High Yield Reinsurance Risk Premium Fund
Reinsurance Risk Premium Interval Fund

SPECIAL TOPIC: DECEMBER 2017

Special Topic: Year in Review 2017

We believe the prospects for the reinsurance risk premium are strong. The premiums that reinsurers receive have increased throughout the industry, increasing the potential returns for holding reinsurance risk[1]. We believe our "buy the market"[2] strategy can deliver this broad-based increase in potential returns to investors. Furthermore, because we partner with reinsurers we believe to be global industry leaders, our investors potentially benefit from a diversified portfolio of risk throughout the globe. In addition, these reinsurers use their extensive networks and relationships to aim to increase the business they do in areas where premium rates are up. Through broad-based quota shares,[3] we believe our funds can directly benefit.

The premiums that the Funds expect to receive on the business we sourced at January renewals are higher as a percentage of capital for the same level of risk. This is in an environment in which credit spreads in traditional fixed income markets are compressed, producing a yield for the Barclays Bloomberg US Aggregate Bond Index (the "Agg") of 2.97%[4] – and recall, of course, that the yield is the **maximum** return through maturity assuming zero credit defaults. Further, the capital of the securities in which the Funds invest are primarily invested in US Treasury Money Market funds, with a 1-3 month duration. In the past, when interest rates have gone up, yields on US Treasury Money Market funds have increased as well. However the Agg has a duration of 6.1 years.[1] For a bond with a 6.1 year duration, a 1% increase in interest rates could cause a **loss** of roughly 6.1%. Indeed in January, 10-year US Treasury yields were up just 0.30%, and the Agg went down 1.2%.[5] Low spreads and high duration are a potentially toxic combination.

Losses to the Reinsurance Industry

The improved potential opportunities ahead of us are the direct consequence of significant losses. This year's events caused an estimated $136 billion of insured loss.[6] Those payouts from insurers and reinsurers helped to defray the costs of a far greater economic and human toll. We have been preparing for this year since we launched the Funds. In all of our "white paper" educational sessions and update meetings, we repeat the mantra: the Funds gather reinsurance premiums precisely because they can lose money sharply in any given year.

This year we refresh our look at historical industry losses, using updated numbers from Swiss Re[7] to account for additional inflation (to 2017 dollars) and additional information about industry losses. You may recall from the December 2016 Monthly Commentary that the worst-ever years for insured losses were $123 billion for 2005 and $125 billion for 2011.[8] These were losses trended for inflation to 2013. When we trend the losses to 2017, these figures are now $136 billion and $138 billion, respectively. The median loss (half of the years are better and half are worse) is $41 billion, up from $35 billion.[8] The relativity across years is generally unchanged, however.

Past performance is no guarantee of future results.

[1] Source: Guy Carpenter
[2] "Buy the market" means providing a diversified exposure to the entire reinsurance market, without deliberately overweighting or underweighting regions or perils.
[3] Quota shares are transactions that allow the Fund to share in a percentage of a reinsurer's premiums and claims for a defined set of reinsurance contracts.
[4] Source: Barclays Live, as of 1/31/2018
[5] Source: Bloomberg
[6] Source: Swiss Re
[7] Swiss Re is a large, global reinsurer headquartered in Zurich, Switzerland
[8] Source: Swiss Re sigma explorer

