STERN IAG

Board of Advisors Meeting

November 9th, 2023

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Letter from Portfolio Managers

Dear Board of Advisors,

Welcome to our second oversight meeting of the Fall 2023 Semester! The school year has been extremely eventful thus far and we have spent significant amounts of time reviewing our existing portfolio and researching new positions to optimally allocate our capital. We have also brought in our fifth class of the IAG Training Program and are extremely excited to bring them up to speed throughout the course of the semester.

We would like the board to give a warm welcome to Liya Chen ('27), Rohit Dayanand ('27), Nabil Kassam (‘26), Isabel Kong ('27), Erika Lei ('27), Kush Malpani ('27), Lawrence Wang ('27), Marshal Wang ('27), and Nicole Zhao ('27).

From a governance perspective, after some additional modifications to our constitution regarding foreign international equities, we have brought in the finalized version of our updated constitution for approval by the board. As always, we are happy to take any additional feedback or suggestions that the board may have and will aim to formalize the document by the end of next week. We have also modified our internal portfolio performance tracking tools to rely on historical brokerage statements along with market data, which will meaningfully increase the accuracy of our returns analysis.

October has been a tumultuous time in the market, driven primarily by the rapidly escalating conflict between Israel and Palestine. This conflict has wide-reaching implications across the markets in industries such as semiconductors and oil and has driven the VIX up over 30% during the last few weeks. We have spent additional time researching the impact of this conflict on our positions, and do not believe that there are any holdings whose intrinsic value has changed materially from this development. Outside of this conflict however, overarching macroeconomic themes in the U.S. have generally remained consistent over the past month, as a collection of strong economic reports (GDP, income, etc.) have continued to show the possibility of the country entering a “soft landing” phase where interest rates remain elevated. As such, we will continue to look for compelling investment ideas in the context of this “higher for longer” rates environment.

Following the update to our performance monitoring methodology, we have computed the 12-month return of the IAG portfolio to be ~16%, while the S&P 500 has returned 11.7% and the Russell has depreciated by 10%. Over the last month, some notable movers in our portfolio include Rimini Street (up ~30%), which significantly outperformed on earnings after being “left for dead” following its lost lawsuit to Oracle, as well as JD (-10%), which we have attached an extended hold note for in our original email.

During this meeting, we will be proposing the sale of two positions: 3U Holding (ETR: UUU) and Sonic Automotive (NYSE: SAH). We will also be bringing in one additional idea for consideration in our portfolio:

1. American Coastal Insurance Corporation (NASDAQ: ACIC): A small-cap Florida-based specialty property and casualty insurer trading at depressed valuations following deconsolidation from UPC, a lower quality personal lines insurer, whose past losses have obscured ACIC’s strong performance.

We believe that these transactions free up sufficient capital to allocate to our most promising ideas as we enter into the last stretch of this year. We would be happy to hear any questions or feedback that the Board has regarding these ideas or our overall process. We appreciate the Board’s continued guidance and hope to finish the semester strong.

Best,

Winston and Nithin

II. Performance Analysis

Holdings Summary *(as of November 1st, 2023)*

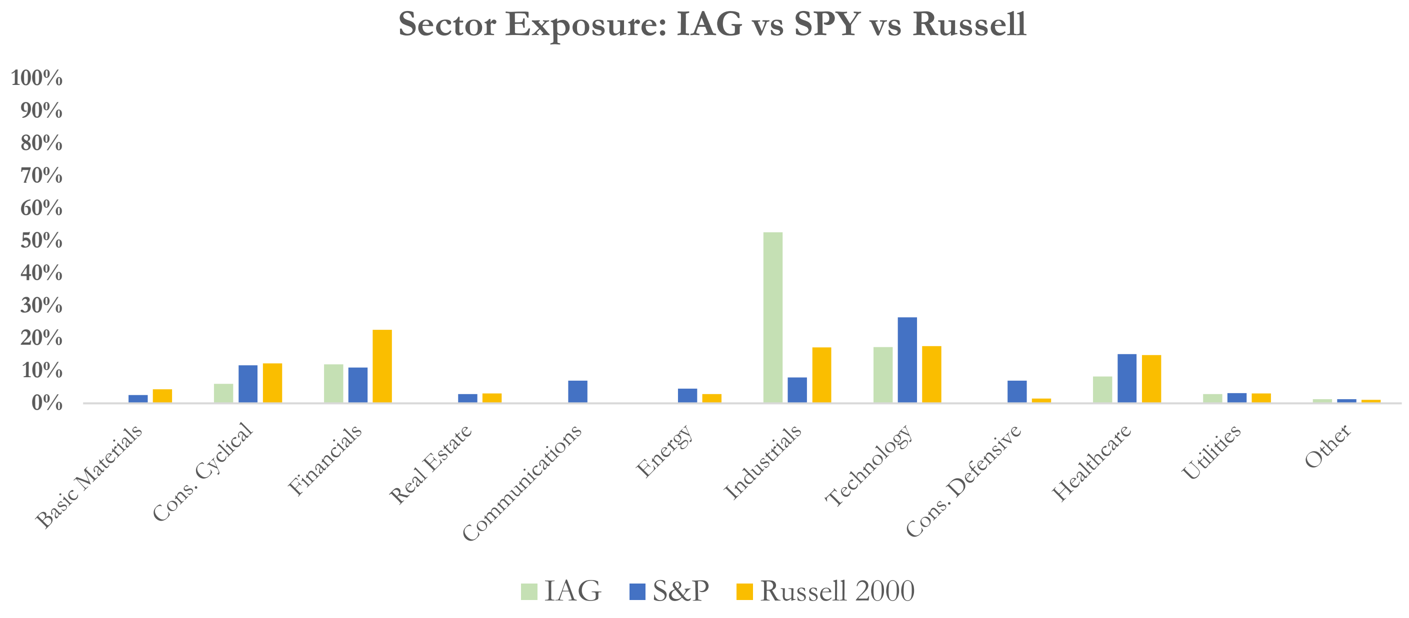
Current Holdings											
Company Name	**Ticker**	**Coverage**	**Date of Purchase**	**% of Portfolio**	**Share Count**	**Price At Purchase**	**Share Price**	**Current Return**	**Beta**	**Industry**	**Holding Type**
3U Holding AG	ETR: UUU	Nithin M.	3/13/2023	**1.34%**	540	5.43	2.41	**-8.29%**	**0.72**	Industrials	**Oppt.**
APi Group Corp	NYSE: APG	Rahul P.	9/24/2020	**4.25%**	160	14.29	25.78	**80.41%**	**1.5**	Industrials	**Core**
Berry Global Group Inc	NYSE: BERY	Chirstina M.	12/2/2020	**2.87%**	50	54.6	55.77	**2.14%**	**1.17**	Industrials	**Core**
Builders FirstSource Inc	NYSE: BLDR	Rahul P.	10/5/2021	**9.67%**	80	52.2	117.47	**125.04%**	**1.6**	Industrials	**Core**
Camtek LTD	NASDAQ: CAMT	Nithin M.	10/7/2022	**4.95%**	90	22.07	53.4	**141.96%**	**1.03**	Technology	**Core**
Conrete Pumping Holdings	NASDAQ: BBCP	Alex I.	3/26/2021	**2.20%**	300	7.07	7.13	**0.85%**	**1.17**	Industrials	**Core**
Credit Acceptance Corp.	NASDAQ:CACC	Alex I.	5/15/2023	**3.85%**	9	429.19	415.42	**-3.21%**	**1.33**	Financials	**Core**
East West Bancorp	NASDAQ: EWBC	Nihir A.	10/30/2023	**4.16%**	75	53.61	53.94	**0.62%**	**1.41**	Financials	**Core**
Embecta Corp	NASDAQ: EMBC	Rhys B.	10/7/2022	**2.34%**	150	28.05	15.17	**-45.92%**	**1.53**	Healthcare	**Core**
Exelon Corp	NASDAQ: EXC	Rhys B.	4/30/2021	**2.85%**	70	31.74	39.53	**24.54%**	**0.57**	Utilities	**Oppt.**
Flex Ltd	NASDAQ: FLEX	Rhys B.	10/5/2021	**8.89%**	335	18.58	25.78	**38.75%**	**1.35**	Industrials	**Core**
HCA Healthcare Inc	NYSE: HCA	Karen P.	9/26/2019	**4.41%**	19	119.99	225.36	**87.82%**	**1.6**	Healthcare	**Core**
JD.com Inc ADR	NASDAQ: JD	Nithin M.	4/30/2021	**1.04%**	40	77.55	25.33	**-67.34%**	**1.16**	Cons. Cyclical	**Core**
Joyce Corporation LTD	ASX: JYC	Nithin M.	12/20/2022	**1.40%**	730	2.34	1.87	**-13.07%**	**1.2**	Cons. Cyclical	**Core**
LNA Sante	EPA: LNA	Sean C.	4/24/2023	**1.63%**	70	35.1	22.58	**-35.67%**	**0.77**	Healthcare	**Core**
Palo Alto Networks Inc	NASDAQ: PANW	Alex I.	9/24/2020	**7.56%**	30	80.17	244.86	**205.43%**	**1.16**	Technology	**Core**
Richardson Electronics	NASDAQ: RELL	Sherry H.	10/30/2023	**2.52%**	223	10.95	10.98	**0.27%**	**0.76**	Industrials	**Oppt.**
Rimini Street	NASDAQ: RMNI	Winston Y.	11/11/2022	**1.27%**	515	4.29	2.4	**-44.06%**	**1.2**	Technology	**Oppt.**
Sea Ltd ADR	NYSE: SE	Niranjan N.	2/18/2022	**1.00%**	24	133	40.44	**-69.59%**	**1.7**	Technology	**Oppt.**
Showa Paxxs	TSE: 3954	Aryann G.	11/1/2023	**2.43%**	200	11.86	11.81	**-0.42%**	**1.1**	Industrials	**Oppt.**
Sonic Automotive Inc	NYSE: SAH	Sean C.	5/5/2022	**3.56%**	70	48	49.42	**2.96%**	**1.85**	Cons. Cyclical	**Core**
Thryv Holdings Inc	NASDAQ: THRY	Winston Y.	12/9/2022	**2.72%**	160	17.5	16.54	**-5.49%**	**1.04**	Technology	**Oppt.**
Thunderbird Entertainment Group	OTCMKTS:THBRF	Carol S.	5/15/2023	**1.23%**	760	2.66	1.57	**-40.98%**	**1.83**	Media	**Core**
TransDigm Group Inc	NYSE: TDG	Raunakk J.	4/9/2020	**9.38%**	11	546.37	828.34	**51.61%**	**1.4**	Industrials	**Core**
United Rentals Inc	NYSE: URI	Carol S.	3/14/2019	**5.90%**	14	114.85	409.48	**256.53%**	**1.3**	Industrials	**Core**
Willis Towers Watson	NASDAQ: WTW	Mikhail T.	11/9/2021	**4.12%**	17	231.7	235.42	**1.61%**	**0.7**	Financials	**Core**
ZTO Express	NYSE: ZTO	Niranjan N.	3/14/2019	**2.42%**	100	19.43	23.5	**20.95%**	**0.6**	Industrials	**Core**
Total Equity Holdings				**99.96%**	**$97,120**				**1.27**		
Cash				**0.04%**	**$43**						
Total Portfolio Holdings				**100.00%**	**$97,163**						

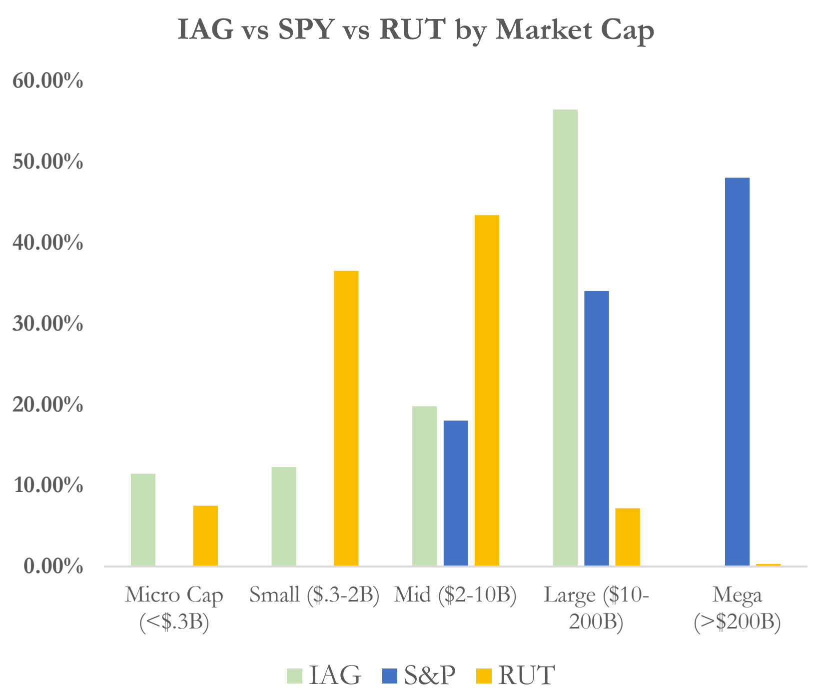
1-Year Performance	
IAG	14.95%
SPY	11.65%
RUT	-9.81%

Given our new reporting methodology, we have abstained from providing a chart of our historical performance.

