

WINTAAI HOLDINGS LTD.

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

FINANCIAL HIGHLIGHTS (SEPTEMBER 2021)

As of September 30, 2021, the GAAP book value of Stonetrust Commercial Insurance Company (“Stonetrust”) increased from \$156.93 million CAD on June 30, 2021 to \$166.45 million CAD, a quarterly increase of 6.1%. In U.S. dollars, the Stonetrust book value increased from \$126.62 million USD to \$130.64 million USD, a quarterly increase of 3.2%. The difference in returns is because the U.S dollar appreciated against the Canadian dollar during the quarter, negatively impacting the book value in USD.

Similarly, the adjusted book value per share of Wintai Holdings Ltd. (“Wintai”) increased from \$29.44 CAD on June 30, 2021 to \$31.23 CAD on September 30, 2021, a quarterly increase of 6.1%. In US dollars, it increased from \$23.75 USD on June 30, 2021 to \$24.51 USD on September 30, 2021, a quarterly increase of 3.2%. For further details, please refer to the Wintai Q3 2021 quarterly financial statement and share price calculations prepared by Wintai’s auditor McGovern Hurley.

Key Quarterly Figures

	June 30, 2020	Sept. 30, 2020	Dec. 31, 2020	Mar. 31, 2021	June 30, 2021	Sept. 30, 2021	YTD % Change	Q3 % Change
Wintai Adjusted Book Value per Share (CAD)	\$20.60	\$21.96	\$24.20	\$27.42	\$29.44	\$31.23	29.0%	6.1%
Wintai Adjusted Book Value per Share (USD)	\$15.13	\$16.48	\$19.01	\$21.81	\$23.75	\$24.51	29.0%	3.2%
Stonetrust GAAP Book Value (CAD in Mils)	\$110.01	\$117.25	\$129.03	\$146.13	\$156.93	\$166.45	29.0%	6.1%
Stonetrust GAAP Book Value (USD in Mils)	\$80.83	\$88.01	\$101.34	\$116.21	\$126.62	\$130.64	28.9%	3.2%

Stonetrust Fixed Income Instruments

Below is a table highlighting major investments in fixed income securities as of September 30, 2021. All numbers are in USD.

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	\$ 8,018,831	\$ 6,204,216
Cleco Corporate Holdings	01/05/2026	3.74%	5,000,000	4,726,000	5,446,400	720,400
MBIA Inc	01/10/2028	6.63%	5,167,000	4,973,243	5,244,505	271,263
Lamar Media Corp	15/02/2028	3.75%	4,925,000	4,931,320	5,063,097	131,777
Peabody Energy Corporation	31/03/2022	6.00%	3,892,000	3,383,775	3,833,620	449,845
Energy Corporation	01/09/2026	2.95%	3,540,000	3,462,408	3,764,436	302,028
PIC AU Holdings LLC	31/12/2024	10.00%	3,522,000	3,144,379	3,555,107	410,728

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Stonetrust Equity Securities

Below is a table highlighting major investments in equity securities as of September 30, 2021. All numbers are in USD.

Company	Shares	Cost Base	Market Value	Unrealized gains
Lumen Technologies Inc	1,210,000	\$ 13,248,058	\$ 14,991,900	\$ 1,743,842
Berkshire Hathaway Inc	25	7,901,245	10,284,475	2,383,230
Alphabet Inc	3,832	1,999,885	10,213,468	8,213,583
Resolute Forest Products Inc	685,000	2,179,236	8,151,500	5,972,264
Stellantis N V	426,388	3,495,030	8,144,011	4,648,981
Exor N V	90,021	4,000,022	7,566,265	3,566,243
Apple Inc	44,000	1,862,693	6,226,000	4,363,307
Pool Corp	10,636	1,253,830	4,620,385	3,366,555
Liberty Global Plc	142,500	3,444,220	4,246,500	802,280
MBIA Inc	321,000	2,030,024	4,124,850	2,094,826
Moody's Corporation	5,899	583,551	2,094,794	1,511,243

In addition to the equity holdings, we also had the following call option positions as of September 30, 2021. All numbers are in USD.

Company	Strike Price	Maturity	Contracts (in hundreds)	Cost Base	Market Value	Unrealized gains
Bank of America	\$20.00	Jan-22	500	\$ 357,505	\$1,135,000	\$ 777,495
Wells Fargo	\$17.50	Jan-22	400	325,924	1,152,000	826,076
Bausch Health Companies	\$10.00	Jan-22	700	518,575	1,221,500	702,925
Alibaba Group Holding Limited	\$135.00	Jan-23	110	493,155	419,100	(74,055)

WINTAAI Holdings Securities

At WINTAAI, we held positions in two securities as of September 30, 2021. All numbers are in USD.