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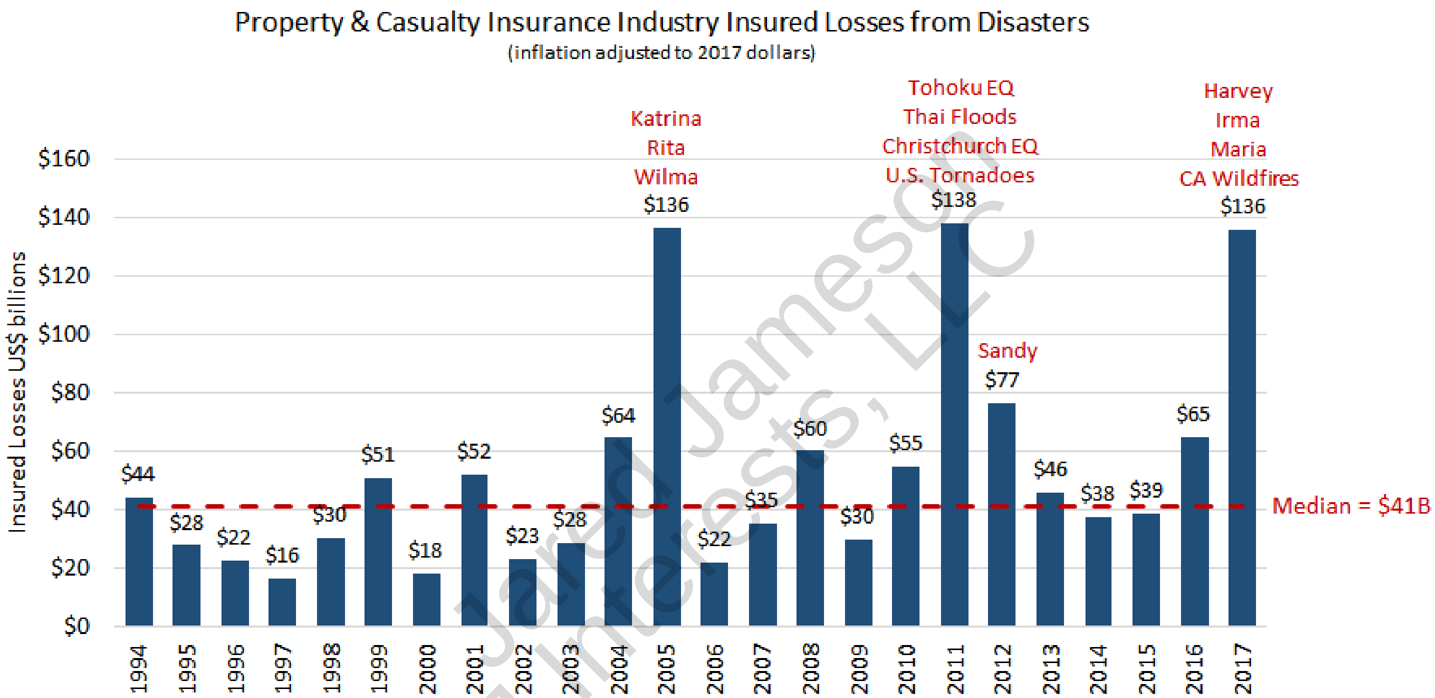
While the total amount of losses is the same as 2005, the losses in 2017 came from a number of medium-sized events (less than $50 billion each) rather than a single large event like the $80-90 billion Hurricane Katrina. **More severe single events tend to have a disproportionately larger effect on reinsurance.** In the next section we look at the losses that combined to create $136 billion of insured losses in 2017.



Source: Swiss Re sigma explorer

Top Five Losses Reduced SRRIX Returns by 17.97%

Our reinsurance funds, which aim to capture the beta[9] of the reinsurance market, functioned exactly as designed and took their share of the losses. SRRIX was more affected than SHRIX, returning -11.35% versus -3.22%. This performance difference was because catastrophe bonds are generally further “out of the money” (i.e., more risk-remote than quota shares). The loss in SRRIX was driven by five major events, which reduced returns by 17.97%. On the next page, we list these five top loss events in order of impact to the Fund.

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[9] “Beta” is a measure of the risk arising from general market movements. In this contact, the “beta” of the reinsurance market refers to the risk of the reinsurance market as a whole, as compared to the risk of a subset of reinsurance exposures.

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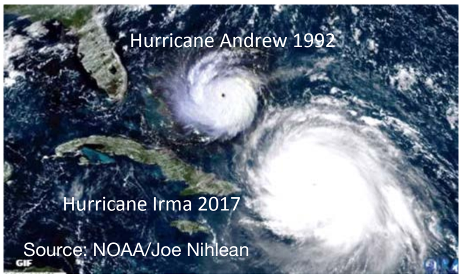
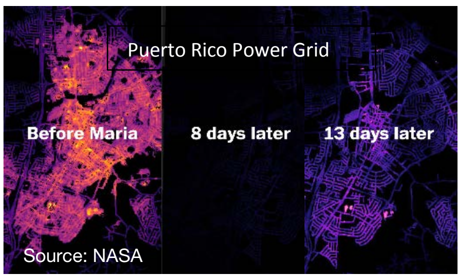


