To Our Shareholders:

We're sincerely grateful to you for your support as we conclude Fairfax Africa's inaugural year.

Fairfax Financial launched Fairfax Africa in February 2017 with the successful completion of an initial public offering on the Toronto Stock Exchange. We set out with a market capitalization of over $506 million and approximately $418 million of investable cash after our initial investment in AFGRI, further described below. Under the IPO 5,622,000 subordinate voting shares were issued to the public. Concurrent with the IPO, cornerstone investors purchased 14,378,000 subordinate voting shares and Fairfax Financial purchased 22,715,394 multiple voting shares, each done on a private placement basis. Also, concurrent with the IPO, Fairfax Financial contributed to Fairfax Africa its indirect interest in AFGRI resulting in an aggregate investment by Fairfax Financial in Fairfax Africa of $300 million in multiple voting shares.

Fairfax Africa is focused on conservative, value-oriented investing in Africa. Our objective is to achieve long-term capital appreciation by investing in high-quality African businesses backed by strong management teams. We've set forth below information regarding our background and purpose to highlight our investment results and approach, discuss our African investment thesis, and outline the investments made during 2017.

We are pleased with the progress made to date by Fairfax Africa. In the ten months since our IPO we made six investments, and by year-end had deployed (or committed to deploy) $279 million (approximately 57%) of our net IPO proceeds. Our subordinate voting shares closed at $14.16 on the last trading day of 2017, a 41.6% increase from the IPO price of $10. Our book value per share has increased from $9.75 immediately following the IPO to $10.21 at December 31, 2017. For 2017 we had net earnings of $23.5 million ($0.54 per basic share), primarily derived from fee income, interest income on our investment portfolio and gains on our investments.

Fairfax Africa benefits from several competitive advantages in the African investment landscape. Our long-term view distinguishes us from most competitors. Unlike Africa-focused private equity funds, our primary competition for investment opportunities, Fairfax Africa is a permanent capital vehicle focused on the long-run. The stability inherent in our structure and our long-term investment thesis appeal to management teams who share our approach, and open investment opportunities which would otherwise not be available. Additionally, Fairfax Africa's collaborative, decentralized, and management-friendly approach, which empowers management to be responsible for running their businesses, tends to attract and retain highly-aligned strategic partners who share our long-term investment horizon and our commitment to making an attractive return for our shareholders, while contributing to and supporting the communities in which we invest. Finally, we enjoy the strong support of Fairfax Financial, and are able to benefit from its global network of relationships, investment expertise and the practical know-how of its operating companies in relevant industries around the world, including financial services, food and agriculture and power generation.

We continue to pursue a robust pipeline of investment opportunities in Africa with significant long-term value creation potential in our sectors of focus, including energy, food and agriculture, financial services, and infrastructure, where investments in high quality companies backed by strong management can be obtained at attractive valuations. We look for opportunities in which the operating companies maintain a strong competitive position in their industry, and where there is alignment between the management team and Fairfax's values. We will always employ a conservative, fundamental value-based approach to identifying and investing in high quality African businesses, and we follow Fairfax Financial's proven fair and friendly approach that has undergirded its investment track record for more than three decades. We seek established companies led by experienced management teams with proven track records, which operate with the highest standards of integrity and professional conduct.

To remind you of the compelling market opportunity in Africa, we outline below our long-term thesis for investing on the continent:

> **Strong growth prospects:** The African economy (as measured by GDP) has more than doubled since 2000 and is expected to increase another 62% by 2030, driven largely by investments in infrastructure, a thriving services sector, and agricultural output. Medium-term annual GDP growth is expected to exceed 5% for many African countries, faster than many emerging markets and most of the developed world.

> **Emerging middle class:** The African middle class is projected to grow to 1.1 billion, or 42% of the continent's population, by 2060. In large, economically significant cities this figure already approaches 70%. These consumers typically have discretionary spending power, are gainfully employed, and spend over 25% of

income on purchases other than housing and utilities. Growth of the middle class is empirically linked to economic growth, poverty reduction, improved governance, and a broad shift from agrarian economies to formalized, salaried, 21st-century workforces.