From November 1st 2022 to November 1st 2023, the IAG portfolio has returned 14.95% compared to the S&P 500's 11.65% and the Russell 2000's -9.81%.

Portfolio Exposure vs. Benchmark





While historically we have felt that the SP500 provides an ample proxy to the market, because IAG is overexposed to smaller companies relative to the SP500 we have also added the Russell 2000 index as a benchmark for our returns.

IAG is still overexposed to micro and small cap stocks and underexposed to mega cap stocks compared to the SP500. IAG still believes that the best investment opportunities exist within the small cap space due to a variety of well researched factors.

Pitch Log Since October 2023 Meeting

Internal Pitches Since October Meeting				
	Company	Stage	Date	Analysts
1	The Container Store Group Inc.	Initial Screen	10/12/2023	Christina Monev
2	Ocean Wilson Holdings Ltd.	Initial Screen	10/12/2023	Aryann Gupta
3	Barnes Group Inc.	Initial Screen	10/12/2023	Raunakk Jalan
4	Live Nation Entertainment Inc.	Initial Screen	10/12/2023	Karen Phua
5	Brunswick Corp.	Initial Screen	10/19/2023	Claire Luo
6	American Coastal Insurance Corp.	Initial Screen	10/19/2023	Aryann Gupta
7	Airtel Africa PLC.	Initial Screen	10/19/2023	Aryann, Mikhail, Nabil
8	American Coastal Insurance Corp.	First Update	10/26/2023	Aryann, Mikhail, Nabil
9	Maravai LifeSciences Holdings Inc.	Initial Screen	10/26/2023	Sherry Hu
10	Live Nation Entertainment Inc.	First Update	10/26/2023	Karen Phua
11	Sylogist Ltd.	Initial Screen	10/26/2023	Pravar, Nihir
12	American Coastal Insurance Corp.	Second Update	11/2/2023	Aryann, Mikhail, Nabil
13	Live Nation Entertainment Inc.	DA	11/2/2023	Aryann Gupta
14	Sylogist Ltd.	First Update	11/2/2023	Pravar, Nihir

Active Pipeline				
	Company	Stage	Date	Analysts
1	LGI Homes Inc.	Initial Screen	11/2/2023	Christian Rosario
2	Barnes Group Inc.	First Update	11/2/2023	Raunakk Jalan

Oversight Meeting				
	Company	Stage	Date	Analysts
1	American Coastal Insurance Corp.	Second Update	11/9/2023	Aryann, Mikhail, Nabil

III. Key Holdings Update

Portfolio Updates Since October 2023 Meeting

Company	Ticker	Update
3U Group	**UUU**	Sell note in packet.
APi Group Corp **Share Price: $27.45** **PT: $31.20**	**APG**	We propose to hold our position in APi Group and maintain our PT of $31.20 as the business remains materially unchanged with our updated thesis playing out. Since our purchase in 2019, the stock has returned ~91%. APi reported further improvements in EBIT margins from 6.2% in 23Q2 to 6.7% Q3, driven primarily by operational improvements as management continues their integration of Chubb. Moreover, the company reported 12.6% adj. EBITDA margins, up 190bps from Q2 and nearly completing their long-term 13% goal by 2025. The company reported modest 0.7% QoQ sales growth for Q3 and reduced guidance to $6,925 from $7,045, although still in-line with its original guidance set earlier in Q1 as management focuses primarily on margin expansion. Management has continued on its deleveraging strategy, with Net Debt/EBITDA decreasing further to 2.7x and maintaining their EOY 2.5x guidance. This builds into our updated thesis on resuming M&A, which has not only begun to play out, but has rapidly resumed with management looking to remain active buyers in the life safety business. There were 3 additional bolt-acquisitions for Q3. In the long term, we expect management to focus heavily on margin expansion through the integration of Chubb, in addition to allocating more capital for M&A with their delivering initiative rapidly progressing. Moving forward, we will continue to monitor future margins as the synergies from Chubb's acquisition play out, in addition to their ability to finance further M&A at attractive valuations.
Berry Global Group Inc **Share Price: $57.58** **PT: $72.94**	**BERY**	We propose a hold on Berry Global, with our position essentially flat from the last oversight meeting. Berry is expected to report earnings on November 16th, so we will keep a close eye on segment performance, margins, and future outlook. The stock has experienced more price volatility in the last few weeks, likely due to continued concerns over the macroeconomic environment. While there have been no new material developments with the company, we still maintain conviction in management and their ability to operate the company efficiently. We will be able to provide a more comprehensive update on the company's market and financial positioning for the next oversight meeting, but in the meantime, we will continue to monitor Berry's performance, specifically with regards to the new CEO. Our price target remains at $72.94.
Builders FirstSource Inc **Share Price: $126** **PT: $145**	**BLDR**	We propose a hold on our stake in Builders FirstSource. Since we last met, BLDR has remained relatively flat at about ~$125 per share. The big news has been the positive Q3 earnings report on November 1st, in which the company beat out consensus on both the Gross Margin and Net Sales front, coupled with an updated guidance that captures BLDR's resilience to commodity deflation and the weaker housing market. This is in line with our thesis of the company expanding its value-added portfolio, both organically and inorganically. Going forward, we expect BLDR to continue expanding its M&A footprint and delivering resilient financial results. We maintain our price target at $145

Portfolio Updates Since October 2023 Meeting

Company	Ticker	Update
Camtek Ltd. **Share Price: $54.65** **PT: $79.00**	**CAMT**	We still suggest holding Camtek with a price target of $79 representing upside 41% as of November 3rd. Since the last update in October, Camtek announced and closed the acquisition of FRT metrology for a $100 million cash consideration. This deal should expand Camtek's expertise and dominance within the advanced packaging niche of the 2D/3D metrology industry. While exact financials of FRT have not been and will not likely be released, Camtek's management said that the company is profitable and should add approximately $30 million of revenue next year. In addition to this recent acquisition, the Israel-Hamas conflict has the potential to impact Camtek manufacturing operations. Camtek's manufacturing operations are in Migdal which is approximately 150 km south of the current conflict. While the conflict has the potential to move northwards, Israel has announced that they would be placing special emphasis on protecting Migdal since lots of businesses have their operations there.
Concrete Pumping Holdings Inc **Share Price: $6.85** **PT: $10.85**	**BBCP**	We propose to continue holding our position in BBCP. Our position is down 3.4% since our purchase at $7.08. Concrete Pumping Holdings has not reported any new financial updates since the last update. With one quarter left in 2023, the company has narrowed its guidance and expects fiscal year revenue of approximately $440 million, adjusted EBITDA of approximately $125 million, and free cash flow of approximately $70 million. Additionally, the company expects its net debt leverage ratio to be approximately 3 times by the fiscal year-end. In conclusion, with strong growth across all segments, market share gains, and a proactive M&A strategy, BBCP looks well-positioned to continue delivering value to shareholders.
Credit Acceptance Corporation **Share Price: $426** **PT: $716**	**CACC**	We recommend maintaining our position in Credit Acceptance Corporation (CACC). Since our entry in May, our position has appreciated by 0.2%. CACC reported its Q3 2023 earnings on October 30, 2023. The company's adjusted net income decreased 22% from the third quarter of 2022 to $140 million. The company's results for the third quarter of 2023 included a decrease in forecasted collection rates that decreased forecasted net cash flows from the loan portfolio by $69.4 million, or 0.7%. The company attributed the decrease in forecasted collection rates to a combination of factors including inflation and elevated used car prices. Credit Acceptance's revenue for the quarter ending September 30, 2023 was $0.479 billion, a 3.98% increase year-over-year. In terms of car loan volume, Credit Acceptance Corp.'s origination volume rose by 10.5%. This growth in origination volume is a positive sign, indicating an increase in the company's lending activities. In conclusion, despite the decrease in earnings reported by the company in its fiscal third quarter of 2023, CACC's strong fundamentals, solid financial performance, and favorable financing terms make it a valuable asset in our portfolio. We remain confident in CACC's ability to deliver value to shareholders.
East West Bancorp **Share Price: $58.16** **PT: $102.91**	**EWBC**	We propose a hold on East West Bancorp. Since the position was pitched, it has risen by ~13.5%, while the KRE has risen only 4.7% over the past month. The primary reason for this short-term out-performance were East West's solid Q3 results which prompted both UBS and Wedbush to change their recommendations from neutral to outperform. The results themselves were in line with our expectations. Loans are up 7% YoY, the weighted average LTV on East West's office loan book remains at 52%, and NCOs were up 8bps to 14 bps for the quarter, which is only slightly above half of our full year expectations of 25 bps. CET1 is up to 13.3% this quarter (10 bps increase from last quarter), commercial and consumer deposits were up $1B over the quarter which is positive as they didn't have to resort to brokered CDs as a means of funding and NIMs have compressed to 3.48% which within the range we expected and should lead us to full year NII figures that are far above what we projected. Broader operational metrics like East West's efficiency ratio also tracked in line with our expectations of sub 40% and return on tangible common equity was at 18.65% for the quarter. In short, East West is chugging along as we expected and this recent earnings affirmed our conviction that East West won't fare nearly as badly as other regionals.

