WINTAAI HOLDINGS LTD.
110 Sheppard Ave. East
Suite 301 Box 18
Toronto ON, M2N 6Y8, Canada

June 2nd, 2020

2020 WINTAAI HOLDINGS FIRST QUARTER LETTER TO SHAREHOLDERS

Dear Shareholders,

During the first quarter of 2020, Stonetrust Commercial Insurance Company ("Stonetrust") had great underwriting results with a combined ratio of 94%. However, the GAAP book value of Stonetrust fell to $90.9 million CAD from $110.1 million CAD on December 31, 2019, a quarterly decrease of 17.4%. This was due to decline of the investment portfolio as a result of COVID-19. In U.S. dollars, the Stonetrust book value decreased from $84.7 million USD to $64.6 million USD, a quarterly decrease of 23.7%. The difference in returns is because the Canadian dollar depreciated against the U.S. dollar during the quarter, positively affecting the book value in CAD.

Similarly, the adjusted book value per share of Wintaai Holdings Ltd. ("Wintaai") decreased from $19.41 on December 31, 2019 to $15.70 on March 31, 2020. For further details, please refer to the Wintaai Q1 2020 quarterly financial statement and share price calculations included in the email.

Key Quarterly Figures

	Mar. 31, 2019	June 30, 2019	Sept. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	YoY % Change	Q1 % Change
Wintaai Adjusted Book Value per Share	$16.77	$17.44	$18.04	$19.41	$15.70	-6.4%	-19.1%
Stonetrust GAAP Book Value (*CAD in Mils*)	$97.82	$100.18	$103.40	$110.06	$90.93	-7.0%	-17.4%
Stonetrust GAAP Book Value (*USD in Mils*)	$73.26	$76.55	$78.08	$84.74	$64.62	-11.8%	-23.7%

Several investors have asked what the current book value of Stonetrust is after March 2020. While we normally refrain from providing estimates, the COVID-19 pandemic came from left field and we will make an exception in this case. Based on a crude estimate of the changes in the market value of the investment portfolio between March 31 and May 31, 2020, the current GAAP book value of Stonetrust was approximately $77.2 million USD[1]. Investors can take comfort that we have recovered a substantial portion of the losses caused by marketable securities in the last two months.

As investors are reading through the statutory and GAAP financial statements for Stonetrust, please note there are several differences between the two accounting methods. Stonetrust uses U.S. GAAP accounting method for audit purposes and is required to file statutory reports for regulatory requirements. Some investors might notice a large numerical discrepancy between the two sets of statements for this quarter. The difference is mainly due to the treatment of unrealized gains and losses of marketable securities.

[1] Note: The estimated GAAP book value above only considers the change in net unrealized gains/(losses) since quarter end on our investment portfolio with no provision for net investment income or underwriting results for the quarter.

Due to a change in U.S. GAAP in 2018, Stonetrust is required to include changes in unrealized gains and losses on equity securities as part of investment gains and losses on the income statements. That explains the difference between a reported net investment gain of $2.4 million USD in Stonetrust's statutory report, as compared to a net investment loss of $26.4 million USD in the GAAP financial statements in the first quarter. Similarly, while Stonetrust's statutory net income for the quarter was $2.5 million USD, the GAAP net loss was $18.3 million USD for the same period.

From our perspective, we think the amount of unrealized investment gains or losses in any given quarter is usually meaningless and can mislead investors with little or no knowledge of the nuances of accounting rules. For example, we could report an investment gain of $15 million in the second quarter, if the valuations of June 30, 2020 remain at current levels. Given the market volatilities, there could be wide changes in net unrealized investment gains or losses in the income statement quarter by quarter.

No wonder GAAP accounting is sometimes called CRAP (Creative Realizations of Accounting Profits) accounting.

In addition, we will start following what Berkshire Hathaway and Fairfax Financial Holdings do with regards to quarterly reporting. While we will continue to provide the financial statements for Stonetrust and Wintaai as we have done in the past, the letters that Mike Dileo and I write will now be completed on an annual basis.

On the insurance front, we want to congratulate Mike Dileo and his team for doing a great job operationally at Stonetrust, despite some serious head winds and tough markets. For further discussion on the operational side of the business, please refer to CEO Mike Dileo's letter included below.

Credit Rating and Investment Update

COVID-19 also impacted Stonetrust's AM Best credit rating evaluation this year. While we were expecting a rating outlook upgrade this quarter from Stable to Positive, the COVID-19 pandemic and the market downturn affected AM Best's evaluation such that the outlook remained at Stable. Nonetheless, AM Best did improve Stonetrust's balance sheet strength rating from Strong to Very Strong in their opinion. The latest press release from AM Best is also attached below as reference.

