, and maintains ongoing communications with the Manager and the Company's other service providers. During the year ended 31 December 2014, the Board held five regular Board meetings, two Audit Committee meetings and three ad hoc/committee meetings to address various administrative matters.

The table below sets out the attendance record of the Directors.

	Regular Board	**Audit Committee**
No. of Meetings:	5	2
Meetings Attended:		
John R. Weale (Chairman)	5	2
Gregory D. Haycock	5	2
Neil W. McConachie	3	2

Notices and agendas, and any other materials that are deemed necessary or useful are circulated to the Board prior to each meeting so that the Directors have sufficient time to review the items to be addressed at the meeting. Directors may also request the addition to the agenda of any items they deem appropriate for Board consideration. Regular Board meetings primarily focus on the Company's investment performance, risk management, asset allocation, compliance, investor relations and any other matters the Board considers appropriate for review. If a Director has any potential or actual conflicts of interest, he must disclose such conflict prior to each Board meeting.

<u>Directors' Authorities</u>

The Directors have adopted a set of authorities reserved to the Board in accordance with Principle 16 of the AIC Code, which provide a non-exclusive list of the principal areas in which the Board reserves approval over activities or transactions by the Company. The principal Authorities Reserved to the Board include the following:

- design and maintenance of investment objectives, restrictions and policies;
- appointment, oversight and delegation of authorities to Committees of the Board;
- establishment of limits of authority of management relating to monetary expenditures and approval all expenditures exceeding such limits;
- declaration of all Shareholder dividends;
- review and approval of all borrowing by the Company;
- recommendation and approval of the compensation of Directors;
- oversight over all aspects of Company's risk management function, including the definition of the Company's risk appetite and design of the Company's risk management process; and
- any other matters having a material effect on the Company.

Management and Remuneration and Audit Committees

The Company generally complies with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code.

In view of the Company's non-executive and independent nature, the Board considers it inappropriate for there to be a Remuneration Committee as anticipated by the AIC Code. The Company does not, and does not intend to, have employees or executive directors. Accordingly, the Board as a whole fulfils the functions of the Remuneration Committee.

Audit Committee

In accordance with the AIC Code, the Company has established an Audit Committee, which comprises all three of the Company's Directors. Mr. Haycock serves as chairman of the Audit Committee. As discussed above, all of the Company's Directors are independent, and the Board considers it appropriate for all three Directors to serve on the Audit Committee because, given the Board's small size, it would be unnecessarily burdensome to establish a separate Audit Committee.

The terms of reference of the Audit Committee, which are available from the Company Secretary upon request, provide that it will meet at least two times per year at appropriate times in the reporting and audit cycle and otherwise as required. The Audit Committee's principal duties are to consider among other things: (a) annual and interim financial statements; (b) auditor reports; and (c) terms of appointment and remuneration for the Auditors (including overseeing the independence of the external auditors particularly as it relates to the provision of non-audit services).

The Audit Committee pays particular attention to the qualifications, expertise and resources of the external auditor, as well as the effectiveness of the audit process. Where the external auditor is to provide non-audit services to the Company, the Audit Committee fully considers the implications of the provision of those services on the independence of the external auditor prior to undertaking any such engagement. If such non-audit services are provided, the Audit Committee reviews the services to ensure the preservation of the external auditor's independence.

In accordance with its terms of reference, the Audit Committee has reviewed the Annual Report, including the audited financial statements for the year ended 31 December 2014, in detail and considered all matters brought to the attention of the Board during the accounting period. The Audit Committee has subsequently determined that the Annual Report and the financial statements fairly represent the status of the Company's affairs.

Internal Controls

The Board bears ultimate responsibility for the Company's system of internal control. While the Company does not have its own employees to undertake an internal audit function, the Company has utilised Montpelier's internal audit department to perform reviews of certain components of its internal control framework. Further, the terms of reference of the Audit Committee provide that the Board will perform the following functions relating to internal audit in addition to its functions associated with management and remuneration:

- rigorous selection process for key service providers;
- regular physical board meetings and ad hoc board meetings as required;
- receipt and consideration of quarterly (or more frequent if necessary) reporting from each of the Company's key service providers;
- receipt and consideration of quarterly reports from the Company's Administrator;
- establishment of committees of the Board (if any) ;
- ensure existence of dual signatories in respect of the Company's bank accounts;
- annual reviews of all key service providers;
- annual review of the Company's and the Administrator's systems of internal controls;
- quarterly review of management accounts; and
- quarterly review of reporting against budget.

Corporate Responsibility

In accordance with Principle 20 of the AIC Code, the Board takes responsibility for, and is kept aware of, all relevant communications with Shareholders. The Company relies upon its service providers to perform its operations, and it maintains an open line of communication with those providers to address the ongoing concerns of Shareholders. In addition, the Company may also address the concerns of its investors through direct discussions with Shareholders.

Relations with Shareholders

The Company maintains regular communications with institutional Shareholders through its Manager, and the Board is kept aware of the feedback received from such investors. Board members are also available to respond to Shareholder questions at the Annual General Meeting, and Shareholders may request meetings with Directors or communicate with the Board directly by contacting the Company Secretary.

Furthermore, in accordance with Principle 19 of the AIC Code, the Board monitors the Shareholder profile of the Company on a regular basis.

The Board encourages all Shareholders to attend and participate in the Annual General Meeting, at which the key issues affecting the Company will be addressed. The Notice on page 67 of this Annual Report, together with the Summary of the Resolutions beginning on page 63, sets out the business of the upcoming Annual General Meeting including the resolutions to be voted upon. The Company announces meeting results as soon as practicable after they are determined.

Going Concern Status

In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk issued in October 2009, the Board of Directors has reviewed the Company's ability to continue as a going concern.

The Company's assets consist of cash and a diverse portfolio of fully collateralised reinsurance-linked contracts (held indirectly through investments in preference shares of the Reinsurer) and other Insurance-Linked Instruments. The Board has considered the Company's assets and reviewed forecasts and has determined that the Company has sufficient financial resources to continue as a going concern. Accordingly, the Directors have adopted the going concern basis in preparing the financial statements for the year ended 31 December 2014.

Disclosure of Information to Auditors

The Directors have determined that, to their knowledge, there is no relevant audit information unknown to the Company's external auditor. Furthermore, each Director has taken adequate and appropriate steps to make himself aware of any relevant information and to convey such information to the Company's external auditor.

Auditors

A resolution to appoint PricewaterhouseCoopers Ltd., an independent registered public accounting firm, as the Company's independent auditor for 2015 and to authorise the Board, acting by the Company's Audit Committee, to set their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board

John R. Weale	**Gregory D. Haycock**	**Neil W. McConachie**
Chairman 13 April 2015	Director	Director

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with the applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with accounting principles generally accepted in the US ("US GAAP").

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Bermuda Companies Act 1981, as amended. The Board is also responsible for safeguarding the assets of the Company and taking all reasonably available steps to prevent and detect fraud and other irregularities.

Directors' Responsibility Statement

In accordance with Chapter 4 of the Disclosure and Transparency Rules, the Directors confirm that, to the best of their knowledge and belief, they have complied with the above requirements in preparing the financial statements and that:

- the Chairman's Statement, the Manager's Report and the Directors' Report include 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; and
- the financial statements, prepared in accordance with US GAAP, give a true and fair view of the assets, liabilities, financial position and profit of the Company.

Signed on behalf of the Board by:

John R. Weale
Chairman
13 April 2015

Gregory D. Haycock
Director

Neil W. McConachie
Director

Blue Capital Global Reinsurance Fund Limited

(Incorporated in Bermuda)

Audited Financial Statements

31 December 2014

(expressed in thousands of U.S. dollars)

March 30, 2015

Independent Auditor's Report

To the Board of Directors and Shareholders of
Blue Capital Global Reinsurance Fund Limited

We have audited the accompanying financial statements of Blue Capital Global Reinsurance Fund Limited (the "Company"), which comprise the statements of assets and liabilities as of 31 December 2014 and 2013, and the related statements of operations, of changes in net assets and of cash flows for the year ended 31 December 2014 and the period 6 December 2012 (commencement of operations) to 31 December 2013.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers Ltd., Chartered Professional Accountants, P.O. Box HM 1171, Hamilton HM EX, Bermuda
T: +1 (441) 295 2000, F:+1 (441) 295 1242, www.pwc.com/bermuda

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Capital Global Reinsurance Fund Limited at 31 December 2014 and 2013, and the results of its operations, changes in its net assets, and its cash flows for the year ended 31 December 2014 and the period 6 December 2012 (commencement of operations) to 31 December 2013, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

(expressed in thousands of U.S. dollars, except shares and per share amounts)

	Year/period ended 31 December,	
	2014	**2013**
Assets		
Investment in the Master Fund at fair value (cost – $165,286; 2013 cost – $144,681)	199,361	161,804
Cash and cash equivalents	12,213	8,127
Funds on deposit with the Master Fund (Note 5)	9,054	15,405
Other assets	159	127
Amounts due from related parties (Note 5)	-	45
Total assets	220,787	185,508
Liabilities		
Amounts drawn from credit facility (Note 7)	4,000	-
Accrued expenses and other liabilities	113	99
Total liabilities	4,113	99
Net assets	216,674	185,409
Ordinary Shares in issue	199,105,326	172,451,028
Net asset value per Ordinary Share	1.0882	1.0751

See accompanying notes to Financial Statements

Blue Capital Global Reinsurance Fund Limited

Statements of Operations

(expressed in thousands of U.S. dollars)

	Year/period ended 31 December	
	2014	**2013**
Net investment income (loss) allocated from Master Fund	(2,921)	(4,766)
Expenses		
Professional fees	(814)	(605)
Other fees	(75)	(51)
Administration fees	(55)	(50)
Total expenses	(944)	(706)
Net investment loss	(3,865)	(5,472)
Realized and unrealized gain on investments allocated from Master Fund:		
Realized gain on securities	18,903	-
Net increase in unrealized gain on securities	970	21,889
	19,873	21,889
Net increase in net assets resulting from operations	16,008	16,417

See accompanying notes to Financial Statements

Blue Capital Global Reinsurance Fund Limited

Statements of Changes in Net Assets

(expressed in thousands of U.S. dollars)

	Year/period ended 31 December,	
	2014	**2013**
Increase in net assets		
From operations		
Net investment loss	(3,865)	(5,472)
Realized gain on securities	18,903	-
Net increase in unrealized gains on securities	970	21,889
Net increase in net assets resulting from operations	16,008	16,417
From capital transactions		
Issuance of shares	28,525	173,874
Purchase premium	360	1,501
Offering costs	(293)	(3,508)
Dividends declared	(13,335)	(2,875)
Net increase in net assets resulting from capital transactions	15,257	168,992
Increase in net assets	31,265	185,409
Net assets – Beginning of year/period	185,409	-
Net assets – End of year/period	216,674	185,409

See accompanying notes to Financial Statements

Blue Capital Global Reinsurance Fund Limited
Statements of Cash Flows
31 December 2014

(expressed in thousands of U.S. dollars)

	Year/period ended 31 December, 2014	2013
Cash flows from operating activities		
Net increase in net assets resulting from operations	16,008	16,417
Adjustments to reconcile to net cash used in operations:		
Purchases of investments in Master Fund	(20,605)	(144,681)
Net investment loss, realized gain and net increase in unrealized gains on securities allocated from Master Fund	(16,952)	(17,123)
Net change in other assets and liabilities:		
Decrease / (increase) in funds on deposit with the Master Fund	6,396	(15,450)
Increase in other assets	(32)	(127)
Increase in amounts drawn from credit facility	4,000	-
Increase in accrued expenses and other liabilities	14	99
Net cash used in operating activities	(11,171)	(160,865)
Cash flows from financing activities		
Issuance of shares (Note 8)	28,525	173,874
Purchase premium	360	1,501
Offering cost	(293)	(3,508)
Dividends paid	(13,335)	(2,875)
Net cash provided by financing activities	15,257	168,992
Net increase in cash and cash equivalents	4,086	8,127
Cash and cash equivalents – Beginning of year/period	8,127	-
Cash and cash equivalents – End of year/period	12,213	8,127
Non-Cash transactions		
677,123 Ordinary Shares issued in lieu of cash payments of dividends(Note 8)	732	-

See accompanying notes to Financial Statements

(expressed in thousands of U.S. dollars, except shares and per share amounts)

1. Nature of operations

Blue Capital Global Reinsurance Fund Limited (the "Company") is a closed-ended exempted mutual fund company of unlimited duration incorporated under the laws of Bermuda on 8 October 2012, which commenced operations on 6 December 2012. The Company invests substantially all of its assets through a "master/feeder" structure in Blue Capital Global Reinsurance SA-I ("BCGR SA-I" or the "Master Fund"). The Master Fund is a segregated account of Blue Water Master Fund Ltd., a mutual fund company incorporated under the laws of Bermuda on 12 December 2011, and registered as a segregated account company under the Segregated Accounts Company Act 2000. The investment objective of the Company is to generate attractive returns from a sustainable annual dividend yield and longer-term capital growth through its investment in the Master Fund. The Company is the only investor in the Master Fund. The financial statements of the Master Fund, including the condensed schedule of investments, are attached to this report and should be read in conjunction with these financial statements.