Portfolio Updates Since October 2023 Meeting

Company	Ticker	Update
Embecta Corp. **Share Price: $14.69** **PT: $30.00**	**EMBC**	We propose a hold on Embecta with a PT of $30. Since the last update, Embecta is up 20-25% after a very poor summer performance. We believe that the sell-off in the diabetes space due to GLP-1 drugs such as Ozempic have been overblown and the market may start to be realizing this as well; however, there is still a misalignment between decent business fundamentals and current market sentiment. Although there has not been much company-specific news, average volume has been substantially elevated compared to a few months ago. Embecta recently announced that it will report its fiscal fourth quarter and full year 2023 financial results on November 21, which hopefully should provide management's first insight into the stock's sell-off. We also await company-specific comments regarding patch pump developments in the next earnings call.
Exelon Corp. **Share Price: $40.29** **PT: $45.00**	**EXC**	We propose holding our position in Exelon with a PT of $45. Since the last update, Exelon increased by around 5-10%, similar to other utilities stocks. On November 2, Exelon reported Q3 earnings and was up a few percentage points after exceeding revenue expectations by 20% and coming just shy of meeting them for earnings. In terms of pending rate cases, they have six in progress: Illinois, Maryland, Delaware, New Jersey and the District of Columbia. In terms of their longer-term outlook, Exelon is reaffirming their 6%-8% annualized earnings growth ranges and growing dividends in line with these earnings. Exelon's pricing remains 23% below the average rate in large cities in the United States which bodes well for future increases in authorized ROE. In this quarter, every utility achieved top quartile in outage duration and frequency and ComEd and PHI delivered best-on-record performance. We remain confident in Exelon's fundamentals and leading operational metrics to continue to drive growth and profitability.
Flex. Ltd **Share Price: $25.29** **PT: $31.50**	**FLEX**	We propose a hold on Flex with a PT of $31.50. Since our last update, Flex's stock price has recovered after earnings following a drop of around 10-15%. On October 25, Flex reported earnings and beat expectations by 17% and were in line for revenues. Since the separation of NEXTracker, Flex is now able to report core company results, which provides greater visibility than before. Flex is anticipating 20-50% CAGR in its EV business and around 20%+ for the cloud business, while the rest of the verticals falls between 5-10% contraction and 10-15% expansion over the next year. Flex's management continues to believe the stock is undervalued and puts cash to work through buybacks. YTD, Flex has bought back $500mm or about 5% of market cap and currently has a $2bn share repurchase program active. Flex continues to execute very well, and we remain confident in their ability to improve margins by increasing their focus on more accretive segments.
HCA Healthcare Inc **Share Price: $229** **PT: $279**	**HCA**	We propose a hold on HCA with a price target of $279. While the stock has experienced a drawdown with the recent uptick in physician subsidy costs impacting public hospital results in Q2, for HCA this impact is concentrated in anesthesiology, rather than ER and radiology, and the 10% cost increase only impacts less than 1% of the total cost base. We believe HCA will continue to manage through upward pressure on physician subsidy costs and utilization trends remain supportive. With this adjustment, we also view our original investment theses are still in-tact. HCA continues to dominate with utilization strength, driven by strong local market demographics, and the firm maintains its labor talent pipeline from nursing colleges. The strong volumes from Q3 have been driven by positive trends in inpatient and outpatient volumes and the system continues to use outpatient beds to free up inpatient capacity. During Q3, most aspects of the business were positive, including solid demand for services, translating to strong revenue growth, but there were negative impacts by the Valesco physician staffing joint venture which performed below expectations. For Q3, same facility admissions increased 3.4% and same facility equivalent admissions increased 4.1%. We will continue to monitor workstreams focused on increasing capacity within hospitals as data points for industry level utilization and volume trends.

Portfolio Updates Since October 2023 Meeting

Company	Ticker	Update
JD.com **Share Price: $27.05** **PT: $55.45**	**JD**	Extended hold note attached to original email.
Joyce Corporation **Share Price: $1.90** **PT: $3.13**	**JYC**	We still recommend holding Joyce Corporation valuing it at $4.86 AUD ($3.13 USD)sc representing an upside of approximately 67%. Since Joyce Corporation only releases earnings every 6 months, we do not have any major updates since October. However, to recap the pitch, Joyce currently operates three main lines of business in Australia: a kitchen renovation business (KWB), a mattress franchisor (BedShed), and a home stager (Crave). The company has a market capitalization of A$83 million. However, they have a net cash position of A$26 million giving them an enterprise value of A$59 million. Their kitchen renovation business generates Joyce shareholders EBIT of $A12.5 and has grown their revenue, same store sales, store count, EBIT, and EBIT margins for 9 years in a row. The other two businesses combined generate A$5.5 million in EBIT per year putting the LTM EV/EBIT multiple at approximately 3.5x. Joyce also pays out a significant dividend as they do not have the ability to reinvest all their cash at a high rate of return.
LNA Sante **Share Price: $26.15** **PT: $52.82**	**LNA**	We maintain a hold recommendation on LNA with a calculation of intrinsic value per share at $52.82. Over the last month LNA has slipped a further ~12%. In the same timeframe, Opera (now a penny stock) is down ~35% and Korian is down ~30%. This is the case in spite of LNA's fundamentals moving in the right direction with H1 figures that were in-line with our expectations for 2023. EHPAD revenue grew 6.7% YoY, SMR revenue grew 2.8% YoY, and HAH grew 21.7% YoY. Through further research we now have more clarity into the political picture surrounding nursing home regulation - our findings suggest that it is highly unlikely that a politician nationalises the French nursing home system due to the financial impracticality of it as well as the lack of precedent for it. As of Q3, which was released today, LNA has grown topline organically by 5.9% YoY for the 9 cumulative months of 2023 with the EHPAD occupancy rate staying at 95%. SMR occupancy rates have taken a slight dip due to difficulty in staffing. In light of the short-term labour headwinds, management mentioned that they were still very confident of the businesses long-term prospects due to the growth of home hospitalisation as well as the demographic tailwinds that should allow the business to consistently grow topline at MSD.

Portfolio Updates Since October 2023 Meeting

Company	Ticker	Update
Palo Alto Networks Inc. **Share Price: $235** **PT: $271**	**PANW**	We propose a hold on Palo Alto Networks (PANW). Since our purchase at $80.17 per share, our position has grown by 195.6%. Palo Alto Networks reported strong results for the fiscal fourth quarter of 2023. The company's GAAP net income for the quarter was $227.7 million, or $0.64 per diluted share. Total revenue for the fiscal fourth quarter 2023 grew 26% year over year to $2.0 billion, and billings grew 18% year over year to $3.2 billion. The company's remaining performance obligation grew 30% year over year to $10.6 billion. We look forward to the Q1 2024 earnings release later this month.
Richardson Electronics **Share Price: $11.27** **PT: $17.67**	**RELL**	We propose a hold on Richardson Electronics with a PT of $17.67. On October 12, Richardson released its Q1 2024 earnings. The earnings call was validating for our Green Energy Solutions (GES) thesis, as Richardson began to receive orders for its ultracapacitors through General Electric's Marketplace listing (used by 800 wind turbine operators). Richardson also finished beta-testing Siemens' ultracapacitors with wind turbine operators in October and expects Siemens sales to arrive in Q3 and Q4 2024. Richardson began beta-testing its ultracapacitors for OEMs such as Suzlon, Senvion, and Nodex, who operate 7,000 turbines. Moreover, Richardson expects the $91M of electric locomotive quotes received in Q3 2023 to be fulfilled in Q3 2024. In the Power and Microwave Technologies (PMT) segment, semi-cap sales are down $9.6M YoY due to the cyclical downturn, in-line with the $20M YoY decline in my model as management expects recovery in the second half of 2024. Due to semi-related weakness, overall backlog in the company totaled $148.1M in Q1 versus $160.4M at the end of the Q4 2023. In Healthcare, gross margins improved to 32% due to improved utilization, although the Siemens CT tube roll-out is constrained by supply chain shortage expected to be resolved in summer 2024.
Rimini Street **Share Price: $2.75** **PT: $4.97**	**RMNI**	We propose a hold on Rimini Street, and maintain our current price target of $.497. The company just reported its earnings for Q3 2023, displaying revenue growth in-line with consensus while outperforming on EPS by ~40%. One promising sign was the strong revenue growth domestically of 4.3%, which may be indicative of an inflection point for a U.S. business that stagnated following the company's sales force reorganization around two years ago. Additionally, the company also suspended guidance for the rest of 2023, citing the unpredictable nature of the aftermath of the PeopleSoft court ruling. While this does come as a slight surprise, we believe that this announcement is reasonable as while the lost lawsuit does not in theory affect Rimini in the long-term, the headline impact on customers is hard to predict in the near-term. Overall, we believe that the street is currently pricing in a 50-60% decline in revenue following this lawsuit, while the impact may not hit even double digits, and as such, look to hold our position going forwards. If the stock drops any lower as a result of volatility in Q4, we may look to double down on this position going into the new year.
Sea Ltd. **Share Price: $43.91** **PT: $120.00**	**SE**	We recommend a hold in our position with Sea Limited as nothing has materially changed since our last update. We wrote a more extensive hold note as the stock had declined significantly. We reiterated our belief that these share price declines were largely unwarranted as we see the business as being significantly improved from its high cash burn state a year ago. We are impressed my management's ability to significantly improve the cost structure of Shopee by decreasing S&M spend while still maintaining market share leads in the core SE Asian geographies and look to see more evidence of our thesis playing out in the company's upcoming Q3 earnings call scheduled for November 14th. Our price target is $120.

Portfolio Updates Since October 2023 Meeting

Company	Ticker	Update
Sonic Automotive	**SAH**	Sell note in packet.
Showa Paxxs **Share Price: $11.61** **PT: $23.11**	**TSE: 3964**	Our thesis with Showa Paxxs remains largely unchanged. When pitched in the last oversight meeting we saw Shinsei Pulp & Trading's activism and corporate governance reform as catalyzing value realization. Both these forces are still at play and we will be looking toward's next year's proxy season. The business since the last meeting has not released earnings. There has also been a positive development with a sale leaseback having been conducted, but we await the breakdown of the transaction which management has not yet provided. Overall we are still extremely optimistic and still maintain our original price target of ¥3475 ($23.11 USD).
Thryv Holdings Inc. **Share Price: $18.57** **PT: $37.00**	**THRY**	We propose a hold on Thryv, maintaining our current price target of $37.00. Thryv recently just reported its Q3 2023 earnings, reporting financials that generally validated our original thesis points. All SaaS metrics came in above consensus, with the company adding ~10k net users to its SaaS platform, the highest ever for a quarter. Concurrently, customer retention was also up to 92% from 89% in Q3 2023, and CAC remained steady as well. The company also raised guidance from 17% to 19% for full-year SaaS growth, and the legacy Yellow Pages (marketing services) segment continues to remain extremely profitable for the company, with management guiding at a stable MDD decrease in the business going forwards (of which MSD originates from FX impacts). We believe that the Yellow Pages business will experience a slight increase in profitability in FY2024 as the print directory cycle rebounds, before returning its secularly declining self. Finally, the company retired $95mm of debt, leaving it with ~300mm in debt on its balance sheet, payments to which can be more than covered by the marketing services business. We feel that all of these developments put the company in a healthy financial position to continue to complete its SaaS transition, which should create a significant appreciation in the value of the business as the shareholder base skews towards software investors as well.
Thunderbird Entertainment **Share Price: $1.50** **PT: $2.88**	**THBRF**	We propose a hold on Thunderbird Entertainment Group with a price target of $2.88. With the tumultuous industry-wide concerns surrounding the Writers Guild of America strike that began in May 2023, THBRF has traded down nearly 40% since our original pitch. While the widespread media coverage regarding the writers strike is certainly encouraging the Canadian film and television entertainment company's volatile market performance, the firm has stabilized in its performance since the strike's end. The company's main drivers remain performance in its animated and unscripted segments, which are not as directly impacted by the recent strike activities. Industry peers Boat Rocker Media and WildBrain have experienced similar downward movement, notwithstanding maintaining a strong pipeline of ongoing projects. With year-end FY2023 earnings, the firm's revenue increased from $149mm to $166mm and both the number of episodes of IP projects delivered and recognized and the magnitude of production services projects have increased to 125 total half-hours of IP deliveries compared to 120 total half-hours last year. THBRF greenlit multiple animated IP projects in 2023, all of which are currently in production, which are projected to contribute to net income starting in fiscal 2025. In April, THBRF announced the purchase of options rights to a premium scripted show, called Mad Honey, which was likely halted if it made it to the writing stage, but otherwise, the firm continues to deliver on its media projects, with the firm working on 10 owned-IP productions at year-end. THBRF's mix of service and IP productions continue to position the company well to capitalize on extensive opportunities in the animation and unscripted genres.