In terms of investments, the global responses to COVID-19 have put a big wrench into how we evaluate businesses. Every industry has been affected to some extent – some worse than others. In the Stonetrust investment portfolio, the airline industry has been hit the hardest, although we believe it will survive over the long-term. What makes it problematic to value the airlines are the short-term and long-term impacts social distancing policies would have on their total capacity. It is all a guess as to if and when their revenues and profitability will return to 2019 levels. Compared to an optimistic projection of recovery within three years, historically it took the airline companies close to six years to recover post-9/11. Even with the government bailouts, we believe the fundamentals of the airline business have changed for the worse. We now have to factor in a similar type of 'virus" disruption to the airline industry going forward.

Our holdings of Delta Airlines, Southwest Airlines and Spirit Airlines are among some of the best in the industry. If the airline industry does recover, we think they would have a relatively quicker recovery with their low-cost structures and strong balance sheets. However, we are still looking to sell our position and reduce our exposure to the industry should we get close to a fair price.

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Fixed Income Instruments

In December 2019, we had approximately $35 million in short term treasury bills instead of stocks or bonds. This is because we wanted to stay liquid and prepared in the event of a market downturn. When the COVID-19 outbreak hit in early 2020, our strong cash balance and liquidity came in handy. We were able to deploy at least half of that to fixed income instruments ranging from investment grade to below investment grade bonds. We looked at securities with sufficient margin of safety to recover the original prices paid, even in the event of a bankruptcy or restructuring. We also kept an eye on Washington and invested in companies where we believe the government is likely to provide support through relief funds. Most of the time, we limited the bond duration to less than 3 years since the bailout money would most likely be used to pay off the bonds as they mature.

In early 2020, we were able to deploy a significant amount of the cash into the bonds of oil and gas companies, whose prices have been severely beaten down due to the recent oil price war between Russia and Saudi Arabia, as well as the COVID-19 pandemic. Many of the recent investments have worked out well so far, with some of the bond prices up as much as 40% since our purchase. Below is the table of our purchases of all the oil and gas companies and their current prices as of May 31, 2020.

Company	Maturity	Coupon	Average Cost Base	Bond Price*	Total Cost	Total Market Value*	Percentage Change
Antero Resources Corp	01/06/2023	5.63%	$43.3	$58.0	$1,730,000	$2,320,000	34.1%
Athabasca Oil Corp	24/02/2022	9.88%	$22.0	$31.0	$1,814,994	$2,552,850	40.7%
Continental Resources	01/06/2024	3.80%	$50.5	$87.0	$1,010,000	$1,740,000	72.3%
Occidental Petroleum	15/08/2022	2.70%	$75.5	$92.0	$1,887,500	$2,300,000	21.9%
PDC Energy Inc	01/12/2025	6.25%	$62.3	$77.0	$6,531,893	$8,079,610	23.7%
PDC Energy Inc	15/05/2026	5.75%	$62.3	$92.4	$2,692,364	$3,993,371	48.3%
Range Resources	15/05/2025	4.88%	$59.0	$83.6	$1,180,000	$1,672,500	41.7%
Southwestern Energy	01/04/2026	7.50%	$75.8	$92.0	$909,000	$1,104,000	21.5%
TOTAL					**$17,755,751**	**$23,762,331**	**33.8%**

**Note: Prices as of May 31, 2020.*

Capital Raise Update

In 2019, we raised over $12.4 million CAD from Canadian and U.S. investors in the first two rounds of equity financing. We closed another $3.1 million CAD in the third round of financing in February 2020. Currently we have roughly 42 shareholders after the three rounds of financing, excluding employees and former employees. The terms for all three financings were the same as before: the purchase price was equivalent to a 10% premium on Wintaai's adjusted book value as of the latest quarter-end financials prior to issuance.

In total, we have raised about $15.6 million CAD without going through an investment banker. If we had hired investment bankers, they would have charged 7% of the proceeds in investment banking fees (approximately $1 million CAD). These fees were all saved for the benefit of the shareholders.

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The proceeds will be used for working capital purposes, to pay down debt owed to the seller as they come due, as well as for potential acquisitions.

On January 1st, 2020, we paid $2 million USD to the seller as per the payment schedule of the purchase agreement. Since we did not find any inadequacy in the Stonetrust reserves at year-end 2019 upon examination, the agreed amount of $2 million USD was paid in full as they came due.

Sincerely,

Francis Chou

Francis Chou
Chief Executive Officer
Wintaai Holdings Ltd.

