

WINTAAI HOLDINGS LTD.

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

FINANCIAL HIGHLIGHTS (JUNE 2021)

As of June 30, 2021, the GAAP book value of Stonetrust Commercial Insurance Company (“Stonetrust”) increased from \$146.13 million CAD on March 31, 2021 to \$156.93 million CAD, a quarterly increase of 7.4%. In U.S. dollars, the Stonetrust book value increased from \$116.21 million USD to \$126.62 million USD, a quarterly increase of 9.0%. The difference in returns is because the Canadian dollar appreciated 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 \$27.42 CAD on March 31, 2021 to \$29.44 CAD on June 30, 2021. In US dollars, it increased from \$21.81 USD on March 31, 2020 to \$ 23.75 USD on June 30, 2021, a quarterly increase of 8.9%. For further details, please refer to the Wintai Q2 2021 quarterly financial statement and share price calculations prepared by Wintai’s auditor McGovern Hurley.

Key Quarterly Figures

	Mar. 31, 2020	June 30, 2020	Sept. 30, 2020	Dec. 31, 2020	Mar. 31, 2021	June 30, 2021	YTD % Change	Q2 % Change
Wintai Adjusted Book Value per Share (CAD)	\$15.70	\$20.60	\$21.96	\$24.20	\$27.42	\$29.44	21.7%	7.4%
Wintai Adjusted Book Value per Share (USD)	\$11.16	\$15.13	\$16.48	\$19.01	\$21.81	\$23.75	25.0%	8.9%
Stonetrust GAAP Book Value (CAD in Mils)	\$90.93	\$110.01	\$117.25	\$129.03	\$146.13	\$156.93	21.6%	7.4%
Stonetrust GAAP Book Value (USD in Mils)	\$64.62	\$80.83	\$88.01	\$101.34	\$116.21	\$126.62	24.9%	9.0%

Stonetrust Fixed Income Instruments

Below is a table highlighting major investments in fixed income securities as of June 30, 2021.

Company	Maturity	Coupon	Par Value	Cost Base	Market Value	Unrealized gains
Athabasca Oil Corporation	24/02/2022	9.88%	8,235,000	\$ 1,814,615	\$ 7,617,375	\$ 5,802,760
Cleco Corporate Holdings	01/05/2026	3.74%	5,000,000	4,726,000	5,456,750	730,750
MBIA Inc	01/10/2028	6.63%	5,167,000	4,973,243	5,213,555	240,312
Lamar Media Corp	15/02/2028	3.75%	4,925,000	4,931,757	5,011,188	79,430
Peabody Energy Corporation	31/03/2022	6.00%	3,892,000	3,383,775	3,814,160	430,385
Energy Corporation	01/09/2026	2.95%	3,540,000	3,462,408	3,777,215	314,807
PIC AU Holdings LLC	31/12/2024	10.00%	3,522,000	3,144,379	3,499,988	355,609

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Stonetrust Equity Securities

Below is a table highlighting major investments in equity securities as of June 30, 2021.

Company	Cost Base	Market Value	Unrealized gains
Lumen Technologies Inc	\$ 13,248,058	\$ 16,443,900	\$ 3,195,842
Berkshire Hathaway Inc	7,901,245	10,465,025	2,563,780
Alphabet Inc	1,999,885	9,604,218	7,604,334
Stellantis N V	3,495,030	8,404,107	4,909,077
Resolute Forest Products Inc	2,179,236	8,357,000	6,177,764
Exor N V	4,000,022	7,224,185	3,224,163
Apple Inc	1,862,693	6,026,240	4,163,547
Pool Corp	1,253,830	4,878,308	3,624,478
Liberty Global Plc	3,444,220	3,870,300	426,080
MBIA Inc	2,030,024	3,531,000	1,500,976
Moodys Corp	583,551	2,137,621	1,554,070

In addition to the equity holdings, we also had the following call option positions as of June 30, 2021.

Company	Strike Price	Maturity	Contracts (in hundreds)	Cost Base	Market Value	Unrealized gains
Bank of America	\$20.00	Jan-22	500	\$357,505	\$1,062,500	\$704,995
Wells Fargo	\$17.50	Jan-22	400	325,924	1,108,000	782,076
Bausch Health Companies	\$10.00	Jan-22	700	518,575	1,270,500	751,925

WINTAAI Holdings Securities

At WINTAAI, we held positions in three securities as of June 30, 2021.