Portfolio Updates Since October 2023 Meeting

Company	Ticker	Update
TransDigm Group Inc. **Share Price: $824** **PT: $1050**	**TDG**	There have been no earnings or updates in the past quarter, We maintain our hold on the company and are encouraged by the continued post-pandemic recovery in volumes and healthy pricing growth that have boosted EBITDA margins back above 50%. In Q3, TDG's overall sales are estimated at $1.84 billion, marking an increase of 21.7% from the prior-year recorded number. Earnings are projected at $7.51 per share, up 36.6% from the previous year. We also see a stronger growth runway with Boeing and Airbus results confirming higher deliveries of new models that directly add to TDG's AM sales. Management has worked to abate concerns about leverage even as US rates remain at higher levels for longer - most of the debt is interest rate hedged or fixed rate and management is focused on using cash to delever after its massive dividend earlier this year.
United Rentals **Share Price: $436** **PT: $585**	**URI**	We would like to propose holding our stake in United Rentals (URI) at $451.51. The updated price target is $585.42, representing a targeted upside of 32%. Since our last update, United Rentals reported Q3'23 earnings and affirmed full-year 2023 guidance. On a YOY basis, revenue was up 23.4% ($3.76B), net income was up 16.01% ($703M), diluted EPS was up 18.8% ($10.29), operating income was up 21.62% ($1.12B), and net change in cash was up 612.5% ($57M). The company has returned $1.055 billion to shareholders year-to-date, comprising $750 million via share repurchases and $305 million via dividends paid, maintaining a net leverage ratio of 1.8x (same as the last update). As mentioned last time, the successful Ahern Rentals acquisitions helped contribute to equipment sales in the quarter increasing 102.2% year-over-year, also reflecting a normalization of volumes. We also continue to see the specialty segment rental revenue increase (16.1% YOY) for a third quarter record. URI continues to trade at a significant discount compared to Caterpillar on a multiple basis. We continue to believe that the market views the equipment rental business as inferior to the OEM business, and thus there is still upside potential.
Willis Towers Watson **Share Price: $236** **PT: $320**	**WTW**	Since our last update, there are no significant changes to our investment thesis for WTW. However, there are some minor updates and incremental information provided by the company's most recent quarterly report. On October 26th, 2023, WTW announced Q3 2023 results which highlighted growth continuing to accelerate, making the company almost on par with its largest peers, in accordance with our thesis. YoY organic growth was 9% driven by the consulting and brokerage businesses which were both solid at 9% and 10%, respectively. The brokerage side of the business continues to benefit from a growing hard commercial insurance pricing cycle. While we don't expect the hard market to last forever, higher interest rates and better fiduciary interest income are now providing a slight boost. Adjusted operating margins improved to 16.2% from 14.5% last year and the company has now reached $300 million in total savings related to its cost-reduction plan. Increases in fiduciary interest income goes straight to the bottom line and thus has helped drive stronger margins. As mentioned in the last update, they plan to boost their share buyback program by $1bn as they remain committed to returning capital to shareholders consistently. Strong and disciplined capital allocation remains a key thesis point for our investment. As such, we believe that our core thesis points have held and maintain WTWs current price target of $320.
ZTO Express **Share Price: $24.24** **PT: $37.00**	**ZTO**	We propose a hold in ZTO Express. Since our last update, shares have declined by ~15% as macro conditions in China have worsened. Fears of a debt collapse in the property sector have re-ignited while the country experienced deflationary economic conditions. Since our last update, the company held earnings calls for both Q1 and Q2 2023, both of which revealed strong results. In Q1, revenue grew 14% YoY on the back of 20.5% YoY parcel volume growth. This nearly doubled the rest of the market which grew parcel volumes at 11% YoY, allowing ZTO to increase its market share by 180bps. ASP declined 3.7% YoY but Unit Net Income still expanded by 55% YoY as unit network transit costs decreased by 11% YoY. Another positive development was that ZTO was able to obtain a >30% market share on Douyin (TikTok) which previously refused to partner with the Tongdas for 3PL services. In Q2, ZTO delivered 13% YoY revenue growth driven by 24% parcel volume growth, both beating street expectations. However, as macro conditions worsened in China, ASPs sunk by 7.8%. The company has continued to react to falling ASPs through disciplined cost-cutting measures, with unit network transit costs falling by 16% YoY and unit sorting costs falling by 17% YoY. We shall continue to monitor this position closely, especially as the Chinese economy may have room to worsen further, however we feel that ZTO is still structurally the best player in this space and is built to whether economic headwinds better than its competitors.

IV. Sell Notes

Sell Note: 3U Holding AG (ETR: UUU)

Dear Board of Advisors,

We would like to recommend selling 3U Holding AG, a German based holding company that currently operates in three main segments: renewable energy, internet/telecommunications, and HVAC. The original pitch centered around the fact that we thought 3U did not deserve to trade under net current asset value. We believed that management had shown strong improvement over the last two decades and that they would pay out a large dividend in the near future. Additionally, we believed that management was showing an understanding that further investments in the telecom space would be value destructive, and that more capital needed to be invested in the HVAC segment.

We pitched 3U on the March 7th oversight meeting when it was trading at €4.50 ($4.73). At the time our price target was €6.23 which would have implied upside of approx. 38% given no changes in the foreign exchange rate.

Unfortunately, on Thursday March 9th 3U announced that they would be paying out a large €3.20 euro per share dividend ($3.42), the catalyst of our entire pitch. The reason that this was an unfortunate event was because this dividend was announced before we could place the trade. This announcement led the stock to rise 13% to approx. 5.10 euros ($5.43).

At this point we still had to decide whether we wanted to purchase 3U at these elevated levels. We ultimately decided that since there was still some upside from current prices, the investment would be better than holding onto cash. We ultimately purchased 3U at a price of 5.10 euros ($5.43).

Over the next few weeks, the stock continued to increase reaching a high of €5.88 ($6.40) during the time of the April oversight meeting. We still thought to hold as our price target was €6.23 ($6.85).

On May 15 during the summer, 3U paid out the €3.20 ($3.49) dividend. Because of the dividend payout the stock price dropped. While one would have expected the stock price to drop by €3.20 ($3.49), the stock price only dropped €2.03 ($2.21) going from a close of €5.10 ($5.56) on May 15th to a close of €3.07 ($3.34). On the surface, since the day of purchase, we were up 26% (adjusted for foreign currency). Since the day of pitching the stock, we were up an incredible 44%.

In reality, when adjusting for the tax that we had to pay to the German government for the dividend (26.375% tax rate), we were only up 9%. This tax was required to be paid even though as an endowment fund, we do not pay federal or state taxes to the US government.

On the day of the dividend could have been a good time to sell as were above the price target that we had calculated. We thought we could wait for oversight to reconvene next semester to sell the position. This was our biggest mistake. In the months following the dividend, 3U's stock price began to decrease slowly. While there had been no large events to cause this price decrease, we think that this slow decline shows the problems of investing in low quality businesses; time is not on our side.

Today, the stock price sits at €2.30 ($2.46). Adding in €2.35 ($2.57) for the dividend post-tax, we are down approx. 7%. We do not wish to hold this investment any longer as we believe an ample margin of safety does not exist and that there are no catalysts for value realization (something that we believe is required for net-net positions).

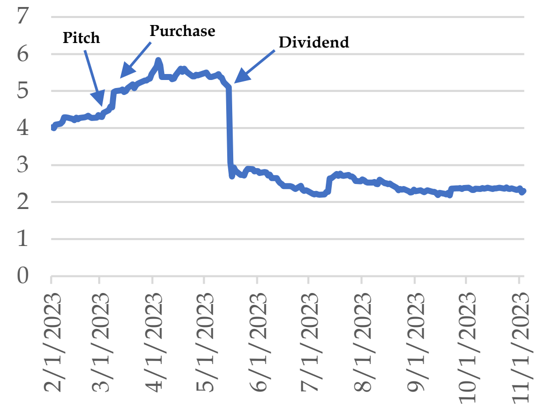
We will ensure to use these lessons about taxes, margin of safety, catalysts, and time decay for both current and future foreign net-net positions that we have in the portfolio.

Best,
Nithin Mantena

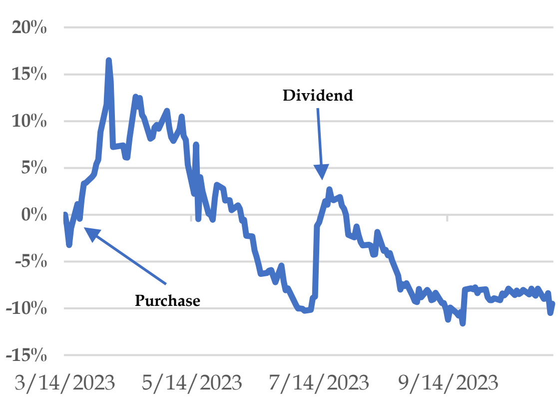
Stock Overview (LTM Figures)

	At Purchase:	Current:
Share Price:	$5.43	$2.51
Market Cap (mm)	203.57	90.64

Performance Since February 2023



Pro Forma Returns since Purchase



Sell Note: Sonic (NYSE: SAH)

Dear Board of Advisors,

We would like to sell our position in Sonic, realizing a ~9% return. The stock and the auto industry has seen extreme volatility during and after the COVID period. Given the questionable near-term economics of Sonic's business and premium valuation, we would like to exit our investment. Our initial thesis is summarized below.

1. Core franchise dealership provided a base valuation

We originally argued that Sonic's scaled dealership model provided unit economic competitive advantages with operating leverage driving profitability compared to a fragmented mom and pop shop industry. We saw additional barriers to entry from local monopolization and regulatory scrutiny that favored car dealerships. Additionally, we didn't believe Sonic would lose share as some of the new innovative models were overrated.

2. Sonic's Echopark segment had discounted favorable unit economics

We saw Sonic's avoidance of last-mile delivery as an advantage. Unlike competitors, Sonic's strategy was a hub and spoke model with locations scattered around the US. At the time 30% of the US population was covered by these delivery centers. Additionally, management provided projections for favorable unit economics: an above 30% ROIC on the delivery centers with only $1mm-$2mm capex spend. Given the steady buildout we thought that Sonic could easily expand the hub and spoke model to provide a successful online platform to drive higher leverage in the model.

Update on Current Situation and Post-Mortem

We can no longer make the argument that Sonic's valuation is made up of the legacy franchise-dealership segment, and future profitability from Echopark would drive a long-term successful story. Sonic is currently restructuring the Echopark segment and volatile results should see the current valuation collapse. SAH currently trades at a premium on mid-cycle, trough and normalized numbers despite worse economics than the peer group. Operationally, SAH has not been able to keep up on GPU and unit sales growth, leading to our current belief that the market is too favorable on the Echopark story.

Sonic is currently restructuring the Echopark segment (will close 50% of Echopark locations), and the original news put pressure on the stock. We did not think selling at that time would be optimal due to negative sentiment. However, the market now views the restructuring efforts and guide to profitability as successful. We don't view holding the stock through this transition as attractive because SAH targets lower quality vehicles and is a volume driven model, which looks great in up-cycles, but the operating leverage puts extreme pressure during down-cycles. Hence, the current loss of ~$17mm EBITDA per quarter. Aditionally, we don't believe the core franchise segment that management is not focused on growing provides valuation support.

Overall, Sonic has been a tough stock to hold throughout the auto-cycle. We have learnt important lessons of separating the cyclical vs the secular as well as understanding and putting more scrutiny on management targeted economics.

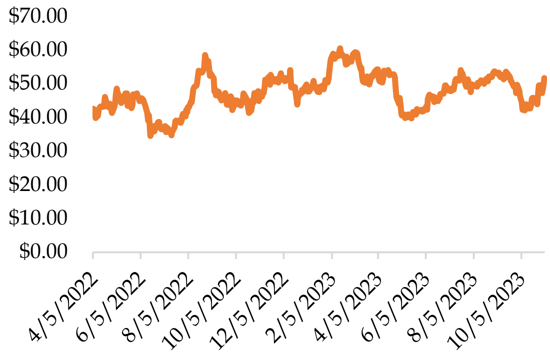
Best,

Sean Chen

Stock Overview (LTM Figures)

	At Purchase:	Current:
Share Price:	$48.00	$52.34
Market Cap (B)	1.62	1.77
Revenue (B)	13.1	13.7
Gross Margin	16.0%	15.9%
EBITDA Margin	5.4%	4.8%
EV/Sales (NTM)	0.28x	0.35x
EV/EBITDA (NTM)	5.92x	7.90x

Performance Since Inception (4/9/2020)



V. New Position Proposals

American Coastal Insurance Corp. (NASDAQ: ACIC)

Structurally Advantaged Commercial Lines Insurer Well-Positioned to Grow in Florida's Hard Market

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Price Target: $20.42 – 182% Upside

November 9th, 2023

Company Summary:

American Costal is a small-cap property and casualty insurer based in St Petersburg, Florida. They're exclusively focused on garden-style condominiums that have above-average risk characteristics and sell windstorm insurance policies to the HOAs that represent them. AmCo's underwriting superiority is derived from its exclusive relationship with AmRisc. AmCo is now de-consolidated from UPC, a lower-quality personal lines insurer, whose losses in the past have been subsidized by AmCo's underwriting profits.