The Company's shares are admitted to trading on the Specialist Fund Market, a market operated by the London Stock Exchange (symbol BCGR LN). The Company's shares are listed on the Bermuda Stock Exchange (symbol BCGR BH).

The investment objective of the Master Fund is to generate attractive returns by investing in a diversified portfolio of fully collateralized reinsurance-linked instruments ("RLI") and other investments carrying exposures to insured catastrophe event risks. The Master Fund invests predominantly in fully collateralized RLIs through non-voting redeemable preference shares issued by Blue Water Re Ltd. (the "Reinsurer") which in turn writes reinsurance contracts with the ceding companies. Each non-voting redeemable preference share of the Reinsurer corresponds to a specific reinsurance contract entered into by the Reinsurer. The Master Fund's investments in other reinsurance-linked investments which carry 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. The manager to the Master Fund is Blue Capital Management Ltd. (the "Manager").

The Reinsurer is an exempted limited liability company incorporated on 12 December 2011 under the laws of Bermuda and is licensed by the Bermuda Monetary Authority as a special purpose insurer with an underwriting plan focused on fully collateralized reinsurance protection of the property catastrophe insurance and reinsurance market.

Underwriting services were formerly provided by the Manager's wholly-owned subsidiary, Blue Capital Insurance Managers Ltd. (the "Reinsurance Manager"); however, the Manager and the Reinsurance Manager consummated a short form merger on December 15, 2014, with the Manager surviving by operation of statute. Accordingly, the Manager has and will continue to act as the Company's Manager as well as the Reinsurer's insurance manager and insurance agent in place of, and on the same terms as, the Reinsurance Manager.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year/period. Actual results could differ from those estimates. The Company's significant accounting policies are as follows:

(expressed in thousands of U.S. dollars, except shares and per share amounts)

2. Summary of significant accounting policies (continued)

Investment in Master Fund

The Company records its investment in the Master Fund at fair value, determined as the value of the net assets of the Master Fund. Valuation of investments held by the Master Fund is discussed in the notes to the Master Fund financial statements attached to this report.

Investment transactions

The Company records its participation in the Master Fund's income, expenses, and realized and change in unrealized gains and losses. The Company records its investment transactions on a trade date basis. Realized gains and losses on disposals of investments are calculated using the first-in, first-out (FIFO) method. In addition, the Company records its own income and expenses on the accrual basis of accounting.

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.

Foreign currency

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars using rates of exchange prevailing at the date of the Statement of Assets and Liabilities. Foreign currency revenue and expense items are translated into U.S. dollars at the rates of exchange in effect at the date when transactions occurred. The resulting exchange gains and losses are reflected in the Statement of Operations.

Offering Costs

Offering costs are costs directly incurred in connection with the registration and distribution of the Company's shares at each capital raise and are recorded as a reduction in proceeds from the issuance of shares.

New Accounting Pronouncement

Effective January 1, 2014, the Company adopted the Financial Accounting Standards Board (FASB) accounting standards update (ASU) 2013-08, Financial Services-Investment Companies (Topic 946) amending the criteria for an entity to qualify as an investment company under US GAAP. The update also amends certain disclosure requirements and measurement criteria. The adoption of the update did not have a material impact on the Company's financial statements.

3. Fair value measurements

In accordance with the authoritative guidance on fair value measurements and disclosures under US GAAP, the Company discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

(expressed in thousands of U.S. dollars, except shares and per share amounts)

3. Fair value measurements (continued)

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;
Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and
Level 3 - Inputs that are unobservable.

The investment in the Master Fund is carried at fair value and has been estimated using the Net Asset Value ("NAV"). FASB guidance provides for the use of NAV as a "Practical Expedient" for estimating fair value of alternative investments. The Company uses the "market approach" valuation technique to value its investment in the Master Fund. As the Directors' valuation of the Company's investment in the Master Fund has been based upon observable inputs such as ongoing redemption and subscription activity, the Company's investment in the Master Fund has been classified as Level 2. The determination of what constitutes "observable" requires significant judgment by the Directors. The categorization within the hierarchy does not necessarily correspond to the Directors' perceived risk of an investment in the Master Fund, nor the level of the investments held within the Master Fund.

The following table presents the investment in the Master Fund carried on the Statement of Assets and Liabilities by level within the valuation hierarchy.

31 December 2014

Fair Value Measurements	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Investments in BCGR SA-I	$ -	$ 199,361	$	$ 199,361
	$ -	$ 199,361	$ -	$ 199,361

31 December 2013

Fair Value Measurements	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Investments in BCGR SA-I	$ -	$ 161,804	$	$ 161,804
	$ -	$ 161,804	$ -	$ 161,804

Additional disclosure regarding fair value measurements relating to the Master Fund investment portfolio can be found in Note 3 of the Master Fund financial statements. There have been no transfers between levels for the year ended 31 December 2014 or the period ended 31 December 2013.

(expressed in thousands of U.S. dollars, except shares and per share amounts)

4. Administration fees

Prime Management Limited (the "Administrator"), a division of SS&C GlobeOp, serves as the administrator for the Company and the Master Fund. The Administrator receives a monthly fee based on the NAV of the Company and Master Fund, subject to a monthly minimum fee. Administration fees relating to the Master Fund are charged to the Master Fund and flow through to the Company as part of the expenses allocated from the Master Fund in the Statement of Operations.

5. Related party transactions

As of 31 December 2014, the Company had $9,054 (2013 – $15,405) funds on deposit with the Master Fund for shares to be issued on 1 January 2015.

As of 31 December 2014 Montpelier Reinsurance Ltd. ("Montpelier Re") owns 25.1% (2013 – 29.0%) of the voting rights of the ordinary shares (the "Ordinary Shares") issued by the Company. Montpelier Re and the Manager are 100% owned by Montpelier Re Holdings Ltd. ("Montpelier").

Management Fees and Performance Fees

Management and performance fees are charged to the Master Fund and flow through to the Company as part of the expenses allocated from the Master Fund in the Statement of Operations. For details, investors should refer to Note 6 in the Master Fund financial statements attached to this report.

Issue Costs

The issue costs are those fees, expenses and costs necessary for the establishment of the Company and for the issuance of its shares. Issuance costs include but are not limited to placing agreements fees, legal, accounting, registration, printing, advertising and distribution costs, and costs associated with the creation of depository interests. Each placing agreement sets limits for issuance costs to be borne by the Company. Issuance costs exceeding the limits are met by the Manager. At 31 December 2014, $0 (2013 – $45) was owed from Manager, in respect to issue costs in excess of limit set out in placing agreements. This balance is interest free and has no fixed terms of repayment.

6. Financial instruments

The Company's investment activities expose it to various types of risk, which are associated with the securities and markets in which it invests. As the majority of the Company's assets are invested in the Master Fund, they are primarily exposed to the risks faced by the Master Fund. Due to the nature of the "master-feeder" structure, the Company could be materially affected by subscriptions or redemptions in the Master Fund by other feeder funds. However, the Master Fund was established solely for the Company to invest in, and the Company is the only feeder fund of the Master Fund. For a summary of risks, investors should refer to the financial statements of the Master Fund attached to this report.

(expressed in thousands of U.S. dollars, except shares and per share amounts)

7. Credit Agreement

On 15 May 2014, a Credit Agreement was put in place with Barclays Bank PLC (the "Lender"), with the borrower being the Company and Montpelier as the Guarantor.

The total commitment amount is $20,000 (the "Commitment Amount"). As at 31 December 2014, the aggregate outstanding principal amount of loans was $4,000 (the "Outstanding Principal"). The Company pays a commitment fee at a rate of 0.225% per annum times the actual daily amount by which the Commitment Amount exceeds the Outstanding Principal. Each loan bears interest at a rate per annum equal to LIBOR plus 1.0%.

The $4,000 Outstanding Principal was repaid to Lender on 30 January 2015.

As part of the Credit Agreement, the following covenants must be met:

- The Company will duly and punctually pay principal, interest, and fees;
- The Company will provide financial statements, certificates and information to the Lender in a timely manner;
- The Guarantor will not sell, transfer, convey or lease all or substantially all of its assets;
- The Company will not create, assume, incur, guarantee or otherwise permit any debt without the prior written consent; and
- The Guarantor will not permit the leverage ratio to be more than thirty percent (30%).

8. Capital share transactions

As at 31 December 2014 and 2013, the Company is authorized to issue up to 990,000,000 Ordinary Shares of par value $0.00001 per share. During the year ended 31 December 2014, the Company raised additional capital of $28,153 (2013 – $175,375), incurred $293 (2013 – $3,508) of issue costs and issued 25,977,175 (2013 – 172,451,028) Ordinary Shares exclusive of Ordinary Shares issued in connection with scrip dividends.

On 9 January 2014, the Company declared a dividend covering the period 1 July 2013 to 31 December 2013 of $0.044 per Ordinary Share. The Company offered a scrip dividend alternative so that shareholders could elect to receive new Ordinary Shares instead of all or part of their cash dividend. On 28 February 2014, a cash dividend of $6,855 was paid and 677,123 Ordinary Shares were admitted to trading on the London Stock Exchange's Specialist Fund Market and on the Bermuda Stock Exchange. The Company recorded a subscription of $732 in connection with the issuance of these Ordinary Shares. The 677,123 Ordinary Shares were issued in lieu of cash payments of dividends amounting to $732.

On 28 July 2014, the Company declared a dividend covering the period 1 January 2014 to 30 June 2014 of $0.032 per Ordinary Share. On 22 August 2014, a cash dividend of $5,748 was paid.

Including the Montpelier Re as described in note 5, at December 31, 2014, there are five unaffiliated shareholders who, in the aggregate, held approximately 77% of the share capital of the Company.

(expressed in thousands of U.S. dollars, except shares and per share amounts)

8. Capital share transactions (continued)

Transactions in Ordinary Shares were as follows:

1 January 2014 to 31 December 2014

	Beginning Shares	Shares issued	Shares Redeemed	Ending Shares
Ordinary Shares	172,451,028	26,654,298	-	199,105,326

6 December 2012 (commencement of operations) to 31 December 2013

	Beginning Shares	Shares issued	Shares Redeemed	Ending Shares
Ordinary Shares	0	172,451,028	-	172,451,028

The Company has been established as a closed-ended mutual fund and, as such, shares may not be redeemed from the Company.

9. Taxes

At the present time, no income, profit, capital transfer or capital gains taxes are levied in Bermuda and accordingly, no provision for such taxes has been recorded by the Company. The Company has received an undertaking from the Minister of Finance of Bermuda, under the Exempted Undertakings Tax Protection Act 1966 exempting the Company from income, profit, capital transfer or capital taxes, should such taxes be enacted, until 31 March 2035.