Source: NOAA/Joe Nihlean

Hurricane Irma | SRRIX -8.04%[10] | Industry Loss $35-55B[11]

- Cat 4 hurricane, landfall in the Florida Keys, September 10
- Much bigger than Andrew in 1992 (diameter 126 mi. vs 50 mi.)
- Forecast track veered west after heading directly for Miami
- Large footprint means large number of claims
- Losses to National Flood Insurance Program ("NFIP") estimated at $5B



Source: NASA

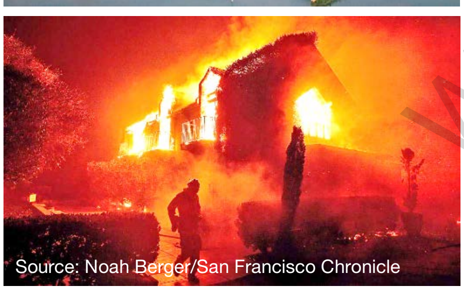
Hurricane Maria | SRRIX -3.84%[10] | Industry Loss $15-30B[11]

- Cat 4 hurricane, landfall in Puerto Rico, September 20
- Wind-only losses $10-20B
- Power grid still not fully operational
- Significant business interruption claims and repair delays
- High demand for contractors causing repair cost inflation


Source: Gerald Herbert/AP

Hurricane Harvey | SRRIX -3.70%[10] | Industry Loss $25-35B[11]

- Cat 4 hurricane, landfall near Corpus Christi, August 25
- Over 90% of the loss from flood rather than wind
- Hurricane stalled for days, dropping a record 40" of rainfall
- Current estimates of 500,000 to 1,000,000 vehicles damaged
- Losses to NFIP at $8-10B


Source: Noah Berger/San Francisco Chronicle

North California wildfires | SRRIX -1.88%[10] | Industry Loss $9-10B[11]

- Prior record insured loss was $2.7B for Oakland, CA fire in 1991
- Damage impacted the wine-growing region north of San Francisco (including Napa and Sonoma counties)
- Heavy rains in Jan/Feb 2017 drove high vegetation growth, which later dried up in the hot summer of 2017
- Fire burned 245,000 acres, and damaged 8,700+ structures


Source: Mario Tama/Getty Images

South California wildfires | SRRIX -0.51%[10] | Industry Loss $2-3B[11]

- Largest fires were in Santa Barbara and Ventura
- Occurred at "wildland-urban interface" areas
- Fires fueled by 50 mph winds and damaged 1,300+ structures
- Fire burned 272,000 acres
- Insured loss includes smoke damage and business interruption

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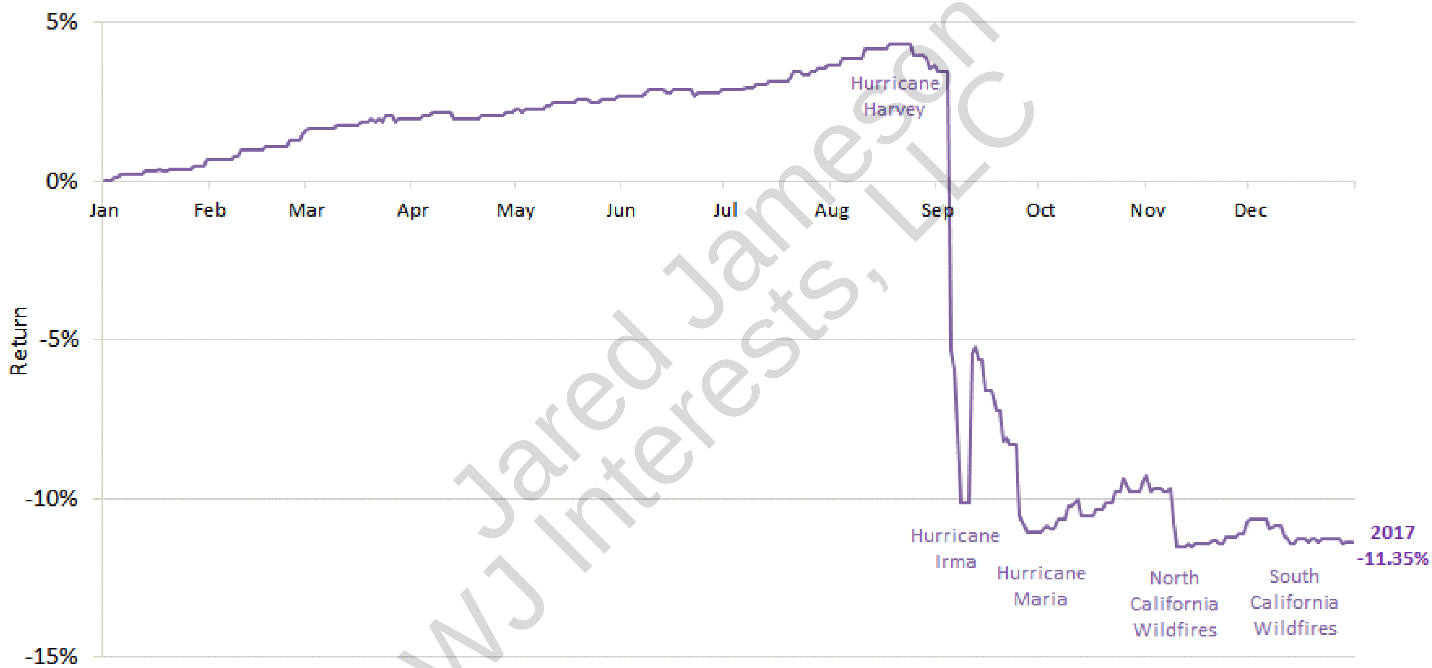
[10] Time period for event impacts on SRRIX returns is 8/21/2017 to 12/29/2017
[11] All industry losses and event descriptions from RMS

