



# 2023 Investor Day

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May 18, 2023

# Disclaimer

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Supplementary financial measures concerning Skyward Specialty contained in this presentation are unaudited and have been derived from the Skyward Specialty First Quarter 2023 Results and the Skyward Specialty Form 10-K Annual Report for its fiscal year ended December 31, 2022 filed with the U.S. Securities and Exchange Commission at [www.sec.gov/edgar](http://www.sec.gov/edgar). Such statements are the responsibility of the management of Skyward Specialty. The Skyward Specialty Supplementary Financial Measures, including any Skyward Specialty non-GAAP (as defined herein) measures contained therein, have not been reconciled to International Financial Reporting Standards (“IFRS”) and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

The Skyward Specialty Supplementary Financial Measures (the “Skyward Specialty Supplementary Financial Measures”) should be read in conjunction with the Company’s historical financial statements. For more information about Skyward Specialty, please see Skyward Specialty’s unaudited financial statements for the quarter ended March 31, 2023 available at [www.sec.gov/edgar](http://www.sec.gov/edgar).

The Skyward Specialty Supplementary Financial Measures have been provided solely by Skyward Specialty. Although Westaim has no knowledge that would indicate that any of the Skyward Specialty Supplementary Financial Measures contained herein are untrue or otherwise misleading, neither Westaim nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for any failure by Skyward Specialty to disclose to Westaim events or facts which may have occurred or which may affect the significance or accuracy of any such financial information but which are unknown to Westaim.

Westaim disclaims and excludes all liability (to the extent permitted by law), for losses, claims, damages, demands, costs and expenses of whatever nature arising in any way out of or in connection with the Skyward Specialty Supplementary Financial Measures, their accuracy, completeness or by reason of reliance by any person on any of them.

# Disclaimer

## Safe Harbour Statement

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Supplementary financial measures concerning the Arena FINCOs and Arena Investors (the “Arena Supplementary Financial Measures”) contained in this presentation are unaudited and have been derived from the audited consolidated financial statements of the Arena FINCOs and Arena Investors for the years ended December 31, 2022 and 2021, unaudited consolidated financial statements of Arena FINCOs and Arena Investors for the three months ended December 31, 2022 and 2021 and unaudited consolidated financial statements of Arena FINCOs and Arena Investors for the three months ended March 31, 2023 and 2022, which have been prepared in accordance with either IFRS or US GAAP. Such statements are the responsibility of the management of the Arena FINCOs and Arena Investors. The Arena Supplementary Financial Measures, including any Arena FINCOs and Arena Investors non-GAAP measures contained therein, may not be reconciled to IFRS and so may not be comparable to the financial information of issuers that present their financial information in accordance with IFRS.

The Arena Supplementary Financial Measures should be read in conjunction with the Company’s historical financial statements including the notes thereto and the related MD&A as well as the Company’s other public filings.

The Arena Supplementary Financial Measures have been primarily provided by the management of the Arena FINCOs and Arena Investors. Although Westaim has no knowledge that would indicate that any of the Arena Supplementary Financial Measures contained herein are untrue or otherwise misleading, neither Westaim nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for any failure by the Arena FINCOs and Arena Investors to disclose to Westaim events or facts which may have occurred or which may affect the significance or accuracy of any such financial information but which are unknown to Westaim.

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The information contained herein is based on publicly available information, internally developed data and other sources. Although Westaim believes such information to be accurate and reliable, it has not independently verified any of the data from third party sources cited or used.

**All amounts herein are in United States million dollars unless otherwise indicated. Certain comparative figures have been reclassified to conform to the presentation of the current period, and certain totals, subtotals and percentages may not reconcile due to rounding.**

# Important Disclosures

## Non-GAAP Measures

### Westaim

Westaim reports its consolidated financial statements using Generally Accepted Accounting Principles ("GAAP") and accounting policies consistent with IFRS. Westaim uses both IFRS and non-generally accepted accounting principles ("non-GAAP") measures to assess performance. Westaim cautions readers about non-GAAP measures that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies.

Book Value Per Share ("BVPS") is a non-GAAP measure – see section 15 of Westaim's MD&A for the quarter ended March 31, 2023 for a discussion of these non-GAAP measures including a reconciliation to Westaim's financial results determined under IFRS.

### Skyward Specialty

Supplementary financial measures concerning Skyward Specialty contained in this presentation are unaudited and have been derived from the Skyward Specialty First Quarter 2023 Results and the Skyward Specialty Form 10-K Annual Report for its fiscal year ended December 31, 2022 filed with the U.S. Securities and Exchange Commission at [www.sec.gov/edgar](http://www.sec.gov/edgar).

Skyward Specialty uses US GAAP and non-GAAP measures to assess performance. Please refer to Appendix - Skyward Specialty Supplementary Financial Measures for Skyward Specialty's non-GAAP measures.

### Arena FINCOs and Arena Investors

Arena FINCOs and Arena Investors uses both US GAAP, IFRS and non-GAAP measures to assess performance.

Net Return (a non-GAAP measure) on the Arena FINCOs investment portfolios is the aggregate of investment income, net of gains (losses) on investments less interest expense, management, asset servicing and incentive fees, and other operating expenses of the Arena FINCOs divided by average carrying values for the Arena FINCOs, for the period.

Gross Return (a non-GAAP measure) on the Arena FINCOs investment portfolios is the aggregate of investment income, net of gains (losses) on investments less interest expense divided by average carrying values for the Arena FINCOs, for the period.

Realized Internal Rate of Return ("IRR"): Realized calculations are presented net of investment level expenses and gross of fund level fees (e.g. management and incentive fees), which can impact returns significantly.

Gross Underwritten IRR (a non-GAAP measure): Investment-level gross underwritten IRR represents the internal rate of return prior to or at the time of making the initial investment as reflected in and supported by loan agreements, including, but not limited to, note purchase agreements and origination agreements.

Current IRR reflects all investment activity, i.e., prior actual cash flows and future projected cash flows (which are discounted as of the reporting date), from the inception of each applicable investment. The current IRR may not be representative of the realized IRR upon exit of each investment, which may increase or decrease.

Underwritten IRRs: Investment-level gross underwritten IRR represents the internal rate of return prior to or at the time of making the initial investment as reflected in and supported by loan agreements, including, but not limited to, note purchase agreements and origination agreements. The underwritten IRR is one of many metrics considered by Arena prior to investment and is not typically updated after the initial funding date. The underwritten IRR may be presented as a single percentage or a range. Such gross IRRs are estimated and do not take into account any entity level management fees, incentive allocation and/or any other associated fees, all of which may significantly reduce the net return received attributable to any investment. These underwritten IRRs are not a proxy for investment performance for any strategy or fund. The underwritten IRRs disclosed herein are being presented for the purpose of providing insight into the investment objectives of Arena Investors, detailing anticipated risk and reward characteristics in order to facilitate comparisons with other investments and for establishing a benchmark for future evaluation of Arena Investors' strategy. The IRRs are also being presented because financially sophisticated investors may find this information useful in determining where Arena Investors' strategies may fit within their investment portfolios. The IRRs included in this presentation are not intended, and must not be regarded, as a representation, warranty or prediction that any Arena Investors vehicles will achieve any particular return with respect to any particular investment opportunity or for a particular time period, or that Arena Investors and its investors will not incur losses. In evaluating these IRRs, it should be noted that (a) there can be no assurance that Arena Investors will be able to source and consummate investments of the type it is seeking to make and (b) the assumptions underlying the IRRs may prove not to be accurate or not materialize. There can be no assurance that the objective of the investment shown can be met or that substantial losses will be avoided.

Fee Paying Assets Under Management ("FP AUM") refers to the AUM on which Arena Investors earns management fees and/or incentive income.

# Important Disclosures

## Arena Investors

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The following is being provided solely in relation to Arena Investors, LP, its funds, subsidiaries and affiliates:

Returns shown are unaudited. **Past performance is not indicative or a reliable indicator of future performance. Actual results may vary.**

The information set forth herein does not purport to be complete, is unaudited and subject to change. Arena Investors has no obligation to update or revise such information other than as may be required by applicable law. Unless otherwise stated, the information contained herein is current as of the date of the presentation.

This document does not constitute investment advice nor is it a recommendation or an offer of investment advisory services or products. No person in any jurisdiction may treat this document as a solicitation or offer of any advisory product or service. A prospective investor must rely solely on the terms and associated disclosures in any final offering memoranda, investment management agreement and associated subscription documents (if any), which would constitute the only basis upon which offerings of any product or service may be made.

Investments in Arena Investors vehicles are speculative in nature and involve risk. There can be no assurance that investment objectives will be achieved and investment results may vary substantially over time. These investments are not intended to be a complete investment program for any investor. There is no secondary market for an investor's interest in Arena Investors funds and none is expected to develop. Arena Investors' funds are not registered under the Investment Company Act of 1940 and accordingly are not extensively regulated. Opportunities for redemption and transferability of interests are restricted, so investors may not have access to capital when it is needed. Leverage may be employed in the funds, which can make investment performance volatile. Valuation of the investments may involve uncertainties and the exercise of judgment. An investor should not make an investment unless the investor is prepared to lose all or a substantial portion of its investment. The fees and expenses charged in connection with investments may be higher than the fees and expenses of other investment alternatives and may offset profits, and the performance-based compensation paid to Arena Investors may create an incentive for Arena Investors to make more speculative investments than would otherwise be the case. Arena Investors has total authority and control over its funds and the use of a single advisor applying generally similar investment programs could mean a lack of diversification and, consequently, higher risk. For a comprehensive list of risk factors, an investor must review the risk factors as specified in the related confidential information memorandum for a specific fund or investment management agreement, which will be made available upon request.

The information provided herein should not be considered a recommendation regarding a particular investment. The actual and potential investments discussed herein are meant to be examples of Arena Investors' investment approach. It should not be assumed that any of the investments discussed herein will prove to be profitable, or that the investment recommendations or decisions made by Arena Investors in the future will be profitable. The particular investments discussed herein are those that most closely represent the current average-sized Arena Investors investment in a particular category (Corporate Private Investments, Real Estate Investments and Structured Finance and Assets).

In addition, performance of market indices is being provided for the purpose of making general market data available as a point of reference only. Arena Investors believe there are no known directly comparable indices for the Arena Special Opportunities Strategies composite which is comprised of the Arena Special Opportunities Fund, LP and Arena Special Opportunities (Offshore) Master, LP (collectively the "Fund"). The Fund's investments are not limited to the investments listed by the market indices. The Fund may invest in different securities and engage in different trading strategies from the indices. In addition, it should be noted that the sector, industry, stock and country exposures, volatility, risk characteristics and holdings of the Fund differ materially from those of the indices. The indices do not reflect fees and expenses associated with the active management of portfolios. The performance returns of the indices were obtained from Bloomberg and other third-party sources and include the reinvestment of earnings. Although Arena Investors believes these sources to be reliable, it is not responsible for errors or omissions from these sources.

Market indices used: The Standard & Poor's LSTA Leveraged Loan 100 Index is a capitalization-weighted syndicated loan index that seeks to mirror the performance of the 100 largest syndicated loans in the levered loan market. Leveraged loans are senior secured debt obligations rated below investment grade. The index information provided is for illustrative purposes only. The Fund's strategy does not track the index and can significantly vary from the performance on the indexes provided.

The statements contained herein contain certain forward-looking statements that are based on Arena Investors beliefs as well as assumptions made by and information currently available to us. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to investments, business prospects, future developments, trends and conditions in the industry and geographical markets in which Arena Investors operate, Arena Investors strategies, plans, objectives and goals, as well as, Arena Investors ability to control costs, statements relating to prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Net annualized returns inceptions to date are net of fees as disclosed in the fee schedule and net of deal and operating expenses (including asset servicing expenses of 0.5% for drawdown, open-ended, FINCOs, SI-REC and 0.75% for NZ REC). All returns are based on the reinvestment of principal, interest, and dividends received. Fee schedules for returns shown include management fees with a range of 0.35%-2%, incentive fees with a range of 7.5% incentive to 18% and preferred returns or hurdles applicable on specific vehicles.

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## **The Westaim Corporation – Introduction**

# The Westaim Corporation

## The Westaim Corporation

**Westaim** is a publicly listed (TSXV:WED) Canadian investment holding company specializing in providing long-term capital to businesses operating primarily within the global financial services industry. Our focus has been, and continues to be, to seek high quality investment opportunities that allow us to partner with businesses and aligned management teams that are well positioned to compound wealth and provide above average returns over the long-term for our shareholders.