Rapid urbanization: Africa is the world's fastest urbanizing region. Between 2015 and 2025, the urban population on the African continent is forecasted to grow about 40% (187 million) from 472 million to 659 million. This development should correlate with increased consumer spending; per capita consumption in large cities is about 80% higher than national averages.

Attractive valuations: Relative to opportunities in other markets, African companies remain generally undervalued, with valuations often one-third those of similar companies in Asia and North America. This opportunity is largely due to a lack of depth of capital markets, idiosyncratic perceived country risks and insufficient quantities of hard currencies following the commodity bust of recent years.

Remarkable demographic trends: The UN has projected that 2.4 billion people will be added to the world's population through 2050, and more than half of those (1.3 billion) will be African. Sub-Saharan Africa has by far the world's youngest average population, with the world's 10 youngest countries, and 11 million young people expected to enter the workforce each year through 2024.

Improved stability and governance: Over the last decade, numerous countries across the African continent have experienced substantially improved overall governance and political stability. On an index tracking the rule of law, political participation and human rights, sustainable economic opportunity, and human development, 41 out of 54 African countries showed improvement over the past ten years.

Foreign direct investment: The value of all foreign direct investment in Africa grew 31.9% to $94.1 billion in 2016. The countries who received the majority of this inflow – South Africa, Kenya, Nigeria, and Egypt – are countries we know well, and our professionals have enjoyed strong business relationships in each of them for decades.

International trade: In many African countries, international trade represents more than 50% of GDP, compared to less than 30% in the United States.

Major supply-demand gaps in sectors of focus: In our focus sectors, including energy, food and agriculture, financial services, and infrastructure, Africa is experiencing major supply-demand gaps where Fairfax Africa is well positioned to engage a clear market need. Energy is Africa's largest infrastructure deficit, with over $800 billion of estimated investment required to meet future demand. Approximately 50% of the world's population without access to electricity lives in Sub-Saharan Africa, and this number is expected to rise to 60% by 2025 as the population grows faster than the infrastructure required to meet its needs. In food and agriculture, Africa has 60% of the world's arable land, yet many countries remain net food importers and food insecurity is a persistent risk. The picture in financial services is a golden opportunity: 65% of Sub-Saharan Africa's population remains without a bank account, which constrains access to credit. Forward-thinking companies across the continent are seizing on this opportunity to expand innovative financial services solutions in credit, trade finance, mobile payments, and economic identity.

There is also a staggering funding gap in African infrastructure generally, totaling $60.0 billion from now through 2025. In the year 2025 alone, Africa's projected infrastructure gaps tally $27.0 billion in road transport, $18.0 billion in energy and water infrastructure, and $11.0 billion in telecommunication infrastructure. According to the World Bank, Sub-Saharan Africa's GDP per capita would increase by an estimated 1.7% per annum if its infrastructure gap were reduced to be in line with the median gap in the rest of the developing world, and 2.6% per annum if the gap were reduced in line with the developed world.

We are now pleased to report to you on the investments and commitments we made in Africa in 2017.

AFGRI Holdings Proprietary Limited (AFGRI)

Concurrent with the closing of the IPO, we acquired Fairfax Financial's existing investment in AFGRI (along with shares in AFGRI owned by certain other investors). AFGRI is a leading agricultural services and food processing company based in South Africa with a core focus on grain commodities. We are AFGRI's largest beneficial shareholder with a current 43.8% indirect equity interest, and influence over 60% of the voting shares through Joseph Investment Holdings. Our initial investment in AFGRI was made at approximately 1.2x book value and at a significant discount to replacement value. In January 2018, we committed an additional $18.5 million to fund growth initiatives at AFGRI, including acquisitions and capital expenditure in its agri-services, food processing and financial services businesses.

We have known AFGRI for several years, and met Chris Venter, AFGRI's CEO, in 2012. Chris was appointed CEO in October 2008, after originally joining AFGRI in June 2005 to lead its financial services business. Under Chris' leadership, AFGRI streamlined its corporate structure to become South Africa's largest non-bank lender to the agricultural sector and strategically divested non-core assets.