SRRIX Posted Its First Negative Year

The NAV chart below shows how the losses accumulated starting at the end of August through the end of the year. Notice that the NAV responded to Hurricane Irma by initially declining 12.48% before bouncing back. This reflects that shortly before making landfall in the Florida Keys, Irma's track was projected to make a direct hit on Miami Dade County – the highest concentration of hurricane risk in the country. The fifty miles that Irma ultimately tracked to the west of Miami made a significant difference in the industry loss and the hit to the SRRIX NAV.

SRRIX 2017 Total Return



Source: Bloomberg

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of a Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 855-609-3680. Performance over one year is annualized except where otherwise specified.

Standardized returns as of 12/31/2017: annualized returns since inception for SRRIX (inception 12/10/2013)=3.02%, for SHRIX (inception 2/4/2013)=4.83%; 1-year returns for SRRIX=-11.35%, for SHRIX= -3.22%. Results for the Funds reflect the reinvestment of dividends and other earnings, and are net of fees and expenses. Gross expense ratio for SRRIX=2.42%, for SHRIX=1.83%. As of 12/31/2017 30-day SEC yield: 0.13% for SRRIX, 9.22% for SHRIX. SHRIX is an open-end fund; SRRIX is a closed-end interval fund.

Standardized returns for indices as of 12/31/2017: 1-year returns for Swiss Re Global Cat Bond Index=0.54%; for Bloomberg Barclays US Aggregate Bond Index=3.54%; for BofA Merrill Lynch 3-Month U.S. Treasury Bill Index = 0.86%; for S&P500=21.83%. Indices are not investable and do not reflect any fees or transaction costs.

SRRIX Delivered Reinsurance Beta

Looking back on the losses of 2017, it's important to ask the question: are these losses in line with what we expected? Because we are a beta fund, our answer to this is simple: we believe our losses will be roughly in line with the percentage loss to the reinsurance industry. SRRIX performed as we would have expected given the industry losses.

The table below shows that the top five losses from major natural catastrophes add up to $109 billion of the $136 billion total industry losses for 2017.

Event	Loss
Harvey	$30B
Irma	$45B
Maria	$23B
NoCal Wildfires	$9B
SoCal Wildfires	$2B
Other	$27B
Total	$136B

Total losses[12] from major natural catastrophes = **$109B**

The total capital base for the reinsurance industry as reported by reinsurance broker Aon Benfield was roughly $605 billion in 2017. So the losses from the top five events as a percentage of industry capital are:

$$\frac{\text{Industry catastrophe losses}}{\text{Industry capital}} = \frac{\$109\text{B}}{\$605\text{B}} = 18.02\%$$

Recall from earlier in this report that the top five events of 2017 reduced SRRIX returns as follows:

$$\frac{\text{SRRIX losses}}{\text{SRRIX capital}} = 17.97\%$$

It won't always be this close, but this demonstrates that the Fund is behaving as designed: a pro-rata slice of the reinsurance industry.

