FAIRFAX AFRICA
HOLDINGS CORPORATION

2

INTERIM REPORT

For the six months ended
June 30, 2019

Consolidated Balance Sheets
as at June 30, 2019 and December 31, 2018
(unaudited - US$ thousands)

	Notes	June 30, 2019	December 31, 2018
Assets			
Cash and cash equivalents	6, 14	**48,053**	230,858
Short term investments	6	**98,970**	38,723
Loans	5, 6	**54,070**	38,595
Bonds	5, 6	**74,428**	59,856
Common stocks	5, 6	**270,719**	270,284
Derivatives	5, 6	**2,240**	2,017
Total cash and investments		**548,480**	640,333
Interest receivable		**3,874**	2,472
Other assets		**1,412**	1,025
Total assets		**553,766**	643,830
Liabilities			
Accounts payable and accrued liabilities		**449**	531
Derivative obligation	5, 6	**—**	5,724
Payable to related parties	12	**1,891**	1,658
Deferred income taxes	10	**550**	—
Income taxes payable		**3,132**	3,263
Borrowings	7	**—**	29,527
Total liabilities		**6,022**	40,703
Equity			
Common shareholders' equity	8	**547,744**	603,127
		553,766	643,830

See accompanying notes.

Consolidated Statements of Earnings and Comprehensive Income
for the three and six months ended June 30, 2019 and 2018
(unaudited - US$ thousands except per share amounts)

		Second quarter		First six months	
	Notes	**2019**	2018	**2019**	2018
Income					
Interest	6	**5,836**	4,587	**11,306**	7,735
Net realized gains (losses) on investments	6	**1**	(17)	**(4,838)**	1,785
Net change in unrealized gains (losses) on investments	6	**(22,375)**	(26,276)	**(40,639)**	15,959
Net foreign exchange gains (losses)	6	**5,771**	(25,117)	**5,287**	(18,386)
		(10,767)	(46,823)	**(28,884)**	7,093
Expenses					
Investment and advisory fees	12	**1,687**	1,589	**3,482**	3,148
Performance fee recovery	12	**—**	(9,368)	**—**	(319)
General and administration expenses	13	**542**	1,315	**1,769**	2,378
Interest expense	7	**203**	1,137	**820**	2,201
		2,432	(5,327)	**6,071**	7,408
Loss before income taxes		**(13,199)**	(41,496)	**(34,955)**	(315)
Provision for income taxes	10	**3,030**	337	**2,754**	668
Net loss and comprehensive loss		**(16,229)**	(41,833)	**(37,709)**	(983)
Net loss per share (basic and diluted)	9	**$ (0.27)**	$ (0.80)	**$ (0.61)**	$ (0.02)
Shares outstanding (weighted average)	9	**61,041,998**	52,377,332	**61,503,158**	51,503,614

See accompanying notes.

Consolidated Statements of Changes in Equity
for the six months ended June 30, 2019 and 2018
(unaudited - US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings (deficit)	Common shareholders' equity
Balance as of January 1, 2019	**340,518**	**300,000**	**(364)**	**(37,027)**	**603,127**
Net loss for the period	—	—	—	**(37,709)**	**(37,709)**
Purchases for cancellation (note 8)	**(23,781)**	—	—	**4,152**	**(19,629)**
Purchases and amortization	—	—	**(119)**	—	**(119)**
Tax benefit on share issuance costs (note 10)	**2,074**	—	—	—	**2,074**
Balance as of June 30, 2019	**318,811**	**300,000**	**(483)**	**(70,584)**	**547,744**
Balance as of January 1, 2018	193,326	300,000	—	23,410	516,736
Net loss for the period	—	—	—	(983)	(983)
Issuance of shares, net of issuance costs	148,316	—	—	—	148,316
Amortization	—	—	91	—	91
Balance as of June 30, 2018	341,642	300,000	91	22,427	664,160

See accompanying notes.

Consolidated Statements of Cash Flows
for the three and six months ended June 30, 2019 and 2018
(unaudited - US$ thousands)

		Second quarter		First six months	
	Notes	**2019**	2018	**2019**	2018
Operating activities					
Net loss		**(16,229)**	(41,833)	**(37,709)**	(983)
Items not affecting cash and cash equivalents:					
Net bond discount accretion		**(840)**	(1,146)	**(1,486)**	(1,348)
Payment in kind on loans and bonds	5	**(1,871)**	—	**(4,029)**	—
Deferred income taxes	10	**523**	—	**550**	—
Amortization of share-based payment awards		**29**	68	**51**	91
Net realized (gains) losses on investments	6	**(1)**	17	**4,838**	(1,785)
Net change in unrealized (gains) losses on investments	6	**22,375**	26,276	**40,639**	(15,959)
Net foreign exchange (gains) losses	6	**(5,771)**	25,117	**(5,287)**	18,386
Net purchases of short term investments		**(9,859)**	(101,496)	**(59,325)**	(130,085)
Purchases of investments	14	**(8,015)**	(66,603)	**(74,072)**	(113,107)
Sales of investments	14	**—**	—	**—**	25,399
Decrease in restricted cash in support of investments		**—**	—	**—**	162,519
Changes in operating assets and liabilities:					
Interest receivable		**(164)**	(1,968)	**(1,402)**	1
Income taxes payable		**347**	(399)	**(131)**	(68)
Payable to related parties		**50**	(9,347)	**233**	287
Other		**1,808**	276	**1,992**	(447)
Cash used in operating activities		**(17,618)**	(171,038)	**(135,138)**	(57,099)
Financing activities					
Borrowings:	7				
Repayment		**—**	—	**(30,000)**	—
Increase in restricted cash in support of term loan		**—**	(727)	**—**	(1,281)
Subordinate voting shares:	8				
Issuances		**—**	150,675	**—**	150,675
Issuance costs		**—**	(2,359)	**—**	(2,359)
Purchases for cancellation		**(4,667)**	—	**(19,629)**	—
Cash provided by (used in) financing activities		**(4,667)**	147,589	**(49,629)**	147,035
Increase (decrease) in cash and cash equivalents		**(22,285)**	(23,449)	**(184,767)**	89,936
Cash and cash equivalents - beginning of period		**70,278**	126,467	**230,858**	13,012
Foreign currency translation		**60**	145	**1,962**	215
Cash and cash equivalents - end of period		**48,053**	103,163	**48,053**	103,163

See accompanying notes.

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1. Business Operations

Fairfax Africa Holdings Corporation (the "company" or "Fairfax Africa") is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in Africa and African businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, Africa ("African Investments"). The company makes all or substantially all of its investments either directly or through one of its wholly-owned subsidiaries, which include a South Africa based subsidiary Fairfax Africa Investments Proprietary Limited ("SA Sub" or "FSA") and a Mauritius based subsidiary Fairfax Africa Holdings Investments Limited ("Mauritius Sub" or "FMA").

Fairfax Financial Holdings Limited ("Fairfax") is Fairfax Africa's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. Refer to note 12 for details on Fairfax's voting rights and equity interest in the company.

The company is federally incorporated and is domiciled in Ontario, Canada. The principal office of the company, Fairfax and the Portfolio Advisor is located at 95 Wellington Street West, Suite 800, Toronto, Ontario M5J 2N7.

2. Basis of Presentation

The company's interim consolidated financial statements for the three and six months ended June 30, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB have been omitted or condensed. These interim consolidated financial statements should be read in conjunction with the company's annual consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

These interim consolidated financial statements were approved for issue by the company's Board of Directors on August 1, 2019.

3. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these interim consolidated financial statements are as set out in the company's annual consolidated financial statements for the year ended December 31, 2018, prepared in accordance with IFRS as issued by the IASB. Those policies and methods of computation have been consistently applied to all periods presented except as described below.

New accounting pronouncements adopted in 2019

The company adopted the following new standards and amendments, effective January 1, 2019. These changes were adopted in accordance with the applicable transitional provisions of each amendment, and did not have a significant impact on the company's consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments ("IFRIC 23")
IFRIC 23 clarifies how IAS 12 *Income Taxes* should be applied when there is uncertainty over income tax treatments.

IFRS Annual Improvements 2015-2017
These amendments clarify the requirements of four IFRS standards.

4. Critical Accounting Estimates and Judgments

In the preparation of the company's interim consolidated financial statements, management has made a number of critical estimates and judgments in the preparation of notes 5, 6 and 10 in a manner consistent with those as described in the company's annual consolidated financial statements for the year ended December 31, 2018.

5. African Investments

Throughout the company's interim consolidated financial statements for the three and six months ended June 30, 2019, the term "African Investments" refers to deployed capital invested in Public and Private African Investments as disclosed within this note.

Summary of Changes in Fair Value of the Company's African Investments

A summary of changes in the fair value of the company’s Public and Private African Investments for the second quarters of 2019 and 2018 were as follows:

	Second quarter											
	2019						2018					
	Balance as of April 1	Purchases	Accretion of discount/ (amortization of premium)[(1)]	Net change in unrealized gains (losses) on investments[(2)]	Net foreign exchange gains on investments	Balance as of June 30	Balance as of April 1	Purchases	Accretion of discount[(1)]	Net change in unrealized gains (losses) on investments[(2)]	Net foreign exchange losses on investments	Balance as of June 30
Public African Investments:												
Common stocks:												
Atlas Mara	**110,457**	**—**	**—**	**(8,275)**	**—**	**102,182**	200,765	—	—	(23,747)	—	177,018
CIG	**29,675**	**—**	**—**	**(16,268)**	**1,078**	**14,485**	2,819	—	—	(237)	(382)	2,200
Other[(3)]	**—**	**—**	**—**	**—**	**—**	**—**	1,559	—	—	(1,003)	(322)	234
Total Public African Investments	**140,132**	**—**	**—**	**(24,543)**	**1,078**	**116,667**	205,143	—	—	(24,987)	(704)	179,452
Private African Investments:												
Loans:												
AGH Facility	**12,327**	**—**	**132**	**—**	**276**	**12,735**	—	—	—	—	—	—
Philafrica Facility	**—**	**—**	**—**	**—**	**—**	**—**	27,851	13,219	472	—	(4,914)	36,628
CIG	**20,022**	**—**	**31**	**245**	**459**	**20,757**	—	23,270	10	1,880	(1,930)	23,230
PGR2[(4)]	**18,157**	**1,416**	**—**	**539**	**466**	**20,578**	—	15,074	—	(165)	(1,212)	13,697
	50,506	**1,416**	**163**	**784**	**1,201**	**54,070**	27,851	51,563	482	1,715	(8,056)	73,555
Bonds:												
Atlas Mara 7.5% Convertible Bonds	**—**	**—**	**—**	**—**	**—**	**—**	—	15,040	47	19	—	15,106
Atlas Mara 11.0% Convertible Bonds[(5)]	**16,823**	**455**	**(45)**	**201**	**—**	**17,434**	—	—	—	—	—	—
Atlas Mara 7.5% Bonds	**17,407**	**—**	**257**	**206**	**—**	**17,870**	—	—	—	—	—	—
Nova Pioneer Bonds	**32,785**	**5,388**	**54**	**897**	**—**	**39,124**	19,283	—	—	213	—	19,496
	67,015	**5,843**	**266**	**1,304**	**—**	**74,428**	19,283	15,040	47	232	—	34,602
Common stocks:												
Indirect equity interest in AGH[(6)]	**112,368**	**—**	**—**	**324**	**2,555**	**115,247**	125,809	—	—	(3,536)	(16,436)	105,837
Philafrica	**23,736**	**—**	**—**	**68**	**511**	**24,315**	—	—	—	—	—	—
GroCapital Holdings	**11,897**	**2,288**	**—**	**—**	**305**	**14,490**	—	—	—	—	—	—
	148,001	**2,288**	**—**	**392**	**3,371**	**154,052**	125,809	—	—	(3,536)	(16,436)	105,837
Derivatives:												
Atlas Mara Warrants	**633**	**—**	**—**	**(228)**	**—**	**405**	—	—	—	—	—	—
Nova Pioneer Warrants	**1,673**	**339**	**—**	**(177)**	**—**	**1,835**	572	—	—	300	—	872
	2,306	**339**	**—**	**(405)**	**—**	**2,240**	572	—	—	300	—	872
Total Private African Investments	**267,828**	**9,886**	**429**	**2,075**	**4,572**	**284,790**	173,515	66,603	529	(1,289)	(24,492)	214,866
Total African Investments	**407,960**	**9,886**	**429**	**(22,468)**	**5,650**	**401,457**	378,658	66,603	529	(26,276)	(25,196)	394,318

(1) Recorded in interest in the consolidated statement of earnings and comprehensive income.

(2) For all Private African Investments classified as Level 3 in the fair value hierarchy, net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting periods.

(3) At June 30, 2018 comprised of common shares of a public company listed on the Johannesburg Stock Exchange. During the first quarter of 2019 the common shares of the public company were de-listed.

(4) Purchases of $1,416 related to capitalized interest.

(5) Purchases of $455 related to capitalized interest.

(6) Acquired through the company's ownership in Joseph Holdings.

A summary of changes in the fair value of the company’s Public and Private African Investments for the first six months of 2019 and 2018 were as follows:

	First six months														
	2019								2018						
	Balance as of January 1	Purchases	Re-payments	Accretion of discount/ (amort-ization of premium)[1]	Net realized loss on investments	Net change in unrealized gains (losses) on investments[2]	Net foreign exchange gains (losses) on investments	Balance as of June 30	Balance as of January 1	Purchases	Re-payments	Accretion of discount[1]	Net change in unrealized gains (losses) on investments[2]	Net foreign exchange gains (losses) on investments	Balance as of June 30
Public African Investments:															
Common stocks:															
Atlas Mara	119,092	—	—	—	—	(16,910)	—	102,182	168,671	—	—	—	8,347	—	177,018
CIG[3]	3,886	44,905	—	—	—	(34,035)	(271)	14,485	2,563	—	—	—	(102)	(261)	2,200
Other[4]	28	—	—	—	—	(24)	(4)	—	2,369	69	—	—	(1,990)	(214)	234
Total Public African Investments	123,006	44,905	—	—	—	(50,969)	(275)	116,667	173,603	69	—	—	6,255	(475)	179,452
Private African Investments:															
Loans:															
AGH Facilities	—	12,813	—	231	—	—	(309)	12,735	24,233	—	(25,399)	—	—	1,166	—
Philafrica Facility	—	—	—	—	—	—	—	—	—	41,153	—	472	—	(4,997)	36,628
CIG	21,068	—	—	54	—	(770)	405	20,757	—	23,270	—	10	1,880	(1,930)	23,230
PGR2[5]	17,527	1,416	—	—	—	1,217	418	20,578	—	15,074	—	—	(165)	(1,212)	13,697
	38,595	14,229	—	285	—	447	514	54,070	24,233	79,497	(25,399)	482	1,715	(6,973)	73,555
Bonds:															
Atlas Mara 7.5% Convertible Bonds	—	—	—	—	—	—	—	—	—	15,040	—	47	19	—	15,106
Atlas Mara 11.0% Convertible Bonds[6]	16,334	898	—	(89)	—	291	—	17,434	—	—	—	—	—	—	—
Atlas Mara 7.5% Bonds	17,499	—	—	424	—	(53)	—	17,870	—	—	—	—	—	—	—
Nova Pioneer Bonds[7]	26,023	10,436	—	39	—	2,626	—	39,124	19,414	763	—	—	(681)	—	19,496
	59,856	11,334	—	374	—	2,864	—	74,428	19,414	15,803	—	47	(662)	—	34,602
Common stocks:															
Indirect equity interest in AGH[8]	111,888	—	—	—	—	1,088	2,271	115,247	88,314	20,304	—	—	8,299	(11,080)	105,837
Philafrica	23,463	—	—	—	—	397	455	24,315	—	—	—	—	—	—	—
GroCapital Holdings	11,927	2,288	—	—	—	—	275	14,490	—	—	—	—	—	—	—
	147,278	2,288	—	—	—	1,485	3,001	154,052	88,314	20,304	—	—	8,299	(11,080)	105,837
Derivatives															
Atlas Mara Warrants	1,016	—	—	—	—	(611)	—	405	—	—	—	—	—	—	—
Nova Pioneer Warrants	1,001	506	—	—	—	328	—	1,835	520	—	—	—	352	—	872
	2,017	506	—	—	—	(283)	—	2,240	520	—	—	—	352	—	872
Derivative Obligation:															
CIG forward derivative liability[3]	(5,724)	—	4,839	—	(4,839)	5,724	—	—	—	—	—	—	—	—	—
Total Private African Investments	242,022	28,357	4,839	659	(4,839)	10,237	3,515	284,790	132,481	115,604	(25,399)	529	9,704	(18,053)	214,866
Total African Investments	365,028	73,262	4,839	659	(4,839)	(40,732)	3,240	401,457	306,084	115,673	(25,399)	529	15,959	(18,528)	394,318

(1) Recorded in interest in the consolidated statement of earnings and comprehensive income.

(2) For all Private African Investments classified as Level 3 in the fair value hierarchy, net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting periods, except for $5,724 reversal of the prior period unrealized loss upon settlement of the CIG forward derivative liability.

(3) Related to the company's obligation to subscribe for 178,995,353 CIG ordinary shares as part of the CIG Rights Offer which was settled on January 4, 2019.

(4) At June 30, 2018 comprised of common shares of a public company listed on the Johannesburg Stock Exchange. During the first quarter of 2019 the common shares of the public company were de-listed.

(5) Purchases of $1,416 related to capitalized interest.

(6) Purchases of $898 related to capitalized interest.

(7) Purchases included capitalized interest of $1,715 (2018 - $763).

(8) Acquired through the company's ownership in Joseph Holdings.

Public African Investments

The fair values of Fairfax Africa's Public African Investments are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date.

Investment in Atlas Mara Limited (Common Shares)

Atlas Mara Limited ("Atlas Mara") is a Sub-Saharan African financial services group listed on the London Stock Exchange under the symbol ATMA. Atlas Mara was founded in 2013 with a vision to establish itself as a premier financial institution across key markets in Sub-Saharan Africa. Since its inception, Atlas Mara has acquired control or significant influence in banks across seven Sub-Saharan African countries: Nigeria, Botswana, Zimbabwe, Mozambique, Rwanda, Tanzania and Zambia.

The company's investment in Atlas Mara is comprised of common shares, debt instruments and warrants. The debt instruments and warrants are classified as Level 3 investments in the fair value hierarchy and are discussed in the Private African Investments section under the heading Investment in Atlas Mara (Debt Instruments and Warrants) later in note 5.

Atlas Mara Common Shares

In August and December 2017 the company acquired an aggregate of 71,958,670 ordinary shares of Atlas Mara representing a 43.3% equity interest for net consideration of $159,335.

At June 30, 2019 the fair value of the company's investment in Atlas Mara was $102,182 (December 31, 2018 - $119,092), comprised of 71,958,670 ordinary shares representing a 42.3% equity interest (December 31, 2018 - 42.4%). The changes in fair value of the company's investment in Atlas Mara for the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in Consolidated Infrastructure Group (Common Shares)

Consolidated Infrastructure Group Limited ("CIG") is a Pan-African engineering infrastructure company listed on the Johannesburg Stock Exchange under the stock symbol CIL. CIG has a diversified portfolio of operations including services and materials in power and electrical, oil and gas, building materials and the railway sector, with a footprint that spans over 20 African countries and the Middle East.