AFGRI has operated for nearly 100 years and is Africa's leading agricultural services and food processing company with a core focus on the grain value chain. AFGRI provides services across the entire grain production and storage cycle, offers financial support and solutions plus inputs and high-tech equipment through the John Deere brand, for which it is one of the largest distributors outside the United States. AFGRI is one of Africa's largest grain storage companies, and now has more than 5 million tonnes of grain storage capacity, including a network of 69 silos and 15 bunkers in South Africa. AFGRI is also a leading non-bank financial services provider focused on providing credit, trade and commodity finance, insurance and payments products to the agricultural sector in Africa; its average loan book value was approximately $1 billion during fiscal 2017. Based in South Africa, AFGRI operates in 17 African countries.

Some of you are aware that Fairfax India is the largest shareholder in National Collateral Management Services Limited (NCML), India's largest non-government grain handling company. Since Fairfax India invested in NCML, AFGRI and NCML management teams have collaborated in some areas to implement their respective strategies in Africa and India.

We continue to be very excited about the long-term prospects for food and agricultural investments in Africa and we anticipate that there will be additional attractive investment opportunities surrounding the AFGRI platform going into 2018. To this end, in February 2018 we extended a $28 million (330 million South African Rand) convertible bridge facility to Philafrica Foods, which will provide funding for recently signed bolt-on acquisitions, and which we expect will be converted into a Philafrica Foods equity capital raise in the coming months. AFGRI hired Roland Decorvet in 2017 as Chief Executive Officer of AFGRI Foods (renamed Philafrica Foods in 2017). Roland is a seasoned international food company executive, having spent over 20 years with Nestlé, most recently in the role of Chairman and CEO of Nestlé China. During his three years in this role, Nestlé China's revenues tripled to become Nestlé's second largest market. Previously, Roland was CEO of Nestlé Switzerland and CEO of Nestlé Pakistan. Roland has deep Africa connections, having spent much of his youth in the Democratic Republic of Congo and is now living in South Africa.

Atlas Mara Limited (Atlas Mara)

In August 2017 we acquired 42.4% of Atlas Mara for net cash consideration of $155.8 million. Other existing shareholders of Atlas Mara concurrently invested $41.4 million. In December, we acquired an additional 0.9%, bringing our net cash investment to $158.2 million and our ownership to 43.3%. Our initial investment was made at an attractive valuation representing 0.33x book value and a 77.5% discount to Atlas Mara's IPO price. The opportunity for Fairfax Africa came as Atlas Mara had faced some substantial headwinds in its markets in 2016, especially in Nigeria where the currency saw an overnight devaluation of 30% with the removal of the currency peg, as well as a result of challenges with merger integration.

Bob Diamond, along with co-founder Ashish Thakkar, founded and listed Atlas Mara on the London Stock Exchange in 2013 with an IPO at $10 per share. Bob previously served a long tenure with Barclays Plc in various senior positions, including as Chief Executive Officer, where he played a key role with Barclays Africa, including the acquisition and integration of Absa Bank in South Africa, before founding Atlas Mara. Bob and his team approached us on the Atlas Mara investment opportunity in early 2017. We are pleased to be partners with him.

Atlas Mara is a Sub-Saharan African financial services group which controls and operates banks in six countries (Botswana, Mozambique, Rwanda, Tanzania, Zambia and Zimbabwe) and holds a significant position in Nigeria (Africa's largest economy and financial services market outside of South Africa). Atlas Mara provides a foundation to build our financial services offerings across the continent.

Atlas Mara is organized around three lines of business: 1) Retail and Commercial Banking, providing traditional banking services catering to both retail and corporate clients through physical branch networks, third party partnerships and digital channels; 2) Markets and Treasury, providing markets function transaction capabilities for its clients' foreign exchange and hedging requirements and centrally managing the banks' surplus liquidity and funding requirements; and 3) FinTech, focused on reaching a broader, often unbanked or under-banked African population through technology including online and mobile applications in partnership with both MasterCard and Visa.

Fairfax Africa's investment enabled Atlas Mara to increase its shareholding in Union Bank of Nigeria (UBN) to 48% by year-end through both a private market acquisition of a 13% shareholding, and through participation in the rights offering undertaken by UBN in late 2017. This was an attractively valued investment opportunity for Atlas Mara; the rights issue pricing represented a 32% discount to UBN's closing share price on August 30, 2017 and a 73% discount to book value as at June 30, 2017. The Nigerian currency appears to have stabilized at current levels, and by year end UBN's share price was 90% higher than the rights offering price, representing a substantial uptick in the value of Atlas Mara's position in UBN.

