Tiptree Inc.

2018

Annual Letter to Shareholders

April 22, 2019

To Our Fellow Shareholders,

Tiptree's book value per-share as of year-end 2018 was $10.79, which combined with dividends, resulted in a total return for the year of 9.6%. Investors who participated in our June 2007 initial capital raise have experienced a compounded annual return of 9.6% through the end of 2018 (as measured by growth in book value per share plus dividends received), as compared to 6.8% for the S&P 500 and 5.8% for the Russell 2000 over the same period. For the year, we earned $29.9 million of net income and $54.9 million of Operating EBITDA from our operations and investing activities.[1] We also increased our annual cash dividends paid (for the second consecutive year) by 12.5% to 13.5 cents per share. In light of a particularly challenging investment environment in 2018, we are pleased with these results. In addition, significant progress was made on our long-term strategic goals of expanding our insurance operations, simplifying our capital structure by eliminating our dual class structure and growing and refining investments held within Tiptree Capital.

We are well aware, and a bit perplexed, that Tiptree's public market share price does not currently reflect our GAAP book value, not to mention our "intrinsic" value which we believe currently exceeds our GAAP book value by a significant amount. Management is extremely focused on actions that we might take to better align the price at which our shares trade with our "intrinsic" value, but simultaneously, we will also always consider buying back our shares when they trade at a steep discount. To this point, in 2018 and early 2019, we repurchased almost 3.7 million shares at an average 40% discount to book value, and since 2014 we have repurchased nearly 30% of the Company's shares that were outstanding at the end of 2014. When considering buying back shares, we always evaluate the one-time after-tax gain versus using that capital for new acquisitions that may benefit us well into the future. But it is hard for us to pass up buying dimes for nickels when the opportunity presents itself. Over time, we strongly believe that through the actions currently being undertaken by management to simplify our business model and financial reporting, along with producing consistent, long-term performance, market participants will ultimately recognize consistent, superior results and value an investment in our shares accordingly.

2018 was noteworthy in that we made no business acquisitions, although we pursued many. With private equity investors flush with capital, and debt financing still easy to access, we are finding that businesses are trading hands at levels we would rather not participate. Without abandoning our discipline, we will continue to look for acquisition opportunities that have the following attributes: (1) strong and experienced management teams, (2) attractive and stable cash returns, (3) complement existing businesses or strategies, and (4) have sustainable and scalable business models. As our experience in 2018 showed, there will be years where we do not find any acquisitions, but we will always be focused on diversifying our platform and improving our existing companies through attractively priced and well managed business purchases.

Throughout the year we took significant steps toward our objective to grow and refine our investments held within Tiptree Capital. We sold our seniors housing business to Invesque in February of 2018 resulting in a total book value gain of $1.16 per share. Although our Invesque shares are marked to market, and thus will impact our earnings from period to period, we continue to believe in the long-term prospects of the sector. In the second half of 2018, we invested $50 million acquiring three dry-

[1] For a reconciliation to GAAP financials, see "Non-GAAP Measures" beginning on p. 41 of our Form 10-K for the year ended December 31, 2018.

bulk vessels, at what we believe is an attractive entry point to the shipping sector. Tiptree's permanent capital base allows us to view our investments in this sector through a long-term lens, providing competitive advantages to alternative capital sources such as private equity funds. Although you don't have to go far to hear stories of the losses shipping has inflicted on some investors in the past, it has also produced its fair share of wealth throughout a centuries long history. It is still early days for us in this sector, but we already see the sprouts of what we think could be a gem of a business. Last, as we recently announced in February, we have taken steps to enhance Tiptree's asset management capabilities by allocating $75 million of capital to Tricadia to seed new investment funds in exchange for an ownership position in the management company. We expect these funds to be re-allocated from existing investments into broader credit strategies. Tricadia has more than a 16 year history of managing assets across multiple credit products, including commercial and residential mortgage backed securities, CLOs, asset backed securities as well as the full range of corporate credit products. In particular, in light of our view that we may be near the latter stages of a U.S. credit cycle, Tricadia brings a wealth of experience in the corporate distressed sector, which we believe will present significant investment opportunities in the coming years. In addition, as we grow our insurance related "float" of paid-in premiums to invest, the Tricadia team will further deepen the bench of Tiptree's internal asset management expertise.

We had a great year in our insurance business. We grew gross written premiums to $868.1 million, up 13.0% over 2017 and net written premiums were up 11.7% to $466.8 million. Operating EBITDA[2] was $64.5 million, up 21.0% from 2017, driven by growth in both insurance and fee-generating consumer service products. We maintained our combined ratio in the low 90's, demonstrating our continued ability to underwrite profitably, while increasing written premiums. As we move forward, we believe our expansion into Europe will enhance our organic growth and complement our U.S. insurance business. A bit later in the letter, we will look back over our insurance business performance since acquiring Fortegra in late 2014.