The Manager assesses uncertain tax positions by determining whether a tax position of the Company is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial information is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority.

The Manager has not identified any uncertain tax positions in the Company arising in this or any preceding period. However, the Manager’s conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analysis of changes to tax laws, regulations and interpretations thereof. The Manager has determined that there are no reserves for uncertain tax positions necessary for any of the Company’s open tax years.

(expressed in thousands of U.S. dollars, except shares and per share amounts)

10. Financial highlights

Financial highlights for Ordinary Shares are as follows:

	Year/period ended December 31, 2014	2013
Per share operating performance		
Net asset value, beginning of period	$ 1.0751	$ 1.0000
Offering costs	(0.0016)	(0.0296)
Net asset value, beginning of period after offering costs	$ 1.0735	$ 0.9704
Income from investment operations	0.0887	0.1237
Purchase premium	0.0020	-
Dividend payment per share	(0.0760)	(0.0190)
Net asset value, end of period	$ 1.0882	$ 1.0751
Total return		
Total return before performance fee	8.44 %	13.96 %
Dividend paid	(7.07)	(1.90)
Performance fee*	-	(1.59)
Total return after performance fee**	1.37 %	10.47 %
Ratio to average net assets		
Expenses other than performance fee	(2.29) %	(2.11) %
Performance fee*	0.00	(1.65)
Total expenses after performance fee	(2.29) %	(3.76) %
Net investment loss before performance fee	(2.07) %	(2.11) %

Financial highlights are calculated for each permanent, non-managing class or series of Ordinary Share. An individual shareholder's return and ratios may vary based on different performance fee and/or management fee arrangements, and the timing of capital share transactions. The ratios include effects of allocations of net investment income from the Master Fund.

The performance fee and management fee are charged in the Master Fund.

To reflect the dividend declared on 9 January 2014 and 30 June 2014, the normalized total return for the year ended 31 December 2014 is equivalent to 8.76%. To reflect the dividend declared on 8 August 2013, the normalized total return for the year ended 31 December 2013 is equivalent to 11.82%.

Per share operating performance is computed on the basis of average shares outstanding during the year.

(expressed in thousands of U.S. dollars, except shares and per share amounts)

10. Financial highlights (continued)

Total return is calculated based on the percentage movement in net asset value per share. The expense ratio is calculated based on the expenses of the Company and the proportionate share of net expenses allocated from the Master Fund over the average net asset value per share in the year. The net investment loss ratio is based on the net loss per share from investment operations of the Company and the proportionate share of net loss allocated from the Master Fund over the average net asset value per share in the year.

An individual investor's per share operating performance, total return and net investment loss and expense ratios may vary from these results based on the timing of subscriptions and redemptions of shares.

11. Commitments and contingencies

In the normal course of business, the Company may enter into contracts or agreements that contain indemnifications or warranties. The Company's exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, management expects the risk of loss to be remote.

12. Subsequent events

On 29 January 2015, the Company declared a dividend covering the period 1 July 2014 to 31 December 2014 of $0.033 per Ordinary Share. On 6 March 2015, a cash dividend of $6,570 was paid.

These Financial Statements were approved by the Manager and the Directors and were made available for issuance on 30 March 2015. Subsequent events have been evaluated through this date.

Blue Water Master Fund Ltd. –
Blue Capital Global Reinsurance SA-I

(Incorporated in Bermuda)

Audited Financial Statements
31 December 2014
(expressed in thousands of U.S. dollars)

pwc

March 30, 2015

Independent Auditor's Report

To the Board of Directors and Shareholders of
Blue Water Master Fund Ltd. – Blue Capital Global Reinsurance SA-I

We have audited the accompanying financial statements of Blue Water Master Fund Ltd. – Blue Capital Global Reinsurance SA-I (the "Master Fund"), which comprise the statements of assets and liabilities, including the condensed schedules of investments, as of 31 December 2014 and 2013, and the related statements of operations, of changes in net assets and of cash flows for the year ended 31 December 2014 and the period 1 January 2013 (commencement of operations) to 31 December 2013.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Master Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Master Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers Ltd., Chartered Professional Accountants, P.O. Box HM 1171, Hamilton HM EX, Bermuda
T: +1 (441) 295 2000, F:+1 (441) 295 1242, www.pwc.com/bermuda

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Water Master Fund Ltd. – Blue Capital Global Reinsurance SA-I at 31 December 2014 and 2013, and the results of its operations, changes in its net assets, and its cash flows for the year ended 31 December 2014 and the period 1 January 2013 (commencement of operations) to 31 December 2013, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Reference: Independent Auditor's Report on the Financial Statements of Blue Water Master Fund Limited – Blue Capital Global Reinsurance SA-I as at 31 December 2014 and 2013 and for the year ended 31 December 2014 and the period 1 January 2013 (commencement of operations) to 31 December 2013.

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Blue Water Master Fund Ltd. - Blue Capital Global Reinsurance SA-I

Statements of Assets and Liabilities

(expressed in thousands of U.S. dollars, except share and per share amounts)

	December 31	
	2014	2013
Assets		
Investments in securities, at fair value (cost – $178,414; 2013 cost – $157,783)	200,687	179,086
Cash and cash equivalents	3,013	1,424
Funds on deposit with Reinsurer (Note 6)	6,654	-
Interest receivable	27	33
Total assets	210,381	180,543
Liabilities		
Subscription received in advance (Note 6)	9,054	15,405
Payable to related party (Note 6)	1,642	-
Performance fee payable	-	2,399
Management fee payable	249	817
Accrued expenses and other liabilities	75	118
Total liabilities	11,020	18,739
Net assets	199,361	161,804
Offered Shares in issue	159,840	142,062
Net asset value per Offered Share	1,247.2555	1,138.9697

See accompanying notes to the Financial Statements

Blue Water Master Fund Ltd. - Blue Capital Global Reinsurance SA-I
Statements of Operations

(expressed in thousands of U.S. dollars)

	Year ended December 31,	
	2014	2013
Income		
Interest	406	33
Expenses		
Performance fees	-	(2,399)
Management fees	(2,785)	(1,778)
Other fees	(312)	(441)
Administrative fees	(190)	(139)
Professional fees	(40)	(42)
Total expenses	(3,327)	(4,799)
Net investment loss	(2,921)	(4,766)
Realized and unrealized gain on investments in securities		
Net realized gain on investments in securities	18,903	586
Net increase in unrealized appreciation on investments in securities	970	21,303
Net gain on investments in securities	19,873	21,889
Net increase in net assets resulting from operations	16,952	17,123

See accompanying notes to the Financial Statements

Blue Water Master Fund Ltd. - Blue Capital Global Reinsurance SA-I

Statements of Changes in Net Assets

(expressed in thousands of U.S. dollars)

	Year ended December 31,	
	2014	**2013**
Increase in net assets		
From operations		
Net investment loss	(2,921)	(4,766)
Net realized gain on investments in securities	18,903	586
Net increase in unrealized appreciation on investments in securities	970	21,303
Net increase in net assets resulting from operations	16,952	17,123
From capital share transactions		
Issuance of shares	20,605	144,681
Net increase in net assets resulting from capital transactions	20,605	144,681
Increase in net assets	37,557	161,804
Net assets – Beginning of year	161,804	-
Net assets – End of year	199,361	161,804

See accompanying notes to the Financial Statements

Blue Water Master Fund Ltd. - Blue Capital Global Reinsurance SA-I
Statements of Cash Flows

(expressed in thousands of U.S. dollars)

	Year ended December 31,	
	2014	**2013**
Cash flows from operating activities		
Net increase in net assets resulting from operations	16,952	17,123
Adjustments to reconcile to net cash used in operations:		
Purchases of investments in securities	(188,293)	(172,197)
Sales of investments in securities	186,565	15,000
Net realized gain on investments in securities	(18,903)	(586)
Net increase in unrealized appreciation on investments in securities	(970)	(21,303)
Change in other assets and liabilities:		
Increase in funds on deposit with Reinsurer	(6,654)	-
Decrease / (increase) in interest receivable	6	(33)
(Decrease) / increase in performance fee payable	(2,399)	2,399
(Decrease) / increase in management fee payable	(568)	817
Increase in intercompany payable	1,642	-
(Decrease) / increase in accrued expenses and other liabilities	(43)	118
Net cash used in operating activities	(12,665)	(158,662)
Cash flows from financing activities		
Proceeds from issuance of shares	20,605	144,681
Decrease / (increase) in subscription received in advance	(6,351)	15,405
Net cash provided by financing activities	14,254	160,086
Net increase in cash and cash equivalents	1,589	1,424
Cash and cash equivalents – Beginning of year	1,424	-
Cash and cash equivalents – End of year	3,013	1,424

See accompanying notes to the Financial Statements

Blue Water Master Fund Ltd. - Blue Capital Global Reinsurance SA-I

Condensed Schedule of Investments

(expressed in thousands of U.S. dollars, except share and per share amounts)

31 December 2014

Type	Cost $	Number of Shares	Fair Value $	Percentage of Net Assets %
Investments held in Risk Linked Instruments of Blue Water Re Ltd.				
Blue Water Re Ltd Series A	65	64.5088	136	0.07
Blue Water Re Ltd Series A-14	19,769	19,768.6470	22,243	11.16
Blue Water Re Ltd Series AB 14	5,241	5,240.7055	5,330	2.67
Blue Water Re Ltd Series AD	8,860	8,860.0000	10,000	5.02
Blue Water Re Ltd Series ADJ	100	100.0000	203	0.10
Blue Water Re Ltd Series AE	940	940.1350	1,042	0.52
Blue Water Re Ltd Series AF	20,427	20,427.0930	22,231	11.15
Blue Water Re Ltd Series AG	1,579	1,579.0470	1,251	0.63
Blue Water Re Ltd Series AH	9,002	9,001.9977	10,467	5.25
Blue Water Re Ltd Series AI	6,971	6,971.2500	7,456	3.74
Blue Water Re Ltd Series AJ	8,496	8,496.0000	10,003	5.02
Blue Water Re Ltd Series AK	1,518	1,517.6410	1,764	0.88
Blue Water Re Ltd Series AL (ART)	4,202	4,201.8150	4,993	2.50
Blue Water Re Ltd Series AM 1	1,077	1,076.7623	1,297	0.65
Blue Water Re Ltd Series AN 1	4,660	4,660.0602	5,015	2.52
Blue Water Re Ltd Series AO 1	1,302	1,301.8565	1,579	0.79
Blue Water Re Ltd Series AP 1	711	711.1170	776	0.39
Blue Water Re Ltd Series AR	4,577	4,577.0000	5,000	2.51
Blue Water Re Ltd Series AT	4,480	4,480.2500	5,000	2.51
Blue Water Re Ltd Series AU	1,829	1,829.0000	1,986	1.00
Blue Water Re Ltd Series AV	4,293	4,293.1174	4,296	2.15
Blue Water Re Ltd Series C	53	52.7213	92	0.05
Blue Water Re Ltd Series C14	5,986	5,986.3530	5,040	2.53
Blue Water Re Ltd Series E14	1,565	1,564.5500	1,991	1.00
Blue Water Re Ltd Series H 1 14	25,623	25,622.8806	29,157	14.63
Blue Water Re Ltd Series I 1 14	2,328	2,328.2293	2,546	1.28
Blue Water Re Ltd Series J 1 14	1,553	1,553.2508	1,744	0.87
Blue Water Re Ltd Series K 1 14	4,466	4,465.7111	5,823	2.92
Blue Water Re Ltd Series L 1 14	2,163	2,163.0231	2,787	1.40
Blue Water Re Ltd Series M 1 14	5,765	5,765.4140	7,877	3.95
Blue Water Re Ltd Series P 1 14	5,899	5,899.1544	6,963	3.49
Blue Water Re Ltd Series Q 1 14	7,566	7,565.5682	8,750	4.39
Blue Water Re Ltd Series S 1 14	324	323.9424	410	0.21
Blue Water Re Ltd Series T 1 14	320	320.3525	410	0.21
Blue Water Re Ltd Series U 1 14	322	322.3156	410	0.21
Blue Water Re Ltd Series V 1 14	280	280.4424	362	0.18
Blue Water Re Ltd Series W 1 14	317	316.6624	410	0.21
Blue Water Re Ltd Series Z-SAI	1,218	1,218.4129	1,218	0.61
Blue Water Re Ltd Series ZZ	567	566.9963	567	0.28
	176,414	176,413.9838	198,625	
Catastrophe Bonds				
Residential Re 2013-II	2,000	2,000,000.0000	2,062	1.03
	2,000	2,000,000.0000	2,062	
Total	**178,414**		**200,687**	

