

## **WESTERN and our Subsidiaries**

### **To our Shareholders:**

2025 was a transformative year, marking the beginning of a new Western. We embarked on our promised strategic pivot toward becoming an insurance and investment holding company, with the stated objective of compounding shareholder value over the long term.

Our approach is guided by what we call *The Western Way*. It consists of four business principles and four people values. The key business principles are: (a) decentralized operational subsidiaries; (b) centralized investment management, incentives and capital allocation; (c) long-term focus; and (d) always soundly financed. The key people values are: (a) humble and respectful attitude; (b) competitive, team players; (c) pragmatic, status quo challengers; and (d) uncompromising loyalty, integrity and accountability. The Western Way is the foundation of our organization, guiding our decision-making, keeping us focused, and representing who we are today and who we are committed to remaining.

We have taken several important steps to reposition Western. We completed a successful rights offering, consolidated our ownership of Fortress Insurance, converted our outstanding debentures, and more recently sold our interest in GlassMasters. As a result, our balance sheet is now entirely de-levered, with over \$50 million in cash available to deploy into accretive opportunities, and we are moving intentionally towards supporting the growth of Fortress and acquiring - and partnering with - businesses in the insurance sector.

We are focused on disciplined underwriting and maintaining low combined ratios, with profitable growth supporting the generation of "float" — insurance policyholder capital that we can invest into high-conviction stocks and bonds. Fortress will continue to scale with expense ratios remaining elevated for the next few years, realizing necessary transformational expenses offset by increasing operational efficiencies, while incentives remain aligned toward maintaining moderate loss ratios. We are not interested in growth for growth's sake; we seek profitable premiums that provide float that will be prudently compounded over the long term.

Our investment approach is value-oriented, and capital preservation is paramount. In other words, we do not speculate with your money, or the float provided by our policyholders. When buying bonds, we are credit-quality focused and do not reach for yield. Similarly, we buy stocks of strong companies at prices below intrinsic value and hold them until their underlying value is realized.

Our insurance and investment returns may exhibit variability, as we do not manage for short term quarterly earnings; we manage for the compounding of book value over years. We measure our success annually by looking at growth in intrinsic value per share, returns on common shareholders' equity, and lowering holding company overhead as a percentage of total consolidated revenue. Over the long term, our goal is to compound shareholders' equity at an annual rate of 15% on a per share basis, without sacrificing our principles and values, financial strength or taking undue risk.

Western looks very different today than it did just a year ago. Transformations of this nature are rarely linear, but we believe we are now equipped with the right balance sheet, culture, and operating model to create substantial value over time. We are sincerely grateful for the trust you have placed in Western. We are fortunate to have shareholders who value a patient approach and share our commitment to fundamental principles and values.



**Paul Rivett**

Chief Executive Officer