What is Insurance:

Insurance provides economic protection from identified risks occurring or discovered within a specified period. Insurance is a unique product in that the ultimate cost is often unknown long after the coverage period, while the revenue – premium payments by policyholders – are received before or during the coverage period.

Property and casualty insurance specifically provides protection against:

a) Damage to or loss of property caused by various perils, such as fire, damage, or theft
b) Legal liability resulting from injuries to other persons or damage to their property
c) Losses resulting from various sources of business interruption
d) Losses due to accident

Figure 1 demonstrates the flow of premiums from the insurance purchaser to the insurance carrier. In return for premiums, carriers agree to pay claims in the event qualifying future loss events occur.

Industry Dynamics: P&C Cycle – Hard & Soft Markets

The P&C underwriting business is inherently cyclical. Figure 3 demonstrates the average premium changes for the P&C insurance industry.

There are long periods of price declines lasting 5-10+ years which are punctuated by sharp spikes in pricing power that last 2-4 years.

Periods of concentrated pricing power are referred to as "hard markers" as it is during these dislocated periods that insurance capacity is difficult to obtain for insurance buyers. Periods where pricing is declining are referred to as a "soft market", and typically proceed after there has been no major catastrophic loss. This is also very strongly driven by reinsurance capacity.

Characteristics of a soft market: lower insurance premiums, broader coverage, relaxed underwriting criteria, increased capacity, increased competition between carriers

Characteristics of a hard market: higher insurance premiums, more stringent underwriting criteria, reduced capacity, less competition between carriers

Key Ratios and Statistics ($M):

Total Assets	**$1,440**
Total Equity	**$112.0**
Annualized Revenue	$339.2
Market Cap	$317.3
Enterprise Value	$402.52
52-Week Low	$0.29
52-Week High	$9.29

Figure 1 – Historical Share Price

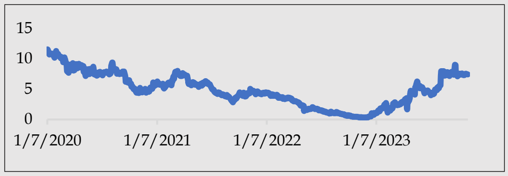


Figure 2 – Insurance Industry Supply Chain

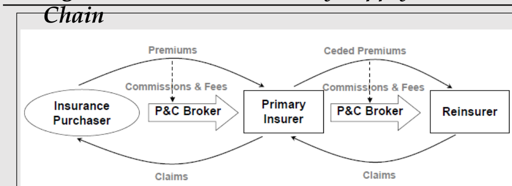


Figure 3 – Average Premium Changes, 1999-2020

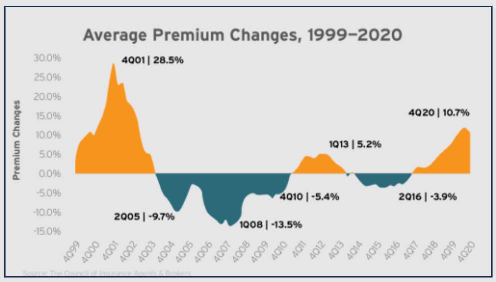
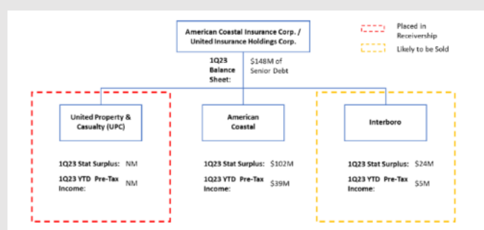


Figure 4 – Simplified Structure of ACIC/UIHC



AmCo's Niche in Insurance:

When AmCo was founded, Dan Peed, AmCo's CEO at the time as well as now, saw a void developing in the Florida commercial-residential property insurance sector, there was a large gap forming in the property insurance marker for 1-to-6-story, garden-style condominium and homeowner association properties. While demand for high-rise commercial policies with large premiums was being better met by major carriers, garden-style premiums of $50,000/year were not large enough to attract new entrants.

Post 2004-2005 many of the major insurance carriers and smaller carriers were either no longer comfortable underwriting hurricane risk or realized that they did not have the proper underwriting skills to underwrite hurricane risk under state-admitted guidelines and as a result stopped offering policies to certain segments of the market. Most property owners thus were forced to resort to purchasing P&C insurance from state-owned insurer Citizen's, whose policies offer less than desirable coverage and whose government-led customer service is at best subpar.

AmRisc:

AmRisc is a Managing General Agent (MGA) that was founded by the current CEO of AmCo, Dan Peed. An MGA sits between the broker and the primary carriers and serves both functions. An MGA is a unique type of broker that borrows underwriting authority from a special type of primary carrier called a "front". MGAs offload the risk to Primary Carriers or work directly with reinsurers. MGAs usually charge a commission fee based on the number of premiums collected. In other cases, they pay a flat rate per policy sold. AmRisc is effectively a broker that also has vested underwriting authority.

In practice, the relationship between AmRisc and AmCo is so strong that, for all intents and purposes, the two operate as one vertically integrated entity for this particular insurance segment. AmCo and AmRisc work together closely to determine the parameters desired for policies and accordingly adjust the prices it quotes to the insureds accordingly.

Why does AmRisc work with AmCo?

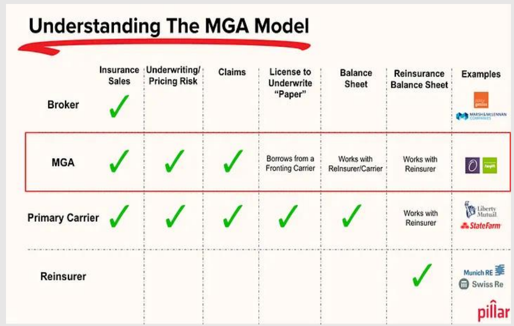
a) **Longstanding Relationship**: There is a very close relationship between all the staff and senior executives at both companies. They also have an exclusivity agreement which is up for renewal every 5 years, with the current one expiring in 2027.

b) **Truist Ownership:** AmRisc is a subsidiary of Truist Insurance Holdings. Truist's portfolio consists of seven insurance businesses, all of which are focused on brokerage-related services, and which have commanded far higher premiums than insurance carriers. Therefore, there are no strong incentives for Truist to enter the business of taking on policy risk for an incremental $100m net profit opportunity when their annual net profit for the last fiscal year was $5.8 billion.

c) **MAD:** Were AmRisc to choose to end their relationship, which is a rather unique and fringe case, AmCo could threaten to create their own captive MGA within the same segment to compete directly with AmRisc. Given that Dan was AmRisc's founder and CEO for 19 years, he is one of the very few people in the industry who is credible when making this threat. Why would AmRisc want to invite AmCo as a competitor when they can continually to work with them and capture a larger share of the market.

Figure 5 – Garden-Style Condominium in Florida

Figure 6 – MGA Diagram



AmCo's Competitive Advantage:

a) **AmRisc's Best-In-Class Underwriting:** The underwriting edge that AmRisc offers is its enormous proprietary data history that it has accumulated from its 23 years of specializing in coastal catastrophe-focused windstorm policies which includes $10bn+ in premiums written over that span. AmRisc has also underwritten these $10bn+ in premiums at a cumulative combined ratio of under 70% which provides compelling evidence that AmRisc has also been highly successful in its underwriting. Since AmCo's founding in 2007, the company has seen only three private competitors enter the space, all three of which have relied on their own in-house underwriting with zero proprietary data. Two have since exited the space, and the only one remaining has a mixed reputation among its customers.

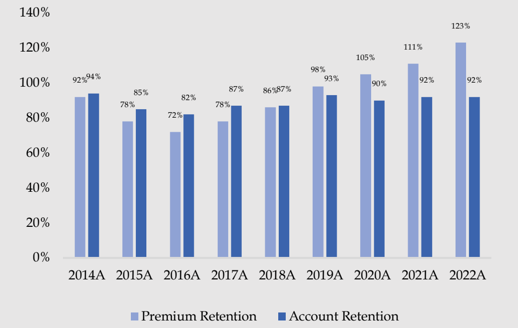
b) **Stability and Customer Loyalty:** AmCo and AmRisc are jointly the only stable providers in the minds of customers over the past 23 years. This is driven by their best-in-class underwriting ability. Policyholders value an insurer who can provide good coverage, reasonable prices, assurance they won't dramatically change their policy terms or prices year-to-year, assurance that they won't disappear overnight as so many other underwriters have, a history of paying claims fairly and not fighting the insureds over tiny claims, and a positive longstanding reputation by doing all of the above over a number of years. We further confirmed this via Tegus call with a competitor's President. Inherently insurance is commoditized, so a lot of firms use the 'me too' approach. A competing insurance company will submit the exact same forms as AmCo and copy their rates. As American Platinum entered the market, they saw how much of a stronghold AmCo has on the market. The President of American Platinum said if they quoted a premium of $40,000 and AmCo came in at $55,000 for the same coverage and policy, the insured party would go with AmCo just because they like those guys, they know they are very smart and underwrite well. In the midst of dealing with all of these fly-by-night insurers, customers have seen the AmRisc and AmCo brands as the only positive constant through all of this change, which in turn has all been possible by AmRisc's high-caliber underwriting policy.

c) **AmRisc's Dominance Over the Distribution Channel:** The same value propositions that apply to the end insured party also apply to the broker. If brokers recommend underwriters that end up vanishing, jacking up prices, or treating them unfairly they risk souring their own reputation with their clients and with future prospective clients. Brokers generally tend to rely heavily on word-of-mouth referrals.

All these advantages are demonstrated in ACIC's retention rates which are visible in Figure 7. AmCo has enjoyed strong customer retention rates over the years across both hard and soft market cycles. AmCo has consistently averaged retention rates above the insurance industry average of 84%. We expect these retention rates to stay similarly strong going forward in the future, with the caveat of being correlated with whether the insurance market as a whole is in a soft market or hard market.

Figure 7 – ACIC Historical Retention Rates

	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022A
Premium Retention	92%	78%	72%	78%	86%	98%	105%	111%	123%
Account Retention	94%	85%	82%	87%	87%	93%	90%	92%	92%



Why AmCo Chose Its Niche:

1. **Windstorm Policies Required by Law:** Florida law requires property insurance policies to include coverage for damage caused by windstorms that the National Hurricane Center declares to be a hurricane. Thus, making demand for windstorm policies both inelastic and noncyclical.

2. **Pricing Exemption for Admitted Carriers:** Unlike the homeowner's insurance market, Florida Law allows admitted carriers like AmCo to deviate from their rate (pricing) schedule when the properties they are insuring are worth more than $5m. This means AmCo can charge whatever the market is willing to pay instead of being tethered to a regulated rate schedule like most residential insurers are. They can do this while being an admitted carrier, which for all intents are purposes means that they are backstopped by Florida's insurance department (this is required by many condo & HOA boards)

3. **Low TIV-at-Risk:** Total insured value (TIV) is the maximum amount of property insurance written under a policy. The CEO has indicated that he would only want to write policies that account for 40% of the market on the upper end. The main risk consideration in a building's construction, and specifically AmCo seeks properties with joisted masonry construction, which is where the exterior walls are constructed of masonry materials such as brick, concrete, and adobe. This is shown in Figure 9. This is why policies AmCo underwrites are at much lower risk than homeowners' policies. On a homeowner's policy, a house can get completely destroyed during a bad hurricane and the maximum TIV-at-risk can be 100%, whereas the maximum TIV-at-risk on a garden-style condo with joisted masonry is only 25-30%. The majority of American Coastal's claim payouts are for damaged roofs.

AmCo's Competitive Advantage Demonstrated in Numbers:

We have talked at length about the qualitative drivers of why we think AmCo has an underwriting edge over other insurers in Florida.

To assess this advantage quantitatively, we can look at an insurance companies' historical combined ratio. Combined ratio is the summation of the expense ratio (policy acquisition costs/premiums), claim ratio (claims, inclusive of loss adjustment expenses/premiums). A combined ratio of >1 translates into no underwriting profitability.