See accompanying notes to the Financial Statements

Blue Water Master Fund Ltd. - Blue Capital Global Reinsurance SA-I

Condensed Schedule of Investments

(expressed in thousands of U.S. dollars, except share and per share amounts)

31 December 2013

Type	Cost $	Number of shares	Fair Value $	Percentage of Net Assets %
Investments held in Risk Linked Instruments of Blue Water Re Ltd.				
Blue Water Re Ltd Series A	31,654	31,654.4568	37,047	22.90
Blue Water Re Ltd Series B	1,269	1,269.0035	1,430	0.88
Blue Water Re Ltd Series C	7,504	7,504.0000	7,812	4.83
Blue Water Re Ltd Series D	4,248	4,248.0000	4,986	3.08
Blue Water Re Ltd Series E	1,613	1,612.6880	2,130	1.32
Blue Water Re Ltd Series H-1	16,818	16,818.1260	20,142	12.45
Blue Water Re Ltd Series I-1	4,361	4,360.9770	5,794	3.58
Blue Water Re Ltd Series J	1,906	1,905.9250	2,375	1.47
Blue Water Re Ltd Series K-1	4,338	4,337.6965	6,078	3.76
Blue Water Re Ltd Series L-1	3,133	3,133.0110	4,310	2.66
Blue Water Re Ltd Series M-1	7,015	7,015.2230	10,149	6.27
Blue Water Re Ltd Series N-1	7,776	7,775.6650	8,776	5.42
Blue Water Re Ltd Series O-1	2,792	2,792.3920	3,687	2.28
Blue Water Re Ltd Series P-1	9,497	9,496.8270	11,160	6.90
Blue Water Re Ltd Series Q-1	4,448	4,448.0490	5,436	3.36
Blue Water Re Ltd Series R-1	1,561	1,561.0070	1,684	1.04
Blue Water Re Ltd Series S-1	314	313.6490	420	0.26
Blue Water Re Ltd Series T-1	313	312.7930	419	0.26
Blue Water Re Ltd Series U-1	312	311.7750	420	0.26
Blue Water Re Ltd Series V-1	262	261.6320	355	0.22
Blue Water Re Ltd Series W-1	312	312.3690	419	0.26
Blue Water Re Ltd Series X-1	6,843	6,842.9340	7,347	4.54
Blue Water Re Ltd Series Y	2,000	2,000.0000	-	0.00
Blue Water Re Ltd Series Z	475	475.0000	-	0.00
Blue Water Re Ltd Series AA	1,000	1,000.0000	-	0.00
Blue Water Re Ltd Series AB	1,109	1,109.2110	1,178	0.73
Blue Water Re Ltd Series AC	4,501	4,501.2500	5,000	3.09
Blue Water Re Ltd Series AD	8,860	8,860.0000	8,990	5.56
Blue Water Re Ltd Series Z-SAI	19,549	19,549.4145	19,549	12.08
	155,783	155,783.0743	177,093	
Catastrophe Bonds				
United States				
Multi-Peril				
Residential Re 2013-II	2,000	2,000,000.0000	1,993	1.23
	2,000		1,993	
Total	**157,783**		**179,086**	

See accompanying notes to the Financial Statements

(expressed in thousands of U.S. dollars, except share and per share amounts)

1. Nature of operations

Blue Water Master Fund Ltd. (the "Master Fund SAC") is an open-ended mutual fund company of unlimited duration incorporated with limited liability under the laws of Bermuda on 12 December 2011 that commenced operations on 1 June 2012. The Master Fund SAC is registered as a segregated account company under the Segregated Accounts Companies Act 2000, as amended (the "SAC Act"). The Master Fund SAC establishes a separate account for each class of shares comprised in each segregated account (each, a "Segregated Account"). Each Segregated Account is a separate individually managed pool of assets constituting, in effect, a separate fund with its own investment objective and policies and overseen by Blue Capital Management Ltd. (the "Manager"), a wholly-owned subsidiary of Montpelier Re Holdings Ltd. ("Montpelier"), an exempted Bermuda company incorporated with limited liability whose common shares are listed on the New York Stock Exchange (symbol MRH) and the Bermuda Stock Exchange (symbol MRH BH).

The Master Fund SAC currently has three Segregated Accounts that have commenced operations, being Blue Capital Global Reinsurance SA-I (the "Master Fund"), BCAP Mid Vol Fund and Blue Capital Low Volatility Strategy. The Master Fund operates under a "master/feeder" structure. Blue Capital Global Reinsurance Fund Limited (the "Feeder Fund"), a closed-ended exempted mutual fund company of unlimited duration with limited liability incorporated under the laws of Bermuda on 8 October 2012 that commenced operations on 6 December 2012, invests substantially all of its assets by way of subscription for non-voting redeemable preference shares of the Master Fund ("Offered Shares"). Outside of the activities of the Segregated Accounts, the Master Fund SAC has no substantial operations of its own. The Master Fund commenced operations on 1 January 2013.

The investment objective of the Master Fund is to generate attractive returns by investing in a diversified portfolio of fully collateralized reinsurance-linked instruments ("RLI") and other investments carrying exposures to insured catastrophe event risks. The Master Fund predominantly invests in fully collateralized RLIs through non-voting redeemable preference shares issued by Blue Water Re Ltd. (the "Reinsurer") which in turn writes reinsurance contracts with the ceding companies. Each non-voting redeemable preference share of the Reinsurer corresponds to a specific reinsurance contract entered into by the Reinsurer. The Master Fund's investments in other reinsurance-linked investments, which carry 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. The manager to the Master Fund is Blue Capital Management Ltd. (the "Manager").

Underwriting services were formerly provided by the Manager's wholly-owned subsidiary, Blue Capital Insurance Managers Ltd. (the "Reinsurance Manager"); however, the Manager and the Reinsurance Manager consummated a short form merger on December 15, 2014, with the Manager surviving by operation of statute. Accordingly, the Manager has and will continue to act as the Company's manager as well as the Reinsurer's insurance manager and insurance agent in place of, and on the same terms as, the Reinsurance Manager. The Manager's fees are obligations of the Master Fund.

The capital of the Master Fund is represented by the net assets attributable to holders of Offered Shares. It is the Manager's responsibility when managing capital to safeguard the Master Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Master Fund. In order to maintain or adjust the capital structure, the Manager's policy is to monitor any subscriptions and redemptions relative to the liquid assets and adjust the amount of distributions the Master Fund may pay to the Feeder Fund.

The Reinsurer is an exempted limited liability company incorporated on 18 November 2011 under the laws of Bermuda and is licensed by the Bermuda Monetary Authority as a special purpose insurer with an underwriting plan focused on fully collateralized reinsurance protection of the property catastrophe insurance and reinsurance market.

(expressed in thousands of U.S. dollars, except share and per share amounts)

2. Summary of significant accounting policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The significant accounting policies are as follows:

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.

Reinsurance premiums written and purchased

Premiums written by the Reinsurer are earned, net of any applicable brokerage fees, taxes and commissions, over the term of the related policy or contract, based on earnings patterns appropriate to the types of cover provided and the exposure period thereon.

The Reinsurer purchases reinsurance from third parties in order to manage its exposures. Such ceded reinsurance premiums are accounted for on bases consistent with those used in accounting for the underlying premiums assumed, and are reported as reductions in net premiums written and earned.

Loss and Loss Adjustment Expenses Reserves

Loss and Loss Adjustment Expenses ("LAE") reserves on reinsurance contracts are comprised of case reserves and incurred but not reported ("IBNR") reserves. Case reserve estimates are initially set on the basis of loss reports received from third parties if it is expected that these losses would result in a loss for the Reinsurer based on the underlying exposures. IBNR reserves consist of a provision for additional development in excess of the case reserves reported by ceding companies as well as a provision for claims which have occurred but which have not yet been reported by ceding companies. IBNR reserves are estimated by management using various actuarial methods as well as a combination of historical insurance industry loss experience and management's professional judgment.

The uncertainties inherent in the reserving process, potential delays by cedants in the reporting of loss information, together with the potential for unforeseen adverse developments, may result in loss and LAE reserves ultimately being significantly greater or less than the reserve provided at the end of any given reporting period. The degree of uncertainty is further increased when a significant loss event takes place near the end of a reporting period. Loss and loss adjustment expense reserve estimates are regularly reviewed and updated as new information becomes known. Any resulting adjustments are reflected in income in the period in which they become known.

During the year ended 31 December 2014, the Reinsurer incurred $5,850 (2013 – $2,155) of losses and loss adjustment expenses in connection with reinsurance contracts written on behalf of the Master Fund. For the year ended 31 December 2014, the Reinsurer had paid claims of $2,074 (2013 – $1,557).

(expressed in thousands of U.S. dollars, except share and per share amounts)

2. Summary of significant accounting policies (continued)

Investment Transactions and Related Investment Income

Investment transactions are accounted for on a trade-date basis. Realized gains or losses on the sale of investments are calculated using the specific identification method of accounting. Interest is recognized on the accrual basis.

As an additional means of managing its underwriting risk, the Master Fund has entered into ILW swap contracts ("ILW Swaps") which provide reinsurance-like protection for specific loss events. However, unlike traditional reinsurance, ILW Swaps loss payments are determined purely on the basis of losses incurred by the insurance industry as a whole, with no reference to losses incurred by the ILW Swap counterparty. ILW Swaps are valued on the basis of models developed by the Manager.

Translation of Foreign Currency

The accounting records of the Master Fund are maintained in United States dollars. Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the year-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 Master Fund does not isolate that 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 change in unrealized gains from investments in the statements of operations.

Income Taxes

At the present time, no income, profit, capital transfer or capital gains taxes are levied in Bermuda and accordingly, no provision for such taxes has been recorded by the Master Fund. The Master Fund has received an undertaking from the Minister of Finance of Bermuda, under the Exempted Undertakings Tax Protection Act 1966 exempting the Master Fund from income, profit, capital transfer or capital taxes, should such taxes be enacted, until 31 March 2035.

The Manager assesses uncertain tax positions by determining whether a tax position of the Master Fund is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty per cent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Manager has not identified any uncertain tax positions in the Master Fund arising in this or any preceding period. However, the Manager's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analysis of changes to tax laws, regulations and interpretations thereof. The Manager has determined that there are no reserves for uncertain tax positions necessary for any of the Master Fund's open tax years. The Manager does not expect the total amount of unrecognized tax benefits will materially change over the next twelve months.

(expressed in thousands of U.S. dollars, except share and per share amounts)

2. Summary of significant accounting policies (continued)

New Accounting Pronouncement

Effective January 1, 2014, the Master Fund adopted the Financial Accounting Standards Board (FASB) accounting standards update (ASU) 2013-08, Financial Services-Investment Companies (Topic 946) amending the criteria for an entity to qualify as an investment company under US GAAP. The update also amends certain disclosure requirements and measurement criteria. The adoption of the update did not have a material impact on the Master Fund's financial statements.