The company's investment in CIG is comprised of common shares and a debt instrument. At December 31, 2018 the company's investment in CIG also included a derivative obligation which was settled on January 4, 2019 upon closing of the CIG Rights Offer (described below). The debt instrument and derivative obligation are classified as Level 3 investments in the fair value hierarchy and are discussed in the Private African Investments section under the heading Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation) later in note 5.

CIG Common Shares

In 2017 and 2018 the company acquired 15,527,128 ordinary shares representing a 7.9% equity interest in CIG for cash consideration of $4,041 (56.4 million South African rand).

On January 4, 2019 upon closing of the previously announced CIG rights offer the company acquired 178,995,353 ordinary shares of CIG for net consideration of $44,905 (628.3 million South African rand), which was comprised of net cash consideration of $49,744 (696.0 million South African rand), partially offset by the settlement of the derivative obligation (refer to the Private African Investments section under the heading Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation) later in note 5) of $4,839 (67.7 million South African rand). Upon completion of this transaction the company held 194,522,481 ordinary shares of CIG, representing a 49.1% equity interest in CIG for net consideration of $48,946 (684.7 million South African rand).

At June 30, 2019 the fair value of the company's investment in CIG was $14,485 (December 31, 2018 - $3,886), comprised of 194,522,481 shares representing a 49.1% equity interest (December 31, 2018 - 7.9%). The changes in fair value of the company's investment in CIG for the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in an Other Public African Investment

In 2017 and 2018 the company acquired less than 5.0% of the common shares of a public company in the infrastructure sector, listed on the Johannesburg Stock Exchange ("Other Public African Investment") for aggregate cash consideration of $2,055.

In the first quarter of 2019 the Other Public African Investment was de-listed from the Johannesburg Stock Exchange. The company does not expect any recoverability of its initial investment.

At June 30, 2019 the fair value of the company's investment in Other Public African Investment was nil (December 31, 2018 - $28). The changes in fair value of the company's investment in the Other Public African Investment for the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Private African Investments

The fair values of Fairfax Africa's Private African Investments cannot be derived from an active market and accordingly, are determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Use of unobservable inputs can involve significant judgment and may materially affect the reported fair value of these investments.

Investment in AFGRI Holdings Proprietary Limited

AFGRI Holdings Proprietary Limited ("AFGRI Holdings") is a private holding company based in South Africa that owns 100.0% of AFGRI Group Holdings Proprietary Limited ("AGH"), an investment holding company with interests in a number of agricultural and food-related companies providing products and services to ensure sustainable agriculture. AGH's core focus is grain commodities and it provides services across the entire grain production and storage cycle, offering financial support and solutions as well as high-tech equipment through the John Deere brand supported by a large retail footprint.

Indirect Equity Interest in AGH

In February 2017 Fairfax Africa acquired a 42.2% indirect equity interest in AGH for $74,968 through its purchase of 156,055,775 ordinary shares and 49,942,549 Class A shares of Joseph Holdings for $25,001 and $49,967 in a non-cash transaction. In January 2018 the company participated in a rights offer held by AGH and invested an additional $20,304 (inclusive of a non-cash realized gain of $1,803) in AGH through its purchase of 79,743,201 ordinary shares of Joseph Holdings. In November 2018 the company acquired an additional 5,260,679 ordinary shares and 270,362 Class A shares of Joseph Holdings for aggregate cash consideration of $1,408 from an employee of the company's portfolio sub-advisor, Pactorum Ltd. ("Pactorum").

At June 30, 2019 Fairfax Africa had invested $96,680 in Joseph Holdings (comprised of 74.6% of the ordinary shares and 73.7% of the Class A shares of Joseph Holdings). Fairfax Africa is the largest beneficial shareholder of AGH, through its investment in Joseph Holdings, with a 45.2% indirect equity interest (December 31, 2018 - 44.7%).

At June 30, 2019 the company estimated the fair value of its investment in the indirect equity interest in AGH using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 11.4% to 25.7% and a long term growth rate of 3.0% (December 31, 2018 - 11.7% to 26.0% and 3.0% respectively). At June 30, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for AGH's business units prepared in the second quarter of 2019 (December 31, 2018 - fourth quarter of 2018) by AGH's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which AGH operates. At June 30, 2019 the company's internal valuation model indicated that the fair value of its 45.2% indirect equity interest in AGH, acquired through the company's ownership in Joseph Holdings, was $115,247 (December 31, 2018 - $111,888), comprised of the Class A shares and ordinary shares of Joseph Holdings. The changes in fair value of the company's indirect equity interest in AGH for the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

AGH Facilities

In June 2017 Fairfax Africa entered into a secured lending arrangement with AGH, pursuant to which Fairfax Africa provided $23,255 (300 million South African rand) of financing. On January 31, 2018 the facility was fully repaid in cash with the company receiving $25,399 and recognized a realized foreign exchange gain of $1,166 in the consolidated statements of earnings and comprehensive income in the first six months of 2018.

On January 21, 2019 the company completed a second secured lending arrangement with AGH pursuant to which Fairfax Africa provided $12,813 (176.4 million South African rand) of financing (the "AGH Facility"). The AGH Facility earns interest at a rate of South African prime plus 2.0% payable on maturity on July 19, 2019.

In the second quarter and first six months of 2019 the company recorded interest income of $523 and $926 (2018 - nil and $383) within interest in the consolidated statements of earnings and comprehensive income related to the AGH Facility.

At June 30, 2019 the company estimated the fair value of its investment in the AGH Facility to be $12,735 (December 31, 2018 - nil) which due to the short term to maturity of the investment, approximated its amortized cost. The changes in fair value of the AGH Facility for the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Subsequent to June 30, 2019

On July 19, 2019 the AGH Facility was fully repaid in cash with the company receiving $13,424 (186.7 million South African rand) (inclusive of accrued interest and raising fees). On receipt, the company allocated proceeds of $5,391 (75.0 million South African rand) to an interest-bearing deposit account with Grobank Limited, a related party of the company. Refer to note 12 for further details on transactions with Grobank Limited.

Investment in Philafrica Foods Proprietary Ltd.

Philafrica Foods Proprietary Ltd. ("Philafrica") is headquartered in South Africa, where it owns and operates maize mills, wheat mills, animal feed factories, snacking and bread production facilities, soya crushing and extraction plants, which process oil and other raw materials into edible oils, fats and proteins for human consumption (primarily for the food processing and quick-service restaurant industries), and a mussels farm and factory. Philafrica also has food-related businesses outside South Africa, consisting mainly of a cassava processing business in Côte d'Ivoire and Mozambique and a poultry joint venture in Mozambique. In addition to its 14 production plants (including newly acquired mussels and snack manufacturing operations) across the South African provinces of Gauteng, KwaZulu Natal, Mpumalanga, Eastern Cape, Western Cape, the Free State and Limpopo, Philafrica also has operations in Mozambique and Cote d'Ivoire.

Philafrica Common Shares

In November 2018 Fairfax Africa converted $23,254 (325 million South African rand) of its previously existing Philafrica secured lending facility into 26,000 ordinary shares of Philafrica with the remainder of the facility fully paid in cash. Upon completion of this transaction the company held a 26.0% equity interest in Philafrica with AGH's equity interest decreasing from 100.0% to 60.0%, with AGH maintaining control of Philafrica.

At June 30, 2019 the company estimated the fair value of its investment in Philafrica using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 11.7% to 20.3% and a long term growth rate of 3.0% (December 31, 2018 - 13.7% to 24.4% and 3.0%). At June 30, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for Philafrica's business units prepared in the second quarter of 2019 (December 31, 2018 - fourth quarter of 2018) by Philafrica's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Philafrica operates. At June 30, 2019 the company's internal valuation model indicated that the fair value of its investment in Philafrica was $24,315 (December 31, 2018 - $23,463) for the 26.0% equity interest. The changes in fair value of the company's equity interest in Philafrica for the second quarter and first six months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in GroCapital Holdings Proprietary Limited

GroCapital Holdings Proprietary Limited ("GroCapital Holdings") is a bank holding company that owns 99.9% of Grobank Limited ("Grobank", formerly known as the South African Bank of Athens Limited or "SABA")**.** Operating as a South African bank since 1947, Grobank is focused on developing and delivering banking services to medium-sized businesses with a focus on the agri-business value chain in the South African market, driven by a unique combination of banking and agri-business experience.

GroCapital Holdings Common Shares

In the fourth quarter of 2018 Fairfax Africa acquired a 35.0% equity interest in GroCapital Holdings and funded the company's pro rata contribution on capital calls, investing an aggregate cash consideration of $12,141 (171.6 million South African rand).

On April 16, 2019 GroCapital Holdings issued a capital call to its shareholders to fund their pro rata contribution, which was invested by GroCapital Holdings into Grobank to support the bank's capital adequacy requirements under South African regulations. On April 23, 2019 Fairfax Africa invested their pro rata contribution of the capital call of $2,288 (32.8 million South African rand) to GroCapital Holdings to maintain its 35.0% equity interest. Upon completion of this transaction, the company had invested aggregate cash consideration of $14,429 (204.4 million South African rand) in GroCapital Holdings.

At June 30, 2019 the initial transaction price for the company's investment in GroCapital Holdings was considered to approximate fair value as there were no significant changes to its investment in Grobank's business, capital structure and operating environment and the key assumptions in the company's acquisition valuation model continue to be valid. At June 30, 2019 the fair value of the company's investment in GroCapital Holdings was $14,490 (December 31, 2018 - $11,927). The changes in fair value of the company's equity interest in GroCapital Holdings for the second quarter and first six months of 2019 are presented in the table disclosed earlier in note 5.

Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation)

The company's investment in CIG is comprised of common shares classified as Level 1 in the fair value hierarchy and a debt instrument and derivative obligation (at December 31, 2018) classified as Level 3 in the fair value hierarchy. The company's investment in CIG common shares is discussed in the Public African Investments section under the heading Investment in Consolidated Infrastructure Group (Common Shares) earlier in note 5.

CIG Loan

In May 2018 the company entered into a secured lending arrangement with CIG, pursuant to which the company provided CIG with $23,270 (292.5 million South African rand, plus a 2.5% raising fee for aggregate financing of 300 million South African rand) (the "CIG Loan"). In August 2018 the conversion features in the CIG Loan were approved, setting the interest at a rate of South African prime plus 2.0% per annum and a maturity date of June 4, 2023.

At June 30, 2019 the company estimated the fair value of its investment in the CIG Loan using an industry accepted discounted cash flow and option pricing model that incorporated the security's estimated credit spread of 6.3% (December 31, 2018 - 7.8%) and estimated historical share price volatility of 71.2% (December 31, 2018 - 60.9%). The estimated credit spread was based on a peer group of comparable companies adjusted for credit risk specific to CIG. At June 30, 2019 the company's internal valuation model indicated that the estimated fair value of the CIG Loan was $20,757 (December 31, 2018 - $21,068). The changes in fair value of the CIG Loan for the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

In the second quarter and first six months of 2019 the company recorded interest income of $673 and $1,339 (2018 - $236 for both periods) within interest in the consolidated statements of earnings and comprehensive income related to the CIG Loan.

CIG Rights Offer (Derivative Obligation)

At December 31, 2018 the company's obligation to subscribe for 178,995,353 CIG ordinary shares as part of the CIG Rights Offer (refer to the Public African Investments section under the heading Investment in Consolidated Infrastructure Group (Common Shares) earlier in note 5) gave rise to a forward derivative liability. On January 4, 2019 upon closing of the CIG Rights Offer the company settled the forward derivative liability with a fair value of $4,839, reducing the net consideration recorded for the shares acquired by the company in the CIG Rights Offer.

In the first six months of 2019 the company's consolidated statements of earnings and comprehensive income included a net gain on investments of $885 relating to the CIG forward derivative liability that was comprised of: (i) an inception to date realized loss of $4,839 reported in net realized losses on investments; and (ii) a reversal of the unrealized loss of $5,724 reported in net change in unrealized gains on investments which was originally recorded in the company's prior year results.

Investment in the PGR2 Loan (Debt Instrument)

In May 2018 in conjunction with the CIG Loan, Fairfax Africa entered into a secured lending agreement with PGR2 Investments Proprietary Limited ("PGR2"), the largest shareholder of CIG at the time of the transaction, pursuant to which the company provided PGR2 with $19,969 (260 million South African rand) of secured financing (the "PGR2 Loan"). The PGR2 Loan is secured by ordinary shares of CIG held by PGR2 and associated parties and bears interest at a rate of 15.0% per annum, payable semi-annually in cash or capitalized to principal amount owing at PGR2's option, with a maturity date of May 24, 2021.

At June 30, 2019 the company estimated the fair value of its investment in the PGR2 Loan using an industry accepted discounted cash flow and option pricing model that incorporated PGR2's estimated credit spread of 9.3% (December 31, 2018 - 11.9%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to PGR2. At June 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the PGR2 Loan was $20,578 (December 31, 2018 - $17,527). The changes in fair value of the PGR2 Loan for the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

In the second quarter and first six months of 2019 the company recorded interest income of $732 and $1,435 (2018 -$195 for both periods) within interest in the consolidated statements of earnings and comprehensive income related to the PGR2 Loan.

Investment in Atlas Mara Limited (Debt Instruments and Warrants)

The company's investment in Atlas Mara is comprised of common shares classified as Level 1 in the fair value hierarchy and debt instruments and warrants classified as Level 3 in the fair value hierarchy. The company's investment in Atlas Mara common shares is discussed in the Public African Investments section under the heading Investment in Atlas Mara Limited (Common Shares) earlier in note 5. The Atlas Mara Bonds as discussed below are not rated.

Atlas Mara 11.0% Convertible Bonds

In April 2018 Fairfax Africa entered into a placing agreement pursuant to which the company invested $16,000 in Atlas Mara 7.5% convertible bonds (the "Atlas Mara 7.5% Convertible Bonds") and then in December 2018 amended the terms of the bonds. The amended bonds bear interest at a rate of 11.0% per annum accrued quarterly and in lieu of cash, the interest is payable in kind in the form of additional Atlas Mara bonds ("Atlas Mara 11.0% Convertible Bonds"). The bonds mature on December 11, 2019 with the option by Atlas Mara to extend the maturity by an additional year to December 11, 2020.

At June 30, 2019 the company estimated the fair value of its investment in Atlas Mara 11.0% Convertible Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 11.2% (December 31, 2018 - 10.3%) and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the implied spread of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At June 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 11.0% Convertible Bonds was $17,434 (December 31, 2018 - $16,334).

Atlas Mara 7.5% Bonds plus Warrants

In July 2018 Fairfax Africa amended the terms of the placing agreement to provide an additional $20,000 in funding to Atlas Mara and then in November 2018 amended the terms for the $20,000 funding which included replacing the conversion feature of the bonds with 6,200,000 of Atlas Mara warrants. The bonds bear interest at a rate of 7.5% per annum, with interest payable semi-annually ("Atlas Mara 7.5% Bonds") and mature on November 6, 2021 with the option of Atlas Mara to extend the maturity by an additional year to November 6, 2022. The Atlas Mara warrants can be exercised by the company at a price of $3.20 per ordinary share of Atlas Mara.

At June 30, 2019 the company estimated the fair value of its investment in the Atlas Mara 7.5% Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 11.2% (December 31, 2018 - 10.3%) and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At June 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 7.5% Bonds was $17,870 (December 31, 2018 - $17,499).

At June 30, 2019 the company estimated the fair value of its investment in the Atlas Mara warrants using an industry accepted discounted cash flow and option pricing model that incorporated estimated historical share price volatility of 33.3% (December 31, 2018 - 34.5%). At June 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara warrants was $405 (December 31, 2018 - $1,016).

The changes in fair value of the company's bond and warrant investments in Atlas Mara in the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed earlier in note 5. In the second quarters and first six months of 2019 the company recorded interest income of $1,116 and $2,058 (2018 -$213 for both periods) within interest in the consolidated statements of earnings and comprehensive income related to the Atlas Mara bonds.

Investment in Nova Pioneer Education Group

Nova Pioneer Education Group ("Nova Pioneer") is a Pan-African independent school network offering preschool through secondary education for students from ages 3 through 19. Nova Pioneer was started in 2013 with its first school opening in South Africa in 2014. Since then, the company has expanded across South Africa and launched its first campus in Kenya in 2015. Nova Pioneer currently operates ten schools with a combined enrollment of approximately 3,850 students.

Nova Pioneer Bonds and Warrants

In December 2017 and the second half of 2018 the company invested an aggregate of $27,023 in Ascendant Learning Limited ("Ascendant"), the Mauritius based parent entity of Nova Pioneer, which consisted of: (i) $26,242 of debentures (inclusive of capitalized interest) with an interest rate of 20.0% per annum and mature on December 31, 2024 (the "Nova Pioneer Bonds"); and (ii) 2,477,293 warrants (the "Nova Pioneer Warrants") with an initial cost of $781. Each Nova Pioneer Warrant can be exercised by the company at a price of $2.06 per ordinary share of Ascendant. Other than in circumstances relating to a change of control or a value realization event, the Nova Pioneer Warrants may be exercised after June 30, 2021. At December 31, 2018 the company had a remaining investment commitment of $9,227 to invest in Nova Pioneer Bonds and Warrants.

In January, April and June 2019 the company completed its remaining $9,227 investment commitment comprised of Nova Pioneer Bonds and 922,707 warrants with fair values on the dates of investment of $8,721 and $506. Upon completion of this transaction, Fairfax Africa had invested an aggregate of $37,965 which was comprised of $36,678 in Nova Pioneer Bonds (inclusive of capitalized accrued interest to the principal amount owing) and $1,287 in 3,400,000 Nova Pioneer Warrants.

At June 30, 2019 the company estimated the fair value of its investment in the Nova Pioneer Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Nova Pioneer's estimated credit spread of 16.4% (December 31, 2018 - 18.5%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Nova Pioneer and assumptions related to certain redemption options embedded in the bonds. At June 30, 2019 the company's internal valuation model indicated that the fair value of the investment in Nova Pioneer Bonds was $39,124 (December 31, 2018 - $26,023). The changes in fair value of the Nova Pioneer Bonds during the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

In the second quarter and first six months of 2019 the company recorded interest income of $1,788 and $3,343 (2018 - $1,035 and $2,059) within interest in the consolidated statements of earnings and comprehensive income related to the Nova Pioneer Bonds.