### Skyward Specialty Insurance Group

#### Specialty Property and Casualty Insurance 37.0% look-through ownership<sup>(1)</sup>

**Skyward Specialty** (NASDAQ: SKWD) is a rapidly growing and innovative specialty insurance company, delivering commercial property and casualty products and solutions on a non-admitted and admitted basis. The Company operates through eight underwriting divisions - Accident & Health, Captives, Global Property & Agriculture, Industry Solutions, Professional Lines, Programs, Surety and Transactional E&S. SKWD stock is traded on the Nasdaq Global Select Market, which represents the top fourth of all Nasdaq listed companies.

Skyward Specialty's subsidiary insurance companies consist of Houston Specialty Insurance Company, Imperium Insurance Company, Great Midwest Insurance Company, and Oklahoma Specialty Insurance Company. These insurance companies are rated A- (Excellent) by A.M. Best Company.

### Arena Investors

#### Alternative Investment Manager 51% ownership<sup>(2)</sup>

**Arena Investors** is a New York based global institutional money manager that originates and underwrites portfolios of asset-backed credit investments that are highly diversified and uncorrelated, delivering consistent returns for investors with a duration of approximately two years.

Arena Investors' committed Assets Under Management ("AUM") of \$3.3 billion includes Westaim's proprietary capital of \$156 million plus third party institutional and high net worth clients.<sup>(3)</sup>

A highly skilled and experienced team of 150+ professionals across the globe are enabled by robust processes, proprietary infrastructure and access to a global origination network. Arena Investors' has regularly been recognized for its performance, investment approach and operational controls.

### Arena FINCOs

#### Westaim's Proprietary Capital Invested with Arena Investors 100% ownership

The **Arena FINCOs** are specialty finance companies that primarily purchase diversified asset-backed credit and other investments and in certain circumstances, facilitate the origination and creation of credit investments for their own account and for third parties.

Arena FINCOs' capital has been and remains very strategic in the development of Arena Investors and the Arena FINCOs have participated as lead investor in several new product offerings.

(1) Westaim's look-through interest in the Westaim HIIG Partnership ("HIIG Partnership") of 18.5%, combined with its direct ownership of the Skyward Specialty common shares of 18.5%, resulted in a 37.0% look-through interest in Skyward Specialty at March 31, 2023.

(2) The remaining 49.0% is Bernard Partners, LLC ("BP LLC") equity and profit sharing percentage, and under the Associate Agreements, BP LLC has the right to earn-in up to 75% equity ownership percentage in the associates and to thereby share up to 75% of the profit of the associates based on achieving certain AUM and cash flow thresholds. Effective April 1, 2022, BP LLC achieved the threshold to increase its equity ownership of Arena Investors from 0% to 49% and Westaim's equity ownership decreased from 100% to 51% to equal the share of profits that the Company has been entitled to in all prior periods.

(3) As at March 31, 2023.



# Westaim Q1 2023 Quarterly Operating Highlights

## Public market support for Skyward Specialty lifts Q1 2023 earnings for Westaim Skyward Specialty listed on NASDAQ and Arena Investors continued to achieve solid investment returns

### Skyward Specialty Insurance Group<sup>(1)</sup>

- **Skyward Specialty's Net Income (100%) was \$15.6 million in Q1 2023 compared to Net Income of \$16.3 million in Q1 2022; Skyward Specialty's Adjusted Operating Income<sup>(1)</sup> was \$15.5 million in Q1 2023 compared to \$19.8 million in Q1 2022**
  - In January 2023, Skyward Specialty listed on the Nasdaq Global Select Market (the "NASDAQ") under the ticker symbol "SKWD"
  - Underwriting performance was strong with an adjusted combined ratio of 90.3% in the Q1 2023 vs. 91.9% in Q1 2022; The loss and LAE ratio improved 0.7% to 62.8% in Q1 2023 from 63.5% in Q1 2022; catastrophe losses from wind and hail events, including tornadoes, added 1.8 points to the Q1 2023 loss ratio compared to the Q1 2022 loss ratio, which was not impacted by catastrophe losses. The non-cat loss and LAE ratio improved 2.4 points in Q1 2023 compared to Q1 2022 primarily driven by the continued run-off of exited business and the shift in the mix of business
  - Net investment income for the first quarter 2023 decreased \$10.5 million to \$4.6 million in Q1 2023 from \$15.1 million in Q1 2022 million; increased income from the core fixed income portfolio and short-term and money market investments was offset by losses in the opportunistic fixed income portfolio
  - Total stockholders' equity at March 31, 2023 increased to \$507.1 million from \$421.7 million at December 31, 2022
  - Q1 2023 Annualized Return-on-equity ("ROE") of 13.4% vs. 15.3% in Q1 2022; Q1 2023 Annualized Adjusted ROE of 13.3% in Q1 2023 vs. 18.5% in Q1 2022

### Arena Investors

- **Arena Investors' Q1 2023 Net Income (100%) was \$2.0 million compared to Q1 2022 Net Income of \$9.4 million**
  - Committed AUM was \$3.3 billion at March 31, 2023 and \$3.4 billion at April 1, 2023 as compared to \$3.5 billion at December 31, 2022 and \$3.5 billion at March 31, 2022
  - Fee-Paying AUM at March 31, 2023 was \$2.4 billion, as compared to \$2.6 billion at December 31, 2022 and \$2.6 billion at March 31, 2022
  - Total Recurring Revenue was \$10.8 million in Q1 2023 vs. \$10.0 million in Q1 2022
  - Since inception, Arena Investors has deployed approximately \$5.0 billion into 350+ privately negotiated transactions, which averages 50 transactions per year; approximately 198 positions have been exited, and have realized a 14.9% gross realized IRR
  - Arena Investors' AUM pipeline remains strong with several product offerings marketing to a well diversified base of sophisticated investors (insurance companies, pension funds, endowment funds, foundations and other investors); In 2023, Arena Investors expects to be active in six fundraising campaigns across three core strategies – Multi-strategy, Stable Income and Excess Capacity
  - Arena Investors is now reaching a point where future growth will have significant operating leverage as fee-paying AUM grows

### Arena FINCOs

- **Arena FINCOs' Q1 2023 Net Loss was \$2.7 million (-1.7% net investment return) compared to Q1 2022 Net Income of \$2.6 million (1.5% net investment return)<sup>(2)</sup>**
  - At March 31, 2023, the fair value of Arena FINCOs was \$153.0 million compared to \$160.1 million at December 31, 2022
  - Westaim received a distribution of \$4.4 million from Arena FINCOs in Q1 2023

### Westaim

- **Westaim's Q1 2023 Net Profit was \$94.5 million compared to Q1 2022 Net Profit of \$3.5 million**
  - GAAP diluted earnings per share in Q1 2023 of \$0.66 compared to Q1 2022 diluted earnings per share of \$0.02
  - At March 31, 2023, Westaim's book value was \$457.7 million which was \$3.21 (C\$4.34) per fully diluted share compared to December 31, 2022 book value of \$363.2 million or \$2.56 (C\$3.46) per fully diluted share

(1) For further details, please refer slide 4 for Non-GAAP measures.

## Westaim Summary Quarterly Operating Results

(Amounts in millions of US\$ except per share data)	Three months ended March 31	
	2023	2022
(Loss) income from investments in Arena FINCOs and ASOF <sup>(1)</sup>	(\$2.8)	\$2.8
Income (loss) from investment in Skyward Specialty	100.1	(1.2)
Income from investment in Arena Investors	1.0	4.8
<b>Income from investments</b>	<b>\$98.3</b>	<b>\$6.4</b>
Holding company operating expenses	(1.8)	(2.3)
Preferred securities interest expense	(0.5)	(0.5)
Interest and fee income	0.5	0.5
<b>Net holding company operating and interest expenses</b>	<b>(\$1.8)</b>	<b>(\$2.3)</b>
Share-based compensation (expense) recovery	(1.3)	0.3
Foreign exchange loss	(0.4)	-
Derivative warrants - change in fair value gain	-	0.1
<b>Total net holding company expenses</b>	<b>(\$3.5)</b>	<b>(\$1.9)</b>
Income tax expense	(0.3)	(1.0)
<b>GAAP profit and comprehensive income</b>	<b>\$94.5</b>	<b>\$3.5</b>
GAAP earnings per fully diluted share	\$0.66	\$0.02

- GAAP profit and comprehensive income in Q1 2023 was \$94.5 million (\$0.66 diluted earnings per share) compared to a GAAP profit and comprehensive income of \$3.5 million (\$0.02 diluted earnings per share) in Q1 2022
- Westaim's income from its investment in Skyward Specialty in Q1 2023 was \$100.1 million compared to a loss of \$1.2 million in Q1 2022; The valuation of Skyward Specialty at March 31, 2023 was \$319.0 million, consistent with the Skyward Specialty trading price at March 31, 2023 of \$21.87 per common share as compared to the December 31, 2022 valuation at \$15.00 per common share
- Arena FINCOs' and ASOF's diversified and uncorrelated portfolios produced a net loss of \$2.7 million in Q1 2023 with an -1.7% net investment return compared to 1.5% in Q1 2022
- Arena Investors fee-paying AUM was \$2.4 billion at March 31, 2023 vs. \$2.6 billion at March 31, 2022; fund performance resulted in a net incentive fee income of \$1.1 million vs net incentive fee income of \$8.2 million in the prior year
- Arena Investors generated net income of \$2.0 million (Westaim share: \$1.0 million) in Q1 2023 vs. \$9.4 million (Westaim share: \$4.8 million) in Q1 2022

(1) Arena Special Opportunities Fund, LP ("ASOF").

## Westaim Summary Statement of Financial Position

As at	March 31, 2023	December 31, 2022
<small>(Amounts in millions of US\$ except per share data)</small>		
<b>Assets</b>		
Cash	\$3.1	\$3.4
Other assets	0.8	0.8
Investment in Skyward Specialty	319.0	218.9
Investment in Arena FINCOs	153.0	160.1
Investment in Arena Investors	27.9	26.9
Investment in ASOF	3.1	3.2
<b>Total Assets</b>	<b>\$506.9</b>	<b>\$413.3</b>
<b>Liabilities</b>		
Accounts payable, income tax payable and accrued liabilities	\$12.2	\$13.1
Preferred securities	36.9	36.9
Derivative warrant liability	0.1	0.1
<b>Total Liabilities</b>	<b>\$49.2</b>	<b>\$50.1</b>
Shareholders' equity	457.7	363.2
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$506.9</b>	<b>\$413.3</b>
<b>Number of common shares outstanding</b>	<b>141,386,718</b>	<b>141,386,718</b>
<b>Fully diluted book value per share - in US\$</b>	<b>\$3.21</b>	<b>\$2.56</b>
<b>Fully diluted book value per share - in C\$<sup>1</sup></b>	<b>C\$4.34</b>	<b>C\$3.46</b>

- Book value per fully diluted share increased \$0.65 (25.4%) to \$3.21 at March 31, 2023 from \$2.56 at December 31, 2022; Book value per fully diluted share increased C\$0.88 (25.4%) to C\$4.34 at March 31, 2023 from C\$3.46 at December 31, 2022
- In January 2023, Skyward Specialty listed on the Nasdaq Global Select Market under the ticker symbol "SKWD"
- Westaim's total look-through ownership interest in Skyward Specialty was 14,567,139 common shares (37.0% of the fully diluted common shares outstanding) as at March 31, 2023. As a result, Westaim valued Skyward Specialty at \$319.0 million using Skyward Specialty's March 31, 2023 closing trading price of \$21.87 per common share as compared to the December 31, 2022 valuation at \$15.00 per common share
- Westaim received a distribution of \$4.4 million from Arena FINCOs in Q1 2023, which had the effect of decreasing the carrying value of the investment

\* Period end exchange rates of USD to CDN: 1.35295 at March 31, 2023 and \$1.35360 at December 31, 2022.

