



# Annual General and Special Meeting

May 19<sup>th</sup>, 2020

# Disclaimer

## Safe Harbour Statement

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# Disclosures

## Non-GAAP Measures

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### **Non-GAAP Measures – Westaim**

Westaim uses both international financial reporting standards (as issued by the International Accounting Standards Board) (“IFRS”) and 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, 2020 for a discussion of BVPS including a reconciliation to the Corporation’s shareholders’ equity as at March 31, 2020 determined under IFRS.

### **HIIG**

HIIG uses United States generally accepted accounting principles (“US GAAP”) and non-GAAP measures to assess performance. Please refer Westaim’s MD&A for the quarter ended March 31, 2020 for HIIG’s non-GAAP measures.

### **Arena Group**

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

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

# Disclosures

## Arena Group

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

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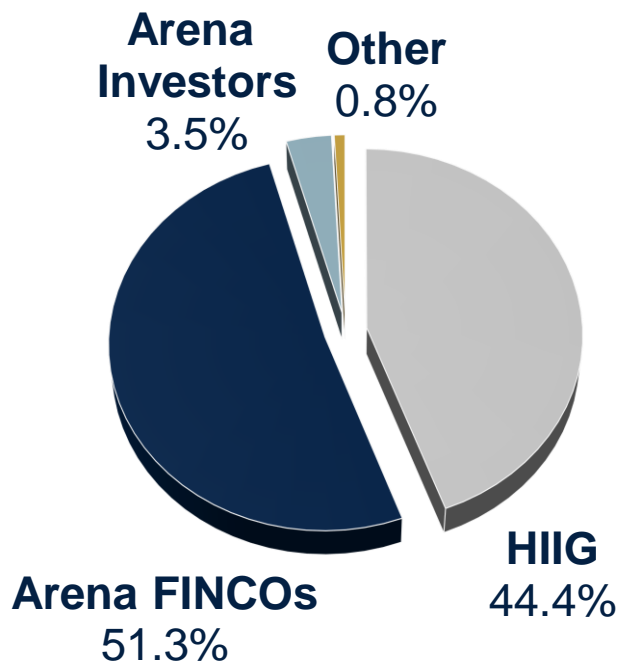
The information contained herein is confidential and is provided to you as an investor or interested party in Arena or the funds it advises and it may not be further disseminated. It may not be reproduced, displayed or published without the written consent of Arena.

This document describes Arena's core strategy unless stated otherwise.

Investments in Arena 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 funds and none is expected to develop. Arena's 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 may create an incentive for Arena to make more speculative investments than would otherwise be the case. Arena 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's 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 in the future will be profitable. A full list of all recommendations made by Arena during the preceding year is available upon request. The particular investments discussed herein are those that most closely represent the current average-sized Arena investment in a particular category (Corporate Private Credit, Real Estate Private Credit, Commercial and Industrial Assets, Structured Finance and Consumer Assets).