At June 30, 2019 the company estimated the fair value of its investment in the Nova Pioneer Warrants using an industry accepted discounted cash flow and option pricing model that incorporated an estimated share price of $1.74 (December 31, 2018 - $1.46). At June 30, 2019 the company's internal valuation model indicated that the fair value of the investment in the Nova Pioneer Warrants was $1,835 (December 31, 2018 - $1,001). The changes in fair value of the Nova Pioneer Warrants during the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

6. Cash and Investments

Fair Value Disclosures

The company's use of quoted market prices (Level 1), valuation models using observable market information as inputs (Level 2) and valuation models without observable market information as inputs (Level 3) in the valuation of securities by type of issuer was as follows:

	June 30, 2019				December 31, 2018			
	Quoted prices (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value of assets**	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets
Cash and cash equivalents	**48,053**	—	—	**48,053**	230,858	—	—	230,858
Short term investments - U.S. treasury bills	**98,970**	—	—	**98,970**	38,723	—	—	38,723
Loans:								
AGH Facility	—	—	**12,735**	**12,735**	—	—	—	—
CIG	—	—	**20,757**	**20,757**	—	—	21,068	21,068
PGR2	—	—	**20,578**	**20,578**	—	—	17,527	17,527
	—	—	**54,070**	**54,070**	—	—	38,595	38,595
Bonds:								
Atlas Mara 11.0% Convertible Bonds	—	—	**17,434**	**17,434**	—	—	16,334	16,334
Atlas Mara 7.5% Bonds	—	—	**17,870**	**17,870**	—	—	17,499	17,499
Nova Pioneer Bonds	—	—	**39,124**	**39,124**	—	—	26,023	26,023
	—	—	**74,428**	**74,428**	—	—	59,856	59,856
Common stocks:								
Atlas Mara	**102,182**	—	—	**102,182**	119,092	—	—	119,092
CIG	**14,485**	—	—	**14,485**	3,886	—	—	3,886
Other	—	—	—	—	28	—	—	28
Indirect equity interest in AGH	—	—	**115,247**	**115,247**	—	—	111,888	111,888
Philafrica	—	—	**24,315**	**24,315**	—	—	23,463	23,463
GroCapital Holdings	—	—	**14,490**	**14,490**	—	—	11,927	11,927
	116,667	—	**154,052**	**270,719**	123,006	—	147,278	270,284
Derivatives:								
Atlas Mara Warrants	—	—	**405**	**405**	—	—	1,016	1,016
Nova Pioneer Warrants	—	—	**1,835**	**1,835**	—	—	1,001	1,001
	—	—	**2,240**	**2,240**	—	—	2,017	2,017
Total cash and investments	**263,690**	—	**284,790**	**548,480**	392,587	—	247,746	640,333
Derivative obligation:								
CIG forward derivative liability(1)	—	—	—	—	—	—	(5,724)	(5,724)
Total cash and investments, net of derivative obligation	**263,690**	—	**284,790**	**548,480**	392,587	—	242,022	634,609
	48.1 %	—	**51.9 %**	**100.0 %**	61.9 %	—	38.1 %	100.0 %

(1) Related to the company's obligation to subscribe for 178,995,353 CIG ordinary shares as part of the CIG Rights Offer which was settled on January 4, 2019.

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During the first six months of 2019 and 2018 there were no transfers of financial instruments between Level 1 and Level 2 and there were no transfers of financial instruments in or out of Level 3 as a result of changes in the observability of valuation inputs. The changes in fair value of the company's Private African Investments (classified as Level 3) are disclosed in note 5.

The table that follows illustrates the potential impact on net earnings of various combinations of changes in unobservable inputs in the company's internal valuation model for its Private African Investments classified as Level 3 at June 30, 2019. The analysis assumes variations within a reasonably possible range determined by the company based on analysis of the return on various equity indexes, management's knowledge of the applicable equity markets and the potential impact of changes in interest rates. This sensitivity analysis excludes the company's investments in the AGH Facility and GroCapital Holdings as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis.

Investments	Fair value of Investment	Valuation Technique	Significant unobservable Inputs	Significant unobservable inputs used in the internal valuation models	Hypothetical $ change effect on fair value measurement[(1)]	Hypothetical $ change effect on net earnings [(1)]
Loans:						
CIG Loan	$20,757	Discounted cash flow and option pricing model	Credit spread	6.3%	(593) / 522	(514) / 453
			Historical share price volatility	71.2%	nil / (43)	nil / (37)
PGR2 Loan	$20,578	Discounted cash flow and option pricing model	Credit spread	9.3%	(335) / 313	(246) / 230
Bonds:						
Atlas Mara 11.0% Convertible Bond	$17,434	Discounted cash flow and option pricing model	Credit spread	11.2%	(67) / 74	(58) / 64
Atlas Mara 7.5% Bonds	$17,870	Discounted cash flow and option pricing model	Credit spread	11.2%	(364) / 374	(316) / 324
Nova Pioneer Bonds	$39,124	Discounted cash flow and option pricing model	Credit spread	16.4%	(624) / 637	(459) / 468
Common stocks:						
Indirect equity interest in AGH	$115,247	Discounted cash flow	After-tax discount rate	11.4% to 25.7%	(6,052) / 7,001	(5,250) / 6,073
			Long-term growth rate	3.0%	2,403 / (2,036)	2,085/ (1,766)
Philafrica	$24,315	Discounted cash flow	After-tax discount rate	11.7% to 20.3%	(1,748) / 1,952	(1,516) / 1,693
			Long-term growth rate	3.0%	652 / (616)	566 / (534)
Derivatives:						
Atlas Mara Warrants	$405	Discounted cash flow and option pricing model	Historical share price volatility	33.3%	268 / (61)	232 / (53)
Nova Pioneer Warrants	$1,835	Discounted cash flow and option pricing model	Share price	$1.74	169 / (166)	124 / (122)

(1) The impact on the internal valuation models from changes in significant unobservable inputs deemed to be subject to the most judgment and estimates disclosed in the above table shows the hypothetical increase (decrease) in net earnings. Changes in the after-tax discount rates (50 basis points), long term growth rates (25 basis points), estimated share price volatility (minimum and maximum historical volatility over a two year period from the balance sheet date), changes in share price (5.0%) and credit spreads (100 basis points), each in isolation, would hypothetically change the fair value of the company's investments as noted in the table above. Generally, an increase (decrease) in long term growth rates or a decrease (increase) in after-tax discount rates, estimated share price volatility or credit spreads would result in a higher (lower) fair value of the company's Private African Investments classified as Level 3 in the fair value hierarchy.

Fixed Income Maturity Profile

Loans and bonds are summarized by their earliest contractual maturity date in the table that follows. Actual maturities may differ from maturities shown below due to the existence of call and put features. At June 30, 2019 debt instruments containing call features represented $54,070 and $56,558 (December 31, 2018 - $38,595 and $42,357) of the total fair value of loans and bonds respectively. At June 30, 2019 and December 31, 2018 there were no debt instruments containing put features.

	June 30, 2019		December 31, 2018	
	Amortized cost	**Fair value**	Amortized cost	Fair value
Loans:				
Due in 1 year or less	**58,829**	**54,070**	44,313	38,595
Bonds:				
Due in 1 year or less	**17,080**	**17,434**	16,271	16,334
Due after 1 year through 5 years	**54,947**	**56,994**	44,049	43,522
	72,027	**74,428**	60,320	59,856

Investment Income

An analysis of investment income for the three and six months ended June 30 is summarized in the table that follows:

Interest

	Second quarter		First six months	
	2019	2018	**2019**	2018
Interest:				
Cash and cash equivalents	**521**	232	**1,306**	810
Restricted cash	**—**	754	**—**	1,435
Short term investments	**483**	616	**899**	819
Loans	**1,928**	1,737	**3,700**	2,399
Bonds	**2,904**	1,248	**5,401**	2,272
	5,836	4,587	**11,306**	7,735

Net gains (losses) on investments and net foreign exchange gains (losses)

	Second quarter					
	2019			2018		
	Net realized gains (losses)	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:[1]						
Short term investments - U.S. treasury bills:	**1**	**93**	**94**	(17)	—	(17)
Loans	**—**	**784**	**784**	—	1,715	1,715
Bonds	**—**	**1,304**	**1,304**	—	232	232
Common stocks	**—**	**(24,151)**	**(24,151)**	—	(28,523)	(28,523)
Derivatives	**—**	**(405)**	**(405)**	—	300	300
	1	**(22,375)**	**(22,374)**	(17)	(26,276)	(26,293)
Net foreign exchange gains (losses) on:[1]						
Cash and cash equivalents	**60**	**—**	**60**	145	—	145
Loans	**—**	**1,201**	**1,201**	—	(8,056)	(8,056)
Common stocks	**—**	**4,449**	**4,449**	—	(17,140)	(17,140)
Other	**—**	**61**	**61**	—	(66)	(66)
	60	**5,711**	**5,771**	145	(25,262)	(25,117)

	First six months					
	2019			2018		
	Net realized gains (losses)	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:[1]						
Short term investments - U.S. treasury bills	**1**	**93**	**94**	(18)	—	(18)
Loans	**—**	**447**	**447**	—	1,715	1,715
Bonds	**—**	**2,864**	**2,864**	—	(662)	(662)
Common stocks	**—**	**(49,484)**	**(49,484)**	1,803	14,554	16,357
Derivatives	**(4,839)**	**5,441**	**602**	—	352	352
	(4,838)	**(40,639)**	**(45,477)**	1,785	15,959	17,744
Net foreign exchange gains (losses) on:[1]						
Cash and cash equivalents	**1,962**	**—**	**1,962**	215	—	215
Loans	**—**	**514**	**514**	1,166	(8,139)	(6,973)
Common stocks	**—**	**2,726**	**2,726**	—	(11,555)	(11,555)
Other	**—**	**85**	**85**	—	(73)	(73)
	1,962	**3,325**	**5,287**	1,381	(19,767)	(18,386)

(1) Refer to note 5 for a summary of changes in the fair value of the company's Public and Private African Investments during the second quarters and first six months of 2019 and 2018.

7. Borrowings

	June 30, 2019			December 31, 2018		
	Principal	**Carrying value**	**Fair value**	Principal	Carrying value(1)	Fair value(2)
Revolving Credit Facility, floating rate	—	—	—	30,000	29,527	30,000

(1) Principal net of unamortized issue costs.
(2) Principal approximated fair value at December 31, 2018.

Revolving Credit Facility

On September 7, 2018 the company entered into a $90,000 secured, revolving demand credit facility with a syndicate of Canadian lenders, bearing interest at a rate of LIBOR plus 400 basis points (the "Credit Facility"). The Credit Facility has a maturity date of September 7, 2019 with an option to extend for an additional year on an annual basis and contained a financial covenant that required the company to maintain common shareholders' equity of not less than $600,000. On March 28, 2019 the Credit Facility was amended by reducing the financial covenant for common shareholders' equity to $500,000.

On December 21, 2018 the company drew $30,000 from the Credit Facility with a 3-month term that was repaid on March 21, 2019, along with accrued interest of $509. At June 30, 2019 the company was in compliance with the financial covenant requirement to maintain common shareholders' equity of not less than $500,000.

Interest Expense

In the second quarter and first six months of 2019 interest expense of $203 and $820 (2018 - $1,137 and $2,201) was principally comprised of interest expense of nil and $447 (2018 - $1,137 and $2,201) and amortization of issuance costs of $172 and $342 (2018 - nil for both periods).

8. Common Shareholders' Equity

Common stock

The number of shares outstanding was as follows:

	2019	2018
Subordinate voting shares - January 1	**32,811,965**	20,620,189
Issuance of shares	**—**	12,300,000
Purchases for cancellation	**(2,291,502)**	—
Subordinate voting shares - June 30	**30,520,463**	32,920,189
Multiple voting shares - beginning and end of period	**30,000,000**	30,000,000
Common shares effectively outstanding - June 30	**60,520,463**	62,920,189

Capital Transactions

On June 28, 2019 the company announced its intention to commence a normal course issuer bid to purchase up to 2,324,723 subordinate voting shares, representing approximately 10% of the public float of its subordinate voting shares, over a twelve month period from July 8, 2019 to July 7, 2020. Any subordinate voting shares that may be purchased under the normal course issuer bid will be cancelled. The actual number of subordinate voting shares that may be purchased under the normal course issuer bid and the timing of such purchases will be determined at the discretion of the company, with no assurances that any such purchases will be completed.

Purchase of Shares

During the first six months of 2019, under the terms of the existing normal course issuer bid, which expired on July 5, 2019, the company purchased for cancellation 2,291,502 subordinate voting shares (2018 - nil) for a net cost of $19,629 (2018 - nil) of which $4,152 was recorded as a benefit in retained earnings (2018 - nil).

9. Net Earnings per Share

Net loss per common share is calculated in the following table based on the weighted average common shares outstanding:

	Second quarter		First six months	
	2019	2018	**2019**	2018
Net loss – basic and diluted	**(16,229)**	(41,833)	**(37,709)**	(983)
Weighted average common shares outstanding – basic and diluted	**61,041,998**	52,377,332	**61,503,158**	51,503,614
Net loss per common share - basic and diluted	**$ (0.27)**	$ (0.80)	**$ (0.61)**	$ (0.02)

10. Income Taxes

The company's provision for income taxes for the three and six months ended June 30 is summarized in the following table:

	Second quarter		First six months	
	2019	2018	**2019**	2018
Current income tax:				
Current year expense	**815**	337	**512**	668
Adjustment to prior years' income taxes	**1,692**	—	**1,692**	—
	2,507	337	**2,204**	668
Deferred income tax:				
Origination and reversal of temporary differences	**523**	—	**550**	—
Provision for income taxes	**3,030**	337	**2,754**	668

A significant portion of the company's earnings (loss) before income taxes is earned or incurred outside of Canada. The statutory income tax rates for jurisdictions outside of Canada generally differ from the Canadian statutory income tax rate (and may be significantly higher or lower).

The company's earning (loss) before income taxes by jurisdiction and the associated provision for (recovery of) income taxes for the three and six months ended June 30 are summarized in the following table:

	Second quarter							
	2019				2018			
	Canada	**Mauritius**	**South Africa**	**Total**	Canada	Mauritius	South Africa	Total
Earnings (loss) before income taxes	**2,400**	**(2,697)**	**(12,902)**	**(13,199)**	(2,213)	(38,439)	(844)	(41,496)
Provision for (recovery of) income taxes	**2,455**	**52**	**523**	**3,030**	(129)	(12)	478	337
Net loss	**(55)**	**(2,749)**	**(13,425)**	**(16,229)**	(2,084)	(38,427)	(1,322)	(41,833)

	First six months							
	2019				2018			
	Canada	**Mauritius**	**South Africa**	**Total**	Canada	Mauritius	South Africa	Total
Earnings (loss) before income taxes	**1,123**	**(7,851)**	**(28,227)**	**(34,955)**	(8,139)	7,528	296	(315)
Provision for income taxes	**2,113**	**91**	**550**	**2,754**	—	14	654	668
Net earnings (loss)	**(990)**	**(7,942)**	**(28,777)**	**(37,709)**	(8,139)	7,514	(358)	(983)

The decrease in losses before income taxes in Canada in both the second quarter and first six months of 2019 compared to the second quarter and first six months of 2018 primarily reflected increased interest income, and decreased net foreign exchange losses, interest expense and general and administration expenses.

The decrease in loss before income taxes in Mauritius in the second quarter of 2019 compared to the second quarter of 2018 primarily reflected increased interest income arising from the company's investments in Atlas Mara and Nova Pioneer and unrealized gains related to the company's indirect equity interest in AGH. The decrease in earnings before income taxes in Mauritius in the first six months of 2019 compared to the first six months of 2018 principally reflected increased unrealized losses on the company's investments in Atlas Mara common shares, partially offset by the decrease in pre-tax loss noted above for the second quarter of 2019.

The increase in loss before income taxes in the second quarter of 2019 and the decrease in pre-tax profitability in the first six months of 2019 in South Africa compared to the second quarter and first six months of 2018 primarily reflected increased unrealized losses on investments principally related to the company's investments in CIG common shares, partially offset by increased interest income.

A reconciliation of the recovery of income taxes calculated at the Canadian statutory income tax rate to the provision for income taxes at the effective tax rate in the consolidated financial statements for the three and six months ended June 30 are summarized in the following table:

	Second quarter		First six months	
	2019	2018	**2019**	2018
Canadian statutory income tax rate	**26.5%**	26.5%	**26.5%**	26.5%
Recovery of income taxes at the Canadian statutory income tax rate	**(3,497)**	(10,997)	**(9,263)**	(84)
Tax rate differential on losses incurred (income earned) outside of Canada	**(2,768)**	12,161	**3,360**	(515)
Provision relating to prior years	**1,692**	53	**1,692**	53
Change in unrecorded tax benefit of losses and temporary differences	**8,527**	(3,394)	**8,616**	(3,761)
Foreign exchange effect	**(933)**	2,490	**(1,666)**	4,951
Other including permanent differences	**9**	24	**15**	24
Provision for income taxes	**3,030**	337	**2,754**	668

The tax rate differential on income earned outside of Canada of $2,768 in the second quarter of 2019 (2018 - losses incurred of $12,161) and the tax rate differential on losses incurred outside of Canada of $3,360 in the first six months of 2019 (2018 - income earned of $515) principally reflected the impact of net investment losses taxed in Mauritius at lower rates, partially offset by losses incurred in South Africa at marginally higher rates.

Provision relating to prior years of $1,692 in both the second quarter and first six months of 2019 (2018 - $53 in both periods) reflected a reclassification of the tax benefit on share issuance costs recorded directly in common shareholders' equity.

The change in unrecorded tax benefit of losses and temporary differences of $8,527 and $8,616 in the second quarter and first six months of 2019 (2018 - $3,394 and $3,761) principally reflected deferred tax assets in South Africa on investments of $8,616 and changes in unrecorded deferred tax assets incurred related to foreign accrual property losses of $89 and nil in the second quarter and first six months of 2019 with respect to the company's wholly-owned subsidiaries that were not recorded by the company, as the related pre-tax losses did not meet the recognition criteria under IFRS.

The change in unrecorded tax benefit of losses and temporary differences of $3,394 and $3,761 in the second quarter and first six months of 2018 principally reflected changes in unrecorded deferred tax assets incurred related to foreign accrual property losses of $1,030 and nil in the second quarter and first six months of 2018 with respect to the company's wholly-owned subsidiaries and utilization of net operating loss carryforwards in Canada of $2,364 and $3,761 in the second quarter and first six months of 2018 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS.

At June 30, 2019 deferred tax assets in Canada of $2,089 (December 31, 2018 - $4,626) and deferred tax assets in South Africa of $8,616 (December 31, 2018 - nil) were not recorded as it was considered not probable that those losses could be utilized by the company.

Foreign exchange effect of $933 and $1,666 in the second quarter and first six months of 2019 (2018 - $2,490 and $4,951) principally reflected the impact of fluctuations in the value of the Canadian dollar relative to the U.S. dollar as the company computes its corporate tax liability in Canadian dollars pursuant to the requirements of Canadian tax authorities, whereas the functional currency of the company and its subsidiaries is the U.S. dollar.

11. Financial Risk Management

Overview

There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at June 30, 2019 compared to those identified and disclosed in the company's annual consolidated financial statements for the year ended December 31, 2018.

Market Risk

Market risk, comprised of foreign currency risk, interest rate risk and other price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market price. The company is exposed to market risk principally in its investing activities and to the extent that those activities expose the company to foreign currency risk. The valuation of the company's investment portfolio is dependent upon the underlying performance of the companies within the portfolio. These may be affected, along with other financial statement items by fluctuations in interest rates, foreign currency exchange rates and market prices.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument or another asset or liability will fluctuate because of changes in foreign exchange rates and produce an adverse effect on net earnings and common shareholders' equity when measured in U.S. dollars, the company's functional currency. At June 30, 2019 the company holdings in African Investments denominated in the South African rand increased compared to December 31, 2018, decreasing the amount of assets that are denominated in U.S. dollars. Accordingly, common shareholders' equity and net earnings may be significantly affected by foreign currency movements resulting from the company's South African rand-denominated investments. The company has not hedged its foreign currency risk. There were no significant changes to the company's framework used to monitor, evaluate and manage foreign currency risk at June 30, 2019 compared to December 31, 2018.