In figures 9-12, we can see that ACIC is the only company that has historically had a combined ratio of less than 1. On average their combined ratio has been approx. 69% which means that for every dollar than ACIC collects in premiums, they only pay out 69 cents. This level of underwriting is starkly different from the comps who average 94%.

Recently, due to the amount of volume underwritten in the soft market from 2013 to 2017 combined with the large hurricanes, undisciplined underwriters have seen combined ratios far above 1.

ACIC has historically and will continue to only underwrite insurance that they feel has a very low risk of generating a combined ratio of below 1.

Figure 8 – Joisted Masonry Construction

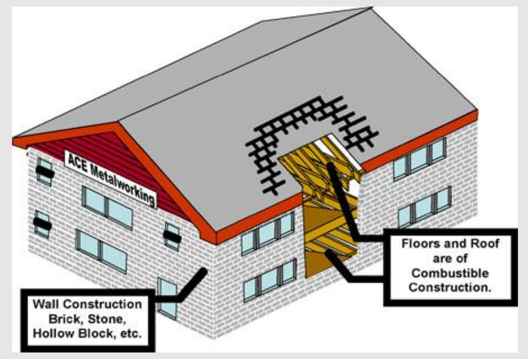


Figure 9 – ACIC

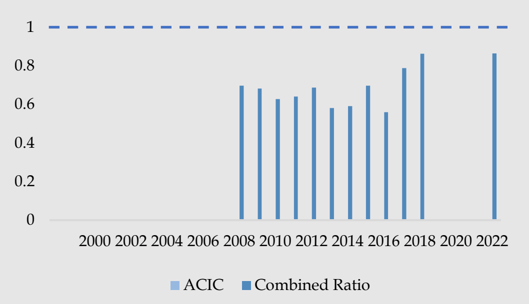


Figure 10 – HCI

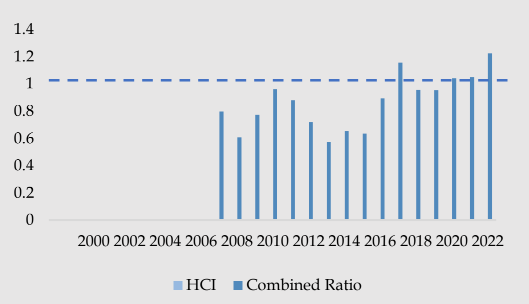
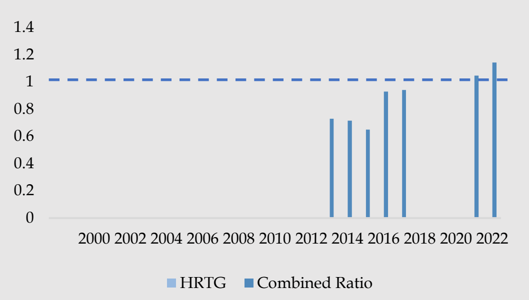


Figure 11 – Heritage



Underwriting Discipline:

Underwriting discipline refers to an insurers understanding that some underwriting is more attractive than others and that this attractiveness is largely a result of market conditions (soft versus hard market). A hard market occurs when there are "unusually high insurance and reinsurance premiums, limited reinsurance capacity, stricter underwriting terms, and reduced competition among insurance carriers". A soft market is the opposite.

Most insurance companies have little to no underwriting discipline and instead feel the imperative to underwrite the same volume of insurance as their competitors regardless of the attractiveness of the insurance. This "institutional imperative" as we will call it occurs because of two reasons: a time difference between when premiums are collected versus paid out and a follow the herd mentality.

1. Regarding the time difference, an insurance company could underwrite a consumer today (collecting an upfront payment plus period payments) but only pay out losses on damaged properties in 5 or 10 years. Because of the number of years that it takes to see whether your underwriting was successful, CEOs do not have the strongest incentive to underwrite well. Oftentimes, 1 or 2 different CEOs could take tenure in between those 10 years which creates further misaligned incentives. In addition, Wall Street is focused on short term increases in premiums written (similar to revenue for a non-financial company) as they assume these insurance policies will be profitable down the line. This dynamic is similar to the CEO of a tech company who has strong incentives to increase revenue and with the secondary priority being profitability.

2. The second factor is that insurance managers are often comfortable with being incorrect as long as their competitors are in the same situation. Buffett argues that "They simply can't turn their back on business that their competitors are eagerly writing. That old line, 'The other guy is doing it so we must as well,' spells trouble in any business, but in none more so than insurance. Indeed, a good underwriter needs an independent mindset akin to that of the senior citizen who received a call from his wife while driving home. 'Albert, be careful,' she warned, 'I just heard on the radio that there's a car going the wrong way down the Interstate.' 'Mabel, they don't know the half of it,' replied Albert, 'It's not just one car, there are hundreds of them.'"

To further analyze ACIC underwriting discipline we compared their gross premiums written and net premiums earned to their comps. Gross premiums written is a measure of how much insurance the underwriters are willing to give. Net premiums earned is simply the gross premiums earned less reinsurance expenses. Looking at figures 13-16, ACIC has done very well. This is indicated by a noticeable decrease in premiums written during the soft market of 2013 to 2017 and a rapid increase in premiums written from then onwards. Figure 3 does a good job of showing when the soft and hard markets occurred.

AmCo's superior underwriting have partially been enabled by underwriting discipline and speak toward Dan's competence as trustworthy and diligent manager.

Figure 12 – UVE

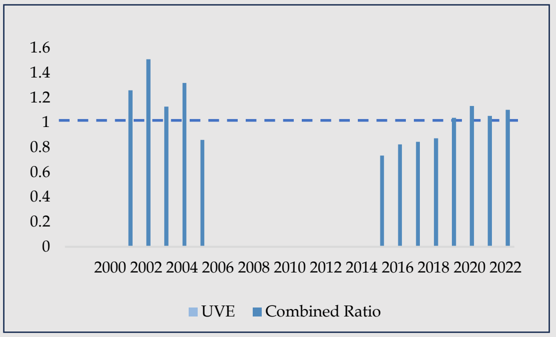


Figure 13 – ACIC GPW & NPE

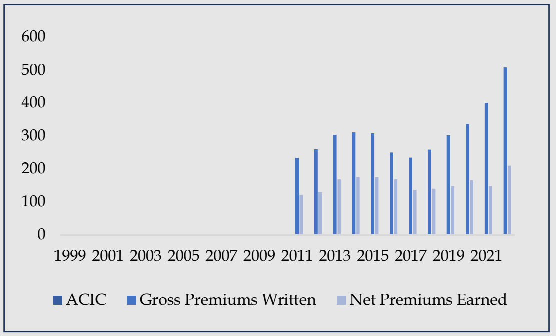


Figure 14 – HCI GPW & NPE

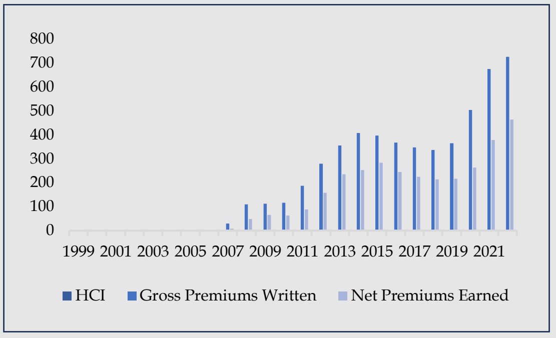
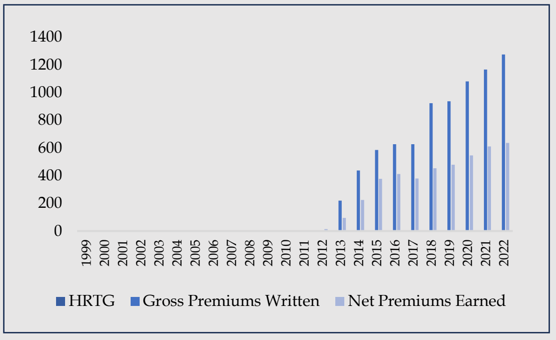


Figure 15 – Heritage GPW & NPE



Why This Opportunity Exists:

UIHC was a consolidated entity with two subsidiaries, AmCo and UPC. UIHC acquired AmCo in April 2017. UPC is now deconsolidated from UIHC. It was placed into runoff after approval from the Florida Office of Insurance Regulation (FLOIR). UPC was a low-quality business that focused on personal lines. Personal lines are inherently not as attractive of a place to be as commercial lines, but issues were only further compounded by UPC's then-CEO's decision to shift towards InsureTech. To cut costs UPC ended its traditional inspection process and started asking policyholders to climb up their house and take detailed pictures of their own roofs. This significantly worsened UPC's ability to underwrite risk. UPC was somewhat saved by their loss-pooling agreement with AmCo. This meant that effectively all of AmCo's underwriting profit was going towards subsidizing UPC's poor underwriting of risk.

AmCo's true business quality has been overshadowed by the fact that financial statements have been consolidated with UPC. AmCo has not yet had a full year of deconsolidated/independent financial results. This creates a tremendous opportunity that the market is underappreciating and not recognizing.

What is Reinsurance:

Reinsurers provide insurance for insurance companies looking to lay off (cede) a portion of their assumed risk. Reinsurers may also buy reinsurance protection, which is called retrocession.

There are two different types of reinsurance contracts:

- Obligatory: Primary insurer and reinsurer enter into an agreement for an entire portfolio of risks. The primary insurer is obligated to cede all business under the terms and conditions of the treaty. The reinsurer is obligated to accept all risks ceded by the reinsured.

- Facultative: The primary insurer has the option of ceding a risk. The reinsurer has the option to accept or to decline. Each risk is considered individually.

In proportional reinsurance contracts liability, premiums, and losses are split proportionally. There are two possible proportional reinsurance contracts: Quota Share & Surplus Quota Share.

Reinsurance in the Context of AmCo:

We earlier talked about reinsurance, but now we will look at it specifically in the context of AmCo.

Figure 19 shows AmCo's reinsurance tower which is comprised of many layers of coverage, with each layer covered by multiple reinsurance companies like ArchRe, Berkshire etc. AmCo also gets reinsurance from FORA, a program introduced by the state of Florida to help provide carriers with accessible reinsurance. For a larger picture of the stack please visit the appendix.

In the reinsurance tower, the two most important numbers are $1.1 billion and 167 years. These two numbers together can be interpreted as Amco's reinsurance fully protects them against a $1.1 billion loss or a 1 in 167 year hurricane. AmCo would thus be covered for any losses in excess of $10m up to $1.1bn.

Figure 16 – UVE GPW & NPE

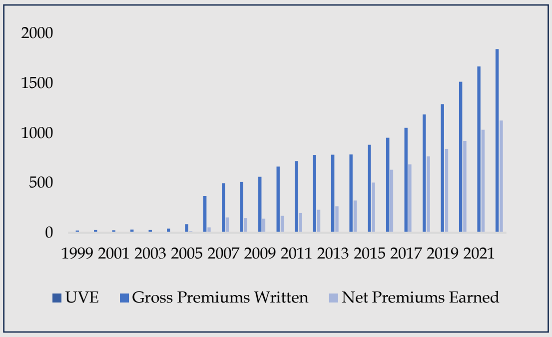


Figure 17 – Facultative Reinsurance

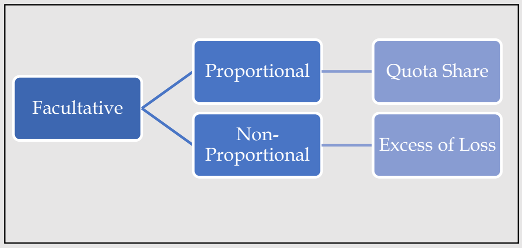


Figure 18 – Obligatory (Treaty) Reinsurance

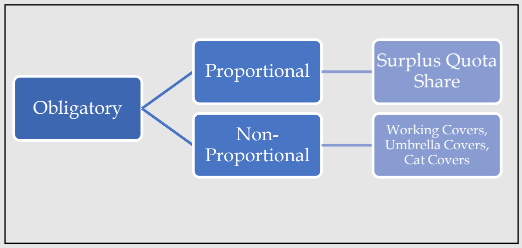


Figure 19 – AmCo Reinsurance Stack

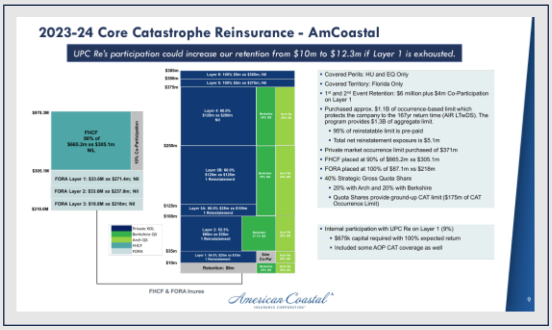
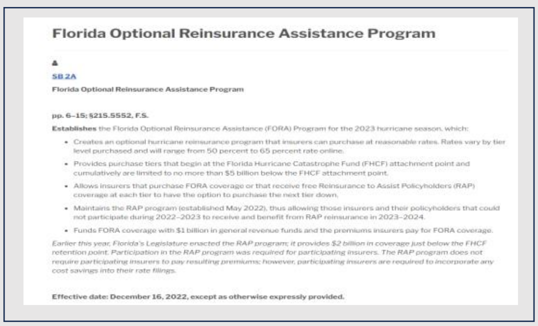


Figure 20 – FORA Reinsurance



Florida Optional Reinsurance Assistance Program

SB 2A

Florida Optional Reinsurance Assistance Program

pp. 6–15; §215.5552, F.S.