# Breakdown of Investments at March 31, 2020

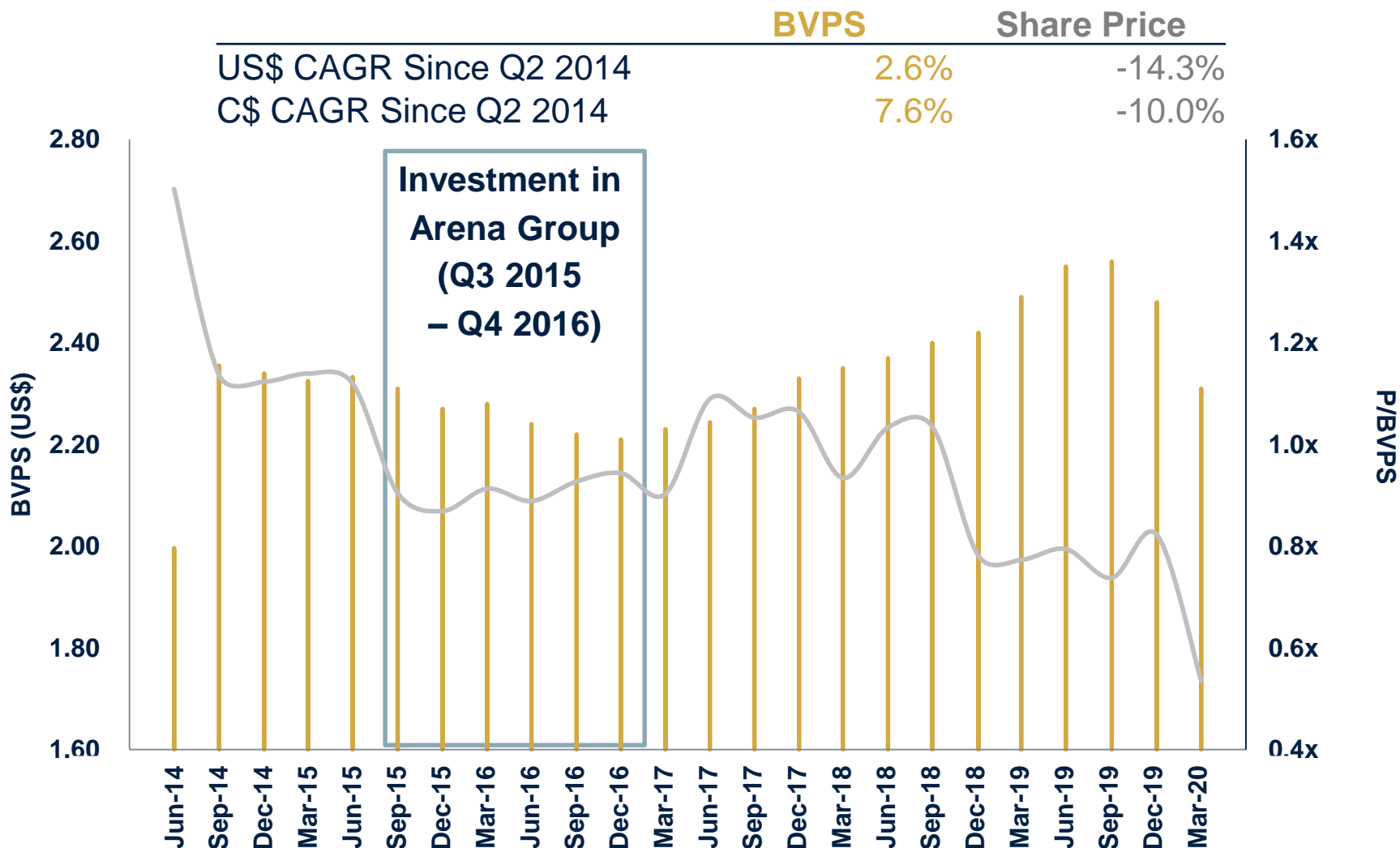


Investments	Book Value (US\$ millions)
<b>HIIG</b> (44.0% owned by Westaim) <sup>(1)</sup>	\$144.8
Arena FINCOs (100% owned by Westaim)	167.6
Arena Investors (51% owned by Westaim) <sup>(2)</sup>	11.5
Other	2.7
<b>Total</b>	<b>\$326.6</b>

(1) At March 31, 2020, the Westaim HIIG Limited Partnership ("HIIG Partnership") owned approximately 71.0% of HIIG common shares and Westaim owned, directly approximately 62.0% of the HIIG Partnership, representing an approximate 44.0% indirect ownership interest in HIIG.

(2) Legal equity ownership is 100%, and beneficial ownership denotes profit percentage subject to change over time pursuant to the earn-in rights granted to Bernard Partners, LLC described under "Investment in the Arena Group - Arena Investors" of Westaim's MD&A for the quarter ended March 31, 2020.