# Westaim Diluted Earnings per Share (US\$): Three months ended March 31, 2023



# Westaim Book Value per Share (US\$): Three months ended March 31, 2023





ARENA  
I N V E S T O R S  
G R O U P H O L D I N G S

# Seeing What's Possible

Arena Investors Group Holdings, including its joint ventures and affiliates, is a global financial institution with over 150 people across 7 global offices and operating in over 20 countries

All data is as **December 31, 2022**  
unless otherwise specified



## ABOUT ARENA INVESTORS <sup>(1)</sup>

**\$3.5B**

AUM

**~\$180M**

of AUM is employee and related capital

Vast Global Origination and Servicing Network

Offices in New York, Jacksonville, San Francisco, Dublin, London, Singapore and Bengaluru <sup>(2)</sup>

**~\$4.7B**

deployed into 350+ privately negotiated transactions since founding in 2015

- Compelling risk-adjusted returns with emphasis on downside protection and consistent performance.
- Opportunistic mandate – capabilities across Corporate, Real Estate, Structured Finance, and Corporate Securities allow the firm to find the most compelling opportunities across cycles and market environments.
  - Allows us to support each of our Multi-Strategy, Excess Capacity (“ECF”), and Stable Income (“SI”) mandates.
- Global firm with an extensive proprietary sourcing network, which means:
  - Arena Investors has aimed to avoid the overheated areas that have suffered in today’s market environment and those that are vulnerable going forward.
- Servicing infrastructure has allowed the firm to proactively manage any situations that have not materialized as expected, and make more than initially expected, on average, in those situations.
  - End-to-end IT systems govern and manage workflows, giving Arena Investors robust governance, transparency and a demonstrable edge.
- While Arena maintains this depth, breadth, global focus and infrastructure – our average transaction sizes are <\$50 million such that we avoid competition from similarly situated “mega-firms”.
- Investors are increasingly migrating to Arena Investors’ approach, given the post-2008 “everything bubble” environment is likely over (and unlikely to return until the next cycle).

(1) The AUM of Arena includes employee capital, co-invest, and capital committed but not yet deployed of \$907 million as of January 1, 2023.

(2) The Jacksonville, Dublin and Bengaluru offices are used by Arena affiliates: Quaestor Advisors, LLC, an Arena Investors EF Designated Activity Company. Singapore office used by Arena Investment Management (Singapore) Pte. Ltd. and Quaestor Advisors, LLC.



## Investing & Environment

- ~\$4.7 billion deployed into 350+ privately negotiated transactions. Average position size of approximately 70 basis points.
- 190 exited privately negotiated transactions with 174 exited multi-strategy investments having a realized IRR of 17.1% gross<sup>(1)</sup>.
- Robust global sourcing and a flexible mandate has meant that during the last stages of the asset bubble, the most compelling risk-adjusted return opportunities “crowded out” the inferior ones invested in by others that have begun to decline and will continue to suffer in the coming months and years.
- Having largely avoided investments that were unattractive given rampant liquidity, Arena now sees its largest opportunity set to-date.

## Infrastructure

- Arena’s platform has been fully built, with significant margin expansion opportunity as we scale.
- Arena has investing edge in the breadth of its investing teams and leveraging of 40+ specialist joint venture partners globally.
- It also benefits from extensive in-house surveillance, servicing, operating, and capital markets capabilities across the platform.
- These capabilities are in the process of sourcing third-party customers as well.

(1) Number of total private investments inclusive of Arena’s multi-strategy investment vehicles as well as Stable Income – Real Estate Credit strategy investments. In addition to exited investments in Arena’s multi-strategy, 145 active positions have an underwritten IRR of 17.6% and a current IRR of 8.7%. Current IRR reflects all investment activity, i.e., prior actual cash flows and future projected cash flows (which are discounted as of the reporting date), from the inception of each applicable investment through 12/31/2022. The current IRR may not be representative of the realized IRR upon exit of each investment, which may increase or decrease.





## Capital Formation

- Arena’s product offerings are designed to capitalize on the range of opportunities ahead.
  - Multi-Strategy funds: Closed-End, Open-End and Permanent Capital provide the capability to source optimal return per unit of risk globally and across sectors.
  - Excess Capacity funds: New Zealand Real Estate Credit (current), Commercial Real Estate Bridge Lending (pending), and potential offerings for Corporate Private Credit and Secondaries & Liquidity Solutions.
  - Stable Income: Real Estate Credit and Structured Finance/ABS.

## Financials

- Fee-Related Earnings (“FRE”) of \$0.6 million in 4Q22, \$1.3 million 1Q23, annualized rate of \$5+ million
- Key value drivers of AIGH: are Arena Investors (“AI”) FRE, AI Net Incentive Fees and Arena Institutional Services (“AIS”) EBITDA:
  - AI FRE – Recurring Management and Servicing Fee Income less Operating Expenses.
  - AI Net Incentive Fees – Incentive Fees less Incentive Fee compensation<sup>(1)</sup>.
  - AIS EBIT – Earnings created by monetization of our intellectual capital on behalf of third-party customers and counterparties. AIS includes Quaestor Consulting Group, Quaestor Capital Markets, and Arena Business Solutions.
- AIGH’s primary cost is compensation. Having largely built the global platform from a technology and staffing standpoint, AIGH contribution margin is expected to rise given less incremental human resource costs necessary to manage significantly larger amounts of AUM.

(1) Arena is under no contractual obligation (past or future) to pay Incentive Fees earned to employees.



Arena's approach did not leave investors exposed to the "everything bubble".



## What Arena aims to *never* do:

- Take macro risk by exposing our investments to interest rate risk, commodity price risk or currency risk.
- Make investments where our thesis is to be "smarter" or a "better expert". This includes not making highly quantitative, math-based investment bets, nor predicting the future (including exposing ourselves to whether our borrower succeeds or fails).
- Take a view that the market is mispricing something and other market participants will ultimately realize our view is correct. Rather than rely on others to take us out, we structure our investments in a manner in which we can crystallize the value. We aim to control our own outcome.

## What Arena *did not* do during this bubble:

- Buy commercial real estate equity, prefs, or mezzanine at historically low cap rates.
- Buy corporate private equity, mezzanine or subordinated unsecured debt at historically high multiples.
- Lend at high advance rates (with low coupons and weak covenants) to corporate, structured finance, and real estate assets with bad/weak structures, too much duration, or too low a price. This includes profligate direct corporate lending and leveraged finance involving financial sponsors and warehouse and securitization-fueled commercial real estate lending.

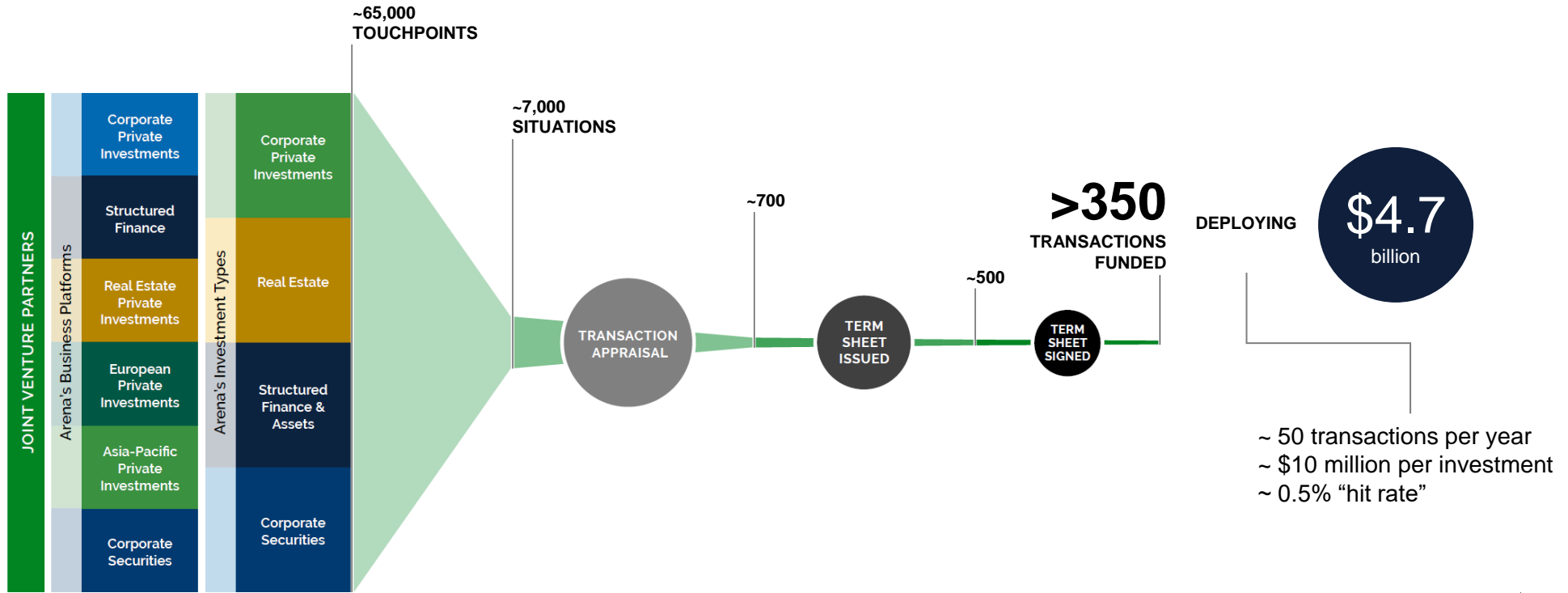
### What Arena *did* do during this bubble:

- High interest, short duration (1-3 years), floating, secured, modest Loan-to-Value (“LTV”) lending at roughly 10-20% gross IRRs in corporate, structured finance (loans against loans) and real estate. These featured very tight covenants, monthly reporting, monthly payment collection, and strict and aggressive enforcement. When we foreclose on these assets, we do not then have equity; we have the entire asset (that is, the piece that would be financed by a loan PLUS the residual value). However, in the period while we are liquidating the asset, we will not generally be accruing the former coupon and will discount back to the present the asset value taking into account the expected time to resolve.
- Purchase whole assets frequently containing disparate, separable parts for the purpose of liquidating that collateral at roughly 15-20+% gross IRR where the duration was 1-3 years. These were not large ships, big metal factories, office buildings, shopping malls, or other illiquid assets not necessarily able to produce economic value without a favorable economic environment. These were busted or otherwise stressed sales of airplane engines and frames, litigation claims, charged-off consumer receivables, etc. These assets are priced based on historical collection curves. On a month-by-month basis, they do not produce a precise “coupon”; thus, while their value does not vary widely, the stream of the collections may vary month-to-month.

### What Arena *did* do during this bubble (continued):

- Purchase structured securities that have coupons and limited/low LTV downside but that more importantly come with relatively large amounts per dollar invested worth of cheap call options. When these “hit” and are in the process of being liquidated, that win can vary in value. Importantly, that win has little or no cost basis.
- Purchase 100 basis points per year (8 basis points per month) of deep out-of-the-money put options with the greatest return asymmetry possible. Thus far, these have modestly reduced our correlation to the overall asset markets while having provided a small cost in premium. However, they are designed to mitigate a sharp (20%+) monthly loss in the equity markets and the likely significant drop in fixed income markets that would accompany such an event.

- This strategy requires a lot of effort and discipline, made possible by Arena’s staffing and infrastructure. Arena has pursued only ~1% of available opportunities, and each investment required several hundred hours of diligence, documentation, and surveillance by Arena’s front office, asset surveillance, operations, finance, tax, and compliance professionals, as well as outside accountants, consultants, and valuation professionals.



(1) Based on trailing 12-month ratios applied to total transactions since 2015.

- On average, Arena’s investments have been first-lien or first-position, 60%–65% loan-to-value, 18–24 months in duration, with an unlevered 17%–18% gross underwritten return (i.e., a significant premium to the “market” return with significantly less risk).
- Among the firm’s 350+ privately negotiated transactions, Arena has fully exited over half, with our multi-strategy private investments having realized a 17.1% gross<sup>(1)</sup> return.

Summary of Arena's Multi-strategy Private Active Holdings - Since Inception						
# Positions	Top Attachment point	Current LTV	Gross Underwritten IRR	Gross Realized IRR	Remaining Years to Maturity	Gross MOIC <sup>(2)</sup>
145	0%	71%	17.6%	8.7%	1.2	1.11x

Summary of Arena's Multi-strategy Private Exited Holdings - Since Inception						
# Positions	Top Attachment point	Closing LTV	Gross Underwritten IRR	Gross Realized IRR	Average Loan Term (Years)	Gross MOIC <sup>(2)</sup>
174	4%	57%	15.9%	17.1%	1.6	1.19x

- Arena has produced \$855 million in profits for investors since inception.
- Our recovery rate on loans that go into workout is ~120%, and any experienced losses (in isolation) have been only ~0.1% per year of total profits earned.