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Typically, as interest rates rise, the fair value of fixed income investments decline and, conversely, as interest rates decline, the fair value of fixed income investments rise. In each case, the longer the maturity of the financial instrument, the greater the consequence of a change in interest rates. The company's interest rate risk management strategy is to position its fixed income portfolio based on its view of future interest rates and the yield curve, balanced with liquidity requirements. General economic conditions, political conditions and many other factors can also adversely affect the bond markets and, consequently, the value of fixed income securities held. Interest rate movements in African countries may affect the company's common shareholders' equity and net earnings. The Portfolio Advisor and Fairfax actively monitor interest rates in African countries for the potential impact changes in interest rates may have on the company's investment portfolio. There were no significant changes to the company's framework used to monitor, evaluate and manage interest rate risk at June 30, 2019 compared to December 31, 2018.

Market Price Fluctuations

Market price fluctuation is the risk that the fair value or future cash flows of an equity investment will fluctuate due to changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual investment or its issuer, or other factors affecting all similar investments in the market. The company's exposure to equity price risk through its equity investments at June 30, 2019 compared to December 31, 2018 are described below.

The company holds significant equity investments. The market value and the liquidity of these investments are volatile and may vary dramatically either up or down in short periods, and their ultimate value will therefore only be known over a period of time or on disposition.

The company's exposure to market price risk marginally increased to $272,959 at June 30, 2019 from $272,301 at December 31, 2018 as a result of the company's additional investments in CIG (Level 1 investment in the fair value hierarchy), GroCapital Holdings and Nova Pioneer Warrants (Level 3 investments in the fair value hierarchy), partially offset by unrealized losses on the company's investments in CIG and Atlas Mara (Level 1 investments in the fair value hierarchy). Refer to note 6 for the potential impact on net earnings of various combinations of changes in significant unobservable inputs in the company's internal valuation models for the company's investments classified as Level 3 in the fair value hierarchy.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial obligations to the company, and arises predominantly from cash and cash equivalents, short term investments and investments in debt instruments. There were no significant changes to the company's exposure to credit risk (except as set out in the discussion which follows) or the company's framework used to monitor, evaluate and manage credit risk at June 30, 2019 compared to December 31, 2018.

Cash and Cash Equivalents, and Short Term Investments

At June 30, 2019 the company's cash and cash equivalents of $48,053 (December 31, 2018 - $230,858) were comprised of $36,828 (December 31, 2018 - $169,398) at the holding company (principally in high credit quality Canadian financial institutions) and $11,225 (December 31, 2018 - $61,460) at the company's wholly-owned subsidiaries, of which $7,890 (December 31, 2018 - $55,032) was held in deposit accounts with Grobank which will be used to finance an additional investment in GroCapital Holdings. The company monitors risks associated with cash and cash equivalents, and short term investments by regularly reviewing the financial strength and creditworthiness of these financial institutions.

Investments in Debt Instruments

The company's risk management strategy for debt instruments is to limit the amount of credit exposure with respect to any one corporate issuer. While the company reviews third party credit ratings, it also carries out its own analysis and does not delegate the credit decision to rating agencies. The company endeavours to limit credit exposure by monitoring fixed income portfolio limits on individual corporate issuers and limits based on credit quality.

At June 30, 2019 the company's debt instruments were all considered to be subject to credit risk with a fair value of $128,498 (December 31, 2018 - $98,451) representing 23.4% (December 31, 2018 - 15.5%) of the total cash and investments, net of derivative obligation.

The composition of the company's fixed income portfolio, which is comprised of loans and bonds, is presented in the table below:

	June 30, 2019	December 31, 2018
Loans:[1]		
AGH Facility	**12,735**	—
CIG	**20,757**	21,068
PGR2	**20,578**	17,527
	54,070	38,595
Bonds:[1]		
Atlas Mara 11.0% Convertible Bonds	**17,434**	16,334
Atlas Mara 7.5% Bonds	**17,870**	17,499
Nova Pioneer Bonds	**39,124**	26,023
	74,428	59,856
Total loans and bonds	**128,498**	98,451

(1) The company's African Investments in loans and bonds are not rated.

The company's exposure to credit risk from its investment in fixed income securities increased at June 30, 2019 compared to December 31, 2018 primarily reflecting the company's investments in the AGH Facility and the additional investments in Nova Pioneer Bonds and interest capitalized on the PGR2 loan and Atlas Mara 11.0% Convertible Bonds, all of which have specific collateral arrangements or guarantees that mitigates the company's exposure to credit risk. The company assesses the creditworthiness of each new counterparty prior to entering into contracts. Management monitors credit risk from its African investments in debt instruments through reviewing financial performance of its counterparties, collateral arrangements, diversification, and other credit risk mitigation techniques.

Subsequent to June 30, 2019

On July 19, 2019 the AGH Facility was fully repaid in cash with the company receiving $13,424 (186.7 million South African rand) (inclusive of accrued interest and raising fees).

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company manages liquidity risk by maintaining sufficient liquid assets to enable settlement of financial commitments on their respective due dates. All accounts payable and accrued liabilities are due within three months, and income taxes payable, if any, must be remitted to the respective tax jurisdictions as they are due. There were no significant changes to the company's exposure to liquidity risk (except as set out in the discussion below) or the framework used to monitor, evaluate and manage liquidity risk at June 30, 2019 compared to December 31, 2018.

The undeployed cash and investments at June 30, 2019 provides adequate liquidity to meet the company's remaining known significant commitments in 2019, which are principally comprised of investment and advisory fees, general and administration expenses and corporate income taxes. On March 21, 2019 the company repaid the $30,000 of the drawn amount of the Credit Facility, along with accrued interest of $509. The company can draw upon the full $90,000 Credit Facility to supplement its cash needs, if required. The company expects to continue to receive investment income on its holdings of fixed income securities to supplement its cash and cash equivalents. Accordingly, the company has adequate working capital to support its operations. Refer to note 12 for details on the settlement of the performance fees, if any, at the end of the first calculation period, December 31, 2019.

Concentration Risk

The company's cash and investments are primarily concentrated in Africa and in African businesses or businesses with customers, suppliers or business primarily conducted in, or dependent on, Africa. The market value of the company's investments, the income generated by the company and the company's performance will be particularly sensitive to changes in the economic condition, interest rates, and regulatory environment of African countries in which company has investments. Adverse changes to the economic condition, interest rates or regulatory environment in those African countries may have a material adverse effect on the company's business, cash flows, financial condition and net earnings.

The company's holdings of Public and Private African Investments (see note 5) at June 30, 2019 and December 31, 2018 are summarized by the issuer's primary sector in the table below:

	June 30, 2019	December 31, 2018
Financial services	**152,381**	165,868
Food and agriculture	**152,297**	135,351
Infrastructure	**35,242**	19,258
Education	**40,959**	27,024
Other	**20,578**	17,527
	401,457	365,028

During the first six months of 2019 the company's concentration risk in the financial services sector decreased primarily due to unrealized losses on the company's investment in Atlas Mara common shares, partially offset by the additional investment in GroCapital Holdings. The company's concentration risk in the food and agriculture sector increased primarily due to the company's investment in the AGH Facility and unrealized gains on the indirect equity investment in AGH. The company's concentration risk in the infrastructure sector increased primarily due to the additional investment in CIG, partially offset by the unrealized losses on the investments in CIG and the CIG Loan. The company's concentration risk in the education sector increased as a result of the additional investments in Nova Pioneer Bonds and Warrants. The company's concentration risk in the other sector relates to the PGR2 Loan with the increase related to capitalized interest in the first six months of 2019.

The company will not make an African Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment, provided, however, that the company is permitted to complete up to two African Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an African Investment in accordance with the Investment Concentration Restriction decreased at June 30, 2019 from December 31, 2018 principally as a result of the repayment of the drawn amount of the Credit Facility and net unrealized losses on investments as described above.

African Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At June 30, 2019 the company determined that it was in compliance with the Investment Concentration Restriction.

Capital Management

The company's objectives when managing capital are to protect its lenders, to safeguard its ability to continue as a going concern, and to maintain an optimal capital structure to reduce the cost of capital in order to optimize returns for common shareholders. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital. Total capital, comprised of common shareholders' equity at June 30, 2019 (December 31, 2018 - common shareholders' equity and the drawn funds from the Credit Facility) decreased from $632,654 at December 31, 2018 to $547,744 at June 30, 2019, principally reflecting a decrease in common shareholders' equity, as described below, and the repayment of the drawn amount of the Credit Facility (see note 7 for details).

Common shareholders' equity decreased to $547,744 at June 30, 2019 from $603,127 at December 31, 2018 primarily reflecting a net loss of $37,709 and purchases for cancellation of 2,291,502 subordinate voting shares for a net cost of $19,629 in the first six months of 2019.

12. Related Party Transactions

Payable to Related Parties

The company's payable to related parties was comprised as follows:

	June 30, 2019	December 31, 2018
Investment and advisory fees	**1,687**	1,550
Other	**204**	108
	1,891	1,658

Investment Advisory Agreement

The company and its subsidiaries have entered into an agreement with Fairfax and the Portfolio Advisor to provide administration and investment advisory services to the company and its subsidiaries (the "Investment Advisory Agreement"). As compensation for the provision of these services, the company and its Mauritius Sub pays an investment and advisory fee, and if applicable, a performance fee. Such fees are determined with reference to the company's common shareholders' equity.

Performance Fee

The performance fee, if applicable, is accrued quarterly and paid for the period from February 17, 2017 to December 31, 2019 (the "first calculation period") and for each consecutive three-year period thereafter. It is calculated on a cumulative basis, as 20.0% of any increase in common shareholders' equity per share (including distributions) above a 5.0% per annum increase. The amount of common shareholders' equity per share at any time, which must be achieved before any performance fee would be payable, is sometimes referred to as the "hurdle per share". At June 30, 2019 the company determined that there was no performance fee accrual (December 31, 2018 - nil) as the book value per share of $9.05 (before factoring in the impact of the performance fee) at June 30, 2019 was less than the hurdle per share at that date of $11.28.

If a performance fee is payable for the first calculation period, it will be paid within 30 days after the company issues its annual audited consolidated financial statements, in subordinate voting shares of the company unless the market price per share of those shares is more than two times the then book value per share, in which event Fairfax may elect to receive that fee in cash. The number of subordinate voting shares to be issued will be calculated based on the volume-weighted average trading price of the company's subordinate voting shares for the 10 trading days prior to and including the last day of the calculation period in respect of which the performance fee is paid. At June 30, 2019 there were no contingently issuable subordinate voting shares relating to the performance fee payable to Fairfax (December 31, 2018 - nil).

In the second quarter and first six months of 2019 the company did not record a performance fee (2018 - recovery of $9,368 and $319) in the consolidated statements of earnings and comprehensive income.

Investment and Advisory Fees

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. In the second quarter of 2019 the company determined that a significant portion of its assets were invested in African Investments, which are considered deployed capital. The investment and advisory fees recorded in the consolidated statements of earnings and comprehensive income in the second quarter and first six months of 2019 were $1,687 and $3,482 (2018 - $1,589 and $3,148).

Fairfax's Voting Rights and Equity Interest

At June 30, 2019 and December 31, 2018 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares and 6,885,421 subordinate voting shares of Fairfax Africa. At June 30, 2019 Fairfax's holdings of multiple and subordinate voting shares represented 98.5% of the voting rights and 60.9% of the equity interest in Fairfax Africa (December 31, 2018 - 98.3% and 58.7%).

Other

Deposits on Account with Grobank

At June 30, 2019 the company held $7,890 (December 31, 2018 - $55,032) in deposit accounts with Grobank.

Subsequent to June 30, 2019

In connection with the receipt of cash received from the AGH Facility maturity on July 19, 2019 (as discussed in the Private Africa Investments section under the heading Investment in AFGRI Holdings Proprietary Limited in note 5), the company allocated proceeds of $5,391 (75.0 million South African rand) to an interest-bearing deposit account with Grobank.

13. General and Administration Expenses

General and administration expenses for the three and six months ended June 30 were comprised as follows:

	Second quarter		First six months	
	2019	2018	**2019**	2018
Audit, legal and tax professional fees	**358**	712	**687**	1,054
Administrative expenses	**(20)**	389	**337**	770
Salaries and employee benefit expenses	**194**	204	**722**	531
Brokerage fees	**10**	10	**23**	23
	542	1,315	**1,769**	2,378

14. Supplementary Cash Flow Information

Cash and cash equivalents were included in the consolidated balance sheets and statements of cash flows as follows:

	June 30, 2019	December 31, 2018
Cash and balances with banks	**18,129**	76,389
U.S. treasury bills	**29,924**	154,469
	48,053	230,858

Details of certain cash flows included in the consolidated statements of cash flows for the three and six months ended June 30 were as follows:

	Second quarter		First six months	
	2019	2018	**2019**	2018
Purchases of investments				
Loans	**—**	(51,563)	**(12,813)**	(79,497)
Bonds	**(5,388)**	(15,040)	**(8,721)**	(15,040)
Common stocks	**(2,288)**	—	**(52,032)**	(18,570)
Derivatives	**(339)**	—	**(506)**	—
	(8,015)	(66,603)	**(74,072)**	(113,107)
Sales of investments				
Loans	**—**	—	**—**	25,399
Net interest received				
Interest received	**3,331**	1,321	**4,782**	5,182
Interest paid on borrowings	**—**	(1,124)	**(509)**	(2,179)
	3,331	197	**4,273**	3,003
Income taxes paid	**261**	737	**261**	737

Index to Management's Discussion and Analysis of Financial Condition and Results of Operations

Notes to Management's Discussion and Analysis of Financial Condition and Results of Operations

(1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should review the notes to the interim consolidated financial statements for the three and six months ended June 30, 2019 and the company's 2018 Annual Report.

(2) Unless otherwise noted, consolidated financial information of the company within this MD&A is derived from the consolidated financial statements of the company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting*, and is presented in U.S. dollars which is also the functional currency of the company and its consolidated subsidiaries.

(3) The MD&A contains references to book value per share. On any date, book value per share is calculated as common shareholders' equity at the end of the period, determined in accordance with IFRS, divided by the total number of common shares of the company effectively outstanding on that date. Book value per share is a key performance measure of the company and is closely monitored as it is used to calculate the performance fee payable, if any, to Fairfax Financial Holdings Limited ("Fairfax").

(4) Throughout this MD&A, the term "African Investments" refers to deployed capital in Public and Private African Investments as disclosed in note 5 (African Investments) to the interim consolidated financial statements for the three and six months ended June 30, 2019.

Business Developments

Overview

Fairfax is Fairfax Africa's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. Fairfax Africa's subordinate voting shares trade on the Toronto Stock Exchange ("TSX") under the symbol FAH.U. The multiple voting shares of the company are not traded.

The book value per share at June 30, 2019 was $9.05 compared to $9.60 at December 31, 2018 representing a decrease of 5.7% in the first six months of 2019, primarily reflecting a net loss of $37,709 (principally due to unrealized losses on the company's Public African Investments, partially offset by increased interest income and net foreign exchange gains).

The following narrative sets out the company’s key business developments in the first six months of 2019.

Capital Transactions

On December 21, 2018 the company drew $30,000 from its $90,000 secured revolving demand credit facility (the "Credit Facility") with a 3-month term that was repaid on March 21, 2019, along with accrued interest of $509. For further details refer to note 7 (Borrowings) to the interim consolidated financial statements for three and six months ended June 30, 2019.

African Investments

Full descriptions of the African Investments committed to and acquired in the second quarter and first six months of 2019 are provided in the African Investments section of this MD&A.

Operating Environment

Sub-Saharan Africa

In April 2019 the International Monetary Fund’s Sub-Saharan Africa (“SSA”) Regional Economic Outlook published report noted that regional GDP growth is expected to increase to 3.5% in 2019 from 3.0% in 2018, before stabilizing at close to 4.0% over the medium term. These region-wide numbers mask considerable differences in the growth performance and prospects of countries across the region. About half of the region’s countries, mostly non-resource-intensive countries, are expected to grow at 5.0% or more, which would see per capita incomes rise faster than the rest of the world on average over the medium term. For all other countries, mostly resource-intensive countries which include Nigeria and South Africa, improvements in living standards will be constrained by policy uncertainties.

South Africa

In the first quarter of 2019 the South African economy contracted by 3.2% on a quarter over quarter basis. According to Statistics South Africa, the three largest contributors to the decline in GDP in the first quarter of 2019 were the manufacturing, mining and trade, catering and accommodation industries. Positive contributions to GDP growth came from finance, general government and personal services. According to data from the South

African Reserve Bank, South Africa is stuck in its longest downward business cycle since 1945, adding to the risk that it may fall into its second recession in a year. Effective July 19, 2019 the Monetary Policy Committee of the South African Reserve Bank reduced the South African prime lending rate by 25 basis points to 10.00% from 10.25%.

Nigeria

In the first quarter of 2019 according to the Rand Merchant Bank, Nigeria's GDP grew 2.0% on a year over year basis lower than the 2.4% recorded in the fourth quarter of 2018 as the oil sector contracted for the fourth consecutive quarter. The non-oil sector made substantial contributions to Nigeria's GDP growth in the first quarter of 2019, increasing by 2.5% year over year. Growth is anticipated to average 2.3% in 2019, primarily driven by an imminent minimum wage increase, expected higher oil prices, and increase in government spending.

Kenya

In the first quarter of 2019 according to the Kenya National Bureau of Statistics, the Kenyan economy grew by 5.6% compared to 6.5% in the first quarter of 2018. The first quarter of 2019 was characterized by a slowdown in agricultural activities following the delay in the onset of the rainy season. The agriculture, forestry and fishing sector grew by 5.3% compared to a growth of 7.5% in the first quarter of 2018. The slowdown in agricultural growth affected agri-processing and consequently led to slowed manufacturing activities during the first quarter of 2019.

Business Objectives

Investment Objective

Fairfax Africa is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in Africa and African businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, Africa ("African Investments"). The company makes all or substantially all of its investments either directly or through one of its wholly-owned subsidiaries, which include a South Africa based subsidiary Fairfax Africa Investments Proprietary Limited ("SA Sub" or "FSA") and a Mauritius based subsidiary Fairfax Africa Holdings Investments Limited ("Mauritius Sub" or "FMA").

Investment Restrictions

The company will not make an African Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment, provided, however, that the company is permitted to complete up to two African Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an African Investment in accordance with the Investment Concentration Restriction decreased at June 30, 2019 from December 31, 2018 principally as a result of the repayment of the drawn amount of the Credit Facility and net unrealized losses on investments.

The company intends to make multiple different investments as part of its prudent investment strategy. African Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At June 30, 2019 the company determined that it was in compliance with the Investment Concentration Restriction.