While conceptually simple, this is very difficult to execute. It requires a deep commitment to beta. This most obviously means not chasing higher returns at the expense of concentration. Investors can benefit from the Funds' partnerships with reinsurers not just because they have decades or centuries of experience in pricing and accessing the underlying reinsurance business – although we think this is certainly critical – but because they also have decades or centuries of experience in creating what we believe to be optimal portfolios of risk and return. Through quota shares, the Funds share in the economics of reinsurers' portfolios.[12]

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[12] Midpoint of RMS industry loss estimates.

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January Renewals

January 1st is the most significant renewal period for our portfolio and the reinsurance industry as a whole. Below, we give some general color on the renewals.

1. **Our View of the "Hard Market" has Not Changed**

   We have been expecting 10-20% rate increases for loss-affected policies, and 0-10% increase for the others. What we have learned during January renewals is consistent with that. It's important to remember that January reinsurance renewals are weighted towards global and US nationwide reinsurers, who mostly did not collect on reinsurance this year. There is potential for further rate improvement as some of the most catastrophe-struck protection buyers, like Florida and Caribbean specialists, purchase their reinsurance in June and July.

   This has resulted in materially higher yield for the portfolio, for essentially the same profile of risk.

2. **Our Partnerships Work**

   Our existing partners showed continued demand for our capital. We executed $3.8 billion of quota shares (67% of the SRRIX portfolio), of which $3.7 billion was with existing partners. Of these quota share transactions, $2.8 billion were renewals of existing agreements, and $1.0 billion was deployment of new capital.

   We intentionally focus on a smaller number of meaningful relationships with larger reinsurers. We believe investors benefit from the market clout and pricing power of these larger players, who pass on their economics to our Funds through quota shares. This is particularly relevant in the years after major losses. The stability and longevity of a reinsurer becomes even more important after major losses, as insurers exhibit a "flight to quality" in their choice of reinsurance providers. Further, the loss itself has potential to provide a major opportunity for reinsurance underwriters – but only those with sufficient scale and expertise to analyze the performance of each insurer in real time, and react accordingly.

   We believe scale also benefits our Funds directly. Because of our scale, we can go deep, working over long months to craft individual trades. This has a material impact on the quality of each Fund's portfolio, particularly the efficient use of your capital and our pre-negotiation of automatic structural improvement in terms in years after losses.

   We did not have to rush to diligence new partners. We did not have to build new underwriting models. We did not have to take unfamiliar forms of risk to "shape" the portfolio. We did not have to promise unrealistic levels of future return to compensate investors for side-pocketed, trapped capital. Instead, we grew in our usual, measured manner, alongside our partners, benefiting in improved conditions.

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Looking Forward

We believe that in 2018, our partnership – that includes you, your clients, and our reinsurance partners – is stronger than ever. Any lingering doubts about the commitment of our investors or the resilience of our capital was put to rest this year. Not only did our investors not redeem from the funds, but collectively we rebalanced and "leaned in," exactly as planned following an event. This was not lost on the Funds' reinsurance partners. We believe this has earned the Funds the enviable position of being the reinsurers' "first call" during this period of increased reinsurance premiums. However, improved pricing does not decrease risk – Hurricane Maria followed Hurricane Irma, and 2018 could produce losses as high as or worse than 2017; but we have now seen that the compensation for taking risk has improved materially versus twelve months ago.

In any market, there will be year-to-year changes in conditions. In reinsurance, there will continue to be harder markets and softer markets, quiet years and eventful years. There will be changes in the amounts and types of risks reinsured. Amidst this uncertainty, we have become even more aligned – shoulder-to-shoulder – with reinsurers we believe to be the biggest and best in the industry. As they grow and adapt to new challenges, we intend to grow and create potential opportunities for profit for your capital. We believe our capital, scale, and commitment to continuity have made us ever-better positioned to deliver the "beta" of the reinsurance market, and we look forward to continuing this journey with you.

