

# WINTAAI HOLDINGS LTD.

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

## FINANCIAL HIGHLIGHTS (MARCH 2021)

As of March 31, 2021, the GAAP book value of Stonetrust Commercial Insurance Company (“Stonetrust”) increased from \$129.03 million CAD on December 31, 2020 to \$146.13 million CAD, a quarterly increase of 13.3%. In U.S. dollars, Stonetrust’s book value increased from \$101.34 million USD to \$116.21 million USD, a quarterly increase of 14.7%. The difference in returns is due to the Canadian dollar appreciating against the U.S. dollar during the quarter, negatively impacting the book value in CAD.

Similarly, the adjusted book value per share of Wintai Holdings Ltd. (“Wintai”) increased from \$24.20 CAD on December 31, 2020 to \$27.42 CAD on March 31, 2021. In US dollars, it increased from \$19.01 USD on December 31, 2020 to \$21.81 USD on March 31, 2021, a quarterly increase of 14.7%. For further details, please refer to the Wintai Q1 2021 quarterly financial statement and share price calculations prepared by Wintai’s auditor McGovern Hurley.

### Key Quarterly Figures

	Dec. 31, 2019	Mar. 31, 2020	June 30, 2020	Sept. 30, 2020	Dec. 31, 2020	Mar. 31, 2021	YoY % Change	Q1 % Change
Wintai Adjusted Book Value per Share (CAD)	\$19.41	\$15.70	\$20.60	\$21.96	\$24.20	\$27.42	74.6%	13.3%
Wintai Adjusted Book Value per Share (USD)	\$14.94	\$11.16	\$15.13	\$16.48	\$19.01	\$21.81	95.4%	14.7%
Stonetrust GAAP Book Value (CAD in Mils)	\$110.06	\$90.93	\$110.01	\$117.25	\$129.03	\$146.13	60.7%	13.3%
Stonetrust GAAP Book Value (USD in Mils)	\$84.74	\$64.62	\$80.83	\$88.01	\$101.34	\$116.21	79.8%	14.7%

### Stonetrust Fixed Income Instruments

At the end of December 2019, Stonetrust had approximately \$35 million in short term treasury bills. In early 2020, a significant portion of that cash balance was deployed into the bonds of oil and gas companies. Furthermore, in early 2021, we opened three new positions in companies whose bonds we believed were mispriced. Below is a table highlighting those positions and their prices as of March 31, 2021. Some of the bonds were sold when we believed they were no longer undervalued.

Company	Maturity	Coupon	Par Value	Average Cost Base	Bond Price*	% Change
Antero Resources Corp (SOLD)	2023-06-01	5.63%	\$4,000,000	\$43.25	\$67.38	35.81%
Continental Resources (SOLD)	2024-06-01	3.80%	2,000,000	50.50	96.50	47.67%
Occidental Petroleum (SOLD)	2022-08-15	2.70%	457,000	75.50	101.25	25.43%
Athabasca Oil Corp	2022-02-24	9.88%	8,235,000	22.04	78.00	71.74%
SRC Energy (formerly PDC Energy)	2025-12-01	6.25%	1,453,000	62.75	100.05	37.28%
PDC Energy (SOLD)	2026-05-15	5.75%	2,323,000	62.25	103.38	39.78%
Range Resources (SOLD)	2026-05-15	4.88%	2,000,000	59.00	98.62	40.17%
Southwestern Energy (SOLD)	2026-04-01	7.50%	1,200,000	75.75	105.50	28.20%
General Electric (SOLD)	2049-12-29	6.00%	3,500,000	69.60	94.00	25.96%
Peabody Energy	2022-03-31	6.00%	892,000	86.75	87.00	0.29%
PIC AU Holdings LLC	2024-12-31	10.00%	3,522,000	89.28	91.75	2.69%
MBIA	2028-10-01	6.63%	5,167,000	96.25	98.00	1.79%

\*Note: Bond prices are in USD as of March 31, 2021 or their selling price if the bond was sold prior to March 31, 2021.

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### Stonetrust Equity Securities

We were also able to buy some severely depressed equity securities during the COVID-19 pandemic. Below is a list of some of our equity holdings in USD as of March 31, 2021.