African Investments

Cautionary Statement Regarding Financial Information of Significant African Investments

Fairfax Africa has agreed to voluntarily provide within its MD&A, summarized unaudited financial information prepared for all of its African Investments for which it had previously filed a business acquisition report in accordance with section 8.2 of *National Instrument 51-102 Continuous Disclosure Obligations.* AFGRI Group Holdings Proprietary Limited ("AGH") and Consolidated Infrastructure Group Limited ("CIG") (a listed entity on the Johannesburg Stock Exchange), prepare their financial statements in accordance with IFRS as issued by IASB. Atlas Mara Limited ("Atlas Mara"), a listed entity on London Stock Exchange, prepares its financial statements in accordance with IFRS as adopted by the European Union (AGH, Atlas Mara and CIG collectively, "Significant African Investments"). The company is limited in respect to the amount of independent verification it is able to perform with respect to the financial statements of the Significant African Investments. Such unaudited financial information is the responsibility of the respective managements and has been prepared by them using recognition, measurement and presentation principles consistent with IFRS, and provided to the company in their underlying functional currencies.

The company's investments in AGH, CIG and Atlas Mara's fiscal years each end on March 31, August 31 and December 31 respectively. Summarized financial information of the company's Significant African Investments has generally been provided for the periods subsequent to the company's investment and to the extent that the most recent interim financial information is available to the company's management. Significant African Investments' summarized financial information should be read in conjunction with Fairfax Africa's historical interim and annual consolidated financial statements including the notes thereto and the related MD&A as well as Fairfax Africa's other public filings.

Fairfax Africa has no knowledge that would indicate that the Significant African Investments' summarized financial information contained herein requires material modifications. However, readers are cautioned that the Significant African Investments' summarized financial information contained in this MD&A may not be appropriate for their purposes.

Summary of African Investments

The table below provides a summary of the company's African Investments:

		June 30, 2019				December 31, 2018			
	Date Acquired	**Ownership %**	**Net cash consideration**	**Fair value**	**Net change**	Ownership %	Net cash consideration	Fair value	Net change
Public African Investments:									
Common Stocks:									
Atlas Mara	August and December 2017	**42.3%**	**159,335**	**102,182**	**(57,153)**	42.4%	159,335	119,092	(40,243)
CIG	Fourth quarters of 2017 and 2018, and January 2019	**49.1%**	**53,785**	**14,485**	**(39,300)**	7.9%	4,041	3,886	(155)
Other[1]	Various	**<5%**	**2,055**	**—**	**(2,055)**	<5%	2,055	28	(2,027)
			215,175	**116,667**	**(98,508)**		165,431	123,006	(42,425)
Private African Investments:									
Loans:									
AGH Facility	January 2019		**12,813**	**12,735**	**(78)**		—	—	—
CIG	June 2018		**23,270**	**20,757**	**(2,513)**		23,270	21,068	(2,202)
PGR2	June and December 2018		**19,969**	**20,578**	**609**		19,969	17,527	(2,442)
			56,052	**54,070**	**(1,982)**		43,239	38,595	(4,644)
Bonds:									
Atlas Mara 11.0% Convertible Bonds	December 2018		**15,040**	**17,434**	**2,394**		15,040	16,334	1,294
Atlas Mara 7.5% Bonds	November 2018		**16,476**	**17,870**	**1,394**		16,476	17,499	1,023
Nova Pioneer Bonds	Third and fourth quarters of 2017 and 2018, and first and second quarters of 2019		**32,713**	**39,124**	**6,411**		23,992	26,023	2,031
			64,229	**74,428**	**10,199**		55,508	59,856	4,348
Common Stocks:									
Indirect equity interest in AGH	February 2017, January and November 2018	**45.2%**	**94,877**	**115,247**	**20,370**	44.7%	94,877	111,888	17,011
Philafrica	November 2018	**26.0%**	**23,254**	**24,315**	**1,061**	26.0%	23,254	23,463	209
GroCapital Holdings	Fourth quarter of 2018 and April 2019	**35.0%**	**14,429**	**14,490**	**61**	35.0%	12,141	11,927	(214)
			132,560	**154,052**	**21,492**		130,272	147,278	17,006
Derivatives:									
Atlas Mara Warrants	November 2018		**2,324**	**405**	**(1,919)**		2,324	1,016	(1,308)
Nova Pioneer Warrants	Third and fourth quarters of 2017 and 2018, and first and second quarters of 2019		**1,287**	**1,835**	**548**		781	1,001	220
			3,611	**2,240**	**(1,371)**		3,105	2,017	(1,088)
Derivative Obligation:									
CIG forward derivative liability[2]	May 2018		**—**	**—**	**—**		—	(5,724)	(5,724)
			256,452	**284,790**	**28,338**		232,124	242,022	9,898
Total African Investments			**471,627**	**401,457**	**(70,170)**		397,555	365,028	(32,527)

(1) At December 31, 2018 comprised of common shares of a public company listed on the Johannesburg Stock Exchange. Subsequently during the first quarter of 2019 the common shares of the public company were de-listed.

(2) Related to the company's obligation to subscribe for 178,995,353 CIG ordinary shares as part of the CIG Rights Offer which was settled on January 4, 2019.

Summary of Changes in the Fair Value of the Company's African Investments

A summary of changes in the fair value of the company's Public and Private African Investments for the second quarters of 2019 and 2018 were as follows:

	Second quarter											
	2019						2018					
	Balance as of April 1	**Purchases**	**Accretion of discount/ (amortization of premium)[1]**	**Net change in unrealized gains (losses) on investments**	**Net foreign exchange gains on investments**	**Balance as of June 30,**	Balance as of April 1	Purchases	Accretion of discount[1]	Net change in unrealized gains (losses) on investments	Net foreign exchange losses on investments	Balance as of June 30,
Public African Investments:												
Common stocks:												
Atlas Mara	**110,457**	**—**	**—**	**(8,275)**	**—**	**102,182**	200,765	—	—	(23,747)	—	177,018
CIG	**29,675**	**—**	**—**	**(16,268)**	**1,078**	**14,485**	2,819	—	—	(237)	(382)	2,200
Other	**—**	**—**	**—**	**—**	**—**	**—**	1,559	—	—	(1,003)	(322)	234
Total Public African Investments	**140,132**	**—**	**—**	**(24,543)**	**1,078**	**116,667**	205,143	—	—	(24,987)	(704)	179,452
Private African Investments:												
Loans:												
AGH Facility	**12,327**	**—**	**132**	**—**	**276**	**12,735**	—	—	—	—	—	—
Philafrica Facility	**—**	**—**	**—**	**—**	**—**	**—**	27,851	13,219	472	—	(4,914)	36,628
CIG	**20,022**	**—**	**31**	**245**	**459**	**20,757**	—	23,270	10	1,880	(1,930)	23,230
PGR2[2]	**18,157**	**1,416**	**—**	**539**	**466**	**20,578**	—	15,074	—	(165)	(1,212)	13,697
	50,506	**1,416**	**163**	**784**	**1,201**	**54,070**	27,851	51,563	482	1,715	(8,056)	73,555
Bonds:												
Atlas Mara 7.5% Convertible Bonds	**—**	**—**	**—**	**—**	**—**	**—**	—	15,040	47	19	—	15,106
Atlas Mara 11.0% Convertible Bonds[3]	**16,823**	**455**	**(45)**	**201**	**—**	**17,434**	—	—	—	—	—	—
Atlas Mara 7.5% Bonds	**17,407**	**—**	**257**	**206**	**—**	**17,870**	—	—	—	—	—	—
Nova Pioneer Bonds	**32,785**	**5,388**	**54**	**897**	**—**	**39,124**	19,283	—	—	213	—	19,496
	67,015	**5,843**	**266**	**1,304**	**—**	**74,428**	19,283	15,040	47	232	—	34,602
Common stocks:												
Indirect equity interest in AGH[4]	**112,368**	**—**	**—**	**324**	**2,555**	**115,247**	125,809	—	—	(3,536)	(16,436)	105,837
Philafrica	**23,736**	**—**	**—**	**68**	**511**	**24,315**	—	—	—	—	—	—
GroCapital Holdings	**11,897**	**2,288**	**—**	**—**	**305**	**14,490**	—	—	—	—	—	—
	148,001	**2,288**	**—**	**392**	**3,371**	**154,052**	125,809	—	—	(3,536)	(16,436)	105,837
Derivatives:												
Atlas Mara Warrants	**633**	**—**	**—**	**(228)**	**—**	**405**	—	—	—	—	—	—
Nova Pioneer Warrants	**1,673**	**339**	**—**	**(177)**	**—**	**1,835**	572	—	—	300	—	872
	2,306	**339**	**—**	**(405)**	**—**	**2,240**	572	—	—	300	—	872
Total Private African Investments	**267,828**	**9,886**	**429**	**2,075**	**4,572**	**284,790**	173,515	66,603	529	(1,289)	(24,492)	214,866
Total African Investments	**407,960**	**9,886**	**429**	**(22,468)**	**5,650**	**401,457**	378,658	66,603	529	(26,276)	(25,196)	394,318

(1) Recorded in interest in the consolidated statement of earnings and comprehensive income.
(2) Purchases of $1,416 related to capitalized interest.
(3) Purchases of $455 related to capitalized interest.
(4) Acquired through the company's ownership in Joseph Holdings.

A summary of changes in the fair value of the company's Public and Private African Investments for the first six months of 2019 and 2018 were as follows:

	First six months														
	2019								2018						
	Balance as of January 1	**Purchases**	**Re-payments**	**Accretion of discount/ (amort-ization of premium)[1]**	**Net realized loss on investments**	**Net change in unrealized gains (losses) on investments**	**Net foreign exchange gains (losses) on investments**	**Balance as of June 30**	Balance as of January 1	Purchases	Re-payments	Accretion of discount[1]	Net change in unrealized gains (losses) on investments	Net foreign exchange gains (losses) on investments	Balance as of June 30
Public African Investments:															
Common stocks:															
Atlas Mara	**119,092**	**—**	**—**	**—**	**—**	**(16,910)**	**—**	**102,182**	168,671	—	—	—	8,347	—	177,018
CIG[2]	**3,886**	**44,905**	**—**	**—**	**—**	**(34,035)**	**(271)**	**14,485**	2,563	—	—	—	(102)	(261)	2,200
Other	**28**	**—**	**—**	**—**	**—**	**(24)**	**(4)**	**—**	2,369	69	—	—	(1,990)	(214)	234
Total Public African Investments	**123,006**	**44,905**	**—**	**—**	**—**	**(50,969)**	**(275)**	**116,667**	173,603	69	—	—	6,255	(475)	179,452
Private African Investments:															
Loans:															
AGH Facilities	**—**	**12,813**	**—**	**231**	**—**	**—**	**(309)**	**12,735**	24,233	—	(25,399)	—	—	1,166	—
Philafrica Facility	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	—	41,153	—	472	—	(4,997)	36,628
CIG	**21,068**	**—**	**—**	**54**	**—**	**(770)**	**405**	**20,757**	—	23,270	—	10	1,880	(1,930)	23,230
PGR2[3]	**17,527**	**1,416**	**—**	**—**	**—**	**1,217**	**418**	**20,578**	—	15,074	—	—	(165)	(1,212)	13,697
	38,595	**14,229**	**—**	**285**	**—**	**447**	**514**	**54,070**	24,233	79,497	(25,399)	482	1,715	(6,973)	73,555
Bonds:															
Atlas Mara 7.5% Convertible Bonds	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	—	15,040	—	47	19	—	15,106
Atlas Mara 11.0% Convertible Bonds[4]	**16,334**	**898**	**—**	**(89)**	**—**	**291**	**—**	**17,434**	—	—	—	—	—	—	—
Atlas Mara 7.5% Bonds	**17,499**	**—**	**—**	**424**	**—**	**(53)**	**—**	**17,870**	—	—	—	—	—	—	—
Nova Pioneer Bonds[5]	**26,023**	**10,436**	**—**	**39**	**—**	**2,626**	**—**	**39,124**	19,414	763	—	—	(681)	—	19,496
	59,856	**11,334**	**—**	**374**	**—**	**2,864**	**—**	**74,428**	19,414	15,803	—	47	(662)	—	34,602
Common stocks:															
Indirect equity interest in AGH[6]	**111,888**	**—**	**—**	**—**	**—**	**1,088**	**2,271**	**115,247**	88,314	20,304	—	—	8,299	(11,080)	105,837
Philafrica	**23,463**	**—**	**—**	**—**	**—**	**397**	**455**	**24,315**	—	—	—	—	—	—	—
GroCapital Holdings	**11,927**	**2,288**	**—**	**—**	**—**	**—**	**275**	**14,490**	—	—	—	—	—	—	—
	147,278	**2,288**	**—**	**—**	**—**	**1,485**	**3,001**	**154,052**	88,314	20,304	—	—	8,299	(11,080)	105,837
Derivatives															
Atlas Mara Warrants	**1,016**	**—**	**—**	**—**	**—**	**(611)**	**—**	**405**	—	—	—	—	—	—	—
Nova Pioneer Warrants	**1,001**	**506**	**—**	**—**	**—**	**328**	**—**	**1,835**	520	—	—	—	352	—	872
	2,017	**506**	**—**	**—**	**—**	**(283)**	**—**	**2,240**	520	—	—	—	352	—	872
Derivative Obligation:															
CIG forward derivative liability[2]	**(5,724)**	**—**	**4,839**	**—**	**(4,839)**	**5,724**	**—**	**—**	—	—	—	—	—	—	—
Total Private African Investments	**242,022**	**28,357**	**4,839**	**659**	**(4,839)**	**10,237**	**3,515**	**284,790**	132,481	115,604	(25,399)	529	9,704	(18,053)	214,866
Total African Investments	**365,028**	**73,262**	**4,839**	**659**	**(4,839)**	**(40,732)**	**3,240**	**401,457**	306,084	115,673	(25,399)	529	15,959	(18,528)	394,318

(1) Recorded in interest in the consolidated statement of earnings and comprehensive income.
(2) Related to the company's obligation to subscribe for 178,995,353 CIG ordinary shares as part of the CIG Rights Offer which was settled on January 4, 2019.
(3) Purchases of $1,416 related to capitalized interest.
(4) Purchases of $898 related to capitalized interest.
(5) Purchases included capitalized interest of $1,715 (2018 - $763).
(6) Acquired through the company's ownership in Joseph Holdings.

Public African Investments

The fair values of Fairfax Africa's Public African Investments are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date.

Investment in Atlas Mara Limited (Common Shares)

Business Overview

Atlas Mara Limited ("Atlas Mara") is a Sub-Saharan African financial services group listed on the London Stock Exchange under the symbol ATMA. Atlas Mara was founded in 2013 with a vision to establish itself as a premier financial institution across key markets in Sub-Saharan Africa. Since its inception, Atlas Mara has acquired control or significant influence in banks across seven Sub-Saharan African countries: Nigeria, Botswana, Zimbabwe, Mozambique, Rwanda, Tanzania and Zambia.

The company's investment in Atlas Mara is comprised of common shares, debt instruments and warrants. The debt instruments and warrants are discussed in the Private African Investments section under the heading Investment in Atlas Mara Limited (Debt Instruments and Warrants) later in this MD&A.

Atlas Mara's principal lines of business are comprised of:

- Retail and commercial banking that operate under the brand names ABC Holdings Limited ("BancABC") (across Botswana, Zambia, Zimbabwe, Mozambique and Tanzania), Banque Populaire du Rwanda ("BPR") and an investment in associate in Union Bank of Nigeria ("UBN");
- Markets and treasury segment; and
- Digital Banking operations.

Transaction Description

Atlas Mara Common Shares

In August and December 2017 the company acquired an aggregate of 71,958,670 ordinary shares of Atlas Mara representing a 43.3% equity interest for net consideration of $159,335.

Key Business Drivers, Events, and Risks

Consistent with its on-going strategic review Atlas Mara is focused on its priorities, including partnering in or exiting markets where there is no clear near-term path to acceptable scale and profitability. Atlas Mara aims to fully streamline its platform to align with a simpler group structure and upgrade its information technology systems group-wide. A significant component of Atlas Mara's portfolio is its investment in associate UBN with continued execution of long-term strategy and efforts to increase its shareholding. Atlas Mara's investment in UBN provides the company with a strong footprint in the financial services sector in Nigeria, Africa's largest economy. Atlas Mara and UBN's management continue to monitor the impact of oil prices and foreign currency changes on the credit and capital positions.

On April 30, 2019 Atlas Mara announced a proposed strategic transaction with Equity Group Holdings Plc ("Equity Group") whereby Equity Group will acquire Atlas Mara's shareholdings in: (i) BPR; (ii) BancABC Zambia; (iii) BancABC Tanzania; and, (iv) BancABC Mozambique in a share exchange transaction with Equity Group. The transaction is expected to close in the fourth quarter of 2019 or the first quarter of 2020, subject to confirmatory due diligence, customary closing conditions and regulatory approval depending on the jurisdiction.

The rationale for the share exchange transaction with Equity Group is to achieve scale benefits in Rwanda and Tanzania, while leveraging Equity Group's operational expertise and innovative digital and retail strategy to improve profitability in Zambia and Mozambique. In addition, shareholdings in Equity Group would diversify Atlas Mara's country exposures in Africa including Kenya, Uganda, Democratic Republic of the Congo and South Sudan. This transaction will allow Atlas Mara to focus group resources and efforts on driving greater profitability and returns to shareholders from the remaining banking operations.

Zimbabwe's economy is at a crossroads as the country faces challenges relating to: (i) fiscal consolidation and financial sector stabilization; (ii) stimulating growth and investment to increase revenue collection and foreign exchange generation; (iii) protecting social gains; and, (iv) improving governance outcomes through continued legislative and institutional reforms. According to the Zimbabwean Treasury, the economy grew 4.0% in 2018, below an initial target of 4.5% as the country struggles with severe shortage of foreign currency and surging inflation.

In February 2019 the Reserve Bank of Zimbabwe ("RBZ") announced the establishment of an interbank foreign exchange market which would formalize the trading of the Real-time Gross Settlement dollars ("RTGS") with the U.S. dollar. This effectively resulted in the replacement of the 1:1 peg of the RTGS dollar to the U.S. dollar which has been in circulation within the banking system of Zimbabwe, with a formal interbank foreign currency market at a rate of 2.5:1 RTGS to the U.S. dollar. At June 30, 2019 the interbank foreign exchange rate further declined to 6.6:1 RTGS to the U.S. dollar. In June 2019 the RBZ issued a statutory instrument which indicated that the Zimbabwe dollar (at 1:1 par with RTGS) to be the sole currency for the legal tender purposes. The British pound, U.S. dollar, South African rand, Botswana pula and any other foreign currency that was part of Zimbabwe's multi-currency system shall no longer be legal tender alongside the Zimbabwe dollar in any transactions in Zimbabwe. Atlas Mara's banking operation in Zimbabwe will negatively impact Atlas Mara's consolidated financial position as a result of this change in the foreign currency regime of the country.

Valuation and Interim Consolidated Financial Statement Impact

At June 30, 2019 the fair value of the company's investment in Atlas Mara was $102,182 (December 31, 2018 - $119,092), comprised of 71,958,670 ordinary shares representing a 42.3% equity interest (December 31, 2018 - 42.4%). The changes in fair value of the company's investment in Atlas Mara for the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A. Atlas Mara's share price decreased by 14.5% from $1.66 per share at December 31, 2018 to $1.42 per share at June 30, 2019.