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Definitions

Bloomberg Barclays US Aggregate Bond Index -- The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

BofA Merrill Lynch 3-Month US Treasury Index -- an unmanaged market index of U.S. Treasury securities maturing in 90 days that assumes reinvestment of all income.

S&P500 -- a US stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

Disclosures

The Stone Ridge Reinsurance Risk Premium Interval Fund (SRRIX) and the Stone Ridge High Yield Reinsurance Risk Premium Fund (SHRIX) (the “Funds”) are generally sold to (i) institutional investors, including registered investment advisers (“RIAs”), that meet certain qualifications and have completed an educational program provided by Stone Ridge Asset Management LLC (the “Adviser”); (ii) clients of such institutional investors; and (iii) certain other eligible investors (as described in the relevant prospectus). Investors should carefully consider the Fund’s risks and investment objectives, as an investment in the Fund may not be appropriate for all investors and the Fund is not designed to be a complete investment program. There can be no assurance that the Fund will achieve its investment objectives. An investment in the Fund involves a high degree of risk. It is possible that investing in a Fund may result in a loss of some or all of the amount invested. Before making an investment/allocation decision, investors should (i) consider the suitability of this investment with respect to an investor’s or a client’s investment objectives and individual situation and (ii) consider factors such as an investor’s or a client’s net worth, income, age and risk tolerance. Investment should be avoided where an investor/client has a short-term investing horizon and/or cannot bear the loss of some or all of the investment. Before investing in a Fund, an investor should read the discussion of the risks of investing in the Fund in the relevant prospectus.

Holdings and sector allocations are subject to change and are not a recommendation to buy or sell any security.

As of the most recent public filing (9/15/2017), the Funds do not hold any equity positions in any of the public companies mentioned herein.

Investing in funds involves risks. Principal loss is possible.

The reinsurance industry relies on risk modeling to analyze potential risks in a single transaction and in a portfolio of transactions. The industry uses the models of two independent risk modeling firms, RMS and AIR. Some firms may use their own internal, proprietary risk models in addition to RMS and AIR models. The models are based on probabilistic simulations that generate thousands or millions of potential events based on historical data, scientific and meteorological principles and extensive data on current insured properties. Every cat bond and quota share trade comes with a set of risk analytics and statistics. Cat bonds are all modeled by either RMS or AIR and the full set of risk statistics are provided in the offering circular. Quota shares are all modeled by RMS, AIR and/or the sponsor, and all the risk statistics are also provided.

Expected loss refers to the estimated annual loss as a percentage of the principal. This is calculated by the risk modeling firms using the results of thousands or millions of simulations. Median loss is a related term that refers to the estimated median loss in the thousands or millions of simulations that the risk modeling firms run for an asset or portfolio.

Event-linked bonds, catastrophe bonds and other reinsurance-related securities carry large uncertainties and major risk exposures to adverse conditions. If a trigger event, as defined within the terms of the bond, involves losses or other metrics exceeding a specific magnitude in the geographic region and time period specified therein, a Fund may lose a portion or all of its investment in such security, including accrued interest and/or principal invested in such security. Such losses may be substantial. The reinsurance-related securities in which the Funds invest are considered “high yield” or “junk bonds.”

Derivatives are financial contracts the value of which depends on, or is derived from, an asset or other underlying reference. Derivatives involve the risk that changes in their value may not move as expected relative to changes in the value of the underlying reference asset they are designed to track. The Funds may invest in derivatives for investment purposes and for hedging and risk management purposes. Derivatives risk may be more significant when derivatives are used to enhance return or as a substitute for a cash investment option, rather than solely to hedge the risk of a position held by a Fund. The use of derivatives involves risks that are in addition to, and potentially greater than, the risks of investing directly in securities and other more traditional assets. Derivatives also present other risks, including market risk, illiquidity risk, currency risk, and credit risk.

The Funds may borrow or enter into derivative transactions for investment purposes, which will cause the Fund to incur investment leverage. Therefore, the Funds are subject to leverage risk. Leverage magnifies a Fund’s exposure to declines in the value of one or more underlying investments or creates investment risk with respect to a larger pool of assets than the Fund would otherwise have. This risk is enhanced for the Funds because they invest substantially all their assets in reinsurance-related securities. Reinsurance-related securities can quickly lose all or much of their value if a triggering event occurs. Thus, to the extent assets subject to a triggering event are leveraged, the losses could substantially outweigh a Fund’s investment and result in significant losses to the Fund. The value of an investment in the Funds will be more volatile and other risks tend to be compounded if and to the extent the Funds borrow or use derivatives or other investments that have embedded leverage. Engaging in such transactions may cause the Funds to liquidate positions when it may not be advantageous to do so to satisfy its obligations or to meet segregation requirements.