1st Quarter Report to Wintaai Shareholders from Stonetrust President Michael G. Dileo

As we approach the mid-year point, we are showing good progress on our 2020 plan even though we are working through some new challenges presented by the COVID – 19 pandemic. I am pleased to report that we are exceeding our premium goals and have had an excellent start this year on new business premium and premium retention. We are also ahead of goal relative to new claims received overall and continue to experience a declining trend in claim frequency. As of this date, we have received less than ten COVID – 19 related claims. Although we are not yet certain about the pandemic's ultimate impact on premium revenue, we are fortunate to have experienced two consecutive quarters of accelerated premium growth prior to its arrival and are still ahead of our premium projections through May.

Some key highlights from the 1st Quarter are as follows (based on statutory figures):

- The 1st Quarter Calendar Year Combined Ratio is 94.1%
- Net underwriting gain is $645,428 as compared to last year's 1st Quarter gain of $137,897
- Net investment gain is $2,442,649
- 1st Quarter net income is $2,493,828
- 1st Quarter ending surplus is $63,292,448
- Claim frequency, or the number of claims received per $100,000 of premium, is 1.32. This is significantly lower than 2019 frequency of 1.88.

As you can see from the attached press release dated April 30, 2020, A. M. Best has affirmed our Financial Strength Rating (FSR) of B ++ (Good) and our Credit Rating Outlook of Stable. In this year's evaluation, our balance sheet strength assessment was improved from strong to very strong, which is the strongest level of risk-adjusted capitalization measured by Best's Capital Adequacy Ratio (BCAR). The release also highlights our favorable loss reserving trends, our underwriting discipline, our loss control initiatives, and our cash flow adequacy as primary contributors to the improvement in our balance sheet strength. A M Best also approved our new preferred pricing tier company, Stonetrust Premier Casualty Insurance Company with an initial FSR rating of B ++ (Good) and a Credit Rating Outlook of Stable.

The significant improvements that we have made in our operations and in our overall capital structure have established the strong foundation needed to weather the challenges created by the COVID-19 Pandemic. In 2020, we will meet these challenges head-on and continue to make progress on our plans to further diversify our revenue resources and to position the company for continued rating improvement. In August of this year, we will complete a comprehensive technology upgrade of our core policy administration and claims systems. We will also launch Stonetrust Premier Casualty Insurance Company to offer more competitive rates to preferred accounts and begin writing business in our 9th and 10th states, Alabama, and Kansas.

Even though 2020 has presented us with unprecedented challenges, we will continue our focus on profitability, building relationships, and "ease of doing business", as we continue to pursue our vision of being the "first choice" workers' compensation carrier in all of our markets.

Sincerely,

Michael G. Dileo

Michael G. Dileo, CPCU
President and Chief Executive Officer
Stonetrust Commercial Insurance Company

Press Release - APRIL 30, 2020

AM Best Assigns Credit Ratings to Stonetrust Premier Casualty Insurance Co.; Affirms Ratings of Stonetrust Commercial Ins. Co.

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FOR IMMEDIATE RELEASE

OLDWICK - APRIL 30, 2020

AM Best has assigned a Financial Strength Rating (FSR) of B++ (Good) and a Long-Term Issuer Credit Rating (Long-Term ICR) of "bbb+" to Stonetrust Premier Casualty Insurance Company. The outlook assigned to these Credit Ratings (ratings) is stable. Concurrently, AM Best has affirmed the FSR of B++ (Good) and the Long-Term ICR of "bbb+" of Stonetrust Commercial Insurance Company (Stonetrust). The outlook of these ratings remains stable. The companies are domiciled in Omaha, NE and are collectively known as Stonetrust Insurance Group (the group).

The ratings reflect the group's balance sheet strength, which AM Best categorizes as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management (ERM).

AM Best's balance sheet strength assessment of very strong is based on the group's strongest level of risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), and favorable loss reserving trends, as well as positive underwriting and operating cash flows generated year over year. Additionally, improved underwriting leverage has enhanced risk-adjusted capitalization and overall balance sheet strength. Offsetting the positive rating factors is the elevated common stock leverage, leaving surplus susceptible to stock market downturns.

The group's limited business profile reflects its product concentration as a monoline workers' compensation insurance company operating in eight states, predominately in Louisiana. Operating profitability, owing to disciplined underwriting and loss control initiatives, is demonstrated by the group's 10-year average combined ratio of 96.5%, which compares favorably with the industry and workers' compensation composite averages. The group's ERM program benefits from a comprehensive reinsurance program with low retentions and incorporates the benefit of the Terrorism Risk Insurance Program Reauthorization Act in its framework.

This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's Recent Rating Activity web page. For additional information regarding the use and limitations of Credit Rating opinions, please view Guide to Best's Credit Ratings. For information on the proper media use of Best's Credit Ratings and AM Best press releases, please view Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases.

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