Atlas Mara's Summarized Financial Information

Atlas Mara and the company's fiscal years both end on December 31. As of August 1, 2019 Atlas Mara had not yet publicly released its six months ended June 30, 2019 interim consolidated financial statements. Refer to the company's interim report for the three months ended March 31, 2019, in the MD&A under Public African Investments section under the heading Investment in Atlas Mara Limited (Common Shares) for an analysis of Atlas Mara's years ended December 31, 2018 and 2017 consolidated financial statements.

Investment in Consolidated Infrastructure Group (Common Shares)

Business Overview

Consolidated Infrastructure Group Limited ("CIG") is a Pan-African engineering infrastructure company listed on the Johannesburg Stock Exchange under the stock symbol CIL. CIG has a diversified portfolio of operations including services and materials in power and electrical, oil and gas, building materials and the railway sector, with a footprint that spans over 20 African countries and the Middle East. Historically, over 71% of CIG's net earnings has been derived outside of South Africa.

The company's investment in CIG is comprised of common shares and a debt instrument. At December 31, 2018 the company's investment in CIG also included a derivative obligation which was settled on January 4, 2019 upon closing of the CIG Rights Offer (described below). The debt instrument and derivative obligation are discussed in the Private African Investments section under the heading Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation) later in this MD&A.

CIG's principal lines of business are comprised of:

- Power business that includes Conco Group ("Conco") (a power infrastructure services provider), Consolidated Power Maintenance Proprietary Limited (operational and maintenance services to wind farms, solar parks, municipalities and utilities), CIGenCo SA Proprietary Limited (renewable energy provider) and Conlog Proprietary Limited ("Conlog") (metering solution provider);
- Consolidated Building Materials through Drift Supersand Proprietary Limited and West End Claybrick Proprietary Limited;
- Oil and Gas business through 35.0% equity interest in Angola Environmental Servicos Limitada; and
- Rail electrification and maintenance.

Transaction Description

CIG Common Shares

In 2017 and 2018 the company acquired 15,527,128 ordinary shares representing a 7.9% equity interest in CIG for cash consideration of $4,041 (56.4 million South African rand).

On January 4, 2019 upon closing of the previously announced CIG rights offer the company acquired 178,995,353 ordinary shares of CIG for net consideration of $44,905 (628.3 million South African rand), which was comprised of net cash consideration of $49,744 (696.0 million South African rand), partially offset by the settlement of the derivative obligation (refer to the Private African Investments section under the heading Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation) later in this MD&A) of $4,839 (67.7 million South African rand). Upon completion of this transaction the company held 194,522,481 ordinary shares of CIG, representing a 49.1% equity interest in CIG for net consideration of $48,946 (684.7 million South African rand).

Key Business Drivers, Events, and Risks

The CIG Rights Offer will enable the company to establish a strong and sustainable capital structure that will allow CIG to take advantage of long-term value creation opportunities in the markets that it serves through its diversified portfolio of businesses. Specifically:

- Right-sizing the operations of Conco to ensure that it is running at optimum levels. Conco in the past had grown too fast and was in too many regions and countries, resulting in margin pressures, increased investments in working capital, and increased complexity in its operations. CIG is addressing the risks associated with restructuring Conco by assessing office and division closures, reducing working capital investments and borrowings;
- Organically growing Conlog's smart metering business by establishing a prepaid meter leasing platform and funding additional capital expenditures to increase plant capacity;
- Investing in its pipeline of 7 renewable energy projects (219.5 megawatts) to generate annuity income; and
- Focusing on providing waste management services through Angola Environmental Servicos Limitada, an investment in associate, as the oil sector recovers, leading to more rigs coming online in Angola.

CIG's footprint extends across 20 African countries in addition to South Africa and the Middle East. Key markets for CIG outside South Africa include Angola, Ethiopia and Kenya.

Valuation and Interim Consolidated Financial Statement Impact

At June 30, 2019 the fair value of the company's investment in CIG was $14,485 (December 31, 2018 - $3,886), comprised of 194,522,481 shares representing a 49.1% equity interest (December 31, 2018 - 7.9%). The changes in fair value of the company's investment in CIG for the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A. CIG's share price decreased by 70.8% from 3.60 South African rand per share at December 31, 2018 to 1.05 South African rand per share at June 30, 2019.

CIG's Summarized Financial Information

To avoid the distortion caused by foreign currency translation, the tables below present CIG's financial and operating results in both U.S. dollars and South African rand (CIG's functional currency). The discussion which follows refers to those South African rand figures unless indicated otherwise.

The company's fiscal year ends on December 31 and CIG's fiscal year ends on August 31. Summarized below are CIG's balance sheets at February 28, 2019 and August 31, 2018.

Balance Sheets
(unaudited - South African rand and US$ thousands)

	South African rand		US$	
	February 28, 2019	August 31, 2018	**February 28, 2019(1)**	August 31, 2018(1)
Current assets	**3,511,864**	3,692,963	**249,777**	252,079
Non-current assets	**1,967,860**	2,135,636	**139,962**	145,777
Current liabilities	**3,076,322**	2,906,649	**218,800**	198,406
Non-current liabilities	**1,097,334**	1,075,836	**78,047**	73,436
Shareholders' equity	**1,306,068**	1,846,114	**92,892**	126,014

(1) The net assets of CIG were translated at February 28, 2019 at $1 U.S. dollar = 14.06 South African rand and at August 31, 2018 at $1 U.S. dollar = 14.65 South African rand. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets decreased primarily due to write-downs related to unrecoverable work in progress and receivable balances principally in CIG's Conco business segment. Non-current assets decreased primarily reflecting impairment of goodwill related to the building materials business segment and impairment of intangible assets related to non-recoverable product development costs recorded during the period. Current liabilities increased principally due to increased trade and other payables reflecting increased costs of completion on CIG's existing contracts. Non-current liabilities increased primarily due to increased deferred tax liabilities assessed during the period.

Summarized below are CIG's statements of earnings for the six months ended February 28, 2019 and 2018.

Statements of Earnings
(unaudited - South African rand and US$ thousands)

	South African rand		US$	
	Six months ended February 28, 2019	Six months ended February 28, 2018	**Six months ended February 28, 2019(1)**	Six months ended February 28, 2018(1)
Revenue	**1,188,677**	1,303,973	**83,710**	100,460
Loss before taxes	**(1,152,929)**	(1,471,689)	**(81,192)**	(113,381)
Net loss	**(1,220,207)**	(1,202,697)	**(85,930)**	(92,658)

(1) Amounts for the six months ended February 28, 2019 and 2018 were translated into US$ using the average exchange rates of $1 U.S. dollar = 14.20 South African rand and $1 U.S. dollar = 12.98 South African rand prevailing during those periods.

Revenues decreased primarily due to macroeconomic conditions which resulted in lower than expected sales in CIG's metering and rail electrification and maintenance business segments. Net loss for the period increased primarily due to lower revenues including downward margin adjustments and under-recovery of overhead costs, increased cost of goods sold and operating expenses relating to write-down of work in progress and receivable balances, impairment of intangible assets and accruals for various direct and indirect taxation liabilities in addition to impairment of deferred tax assets. The increase in net loss was partially offset by an impairment of goodwill related to Conco, recorded in the prior period.

Investment in an Other Public African Investment

In 2017 and 2018 the company acquired less than 5.0% of the common shares of a public company in the infrastructure sector, listed on the Johannesburg Stock Exchange ("Other Public African Investment") for aggregate cash consideration of $2,055. In the first quarter of 2019 the Other Public African Investment was de-listed from the Johannesburg Stock Exchange. The company does not expect any recoverability of its initial investment.

At June 30, 2019 the fair value of the company's investment in Other Public African Investment was nil (December 31, 2018 - $28). The changes in fair value of the company's investment in the Other Public African Investment for the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

Private African Investments

Cautionary Statement Regarding the Valuation of Private African Investments

In the absence of an active market for the Company's Private African Investments, fair values of these investments are determined by management using industry accepted valuation methodologies after considering the history and nature of the business, operating results and financial conditions, outlook and prospects, general economic, industry and market conditions, contractual rights relating to the investment, public market comparables (if available) and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which the company's Private African Investments could be disposed of may differ from the fair values assigned and those differences may be material.

Investment in AFGRI Holdings Proprietary Limited

Business Overview

AFGRI Holdings Proprietary Limited ("AFGRI Holdings") is a private holding company based in South Africa that owns 100.0% of AFGRI Group Holdings Proprietary Limited ("AGH"), an investment holding company with interests in a number of agricultural and food-related companies providing products and services to ensure sustainable agriculture. AGH's core focus is grain commodities and it provides services across the entire grain production and storage cycle, offering financial support and solutions as well as high-tech equipment through the John Deere brand supported by a large retail footprint. AGH is one of the largest John Deere distributors outside of the United States, with a presence in several markets in Africa and Western Australia.

AGH's investment philosophy is to create long term sustainable value by targeting investments in agriculture, food processing and financial services, by building or acquiring equity interests in companies which provide the company with control or significant influence. AGH's long term growth strategy is based on a vision to ensure sustainable agriculture and enable food security across Africa. In addition to South Africa, AGH currently has operational activities aimed at supporting agriculture in Zambia, Zimbabwe, Mozambique, Congo-Brazzaville, Botswana, Côte d'Ivoire and Uganda. AGH also has a John Deere operation in Australia, an animal feeds research and development venture in the United Kingdom and an investment in animal feeds in the United States of America. AGH's current strategic initiatives also include growing its existing financial services business, which is currently centered on providing credit, trade and commodity finance, insurance, payments and related products and services to the agricultural sector.

AGH's principal lines of business are comprised of:

- AFGRI Proprietary Limited (agricultural services company which focuses on grain management, silos, equipment, agricultural finance and insurance, retail and farmer development);
- A 60.0% controlling interest in Philafrica Foods Proprietary Ltd. ("Philafrica") (a food processing provider throughout the African continent, most notably in South Africa, Mozambique, Ghana and Côte d'Ivoire);
- GroCapital Advisory Services (collateral management solutions provider);
- Corbium Business Services (a service company responsible for the group's internal functions); and
- AFGRI International Proprietary Limited (focus on operations outside of South Africa).

Transaction Description

Indirect Equity Interest in AGH

In February 2017 Fairfax Africa acquired a 42.2% indirect equity interest in AGH for $74,968 through its purchase of 156,055,775 ordinary shares and 49,942,549 Class A shares of Joseph Holdings for $25,001 and $49,967 in a non-cash transaction. In January 2018 the company participated in a rights offer held by AGH and invested an additional $20,304 (inclusive of a non-cash realized gain of $1,803) in AGH through its purchase of 79,743,201 ordinary shares of Joseph Holdings. In November 2018 the company acquired an additional 5,260,679 ordinary shares and 270,362 Class A shares of Joseph Holdings for aggregate cash consideration of $1,408 from an employee of the company's portfolio sub-advisor, Pactorum Ltd. ("Pactorum").

At June 30, 2019 Fairfax Africa had invested $96,680 in Joseph Holdings (comprised of 74.6% of the ordinary shares and 73.7% of the Class A shares of Joseph Holdings). Fairfax Africa is the largest beneficial shareholder of AGH, through its investment in Joseph Holdings, with a 45.2% indirect equity interest (December 31, 2018 - 44.7%).

AGH Facilities

In June 2017 Fairfax Africa entered into a secured lending arrangement with AGH, pursuant to which Fairfax Africa provided $23,255 (300 million South African rand) of financing. On January 31, 2018 the facility was fully repaid in cash with the company receiving $25,399 and recognized a realized foreign exchange gain of $1,166 in the consolidated statements of earnings and comprehensive income in the first six months of 2018.

On January 21, 2019 the company completed a second secured lending arrangement with AGH pursuant to which Fairfax Africa provided $12,813 (176.4 million South African rand) of financing (the "AGH Facility"). The AGH Facility earns interest at a rate of South African prime plus 2.0% payable on maturity on July 19, 2019.

Subsequent to June 30, 2019

On July 19, 2019 the AGH Facility was fully repaid in cash with the company receiving $13,424 (186.7 million South African rand) (inclusive of accrued interest and raising fees).

Key Business Drivers, Events, and Risks

AGH's key business drivers relate to its ability to sustain and grow its grain management and equipment operations through capital upgrades, support the growth of Philafrica and expand its financial services offerings to the agricultural sector.

On April 8, 2019 AGH announced plans to form a grain storage platform to grow capacity in South Africa and improve food security. AFGRI Grain Silo Company Proprietary Limited ("AFGRI Grain Silo Company") plans to expand its current storage from 4.7 million tonnes to 6.0 million tonnes in the near future. The current storage footprint consists of grain silos and bunker complexes throughout six provinces in South Africa. Three new institutional investors have committed to invest alongside AGH and its current Black Economic Empowerment ("BEE") employee partner, Izitsalo Employee Investments. This investment consortium initially will own storage facilities acquired from AFGRI Operations Proprietary Limited ("AFGRI Operations"), AGH's grain management division. AGH's remaining equity interest in AFGRI Grain Silo Company upon completion of this transaction was 26.5%. AFGRI Operations will manage the storage facilities on behalf of AFGRI Grain Silo Company through a management service agreement.

AGH's strategic focus for the remainder of 2019 is as follows:

- Fully incorporate Grobank into the group's financial services offering to AGH's farming base; re-brand and re-position the bank to focus on serving the needs of the agricultural and food processing sectors;
- Continue to develop and expand AGH's digital platform and product and services offering to create a strong foundation for revenue growth within financial services;
- Expand its grain storage footprint through AFGRI Grain Silo Company and diversify storage services into a broader commodity pool; and
- Outside of South Africa, continue to streamline agricultural operations to ensure more efficient capital deployment.

Valuation and Interim Consolidated Financial Statement Impact

Indirect Equity Interest in AGH

At June 30, 2019 the company estimated the fair value of its investment in the indirect equity interest in AGH using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 11.4% to 25.7% and a long term growth rate of 3.0% (December 31, 2018 - 11.7% to 26.0% and 3.0%). At June 30, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for AGH's business units prepared in the second quarter of 2019 (December 31, 2018 - fourth quarter of 2018) by AGH's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which AGH operates.

At June 30, 2019 the company's internal valuation model indicated that the fair value of its 45.2% indirect equity interest in AGH, acquired through the company's ownership in Joseph Holdings, was $115,247 (December 31, 2018 - $111,888), comprised of the Class A shares and ordinary shares of Joseph Holdings. The changes in fair value of the company's indirect equity interest in AGH for the second quarters and first six months of 2019 and 2018 are presented in the tables at the outset of the African Investments section of this MD&A.

AGH Facilities

In the second quarter and first six months of 2019 the company recorded interest income of $523 and $926 (2018 - nil and $383) within interest in the consolidated statements of earnings and comprehensive income related to the AGH Facility.

At June 30, 2019 the company estimated the fair value of its investment in the AGH Facility to be $12,735 (December 31, 2018 - nil) which due to the short term to maturity of the investment, approximated its amortized cost. The changes in fair value of the AGH Facility for the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

AGH's Summarized Financial Information

To avoid the distortion caused by foreign currency translation, the tables below present AGH's financial and operating results in both U.S. dollars and South African rand (AGH's functional currency). The discussion which follows refers to those South African rand figures unless indicated otherwise.

The company's fiscal year ends on December 31 and AGH's fiscal year ends on March 31. Summarized below are AGH's balance sheets at March 31, 2019 and 2018.

Balance Sheets
(unaudited - South African rand and US$ thousands)

	South African rand		US$	
	March 31, 2019	March 31, 2018	**March 31, 2019 (1)**	March 31, 2018 (1)
Current assets	**6,752,359**	6,011,610	**468,263**	507,309
Non-current assets	**3,812,477**	4,768,928	**264,389**	402,441
Current liabilities	**6,086,222**	5,114,992	**422,068**	431,645
Non-current liabilities	**681,703**	3,460,998	**47,275**	292,067
Shareholders' equity	**3,796,911**	2,204,548	**263,309**	186,038

(1) The net assets of AGH were translated at March 31, 2019 at $1 U.S. dollar = 14.42 South African rand and at March 31, 2018 at $1 U.S. dollar = 11.85 South African rand. The exchange rates used were the spot rates prevailing on those respective dates.

The increase in current assets primarily reflected an increase in inventories arising from AGH's Australia business, and an increase in cash and cash equivalents. The decrease in non-current assets primarily related a decrease in property, plant and equipment as a result of AGH's sale of its silo and bunker infrastructure assets. The increase in current liabilities primarily related to increases in short-term borrowings to fund working capital requirements. The decrease in non-current liabilities primarily related to a decrease in borrowings in connection with AGH's sale of its silo and bunker infrastructure assets for which the buyer assumed AGH's debt as part of the consideration.

Summarized below are AGH's statements of earnings for the year ended March 31, 2019 and 2018.

Statements of Earnings
(unaudited - South African rand and US$ thousands)

	South African rand		US$	
	Year ended March 31, 2019	Year ended March 31, 2018	**Year ended March 31, 2019 (1)**	Year ended March 31, 2018 (1)
Revenue	**12,974,725**	11,349,491	**947,060**	875,732
Earnings before taxes	**984,259**	39,780	**71,844**	3,069
Net earnings (loss)	**1,179,206**	(143,533)	**86,073**	(11,075)

(1) Amounts for the year ended March 31, 2019 and 2018 were translated into US$ using the average exchange rates of $1 U.S. dollar = 13.70 South African rand and $1 U.S. dollar = 12.96 South African rand prevailing during those periods.

Revenues increased primarily due to the strong performances in Philafrica's milling and Nedan divisions (arising from better procurement in a less volatile commodity market), the inclusion of recently acquired Pakworks' revenue for nine months and a strong performance by AFGRI International's equipment business in Australia following favourable agricultural conditions and its 2017 acquisition, partially offset by lower equipment volumes in South Africa (through the John Deere brand) following a late harvest and uncertainty surrounding government plans on land reform (with farmers holding off on capital purchases), and lower volumes at Philafrica's mussels, cassava and poultry businesses. The increase in earnings before taxes and net earnings were primarily due to the capital gain on sale recognized associated with the sale of AGH's silo and bunker infrastructure assets that occurred in March 2019.

Investment in Philafrica Foods Proprietary Ltd.

Business Overview

Philafrica is headquartered in South Africa, where it owns and operates maize mills, wheat mills, animal feed factories, snacking and bread production facilities, soya crushing and extraction plants, which process oil and other raw materials into edible oils, fats and proteins for human consumption (primarily for the food processing and quick-service restaurant industries), and a mussels farm and factory. Philafrica also has food-related businesses outside South Africa, consisting mainly of a cassava processing business in Côte d'Ivoire and Mozambique and a poultry joint venture in Mozambique. In addition to its 14 production plants (including newly acquired mussels and snack manufacturing operations) across the South African provinces of Gauteng, KwaZulu Natal, Mpumalanga, Eastern Cape, Western Cape, the Free State and Limpopo, Philafrica also has operations in Mozambique and Cote d'Ivoire.