The Funds may invest in reinsurance-related securities issued by foreign sovereigns and foreign entities that are corporations, partnerships, trusts or other types of business entities. Because the majority of reinsurance-related security issuers are domiciled outside the United States, each Fund will normally invest significant amounts of its assets in non-U.S. entities. Accordingly, the Funds may invest without limitation in securities issued by non-U.S. entities, including those in emerging market countries. Foreign issuers could be affected by factors not present in the U.S., including expropriation, confiscatory taxation, lack of uniform accounting and auditing standards, less publicly available financial and other information, potential difficulties in enforcing contractual obligations, and increased costs to enforce applicable contractual obligations outside the U.S. Fluctuations in foreign currency exchange rates and exchange controls may adversely affect the market value of a Fund’s investments in foreign securities. Settlements of securities transactions in foreign countries are subject to risk of loss, may be delayed and are generally less frequent than in the U.S., which could affect the liquidity of a Fund’s assets. These risks are greater in emerging markets.

The Funds may invest in illiquid or restricted securities, which may be difficult or impossible to sell at a time that a Fund would like or at the price that a Fund believes the security is currently worth.

Each Fund intends to qualify for treatment as a regulated investment company (“RIC”) under the Internal Revenue Code. In order to qualify for such treatment, a Fund must derive at least 90% of its gross income each taxable year from qualifying income, meet certain asset diversification tests at the end of each fiscal quarter, and distribute at least 90% of its investment company taxable income. A Fund’s investment strategy will potentially be limited by its intention to qualify for treatment as a RIC. The tax treatment of certain of the Funds’ investments under one or more of the qualification or distribution tests applicable to RICs is not certain. An adverse determination or future guidance by the IRS might affect a Fund’s ability to qualify for such treatment.

If, in any year, a Fund were to fail to qualify for treatment as a RIC under the Internal Revenue Code for any reason, and were unable to cure such failure, the Fund would be subject to tax on its taxable income at corporate rates, and all distributions from earnings and profits, including any distributions of net tax-exempt income and net long-term capital gains, would be taxable to shareholders as ordinary income.

For additional risks, please refer to the prospectus.

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The Funds are classified as non-diversified under the 1940 Act. Accordingly, the Funds may invest a greater portion of their assets in the securities of a single issuer than if they were "diversified" funds. To the extent that the Funds invest a higher percentage of their assets in the securities of a single issuer, the Funds are subject to a higher degree of risk associated with and developments affecting that issuer than a fund that invests more widely.

Diversification does not assure a profit or protect against a loss in a declining market.

SRRIX has an interval fund structure pursuant to which the Fund, subject to applicable law, conduct quarterly repurchase offers of the Fund's outstanding shares at net asset value ("NAV"), subject to approval of the Board of Trustees. In all cases, such repurchases will be for at least 5% and not more than 25% of the Fund's outstanding shares. Repurchase offers are currently expected to be 5% for SRRIX. It is possible that a repurchase offer may be oversubscribed, with the result that shareholders may only be able to have a portion of their shares repurchased. There is no assurance that you will be able to tender your Shares when or in the amount that you desire. The Fund's shares are not listed and the Fund does not currently intend to list its shares for trading on any national securities exchange. There is not expected to be any secondary trading market in these shares. The shares are, therefore, not marketable. Even though the Fund will make quarterly repurchase offers to repurchase a portion of the shares to try to provide liquidity to shareholders, you should consider the shares to be illiquid.

The information provided herein should not be construed in any way as tax, capital, accounting, legal or regulatory advice. Investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision. Opinions expressed are subject to change at any time, and are not guaranteed and should not be considered investment advice.

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of a Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 855-609-3680. Performance over one year is annualized except where otherwise specified.

SHRIX is an open-end fund; SRRIX is a closed-end interval fund.

Must be preceded or accompanied by a prospectus.

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