Tiptree Inc.

2016

Annual Letter to Shareholders

April 26, 2017

To Our Fellow Investors,

Tiptree's book value per-share, as exchanged, as of year-end 2016 was $10.14[1], which combined with dividends, resulted in a total return for the year of 15.1%. On a consolidated basis, we earned $32.3 million of net income which translates to $78.9 million of Adjusted EBITDA[1], both significant increases from 2015.

As our first decade of operations comes to a close, Tiptree has successfully transformed its strategy away from its origins as an opportunistic asset investor to becoming a long-term owner of operating companies. Original investors who participated in Tiptree Financial Partners, L.P.'s June 12, 2007 initial capital raise have experienced a compounded annual return of 10.7%[2] through the end of 2016, as measured by growth in book value per share plus dividends received, as compared to 6.6% for the S&P 500 and 6.9% for the Russell 2000 over the same period.

Our public share price does not (as of the writing of this letter) reflect our GAAP book valuation. In addition, as we move forward GAAP accounting may not always accurately capture the intrinsic value of our businesses which we believe will likely exceed our GAAP book value, potentially substantially. As long-term holders, it may be many years, if ever, that this difference between GAAP vs. intrinsic value is recognized. However, we 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.

We are focused on enhancing shareholder value by generating consistent growth and profitability at our operating companies. 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. There will be years where we do not find any acquisitions, but we will always be focused on creating shareholder value and improving our existing companies.

CONSOLIDATED RESULTS

In 2016, we continued to focus on building a company that can generate stable and repeatable earnings. As a result, we were very pleased by our financial results which outperformed prior years by almost every metric:

- Net income was $32.3 million, an increase from $8.8 million in 2015
- Diluted earnings per share of $0.78, an increase from $0.17 in 2015
- Adjusted EBITDA of $78.9 million, an increase of 35.1%
- Book value per share, as exchanged, of $10.14, an increase of 13.9%; when including dividends received the total return to shareholders was 15.1% for 2016
- Returned $47.8 million to investors through $43.8 million of share buy-backs and $4.0 million of dividends

(1) For a reconciliation to GAAP financials, see "Non-GAAP Measures" beginning on p. 45 of our Form 10-K for the year ended December 31, 2016.
(2) Total annualized return from June 2007 to December 2016 to original investors of Tiptree Financial Partners, L.P. and is defined as total dividends received per share plus GAAP book value per share, as exchanged, as of December 31, 2016.

In the last three years, our company has transformed significantly which makes comparisons of our financial performance from year-to-year difficult. We believe 2015 and 2016 are the most comparable year-over-year results.

GAAP FINANCIAL HIGHLIGHTS (dollars in millions, except per share data)	2016	2015	2014
Total revenues	$567.2	$438.5	$80.3
Pre-tax income from continuing operations	43.3	(12.4)	0.8
Income before non-controlling interests	32.3	8.8	4.6
Net income attributable to Class A common stockholders	25.3	5.8	(1.7)
Diluted earnings per Class A share	0.78	0.17	(0.10)
Cash dividends paid per share	$0.10	$0.10	-
Total assets	$2,894.8	$2,495.0	$8,202.4
Total investments and cash and cash equivalents	1,079.6	951.4	456.7
Debt	793.0	667.0	363.2
Total stockholders' equity	390.1	397.7	401.6
NON-GAAP FINANCIAL HIGHLIGHTS (1)			
Adjusted EBITDA	$78.9	$58.4	$58.9
Book Value per share, as exchanged	10.14	8.90	9.00
Total cash returned to investors	47.8	8.2	-

SPECIALTY INSURANCE

Our specialty insurance operations had a strong year delivering $60.5 million of Adjusted EBITDA, up from $43.3 million in 2015. In the second quarter, we made a strategic decision to contribute approximately $103 million of capital to Fortegra to better capitalize the company. Subsequently, Fortegra's financial strength rating was upgraded to "A-" by A.M. Best, and we believe the improved rating will provide substantial opportunities for growth and product expansion. For the year, gross written premiums were $708 million, a 3.3% increase versus 2015, while net written premiums were $337 million, up 85.2% from prior year. This increase in net written premiums was substantially driven by our captive reinsurance subsidiary assuming $138 million of previously ceded credit protection premiums, resulting in a significant decrease in our reinsurance costs and gaining additional investment capacity. Despite the significant growth in our net written premiums, we were able to maintain our underwriting discipline as evidenced by our combined ratio of 89.5%, as adjusted[1], which represents an underwriting profit.

We entered the insurance business in 2010 and as we have evolved into a specialty insurance underwriter, we have found the insurance sector to have several financial characteristics that we find attractive, particularly the ability of insurers to receive premiums upfront and pay claims later. As our net written premium volume increases, we are able to retain incremental premiums collected which can be invested. We believe our asset management experience allows us to differentiate our insurance operations by combining strong underwriting results with higher yielding investment income as a result of our access to alternative investment opportunities.