3. Fair value measurements

The Master Fund records its investments at fair value. Fair value is the amount for which an asset could be exchanged, or a liability transferred, between knowledgeable, willing parties in an arm's length transaction. Determining the fair value for these instruments requires the use of the Manager's judgment. The fair values of the Master Fund's investments in ILW Swaps and contracts written by the Reinsurer are ultimately dependent on the nature of the underlying fully-collateralized property catastrophe reinsurance protection risk assumed or purchased.

Under US GAAP, the Master Fund must determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy prioritizes inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three-levels. It gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement. The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Master Fund has the ability to access at the measurement date;
Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and
Level 3 - Inputs that are unobservable.

Level 3 includes financial instruments that are valued using the income approach valuation technique. These methods incorporate both observable and unobservable inputs. The Master Fund's financial instruments in this category consist of collateralized property catastrophe risks from traditional reinsurance markets.

For positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. The Manager's determination of fair value is then based on the best information available in the circumstances, and may incorporate the Manager's own assumptions and may involve some degree of judgment.

The fair values assigned to Level 2 and 3 securities are based upon available information and do not necessarily represent amounts which might ultimately be realized. Because of the inherent uncertainty of valuation, the estimated fair value may differ significantly from the values that would have been used had a ready market for such securities existed and these differences could be material.

Fully Collateralized Reinsurance-Linked Instruments

(expressed in thousands of U.S. dollars, except share and per share amounts)

3. Fair value measurements (continued)

The fair value of each RLI held by the Master Fund will generally equal:

- (i) the amount of capital invested in such RLI; plus
- (ii) the amount of net premium earned to date for such RLI; plus
- (iii) the amount of the investment earnings earned to date on both the capital invested in the RLI and the associated reinsurance premiums; minus
- (iv) the amount of any losses paid and Loss and Loss Adjustment Expense reserves.

Valuations are performed on a monthly basis, whereby each redeemable preference share of the Reinsurer will be valued on the basis of the remaining risk inherent in the agreement, adjusted for any potential covered events.

ILW Swaps

The fair value of an ILW Swap is determined through the use of an internal valuation model. Inputs to the internal valuation model are based on proprietary data as observable market inputs are not available. The most significant unobservable input is the potential payment that would become due to the counterparty following the occurrence of a triggering event as reported by an external agency. The initial investment represents a short position on the balance sheet. Generally, an increase (decrease) in the potential payment would result in an increase (decrease) to the fair value of the ILW liability.

Catastrophe Bonds

The fair value of catastrophe bonds held directly by the Master Fund is based on broker or underwriter bid indications for the same or similar catastrophe bond, as of the valuation date.

The following table presents information about the Master Fund's assets measured at fair value:

31 December 2014

	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Investments in Blue Water Re Ltd. Redeemable preference shares	$ -	$ -	$ 198,625	$ 198,625
Investments in Catastrophe Bonds	$ -	$ 2,062	$ -	$ 2,062
Total investments	$ -	$ 2,062	$ 198,625	$ 200,687

(expressed in thousands of U.S. dollars, except share and per share amounts)

3. Fair value measurements (continued)

31 December 2013

	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Investments in Blue Water Re Ltd.				
Redeemable preference shares	$ -	$ -	$ 177,093	$ 177,093
Investments in Catastrophe Bonds	$ -	$ 1,993	$ -	$ 1,993
Total investments	$ -	$ 1,993	$ 177,093	$ 179,086

There were no transfers between levels during the year presented.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Master Fund has classified within the Level 3 category. As a result, the change in unrealized gains from investments within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

Changes in Level 3 assets measured at fair value for the year were as follows:

(expressed in thousands of U.S. dollars, except share and per share amounts)

3. Fair value measurements (continued)

31 December 2014

	Beginning Balance 1 January 2014	Change in Unrealized appreciation on investments [a]	Purchases	Sales	Realized gain on investments	Ending Balance 31 December 2014
Assets (at fair value)						
Investments in Blue Water Re Ltd.						
Redeemable preference shares	$ 177,093	$ 901	$ 186,565	$ (186,565)	$ 20,631	$ 198,625

31 December 2013

	Beginning Balance 1 January 2013	Change in Unrealized appreciation on investments [a]	Purchases	Sales	Realized gain on investments	Ending Balance 31 December 2013
Assets (at fair value)						
Investments in Blue Water Re Ltd.						
Redeemable preference shares	$ -	$ 21,310	$ 170,197	$ (15,000)	$ 586	$ 177,093

(a) The change in unrealized appreciation on investments for the year ended 31 December 2014 and 31 December 2013 for securities still held at 31 December 2014 and 31 December 2013 are reflected in the net change in unrealized gains from investments in the statements of operations.

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

Asset	Valuation Technique	Unobservable Inputs	Range/ Weighted average
Investments in	Premium earned	Premiums earned - straight line	12 months
Blue Water Re Ltd.		Premiums earned - seasonnality adjusted	5 to 6 months
Redeemable	+ investment income	Investment income	0.00% to 0.15%
preference shares	- loss incurred and loss reserves	Loss Reserves	0 to contractual limit

(expressed in thousands of U.S. dollars, except share and per share amounts)

4. Financial Instruments: Risks

Liquidity Risk

Liquidity risk represents the potential loss due to the difficulty in liquidating holdings quickly. RLIs have a limited or, in some cases, no secondary market. Fully collateralized reinsurance-linked contracts of the type that the Reinsurer enters into in respect of the Master Fund typically cover annual periods. Cat Bonds and investments in sidecars may have market quotes, but the trading volume may be low and pricing correspondingly ineffective. ILWs have even less liquidity and pricing transparency, and bilateral insurance contracts currently have no secondary market.

The liquidity of RLIs may also be affected by a number of other factors, such as whether a covered event has occurred or whether a catastrophe season has passed. It is anticipated that the Master Fund and/or the Reinsurer will retain their respective exposures for the duration of the RLIs, gradually recognising income as the likelihood of a covered event occurring in respect of one or more RLIs, and therefore the Master Fund and/or the Reinsurer incurring a loss, diminishes.

While these RLIs generally can be sold at a price, they are largely “buy and hold” instruments, and it may require substantial time to enter into or exit a position and the amount that could be recognised upon liquidation may be materially less than its theoretical fair value. Consequently, the Master Fund may need to realise assets at below fair value and the Master Fund may need to borrow to meet its financing needs, each of which will have an impact on the returns to shareholders. Further, the illiquidity of RLIs means that the Master Fund’s portfolio is more likely to be mis-valued as the valuation ascribed to an RLI may differ significantly from the price at which it may ultimately be realised. In turn, any mis-valuation is likely to have an impact on the trading price of the Feeder Fund’s shares, which may be adverse to shareholders, as well as on the fees based on such valuations.

Portfolio Concentration Risk

The Master Fund predominantly invests in a diversified portfolio of fully collateralised reinsurance-linked contracts, through preference shares issued by the Reinsurer, but also invests in other investments carrying exposures to insured catastrophe event risks, such as ILWs and cat bonds. The Master Fund’s portfolio is therefore concentrated in RLIs. RLIs are particularly exposed to sudden substantial or total loss due to, among other things, natural catastrophes or other covered risks, which together with other factors, can cause sudden and significant price movements in RLIs. The Master Fund’s, and hence the Feeder Fund’s, portfolio is more exposed to such risks, than it would be if it were diversified across other asset classes in addition to RLIs.

Valuation Risk

Valuation risk is the risk that a financial asset is overvalued and will realize less than expected when it matures or is sold by the entity that holds it. The valuation of the Master Fund’s RLI is driven by the Reinsurer’s internal model which involves estimating the risk and impact of severe but infrequent natural catastrophe events and, consequently, a dimension of uncertainty to which most investment funds are not subject.

(expressed in thousands of U.S. dollars, except share and per share amounts)

4. Financial Instruments: Risks (continued)

Market Risk

Market risk represents the potential loss that can be caused by a change in the market value of the insurance contract. Exposure to market risk is determined by a number of factors, including foreign currency exchange rates and market volatility caused by the supply and demand of similar property catastrophe capacity in the broader reinsurance markets. Additionally, as the occurrence of a covered property catastrophe event could lead to an immediate and total loss of the value of the affected RLI the risks of sudden major losses in RLI value are qualitatively different than those applicable to most conventional financial market investments such as equities and bonds. The Master Fund's RLI's in the Reinsurer may sometimes assume relatively large risks in a single geographic region or in similar perils. The Master Fund may from time to time hold substantial amounts of capital which has not been invested in RLI due to the unpredictable nature of the Master Fund's cash flows or the inability to deploy capital into the reinsurance market at a risk-adjusted rate of return that the Manager considers adequate. Such uninvested cash cannot earn a return consistent with the Master Fund's objectives.

The following table illustrates the diversified risk profile of the Reinsurer's portfolio by geography and peril:

31 December 2014

Key Single Event Exposure Zone	% of NAV Value
US Hurricane [(a)]	
US - Gulf	30%
US - Florida	29%
US - MidAtlantic	23%
US - NorthEast	18%
US - Hawaii	16%
Earthquake [(b)]	
US - New Madrid	16%
US - MidAtlantic	16%
US - Northwest	13%
US - Midwest	13%
US - Hawaii	13%
US - California	13%
US - NorthEast	12%
Japan	6%

Key Single Event Exposure Zone	% of NAV Value
European Wind [(c)]	
UK and Ireland	8%
Western Central Europe	7%
Northern Europe	7%
Western Europe	6%
Southern Europe	6%
Eastern Europe	6%
Other	
US - Midwest Severe Convection [(d)]	16%

(expressed in thousands of U.S. dollars, except share and per share amounts)

4. Financial Instruments: Risks (continued)

Market Risk (continued)

31 December 2013

Key Single Event Exposure Zone	% of NAV Value	Key Single Event Exposure Zone	% of NAV Value
US Hurricane [(a)]		European Wind [(c)]	
US - Gulf	26%	UK and Ireland	8%
US - Florida	20%	Northern Europe	8%
US - MidAtlantic	19%	Eastern Europe	8%
US - NorthEast	13%	Western Central Europe	8%
US - Hawaii	10%	Western Europe	8%
		Southern Europe	8%
Earthquake [(b)]		Other	
US - New Madrid	11%	US - Midwest Severe Convection [(d)]	9%
US - Northwest	10%	Japan Windstorm [(e)]	3%
US - California	10%		

The tables above group contracts by the key underlying peril. These contracts may include other perils as follows:

(a) US Hurricane contracts often cover secondary perils, including earthquake, terrorism, and other perils;
(b) Earthquake contracts often cover secondary perils, including windstorm, terrorism and other perils;
(c) European Wind contracts often cover secondary perils, including terrorism and other perils;
(d) US Midwest Severe Convection contracts often cover secondary perils, including earthquake, terrorism, and other perils;

The exposures above are net of any coverage purchased by the Reinsurer.

None of the reinsurance contracts bound on behalf of the Master Fund carry exposure to nuclear, biological, chemical or radioactive perils. Therefore, the Manager considers the risk of incurring losses equal to the aggregate limits associated with terrorism or other secondary perils to be remote.

Counterparty Risk

Where the Master Fund invests other than in fully collateralised reinsurance-linked contracts, a number of the investment techniques that may be utilised by the Master Fund, and a number of markets in which the Master Fund may invest, will expose it to counterparty risk. Counterparty risk represents the potential loss that the Master Fund would incur if counterparties failed to perform pursuant to the terms of their obligations to the Master Fund. The Master Fund is subject to counterparty risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. The Master Fund has counterparty risk in relation to cash and investments held with HSBC Bank Bermuda, Ltd. and The Bank of New York Mellon, both of which have credit ratings of A+. The Manager monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties at either the Master Fund or the Reinsurer.