Establishes the Florida Optional Reinsurance Assistance (FORA) Program for the 2023 hurricane season, which:

- Creates an optional hurricane reinsurance program that insurers can purchase at reasonable rates. Rates vary by tier level purchased and will range from 50 percent to 65 percent rate online.
- Provides purchase tiers that begin at the Florida Hurricane Catastrophe Fund (FHCF) attachment point and cumulatively are limited to no more than $5 billion below the FHCF attachment point.
- Allows insurers that purchase FORA coverage or that receive free Reinsurance to Assist Policyholders (RAP) coverage at each tier to have the option to purchase the next tier down.
- Maintains the RAP program (established May 2022), thus allowing those insurers and their policyholders that could not participate during 2022–2023 to receive and benefit from RAP reinsurance in 2023–2024.
- Funds FORA coverage with $1 billion in general revenue funds and the premiums insurers pay for FORA coverage.

Earlier this year, Florida's Legislature enacted the RAP program; it provides $2 billion in coverage just below the FHCF retention point. Participation in the RAP program was required for participating insurers. The RAP program does not require participating insurers to pay resulting premiums; however, participating insurers are required to incorporate any cost savings into their rate filings.

Effective date: December 16, 2022, except as otherwise expressly provided.

ACIC Reinsurers Overview:

Professor Finch emphasized that we look at what reinsurance risk looks like for AmCo.

FHCH (Florida Hurricane Catastrophe Fund): AA Rating, | Fitch Munich Reinsurance: A+ (superior), AM Best | Allianz Global Risks US: A+ (superior), AM Best | Transatlantic Reinsurance: A++, AM Best | Hannover Reuck Se: A+, AM Best

ACIC Rating Overview:

We also looked at ACIC's rating and their direct competitors. American Coastal has gotten an A (exceptional) rating from Demotech. AmCo's direct competitors HRTG and UVE are rated B+ and B++ respectively by AM Best.

ACIC Growth Runway:

New clients are obtained by either (1) poaching competitors' clients (2) obtaining new entrants.

Poaching Competitor Clients (original strategy, TAM: ~13,000)

- Coming into the space, American Coastal targeted Citizen's clients who were getting bad rates. With increased competition and less upside, Citizen's market share fell 57% to 15% from 2009-2022.
- High switching costs deter poaching abilities but due to hard market smaller providers are forced to charge very high premiums or not take on as much capacity leaving significant market share gaining capabilities for AmCo.

New entrants/Burned condos (i.e. failed claims)

- AmCo has significant upside here because of their relationship with AmRisc and because of their brand equity.
- AmRisc/AmCo combo brand is well-known as reliant and preferred by buyers.

In the near term, market share growth is definitely likely because of the hard market which allows AmCo to thrive. Considering high retention rates and strong brand loyalty, coming out of the hard market, AmCo will be able to continue collecting premiums from clients gained during this time.

Catalysts:

Hard Market in Florida:

Florida is currently experiencing a hard market and this is characterized by high insurance and reinsurance premiums, limited reinsurance capacity, stricter underwriting terms, and reduced competition between carriers. This hard market was created from a destructive string of hurricanes from 2017 to 2022 (Irma in 2017, Michael in 2018, and Ian in 2022).

After major cat events insurers and reinsures incur above-average losses and their capital surplus levels fall below expectations. This forces insurance companies to curtail their reinsurance capacity which lowers supply of insurance in the market. This forces insurance prices higher.

For those who have exited the market, it is bad. But for those who still have surplus equity and an ability to underwrite because of favorable reinsurance stacks, they are able to benefit by taking market share and increase gross premiums written.

Insurance experts as well as individuals we talked feel very convicted that the hard market will last for the next 2 to 4 years.

Figure 21 – ACIC Reinsurers

Federal ID #	NAIC #	Name of Reinsurer	Amount
95-3187355	35300	Allianz Global Risks US INS	10,810,675
22-2005057	26921	Everest Reins Co	6,861,684
AA-9991310	00000	Florida Hurricane Catastrophe Fund	417,561,590
AA-1340125	00000	Hannover Reuck SE	23,030,992
AA-3190871	00000	Lancashire Ins Co LTD	3,012,425
AA-1120083	00000	Llyod's Synidcate 1910	6,201,837
AA-112897	00000	Llloyd's Syndicate 2987	2,592,373
AA-3190829	00000	Markel Bermuda Ltd	9,167,151
13-4924125	10227	Munich Reins Amer Inc	62,065,033
13-1675535	25364	Swiss Reins Amer Corp	3,811,425
13-5616275	19453	Transatlantic Reins Co	12,204,211

Valuation:

Item 1: Net Income Projection

Operating Build (Fiscal Year Beginning June)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Stub	0.67	1.67	2.67	3.67	4.67	5.67	6.67	7.67
Gross Premium Written	699,235,700	727,205,128	639,940,513	559,947,949	543,149,510	581,169,976	621,851,874	665,381,505
% Change Attribution to Δ in Property Valuations		-5.00%	-3.50%	4.00%	5.00%	5.00%	5.00%	5.00%
% Change Attribution to Δ in Market Share		9.00%	6.50%	3.50%	2.00%	2.00%	2.00%	2.00%
% Change Attribution to Δ in Hard/Soft Market Pricing		0.00%	-15.00%	-20.00%	-10.00%	0.00%	0.00%	0.00%
% Change YoY in Gross Premiums Written	51%	4.00%	-12.00%	-12.50%	-3.00%	7.00%	7.00%	7.00%
Gross Premium Earned	699,235,700	727,205,128	639,940,513	559,947,949	543,149,510	581,169,976	621,851,874	665,381,505
% Change YoY								
Private XOL Reinsurance Expense	(127,000,000)	(135,100,000)	(124,739,733)	(115,567,694)	(124,556,293)	(133,275,233)	(142,604,499)	(153,037,746)
% of GPE	-18%	-19%	-19%	-21%	-23%	-23%	-23%	-23%
One-Time FORA Price Negotiation			10,000,000					
YoY Change in TIV								
FORA/FHCF Reinsurance Expense	(100,000,000)	(94,000,000)	(96,820,000)	(104,081,500)	(111,367,205)	(119,162,909)	(127,504,313)	(136,429,615)
		-6%	3%	8%	7%	7%	7%	7%
Total XOL Reinsurance Expense	(227,000,000)	(229,100,000)	(221,559,733)	(219,649,194)	(235,923,498)	(252,438,142)	(270,108,812)	(289,467,361)
Quota Share Reinsurance Expense	(279,694,280)	(181,801,282)	(79,992,564)	(27,997,397)	0	0	0	0
% of Gross Premium Earned	40.00%	25.00%	12.50%	5.00%	0.00%	0.00%	0.00%	0.00%
Net Premiums Earned	192,541,420	316,303,846	348,388,216	312,301,357	307,226,012	328,731,834	351,743,062	375,914,144
Reinsurance % (Insurance Ceded)	72%	57%	46%	44%	43%	43%	43%	44%
Less: Commission and Brokerage Costs to AmRisc	174,808,925	181,801,282	159,985,128	139,986,987	135,787,378	145,292,494	155,462,969	166,345,376
%Commission & Brokerage Paid	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Add: Ceding Commissions from QS	95,096,055	61,812,436	27,197,472	9,519,115	0			
% of QS	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%
Net Policy Acquisition Costs	79,712,870	119,988,846	132,787,656	130,467,872	135,787,378	145,292,494	155,462,969	166,345,376
Attritional Losses, Gross before Quota Share	(58,837,209)	(54,540,385)	(47,995,538)	(41,996,096)	(40,736,213)	(43,587,748)	(46,638,891)	(49,903,613)
% of GPE	-8.4%	-7.5%	-7.5%	-7.5%	-7.5%	-7.5%	-7.5%	-7.5%
Attritional Losses, Losses Borne by QS Reinsurers	21,372,850	10,483,734	6,070,082	4,208,590	0	0	0	0
% of GPE	3.1%	1.4%	0.9%	0.8%	0.0%	0.0%	0.0%	0.0%
Less: Attritional Losses	(37,464,359)	(44,056,651)	(41,925,456)	(37,787,506)	(40,736,213)	(43,587,748)	(46,638,891)	(49,903,613)
CAT Lossess								
Number of Named Events	1	1	1	1	1	1	1	1
(1) CAT Losses, Direct	(50,000,000)	(52,000,000)	(53,560,000)	(57,577,000)	(61,607,390)	(65,919,907)	(70,534,301)	(75,471,702)
(2) American Coastal per-event Retention	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
(3) American Coastal per-event LAE	(20,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
(4) CAT Losses, Losses Borne by Reinsurance, XOL	20,000,000	27,000,000	28,560,000	32,577,000	36,607,390	40,919,907	45,534,301	45,534,301
(5) CAT Losses, Losses Borne by Reinsurance, Quota Share	12,000,000	6,250,000	3,750,000	2,500,000				
Less: Net CAT Losses Borne by American Coastal (2 + 3 + 5	(18,000,000)	(18,750,000)	(21,250,000)	(22,500,000)	(25,000,000)	(25,000,000)	(25,000,000)	(25,000,000)
Investmet Income	10,705,303	16,985,517	17,245,217	14,865,545	14,347,455	15,614,762	16,707,795	17,855,922
interest rate%	5.6%	5.4%	5.0%	4.8%	4.7%	4.8%	4.8%	4.8%
Interest Expense	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000
Pre-Tax Income	56,819,494	139,243,866	158,420,319	125,161,524	108,799,876	119,216,354	130,098,998	141,271,077
Federal & Foreign Income Taxes Incurred	11,932,094	29,241,212	33,268,267	26,283,920	22,847,974	25,035,434	27,320,790	29,666,926
Net Income	44,887,400	110,002,654	125,152,052	68,877,604	85,951,902	94,180,919	102,778,209	111,604,151

- According to a variety of experts and Sohra Peak capital, we are currently in one of the hardest markets in Florida's recent history due to a string of large hurricanes. This hard market is expected to last 2 to 4 years according to these individuals. To be on the more conservative side, we forecasted gross premiums written increasing for the next 2 years (FY 2023 and 2024).

- American Coastal had a loss sharing agreement with UPC from FY 2019 to 2021 that led their equity base to reach low levels. Because of this, American Coastal was forced to enter into a 40% quota share agreement with their reinsurers (an agreement where AmCo sells off some of their business temporarily). The cost of this quota share agreement can be seen in the valuation above right above net premiums earned. As AmCo slowly builds their equity base back up, they should be able to decrease this quota share agreement from 40% to 0% by 2027. With the recent $80,000,000 equity issuance, AmCo could have sufficient capital to decrease this quota share more quickly than we are forecasting.