Atlas Mara expects that it will deliver on its announced projected cost savings and profit forecast for 2017 of more than double its earnings for 2016. Atlas Mara's performance in 2017 is indicative of its focus on driving efficiency and reducing costs, which has enabled it to realize improved profits in the face of macro-economic conditions that have remained challenging. While there will likely be continued uncertainty in the economic, regulatory, exchange rate and monetary policy environment in Atlas Mara's markets in 2018, we believe the long-term prospects remain attractive for pan-African banking.

Fairfax Africa is supportive of Atlas Mara's fundamental vision to create a leading pan-African banking platform that better serves African corporate, small-and-medium size enterprises (SMEs) and individual clients with superior banking products and financial services. We recognize that to achieve this vision a substantial investment of capital, time and effort will be required, along with the fortitude to operate in challenging and dynamic market environments.

Since joining the Atlas Mara board in October 2017, Richie Boucher (former CEO of the Bank of Ireland) and the Fairfax Africa team have been focused on supporting Atlas Mara's efforts to protect and strengthen its foundations after a period of rapid acquisition-led growth. This effort includes developing a strategy to invest in group-wide information systems, improving the group's overall liquidity and capital profile (including reducing cost of funds), and strengthening the operational platforms, management depth and service delivery of its banks, all of which were acquired within the past three years (and, in the case of Rwanda and Zambia, have undergone transformative mergers within the past two years). An important priority will be building a strong FinTech/digital banking offering that has potential to provide attractive returns on equity on a lower capital base, and to reach and serve a much larger customer base in Africa, than could be achieved by a traditional "brick and mortar" branch banking approach.

We will continue to explore investment opportunities in financial services that produce attractive long-term returns to our shareholders while providing improved access to credit, deposit/savings, payment and other products and services to corporates, SMEs and individuals in Africa.

Nova Pioneer Education Group (Nova Pioneer)

Also in August, we committed to invest $20 million in Ascendant Learning Limited. Ascendant was founded and is run by Chinezi Chijioke (a former McKinsey partner). Ascendant's wholly-owned subsidiary Nova Pioneer is a pan-African independent school network offering preschool through secondary education for students from ages three through 19, with approximately 400 students in Kenya across two campuses and approximately 900 students in South Africa across three campuses.

The demographic opportunity in for-profit education in Africa is vast, with very high growth rates and the potential for attractive long-term returns on investment. We are very supportive of the management team's strategy to capitalize on this growth potential in the coming years.

As a relatively small investment, Nova Pioneer was an attractive opportunity due to: (1) a strong competitive position in a high-growth sector, backed by strong macro tailwinds; (2) management's proven ability to execute and deliver results; and (3) its potential for follow-on investments as the company successfully scales up.

Nova Pioneer launched its first campus in 2015 in South Africa, and now operates five campuses with a combined enrollment of approximately 1,300 students. Average tuition per student is about $3,000 per year and is priced to target middle to upper-middle income families whose alternatives are either: (1) poorly performing government schools; (2) "affordable" private schools that are often of poor quality; or (3) extremely expensive private schools. Management is targeting a rollout of more than 20 new campuses across key African markets over the next five years, reaching an enrollment of approximately 11,000 students, with an enrollment capacity of around 25,000 students. Their long-term goal is to offer world-class and affordable education to students on over 100 campuses across Africa. Single school economics are very attractive. Once a campus reaches full enrollment, returns on invested capital tend to be very high and provide investment capital for further expansion.

Our investment in Nova Pioneer is supported by favorable demographics (rapid urbanization, emerging middle class, and large and growing youth cohort) and strong demand for high quality private education at an affordable price in our key markets. Nova Pioneer management reports that Kenyan parents will often spend a majority of their disposable income on private schools, reflecting the high priority families place on quality education for their children.

Investments in Infrastructure Development

We continue to evaluate potential opportunities in the construction and materials sector, which we believe support our long-term thesis for African infrastructure development and provide an attractive investment entry point in the current market environment.