(expressed in thousands of U.S. dollars, except share and per share amounts)

4. Financial Instruments: Risks (continued)

Counterparty Risk (continued)

The Reinsurer underwrites its business through certain established brokers and, in other cases, directly from Montpelier Reinsurance Ltd ("Montpelier Re"). Business underwritten directly from Montpelier Re consists of reinsurance contracts assumed via (i) fronting agreements for specific cedents and (ii) a quota-share participation of a portfolio of business originally underwritten by Montpelier Re. Amounts due to the Reinsurer from brokers and Montpelier Re in connection with business written on behalf of the Master Fund totaled $7,691 and $8,400 as of 31 December 2014 and 31 December 2013, respectively.

Although the Reinsurer purchases reinsurance from, and enters into ILW swaps with, third parties in order to manage its exposures, it is not relieved of its obligations to ceding companies entering into such transactions and it is subject to counterparty risk to the extent that a counterparty is unable to pay amounts owed to it.

The Reinsurer may pay amounts owed on claims under fully collateralised reinsurance-linked contracts entered into in respect of the Master Fund to reinsurance brokers, and these brokers, in turn, may pay these amounts over to the ceding companies that have reinsured a portion of their liabilities with the Reinsurer. In some jurisdictions, if a broker fails to make such a payment, the Reinsurer might remain liable to the ceding company for the deficiency. Conversely, in certain jurisdictions when the ceding company pays premiums in respect of reinsurance contracts to reinsurance brokers for payment over to the Reinsurer, these premiums are considered to have been paid and the ceding company will no longer be liable to the Reinsurer for those amounts, whether or not the Reinsurer has actually received the premiums. Consequently, consistent with industry practice, the Reinsurer assumes a degree of credit risk associated with brokers.

Furthermore, while the Master Fund invests predominantly in fully collateralised reinsurance-linked contracts by subscribing for preference shares issued by the Reinsurer, it may, in accordance with its investment policy and when the Manager identifies suitable investment opportunities, also invest in other RLIs and such investments may form a material part of its investment portfolio from time to time. Where the Master Fund invests in certain RLIs, a broker may trade with an exchange as a principal on behalf of the Master Fund, in a "debtor/creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. That broker could, therefore, have title to all of the assets of the Master Fund (for example, the transactions which the broker has entered as principal as well as the margin payments that the Master Fund provides). In the event of the broker's insolvency, the transactions which the broker has entered into as principal could default and the Master Fund's assets could become part of the insolvent broker's estate, resulting in the Master Fund's rights being limited to that of an unsecured creditor.

Foreign Currency Risk

Foreign currency risk represents the potential loss caused by fluctuations in the prevailing levels of market exchange rates. The Master Fund's and the Reinsurer's functional currency is the US dollar, but a portion of their respective businesses will receive premiums and hold collateral in currencies other than US dollars. The Master Fund and the Reinsurer may use currency hedges for balances held in non-US currencies. Therefore, they can (but are not obliged) to manage currency fluctuation exposure. The Master Fund and the Reinsurer experience foreign exchange losses to the extent their respective foreign currency exposure is not hedged, which in turn would adversely affect their respective financial condition and that of the Feeder Fund.

(expressed in thousands of U.S. dollars, except share and per share amounts)

5. Capital share transactions

The Master Fund SAC has an authorized share capital of 100 ordinary, voting, non-redeemable shares (the "Management Shares") of $0.01 par value each and 10,000,000 non-voting, redeemable preference shares of par value $0.001 (the "Shares"). The Shares are divided upon issue into a designated class of shares, each class referencing a segregated account. As of 31 December 2014, the Master Fund SAC has issued 100 Management Shares with a total par value of $1 to the Manager, which has been fully paid. Holders of Management Shares are to attend and vote at general meetings of the Master Fund SAC, are not entitled to any dividend or other distribution and will, in the event of a winding-up or dissolution of the Master Fund SAC, whether voluntary or involuntary, be entitled to receive the amount of capital paid up on their Management Shares after payment in full of the capital paid up on the participating shares to the holders thereof, but will not be entitled to participate further in the surplus assets of the Master Fund SAC.

The Master Fund issued Offered Shares to the Feeder Fund at an initial price of $1,000 per Share. The Feeder Fund's additional investments in the Master Fund will be issued shares at the current Net Asset Value ("NAV"). Annual distributions will not be made in respect of the Offered Shares.

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. At such time and at the discretion of the Board of Directors, if a Special Memorandum Account ("SMA") is established, a portion of each investor's Offered Shares will be converted into a new series of SMA shares at a price of $1,000 per share to reflect the investor's pro rata interest in such SMA Investment. SMA shares may not be redeemed by an investor at any Redemption Date.

SMA Investments will be segregated for accounting purposes and increases or decreases in the value of a particular SMA Investment will be separately accounted for in the series of SMA shares established for the SMA Investment. Upon the disposition of the SMA Investment or reclassification of the investment as a non-SMA Investment, the Master Fund will convert the corresponding series of SMA shares held by investors into additional Offered Shares.

Shareholders have redemption rights which contain certain restrictions with respect to rights of redemption of Offered Shares. Subject to the Master Fund's ability to liquidate assets efficiently and other substantial limitations including those relating to SMA shares as discussed above, a holder of Offered Shares may redeem its Offered Shares monthly on the last day of each calendar month (each, a "Redemption Date") by giving ten calendar days' prior written notice to the Master Fund. Any such redemption of Offered Shares will be affected at the NAV of such shares as of the applicable Redemption Date, with cash settlement within forty-five days after such Redemption Date; provided, however, the Master Fund reserves the right to withhold amounts for its contingent liabilities.

(expressed in thousands of U.S. dollars, except share and per share amounts)

5. Capital share transactions (continued)

The Master Fund had no SMA investments at 31 December 2014 and 31 December 2013. Transactions in shares are as follows:

1 January 2014 to 31 December 2014

	Beginning Shares	Shares issued	Shares Redeemed	Ending Shares
Offered Shares	142,062	17,778	-	159,840

1 January 2013 to 31 December 2013

	Beginning Shares	Shares issued	Shares Redeemed	Ending Shares
Offered Shares	-	142,062	-	142,062

As at 31 December 2014, 100% (2013 - 100%) of the Offered Shares are owned by the Feeder Fund.

6. Related party transactions

As of 31 December 2014, the Master Fund had $6,654 (2013 – $0) funds on deposit with the Reinsurer for preference shares to be issued on 1 January 2015.

As of 31 December 2014, the Master Fund had a $9,054 (2013 – $15,405) advanced subscription from the Feeder Fund for Offered Shares to be issued on 1 January 2015.

As of 31 December 2014, the Master Fund had a $1,642 (2013 – $0) payable to Montpelier Re for swap payments made on behalf of the Master Fund.

Fronting Agreements with Montpelier Re

The Master Fund (via the Reinsurer) has entered, and may in future enter into fronting agreements with Montpelier Re from time to time, under which Montpelier Re will agree to enter into certain reinsurance contracts that are to be underwritten by the Reinsurer and will transfer all risks and premiums to the Reinsurer via a collateralised retrocessional reinsurance contract in exchange for a fronting fee. Fronting fees for the year ended 2014 were $282 (2013 – $395). Where it is proposed that Montpelier Re acts as fronting reinsurer, the 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 of the Feeder Fund, all of whom are independent of Montpelier Re.

(expressed in thousands of U.S. dollars, except share and per share amounts)

6. Related party transactions (continued)

Quota Shares with Montpelier Re

The Master Fund (via the Reinsurer) has entered, and may in future enter into quota share agreements with Montpelier Re from time to time, under which Montpelier Re will cede an agreed percentage of every risk it insures falling within certain agreed classes of business, subject to a reinsurance treaty. The Manager has established procedures to deal with any potential conflicts of interest that may arise. If transacted with Montpelier Re, the terms of the quota share agreement will be at arms' length and approved in advance by the Directors of the Feeder Fund, all of whom are independent of Montpelier Re.

Management Fee

Pursuant to the Investment Management Agreement dated 27 November 2012, the Manager is empowered to formulate the overall investment strategy to be carried out by the Master Fund and to exercise full discretion in the management of the trading, investment transactions and related borrowing activities of the Master Fund in order to implement such strategy. The Manager is entitled to a management fee, calculated and payable monthly in arrears equal to (a) 1/12 of 1.5% of the month-end NAV (prior to accrual of the performance fee, as defined below) of all Offered Shares held by investors, up to a NAV of $300,000 and (b) 1/12 of 1.25% of the month-end NAV (prior to accrual of the performance fee, as defined below) of all Offered Shares held by investors, above a NAV of $300,000.

Performance Fee

The Reinsurance Manager is entitled to a performance fee, payable on an annual basis by the Master Fund, which will generally be equal to 15% of the aggregate increase in NAV of the Master Fund over the previous High Water Mark (as defined below) of all series of shares (except for SMA shares) held by investors, minus the performance hurdle. The "High Water Mark" for a holder of Offered Shares at the end of any period is equal to (i) where there is New Net Profit (as defined below) in such period, the then current NAV of such Offered Shares, or (ii) where there is no New Net Profit in such period, the previous High Water Mark. The initial High Water Mark for any holder of Offered Shares is equal to the initial subscription amount of such Offered Shares. Appropriate adjustments will be made to account for subscriptions, redemptions and distributions, if any. "New Net Profit" for any series of Offered Shares for any period is the appreciation of the NAV of such series for such period ("Profit") after deducting any depreciation in NAV of such series in any prior period that has not been previously eliminated by Profit in prior periods.

The performance trigger in respect of a Performance Period ("Performance Trigger") is reached when New Net Profit, if any, in respect of an investor's Offered Shares at the end of such Performance Period exceeds the sum of: (i) the NAV of such investor's Offered Shares as of the beginning of the Performance Period multiplied by the average of the one-month U.S. Dollar LIBOR on the last Business Day of each month during such Performance Period and (ii) 10% of the NAV of such investor's Offered Shares 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 an investor's Offered Shares.

(expressed in thousands of U.S. dollars, except share and per share amounts)

6. Related party transactions (continued)

Performance Fee (continued)

The performance hurdle in respect of a Performance Period “Performance Hurdle” is the amount of New Net Profit, if any, in respect of an investor’s Offered Shares at the end of such Performance Period which equals the sum of: (i) the NAV of such investor’s Offered Shares as of the beginning of the Performance Period multiplied by the average of the one-month U.S. Dollar LIBOR on the last Business Day of each month during such Performance Period and (ii) 3% of the NAV of such investor’s Offered Shares 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 an investor’s Offered Shares.

The Performance Fee attributable to the SMA shares upon the disposition of the SMA Investment or the recharacterization or reclassification of the investment as a non-SMA Investment (e.g., when the amount of loss has become sufficiently certain with respect to the loss occurrence, as determined by the Manager in its sole discretion), if any, will be allocated to any series of Offered Shares held by the holder of the SMA shares. Any excess owing thereafter will be allocated and paid from any subsequent redemption proceeds payable to the investor.

Expenses

The Master Fund SAC pays on behalf of the Reinsurer all of the Reinsurer’s operating costs, including legal fees, government licensing fees and fees in connection with the establishment of the Reinsurer. For the year ended 31 December 2014, the Master Fund SAC incurred expenses of $317 (2013 - $175) on behalf of the Reinsurer. As of 31 December 2014, the Master Fund has $7 (2013 - $56) payable to Master Fund SAC. The expenses of the Master Fund SAC and the Reinsurer are allocated between the Master Fund, BCAP Mid Vol Fund, and Blue Capital Low Volatility Strategy on a monthly basis based on their gross asset value. For the year ended 31 December 2014, the Master Fund was allocated expenses totaling $301 (2013 - $435).

One of the directors of the Master Fund SAC is an officer of the Manager and is not paid a fee for his service as a director.

7. Administrative fee

Prime Management Limited (the “Administrator”), a division of SS&C GlobeOp, serves as the administrator, secretary, and registrar for the Master Fund SAC. For its administration and registrar services, the Administrator receives a monthly fee based on the NAV of the Master Fund, subject to a monthly minimum fee. For its secretarial services, the Administrator receives a fixed annual fee.