Valuation:

Item 2: Net Income Valuation

ACIC Net Income Valuation								
As of 11/7/2023								
Year	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
Period	*0.67*	*1.67*	*2.67*	*3.67*	*4.67*	*5.67*	*6.67*	*7.67*
Net Income	29,924,934	110,002,654	125,152,052	68,877,604	85,951,902	94,180,919	102,778,209	111,604,151
PV Of Net Income	28,162,830	94,517,210	98,177,133	49,330,445	56,202,695	56,224,967	56,018,563	55,536,168
PV of Stage 1	**494,170,010**							
Final-Year Net Income	111,604,151							
Exit Multiple	10x							
Terminal Value	1,116,041,507							
PV of TV	**555,361,676**							

ACIC Value	
Equity Value	1,049,531,687
DSO	51,406,486
Equity Value per Share	**20.42**
Current Share Price	7.24
Upside	**181.99%**

- We utilized a discounted net income valuation as converting from net income to cash flow is very difficult to accurately do.
- We utilized an exit PE multiple of 10x, in line with UVE. However, ACIC could reasonably deserve a slightly higher multiple than UVE due to better management and stickier customer relationships.

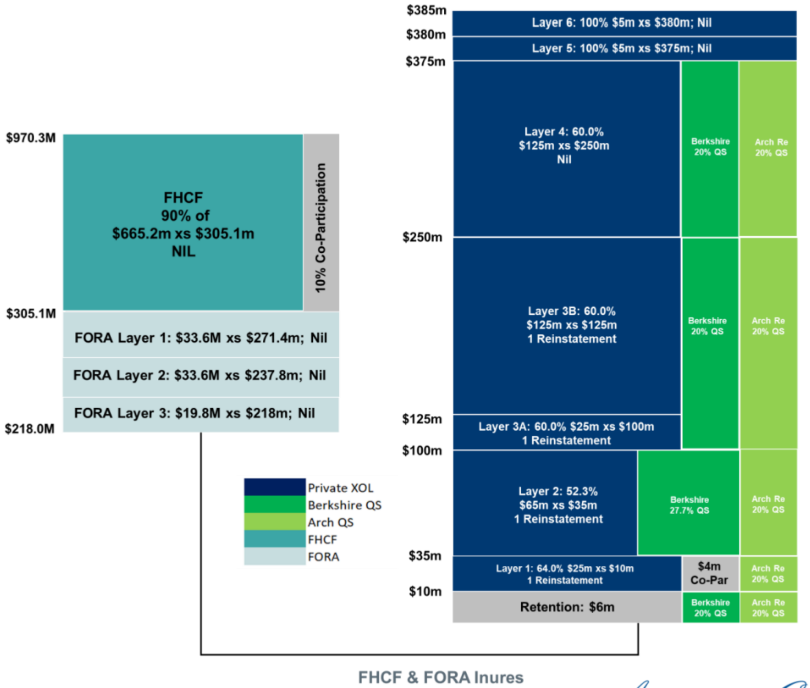
Item 3: Historical Financials

					Irma	Michael	Loss Sharing Period with UPC			Ian
	2013A	**2014A**	**2015A**	**2016A**	**2017A**	**2018A**	**2019A**	**2020A**	**2021A**	**2022A**
Gross Premiums Written	285,547,000	308,170,000	312,964,000	275,322,000	235,202,000	249,187,000				463,070,000
Ceded Premiums Earned	(117,714,000)	(133,410,000)	(140,843,000)	(135,138,000)	(107,241,000)	(108,892,000)				(253,088,000)
Net Premiums Earned	167,833,000	174,760,000	172,121,000	140,184,000	127,961,000	140,295,000				209,982,000
Losses Incurred										
(1) Direct Business	12,924,610	8,373,018	22,783,711	36,104,050	51,173,258	136,944,805				109,279,695
(2) Reinsurance Assumed	0	0		0	0	0				81,232,464
(3) Resinsurance Recovered	8,138,869	329,950	14,327,388	12,296,744	11,207,303	105,644,684				132,172,659
(4) Net Payments (1 + 2 - 3)	**4,785,741**	**8,043,068**	**8,456,323**	23,807,306	39,965,955	31,300,121				58,339,500
(5) Net Losses Unpaid Current Year	9,446,345	11,941,166	19,904,323	26,714,000	31,429,773	36,861,991				77,254,739
(6) Net Losses Unpaid Prior Year	11,611,071	9,446,345	6,182,179	19,904,323	26,713,980	31,429,773				87,308,025
(7) Losses Incurred Current Year (4 + 5 - 6)	**2,621,015**	**10,537,889**	**22,178,467**	30,616,983	44,681,748	36,732,339				48,286,214
Claims Ratio	*1.56%*	*6.03%*	*12.89%*	*21.84%*	*34.92%*	*26.18%*				*23.00%*
Loss Adjustment Expenses										
Direct										79,540,873
Reinsurance Ceded										52,346,528
Net LAE	16,594,727	17,106,772	20,412,400	17,303,602	2,251,309	15,032,244				27,194,345
Other Underwriting Expenses										
Comission and Brokerage	42,167,715	42,751,047	45,531,807	17,018,840	32,318,969	44,924,539				51,184,513
SG&A	26,710,070	31,690,103	27,674,473	20,976,024	22,092,890	19,337,446				45,943,892
Taxes, Licenses & Fees	9,153,730	2,037,185	6,670,908	7,802,818	4,913,229	3,307,110				11,652,406
Miscellaneous Expenses				174,768	1,298,974	1,802,414				58,146
Total Expenses	**78,031,515**	**76,478,335**	**79,877,188**	**63,276,052**	**62,875,371**	**84,403,753**				**136,033,302**
Expense Ratio	46.49%	43.76%	46.41%	*45.14%*	*49.14%*	*60.16%*				*64.78%*
Underwriting Result	**70,585,743**	**70,637,004**	**49,652,945**	**46,290,965**	**20,403,881**	**19,158,908**				**25,662,484**
Combined Ratio	48.06%	49.79%	59.29%	*66.98%*	*84.05%*	*86.34%*				*87.78%*
Investment Income										
Net Investment Income Earned	2,013,563	1,948,180	2,667,062	4,333,372	5,649,424	7,259,924				5,199,171
Net Realized Capital Gains (Losses) Less Capital Gains	0	0	2,233	9,082	65,053	(173,214)				(5,156,927)
Net Investment Gain (Loss)	**2,013,563**	**1,948,180**	**2,669,295**	**4,342,454**	**5,714,477**	**7,086,710**				**42,244**
Other Income										
Net Gain (Loss) From Agents' or Premium Balances Cha	0	0	0	0	(5,926)	1,000				(9,943)
Finance and Service Charges Not Included in Premiums	0	0	0	0	0	0				0
Aggregate Write-Ins for Miscellaneous Income	0	0	0	0	0	2,295				1,179,531
Total Other Incomes	**0**	**0**	**0**	**0**	**(5,926)**	**3,295**				1,169,588
Net Income Before Dividends, After Cap Gains Tax &	**72,599,306**	**72,585,184**	**52,322,240**	**50,633,419**	**26,112,432**	**26,248,913**				**26,874,316**
Federal & Foreign Income Taxes Incurred	25,739,335	24,385,078	18,156,037	15,031,945	8,430,796	5,345,921				10,358,775
Net Income	**46,859,971**	**48,200,106**	**34,166,203**	**35,601,474**	**17,681,636**	**20,902,992**				**16,515,541**

NB: *2019-2021 Financials Excluded Due to UPC Loss Sharing Agreement

Appendix:

Item 1: 2023-24 American Coastal Core Catastrophe Reinsurance Stack



- Covered Perils: HU and EQ Only
- Covered Territory: Florida Only
- 1st and 2nd Event Retention: $6 million plus $4m Co-Participation on Layer 1
- Purchased approx. $1.1B of occurrence-based limit which protects the company to the 167yr return time (AIR LTwDS). The program provides $1.3B of aggregate limit.
  - 95% of reinstatable limit is pre-paid
  - Total net reinstatement exposure is $5.1m
- Private market occurrence limit purchased of $371m
- FHCF placed at 90% of $665.2m xs $305.1m
- FORA placed at 100% of $87.1m xs $218m
- 40% Strategic Gross Quota Share
  - 20% with Arch and 20% with Berkshire
  - Quota Shares provide ground-up CAT limit ($175m of CAT Occurrence Limit)

- Internal participation with UPC Re on Layer 1 (9%)
  - $675k capital required with 100% expected return
  - Included some AOP CAT coverage as well

American Coastal
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Key Points on Reinsurance Stack

- The reinsurance stack protects AmCo up to 1.1 billion in losses. Any losses above $1 billion are paid directly by AmCo. Amco's actuaries have predicted that the reinsurance stack protects AmCo from a 1 in 167-year hurricane. Since we only need to wait 3 years to get our money back on this investment, the probability that a hurricane of this rarity occurs in the next 3 years is approx. 1%.

- Currently, AmCo is in a 40% quota share agreement with Berkshire and Arch Re because of a low equity base. This quota share agreement is indicated in light green on the reinsurance stack.

- AmCo has to pay approximately 10 million of the first losses in the stack (indicated by the gray blocks) as well as pay premiums for their reinsurance. These premium costs are not shown on the reinsurance stack.

Item 2: American Coastal Reinsurance Providers

NAIC #	Name of Reinsurer	Amount	Rating Agency	Rating
35300	Allianz Global Risks US INS	10,810,675	AM Best	A+
26921	Everest Reins Co	6,861,684	AM Best	A+
00000	Florida Hurricane Catastrophe Fund	417,561,590	Fitch	AA
00000	Hannover Reuck SE	23,030,992	AM Best	A+
00000	Lancashire Ins Co LTD	3,012,425	AM Best	A
00000	Llyod's Synidcate 1910	6,201,837	AM Best	A+
00000	Llloyd's Syndicate 2987	2,592,373	AM Best	A+
00000	Markel Bermuda Ltd	9,167,151	AM Best	A
10227	Munich Reins Amer Inc	62,065,033	AM Best	A+
25364	Swiss Reins Amer Corp	3,811,425	AM Best	A+
19453	Transatlantic Reins Co	12,204,211	S&P	AA+

Appendix Continued:

Item 3: Premium to Surplus Ratio Projection

	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Gross Premiums Written	463,070,000	699,235,700	727,205,128	639,940,513	559,947,949	543,149,510	581,169,976	621,851,874	665,381,505
Policy Surplus (Equity)	77,510,000	94,025,541	138,821,677	249,149,175	375,814,974	446,518,291	534,484,674	630,613,330	735,475,616
Ratio	5.97	7.44	5.24	2.57	1.49	1.22	1.09	0.99	0.90

Item 4: Key Terms

Gross Premium & Net Premium: The amount of premium received by the insurance company as a result of underwriting various polices is the gross premium. Out of this total premium, some amount is used to pay reinsurance premiums. The amount of money left after paying the reinsurance premium is called the net premium.

Unearned Premium: An unearned premium is the premium amount that corresponds to the time period remaining on an insurance policy. In other words, it is the portion of the policy premium this has not yet been earned by the insurance company because the policy still has some time before it expires. This can be thought of as deferred revenues.

Ceded Premiums: Ceded premiums refer to the premiums paid by the insurer to another insurer for reinsurance protection.

Excess of Loss: Excess of loss reinsurance is a type of reinsurance in which the reinsurer compensates the ceding company for losses that exceed a specified limit. This is a form of non-proportional reinsurance. 10 xs 25, is interpreted as the reinsurer is responsible for the next $25mm of losses that occur after the initial $10mm in losses.

Insurance-to-Value: The amount approximating the replacement cost of insured property.

Quota Share Treaty: A quota share treaty is a form of pro-rate reinsurance (proportional) in which the insurer and reinsurer share premiums and losses according to a fixed pre-determined percentage.

Loss Adjustment Expense (LAE): Loss adjustment expense is a cost that insurance companies incur when investigating and settling an insurance claim. There are two types of LAEs – allocated and unallocated. Allocated costs accumulate during active claim investigations whereas unallocated costs are part of the investigation overhead.