(1) Number of total private investments inclusive of Arena’s multi-strategy investment vehicles as well as Stable Income – Real Estate Credit strategy investments. In addition to exited investments in Arena’s multi-strategy, 145 active positions have an underwritten IRR of 17.6% and a current IRR of 8.7%. Current IRR reflects all investment activity, i.e., prior actual cash flows and future projected cash flows (which are discounted as of the reporting date), from the inception of each applicable investment through 12/31/2022. The current IRR may not be representative of the realized IRR upon exit of each investment, which may increase or decrease.

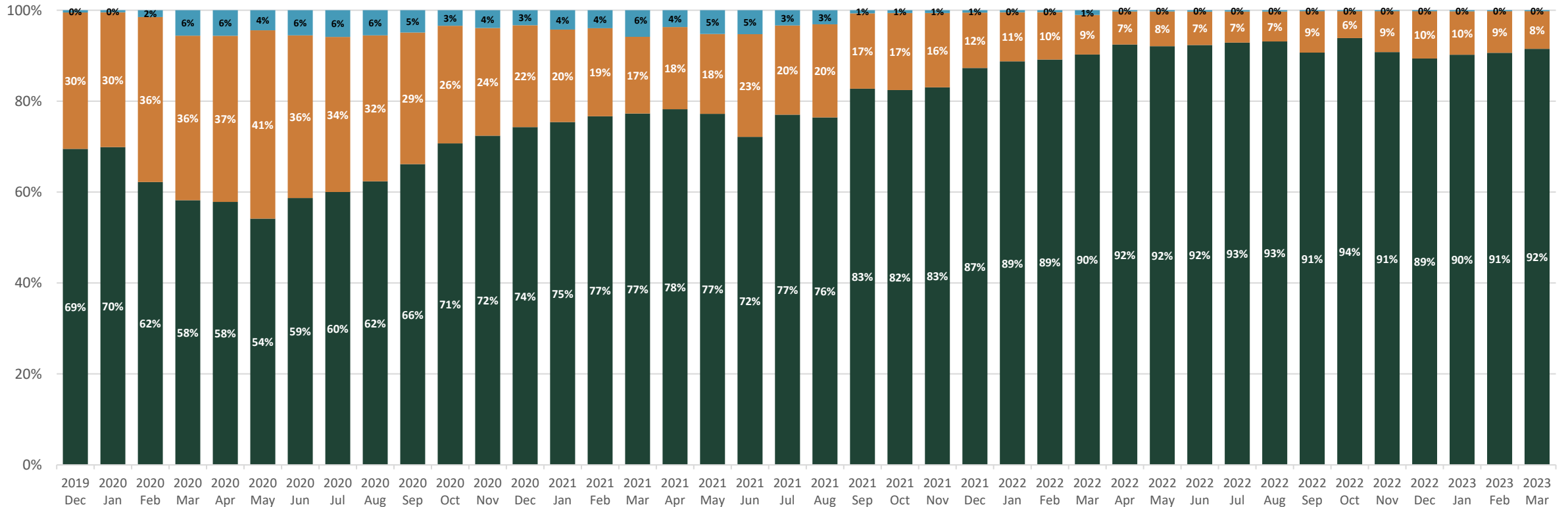
(2) Gross MOIC calculated as the sum of dollars collected and remaining at NAV, divided by dollars deployed





- A reduction in percentage of Fair Market Value of deals with Level 2 and 3 defaults from 30% in December 2019 to 8% ending 2023 Q1 with a brief upswing at the onset of the COVID-19 pandemic.

% of Fair Market Value With Level 2 and 3 Defaults



■ Non-level 2 or 3 – No defaults – technical default of one or more covenants; or investments previously Level 2 or 3 which have been stabilized.  
■ Level 2 – Assets where there has been a more meaningful default, frequently a payment default, on which some initiation of a legal process has been instituted but where there is a low predicted likelihood of principal loss.  
■ Level 3 – Assets where the CIO assesses there is some probability of a realized principal loss.

- Arena’s strategies have consistently performed well on an outright and relative basis.
- The returns below cover a period which included the COVID-19 pandemic, a surge in global inflation, steep increases in interest rates, and a period of negative returns across most asset classes.

As of 12/31/2022	Drawdown		Open-ended	FINCOs	NZ REC		SI-REC	SI-ABS
	ASOP I	ASOP II	ASOF		I	II		
Gross annualized return ITD <sup>1</sup>	18.8%	10.7%	10.1%	4.4%	15.3%	17.5%	6.9%	(0.6)%
Net annualized return ITD <sup>2</sup>	14.1%	8.7%	7.6%	3.4%	13.9%	14.5%	5.4%	(1.1)% +3.9% vs ABS index <sup>4</sup> +8.2% vs BBB US Corp <sup>5</sup>
Net MOIC <sup>3</sup>	1.30x	1.09x	n.a.	n.a.	1.29x	1.13x	n.a.	n.a.

(1) Gross annualized returns inception to date are net of deal and operating expenses (including asset servicing expenses of 0.5% for drawdown, open-ended, FINCOs, SI-REC and 0.75% for NZ REC) but gross of management fee and incentive fees/carry. All returns are based on the reinvestment of principal, interest, and dividends received.  
 (2) Net annualized returns inceptions to date are shown net of fees as disclosed in the fee schedule and net of deal and operating expenses (including asset servicing expenses of 0.5% for drawdown, open-ended, FINCOs, SI-REC and 0.75% for NZ REC). All returns are based on the reinvestment of principal, interest, and dividends received.  
 (3) Net MOIC is multiple of the sum of net asset value and distributions divided by contributions.  
 (4) ICE BofA AA-BBB US ABS Index 6/1/21-12/31/22: (4.9%)  
 (5) ICE BofA BBB US Corporate Index 6/1/21-12/31/22: (9.2%)

- ASOPI – Arena Special Opportunities Partners I
- ASOPII – Arena Special Opportunities Partners II
- ASOF – Arena Special Opportunities Fund
- FINCOs = AOC – Arena Origination Company and AF – Arena Finance
- NZ REC – New Zealand Real Estate Credit
- SI-REC – Stable Income Real Estate Credit
- SI-ABS – Stable Income ABS

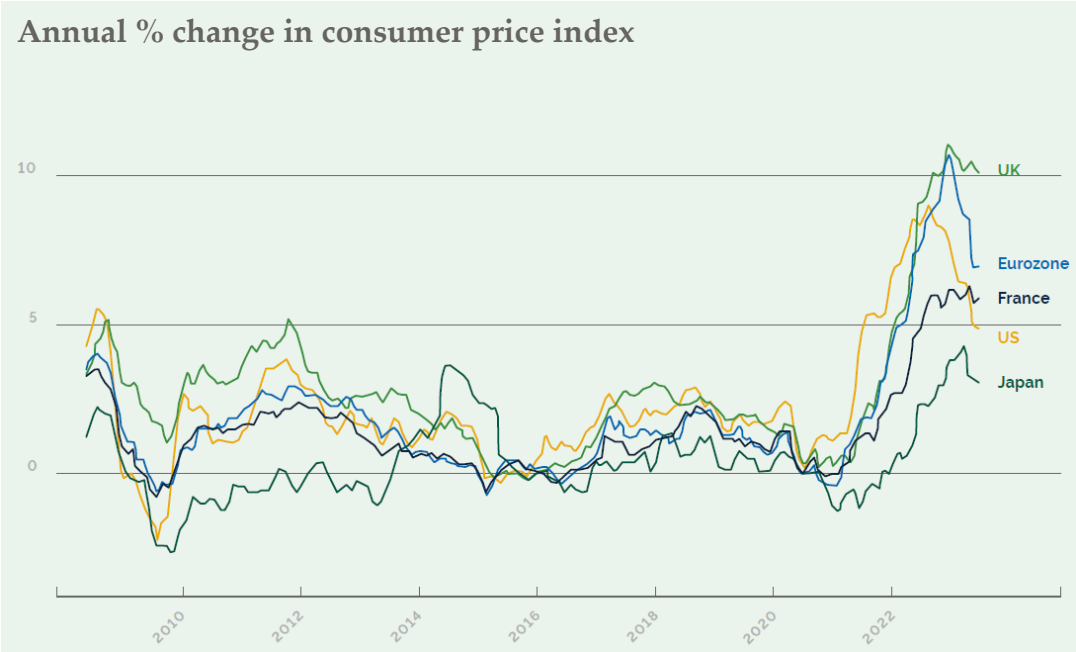
See additional notes on return calculations on page 5.



The going forward opportunity is the largest and most compelling we have seen to-date.

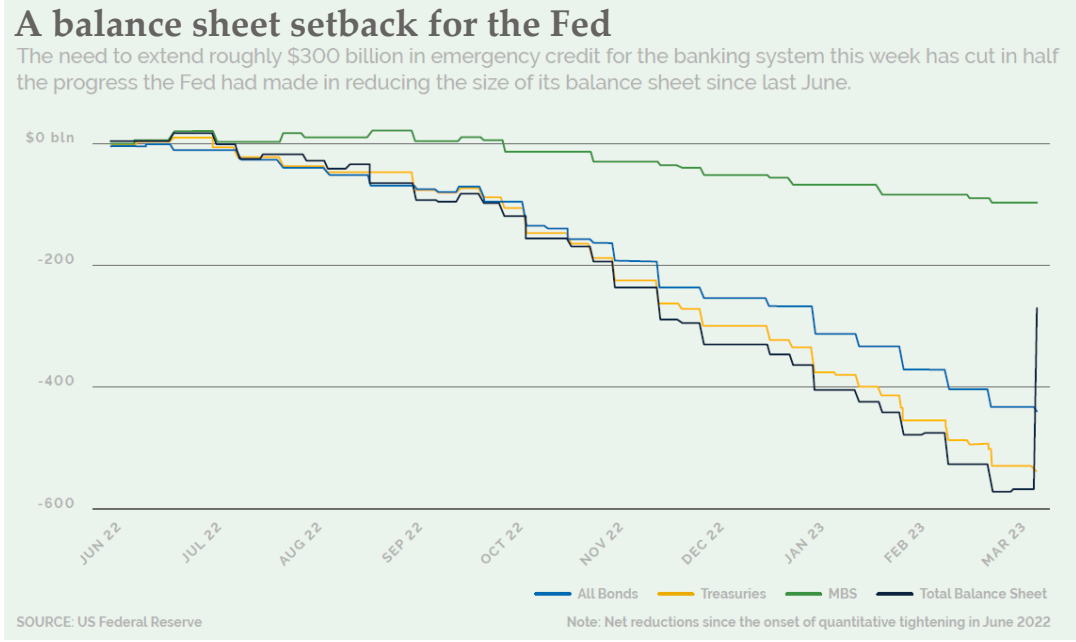


**Global inflation rates are rising driving the increasing interest rate environment.**



Sources: Financial Times, Reuters, Refinitiv, national statistics offices, US Federal Reserve

**Fed has reserved the shrinking of its balance sheet in the wake of US regional banking crisis.**



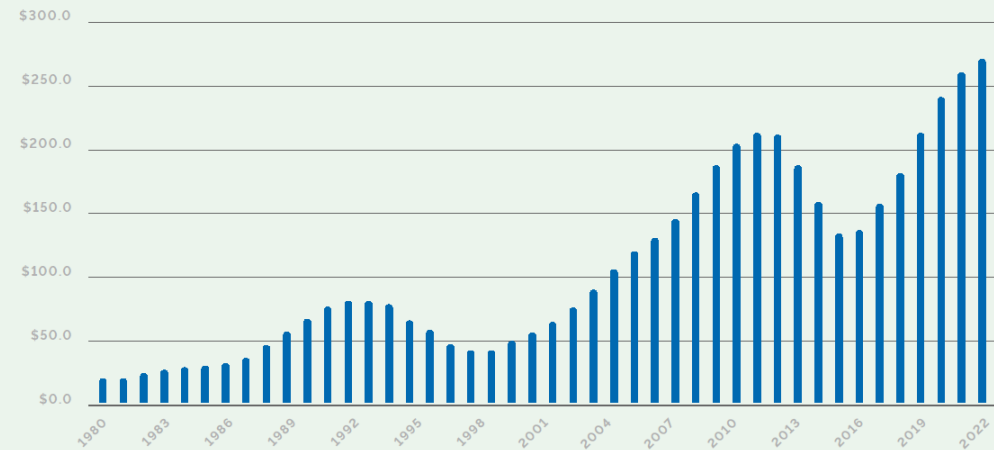
*“At the first signs of trouble, the Fed last month, and in just four days, undid most of the small progress they had made in reducing their balance sheet. This asymmetric Fed response is what feeds the lack of serious structural action in DC from both sides of the aisle.”*