Equity Holdings	Shares	Average Cost Base	Market Value
Lumen Technologies	925,000	\$9,279,138	\$12,348,750
Berkshire Hathaway, Class A	25	7,901,245	9,642,550
Alphabet Inc., Class C	3,832	1,999,885	7,926,990
Exor N.V.	90,021	4,000,022	7,687,793
Stellantis N.V.	426,388	3,495,030	7,585,443
Resolute Forest Products	685,000	2,179,236	7,500,750
Apple Inc.	44,000	1,862,693	5,374,600
Pool Corporation	10,636	1,253,830	3,671,973
Liberty Global Inc	142,500	3,444,220	3,656,550
MBIA Inc	321,000	2,030,024	3,088,020
Allegiant Travel	12,600	896,504	3,075,156
Moody's Investors Service	5,899	583,551	1,761,500
		<b>\$38,925,377</b>	<b>\$73,320,075</b>

In addition to the equity holdings, we also had the following call option positions as of March 31, 2021.

Company	Strike Price	Maturity	Contracts (in hundreds)	Average Cost Base	Market Value
Assured Guaranty	\$14.00	Apr-21	558	\$419,620	\$1,450,800
Bank of America	\$20.00	Jan-22	500	357,505	930,000
Wells Fargo	\$17.50	Jan-22	400	325,924	856,000
Bausch Health Companies	\$10.00	Jan-22	700	518,575	1,561,700
				<b>\$1,621,624</b>	<b>\$4,798,500</b>

### WINTAAI Holdings Securities

At WINTAAI, we held positions in three securities as of March 31, 2021.

Company	Strike Price	Maturity	Shares/Contracts	Cost Basis	Market Value
Allegiant Travel Company	NA	NA	840	\$ 54,154	\$ 205,010
Synchrony Financial	NA	NA	22,500	297,637	914,850
Bausch Health Companies (Call)	\$10.0	Jan-22	33	21,620	73,623
				<b>\$ 373,411</b>	<b>1,193,483</b>

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## Stonetrust's Financial and Operating Results – GAAP Basis

The consolidated results of the Stonetrust companies (Stonetrust Commercial Insurance Company and its wholly owned subsidiary, Stonetrust Premier Casualty Insurance Company) for the three month periods ending March 31, 2021 and 2020 and twelve month periods ending December 31, 2020 and 2019 on a GAAP basis are as follows:

*All figures in \$USD*

	Unaudited First Quarter		Audited Twelve Months	
	2021	2020	2020	2019
Gross premiums written	\$ 13,379,914	\$ 13,598,542	\$ 44,852,045	\$ 45,882,764
Net premiums written	\$ 12,941,492	\$ 13,193,678	\$ 42,632,917	\$ 43,654,110
Net premiums earned	\$ 10,966,405	\$ 10,918,652	\$ 42,732,998	\$ 43,753,081
Underwriting profit	\$ 1,982,350	\$ 843,221	\$ 5,806,689	\$ 4,544,368
Net investment income	2,472,415	799,319	5,732,196	4,173,499
<b>Operating income</b>	<b>4,454,765</b>	<b>1,642,540</b>	<b>11,538,885</b>	<b>8,717,867</b>
Net gain (losses) on investments <sup>(1)</sup>	14,769,059	(24,646,374)	8,377,624	10,622,932
Interest expense, bad debt expense & other income	(119,319)	(119,612)	500,046	(269,688)
<b>Pre-tax income (loss)</b>	<b>19,104,505</b>	<b>(23,123,446)</b>	<b>20,416,555</b>	<b>19,071,111</b>
Income tax (expense) benefit	(3,903,676)	4,870,733	(4,137,088)	(3,841,498)
<b>Net income (loss)</b>	<b>\$ 15,200,829</b>	<b>\$ (18,252,713)</b>	<b>\$ 16,279,467</b>	<b>\$ 15,229,613</b>
<b>Underwriting profit:</b>				
Loss & LAE - accident year	60.9%	64.0%	60.4%	62.3%
Underwriting expenses	40.9%	38.5%	42.5%	35.4%
<b>Combined ratio - accident year <sup>(2)</sup></b>	<b>101.7%</b>	<b>102.5%</b>	<b>102.9%</b>	<b>97.7%</b>
Net (favorable) adverse reserve development	-19.8%	-10.3%	-16.5%	-8.1%
<b>Combined ratio - calendar year <sup>(2)</sup></b>	<b>81.9%</b>	<b>92.3%</b>	<b>86.4%</b>	<b>89.6%</b>
<b>Ending Stockholders' Equity</b>	<b>\$ 116,206,155</b>	<b>\$ 64,621,255</b>	<b>\$ 101,342,270</b>	<b>\$ 84,740,579</b>

<sup>(1)</sup>Net gains (losses) on investments includes realized gains (losses) on disposals and changes in the unrealized gains (losses) recognized on equity investments.