# Book Value per Share ("BVPS") and Share Price / BVPS<sup>(1)(2)</sup>



(1) Source: Capital IQ

(2) Book Value Per Share ("BVPS") is a non-GAAP measure as reported at March 31, 2020 – see section 15 of Westaim's MD&A for the quarter ended March 31, 2020.

# Financial Results: Quarter Ended March 31, 2020

US\$ million	Q1 2020	Q1 2019
<b>1. HIIG</b>		
- Reduction in valuation from 1.1x to 1.0x	\$(14.9)	\$-
- Valuation change due to HIIG (loss) profit and other	(5.3)	8.2
	<b>(20.2)</b>	<b>\$8.2</b>
<b>2. Arena FINCOs</b>		
- Change in carrying value	\$(38.2)	3.5
- Add: Dividend received from Arena FINCOs	22.7	-
- Add: Return of capital from Arena FINCOs	12.1	-
<b>Net income (loss) of Arena FINCOs</b>	<b>\$(3.4)</b>	<b>\$3.5</b>
<b>3. ASOF</b>	<b>\$(0.0)</b>	<b>\$0.1</b>
<b>4. Arena Investors</b>		
- Westaim's share of (loss) profit	<b>\$(0.8)</b>	<b>\$0.1</b>
<b>Total gain (loss) from Investments</b>	<b>\$(24.4)</b>	<b>\$11.8</b>
<b>5. Holding Company:</b>		
- Revenue (excluding Arena FINCOs' dividend)	\$0.6	\$1.4
- Cash-based expenses	(1.5)	(1.4)
- Interest expense	(0.5)	(0.5)
- Non-cash based expenses	5.4	(1.2)
	<b>\$4.0</b>	<b>\$(1.7)</b>
<b>(Loss) Profit and Comprehensive (Loss) Income</b>	<b>\$(20.4)</b>	<b>\$10.1</b>
<b>F.D. Earnings per share</b>	<b>\$(0.16)</b>	<b>\$0.07</b>
<b>Book Value per share:</b>		
US\$	\$2.31	\$2.49
C\$	\$3.26	\$3.33

■ BVPS of \$2.31 (C\$3.26) at March 31, 2020, compared to \$2.48 (C\$3.22) at December 31, 2019 and \$2.49 (C\$3.33) at March 31, 2019

## ■ HIIG Performance:

- Gross written premiums were \$232.9 million in Q1 2020, up 15.6% compared to Q1 2019
- Net written premiums were \$99.9 million in Q1 2020, down 1.8% compared to Q1 2019
- Achieved underwriting profit with a combined ratio excluding LPT of 97.5% in Q1 2020, compared to 99.5% in Q1 2019
- Net loss of \$(13.8) million excluding LPT in Q1 2020, compared to net income of \$13.7 million in Q1 2019

## ■ Arena Investment Performance:

- Arena FINCOs generated a net loss of \$3.4 million (-2.0% net return) in Q1 2020, compared to net profit of \$3.5 million (+2.4% net return) in Q1 2019

## ■ Arena Investors:

- Arena Investors generated net loss of \$1.5 million (Westaim's share was \$0.8 million) in Q1 2020, compared to net profit of \$0.2 million (Westaim's share was \$0.1 million) in Q1 2019
- Arena Committed Assets Under Management ("AUM") of \$1.3 billion at March 31, 2020

## New Director Nominees



**Lisa  
Mazzocco**

Ms. Mazzocco has been the Chief Investment Officer at the University of Southern California (“University”) since April 2011. In such role, Ms. Mazzocco is responsible for managing the University’s endowment. Prior to joining the University, she was Chief Investment Officer for the Los Angeles County Employees Retirement Association (“Retirement Association”), where she was responsible for the management of a \$40 billion pension fund. Ms. Mazzocco worked for the Retirement Association for almost 19 years in various capacities. She is also an advisory committee member for Los Angeles Capital Management and the Tiogo Foundation. Ms. Mazzocco earned a Bachelor of Science Degree in Business Administration (Finance) from San Diego State University in 1985 and a Masters of Business Administration from California State Polytechnic University, Pomona 1996.