**- Stan Druckenmiller, May 2023**

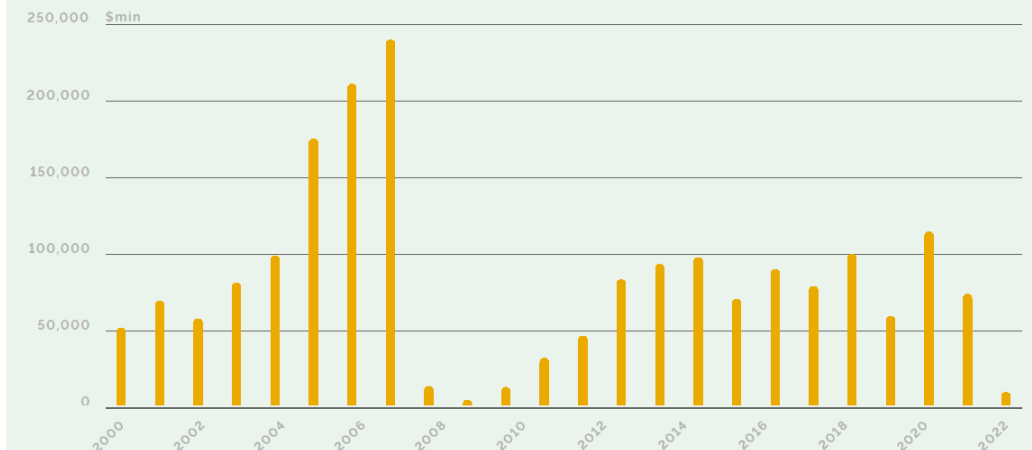
## Real Estate

- Almost \$1.5 trillion of US commercial real estate debt comes due for repayment before the end of 2025, €150 billion of debt in European Commercial real estate companies also to mature by 2025.
- US, private-label CMBS issuance during the first quarter 2023 totaled a mere \$5.98 billion - 12 percent less than fourth-quarter 2022 volume and more than 79 percent less than the same period a year ago.

Bank CRE Loans maturing (1980-2023)



CMBS issuance



Sources: Trepp Inc., Bloomberg, US Federal Reserve, Commercial Real Estate Direct

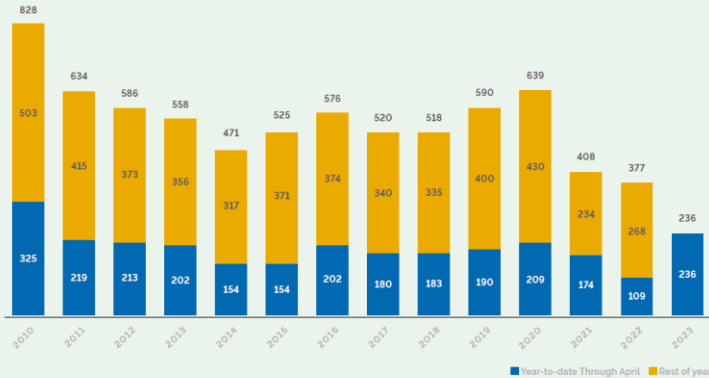
### Corporate

- The first quarter of 2023 saw the highest number of corporate bankruptcy filings in the U.S. since 2010, many structured with restricting support agreements allowing the lenders to keep their loans at par.
- The Fed’s rate-hikes will continue to increase the number of firms cut off from rescue capital.
- Leverage remained high through 2022, with multiples only declining slightly.

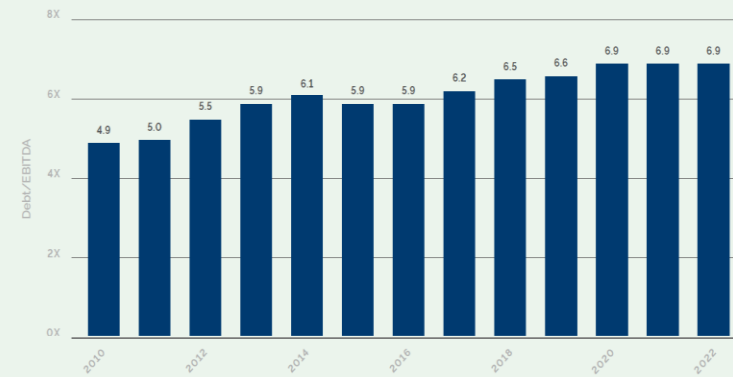
### Structured Finance

- YoY metrics are showing weakness, even with some QoQ improvement.
- Material deterioration in credit expected over the next 12 months, with subprime consumer performance already weakening.

US bankruptcy filings by year



US buyout leverage remained at nearly seven times EBITDA  
US Buyout Leverage Metrics, 2010–22



Consumer loan ABS, Marketplace; Personal loan – Delinquency, %



Sources: S&P Global Market Intelligence, McKinsey, Refinitiv, Deutsche Bank

The emerging opportunity is a large “barbell” which includes the rationalization of the “everything bubble” (e.g., distressed loans) as well as more conventional investments (e.g., new-issue loans) that historically did not meet our thresholds, but are now compelling and also have the benefit of being lower cost to effectuate and easier to scale.



**Rationalization of the “everything bubble”.**

Multi-year opportunity to reorganize and refinance the excesses of the past 14 years.

Now:	Tactical Credit Opportunities PIPEs Growth Credit Secondaries Assets Real Estate – NPLs; Special Situation Lending
Coming:	Structured Finance – NPLs; Special Situation Lending Corporate – NPLs; Special Situation Lending

**New-issue investments that are attractive again.**

Less complex new issue loans that are now able to be priced and structured appropriately.

Now:	Asset-Based Lending North American Real Estate
Coming:	Corporate Lending Secondaries & Liquidity Solutions European Real Estate Lending



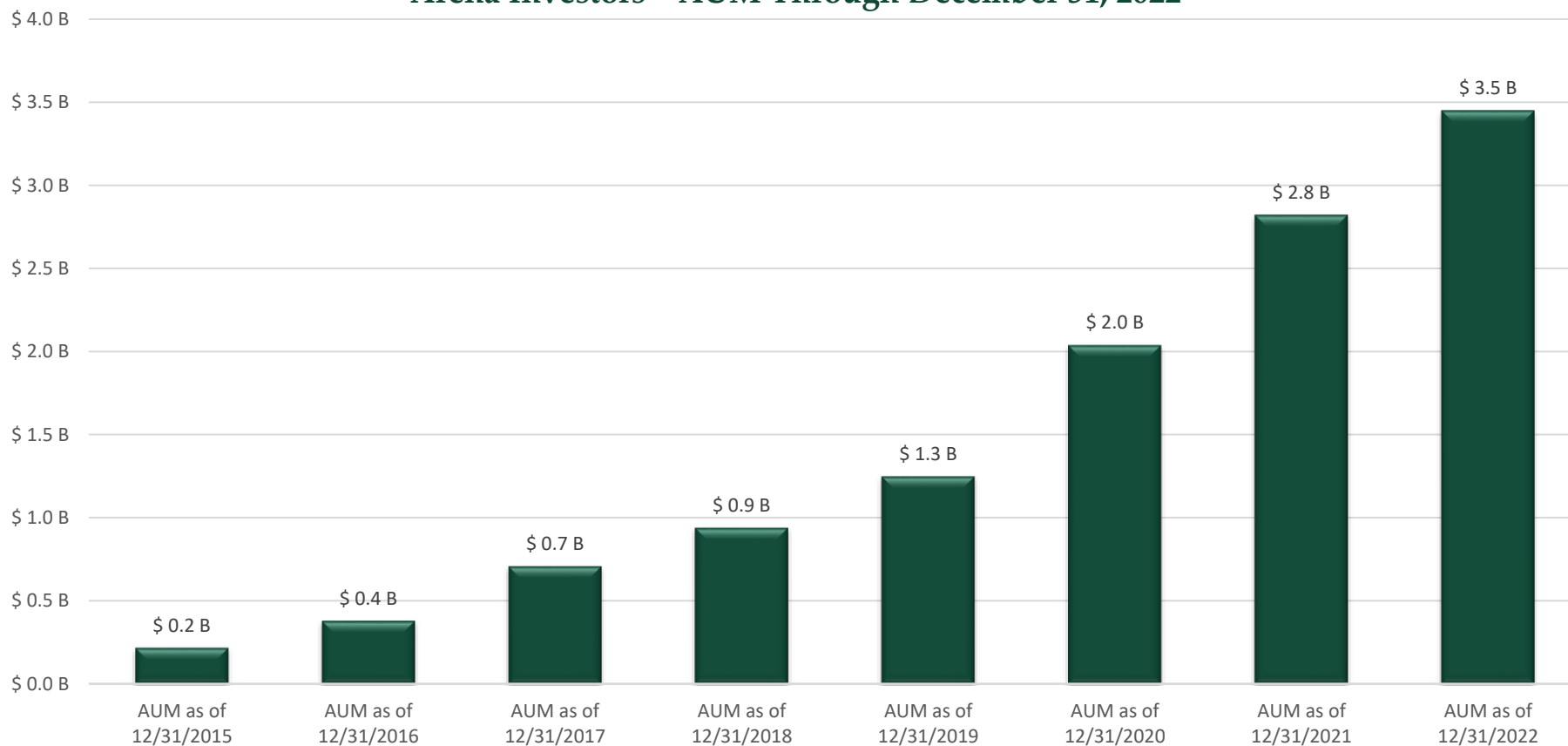
Arena's product offerings are designed to capitalize on the range of opportunities ahead.





AIGH’s AUM (including undrawn commitments) were \$3.5B at December 31, 2022. From December 31, 2015, to December 31, 2022, AUM has grown at a CAGR of ~48%. In 2023, Arena is contemplating new offerings across additional multi-strategy drawdown funds, additional access points to our open-ended funds, and additional stable income and excess capacity offerings.