Philafrica's principal lines of business are comprised of:

- Cassava Processing (mobile processing technology through Dadtco Philafrica);
- Grain Milling (involved in the industrial milling of yellow corn (maize) and wheat);
- Oil and Protein (soya crushing and oil extraction through Nedan Foods);
- Animal Feeds (production of balanced feed for animal production);
- Dog Food Production (full line of dog food products under the *Jock* brand);
- Poultry Mozambique (integrated business across the entire Poultry value chain through its joint venture with Novos Horizontes);

- Snacking Manufacturing (through PakWorks, producing dry snacks exclusively for PepsiCo in SSA);
- a Mussel Farming and Processing business; and
- Bread Production (through Sunshine Bakery).

Transaction Description

Philafrica Common Shares

In November 2018 Fairfax Africa converted $23,254 (325 million South African rand) of its previously existing Philafrica secured lending facility into 26,000 ordinary shares of Philafrica with the remainder of the facility fully paid in cash. Upon completion of this transaction the company held a 26.0% equity interest in Philafrica with AGH's equity interest decreasing from 100.0% to 60.0%, with AGH maintaining control of Philafrica.

Key Business Drivers, Events, and Risks

Philafrica's key business drivers relate to its ability to grow and vertically integrate its share in the food value chain across the African continent. The company's recent acquisition of Sunshine Bakery, a branded regional manufacturer and distributor of Vitamin D enriched bread under the Sunshine Brand with the potential to expand nationally, forms part of its strategic drive to participate meaningfully with branded offerings in the fast moving consumer goods market with branded offerings.

During the second quarter of 2019, Philafrica continued to focus on:

- Developing and expanding existing business units, implementing operational improvements and maintaining disciplined procurement practices;
- Integrating its recent acquisitions of Pakworks (July 2018) and Sunshine Bakery (April 2019); and
- Improving the performance of its early stage acquisitions including mussels, cassava and poultry businesses.

Valuation and Interim Consolidated Financial Statement Impact

At June 30, 2019 the company estimated the fair value of its investment in Philafrica using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 11.7% to 20.3% and a long term growth rate of 3.0% (December 31, 2018 - 13.7% to 24.4% and 3.0%). At June 30, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for Philafrica's business units prepared in the second quarter of 2019 (December 31, 2018 - fourth quarter of 2018) by Philafrica's management. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Philafrica operates. At June 30, 2019 the company's internal valuation model indicated that the fair value of its investment in Philafrica was $24,315 (December 31, 2018 - $23,463) for the 26.0% equity interest. The changes in fair value of the company's equity interest in Philafrica for the second quarter and first six months of 2019 and 2018 are presented in the tables at the outset of the African Investments section of this MD&A.

Investment in GroCapital Holdings Proprietary Limited

Business Overview

GroCapital Holdings Proprietary Limited ("GroCapital Holdings") is a bank holding company that owns 99.9% of Grobank Limited ("Grobank", formerly known as the South African Bank of Athens Limited or "SABA")**.** Operating as a South African bank since 1947, Grobank is focused on developing and delivering banking services to medium-sized businesses with a focus on the agri-business value chain in the South African market, driven by a unique combination of banking and agri-business experience.

Transaction Description

GroCapital Holdings Common Shares

In the fourth quarter of 2018 Fairfax Africa acquired a 35.0% equity interest in GroCapital Holdings and funded the company's pro rata contribution on capital calls, investing an aggregate cash consideration of $12,141 (171.6 million South African rand).

On April 16, 2019 GroCapital Holdings issued a capital call to its shareholders to fund their pro rata contribution, which was invested by GroCapital Holdings into Grobank to support the bank's capital adequacy requirements under South African regulations. On April 23, 2019 Fairfax Africa invested their pro rata contribution of the capital call of $2,288 (32.8 million South African rand) to GroCapital Holdings to maintain its 35.0% equity interest. Upon completion of this transaction, the company had invested aggregate cash consideration of $14,429 (204.4 million South African rand) in GroCapital Holdings.

Key Business Drivers, Events, and Risks

On April 8, 2019 Grobank embarked on a new positioning and strategy to become the leading food and agriculture industry business bank in the South African market. Grobank's key business drivers relate to its ability to leverage its extensive banking experience and accessing the deep food and agri-business knowledge of AGH in order to grow its customer base in the agricultural industry with a focus on small to medium-sized enterprises. Grobank's Alliance Banking Offering creates an opportunity to provide co-branded financial services to AGH's subsidiaries and other distribution channels in strategic partnership with established retailers and FinTech companies.

Valuation and Interim Consolidated Financial Statement Impact

At June 30, 2019 the initial transaction price for the company's investment in GroCapital Holdings was considered to approximate fair value as there were no significant changes to its investment in Grobank's business, capital structure and operating environment and the key assumptions in the company's acquisition valuation model continue to be valid. At June 30, 2019 the fair value of the company's investment in GroCapital Holdings was $14,490 (December 31, 2018 - $11,927). The changes in fair value of the company's equity interest in GroCapital Holdings for the second quarter and first six months of 2019 are presented in the table at the outset of the African Investments section of this MD&A.

Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation)

Business Overview

The company's investment in CIG is comprised of common shares, a debt instrument and derivative obligation. The company's investment in CIG common shares is discussed in the Public African Investments section under the heading Investment in Consolidated Infrastructure Group (Common Share) presented earlier in this MD&A.

Transaction Description

CIG Loan

In May 2018 the company entered into a secured lending arrangement with CIG, pursuant to which the company provided CIG with $23,270 (292.5 million South African rand, plus a 2.5% raising fee for aggregate financing of 300 million South African rand) (the "CIG Loan"). In August 2018 the conversion features in the CIG Loan were approved, setting the interest at a rate of South African prime plus 2.0% per annum and a maturity date of June 4, 2023.

Valuation and Interim Consolidated Financial Statement Impact

CIG Loan

At June 30, 2019 the company estimated the fair value of its investment in the CIG Loan using an industry accepted discounted cash flow and option pricing model that incorporated the security's estimated credit spread of 6.3% (December 31, 2018 - 7.8%) and estimated historical share price volatility of 71.2% (December 31, 2018 - 60.9%). The estimated credit spread was based on a peer group of comparable companies adjusted for credit risk specific to CIG. At June 30, 2019 the company's internal valuation model indicated that the estimated fair value of the CIG Loan was $20,757 (December 31, 2018 - $21,068). The changes in fair value of the CIG Loan for the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed earlier in note 5 disclosed at the outset of the African Investments section of this MD&A.

In the second quarter and first six months of 2019 the company recorded interest income of $673 and $1,339 (2018 - $236 for both periods) within interest in the consolidated statements of earnings and comprehensive income related to the CIG Loan.

CIG Rights Offer (Derivative Obligation)

At December 31, 2018 the company's obligation to subscribe for 178,995,353 CIG ordinary shares as part of the CIG Rights Offer (refer to the Public African Investments section under the heading Investment in Consolidated Infrastructure Group (Common Shares) earlier in this MD&A) gave rise to a forward derivative liability. On January 4, 2019 upon closing of the CIG Rights Offer the company settled the forward derivative liability with a fair value of $4,839, reducing the net consideration recorded for the shares acquired by the company in the CIG Rights Offer.

In the first six months of 2019 the company's consolidated statements of earnings and comprehensive income included a net gain on investments of $885 relating to the CIG forward derivative liability that was comprised of: (i) an inception to date realized loss of $4,839 reported in net realized losses on investments; and (ii) a reversal of the unrealized loss of $5,724 reported in net change in unrealized gains on investments which was originally recorded in the company's prior year results.

Investment in the PGR2 Loan (Debt Instrument)

Transaction Description

In May 2018 in conjunction with the CIG Loan, Fairfax Africa entered into a secured lending agreement with PGR2 Investments Proprietary Limited ("PGR2"), the largest shareholder of CIG at the time of the transaction, pursuant to which the company provided PGR2 with $19,969 (260 million South African rand) of secured financing (the "PGR2 Loan"). The PGR2 Loan is secured by ordinary shares of CIG held by PGR2 and associated parties and bears interest at a rate of 15.0% per annum, payable semi-annually in cash or capitalized to principal amount owing at PGR2's option, with a maturity date of May 24, 2021.

Valuation and Interim Consolidated Financial Statement Impact

At June 30, 2019 the company estimated the fair value of its investment in the PGR2 Loan using an industry accepted discounted cash flow and option pricing model that incorporated PGR2's estimated credit spread of 9.3% (December 31, 2018 - 11.9%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to PGR2. At June 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the PGR2 Loan was $20,578 (December 31, 2018 - $17,527). The changes in fair value of the PGR2 Loan for the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

In the second quarter and first six months of 2019 the company recorded interest income of $732 and $1,435 (2018 -$195 for both periods) within interest in the consolidated statements of earnings and comprehensive income related to the PGR2 Loan.

Atlas Mara Limited (Debt Instruments and Warrants)

The company's investment in Atlas Mara is comprised of common shares, debt instruments and warrants. The common shares are discussed in the Public African Investments section under the heading Investment in Atlas Mara Limited (Common Shares) earlier in this MD&A. The Atlas Mara bonds discussed below are not rated.

Transaction Description

Atlas Mara 11.0% Convertible Bonds

In April 2018 Fairfax Africa entered into a placing agreement pursuant to which the company invested $16,000 in Atlas Mara 7.5% convertible bonds (the "Atlas Mara 7.5% Convertible Bonds") and then in December 2018 amended the terms of the bonds. The amended bonds bear interest at a rate of 11.0% per annum accrued quarterly and in lieu of cash, the interest is payable in kind in the form of additional Atlas Mara bonds ("Atlas Mara 11.0% Convertible Bonds"). The bonds mature on December 11, 2019 with the option by Atlas Mara to extend the maturity by an additional year to December 11, 2020.

Atlas Mara 7.5% Bonds plus Warrants

In July 2018 Fairfax Africa amended the terms of the placing agreement to provide an additional $20,000 in funding to Atlas Mara and then in November 2018 amended the terms for the $20,000 funding which included replacing the conversion feature of the bonds with 6,200,000 of Atlas Mara warrants. The bonds bear interest at a rate of 7.5% per annum, with interest payable semi-annually ("Atlas Mara 7.5% Bonds") and mature on November 6, 2021 with the option of Atlas Mara to extend the maturity by an additional year to November 6, 2022. The Atlas Mara warrants can be exercised by the company at a price of $3.20 per ordinary share of Atlas Mara.

Valuation and Interim Consolidated Financial Statement Impact

Atlas Mara 11.0% Convertible Bonds

At June 30, 2019 the company estimated the fair value of its investment in Atlas Mara 11.0% Convertible Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 11.2% (December 31, 2018 - 10.3%) and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the implied spread of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At June 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 11.0% Convertible Bonds was $17,434 (December 31, 2018 - $16,334).

Atlas Mara 7.5% Bonds plus Warrants

At June 30, 2019 the company estimated the fair value of its investment in the Atlas Mara 7.5% Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Atlas Mara's estimated credit spread of 11.2% (December 31, 2018 - 10.3%) and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Atlas Mara. At June 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara 7.5% Bonds was $17,870 (December 31, 2018 - $17,499).

At June 30, 2019 the company estimated the fair value of its investment in the Atlas Mara warrants using an industry accepted discounted cash flow and option pricing model that incorporated estimated historical share price volatility of 33.3% (December 31, 2018 - 34.5%). At June 30, 2019 the company's internal valuation model indicated that the estimated fair value of its investment in the Atlas Mara warrants was $405 (December 31, 2018 - $1,016).

The changes in fair value of the company's bond and warrant investments in Atlas Mara in the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

In the second quarter and first six months of 2019 the company recorded interest income of $1,116 and $2,058 (2018 -$213 for both periods) within interest in the consolidated statements of earnings and comprehensive income related to the Atlas Mara bonds.

Investment in Nova Pioneer Education Group

Business Overview

Nova Pioneer Education Group ("Nova Pioneer") is a Pan-African independent school network offering preschool through secondary education for students from ages 3 through 19. Nova Pioneer was started in 2013 with its first school opening in South Africa in 2014. Since then, the company has expanded across South Africa and launched its first campus in Kenya in 2015. Nova Pioneer currently operates ten schools with a combined enrollment of approximately 3,850 students.

The middle class has rapidly expanded across key regions in Africa. As a result, the demand for affordable, quality private education has grown in excess of available supply. Nova Pioneer is well-positioned to become a leading brand in the African education sector. Average tuition per student is approximately $3,375 per year (2018 - $3,250) and is priced to target emerging middle to upper-middle income families.

Transaction Description

Nova Pioneer Bonds and Warrants

In December 2017 and the second half of 2018 the company invested an aggregate of $27,023 in Ascendant Learning Limited ("Ascendant"), the Mauritius based parent entity of Nova Pioneer, which consisted of: (i) $26,242 of debentures (inclusive of capitalized interest) with an interest rate of 20.0% per annum and mature on December 31, 2024 (the "Nova Pioneer Bonds"); and (ii) 2,477,293 warrants (the "Nova Pioneer Warrants") with an initial cost of $781. Each Nova Pioneer Warrant can be exercised by the company at a price of $2.06 per ordinary share of Ascendant. Other than in circumstances relating to a change of control or a value realization event, the Nova Pioneer Warrants may be exercised after June 30, 2021. At December 31, 2018 the company had a remaining investment commitment of $9,227 to invest in Nova Pioneer Bonds and Warrants.

In January, April and June 2019 the company completed its remaining $9,227 investment commitment comprised of Nova Pioneer Bonds and 922,707 warrants with fair values on the dates of investment of $8,721 and $506. Upon completion of this transaction, Fairfax Africa had invested an aggregate of $37,965 which was comprised of $36,678 in Nova Pioneer Bonds (inclusive of capitalized accrued interest to the principal amount owing) and $1,287 in 3,400,000 Nova Pioneer Warrants.

Key Business Drivers, Events, and Risks

Nova Pioneer's key business drivers relate to its success in meeting its enrollment targets, scaling and expanding its operations across multiple campuses in Kenya and South Africa through efficient sourcing of financing and capital to support the planned expansion, and building its talent pool of teachers and administrators. During the second quarter of 2019 Nova Pioneer began development on new schools in Eldoret, Kenya and Ruimsig, South Africa as well as expanding its existing schools in South Africa. Once completed, these initiatives will increase total potential student capacity from approximately 10,000 to 13,000, an increase of approximately 30%.

In the near term Nova Pioneer will continue to pursue growth opportunities in Kenya while being selective of opportunities in South Africa, mitigating the impact of the market dynamics in the region.

Valuation and Interim Consolidated Financial Statement Impact

At June 30, 2019 the company estimated the fair value of its investment in the Nova Pioneer Bonds using an industry accepted discounted cash flow and option pricing model that incorporated Nova Pioneer's estimated credit spread of 16.4% (December 31, 2018 - 18.5%). The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Nova Pioneer and assumptions related to certain redemption options embedded in the bonds. At June 30, 2019 the company's internal valuation model indicated that the fair value of the investment in Nova Pioneer Bonds was $39,124 (December 31, 2018 - $26,023). The changes in fair value of the Nova Pioneer Bonds during the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

In the second quarter and first six months of 2019 the company recorded interest income of $1,788 and $3,343 (2018 - $1,035 and $2,059) within interest in the consolidated statements of earnings and comprehensive income related to the Nova Pioneer Bonds.

At June 30, 2019 the company estimated the fair value of its investment in the Nova Pioneer Warrants using an industry accepted discounted cash flow and option pricing model that incorporated an estimated share price of $1.74 (December 31, 2018 - $1.46). At June 30, 2019 the company's internal valuation model indicated that the fair value of the investment in the Nova Pioneer Warrants was $1,835 (December 31, 2018 - $1,001). The changes in fair value of the Nova Pioneer Warrants during the second quarters and first six months of 2019 and 2018 are presented in the tables disclosed at the outset of the African Investments section of this MD&A.

Results of Operations

Fairfax Africa's consolidated statements of earnings and comprehensive income for the three and six months ended June 30 are shown in the following table:

	Second quarter		First six months	
Income	**2019**	2018	**2019**	2018
Interest	**5,836**	4,587	**11,306**	7,735
Net realized gains (losses) on investments	**1**	(17)	**(4,838)**	1,785
Net change in unrealized gains (losses) on investments	**(22,375)**	(26,276)	**(40,639)**	15,959
Net foreign exchange gains (losses)	**5,771**	(25,117)	**5,287**	(18,386)
	(10,767)	(46,823)	**(28,884)**	7,093
Expenses				
Investment and advisory fees	**1,687**	1,589	**3,482**	3,148
Performance fee recovery	**—**	(9,368)	**—**	(319)
General and administration expenses	**542**	1,315	**1,769**	2,378
Interest expense	**203**	1,137	**820**	2,201
	2,432	(5,327)	**6,071**	7,408
Loss before income taxes	**(13,199)**	(41,496)	**(34,955)**	(315)
Provision for income taxes	**3,030**	337	**2,754**	668
Net loss	**(16,229)**	(41,833)	**(37,709)**	(983)
Net loss per share (basic and diluted)	**$ (0.27)**	$ (0.80)	**$ (0.61)**	$ (0.02)

Total loss from income of $10,767 in the second quarter of 2019 decreased from total loss from income of $46,823 in the second quarter of 2018 principally as a result of decreased net foreign exchange losses (arising from the strengthening of the South African rand relative to the U.S. dollar during the second quarter of 2019), decreased net change in unrealized losses on investments and increased interest income (principally relating to the Nova Pioneer Bonds, Atlas Mara Bonds and the CIG and PGR2 Loans). The net change in unrealized losses on investments of $22,375 in the second quarter of 2019 was principally comprised of unrealized losses on the company's investments in CIG common shares ($16,268) and Atlas Mara common shares ($8,275), partially offset by unrealized gains on the company's investments in the Nova Pioneer Bonds ($897) and PGR2 Loan ($539). The net change in unrealized losses on investments of $26,276 in the second quarter of 2018 was principally comprised of unrealized losses on the company's investments in Atlas Mara commons shares ($23,747), indirect equity interest in AGH ($3,536) and Other Public African Investments ($1,003), partially offset by unrealized gains on the company's investment in the CIG Loan ($1,880). The net foreign exchange gains in the second quarter of 2019 was principally a result of the strengthening of the South African rand relative to the U.S. dollar during the period (principally related to the company's indirect equity interest in AGH ($2,555), investment in CIG common shares and CIG Loan ($1,078 and $459) and the investment in Philafrica common shares ($511)). The net foreign exchange losses in the second quarter of 2018 was principally a result of the weakening of the South African rand relative to the U.S. dollar during the period (principally related to the company's indirect equity interest in AGH ($16,436), investments in the Philafrica Facility ($4,914), CIG Loan ($1,930) and PGR2 Loan ($1,212)).