**Kevin E.  
Parker**

Mr. Parker is currently the Managing Partner of Sustainable Insight Capital Management (“SICM”). Founded in 2013, SICM is a private investment firm that combines a disciplined security selection process with environmental, social, and governance principles. Previously, Mr. Parker was a member of the Management Board of Deutsche Bank for 10 years and the former Global Head of Deutsche Asset Management from 2004 until 2012. In this role, he was responsible for more than \$750 billion invested across a broad range of assets including equities, fixed income, real estate, infrastructure, private equity, hedge funds, sustainable investments and other businesses. Also at Deutsche Bank, Kevin served as the Global Head of Institutional Equities from 2000 until 2004 and from 1997 until 2000 was responsible for building and developing Deutsche Bank’s Equity Derivatives, Prime Brokerage Services, Equity Trading and Equity Proprietary Trading Businesses. Prior to Deutsche Bank, Kevin held a variety of positions at Morgan Stanley, including Head of Asian Derivatives, Global Head of Equity Derivatives Trading and Chief Information Officer.



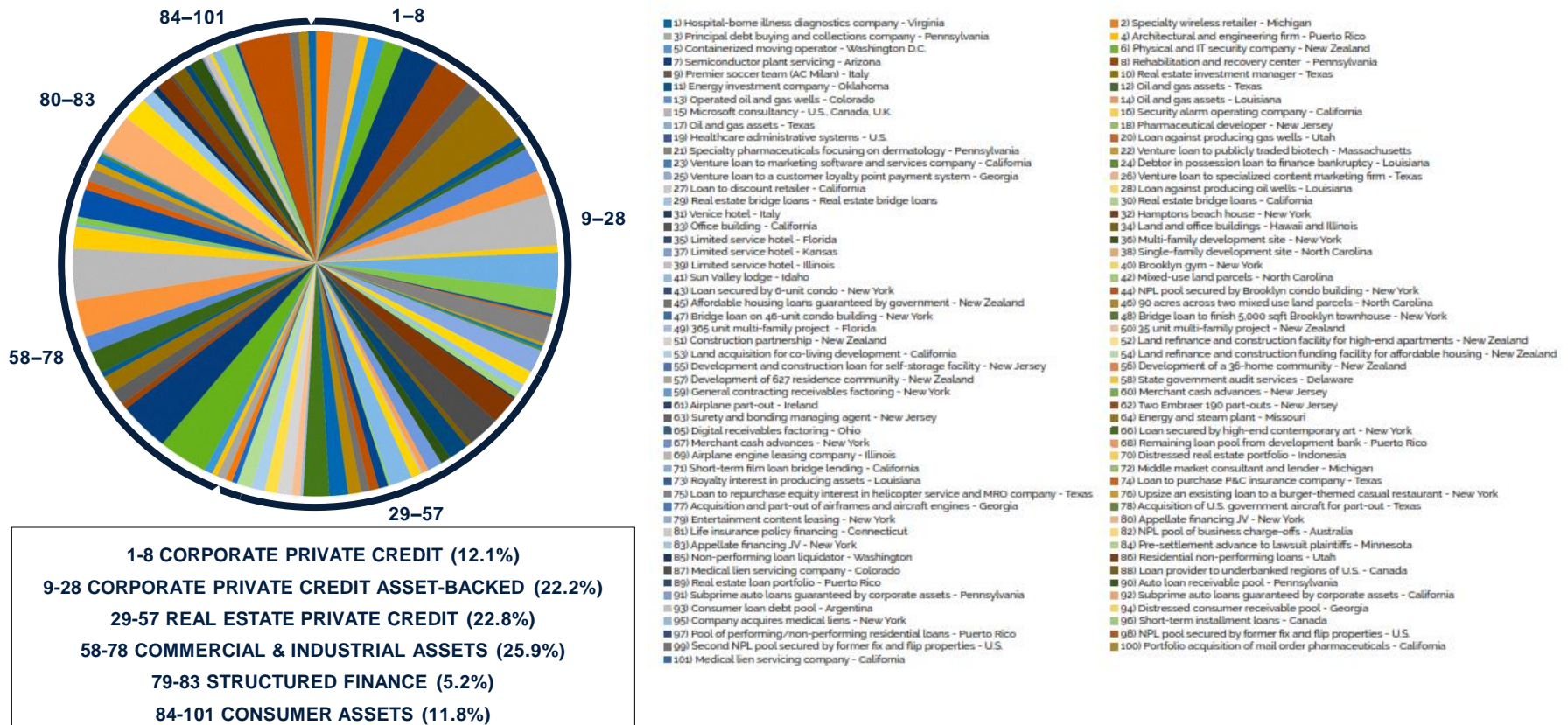
# HIIG Update

- **HIIG is experiencing favourable industry pricing environment**
  
- **Subsequent to the end of Q1 2020, HIIG closed or is expected to close two key strategic transactions:**
  - **Rights Offering:** Westaim purchased \$44.0 million of Series A Convertible Preferred Shares
    - Part of a \$100 million Rights Offering of Preferred Shares by HIIG to existing shareholders
    - Capital was raised to solidify HIIG’s capital position, and enhance its the ability to grow
    - Westaim’s interest in Westaim HIIG Limited Partnership, combined with its direct ownership of Preferred Shares, results in its 44.0% look-through interest in HIIG being unchanged
  
  - **Loss Portfolio Transfer (“LPT”):** In Q2 2020, HIIG is expected to close an LPT transaction with respect to reserves for certain divisions, primarily relating to the 2017 and prior policy years
    - An LPT is a reinsurance agreement, and is expected to provide HIIG with capital relief and help mitigate the prospect of adverse reserve development for the years and programs covered