(expressed in thousands of U.S. dollars, except share and per share amounts)

8. Financial highlights

Financial highlights for Series B shares are as follows:

	Year ended December 31,	
	2014	**2013**
Per share operating performance		
Net asset value, beginning of period	$ 1,138.9697	$ 1,000.0000
Income (loss) from investment operations:		
Net investment loss	(0.8713)	(6.2411)
Performance fees	-	(16.8904)
Management fees	(18.0401)	(15.9780)
Net gain from investments	127.1972	178.0792
Total from investment operations	108.2858	138.9697
Net asset value, end of period	$ 1,247.2555	$ 1,138.9697
Total return		
Total return before performance fee	9.51 %	15.59 %
Performance fee	- %	(1.69) %
Total return after performance fee	9.51 %	13.90 %
Ratio to average net assets		
Expenses other than performance fee	(1.80) %	(1.78) %
Performance fee	-	(1.78) %
Total expenses after performance fee	(1.80) %	(3.56) %
Net investment loss before performance fee	(1.58) %	(1.75) %
Net investment loss after performance fee	(1.58) %	(3.53) %

Financial highlights are calculated for each permanent, non-managing class or series of preference shares. An individual shareholder's return and ratios may vary based on different performance fee and/or management fee arrangements, and the timing of capital share transactions.

Per share operating performance is computed on the basis of average shares outstanding during the year.

Total return is calculated based on the percentage movement in net asset value per share. The expense ratio is calculated based on the expenses of the Master Fund over the average net asset value per share in the year. The net investment loss ratio is based on the net loss per share from investment operations of the Master Fund over the average net asset value per share in the year.

An individual investor's per share operating performance, total return and net investment loss and expense ratios may vary from these results based on the timing of subscriptions and redemptions of shares.

(expressed in thousands of U.S. dollars, except share and per share amounts)

9. Commitments and contingencies

In the normal course of business, the Master Fund may enter into contracts or agreements that contain indemnifications or warranties. The Master Fund's exposure under these arrangements is unknown, as this would involve future claims that may be made against the Master Fund that have not yet occurred. However, based on experience, the Manager expects the risk of loss to be remote.

10. Subsequent events

On 1 January 2015, the Master Fund accepted subscriptions of $9,054 from the Feeder Fund and issued 7,259 shares.

These financial statements were approved by the Manager and Board, and available for issuance on 30 March 2015. Subsequent events have been evaluated through this date.

Corporate Information

Directors of the Company
John R. Weale – Chairman (Appointed 5 November 2012)
Gregory D. Haycock – Audit Committee Chairman (Appointed 5 November 2012)
Neil W. McConachie (Appointed 5 November 2012)

Manager to the Company and the Master Fund
Blue Capital Management Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Administrator to the Company and the Master Fund
Prime Management Limited
(a division of SS&C GlobeOp)
Mechanics Building
12 Church Street
Hamilton HM 11
Bermuda

Company Secretary
Appleby Services (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM EX
Bermuda

Custodian to the Master Fund and the Reinsurer
Bank of New York Mellon
101 Barclay Street, 8W
New York, NY 10286

Solicitors to the Company
Hogan Lovells International LLP
Atlantic House
Holborn Viaduct
London EC1A 2FG
United Kingdom

Bermuda Legal Advisor to the Company and the Master Fund
Appleby (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM EX
Bermuda

Financial Advisor and Corporate Broker
Jefferies International Limited
Vintner Place
68 Upper Thames Street
London EC4V 3BJ

Registrar, Paying Agent and Transfer Agent
Computershare Investor Services (Bermuda) Limited
Corner House
Church and Parliament Streets
Hamilton HM FX
Bermuda

Depository
Computershare Investor Services PLC
The Pavilions
Bridgewater Road
Bristol, BS99 6ZZ

Auditors to the Company, the Master Fund and the Reinsurer
PricewaterhouseCoopers Ltd.
Dorchester House
7 Church Street
Hamilton HM EX
Bermuda

Bermuda Listing Sponsor
Prime Management Limited
(a division of SS&C GlobeOp)
Mechanics Building
12 Church Street
Hamilton HM 11
Bermuda

Disclosure of Directors in Public Companies Listed on Recognised Exchanges (Principle 5 of the AIC)

Director Name	Company Name	Exchange
John R. Weale	Blue Capital Reinsurance Holdings Ltd.	New York and Bermuda
Gregory D. Haycock	BF&M Limited	BSX
	The Bermuda Press (Holdings) Ltd.	BSX
Neil McConachie	Third Point Re Ltd.	New York

Summary of Resolutions to be Proposed at the Annual General Meeting

The following section gives details of the business to be transacted and the resolutions (the "Resolutions") to be put to the Shareholders at the Company's 2015 Annual General Meeting to be held at 94 Pitts Bay Road, Pembroke HM 08, Bermuda at 1:00 p.m. (Bermuda time) on 13 May 2015. Notice of the Annual General Meeting is set out in the following section.

The Resolutions below under the heading “Ordinary Resolutions” deal with the ordinary business and the Resolutions below the heading “Special Resolutions” detail the special business to be transacted at this meeting. The Ordinary Resolutions require approval by a majority of votes cast and shall be decided on a show of hands unless a poll is demanded. The Special Resolutions require approval of not less than 75 per cent. of votes cast. Further explanation in relation to each of the Resolutions is set out below.

ORDINARY RESOLUTIONS

Resolution 1 – Approval of Financial Statements

In accordance with the Bermuda Companies Act 1981, as amended, the Company's annual audited financial statements for the year ended 31 December 2014 will be laid before the meeting. The Board will authorise any two Directors to sign the balance sheet on its behalf. Shareholders are being asked to receive and consider the Company’s audited financial statements for the year ended 31 December 2014.

Resolution 2 – Board Size and Vacancies

Shareholders are being asked pursuant to Bye-Law 37 of the Company's Bye-laws (the "Bye-laws") to set the size of the Company’s Board at three (3) and to authorise the Directors to fill any vacancy on the Board which may occur from time to time as they may see fit.

Resolution 3 – Re-Election of John R. Weale as a Director

John R. Weale was appointed as Chairman and a member of the Board on 5 November 2012 and his biography appears in the section of this Annual Report entitled "Board Members" above.

It is proposed that Mr. Weale be re-elected as Chairman and a Director of the Company for a term expiring as required by Bye-law 37.6.

Resolution 4 – Re-Election of Gregory D. Haycock as a Director

Gregory D. Haycock was appointed as a member of the Board on 5 November 2012 and his biography appears in the section of this Annual Report entitled "Board Members" above.

It is proposed that Mr. Haycock be re-elected as a Director of the Company and Chairman of the Board’s Audit Committee for a term expiring as required by Bye-law 37.6.

Resolution 5 – Re-Election of Neil W. McConachie as a Director

Neil W. McConachie was appointed as a member of the Board on 5 November 2012 and his biography appears in the section of this Annual Report entitled "Board Members" above.

It is proposed that Mr. McConachie be re-elected as a Director of the Company for a term expiring as required by Bye-law 37.6.

Resolution 6 – Re-Appointment of PricewaterhouseCoopers Ltd. as Auditors of the Company

Shareholders are being asked to approve PricewaterhouseCoopers Ltd.’s re-appointment as the Company's auditors until the close of the next Annual General Meeting and to approve the giving of authority to the Board to determine their reasonable compensation.

Resolution 7 – Share buy-back authority

Shareholders are requested to approve the authority for the Company to make market acquisitions of its own Ordinary Shares up to a maximum of 14.99 per cent. of the Ordinary Shares in issue as at the date of passing of the Resolution (this equates to 29,845,888 Ordinary Shares as at the date of the notice of the Annual General Meeting).

This authority will expire at the conclusion of the Company's next annual general meeting or eighteen (18) months from the passing of the Resolution (whichever is earlier). As previously stated, the Board intends to seek Shareholder approval for the continued ability for the Company to make such market purchases to each annual general meeting. In addition, the Board may seek to refresh this authority from time to time to reflect the issue of further shares, such that the authority will be in relation to 14.99 per cent. of the shares in issue at the time such authority is refreshed.

SPECIAL RESOLUTIONS

Special Resolution 1 – Waiver of pre-emption rights for limited further issues

Pursuant to a Special Resolution of the Company's Shareholders passed at the Company's 2014 annual general meeting, the Board was granted the authority to allot a limited number of Ordinary Shares for cash without first offering them to Shareholders on a pro rata basis. This authority will expire on the date of the Company's 2015 annual general meeting. Shareholders are requested to approve, by way of Special Resolution, the renewal of this authority until the earlier of the next annual general meeting or eighteen (18) months from the passing of this Resolution.

The number of Ordinary Shares which may be allotted under such authority is limited to the number of Ordinary Shares representing 10 per cent. of the Ordinary Shares in issue at the date on which the Resolution is passed (this equates to 19,910,533 Ordinary Shares as at the date of the notice of the Annual General Meeting).

Special Resolution 2 – Approval of 2016-2017 Placing Programme

The Directors believe that it remains in the interests of the Company and Shareholders to enlarge the Company and to broaden its investor base and are therefore proposing to raise further capital by way of a further placing programme (the "2016-2017 Placing Programme"), which is currently anticipated to commence in the first quarter of 2016.

Under the 2016-2017 Placing Programme, the Company expects to propose to raise further capital by issuing up to 250 million shares. Such shares may be issued as Ordinary Shares or one or more classes of C shares at the discretion of the Directors (the "New Shares").

It is not proposed to offer New Shares to be issued under the 2016-2017 Placing Programme to existing Shareholders pro rata to their existing holdings in the first instance and the Company is therefore seeking to disapply the pre-emption rights contained in the Bye-laws. The Company wishes to take the opportunity to seek Shareholder approval at the Annual General Meeting to minimise the administrative burden and costs later in the year. Shareholders are therefore being asked to approve the issue of up to 250 million New Shares on a non-pre-emptive basis, being the maximum number of New Shares that could be issued pursuant to the 2016-2017 Placing Programme. Such approval will expire on 30 June 2017 regardless of whether any New Shares have been issued before that time and will be limited to the allotment of New Shares pursuant to the 2016-2017 Placing Programme.

If an existing Shareholder does not subscribe at each closing for such number of New Shares as is equal to his or her proportionate ownership of existing shares, his or her proportionate ownership and voting interest in the Company will be reduced and the percentage that his or her existing shares will represent of the total share capital of the Company will be reduced accordingly following each closing under the 2016-2017 Placing Programme. However, the issue of Ordinary Shares under the 2016-2017 Placing Programme should not be dilutive of the NAV of existing Ordinary Shares as new Ordinary Shares will be issued at a premium to the prevailing NAV per Ordinary Share. Similarly, the issue of C Shares under the 2016-2017 Placing Programme and their subsequent conversion into

Ordinary Shares should also not be dilutive of the NAV of existing Ordinary Shares as conversion will be effected on a NAV for NAV basis in accordance with the Bye-laws.

A prospectus in relation to the 2016-2017 Placing Programme is expected to be issued in due course; however, the Directors reserve the right to postpone or not to proceed with the 2016-2017 Placing Programme where, for example, prevailing market conditions are not supportive.

ACTION TO BE TAKEN

If you have sold or otherwise transferred all of your Ordinary Shares in the Company, please send this Circular, together with any accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

****ONLY FOR SHAREHOLDERS WHO DO NOT HOLD DEPOSITORY 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, 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. (UK Time) on 12th May 2015.

****ONLY FOR SHAREHOLDERS WHO HOLD DEPOSITORY 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. (UK Time) on 11th May 2015.

Holders of Depositary Interests in CREST may transmit voting instructions by utilising the CREST voting service in accordance with the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take appropriate action on their behalf. In order for instructions made using the CREST voting service to be valid, the appropriate CREST message (a "CREST Voting Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST).