Total loss from income of $28,884 in the first six months of 2019 decreased from total income of $7,093 in the first six months of 2018 principally as a result of decreased unrealized gains on investments and a net realized loss on investments related to the settlement of the CIG forward derivative obligation, partially offset by decreased net foreign exchange losses (arising from the strengthening of the South African rand relative to the U.S. dollar during the first six months of 2019) and increased interest income (principally relating to the Nova Pioneer Bonds, Atlas Mara Bonds, and the CIG and PGR2 Loans). Net realized losses on investments of $4,838 in the first six months of 2019 related to the settlement of the CIG forward derivative obligation upon closing of the CIG Rights Offer. Net realized gains on investments of $1,785 in the first six months of 2018 principally related to the recognition of a forward derivative liability as a result of the company's participation in the AGH rights offering through its investment in Joseph Holdings. The net change in unrealized losses on investments of $40,639 in the first six months of 2019 was principally comprised of unrealized losses on the company's investments in CIG common shares ($34,035), Atlas Mara common shares ($16,910), the CIG Loan ($770) and the Atlas Mara Warrants ($611), partially offset by the reversal of the prior year unrealized loss ($5,724) related to the settlement of the CIG forward derivative obligation and unrealized gains on the company's investments in the Nova Pioneer Bonds ($2,626), PGR2 Loan ($1,217) and the company's indirect equity interest in AGH ($1,088). The net change in unrealized gains on investments of $15,959 in the first six months of 2018 was principally comprised of unrealized gains on the company's investments in Atlas Mara common shares ($8,347), the company's indirect equity interest in AGH ($8,299) and the CIG Loan ($1,880), partially offset by unrealized losses on the company's investments in Other Public African Investments ($1,990) and the Nova Pioneer Bonds ($681). The net foreign exchange gain of $5,287 in the first six months of 2019 was principally a result of the strengthening of the South African rand relative to the U.S. dollar during the period (principally relating to the company's indirect equity interest in AGH ($2,271), Philafrica common shares ($455), the PGR2 Loan ($418) and the CIG Loan ($405)). The net foreign exchange loss of $18,386 in the first six months of 2018 was principally a result of the weakening of the South African rand relative to the U.S. dollar during the period (principally relating to the company's indirect equity interest in AGH ($11,080), the Philafrica Facility ($4,997), the CIG Loan ($1,930) and the PGR2 Loan ($1,212), partially offset by a net foreign exchange gain of $1,166 relating to the AGH facility which matured on January 31, 2018).

Net gains (losses) on investments and net foreign exchange gains (losses) for the three and six months ended June 30 were comprised as follows:

	Second quarter					
	2019			2018		
	Net realized gains (losses)	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments - U.S. treasury bills:	**1**	**93**	**94**	(17)	—	(17)
Loans	**—**	**784**	**784**	—	1,715	1,715
Bonds	**—**	**1,304**	**1,304**	—	232	232
Common stocks	**—**	**(24,151)**	**(24,151)**	—	(28,523)	(28,523)
Derivatives	**—**	**(405)**	**(405)**	—	300	300
	1	**(22,375)**	**(22,374)**	(17)	(26,276)	(26,293)
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**60**	**—**	**60**	145	—	145
Loans	**—**	**1,201**	**1,201**	—	(8,056)	(8,056)
Common stocks	**—**	**4,449**	**4,449**	—	(17,140)	(17,140)
Other	**—**	**61**	**61**	—	(66)	(66)
	60	**5,711**	**5,771**	145	(25,262)	(25,117)

	First six months					
	2019			2018		
	Net realized gains (losses)	**Net change in unrealized gains (losses)**	**Net gains (losses)**	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments - U.S. treasury bills	**1**	**93**	**94**	(18)	—	(18)
Loans	**—**	**447**	**447**	—	1,715	1,715
Bonds	**—**	**2,864**	**2,864**	—	(662)	(662)
Common stocks	**—**	**(49,484)**	**(49,484)**	1,803	14,554	16,357
Derivatives	**(4,839)**	**5,441**	**602**	—	352	352
	(4,838)	**(40,639)**	**(45,477)**	1,785	15,959	17,744
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**1,962**	**—**	**1,962**	215	—	215
Loans	**—**	**514**	**514**	1,166	(8,139)	(6,973)
Common stocks	**—**	**2,726**	**2,726**	—	(11,555)	(11,555)
Other	**—**	**85**	**85**	—	(73)	(73)
	1,962	**3,325**	**5,287**	1,381	(19,767)	(18,386)

Total expenses of $2,432 in the second quarter of 2019 increased compared to a total expense recovery of $5,327 in the second quarter of 2018 principally as a result of recovery of performance fee recorded in the second quarter of 2018, partially offset by decreased interest expense and general and administrative expenses. Total expenses of $6,071 in the first six months of 2019 decreased compared to total expenses of $7,408 in the first six months of 2018 principally due to decreased interest expense and general and administration expenses, partially offset by increased investment and advisory fees as a result of increased holdings of African Investments and performance fee recovery recorded in the first six months of 2018.

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. In the second quarter and first six months of 2019 the investment and advisory fees recorded in the consolidated statements of earnings and comprehensive income was $1,687 and $3,482 (2018 - $1,589 and $3,148).

At June 30, 2019 the company determined that there was no performance fee accrual as the book value per share of $9.05 (before factoring in the impact of the performance fee) at June 30, 2019 was less than the hurdle per share at that date of $11.28. In the second quarter and first six months of 2018 the company recorded a performance fee recovery of $9,368 and $319 in the consolidated statements of earnings and comprehensive income.

Interest expense of $203 in the second quarter of 2019 related principally to amortization of issuance costs. Interest expense of $820 in the first six months of 2019 related to $30,000 drawn from the company's $90,000 Credit Facility which was repaid on March 21, 2019 and the amortization of issuance costs. Interest expense of $1,137 and $2,201 in the second quarter and first six months of 2018 related to the company's $150,000 secured term loan.

The provision for income taxes of $3,030 in the second quarter of 2019 differed from the recovery for income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes principally due to the change in unrecorded tax benefit of losses and temporary differences and provision relating to prior year, partially offset by tax rate differential on income earned outside of Canada and foreign exchange fluctuations. The provision for income taxes of $2,754 in the first six months of 2019 differed from the recovery for income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes principally due to the change in unrecorded tax benefit of losses and temporary differences, tax rate differential on losses incurred outside of Canada, provision relating to prior year, partially offset by foreign exchange fluctuations. The provision for income taxes of $337 in the second quarter of 2018 differed from the recovery for income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes principally due to tax rate differential on losses incurred outside of Canada and foreign exchange fluctuations, partially offset by the change in unrecorded tax benefit of losses and temporary differences. The provision for income taxes of $668 in the first six months of 2018 differed from the recovery for income taxes determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes principally due to foreign exchange fluctuations, partially offset by the change in unrecorded tax benefit of losses and temporary differences and tax rate differential on income earned outside of Canada.

The company reported a net loss of $16,229 (a net loss of $0.27 per basic and diluted share) in the second quarter of 2019 compared to a net loss of $41,833 (a net loss of $0.80 per basic and diluted share) in the second quarter of 2018. The year-over-year decrease in net loss reflected decreased net foreign exchange losses, decreased net unrealized losses on investments, increased interest income, decreased interest expense and general and administration expenses, partially offset by performance fee recovery recorded in the prior period and increased provision for income taxes. The company reported a net loss of $37,709 (a net loss of $0.61 per basic and diluted share) in the first six months of 2019 compared to a net loss of $983 (a net loss of $0.02 per basic and diluted share) in the first six months of 2018. The year-over-year increase in net loss principally reflected increased net unrealized losses on investments and net realized losses on investments, increased provision for income taxes, increased investment and advisory fees and performance fee recovery recorded in the prior period, partially offset by decreased net foreign exchange losses and interest income and decreased interest expense and general and administration expenses.

Consolidated Balance Sheet Summary

Total Assets

Total assets at June 30, 2019 of $553,766 (December 31, 2018 - $643,830) were principally comprised as follows:

Total cash and investments decreased to $548,480 at June 30, 2019 from $634,609 (net of the derivative obligation of $5,724) at December 31, 2018. The movements in the company's cash and investments were principally as follows:

Cash and cash equivalents decreased to $48,053 at June 30, 2019 from $230,858 at December 31, 2018 primarily as a result of the company's investment in African Investments (CIG common shares, AGH Facility, GroCapital Holdings common shares, Nova Pioneer Bonds and Nova Pioneer Warrants), purchase of short term U.S. treasury bills, repayment of the Credit Facility and purchases of subordinate voting shares for cancellation.

Short term investments increased to $98,970 at June 30, 2019 from $38,723 at December 31, 2018 reflecting purchases of U.S. treasury bills.

Loans, Bonds, Common Stocks and Derivatives - The company is actively seeking investment opportunities in Africa and will continue to redirect capital from its cash and cash equivalents, and short term investments portfolio into African Investments as and when those opportunities are identified. For more information about recent African Investments, see the African Investments section of this MD&A.

Interest receivable of $3,874 at June 30, 2019 primarily related to interest receivable on the Nova Pioneer Bonds, AGH Facility, the CIG and PGR2 Loans, and U.S. treasury bills. Interest receivable of $2,472 at December 31, 2018 primarily related to interest receivable on the Nova Pioneer Bonds, and the CIG and PGR2 Loans.

Total Liabilities

Total liabilities at June 30, 2019 of $6,022 (December 31, 2018 - $40,703) were principally comprised as follows:

Derivative obligation of nil at June 30, 2019 (December 31, 2018 - $5,724) related to the company's settlement of its forward derivative liability on January 4, 2019 upon closing of the CIG Rights Offer (see Private African Investments section under the heading Investment in Consolidated Infrastructure Group (Debt Instrument and Derivative Obligation) earlier in this MD&A).

Payable to related parties increased to $1,891 at June 30, 2019 from $1,658 at December 31, 2018, principally as a result of increased investment and advisory fees payable to Fairfax.

Deferred income taxes of $550 at June 30, 2019 (December 31, 2018 - nil) related to estimated future net tax liabilities in SA Sub on its underlying investments and unrecognized deferred income tax assets related to the company's investments held in SA Sub, and tax benefit on share issuance costs.

Income taxes payable decreased to $3,132 at June 30, 2019 from $3,263 at December 31, 2018 primarily due to payments made to settle income taxes payable at SA Sub and Mauritius Sub.

Borrowings decreased to nil at June 30, 2019 from $29,527 at December 31, 2018 which reflected the company's repayment of the drawn amount of the Credit Facility on March 21, 2019.

Financial Risk Management

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheets from events that have the potential to materially impair its financial strength. There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at June 30, 2019 compared to those identified at December 31, 2018 and disclosed in the company's 2018 Annual Report, other than as outlined in note 11 (Financial Risk Management) to the interim consolidated financial statements for the three and six months ended June 30, 2019.

Capital Resources and Management

For a detailed analysis, refer to note 11 (Financial Risk Management, under the heading Capital Management) to the interim consolidated financial statements for the three and six months ended June 30, 2019.

Book Value per Share

Common shareholders' equity at June 30, 2019 was $547,744 (December 31, 2018 - $603,127). The book value per share at June 30, 2019 was $9.05 compared to $9.60 at December 31, 2018 representing a decrease of 5.7% in the first six months of 2019, primarily reflecting a net loss of $37,709 in the first six months of 2019 (principally due to unrealized losses on the company's Public African Investments, partially offset by increased interest income and net foreign exchange gains).

	June 30, 2019	December 31, 2018
Common shareholders' equity	**547,744**	603,127
Number of common shares outstanding	**60,520,463**	62,811,965
Book value per share	**$9.05**	$9.60

On June 28, 2019 the company announced that the TSX accepted a notice filed by Fairfax Africa of its intention to commence a normal course issuer bid for its subordinate voting shares by which it is authorized, until expiry of the bid on July 7, 2020, to acquire up to 2,324,723 subordinate voting shares representing at that date approximately 10% of the public float in respect of the subordinate voting shares. Decisions regarding any future repurchases will be based on market conditions, share price and other factors including opportunities to invest capital for growth. The Notice of Intention to Make a Normal Course Issuer Bid is available, without charge, by contacting the Corporate Secretary of the company.

During the first six months of 2019, under the terms of the normal course issuer bid, the company purchased for cancellation 2,291,502 (2018 - nil) subordinate voting shares for a net cost of $19,629 (2018 - nil) of which $4,152 was recorded as a benefit in retained earnings (2018 - nil).

Liquidity

The undeployed cash and investments at June 30, 2019 provides adequate liquidity to meet the company's remaining known significant commitments in 2019, which are principally comprised of investment and advisory fees, general and administration expenses and corporate income taxes. On March 21, 2019 the company repaid the $30,000 of the drawn amount of the Credit Facility, along with accrued interest of $509. The company can draw upon the full $90,000 Credit Facility to supplement its cash needs, if required. The company expects to continue to receive investment income on its holdings of fixed income securities to supplement its cash and cash equivalents. Accordingly, the company has adequate working capital to support its operations.

Refer to the Contractual Obligations section of this MD&A for details on the settlement of the performance fees, if any, at the end of the first calculation period, December 31, 2019.

Highlights in the first six months of 2019 (with comparisons to the first six months of 2018 except as otherwise noted) of major components of cash flow are presented in the following table:

	First six months	
	2019	2018
Operating activities		
Cash used in operating activities before the undernoted	**(1,741)**	(1,825)
Net purchases of short term investments	**(59,325)**	(130,085)
Purchases of investments	**(74,072)**	(113,107)
Sales of investments	**—**	25,399
Decrease in restricted cash in support of investments	**—**	162,519
Financing activities		
Increase in restricted cash in support of term loan	**—**	(1,281)
Repayment of the Credit Facility	**(30,000)**	—
Purchases of subordinate voting shares for cancellation	**(19,629)**	—
Issuance of subordinate voting shares, net of issuance costs	**—**	148,316
Increase (decrease) in cash and cash equivalents during the period	**(184,767)**	89,936

Cash used in operating activities before the undernoted is comprised of net loss adjusted for items not affecting cash and cash equivalents and changes in operating assets and liabilities. Cash used in operating activities before the undernoted of $1,741 in the first six months of 2019 modestly decreased compared to cash used in operating activities before the undernoted of $1,825 in the first six months of 2018, with the change principally related to decreased interest expense paid and general and administration expenses, partially offset by decreased interest income received and increased investment and advisory fees.

Net purchases of short term investments of $59,325 and $130,085 in the first six months of 2019 and 2018 related to net purchases of U.S. treasury bills that had not yet been deployed into African Investments. Purchases of investments of $74,072 in the first six months of 2019 primarily related to the company's investments in the CIG common shares acquired through the CIG Rights Offer, AGH Facility, Nova Pioneer Bonds and Warrants and additional investment in GroCapital Holdings common shares. Purchases of investments of $113,107 in the first six months of 2018 primarily related to the company's investments in loans that included Philafrica Facility, CIG and PGR2 loans and an investment in the Atlas Mara 7.5% Convertible Bonds. In addition, first six months of 2018 the company had also participated in the AGH rights offering (through its ownership in Joseph Holdings) and purchased additional common shares of Joseph Holdings. Sales of investments of $25,399 in the first six months of 2018 related to the proceeds received at maturity (January 31, 2018) from the company's investment in the first AGH facility.

Decrease in restricted cash in support of investment of $162,519 in the first six months of 2018 reflected the release of cash collateral from restricted cash related to the termination of the company's LC Facility. Increase in restricted cash in support of term loan of $1,281 in the first six months of 2018 related to interest received on the cash collateral that was required to be held for the $150,000 secured term loan.

Repayment of the Credit Facility of $30,000 in the first six months of 2019 related to the repayment of the amount drawn from the Credit Facility at its maturity (March 21, 2019). Purchases of subordinate voting share of $19,629 in the first six months of 2019 related to the company's purchases for cancellation of 2,291,502 subordinate voting shares under the terms of the normal course issuer bid. Refer to note 8 (Common Shareholders' Equity) to the interim consolidated financial statements for the three and six months ended June 30, 2019 for details. Issuance of subordinate voting shares, net of issuance costs of $148,316 in the first six months of 2018 related to the net proceeds received from the secondary offering. Issuance costs of $2,359 relating to the secondary offering were primarily comprised of fees paid to underwriters of the subordinate voting shares.

Contractual Obligations

Under the terms of the Investment Advisory Agreement (defined in note 12 (Related Party Transactions) to the interim consolidated financial statements for the three and six months ended June 30, 2019), the company and its Mauritius Sub are contractually obligated to pay Fairfax an investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the company's common shareholders' equity and book value per share.

The investment and advisory fees recorded in the consolidated statements of earnings and comprehensive income in the second quarter and first six months of 2019 were $1,687 and $3,482 (2018 - $1,589 and $3,148).

At June 30, 2019 the company determined that there was no performance fee accrual (December 31, 2018 - nil) as the book value per share of $9.05 (before factoring in the impact of the performance fee) at June 30, 2019 was less than the hurdle per share at that date of $11.28. Refer to note 12 (Related Party Transactions) to the interim consolidated financial statements for the three and six months ended June 30, 2019 for discussion on the performance fee.

Related Party Transactions

The company's related party transactions are disclosed in note 12 (Related Party Transactions) to the interim consolidated financial statements for the three and six months ended June 30, 2019.

Other

Quarterly Data (unaudited)

US$ thousands, except per share amounts	**June 30, 2019**	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Income (loss)	**(10,767)**	(18,117)	(41,036)	(8,165)	(46,823)	53,916	(16,429)	41,640
Expenses (recovery)	**2,432**	3,639	2,802	3,392	(5,327)	12,735	(2,088)	8,189
Provision for (recovery of) income taxes	**3,030**	(276)	3,732	470	337	331	(492)	432
Net earnings (loss)	**(16,229)**	(21,480)	(47,570)	(12,027)	(41,833)	40,850	(13,849)	33,019
Net earnings (loss) per share	**$ (0.27)**	$ (0.35)	$ (0.76)	$ (0.19)	$ (0.80)	$ 0.81	$ (0.27)	$ 0.65
Net earnings (loss) per diluted share	**$ (0.27)**	$ (0.35)	$ (0.76)	$ (0.19)	$ (0.80)	$ 0.80	$ (0.27)	$ 0.65

Income (loss) continues to be primarily comprised of net change in unrealized gains (losses) on investments, net foreign exchange gains (losses), net realized gains (losses) on investments and interest income. Loss from income was significantly impacted in the second quarter and first six months of 2019 by the net change in unrealized losses on the company's African Investments (principally unrealized losses in the company's investments in CIG and Atlas Mara common shares), the timing of which are not predictable. Individual quarterly results have been (and may in the future be) affected by increased expenses impacted by the change in fair value of the company's African Investments which result in higher performance fees, if applicable, and investment and advisory fees.

Forward-Looking Statements

This interim report may contain forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements may relate to the company's or an African Investment's future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, plans and objectives of the company. Particularly, statements regarding future results, performance, achievements, prospects or opportunities of the company, an African Investment, or the African market are forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".

Forward-looking statements are based on our opinions and estimates as of the date of this interim report and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors: geographic concentration of investments; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; operating and financial risks of African investments; valuation methodologies involve subjective judgments; lawsuits; use of leverage; foreign currency fluctuation; investments may be made in foreign private businesses where information is unreliable or unavailable; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; emerging markets; South African black economic empowerment; economic risk; weather risk; taxation risks; and trading price of common shares relative to book value per share. Additional risks and uncertainties are described in the company's annual information form dated March 8, 2019 which is available on SEDAR at www.sedar.com and on the company's website at www.fairfaxafrica.ca. These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect the company. These factors and assumptions, however, should be considered carefully.

Although the company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The company does not undertake to update any forward-looking statements contained herein, except as required by applicable securities laws.

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