In December, we terminated our partial offer to PPC Limited to acquire shares in PPC in support of a proposed merger with AfriSam Proprietary Limited, both South African based cement companies with operations in Africa, as the parties could not agree on value. When we announced our involvement in the process in August, we believed that the merger, and our proposed investment, had the support of management, key shareholders and the boards of both companies. However, as the public process wore on and as others expressed interest, it became apparent that there was a sizable blocking minority of the PPC shareholder base that had a fundamentally different view from us on PPC's intrinsic value. While we remain interested in the opportunity, and support the strategic rationale for the potential merger as publicly articulated by both management teams, we are committed to value creation for our shareholders, and we will remain disciplined on valuation.

Also in December, we acquired small minority equity positions in two attractively valued companies listed on the Johannesburg Stock Exchange for total consideration of $4.4 million.

Shelf Filing

In December, we filed a base shelf prospectus that allows Fairfax Africa to issue up to $1 billion of debt, equity or other securities over the next 25 months, proceeds of which would be used to continue to finance additional African investments.

A Note on African Leadership Transitions

The past few months have witnessed significant leadership transitions in South Africa and Zimbabwe, both countries in which our investee companies operate, and in Angola, an important regional player. These developments have been well received by the markets as an indication of increasing stability and a potential signal of improvement in the investment environment.

In South Africa, Cyril Ramaphosa was elected in December to replace Jacob Zuma as president of the African National Congress. On February 14, 2018, Mr. Zuma resigned the presidency with immediate effect, and the following day the ANC elected Mr. Ramaphosa to the presidency. Mr. Ramaphosa is a successful businessman in South Africa and was a close colleague of the late Nelson Mandela. We believe Mr. Ramaphosa will bring a high degree of integrity to the public office, and will apply his extensive business expertise for the greater good of all South Africans. Investors have reacted very favourably to this leadership change, with South African equity and debt markets recovering significantly.

In Zimbabwe, President Robert Mugabe resigned in December as part of what was reported as a ''peaceful coup''.

In Angola, the first democratic elections were held after 38 years of autocratic rule, and a leadership transition seems to be underway successfully.

In each case, the new governments appear to be making the right initial moves to effect meaningful anti-corruption and other changes. We're watching these situations closely.

In Closing

We have a fantastic team, which includes our Africa-based investing partners (Pactorum) led by Neil Holzapfel, Trent Hudson and Jim Bisenius, which provides strong on the ground presence and a long investing history in Africa. Investment opportunities come to us from a variety of sources but the Pactorum team is primarily responsible for sourcing and evaluating investment opportunities for Fairfax Africa. On our board, in addition to Prem Watsa and Paul Rivett of Fairfax Africa, we have Quinn McLean from Hamblin Watsa, Fairfax Financial's investment management subsidiary, who is experienced in investing in the region and who serves as the conduit to the investment committee, and seasoned and local independent directors based in South Africa, Nigeria and Egypt. Together, we have decades of combined experience investing in Africa and emerging markets and highly complementary skill sets which we bring to bear as one team for the benefit of Fairfax Africa and its shareholders. We would be remiss if we did not also recognize the tireless efforts of our Chief Financial Officer, Guy Bentinck, our General Counsel, Keir Hunt, and Dylan Buttrick, overseeing our office in Mauritius.

Since our IPO, we have reviewed tens of potential investment opportunities, many of which we have passed on, and a number of which we continue to explore as potentially attractive. We remain very excited about our pipeline of opportunities and the attractive investment landscape we face in Africa. We will continue to leave no stone unturned in pursuit of value creation for our shareholders. Of course, we do not think we have a monopoly on good ideas so please do continue to pass along all your thoughts and comments to us and we continue to emphasize our openness to introduce you to our wonderful management teams in Africa at our Annual General Meeting on April 25 or if you would like to visit on the ground in Africa.

We wish to express our deep appreciation and gratitude to you, our valued shareholders, for partnering with us. We are honored to be invested together in Africa's long-term growth story.

Michael Wilkerson
Chief Executive Officer

Paul Rivett
Vice Chairman

March 9, 2018