TIPTREE CONSOLIDATED RESULTS

GAAP FINANCIAL HIGHLIGHTS (dollars in millions, except per share data)	2018	2017	2016	2015
Income before non-controlling interests	$29.9	$5.2	$32.3	$8.8
Net income attributable to Common Stockholders	23.9	3.6	25.3	5.8
Diluted earnings per Common Share	0.69	0.11	0.78	0.17
Cash dividends paid per share	$0.135	$0.12	$0.10	$0.10
Total assets	$1,864.9	$1,989.7	$2,890.1	$2,495.0
Total investments and cash and cash equivalents	782.9	636.0	778.5	739.4
Debt	354.1	346.1	554.9	502.3
Total stockholders' equity	399.3	396.8	390.1	397.7

NON-GAAP FINANCIAL HIGHLIGHTS [1]

[1] For a reconciliation to GAAP financials, see "Non-GAAP Measures" beginning on p. 41 of our Form 10-K for the year ended December 31, 2018.

Adjusted EBITDA	$28.8	$38.0	$78.9	$58.4
Operating EBITDA	54.9	60.9	60.5	53.1
Total Capital	666.5	641.1	625.8	598.1
Shares outstanding[2]	35.9	37.9	36.4	42.9
Book Value per share[1]	10.79	9.97	10.14	8.90
Total cash returned to investors	19.1	11.8	47.8	8.2

In reporting our financial results, we distinguish between our operating and investment performance by disclosing non-GAAP measures such as Adjusted EBITDA and Operating EBITDA. Operating EBITDA, which excludes realized and unrealized investment gains and losses and stock based compensation, is a primary measure we consider when evaluating the continuing earnings of our operations and our long-term return on invested capital. We focus on operations, less on mark-to-market, as we believe investment gains and losses are better assessed over a longer period of time. In 2018, Operating EBITDA was $54.9 million, representing an 8.4% return on total capital, lower than previous years, primarily a result of not reinvesting capital from 2017 asset sales until the second half of 2018.

In 2018, our pre-tax income and Adjusted EBITDA, which does not eliminate the above exclusions, was significantly impacted by unrealized investment losses of approximately $34.8 million on equity securities and corporate loans. While these results were disappointing in the near-term, we continue to believe our actively managed investments will deliver attractive returns over the long-term.

As previously stated, our book value per share increased to $10.79[2] primarily attributable to the gain on sale of our seniors housing business and improved insurance operations, which were partially offset by approximately $0.75 per share of mark-to-market unrealized losses. While much of our balance sheet is held at market prices (e.g. available for sale securities, equity investments, loans), GAAP accounting for our operating companies does not always reflect what we believe is their true intrinsic value. The best example is our insurance company where accumulated acquisition-related amortization has reduced our book value by $1.21 per share, all while the business has grown from $38.9 million of Operating EBITDA in 2014 to $64.5 million in 2018.

SPECIALTY INSURANCE

Our insurance company, Fortegra Financial, was acquired in December 2014, and below highlights its exceptional financial performance over the past 5 years:

Year	Gross Written Premiums	Operating EBITDA	Combined Ratio[2]
2014[3]	$525.0	$38.9	89.8%
2015	686.0	42.8	87.4
2016	708.3	49.3	89.5
2017	768.3	53.3	93.2
2018	868.1	64.5	92.5

[1] For periods prior to April 10, 2018, book value per share and shares outstanding assumes the full exchange of the limited partner units of TFP for Common Stock.

Compound Annual Growth Rate	10.6%	13.5%

2018 was a strong year generating $64.5 million of Operating EBITDA[2], up 21.0% from 2017. Of this, $45.9 million was related to underwriting and fee-based profits, as represented by the consistent combined ratio in the low 90's, with the remaining $18.6 million related to investment income.

***Insurance Underwriting* –** We focus on providing niche and specialty insurance coverages which we believe allows us to focus on sectors of the insurance market that among other characteristics are underserved or require specialized product knowledge. We generally like to focus on risk exposures that result in high frequency and low severity claims activity and have limited exposure to catastrophic events. In 2017 and 2018, which were record years for catastrophes, our underwriting results were not materially impacted, as we have been able to maintain a high portion of fee earnings and successfully deploy risk mitigation strategies which have contributed to a combined ratio that remains in the low 90's.

We have increased our retention of risk over the years, growing net written premiums from $182.1 million in 2015 to $418.0 million in 2018. We have supported this growth through our contribution of capital in 2016, refinancing our debt with 40 years notes in 2017, and re-investment of earnings. We expect growth to continue through our established efforts in the U.S., new operations in Europe, and potentially, through acquisitions should we find the right deal.

***Insurance Investments* –** The investment portfolio was $463 million at year-end 2018, up 16.9% from 2017 and nearly 2.5 times the size when we acquired Fortegra in late 2014. Operating EBITDA was $18.6 million in 2018 compared to pre-tax income of $2.8 million, with the difference driven by sizeable unrealized mark-to-market on equities and corporate loans, much of which was a result of the broader market decline in late-2018. The good news for 2018 is the majority of our investments are short duration (to match the liabilities) and therefore our fixed income securities performed well against relative benchmarks.

Over the long-term, we believe our access to in-house investment resources will allow us to combine strong underwriting results with superior risk-adjusted returns as a result of our access to alternative investment opportunities.