To be effective, the CREST Voting Instruction must be transmitted so as to be received by the Company's agent (3RA50) no later than 9:00 a.m. (UK Time) on 11th May 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST Voting Instruction by the CREST applications host) from which the Company's agent is able to retrieve the CREST Voting Instruction by enquiry to CREST in the manner prescribed by CREST. Holders of Depositary Interests in CREST and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the transmission of CREST Voting Instructions. It is the responsibility of the Depositary Interest holder concerned to take (or, if the Depositary Interest holder is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST Voting Instruction is transmitted by means of the CREST voting service by any particular time. In this connection, Depositary Interest holders and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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.

RECOMMENDATION

The Board believes that the proposed Resolutions are in the best interests of the Company and the

Shareholders and are in accordance with the Company’s constitutional documents. Accordingly, the Board unanimously recommends that you vote in favour of the proposed Resolutions at the 2015 Annual General Meeting.

Notice of Annual 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 the 2015 ANNUAL GENERAL MEETING of Blue Capital Global Reinsurance Fund Limited (the "Company") will be held at 94 Pitts Bay Road, Pembroke HM 08, Bermuda on 13 May 2015 at 1:00 p.m. (Bermuda time). Capitalised terms in this notice will have the meaning given to them in the Company's Annual Report published on 13 April 2015. The Annual General Meeting is being convened for the purpose of considering and, if thought fit, passing the following nine Resolutions, the first seven of which will be proposed as ordinary resolutions, each of which require the approval by a simple majority of the votes cast by Shareholders, and the last two of which will be proposed as special resolutions, each of which require the approval of not less than three-quarters of the votes cast by Shareholders.

ORDINARY RESOLUTIONS

1. THAT the audited financial statements of the Company for the year ended 31 December 2014 be and hereby are received and adopted.

2. THAT pursuant to Bye-Law 37 of the Company's bye-laws the maximum number of directors on the Company's Board shall be three (3) and that the directors are hereby authorised to fill any vacancy on the Board which may occur from time to time as they may see fit.

3. THAT the re-election of John R. Weale as Chairman and a Director of the Company for a term expiring as required by Bye-law 37.6 be and is hereby approved and adopted with immediate effect.

4. THAT the re-election of Gregory D. Haycock as a Director of the Company and Chairman of the Board's Audit Committee for a term expiring as required by Bye-law 37.6 be and is hereby approved and adopted with immediate effect.

5. THAT the re-election of Neil W. McConachie as a Director of the Company for a term expiring as required by Bye-law 37.6 be and is hereby approved and adopted with immediate effect.

6. THAT the reappointment of PricewaterhouseCoopers Ltd., an independent registered public accounting firm, as the Company's independent auditors for 2015 be and is hereby approved and adopted with immediate effect, and that the Board, acting through the Company's Audit Committee, is hereby authorised to set the auditor's remuneration.

7. THAT the Company be and is hereby generally and unconditionally authorised to make market acquisitions of its Ordinary Shares in issue provided that:

    a. the maximum number of Ordinary Shares hereby authorised to be purchased is 14.99 per cent. of the Company's Ordinary Shares in issue on the date on which this resolution is passed;

    b. the minimum price (exclusive of expenses) which may be paid for an Ordinary Share shall be US$0.00001;

    c. the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be not more than the higher of: (i) 5 per cent. above the average of the middle market quotations for the Ordinary Shares as derived from the price quoted by the

London Stock Exchange plc for the Ordinary Shares for the five (5) business days before the day the purchase is made; and (ii) the higher of the price of the last independent trade and the highest independent bid at the time of the purchase of the Ordinary Shares;

d. the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, eighteen (18) months from the date on which this resolution is passed, unless such authority is renewed, varied or revoked prior to such time;

e. the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make an acquisition of Ordinary Shares pursuant to any such contract; and

f. any Ordinary Shares bought back may be subsequently cancelled by the Company.

SPECIAL RESOLUTIONS

1. THAT, in addition to any subsisting or other authorities, the provisions of Bye-Law 14.1 of the Bye-Laws shall not apply and shall be excluded in relation to the issue of up to an aggregate number of Ordinary Shares as represents 10 per cent. of the number of Ordinary Shares in issue at the date of the passing of this resolution, provided that such disapplication and exclusion shall expire on the date which is eighteen (18) months from the date of the passing of this resolution or, if earlier, at the end of the next annual general meeting of the Company following the date of the passing of this resolution (unless previously renewed, revoked or varied by the Company by special resolution), save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot shares in pursuance of such an offer or agreement as if the disapplication and exclusion conferred hereby had not expired.

2. THAT, in addition to any subsisting or other authorities, the Directors be and are hereby are empowered to allot up to 250 million New Shares for cash as if Bye-law 14.1 does not apply in respect of any such allotment provided that:

   (a) this power shall (unless previously revoked, varied or renewed by the Company by special resolution) expire on 30 June 2017; and

   (b) this power shall be limited to the allotment of New Shares under the 2016-2017 Placing Programme.

By order of the Board

13 April 2015

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Notes:

1. A Shareholder who is entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a Shareholder of the Company.

2. ****ONLY FOR INVESTORS WHO DO <u>NOT</u> HOLD DEPOSITORY INTERESTS THROUGH CREST**** A Form of Proxy is enclosed for use at the Annual 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, 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. (UK Time) on 12th May 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 Annual General Meeting should he or she so wish. To have the right to attend and vote at the Annual 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 on 11th May 2015. Changes to entries in the register after that time shall be disregarded in determining the rights of any Shareholder to attend and vote at the Annual General Meeting.

3. ****ONLY FOR INVESTORS WHO HOLD DEPOSITORY INTERESTS THROUGH CREST**** A Form of Instruction is enclosed for use at the Annual 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. (UK Time) on 11th May 2015. In the case of joint holders of Depository 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 Depository Interests in respect of the joint holding. Depository Interest Holders wishing to attend the Annual General Meeting should contact the Depository at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY.

   Holders of Depositary Interests in CREST may transmit voting instructions by utilising the CREST voting service in accordance with the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take appropriate action on their behalf. In order for instructions made using the CREST voting service to be valid, the appropriate CREST message (a “CREST Voting Instruction”) must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com/CREST).

   To be effective, the CREST Voting Instruction must be transmitted so as to be received by the Company’s agent (3RA50) no later than 9:00 a.m. (UK Time) on 11th May 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST Voting Instruction by the CREST applications host) from which the Company’s agent is able to retrieve the CREST Voting Instruction by enquiry to CREST in the manner prescribed by CREST. Holders of Depositary Interests in CREST and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the transmission of CREST Voting Instructions. It is the responsibility of the Depositary Interest holder concerned to take (or, if the Depositary Interest holder is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST Voting Instruction is transmitted by means of the CREST voting service by any particular time. In this connection, Depositary Interest holders and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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.

Form of Proxy for the Annual General Meeting

I/We

____

of

____

Being (a) member(s) of Blue Capital Global Reinsurance Fund Limited, and entitled to vote, hereby appoint the Chairman of the Meeting or the representative of the Company Secretary (such appointment may be determined at the discretion of the Company Secretary)

or ____

As my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 1:00 p.m.(Bermuda time) on 13 May 2015 at 94 Pitts Bay Road, Pembroke HM08, Bermuda and at any adjournment thereof.

Please indicate by placing a cross in the appropriate spaces below how you wish your votes to be cast. Unless otherwise indicated the proxy will exercise his discretion both as to how he votes and as to whether or not he abstains from voting.

Ordinary Resolutions	**For**	**Against**	**Vote Withheld**
1. Adoption of the financial statements of the Company for the year ended 31 December 2014			
2. Setting of the size of the Company's Board of Directors at three (3) and authorisation to fill any vacancy on the Board which may occur from time to time as the Board may see fit			
3. Re-election of Mr. John R. Weale			
4. Re-election of Mr. Gregory D. Haycock			
5. Re-election of Mr. Neil W. McConachie			
6. Appointment of PricewaterhouseCoopers Ltd., an independent registered public accounting firm, as the Company's independent auditor for 2015 and authorisation of the Company's Board of Directors, acting by the Company's Audit Committee, to set the auditor's remuneration			
7. Authorisation to make market acquisitions of the Company's Ordinary Shares in issue provided that: a. the maximum number of Ordinary Shares hereby authorised to be purchased is 14.99 per cent. of the Company's Ordinary Shares in issue on the date on which this resolution is passed; b. the minimum price (exclusive of expenses) which may be paid for an Ordinary Share shall be US $0.00001; c. the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be not more than the higher of: (i) 5 per cent. above the average of the middle market quotations for the Ordinary Shares as derived from the price quoted by the London Stock Exchange plc for the Ordinary Shares for the five (5) business days before the day the purchase is made; and (ii) the higher of the price of the last independent trade and the highest independent bid at the time of the purchase of the Ordinary Shares;			

	For	Against	Vote Withheld
d. the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, eighteen (18) months from the date on which this resolution is passed, unless such authority is renewed, varied or revoked prior to such time; e. the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make an acquisition of Ordinary Shares pursuant to any such contract; and f. any Ordinary Shares bought back may be subsequently cancelled by the Company.			
Special Resolutions	**For**	**Against**	**Vote Withheld**
1. Authorisation to exclude the provisions of Bye-Law 14.1 of the Company's Bye-Laws in relation to the issue of up to an aggregate number of Ordinary Shares as represents 10 per cent. of the number of Ordinary Shares in issue at the date of the passing of this resolution, provided that such disapplication and exclusion shall expire on the date which is 18 months from the date of the passing of this resolution or, if earlier, at the end of the next annual general meeting of the Company following the date of the passing of this resolution (unless previously renewed, revoked or varied by the Company by special resolution), save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot shares in pursuance of such an offer or agreement as if the disapplication and exclusion conferred hereby had not expired.			
2. Authorisation to allow the Directors to allot up to 250 million New Shares for cash as if Bye-law 14.1 of the Company's Bye-laws does not apply in respect of any such allotment provided that: a. such power shall (unless previously revoked, varied or renewed by the Company by special resolution) expire on 30 June 2017; and b. such power shall be limited to the allotment of New Shares under the 2016-2017 Placing Programme.			

Signed this ________ day of___________________ 2015

Signature__________________________

Please see Notes on the following page of this Form of Proxy

Notes:

1. If you desire someone other than the Chairman or a representative of the Company Secretary to act as your proxy, delete “the Chairman of the Meeting or the representative of the Company Secretary (such appointment may be determined at the discretion of the Company Secretary)” above and insert the name of the proxy desired. If you wish to appoint the representative of the Company Secretary to act as your proxy delete “the Chairman of the Meeting or”. If you do not delete these words and you do not insert the name of an alternative proxy in the space provided, you will be deemed to have appointed the Chairman of the Meeting as your proxy. Any such proxy need not be a member of the Company.

2. In the case of a corporation this proxy must be executed under Common Seal or under the hand of an officer or duly authorised attorney.

3. In the case of joint holders the signature of the person whose name stands first in the Register is sufficient.

4. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder’s name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

5. To be effective this Form of Proxy, duly completed together with any power of attorney or authority under which it is signed or a notarially certified copy of such power of attorney or other authority, must be lodged with the Company’s Registrar, to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 9:00 a.m. (UK Time) on 12th May 2015.

6. The lodging of a completed Form of Proxy does not preclude a member from attending, speaking and voting at the AGM.

7. The quorum for this Meeting is one or more persons holding or representing by proxy not less than one third of the total issued Share capital of the Company (excluding any Share capital represented by treasury shares). If such a quorum is not present within five minutes from the time appointed for the Meeting, or if during the Meeting such a quorum ceases to be present, it shall stand adjourned to the same day, time and place in the next week or such other day as a Chairman may determine and if at such adjourned meeting a quorum is not present within half an hour from the time appointed for the holding of the meeting, those Members present in person or by proxy shall be a quorum.

8. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for or against a resolution.