Company	Strike Price	Maturity	Shares/Contracts	Cost Base	Market Value	Unrealized gains
Allegiant Travel Company	NA	NA	840	\$54,154	\$162,960	\$108,806
Synchrony Financial	NA	NA	22,500	297,637	1,091,700	794,063
Bausch Health Companies (Call)	\$10.00	Jan-22	33	21,620	59,895	38,275

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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 and six month periods ending June 30, 2021 and 2020 on a GAAP basis are as follows:

All figures in \$USD

	Unaudited Second Quarter		Unaudited Six Months	
	2021	2020	2021	2020
Gross premiums written	\$ 11,493,628	\$ 11,070,815	\$ 24,873,542	\$ 24,830,800
Net premiums written	\$ 10,733,262	\$ 10,498,777	\$ 23,674,754	\$ 23,692,455
Net premiums earned	\$ 11,139,117	\$ 10,976,984	\$ 22,105,522	\$ 21,895,636
Underwriting profit	\$ 3,155,207	\$ 1,173,763	\$ 5,137,557	\$ 2,016,984
Net investment income	2,983,967	1,923,498	5,456,382	2,722,817
Operating income	6,139,174	3,097,261	10,593,939	4,739,801
Net gain (losses) on investments ⁽¹⁾	6,700,274	15,253,253	21,469,333	(9,393,121)
Interest expense, bad debt expense & other income	(128,592)	(155,865)	(247,911)	(275,477)
Pre-tax income (loss)	12,710,856	18,194,649	31,815,361	(4,928,797)
Income tax (expense) benefit	(2,680,433)	(3,816,192)	(6,584,109)	1,054,541
Net income (loss)	\$ 10,030,423	\$ 14,378,457	\$ 25,231,252	\$ (3,874,256)
Underwriting profit:				
Loss & LAE - accident year	58.6%	61.0%	59.7%	62.5%
Underwriting expenses	41.6%	41.3%	41.2%	39.9%
Combined ratio - accident year ⁽²⁾	100.2%	102.3%	101.0%	102.4%
Net (favorable) adverse reserve development	-28.5%	-13.0%	-24.2%	-11.7%
Combined ratio - calendar year ⁽²⁾	71.7%	89.3%	76.8%	90.8%
Ending Stockholders' Equity			\$ 126,615,684	\$ 80,827,677

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

⁽²⁾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 June 30, 2021 and 2020 were 71.7% and 89.3%, respectively, while the calendar year combined ratios for the six months ending June 30, 2021 and 2020 were 76.8% and 90.8%, respectively. Net favorable loss development has been recognized in each of the afore-mentioned periods ranging from 11.7% to 28.5% of net earned premium.

The accident year combined ratios for the quarters ending June 30, 2021 and 2020 were 100.2% and 102.3%, respectively, while the accident year combined ratios for the six months ending June 30, 2021 and 2020 were 101.0% and 102.4%, respectively.

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Underwriting profit was \$3,155,207 for the second quarter of 2021. This represents an increase of \$1,981,444 when compared to the second quarter of 2020 and is largely due to the favorable development of prior year's reserves. Pre-tax income of \$12,710,856 for the second quarter 2021 decreased by \$5,483,793 when compared to the same period in 2020 mainly due to a decrease in net gains recognized on investment securities of \$8,552,979 which was partially offset by an increase in net investment income and underwriting profit of \$3,041,913.

Underwriting profit was \$5,137,557 for the first six months of 2021. This represents an increase of \$3,120,573 from the same period in 2020. Pre-tax income was \$31,815,361 for the six months ending June 30, 2021 versus a pre-tax net loss of (\$4,928,797) for the same period in 2020. This increase is mainly attributable to an increase in net gains recognized on investment securities of \$30,862,454 and an increase in net investment income and underwriting profit of \$5,854,138.

Net premiums written and earned of \$23,674,754 and \$22,105,522, respectively, for the first six months of 2021 were basically flat when compared to the same period in 2020, with net written premiums decreasing by .1% and net premiums earned increasing by 1%.

Net investment income increased approximately 55% from \$1,923,498 to \$2,983,967 for the second quarter of 2021 as compared to the second quarter of 2020 and approximately 100% from \$2,722,817 to \$5,456,382 for the first six months of 2021 versus the same period in 2020. These increases are due to an increase in both interest and dividend income. Interest income has increased due to an increase in the allocation of investable funds to higher yielding fixed income instruments. Dividend income has increased due to the receipt of special dividends in 2021 which were not received in 2020 on equity securities owned during the referenced periods.

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.

A Word of Caution

Both the equity and the fixed income portfolios have performed exceptionally well for the past 15 months. However, both the markets are fairly priced now and we don't expect to generate the same kinds of returns. We also have over \$65 million in cash and short-term instruments waiting to be deployed if we can find investments that are reasonably priced.

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Appendix

	Wintaai Adjusted Book Value per Share (CAD)	Wintaai Adjusted Book Value per Share (USD)
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
June 30, 2021	\$29.44	\$23.75