    - HIIG recorded an after-tax expense of approximately \$34.3 million for the LPT
  
- **COVID-19 Impacts – It is Early**
  - **Insurance In-force:** We are of the current view that HIIG’s claims exposure to COVID-19 will not be material
  - **Premium Volume:** Early, but mixed impact depending on division
  - **Loss Ratios:** Early reduction in loss frequency in some lines of business, but too early to tell the long term impact
  - We are monitoring relevant industry and legal developments related to COVID-19

- **Arena is a multi-strategy, credit manager providing structured solutions across asset classes, industries and geographies**
- **Arena is compensated as a provider of liquidity in opportunities where they are assuming “process” risk not “value” risk**
- **Arena has deployed \$1.9 billion with 175 investments as of December 31, 2019 with 600+ incremental add-on transactions**
- **Arena has a highly moated franchise: a flexible mandate, deep and experienced team, a unique universe of global sourcing relationships, strong asset servicing operations, and proprietary end-to-end process and systems**

# Arena's portfolio is highly diversified and uncorrelated

Arena's portfolio is highly diversified — not just by number but also the lack of correlation among the positions — thereby reducing idiosyncratic or “alpha risk” in addition to Arena’s avoidance of market or “beta” risk.<sup>(1)(2)(3)</sup>



(1) Represents long market value of illiquid investments as a percentage of Arena's core strategy NAV as of December 31, 2019 less Cash/Other and Corporate Securities representing 11.2% and 14.3% of NAV, respectively. Cash/Other represents the excess net asset value of Arena's core strategy which includes cash, cash equivalents and other assets (a portion of which may not be readily monetized), less liabilities. Corporate Securities represents liquid investments, including convertible structured investments.

(2) Please see Disclosures for important information regarding this presentation including details on underwritten IRRs.

(3) Past performance is not indicative of future performance. Actual results may vary.