TIPTREE CAPITAL

As we have mentioned before, we manage Tiptree with a long-term perspective balancing cash-flowing investments with opportunities for capital appreciation. Tiptree Capital includes all of our non-insurance operations and investments where we use our balance sheet capital to invest in a diverse set of companies and assets.

Tiptree has over a decade of investment experience in multiple sectors including asset management, financials, real estate and a broad range of specialized credit investments. Realized investments over that period have yielded an aggregate 24.4% gross IRR[2], with many of the holding periods for those

[1] For periods prior to April 10, 2018, book value per share assumes the full exchange of the limited partner units of TFP for Common Stock.
[2] For a reconciliation to GAAP financials, see "Non-GAAP Measures" beginning on p. 42 of our Form 10-K for the year ended December 31, 2018. Combined ratio has been adjusted for impacts of purchase price accounting amortization for 2014-2017.
[3] Reflects Fortegra results for 2014 prior to adjustments for purchase accounting and inclusion in Tiptree's financial statements.

investments ranging from 5-10 years. Unlike typical private equity buyers, our investment horizon is not limited to a specific time period, but instead driven by optimizing returns.

Our current businesses include asset management operations, mortgage operations, shipping and real estate through our Invesque ownership position. Tiptree Capital contributed $13.7 million of Operating EBITDA to our financial results in 2018 driven primarily from Invesque dividends and asset management fees, but as mentioned, we manage Tiptree Capital on a total return basis.

During 2017 and 2018, we made a strategic decision to decrease our exposure to the levered credit markets (in the form of CLO subordinated notes and leveraged corporate loans). While this proved to be a good risk management decision, it significantly decreased our earnings from cash distributions when comparing 2018 to prior years. Much of that capital was redeployed into shipping which we believe is at an attractive point in its cycle given global economic dynamics.

CREATING LONG-TERM VALUE FOR OUR SHAREHOLDERS

We believe book value per share plus dividends paid is a fair measurement of the value we create for our shareholders and if we perform as expected, over time our stock price should trade near or above our book value per share.[1] Below is a reflection of our growth in book value per share plus dividends paid, both on an annual basis and since Tiptree's founding in July 2007.

Year	Book Value Per Share[1]	Dividends Paid	Tiptree Annual Return	S&P Annual Return	Tiptree Annualized Return from July 2007	S&P Annualized Return from July 2007
2013	$9.07	$-	11.0%	32.4%	13.3%	5.6%
2014	9.00	-	(0.8)	13.7	11.5	6.6
2015	8.90	0.10	0.0	1.4	10.2	6.0
2016	10.14	0.10	15.1	12.0	10.7	6.6
2017	9.97	0.12	(0.5)	21.8	9.6	8.0
2018	10.79	0.135	9.6	(4.4)	9.6	6.8

We have taken several actions that we believe will drive the future prospects of our company, position us for growth and achieve consistent returns. Yet, our share price continues to lag our intrinsic, and even GAAP book value. Over time, we believe the gap between our intrinsic value and our stock price will shrink as we grow, drive scale and execute on our long-term strategic objectives.

LOOKING AHEAD

Efficient deployment of your capital is our top priority. We aim to find the best use of capital to help us create long-term value for our shareholders. We hope to achieve this through a combination of acquisitions, investments in our existing businesses, opportunistic share repurchases and paying a consistent dividend. As significant shareholders ourselves, we make decisions with our interests

[1] For periods prior to April 10, 2018, book value per share assumes the full exchange of the limited partner units of TFP for Common Stock.
[2] IRR presented gross before corporate taxes and corporate expenses. IRR represents the internal rate of return on invested capital based on the realized proceeds of cash or marketable securities and including the timing of contributions and distributions. Our IRR calculation reflects the impact of asset specific leverage and may differ from those used by others. Past performance is not indicative of future results.

aligned with yours; as of April 22^{nd}, 2019, directors, officers, employees and related trusts owned 28.0% of the Company.

We will continually evaluate our performance in achieving our long-term objectives primarily by our ability to provide consistent returns as measured by Operating EBITDA[1] and our shareholders' total return as measured by growth in book value per share and dividends received.

Our investors are our partners, and we will always attempt to provide as much information and transparency as we would expect to see when making an investment ourselves. We seek to attract investors who understand our business, which at times might be complex, and we believe a well-educated and informed investor makes the best partner.

We like speaking with our investors and hearing their thoughts on the markets and how we might improve. We learn from these discussions and have found that our well informed and intelligent investors often have good ideas that we seek to incorporate into our investment and management process. We are always looking for new acquisitions and welcome any suggestions or inquiries.

We would also like to thank the employees of Tiptree and our subsidiaries for their hard-work in 2018. They are a unique group of highly talented individuals who allow management to punch well above our weight. On an operating basis, we had a successful year moving our strategic objectives forward – one that we believe will position Tiptree for growth in years to come.

With best regards,

Michael Barnes	Jonathan Ilany
Executive Chairman	Chief Executive Officer

[1] For a reconciliation to GAAP financials, see "Non-GAAP Measures" beginning on p. 41 of our Form 10-K for the year ended December 31, 2018.