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For 2016, our investment portfolio[1] grew to $352 million, a 31.0% increase from 2015. We actively manage our insurance investments across multiple asset classes, sectors and geographies. As a result, the average annual yield[1] on our investment assets improved from 2.5% in 2015 to 8.0% in 2016 primarily driven by an increased allocation to higher yielding investments.

Going forward, we expect to be a leading provider of specialty insurance products and anticipate our growth to be driven primarily by expansion of our warranty products and specialty programs business.

ASSET MANAGEMENT

Our asset management operations significantly improved in 2016 contributing pre-tax earnings of $25.3 million compared to a loss of $6.8 million in 2015. Fee-earning assets under management remained steady at $1.9 billion as we issued our seventh CLO which partially offset run-off from our older vintage CLOs. Our financial results were positively impacted by the fair market valuations of our investments in the subordinated notes of our CLOs driven by a significant rebound in the credit markets. Historically, our earnings have been significantly exposed to market volatility as a result of these investments. In January 2017, we decided to sell down our total investment to $41.4 million of fair market value, which we believe should decrease our exposure to market volatility in this segment.

Going forward, we are optimistic that our asset management business will grow from expanding both our product and distribution capabilities. In 2015, we decided we would selectively seed new investment products to build an investment performance history in advance of offering products to investor clients. The first new product we seeded was a credit focused fund that now has a 21 month investment track record.

SENIOR LIVING

Our senior living operations continued to grow in 2016 with Adjusted EBITDA[1] of $10.5 million, up 59.1% from 2015. We completed 5 acquisitions for $106 million, bringing the total number of properties to 29 with an aggregate purchase price of $338 million. As net operating income grew and NOI margins expanded in 2016, our GAAP pre-tax earnings improved and our GAAP loss declined to $5.8 million which included $14.2 million of depreciation and amortization. While depreciation from real estate provides us with favorable tax benefits, it reduces the value of the real estate holdings on our balance sheet for GAAP reporting purposes. As a result, we believe it creates an economic separation between GAAP book value and what we believe is the intrinsic value of our real estate assets. Total accumulated depreciation on our properties, which is approximately the difference between current GAAP book value and our initial purchase price valuation, was $38.2 million as of December 31, 2016.

We believe a combination of the demographics of an aging nation and current low financing rates creates the potential for stable and attractive returns. We also believe our real estate portfolio positions us well for any inflationary tail-winds that may arise. We expect growth in this segment to be driven by increases in profitability at existing properties and through continued acquisition activity.

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CREATING LONG-TERM VALUE FOR OUR SHAREHOLDERS

Efficient deployment of your capital is a top priority for us. We aim to find the best use of capital to help us create long-term value for shareholders. We will do this through a combination of acquisitions, additional investments in our existing businesses, opportunistic share repurchases and paying a consistent dividend. We approach these capital allocation decisions not just as managers but as owners because we are owners; as of March 31st, 2017, directors, officers, employees and related family trusts owned 21.8% of an economic interest of Tiptree.

We seek to maintain a prudent capital structure and use debt carefully and sparingly. When we do use debt, we seek to limit recourse, avoid market-value margin requirements and have debt payment terms that closely match the cash flows of a specific asset or business.

In 2016, we repurchased 6.8 million shares, or 16% of the outstanding shares as of December 31, 2015, which were completed at a 30% discount to book value per share.

When determining whether to buy-back shares or pay a dividend, Tiptree's board considers many factors including estimated corporate tax obligations, near-term cash needs, acquisition opportunities and capital commitments, as well as the potential impact on shareholder value. Based upon Tiptree's 2016 performance and our positive outlook, the board has approved a dividend of $0.03 per share payable in the first quarter, a 20% increase from prior quarters.

LOOKING AHEAD

Our long-term objective is to grow Tiptree to scale, as we believe this will better provide liquidity to investors, and improve the price at which our public shares trade. As a growing company, our subsidiaries will have a continual need for capital to support operations and for acquisitions. We believe that our approach to capital allocation will produce growth in long-term shareholder value, and we will continually evaluate our performance primarily by our shareholders' total return, as measured by Adjusted EBITDA, and growth in book value per share and dividends received.

We believe Tiptree is well positioned as a result of the changes implemented since going public. Performance is expected to benefit from continued growth in each of our businesses. And importantly, we believe that our efforts to better position the company for growth and increase clarity and transparency in our financial reporting should allow investors to better understand the intrinsic value of Tiptree.

With best regards,

Michael Barnes	Jonathan Ilany
Executive Chairman	Chief Executive Officer