# Arena's edge is reflected in the credit statistics

## Summary of Arena's Firm-wide Core Holdings at December 31, 2019<sup>(1)</sup>

	# Positions	Top Attachment Point <sup>(2)</sup>	Current LTV	Coupon	Average Remaining Duration <sup>(3)</sup>
<b>Corporate Private Credit</b>	28	13%	66%	11.3%	2.3 years
<b>Real Estate Private Credit</b>	29	5%	66%	11.5%	1.0 years
<b>Commercial &amp; Industrial Assets</b>	21	1%	60%	16.2%	1.7 years
<b>Structured Finance</b>	5	13%	74%	14.4%	2.5 years
<b>Consumer Assets</b>	18	0%	76%	15.3%	3.0 years
<b>Weighted Average/Total</b>	<b>101</b>	<b>6%</b>	<b>66%</b>	<b>13.0%</b>	<b>2.0 years</b>

(1) Portfolio characteristics summarize privately negotiated illiquid investments currently or previously held by Arena's core strategy as of December 31, 2019. In addition, Arena has invested in liquid investments including convertible structured investments summarized as "Corporate Securities" and other illiquid investments in Arena's income strategy which are not listed herein.

(2) Top attachment point refers to the Arena's highest average dollar-weighted position with respect to each borrower's capital structure for each investment position.

(3) Weighted average remaining duration is calculated on applicable investments. For those investments that do not allow for a traditional duration calculation (for reasons that include, but are not limited to, irregular cash flows, additional fundings, no stated maturity date, etc.), this value represents expected remaining weighted average life.

# Arena's edge is reflected in the credit statistics

## Summary of Exited Holdings since Arena's launch in October 2015<sup>(1)</sup>

	# Positions	Top Attachment Point <sup>(2)</sup>	Closing LTV	Coupon	Average Loan Term <sup>(3)</sup>
<b>Corporate Private Credit</b>	29	4%	39%	11.9%	1.3 years
<b>Real Estate Private Credit</b>	21	5%	56%	12.3%	1.2 years
<b>Commercial &amp; Industrial Assets</b>	15	10%	74%	13.8%	1.5 years
<b>Structured Finance</b>	5	0%	57%	13.5%	1.4 years
<b>Consumer Assets</b>	4	0%	56%	14.4%	1.6 years
<b>Weighted Average/Total</b>	<b>74</b>	<b>5%</b>	<b>52%</b>	<b>12.6%</b>	<b>1.4 years</b>

(1) Portfolio characteristics summarize privately negotiated illiquid investments currently or previously held by Arena's core strategy as of December 31, 2019. In addition, Arena has invested in liquid investments including convertible structured investments summarized as "Corporate Securities" and other illiquid investments in Arena's income strategy which are not listed herein.

(2) Top attachment point refers to the Arena's highest average dollar-weighted position with respect to each borrower's capital structure for each investment position.

(3) Average loan term refers to the weighted average time between the funding date and exit date in years.

# Opportunities for Building Value at Westaim



HOUSTON INTERNATIONAL INSURANCE GROUP

- Hardening insurance market is providing significant opportunities for profitable underwriting and growth
- Rights Offering and pending LPT transaction are expected to put us in a position to take advantage



ARENA

Arena FINCOs

- Generate solid, tax efficient investment performance
- Explore access to modest leverage to enhance returns
- Operating leverage through lower fee structure as Arena Investors grows



ARENA  
INVESTORS LP

- Investment performance is leading to AUM growth
- At approximately breakeven, poised to deliver significant operating leverage as AUM grows



- Cash flow from Arena Investors
- Explore options – Attractive complementary investment opportunities, share buybacks, dividends

# Investor Day

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**Location:** Vantage Venues (formerly St. Andrew's Club and Conference Centre),  
150 King St W, 27th floor,  
Toronto, Ontario, Canada

**Time:** 9:00 AM – 12:00 PM (Eastern Standard Time)  
Tuesday, 22<sup>nd</sup> September 2020



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