Company	Strike Price	Maturity	Shares/ Contracts	Cost Base	Market Value	Unrealized gains
Synchrony Financial	NA	NA	22,500	\$ 297,637	\$ 1,099,800	\$ 802,163
Bausch Health Companies (Call)	\$10.00	Jan-22	33	21,620	57,585	35,965

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

All figures in \$USD

	Unaudited Third Quarter		Unaudited Nine Months	
	2021	2020	2021	2020
Gross premiums written	\$ 12,637,995	\$ 11,346,965	\$ 37,511,537	\$ 36,177,765
Net premiums written	\$ 12,037,849	\$ 11,227,972	\$ 35,712,603	\$ 34,920,427
Net premiums earned	\$ 11,061,864	\$ 10,706,500	\$ 33,167,386	\$ 32,602,136
Underwriting profit	\$ 4,348,032	\$ 2,388,194	\$ 9,485,589	\$ 4,405,178
Net investment income	2,095,468	1,534,341	7,551,850	4,257,158
Operating income	6,443,500	3,922,535	17,037,439	8,662,336
Net gain (losses) on investments ⁽¹⁾	(527,633)	5,086,582	20,941,700	(4,306,539)
Interest expense, bad debt expense & other income	(79,693)	(72,795)	(327,604)	(348,272)
Pre-tax income (loss)	5,836,174	8,936,322	37,651,535	4,007,525
Income tax (expense) benefit	(1,232,354)	(1,872,289)	(7,816,463)	(817,748)
Net income (loss)	\$ 4,603,820	\$ 7,064,033	\$ 29,835,072	\$ 3,189,777
Underwriting profit:				
Loss & LAE - accident year	59.3%	57.8%	59.6%	61.0%
Underwriting expenses	38.6%	41.1%	40.4%	40.3%
Combined ratio - accident year ⁽²⁾	97.9%	98.9%	99.9%	101.3%
Net (favorable) adverse reserve development	-37.2%	-21.2%	-28.5%	-14.8%
Combined ratio - calendar year ⁽²⁾	60.7%	77.7%	71.4%	86.5%
Ending Stockholders' Equity			\$ 130,639,269	\$ 88,014,584

⁽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 September 30, 2021 and 2020 were 60.7% and 77.7%, respectively, while the calendar year combined ratios for the nine months ending September 30, 2021 and 2020 were 71.4% and 86.5%, respectively. Net favorable loss development has been recognized in each of the afore-mentioned periods ranging from 14.8% to 37.2% of net earned premium.

The accident year combined ratios for the quarters ending September 30, 2021 and 2020 were 97.9% and 98.9%, respectively, while the accident year combined ratios for the nine months ending September 30, 2021 and 2020 were 99.9% and 101.3%, respectively.

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Underwriting profit was \$4,348,032 for the third quarter of 2021. This represents an increase of \$1,959,838 when compared to the third quarter of 2020 and is largely due to the favorable development of prior years' reserves. Pre-tax income of \$5,836,174 for the third quarter 2021 decreased by \$3,100,148 when compared to the same period in 2020 mainly due to a decrease in net gains recognized on investment securities of \$5,614,215 which was partially offset by an increase in net investment income and underwriting profit of \$2,520,965.

Underwriting profit was \$9,485,589 for the first nine months of 2021. This represents an increase of \$5,080,411 from the same period in 2020. Pre-tax income was \$37,651,535 for the nine months ending September 30, 2021 versus a pre-tax net income of \$4,007,525 for the same period in 2020. This increase is mainly attributable to an increase in net gains recognized on investment securities of \$25,248,239 and an increase in net investment income and underwriting profit of \$8,375,103.

Net premiums written and earned of \$35,712,603 and \$33,167,386, respectively, for the first nine months of 2021 were basically flat when compared to the same period in 2020, with net written premiums increasing by 2.3% and net premiums earned increasing by 1.7%.

Net investment income increased approximately 37% from \$1,534,341 to \$2,095,468 for the third quarter of 2021 as compared to the third quarter of 2020 and approximately 77% from \$4,257,158 to \$7,551,850 for the first nine 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 18 months. However, both markets are fairly priced now and we don't expect to generate the same kinds of returns. We also have approximately \$70 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
Sept. 30, 2021	\$31.23	\$24.51