<sup>(2)</sup>The combined ratio is the traditional performance measure of underwriting results for property and casualty companies and is calculated by the company as the sum of the loss ratio (claims losses and loss adjustment expenses expressed as a percentage of net premiums earned) and the expense ratio (commissions, premium acquisition costs and other underwriting expenses expressed as a percentage of net premiums earned). The accident year loss ratio excludes the net favorable or adverse development of reserves established for claims that occurred in previous accident years. The calendar year loss ratio includes the accident year's loss ratio and the net favorable or adverse development of reserves established for claims that occurred in previous accident years.

The calendar year combined ratios for the quarters ending March 31, 2021 and 2020 were 81.9% and 92.3%, respectively, while the calendar year combined ratios for the years ending December 31, 2020 and 2019 were 86.4% and 89.6%, respectively. Net favorable loss development has been recognized in each of the aforementioned periods ranging from 8.1% to 19.8% of net earned premium.

The accident year combined ratios for the quarters ending March 31, 2021 and 2020 were 101.7% and 102.5%, respectively, while the accident year combined ratios for the years ending December 31, 2020 and 2019 were 102.9% and 97.7%, respectively. During 2019, Stonetrust received refunds totaling approximately \$2.35 million from the Oklahoma Multiple Injury Trust Fund (MITF) for rebates of assessments paid in calendar years 2015 through 2018 which were originally filed for and erroneously

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denied by the MITF. Receipt of these funds reduced the expense ratio and corresponding calendar and accident year combined ratios by 5.4% for the year ending December 31, 2019.

Underwriting profit of \$1,982,350 in the first quarter of 2021 increased from \$843,221 in the first quarter of 2020 while net income of \$15,200,829 in the first quarter of 2021 increased from a loss of \$18,252,713 in the first quarter of 2020 principally as a result of an increase in net gains recognized on investment securities of approximately \$39.4 million.

Underwriting profit of \$5,806,689 for the year ending December 31, 2020 increased from \$4,544,368 for the year ending December 31, 2019 while net income of \$16,279,467 for the year ending December 31, 2020 increased from \$15,229,613 for the year ending December 31, 2019 principally as a result of an increase in favorable development of prior accident years' loss and loss adjustment expense reserves.

Net premiums written and earned for the year ending December 31, 2020 as compared to the year ending December 31, 2019 decreased approximately 2.3% primarily as a result of decreases in rates charged and a continued increase in competition.

Net investment income increased approximately 209% from \$799,319 to \$2,472,415 in the first quarter of 2021 as compared to the first quarter of 2020 due to an increase in dividends received of approximately \$910,000 and an increase in interest income resulting from a higher allocation of invested funds being devoted to higher yielding bonds.

Net investment income increased approximately 37% from \$4,173,499 to \$5,732,196 for the year ending December 31, 2020 as compared to the year ending December 31, 2019. These increases are principally due to an increase in the allocation of investable funds to higher yielding fixed income instruments.

### **A.M. Best Ratings Evaluation**

On May 20, 2021, A. M. Best has improved Stonetrust's outlook to Positive from Stable and affirmed our Financial Strength Rating of B ++ (Good). Best also increased the Financial Size Category (FSC) to VIII, acknowledging our surplus growth in excess of \$100 million. This represents the third time that A. M. Best has noted improvement in our Financial Strength Rating (FSR) since 2018. With this year's outlook improvement to Positive, we have now achieved all of the FSR requirements needed for A. M. Best to consider assigning Stonetrust an overall Financial Rating of A minus. We are very proud of this recognition and excited to know that we are now just one step away from achieving our goal of becoming an A rated workers' compensation company.

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## Appendix

	<b>Wintaai Adjusted Book Value per Share (CAD)</b>	<b>Wintaai Adjusted Book Value per Share (USD)</b>
Dec. 31, 2018	\$14.98	\$10.98
Mar. 31, 2019	\$16.77	\$12.56
June 30, 2019	\$17.44	\$13.33
Sept. 30, 2019	\$18.04	\$13.62
Dec. 31, 2019	\$19.41	\$14.94
Mar. 31, 2020	\$15.70	\$11.16
June 30, 2020	\$20.60	\$15.13
Sept. 30, 2020	\$21.96	\$16.48
Dec. 31, 2020	\$24.20	\$19.01
Mar. 31, 2021	\$27.42	\$21.81