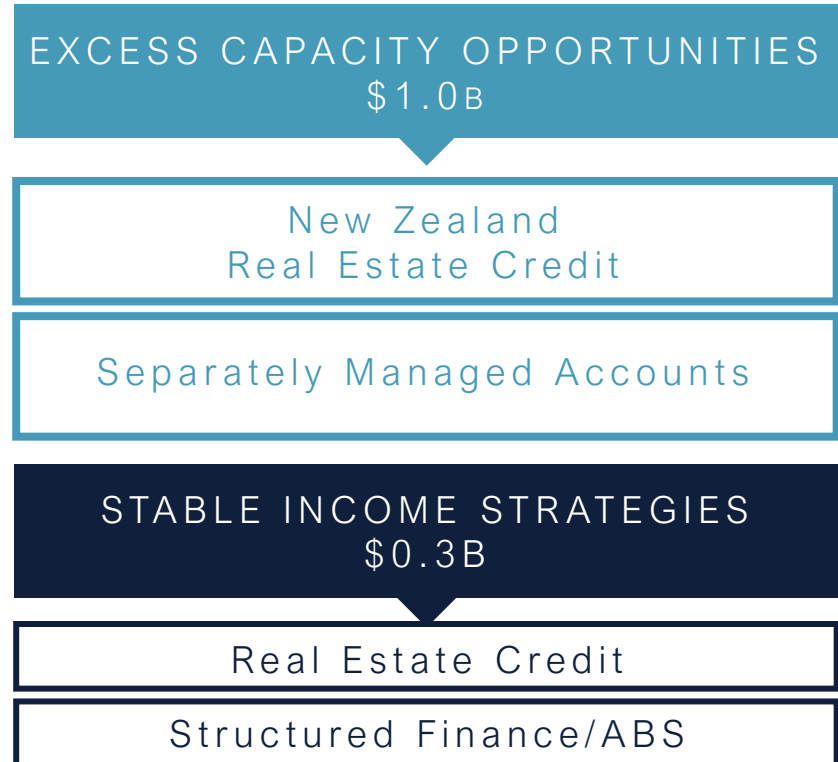
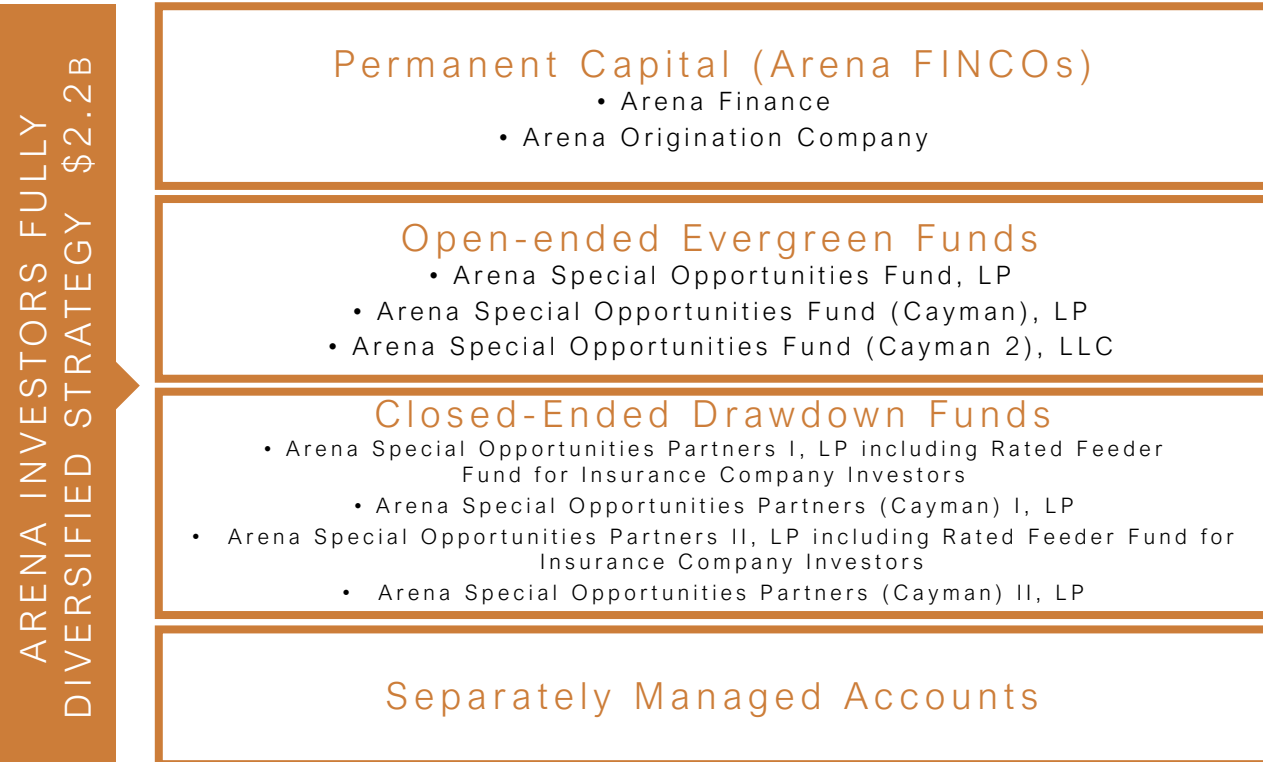
**Arena Investors – AUM Through December 31, 2022<sup>1</sup>**



(1) AUM includes undrawn commitment for closed-end, SMA, and New Zealand Real Estate Credit Partners I, II and III Funds.



\$3.5B AUM<sup>(2)</sup>



(1) All vehicles are asset-liability matched with respect to redemptions.

(2) The AUM includes employee capital, co-invest, and capital committed but not yet deployed totaling \$907 million (except where noted) as of January 1, 2023.

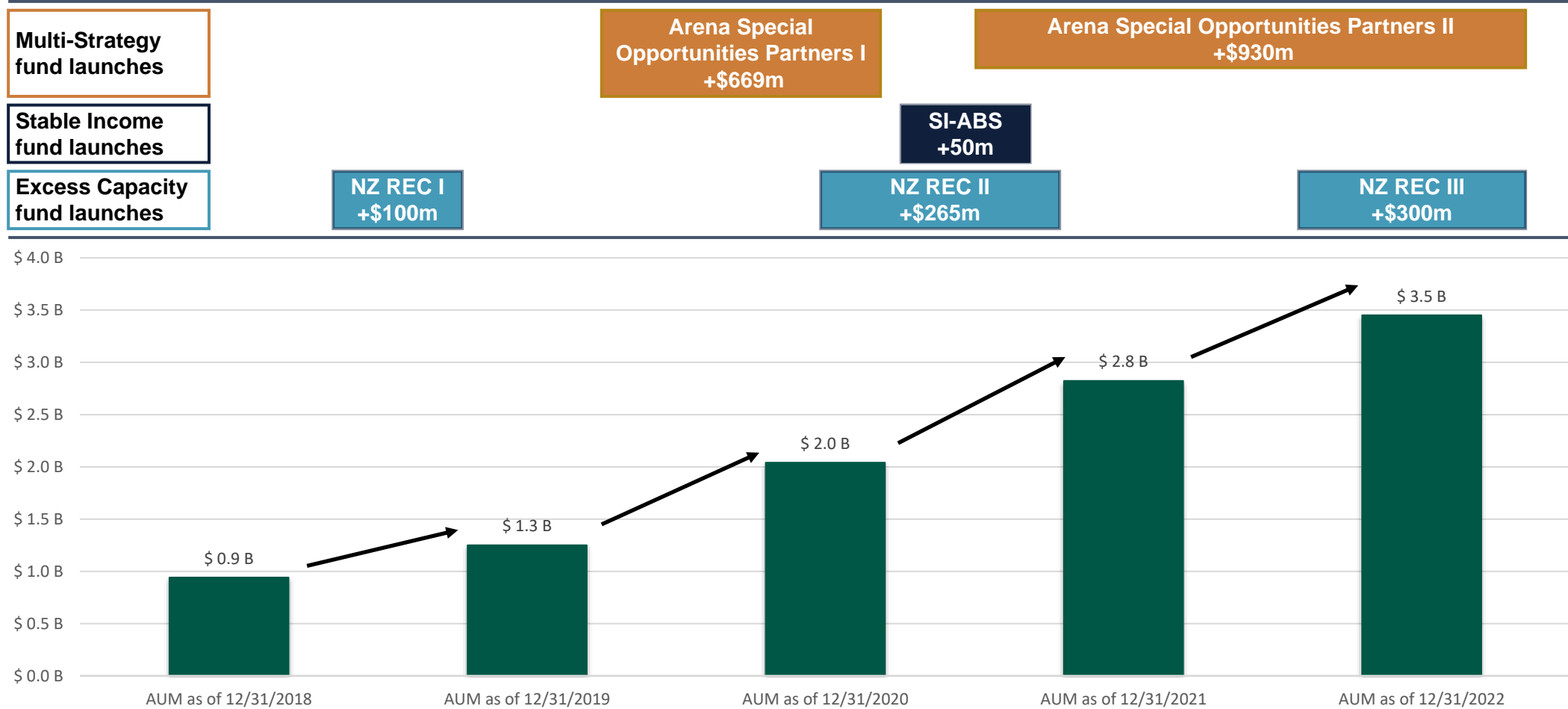
Fundraising is oriented around campaigns and new offerings.

Historical		
10/1/2019 – 1/1/2020	ECF: NZ REC I	+\$100m
3/1/2020 – 12/31/2020	Multi-Strategy: Arena Special Opportunities Partners I (inclusive of parallel co-investments)	+\$669m
6/1/2020 – 1/1/2021	ECF: NZ REC II	+\$265m
6/1/2021	SI-ABS Pilot	+\$50m
7/1/2021 – 8/1/2022	Multi-Strategy: Arena Special Opportunities Partners II	+\$930m

6 fundraising campaigns planned for 2023-24 that potentially could add \$1.5-2B AUM.*		
Completed April 1, 2023 (majority raised in mid-2022)	ECF: NZ REC III	+\$300m
Launched May 1, 2023	Multi-Strategy: Insurance Dedicated Fund (IDF)	+\$250m
Expected launch mid-year and continue into mid-2024	Multi-Strategy: Next closed-end fund offering	+\$1,000m
2023	Excess Capacity offering for commercial real estate bridge loans	+\$350m
2023	ECF: NZ REC IV	TBD
2023-2024	SI-ABS Interval Fund	TBD

\* These numbers represent rough targets and should not be considered projections.

Growth in AUM coincides with the timing of fundraising campaigns and new offerings.



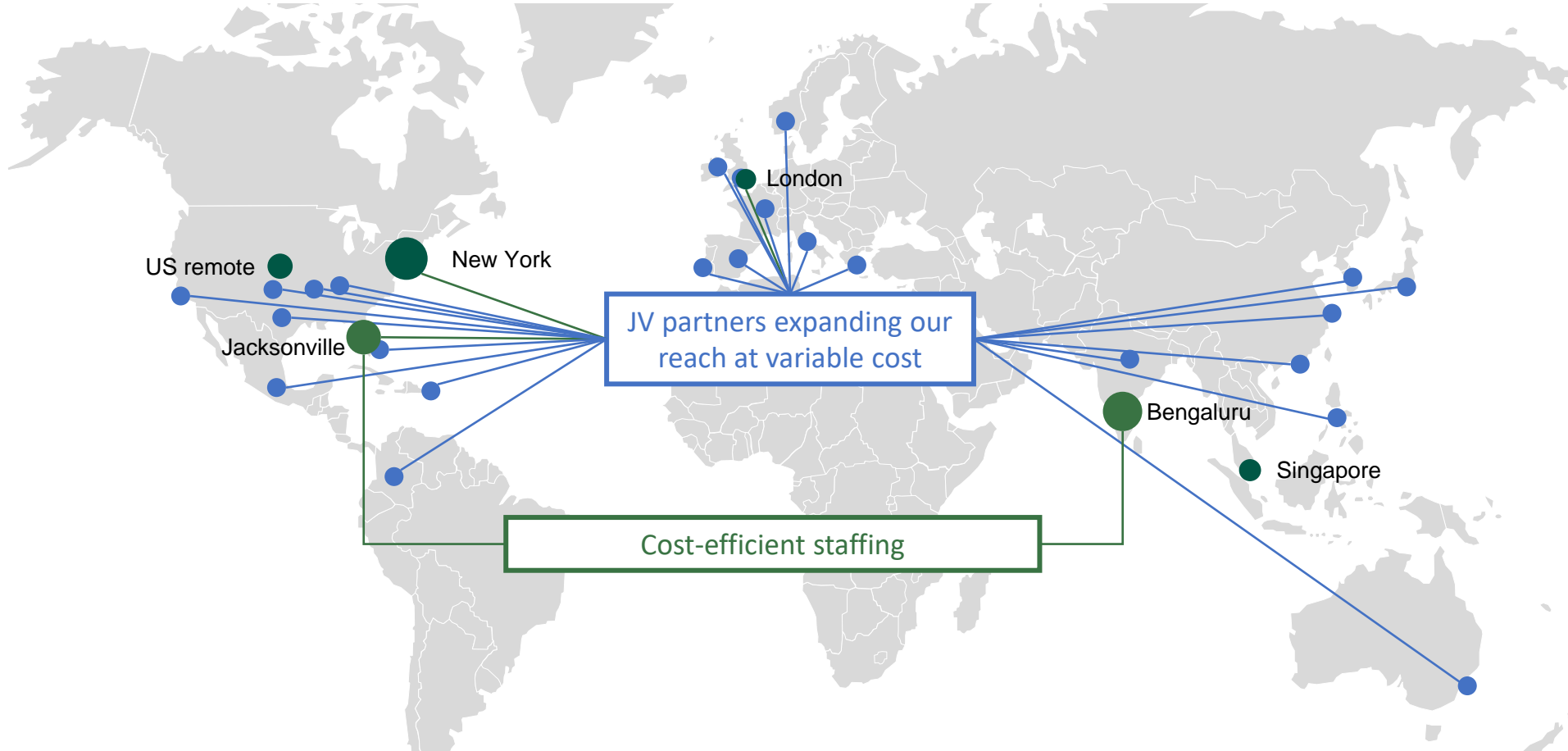
(1) AUM includes undrawn commitment for closed-end, SMA, and New Zealand Real Estate Credit Partners I, II and III Funds



We have the environment, and we have the infrastructure, with significant margin expansion opportunity as we scale.



Arena Investors is a global platform, and drives operating leverage through scale resources in Jacksonville and Bengaluru supporting Front Office resources globally.



150+ employees across AIGH's business units, in addition to several hundred across our 40+ active joint venture partners.



- Arena’s infrastructure and capabilities are differentiated, lacking amongst many third-party managers, and will be in high demand as we move forward.
- Going forward, these capabilities will become additional sources of revenue and EBITDA.

## Arena Investors Group Holdings (“AIGH”)

### Arena Investors LP (“AI”)



- Our investment management business offering funds and managed accounts to institutional investors.
- Our asset surveillance, workout and operational improvement entities that are offering high-touch/difficult workout and operational improvement resulting in demonstrable increases in cash flow/value.

### Arena Institutional Services (“AIS”)



- Our capital markets entity that provides access to efficiently priced capital.
- Our structuring and trading capabilities that can help public companies raise capital through their public listings and effectuate other forms of liquidity events for principals.



- Quaestor Consulting Group LLC provides third party clients services of Quaestor Advisors and Quaestor Strategic Advisors LLC



\* Quaestor Capital Markets is a division of Arena Financial Services, LLC.

Scaling AUM and leveraging Arena's infrastructure is expected to translate into growing revenue and margin expansion.





(dollars in millions)	Q4 2022	Q4 2021	FY 2022	FY 2021
<b>Recurring Income</b>				
Management Fees	\$ 8.2	\$ 7.2	\$ 31.9	\$ 24.0
Servicing Fees	2.4	2.1	10.6	7.0
Other Income	1.3	0.2	1.2	0.5
<b>Recurring Revenue</b>	<b>\$ 11.9</b>	<b>\$ 9.5</b>	<b>\$ 43.7</b>	<b>\$ 31.5</b>
Operating Expenses	(11.3)	(7.0)	(38.8)	(31.6)
<b>Fee Related Earnings (Loss)</b>	<b>\$ 0.6</b>	<b>\$ 2.5</b>	<b>\$ 4.9</b>	<b>(\$ 0.1)</b>

### Incentive Income

Incentive Fees	(\$ 1.0)	\$ 15.4	\$ 4.5	\$ 34.3
Incentive Fee Compensation <sup>1</sup>	1.1	(6.3)	(6.2)	(13.1)
<b>Net Incentive Fees</b>	<b>\$ 0.1</b>	<b>\$ 9.1</b>	<b>(\$ 1.7)</b>	<b>\$ 21.2</b>

### Net Income

<b>EBITDA</b>	<b>\$ 0.7</b>	<b>\$ 11.6</b>	<b>\$ 3.2</b>	<b>\$ 21.1</b>
Depreciation	(0.1)	(0.0)	(0.2)	(0.1)
Interest Expense	(0.3)	(0.3)	(1.3)	(1.4)
Taxes (Foreign)	(0.0)	(0.0)	(0.2)	(0.0)
<b>Net Income</b>	<b>\$ 0.3</b>	<b>\$ 11.3</b>	<b>\$ 1.5</b>	<b>\$ 19.6</b>

### Q4 2022 Results:

- Net income for Q4 2022 was \$0.3 million (Q4 2021: \$11.3 million); net income for FY 2022 was \$1.5 million (FY 2021: \$19.6 million)
- Management fee revenue for Q4 2022 was \$8.2 million (Q4 2021: \$7.2 million); management fee revenue for FY 2022 was \$31.9 million (FY 2021: \$24.0 million)
- Service fee revenue for Q4 2022 was \$2.4 million (Q4 2021: \$2.1 million); service fee revenue for FY 2022 was \$10.6 million (FY 2021: \$7.0 million)
- Net incentive fees income was \$0.1 million for Q4 2022 (Q4 2021: \$9.1 million); net incentive fee expense for FY 2022 was \$1.7 million (FY 2021: income of \$21.2 million)
- Recurring revenue continues to grow. Fee related earnings reached a break-even point in FY 2021 growing to \$4.9 million for FY 2022. Growth in recurring revenue and year on year Fee Related Earnings ("FRE") demonstrates Arena Investors' positioning for future growth given the overall platform has largely been built-out ahead of this growth.

(1) Arena Investors is under no contractual obligation (past or future) to pay Incentive Fees earned to employees.



## Arena Investors – Deal Structure Aligns Arena Investors Management and Westaim

- Arena Investors was founded by Dan Zwirn and Westaim in August 2015 under an arrangement designed to align Arena Investors’ senior management interests very tightly with those of Westaim and its shareholders. The principal elements of the arrangement include:
  - **Funding:** Westaim would fund the start-up expenses and operating losses of Arena Investors until profitability in order to build out an institutional quality, front and back office platform that was positioned to scale as the business grows. In 2021, the build out of the platform was largely completed, with an outstanding loan payable from Arena Investors to Westaim at Q1 2023 of \$24.0 million. This loan is to be repaid before the distribution of earnings of Arena Investors to its members (i.e. Westaim and BP LLC, a holding company owned by members of Arena Investors’ senior management team).
  - **Ownership and Profit Participation:** A structure was developed by which BP LLC would effectively “Earn-In” to its ownership of Arena Investors over time as the business reached thresholds of: (i) AUM; and (ii) trailing twelve month EBITDA margin. A profit participation would entitle the party to participate in cash distributions from Arena Investors, while ownership would entitle the party to actual ownership of the enterprise. The following table details possible future changes to profit participation and ownership interest agreed between Westaim and BP LLC:

As at March 31, 2023

	Trailing Twelve Month Revenue (TTM) to EBITDA Margin	AUM Threshold	BP LLC		Westaim	
			Profit Percentage	Equity Ownership	Profit Percentage	Equity Ownership
(i)	<35%	< \$1 billion	49.0%	-	51.0%	100.0%
(ii)	>35%	>\$1 billion	49.0%	49.0%	51.0%	51.0%
(iii)	>50%	>\$2 billion	54.5%	54.5%	45.5%	45.5%
(iv)	>55%	>\$3 billion	60.0%	60.0%	40.0%	40.0%
(v)	>60%	>\$4 billion	67.5%	67.5%	32.5%	32.5%
(vi)	>60%	>\$5 billion	75.0%	75.0%	25.0%	25.0%

- **BP LLC Investment in Westaim Shares:** As a further alignment of interests, BP LLC committed to invest 25% of the first \$100 million of pre-tax distributions received from Arena Investors, and 12.5% thereafter to acquire Westaim common shares in the public market at the time, up to a 19.9% ownership of the outstanding Westaim common shares. Distributions are expected to commence once the outstanding loan to Westaim is repaid.
- Effective April 1, 2022, BP LLC achieved the threshold to increase its equity ownership of Arena Investors from 0% to 49%. As a result, Westaim’s equity ownership decreased from 100% to 51% to equal the share of profits.
- Once a TTM EBITDA Margin threshold is breached it is not reduced regardless of subsequent performance.



# **The Westaim Corporation – Strategic Path Forward**

# Westaim History and Strategic Path Forward

- Over the past several years, Westaim management has been focused on working very closely with the management teams of Skyward Specialty and Arena Investors to build and grow their respective businesses, and position each business with the proper foundation for future success. Notable achievements of each business since the beginning of 2020:



## Skyward Specialty

**Spring 2020**

- Completion of the Loss Portfolio Transfer transaction to protect Skyward Specialty's balance sheet from adverse reserve development on certain lines

**April 2020**

- Completion of a US\$100 million rights offering of convertible preferred shares (Westaim's investment - US\$44 million) to strengthen its balance sheet

**May 2020**

- Transition of management, including the hiring of Andrew Robinson as Chief Executive Officer

**July 2020**

- Securing Skyward Specialty's A.M. Best rating of A- (Excellent), and having the outlook raised from negative to stable

**November 2020**

- Rebranding "Houston International Insurance Group" to "Skyward Specialty"

**January 2021**

- Acquisition of Aegis Surety, to roughly double the size of Skyward Specialty's highly profitable surety operation

**2022**

- Implementation over time of best practices in governance and an aligned compensation plan for all employees
- Preparation for an Initial Public Offering ("IPO") – hire big four accounting firm, reaudit of 2020 and audit of 2021, preparation of S-1, testing-the-waters meetings

# Westaim History and Strategic Path Forward (cont'd)



ARENA  
INVESTORS LP



ARENA  
Arena FINCOs

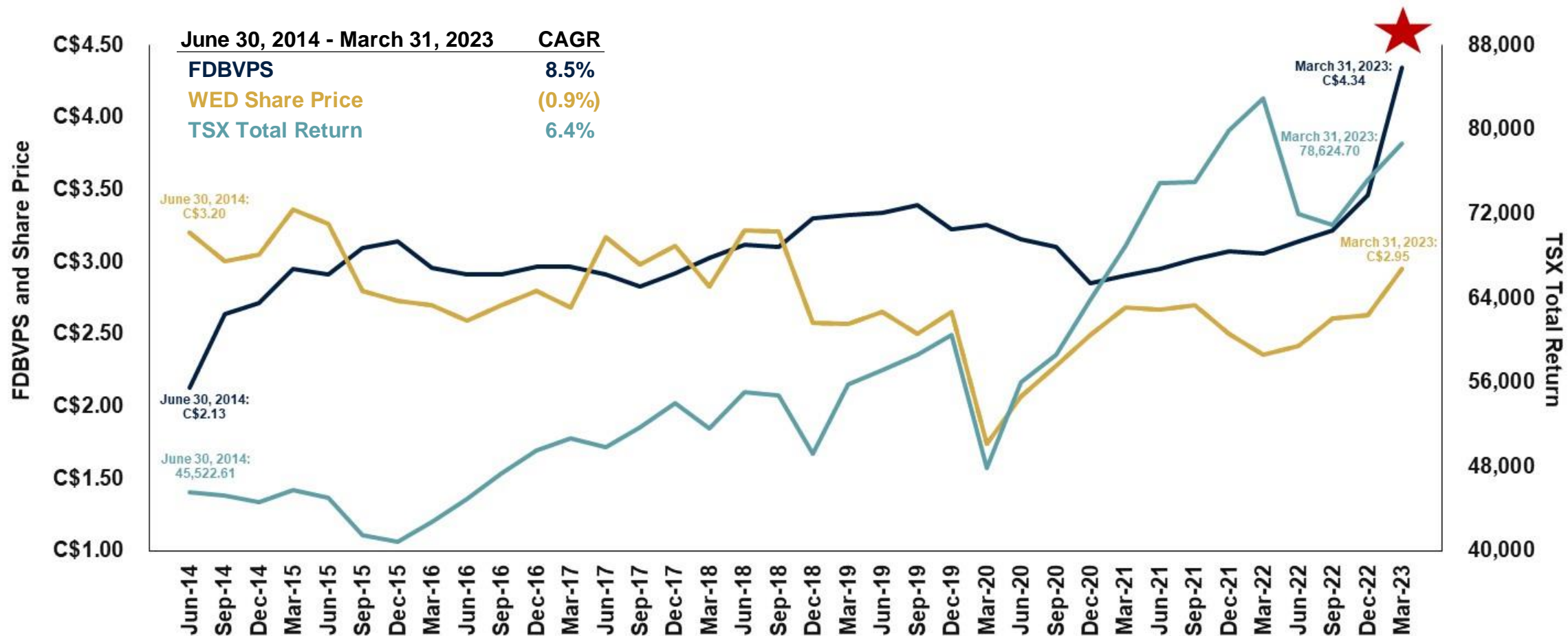
## Arena Investors

- Grew Committed AUM from \$1.3 billion at December 31, 2019 to a current level of \$3.4 billion
- April 2020 – FINCOs transferred ~\$44 million to Westaim for Skyward Specialty Rights Offering
- Global platform with seven offices and 150+ professionals
- Established an institutional quality infrastructure to allow the business to scale and produce operating leverage as it grows
- Launched or grew products adjacent to Arena Investors Core Multi-strategy – Stable Income (Real Estate), Stable Income (ABS), Excess Capacity (New Zealand) to diversify the firm's product offerings and provide products that appeal to a wider range of investors
- For 2023 - 2024, six asset raising campaigns targeting new AUM of \$1 billion+
- Produced long-term industry leading investment performance (multiple industry awards) while positioning the portfolio for a more difficult economic environment moving forward
- Grew FRE from a loss of \$3.5 million in 2019, to earnings of \$4.9 million in 2022

# Westaim History and Strategic Path Forward (cont'd)

- Despite what we firmly believe is considerable progress in creating and growing value for Westaim shareholders, our WED share price has not reflected this value creation

## Share Price and Fully Diluted Book Value Per Share (“FDBVPS”)



# Westaim History and Strategic Path Forward (cont'd)

- We believe that as both businesses have matured and grown, it is providing Westaim with options to begin to unlock the value that has been created at the Company
- The first step in this process was the completion of a highly successful IPO of Skyward Specialty in January 2023

## Skyward Specialty Trading Price and Volume



## Westaim Goals and Objectives

**Given Westaim's current position and enhanced flexibility as a result of Skyward Specialty's IPO, management's overriding objectives are to:**

Seek actions that will grow Westaim's intrinsic value per fully diluted common share at an accelerating rate; and

Seek actions that will see this growth in intrinsic value properly reflected in Westaim's WED share price



# Westaim Strategy: Build, Evolve and Unlock the Value of the Platform

## Opportunistic Investing

Invest in businesses with attractive fundamentals and business economics targeting a 15% IRR on invested capital

## Partnership Approach

Partner with aligned and capable management teams

## Business Building

Provide strategic oversight, capital allocation discipline and operating assistance

## Long-Term Horizon

We think and act like owners

Execute business plan with a focus on long-term sustainable performance

Focus on the long-term to take advantage of permanent capital – needs will dictate the time horizon required for the business

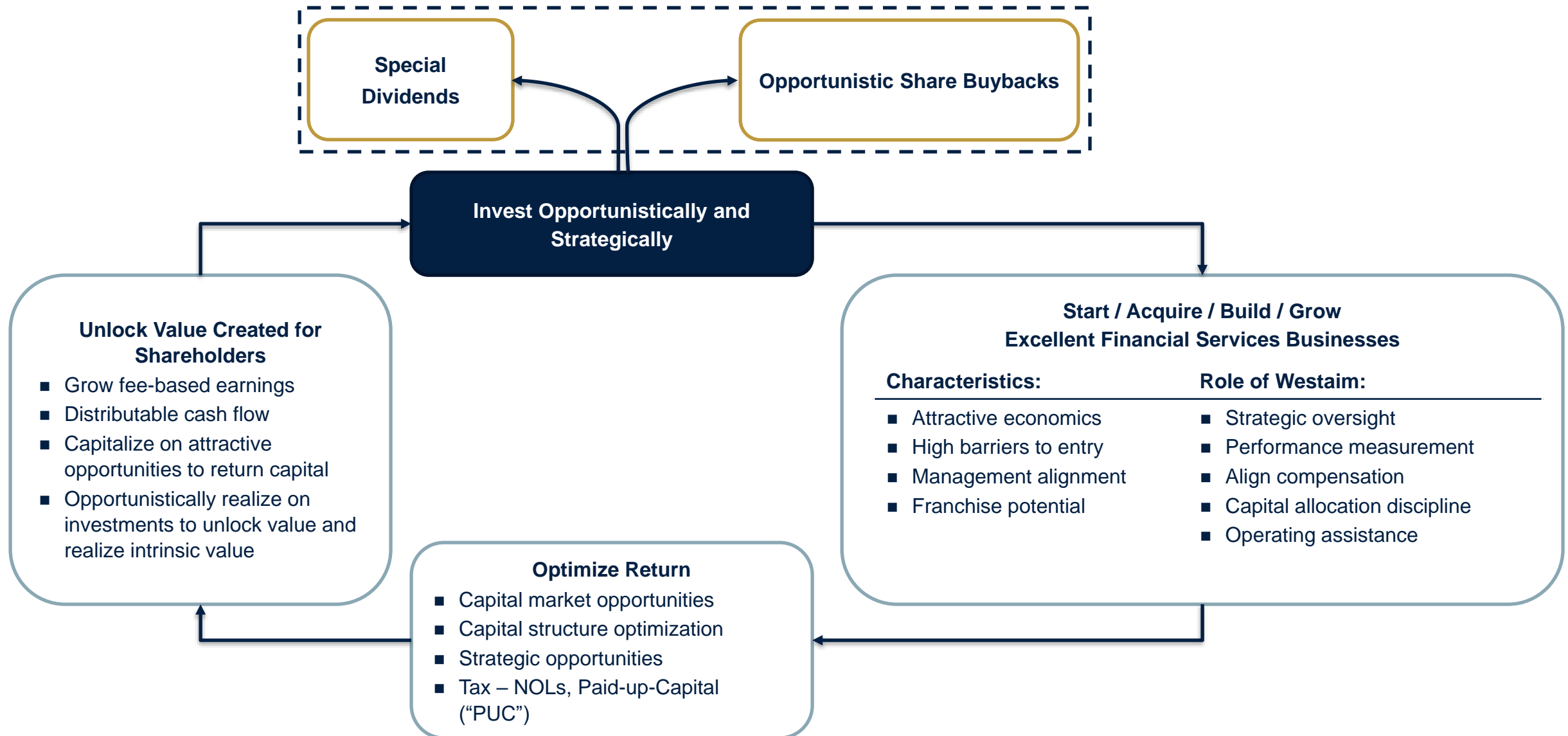
## Asset Management

Continue to evolve Westaim further into asset management in order to accelerate value creation

## Insider Alignment

Insiders own 22% of the common shares outstanding and are aligned with shareholders to drive share price performance

# Westaim Strategy: Operationally Focused Asset Manager



# Westaim Strategy: Build, Evolve and Unlock the Value of the Platform

## ACQUIRE AND FUND

- Sourcing platform acquisitions of Skyward Specialty and Arena
- Acquiring and structuring to provide alignment of interests



2014-2015

## BUILD

- **Skyward Specialty**
- **Arena Investors**
- **Proprietary Capital:** Strategically support businesses to put them in the best position to profitably grow

2016-2022

## REALIZING AND UNLOCKING VALUE – 2023-2024

- Opportunistically and strategically monetize Westaim’s interest in Skyward Specialty common shares
- Return capital to Shareholders, specific considerations:
  - Opportunistic share buyback (NCIB, SIB)
  - Special Dividend
- Arena FINCOs – Reconsider, in collaboration with Arena Investors, the proper structure of the Arena FINCOs and its strategic importance to Arena Investors – particularly with respect to its size and nature of its investments moving forward
- Accelerate the growth and development of Arena Investors – demonstrate operating leverage
- Continue to seek new opportunities with attractive financial metrics and aligned, proven management teams to deploy capital that meet hurdle rates of return and where Westaim can add significant value

2023+



The Westaim Corporation

70 York Street, Suite 1700

Toronto, Ontario

Canada M5J 1S9

[www.westaim.com](http://www.westaim.com)

[info@westaim.com](mailto:info@westaim.com)

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**SKYWARD**  
SPECIALTY INSURANCE

# APPENDIX

# APPENDIX – SKYWARD SPECIALTY SUPPLEMENTARY FINANCIAL MEASURES<sup>(1)</sup>



- Adjusted operating income (loss)** – Skyward Specialty defines adjusted operating income (loss) as net income (loss) excluding the impact of certain items that may not be indicative of underlying business trends, operating results, or future outlook, net of tax impact. Skyward Specialty uses adjusted operating income as an internal performance measure in the management of Skyward Specialty operations because Skyward Specialty believes it gives management and other users of financial information useful insight into results of operations and underlying business performance. Adjusted operating income (loss) should not be viewed as a substitute for net income (loss) calculated in accordance with GAAP, and other companies may define adjusted operating income differently.

(Currency amounts in millions of US\$)	Three months ended March 31			
	2023		2022	
	Pre-tax	After-tax	Pre-tax	After-tax
Income as reported	\$19.7	\$15.6	\$20.6	\$16.3
Add:				
Other expenses	1.1	0.9	-	-
Less:				
Net impact of loss portfolio transfer	0.2	0.2	-	-
Net investment gains (losses)	1.0	0.8	(4.4)	(3.5)
<b>Adjusted operating income</b>	<b>\$19.6</b>	<b>\$15.5</b>	<b>\$25.0</b>	<b>\$19.8</b>

- Underwriting income (loss)** – Skyward Specialty defines underwriting income (loss) as net income (loss) before income taxes excluding net investment income, net investment gains (losses), impairment charges, interest expense, amortization expense and other income and expenses. Underwriting income (loss) represents the pre-tax profitability of underwriting operations and allows Skyward Specialty to evaluate underwriting performance without regard to investment income. Skyward Specialty uses this metric as Skyward Specialty believe it gives management and other users of financial information useful insight into underlying business performance. Underwriting income (loss) should not be viewed as a substitute for pre-tax income (loss) calculated in accordance with GAAP, and other companies may define underwriting income (loss) differently.

(Currency amounts in millions of US\$)	Three months ended March 31	
	2023	2022
Income before federal income tax	\$19.7	\$20.6
Add:		
Interest expense	2.2	1.2
Amortization expense	0.4	0.4
Other expenses	1.1	-
Less:		
Net investment income	4.6	15.1
Net investment gains (losses)	1.0	(4.4)
<b>Underwriting income (loss)</b>	<b>\$17.8</b>	<b>\$11.4</b>

(1) Reconciliation from US GAAP financial measures to US non-GAAP financial measures.

# APPENDIX – SKYWARD SPECIALTY SUPPLEMENTARY FINANCIAL MEASURES<sup>(1)</sup>



- Adjusted Loss Ratio / Adjusted Combined Ratio** – Skyward Specialty defines adjusted loss ratio and adjusted combined ratio as the corresponding ratio (calculated in accordance with GAAP), excluding losses and LAE related to the LPT and all development on reserves fully or partially covered by the LPT and amortization of deferred gains associated with recoveries of prior LPT reserve strengthening. Skyward Specialty use these adjusted ratios as internal performance measures in the management of operations because Skyward Specialty believes they give management and other users of financial information useful insight into results of operations and underlying business performance. Skyward Specialty’s adjusted loss ratio and adjusted combined ratio should not be viewed as substitutes for loss ratio and combined ratio, respectively.

(Currency amounts in millions of US\$)	Three months ended March 31	
	2023	2022
Net earned premiums	\$182.8	\$141.7
Losses and LAE	114.9	90.0
Less: Pre-tax net impact of loss portfolio transfer	0.2	-
<b>Adjusted losses and LAE</b>	<b>\$115.1</b>	<b>\$90.0</b>
Loss ratio	62.8%	63.5%
Less: Net impact of LPT	(0.1)%	-
<b>Adjusted Loss Ratio</b>	<b>62.9%</b>	<b>63.5%</b>
Combined ratio	90.2%	91.9%
Less: Net impact of LPT	(0.1)%	-
<b>Adjusted Combined Ratio</b>	<b>90.3%</b>	<b>91.9%</b>

- Tangible Stockholders’ Equity** – Skyward Specialty defines tangible stockholders’ equity as stockholders’ equity less goodwill and intangible assets. Skyward Specialty’s definition of tangible stockholders’ equity may not be comparable to that of other companies and should not be viewed as a substitute for stockholders’ equity calculated in accordance with GAAP. Skyward Specialty uses tangible stockholders’ equity internally to evaluate the strength of balance sheet and to compare returns relative to this measure.

(Currency amounts in millions of US\$)	Three months ended March 31	
	2023	2022
Stockholders’ equity	\$507.1	\$428.6
Less: Goodwill and intangible assets	89.5	91.0
<b>Tangible stockholders’ equity</b>	<b>\$417.6</b>	<b>\$337.6</b>

(1) Reconciliation from US GAAP financial measures to US non-GAAP financial measures.

# APPENDIX – SKYWARD SPECIALTY SUPPLEMENTARY FINANCIAL MEASURES<sup>(1)</sup>



- **Adjusted Return on Equity** - The following table provides a reconciliation of adjusted return on equity to return on equity for the periods ended March 31, 2023 and 2022:

(Currency amounts in millions of US\$)	Three months ended March 31	
	2023	2022
Numerator: adjusted operating income	\$15.5	\$19.8
Denominator: average stockholders' equity	467.9	427.4
<b>Adjusted return on equity</b>	<b>13.3%</b>	<b>18.5%</b>

- **Return on Tangible Equity** - Return on tangible equity for the periods ended March 31, 2023 and 2022 reconciles to return on equity as follows:

(Currency amounts in millions of US\$)	Three months ended March 31	
	2023	2022
Numerator: net income	\$15.6	\$16.3
Denominator: average tangible stockholders' equity	377.6	336.2
<b>Return on tangible equity</b>	<b>16.6%</b>	<b>19.4%</b>

- **Adjusted Return on Tangible Equity** - Adjusted return on tangible equity for the periods ended March 31, 2023 and 2022 reconciles to return on equity as follows:

(Currency amounts in millions of US\$)	Three months ended March 31	
	2023	2022
Numerator: adjusted operating income	\$15.5	\$19.8
Denominator: average tangible stockholders' equity	377.6	336.2
<b>Adjusted return on tangible equity</b>	<b>16.5%</b>	<b>23.6%</b>

(1) Reconciliation from US GAAP financial measures to US non-GAAP financial measures.